GLOBAL PETROLEUM ALBANIA ShA.

FINANCIAL STATEMENTS

31 DECEMBER 2010

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Auditor's Report

To the shareholders of

"GLOBAL PETROLEUM ALBANIA" sh a
Tirana, Albania

We have audited the accompanying financial statements Global Petroleum Albania sh a ("the company"), which comprise the balance sheet as at 31 December 2010 and the statements of income and expenditures, statement of changes in equity and cash flow statement for the year than ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant go to preparation of financial statements that are free from material misstatement, whether due to fraud and error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view, in all materials respects, the financial position of "Global Petroleum Albania" sh a, as of 31 December 2010, and of its financial performance and its cash flows for the year than ended in accordance with Law 9228 dated 29.04.2004 "On Accounting and Financial Statements" and International Financial Reporting Standards.

"Inter BBK Auditing" sh p k

Tirana March 30th, 2011

Esmeralda BALLUKU

Engagement Partner

AUDITING Sh.p.k
INTER B.B.K
TIRANA - ALBANIA

	Note	As at 31 December 2010	2009
Assets			
Non-current assets			
Intangible assets		983	1,146
Property, plant and equipments	5	401,905	419,122
Investments in subsidiaries	6	617,473	617,473
		1,020,361	**1,037,741**
Current assets			
Inventories	7	7,959	118,527
Trade and other receivables	8	188,037	427,491
Cash and cash equivalents	9	83,687	79,385
		279,683	**625,403**
Total assets		**1,300,044**	**1,663,144**
Equity			
Share capital	10	1,063,800	1,063,800
Share premium	10	623,920	623,920
Accumulated losses		(1,923,984)	(1,534,463)
		(236,264)	**153,257**
Liabilities			
Non-current liabilities			
Provisions for other liabilities and charges	11	125,842	100,386
		125,842	**100,386**
Current liabilities			
Borrowings	12	103,995	95,805
Trade and other payables	13	1,306,471	1,313,696
		1,410,466	**1,409,501**
Total liabilities		**1,536,308**	**1,509,887**
Total equity and liabilities		**1,300,044**	**1,663,144**

The Financial Statements and accompanying notes on pages 3 to 27 are approved and signed on 30 March 2011 by:

General Director
Argyrios Katsibiris

Chief Accountant
Elizabeta Burda

(AMOUNTS IN ALL THOUSAND, UNLESS OTHERWISE STATED)

		Year ended 31 December	
	Note	**2009**	**2009**
Revenue	14	2,461,024	3,531,302
Cost of sales	15	(2,373,230)	(3,394,943)
Gross profit		**87,794**	**136,359**
Other income	16	7,438	9,862
Sales and distribution costs	17	(58,218)	(149,529)
Administrative expenses	18	(84,559)	(67,463)
Other (losses)/gains - net	19	(202,548)	(666,640)
Operating loss		**(250,092)**	**(737,411)**
Finance income	20	977	532
Finance costs	20	(140,406)	(109,034)
Finance costs - net	20	(139,429)	(108,502)
Loss before income tax		**(389,521)**	**(845,913)**
Income tax expense	21	-	-
Loss for the year		**(389,521)**	**(845,913)**

(AMOUNTS IN ALL THOUSAND, UNLESS OTHERWISE STATED)

	Share capital	**Share premium**	**Accumulated losses**	**Total equity**
Balance at 01 January 2009	1,063,800	623,920	(688,550)	999,170
Profit or loss	-	-	(845,913)	(845,913)
Balance at 31 December 2009	**1,063,800**	**623,920**	**(1,534,463)**	**153,257**
Profit or loss	-	-	(389,521)	(389,521)
Balance at 31 December 2010	**1,063,800**	**623,920**	**(1,923,984)**	**(236,264)**

(AMOUNTS IN ALL THOUSAND, UNLESS OTHERWISE STATED)

		Year ended 31 December	
	Note	**2010**	**2009**
Profit for the year		(389,521)	(845,913)
Adjustment for:			
Net gain from sale of property plan and equipment	19	(172)	-
Depreciation	5	21,323	68,703
Provision for inventory	6	2,914	-
Provision for impairment of receivables	19	189,071	14,020
Impairment of assets	19	-	564,805
Provision for other liabilities and charges	19	13,877	90,641
Interest expenses	20	3,542	3,614
Interest incomes	20	(977)	(532)
Cash flow from operating activities		(159,943)	(104,662)
(Increase)/decrease in inventories		107,654	43,584
(Increase)/decrease from trade and other debtors		61,965	3,372
Increase/(decrease) from trade and other payables		(7,225)	116,996
Net cash generated from operating activities		**2,450**	**59,291**
Cash flow from investing activities			
Purchase of property, plant and equipment	5	(4,162)	(3,712)
Proceeds from the sale of property, plant and equipment	19	400	-
Purchase of intangible assets		(10)	(327)
Interest received		977	532
Net cash used in investing activities		**(2,795)**	**(3,507)**
Financing activities			
Proceeds/(repayment) from borrowings		8,190	(37,066)
Interest paid		(3,542)	(3,614)
Net cash generated/(used) in financing activities		**4,648**	**(40,679)**
Net increase/(decrease) in cash during the year		**4,303**	**15,105**
Cash on hand and at banks, at 1 January	9	79,385	64,279
Cash on hand and at banks, at 31 December	9	**83,687**	**79,385**

1. Background

a- Organisation and operations

Global Petroleum Albania SHA. (the “Company”) was established as a joint stock company in Tirana on July 1999. The Company’s registered office is at Rruga e Kavajes, no.59, Tirana, Albania. The Company’s principal activity is import and wholesale of refined fuel products in the Republic of Albania.

The Company is owned by Hellenic Petroleum SA. Greece (99.957%). The majority of the Company’s funding is from other entities within the Group headed by Hellenic Petroleum SA (the “Group”). As a result, the Company is economically dependent upon the Group. In addition, the activities of the Company are closely linked with the requirements of the Group. Related party transactions are detailed in note 25.

As at 31 December 2010 the company had 12 employees (31 December 2009: 23 employees).

b- Albanian business environment

The ongoing global financial and economic crisis that emerged out of the severe reduction in global liquidity which commenced in the middle of 2007 (often referred to as the “Credit Crunch”) has resulted in, among other things, a lower level of capital market funding, lower liquidity levels across the banking sector and wider economy, and, at times, higher interbank lending rates and very high volatility in stock and currency markets. The uncertainties in the global financial markets have also led to failures of banks and other corporates, and to bank rescues in the United States of America, Western Europe, Russia and elsewhere. The full extent of the impact of the ongoing global financial and economic crisis is proving to be difficult to anticipate or completely guard against. Management faced difficulties to reliably determine the effects on the Company’s future financial position of any further deterioration in the Company’s operating environment as a result of the ongoing crisis. Management believes it is taking all the necessary measures to support the sustainability and development of the Company’s business in the current circumstances.
Impact on customers/ borrowers:
Debtors of the Company may be adversely affected by the financial and economic environment which could in turn impact their ability to repay the amounts owed. Deteriorating economic conditions for customers may also have an impact on management’s cash flow forecasts and assessment of the impairment of financial and non-financial assets. To the extent that information is available, management has properly reflected revised estimates of expected future cash flows in its impairment assessments.

2. Significant accounting policies

2.1 Basis of preparation

a- Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRIC interpretations, as adopted by the European Union. The financial statements have been prepared under the historical cost convention.
The preparation of the financial statements in accordance with IFRS requires management to make estimates and assumptions. The management relied on their own judgment when applying the accounting policy of the Company. The elements of the financial statements whose presentation includes higher degree of judgement or subjectivity and for which the assumptions and judgments have higher influence are separately disclosed in Note 4.

b- Basis of measurement

The financial statements are prepared on the historical cost basis.

2. Significant accounting policies (continued)

c- Functional and presentation currency

The national currency of the Republic of Albania is the Albanian LEK ("LEK"), which is the Company's functional currency and the currency in which these financial statements are presented. All financial information presented in LEK has been rounded to the nearest thousand.

2.2 Going Concern

The Company's financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operational existence for the foreseeable future.

The Company incurred losses during the year ended 31 December 2010 amounting LEK 389,521 thousand (31 December 2009: LEK 845,913 thousand) and current liabilities exceed current assets by LEK 1,130,783 thousand (31 December 2009: LEK 784,097 thousand) which causes significant uncertainty on the Company's ability to continue as a going concern. Since the foundation of the Company, its owners have provided financial support, so that the Company is able to continue its operations. The Company's ability to meet its obligations and to continue as a going concern is dependent on the funds provided by the owners. The Company's parent confirmed to the Company that it is its current policy to ensure that Global Petroleum Albania SHA. is in the position to meet its debts and capital expenditure commitments as they fall due. If the Company's owners do not provide financial support to the Company and the going concern basis would not be applied, the Company's assets and liabilities should be measured at their net realisable value. These values could be substantially different than the amounts presented in these financial statements prepared on a going concern basis.

2.3 Foreign currency

Foreign currency transactions are recorded into the functional currency at the rate ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year end disclose rates of monetary assets and liabilities denominated in foreign currency are recognised in the income statement.

2.4 Financial instruments

The Company classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) *Financial assets at fair value through profit or loss*
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets. For the purposes of these financial statements short term means a period within 12 months. During the year, the Company did not hold any investments in this category.

(b) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. The Company's loans and receivables comprise 'trade and other receivables', and 'cash and cash equivalents' in the balance sheet. Loans and receivables are carried at amortised cost using the effective interest method.

2. Significant accounting policies (continued)

(c) *Held-to-maturity investments*
Held-to-maturity investments are fixed-maturity investments that the Company's management has the positive intention and ability to hold to maturity. These securities are included as non-current assets except for securities, reaching maturity within 12 months from the balance sheet date and which are recognised as current during the reporting period. During the year, the Company did not hold any investments in this category.

(d) *Available-for-sale financial assets*
Available-for-sale financial assets are non-derivatives that are investments acquired with the purpose to be owned for non–fixed period of time and which can be sold when the Company needs recourses or at change of interest rates. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date or to use them as a source of working capital. In this case the investments are classified within current assets. During the year, the Company did not hold any investments in this category.

Cash and cash equivalents comprise cash on hand, current accounts with banks and short-term deposits held with banks.

Accounting for finance income and expenses is discussed in note 2.13.

2.5 Property plant and equipments

Property plant and equipments are stated at historical cost less accumulated depreciation and less impairment losses, if any. Historical cost includes all expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the assets carrying amount or recognized as a separate asset, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement when incurred.

Depreciation is charged on a straight-line basis to allocate the cost of fixed assets over their estimated useful lives. Depreciation is charged commencing from the month following the month of acquisition. The estimated useful lives applied are the following:

Description	**Years**
Buildings	20
Machinery & equipment	15
Vehicles	8
Furniture & fixtures	8
Computer hardware	5

The asset's residual value 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 exceeds its estimated recoverable amount.

Gains and losses on disposal of an item of property, plant and equipment are recognised net in "other income" in the income statement.

Borrowing costs are expensed in the income statement.

2. Significant accounting policies (continued)

2.6 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle, and includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition.
Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

2.7 Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.
All impairment losses are recognised in the income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the income statement.

Non-financial assets

The carrying amounts of the company's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of units) on a pro rata basis.

An impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2. Significant accounting policies (continued)

2.8 Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans, such as Albania's state pension fund, are recognised in the income statement when they are due.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.
A liability is recognised for the amount expected to be paid under short-term benefits if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

2.9 Share capital

Issued ordinary shares are classified as share capital.

2.10 Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

2.11 Borrowings

Borrowings are disclosed initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortized cost; any difference between the proceeds (net of transaction costs) and the redemption value is disclosed in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are disclosed as an expense in the period in which they are incurred.

2.12 Revenues

Goods Sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of value-added tax, excise, returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

2. Significant accounting policies (continued)

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. Transfer usually occurs when the product is received at the customer's warehouse.

Agents' Commissions

When the Company acts in the capacity of the principal using an agent in a transaction, the revenue recognised is the net amount after the commissions paid by the Company.

Lease payments

Leases in which a significant portion of the risk and rewards of the ownership are retained by the lesser are classified as operating leases. Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

2.13 Finance income and expenses

Finance income comprises interest income on funds invested and foreign currency gains. Interest income is recognised as it accrues in the income statement, using the effective interest method.

Finance expenses comprise interest expense on borrowings and foreign currency losses. All borrowing costs are recognised in the income statement using the effective interest method.
Foreign currency gains and losses are reported on a net basis.

2.14 Income tax

Income tax expense comprises current and deferred tax. Income tax expense 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 tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax assets and liabilities, and they relate to income taxes levied by the same tax authority. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. No deferred tax assets have been recognized as at 31 December 2010 as the management believes it is no longer probable that the related tax benefit will be realised.

2.15 New and amended standards and interpretations issued but not yet effective

A number of new Standards, amendments and interpretations are not yet effective for financial periods beginning 1 January 2010, and have not been applied in preparing these financial statements. Of these pronouncements, none will have an impact on the Company's financial position or performance.

2. Significant accounting policies (continued)

2.16 New and amended standards and interpretations mandatory for the first time

A number of new Standards, amendments and interpretations have been published and are mandatory for the company's accounting periods beginning on or after 1 January 2010 or later periods, but the company has not adopted them. Of these pronouncements, none is currently relevant to the company:

- IFRS 3 (revised), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements', IAS 28, 'Investments in associates', and IAS 31,'Interests in joint ventures
- IFRIC 17, 'Distribution of non-cash assets to owners'
- IFRIC 18, 'Transfers of assets from customers'
- IFRIC 9, 'Reassessment of embedded derivatives'
- IAS 39 'Financial instruments: Recognition and measurement'
- IFRIC 16, 'Hedges of a net investment in a foreign operation'
- IAS 1 (amendment), 'Presentation of financial statements'
- IAS 36 (amendment), 'Impairment of assets'
- IFRS 2 (amendments) 'Group cash-settled share-based payment transactions'
- IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations'

3. Financial risk management

Management of risk is an essential element of the Company's operations. The major risks faced by the Company are those related to market risk, which includes price, interest rate and currency risks, credit risk and liquidity risk.

3.1 Risk management policies and procedures

The Company's risk management policies aim to identify, analyse and manage the risks faced by the Company, to set appropriate risk limits and controls, and to continuously monitor risk levels and adherence to limits. Risk management policies and procedures are reviewed regularly to reflect changes in market conditions, products and services offered and emerging best practice.

Management of the Company in close cooperation with and supervision by the group risk management structures has overall responsibility for the oversight of the risk management framework, overseeing the management of key risks and reviewing its risk management policies and procedures as well as approving significantly large transactions.

Both external and internal risk factors are identified and managed throughout the Company's organisational structure, and especially by the risk management structures at a group level.

3.1.1 Market risk

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates, credit spreads will affect the Company's income. Market risks comprise currency risk, interest rate risk and other price risk. Market risk arises from open positions in interest rate, currency and other commodities which are exposed to general and specific market movements and changes in the level of volatility of market prices.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, whilst optimizing the return on risk.

3. Financial risk management (continued)

3.1.2 Interest rate risk

Interest rate risk is the risk that movements in interest rates will affect the Company's income or the value of its portfolios of financial instruments.

As the Company has no significant interest bearing assets, the Company's income and operating cash flows are substantially independent of changes in the market interest rates. Changes in interest rates impact primarily its variable rate borrowings by changing their future cash flows. Management does not have a formal policy of determining how much of the Company's borrowings should be to fixed or variable rates. However, at the time of receiving new borrowings management uses its judgment to decide whether it believes that a fixed or variable rate would be more favourable to the Company over the expected period until maturity.

3.1.3 Currency risk

The Company has assets and liabilities denominated in USD and Euro. Foreign currency risk arises when the actual or forecasted assets in a foreign currency are either greater or less than the liabilities in that currency.

3.1.4 Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from its customers.

The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The allowance is calculated based on individual balances analysis.

3.1.5 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

3.2 Capital 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 to maintain an optimal capital structure to reduce the cost of capital. Total capital is calculated as 'equity' as shown in the balance sheet plus net debt. Net debt is calculated as total borrowings as shown in the balance sheet less cash and cash equivalents.

The Company is funded with minimal equity and mainly with internal borrowings and payables to related parties. The Company's parent confirmed to the Company that it is its current policy to ensure that the Company is in the position to meet its debts and capital investment expenditure commitments as they fall due.

3. Financial risk management (continued)

The Company's parent also confirmed to the Company that they will provide support to the Company as to ensure that they will have adequate funds to meet their liabilities when they fall due.

The Company is not subject to externally imposed capital requirements.

4. Use of judgements, estimates and assumptions

Management has made a number of judgments, estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these financial statements in conformity with IFRSs. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts disclosed in the financial statements is included in the following notes:
Note 5 - Property, plant and equipments - impairment of PP&E;
Note 8 - Trade and other receivables - Impairment of trade receivables;
Note 11 - Provisions for other liabilities and charges;
Note 24 - Commitments and contingencies.

5. Property, plant and equipments

	Land and buildings	Technical installation	Vehicles	Furniture, fittings and equipment	Computer hardware	In progress	Total
At 1 January 2009							
Cost	798,492	666,877	16,063	66,239	21,496	9,671	1,578,838
Accumulated depreciation	(216,617)	(250,918)	(7,668)	(35,602)	(19,115)	-	(529,920)
Net book amount	581,875	415,959	8,395	30,637	2,381	9,671	1,048,918
Year ended 31 December 2009							
Opening net book amount	581,875	415,959	8,395	30,637	2,381	9,671	1,048,918
Additions	50	641	-	377	590	2,054	3,712
Disposals (net book value)	-	-	-	-	-	-	-
Depreciation charge	(26,314)	(30,501)	(3,699)	(6,464)	(1,725)	-	(68,703)
Impairment charge	(193,047)	(368,855)	-	(2,522)	(381)	-	(564,805)
Closing net book amount	**362,564**	**17,244**	**4,696**	**22,028**	**865**	**11,725**	**419,122**
At 31 December 2009							
Cost	798,542	667,518	16,063	66,616	22,086	11,725	1,582,550
Accumulated depreciation	(242,931)	(281,419)	(11,367)	(42,066)	(20,840)	-	(598,623)
Accumulated impairment	(193,047)	(368,855)	-	(2,522)	(381)	-	(564,805)
Net book amount	**362,564**	**17,244**	**4,696**	**22,028**	**865**	**11,725**	**419,122**
Year ended 31 December 2010							
Opening net book amount	362,564	17,244	4,696	22,028	865	11,725	419,122
Additions	838	1,786	-	16	609	913	4,162
Transfers	-	-	-	-	2,967	(2,967)	-
Disposals (net book value)	0		(203)	(25)	-	-	(228)
Depreciation charge	(8,474)	(1,589)	(1,656)	(6,405)	(3,026)	-	(21,150)
Impairment charge	-	-	-	-	-	-	-
Closing net book amount	**354,928**	**17,441**	**2,837**	**15,614**	**1,415**	**9,671**	**401,905**
At 31 December 2010							
Cost	799,380	669,304	13,323	65,688	25,662	9,671	1,583,028
Accumulated depreciation	(251,405)	(283,008)	(10,486)	(47,552)	(23,866)	-	(616,317)
Accumulated impairment	(193,047)	(368,855)	-	(2,522)	(381)	-	(564,805)
Net book amount	**354,928**	**17,441**	**2,837**	**15,614**	**1,415**	**9,671**	**401,905**

Depreciation expense has been charged to administrative expense LEK 3,696 thousand and sales and distribution costs LEK 17,627 thousand (31 December 2009: administrative expense LEK 2.588 thousand and sales and distribution costs LEK 66.116 thousand).

Impairment of PP&E

Due to vessels discharging prohibition at Durres, an impairment amount of LEK 564.805 thousand was recognized as at 31 December 2009. There are no changes to impairment during year 2010.

6. Investments in subsidiaries

The investments in subsidiaries relates to 100% participation in the paid in capital of Eko Petroleum Albania Shpk., a retail fuel company. The investment amount carried at cost as at 31 December 2010 is LEK 617.473 thousand (31 December 2009: LEK 617.473 thousand).

7. Inventories

	2010	2009
Refined products with tax	-	21,595
Refined products in transit	-	83,337
Lubricants	5,829	9,113
Consumable materials	5,044	4,482
Provisions for inventory's net realizable value	(2,914)	-
	7,959	**118,527**

8. Trade and other receivables

	2010	2009
Trade receivables	268,301	381,062
Trade receivables from related parties	36,194	-
Less provisions for impairment of trade receivables	(217,507)	(193,008)
Trade receivables – net	86,988	188,054
VAT receivable	-	9,179
Income tax receivables	-	18,328
Tax receivables – litigations	196,160	200,426
Prepaid custom duties	-	4,943
Other receivables	7,321	6,561
Provisions for impairment of tax receivables – litigations	(98,080)	-
Provisions for impairment of other receivables	(4,352)	-
Other receivables - net	101,049	239,437
	188,037	**427,491**

The movement in impairment of trade receivables during the period is as follows:

	2010	2009
At 1 January	193,008	178,988
Provision for trade receivables impairment	26,239	44,483
Reversal of provisions	(1,740)	(30,463)
Provision for tax receivables impairment	98,080	-
Provision for other receivables impairment	4,352	-
At 31 December	**319,939**	**193,008**

9. Cash and cash equivalents

	2010	2009
Cash at banks - local currency	70,347	54,066
Cash at banks - foreign currency	13,148	25,090
Cash in hand	192	229
	83,687	**79,385**

The Company’s exposure to market risks and sensitivity analysis are disclosed in note 22.

10. Share capital

	Number of shares	Ordinary shares	Share premium	Total
At January 2009	1,557,530	1,556,855	623,920	2,180,775
Decrease in share capital	(493,730)	(493,055)	-	(493,055)
At 31 December 2009	1,063,800	1,063,800	623,920	1,687,720
At 31 December 2010	**1,063,800**	**1,063,800**	**623,920**	**1,687,720**

The share capital of the Company is fully paid in cash and owned by:

	Number of shares	Amount	% of total
Hellenic Petroleum S.A. - Greece	1,063,343	1,063,343	99.957%
Dimitrios Gavril	149	149	0.014%
Friden Kuqi	106	106	0.010%
Apostol Goci	106	106	0.010%
Besnik Sula	96	96	0.009%
	1,063,800	**1,063,800**	**100.000%**

11. Provision for other liabilities and charges

	2010	2009
At 1 January	100,386	9,745
Charged/(credited) to the income statement:		
-Additional provisions for tax claims	11,579	90,641
-Additional provisions for other litigations	13,877	
Unused amounts reversed	-	-
At 31 December	**125,842**	**100,386**

12. Borrowings

The Company had a short term borrowing with National Bank of Greece with a credit limit of EUR 5 million and USD 2 million, and variable interest rate of 3M LIBOR + 3,5% p.a. As of 31 December 2010 the used balance was USD 1 million (31 December 2009: USD 1 million). The Company’s exposure to market risks and sensitivity analysis are disclosed in note 22.

13. Trade accounts payable

	2010	2009
Trade payables - third parties	5,593	16,302
Trade payables - related parties	1,294,831	1,296,001
Due to social insurance and payroll tax	830	351
Due to employees	3,837	361
VAT payable	472	-
Other payables	908	681
	1,306,471	**1,313,696**

The Company’s exposure to market risks and sensitivity analysis are disclosed in note 22.

14. Revenue from sales

	2010	2009
Sales of refined products with tax	2,263,155	3,291,617
Sales of refined products in transit	373,668	481,657
Sales of lubricants	9,366	15,141
Agent's commissions	(185,165)	(257,113)
	2,461,024	**3,531,302**

During 2008 there was a change in the tax law in relation to VAT collection procedures. The new law requires the importer of refined fuel products to invoice the goods at full consumer price, therefore the retailer margin is charged back to the importer via a commission invoice. This commission that in tax returns is presented as an expense, for the purpose of this financial statements is deducted from revenues rather than included as expense.

Revenues from sales as reported in tax returns:

	2010	2009
Sales of products subject to VAT (note 14)	2,272,521	3,306,758
Other sales subject to VAT (note 16)	5,824	8,662
Sales of PP&E (note 19)	400	-
Sales reported due to reverse-charge VAT	3,976	-
Total revenues from sales subject to VAT	**2,282,721**	**3,315,420**
Sales of product exempt from VAT (note 14)	373,668	481,657
Rent income exempt from VAT (note 16)	1,614	1,200
Total revenues from sales exempt from VAT	**375,282**	**482,857**
Tax audit adjustments	-	182,821
Total revenues from sales as per tax returns	**2,658,003**	**3,981,098**

15. Cost of sales

	2010	2009
Cost of products	(2,365,232)	(3,393,775)
Provisions for inventory's net realizable value	(2,914)	-
Other costs	(5,084)	(1,168)
	(2,373,230)	**(3,394,943)**

16. Other income

	2010	2009
Rent incomes	1,614	1,200
Other income	5,824	8,662
	7,438	**9,862**

17. Sales and distribution costs

	2010	2009
Rent	(4,716)	(4,976)
Services	(4,247)	(20,182)
Insurance expenses	(2,241)	(3,230)
Transportation expenses	-	(27,852)
Depreciation charge and amortization	(17,627)	(66,115)
Staff expenses	(15,118)	(13,332)
Repairs and maintenance	(1,680)	(4,128)
Stock shortage	(4,690)	(4,106)
Local taxes	(888)	(522)
Supplies	(2,853)	-
Other	(4,158)	(5,086)
	(58,218)	**(149,529)**

18. Administrative expenses

	2010	2009
Rent	(8,356)	(10,581)
Consultancy fees	(36,371)	(8,357)
Depreciation charge and amortization	(3,696)	(2,588)
Staff expenses	(16,958)	(18,664)
Travel and per diems	(3,373)	(3,633)
Communication expenses	(2,666)	(3,369)
Bank charges	(2,403)	(3,024)
Supplies	(5,531)	(9,188)
Repairs and maintenance	(1,705)	(2,152)
Local taxes	(545)	(1,500)
Other	(2,955)	(4,407)
	(84,559)	**(67,463)**

19. Other (losses)/gains - net

	2010	2009
Gain/(loss) from sale of PP&E	172	-
Impairment of PP&E	-	(564,805)
Net charge to provision for receivables impairment	(28,851)	(14,020)
Provisions for tax penalties	(109,659)	(90,641)
Write-off receivables for tax claims	(50,561)	-
Provisions for legal expenses	(13,877)	-
Write-off creditors	211	-
Refund from securities for property damages	17	-
Other	-	2,826
	(202,548)	**(666,640)**

Gain/(loss) from sale of PP&E

	2010	2009
Revenue from sale of PP&E	400	-
Net book value of PP&E	(228)	-
	172	**-**

20. Finance income and costs

	2010	2009
Interest income on short-term bank deposits	977	532
Finance income	**977**	**532**
Interest expense for bank borrowings	(2,928)	-
Other bank changes	(614)	(3,614)
Net foreign exchange losses on financing activities	(136,864)	(105,420)
Finance costs	**(140,406)**	**(109,034)**
Net finance costs	**(139,429)**	**(108,502)**

Foreign exchange losses on financing activities		
Foreign exchange gains	13,199	61,118
Foreign exchange losses	(150,063)	(166,538)
Net foreign exchange losses on financing activities	**(136,864)**	**(105,420)**

21. Income tax

Reconciliation of effective tax rate:

	2010	2009
Loss before tax	(389,521)	(845,913)
Tax refund calculated at income tax rate of 10%	38,952	84,591
Tax effect of:		
- Income not subject to tax (reversal of provisions)	174	974
- Expenses not deductible for tax purposes	(25,382)	(70,164)
Tax refund	**13,744**	**15,402**

The corporate income tax rate for 2010 in Albania is 10% (2009: 10%). Tax refund has not been recognized as deferred tax assets in financial statements.

Expenses not deductible for tax purposes:

	2010	2009
Penalties and fines	23	28
Gifts and entertainment	1,574	217
Travel and per diems	3,441	-
Stock shortage	4,690	-
Rent	2,077	-
Expenses without tax invoice	12,449	22,182
Agent commissions not deductible - tax audit 2010	2,068	-
Expenses not deductible - tax audit 2010	15,491	-
Loss not deductible from the sale of PP&E	865	-
Interest expenses not deductible – thin capitalization	3,542	-
Impairment of PP&E	-	564,805
Provision for receivables impairment	30,591	14,020
Provision for tax penalties	109,659	100,386
Write off receivables for tax claims	50,561	-
Provision for other liabilities and charges	13,877	-
Provisions for inventory's net realizable value	2,914	-
	253,822	**701,638**
Tax effect of expenses not deductible for tax purpose	**25,382**	**70,164**

22. Financial instruments

Credit risks

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Carrying amount	
	2010	**2009**
Trade and other receivables	188,037	427,494
Cash and cash equivalents	83,687	79,385
	271,724	**506,879**

The ageing analysis of these trade receivables is as follows:

	2010	2009
Up to 30 days	36,255	163,151
From 30 to 60 days	-	6,354
From 60 to 90 days	14,478	2,033
More than 90 days	253,762	209,524
	304,495	**381,062**

Trade receivables and impairment were as follows:

2010	Not past due and not impaired	Past due, but not impaired	Impaired receivables	Total
Trade and other receivables	36,255	14,478	253,762	304,495
Impairment	-	-	(217,507)	(217,507)
Total – net	**36,255**	**14,478**	**36,255**	**86,988**

2009	**Not past due and not impaired**	**Past due, but not impaired**	**Impaired receivables**	**Total**
Trade and other receivables	151,053	20,678	209,331	381,062
Impairment			(193,008)	(193,008)
Total – net	**151,053**	**20,678**	**16,323**	**188,054**

Changes in these estimates could effect the impairment losses provision. For example, to the extent that the net present value of the estimated cash flows differs by one percent, the impairment losses provision as at 31 December 2010 would be LEK 870 thousand lower/higher (31 December 2009 LEK 1,881 thousand).

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Average interest rate				
	Contractual	**Effective**	**0-6 months**	**6-12 months**	**Total**
2010					
Non-derivative financial liabilities					
Bank borrowings	3.79%	3.41%	103,995	-	103,995
Trade and other payables	n/a	n/a	1,306,471	-	1,306,471
			1,410,466	**-**	**1,410,466**
2009					
Non-derivative financial liabilities					
Bank borrowings	3.03%	4.30%	95,805	-	95,805
Trade and other payables	n/a	n/a	1,313,696	-	1,313,696
			1,409,502	**-**	**1,409,502**

Currency risk

The Company’s exposure to foreign currency risk was as follows based on notional amounts:

2010	**EUR denominated**	**USD denominated**
Current assets		
Cash and cash equivalent	4,619	8,630
Trade and other receivables	4,198	55,583
Current liabilities		
Bank borrowings	-	(103,995)
Trade and other payables	(12,399)	(1,282,432)
	(3,582)	**(1,322,214)**

2009	**EUR denominated**	**USD denominated**
Current assets		
Cash and cash equivalent	926	24,261
Trade and other receivables	17,090	124,038
Current liabilities		
Bank borrowings	-	(95,805)
Trade and other payables	(14,428)	(1,277,056)
	3,588	**(1,224,562)**

The following significant exchange rates applied during the year.

	1 USD equals 2010	**1 Euro equals 2010**	**1 USD equals 2009**	**1 Euro equals 2009**
ALL	104.00	138.77	96.81	137.96

Sensitivity analysis

A 10% strengthening of the ALL against the Euro and USD at 31 December 2010 would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2009.

	Equity	**Profit or loss**
2010		
EUR	358	358
USD	132,221	132,221
2009		
EUR	(359)	(359)
USD	122,456	122,456

A 10% weakening of the ALL against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant

Interest rate risk

Profile

At the reporting date the interest rate profile of the Company's interest-bearing financial instruments was:

	2010	**2009**
Variable rate instruments		
Financial assets	-	-
Financial liabilities	(103,995)	(95,805)
	(103,995)	**(95,805)**

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not make use of derivatives. Therefore a change in interest rates at the reporting date would not affect profit or loss:

23. Fair value

Management believes that the fair value of the Company's financial assets and liabilities approximates their carrying amounts.

24. Commitment and contingencies

Operating environment of the Company

The tax, currency and customs legislation within the Republic of Albania is subject to varying interpretations and frequent changes, and other legal and fiscal impediments contribute to the challenges faced by entities currently operating in the Republic of Albania. The future economic direction of the Republic of Albania is largely dependent upon the effectiveness of economic, financial and monetary measures undertaken by the Government, together with tax, legal, regulatory, and political developments.

Management is unable to predict all developments in the economic environment which could have an impact on the Company's operations and consequently what effect, if any, they could have on the financial position of the Company. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage.

Legal proceedings

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

Taxation contingencies

The taxation system in Albania is relatively new and is characterised by frequent changes in legislation, official pronouncements and court decisions, which are often unclear, contradictory and subject to varying interpretation by different tax authorities. Taxes are subject to review and investigation by a number of authorities, which have the authority to impose severe fines, penalties and interest charges. A tax year remains open for review by the tax authorities during the five subsequent calendar years; however, under certain circumstances a tax year may remain open longer. Recent events within Albania suggest that the tax authorities are taking a more assertive position in their interpretation and enforcement of tax legislation.

These circumstances may create tax risks in Albania that are substantially more significant than in other countries. Management believes that it has provided adequately for tax liabilities based on its interpretations of applicable Albanian tax legislation, official pronouncements and court decisions. However, the interpretations of the relevant authorities could differ and the effect on these financial statements, if the authorities were successful in enforcing their interpretations, could be significant

The Company had several ongoing legal proceedings with regards to tax audits of previous periods. The total amount of these tax liabilities and related penalties as at 31 December 2009 is ALL 371.277 thousand (31 December 2009: ALL 397.246 thousand).

Operating leases

Where the Company is the lessee, the future minimum lease payments under non-cancellable operating leases are as follows:

	2010	2009
No later than 1 year	8,416	9,599
Later than 1 year and no later than 5 year	23,181	23,015
Later than 5 years	16,999	26,851
	48,597	**59,465**

25. Related party transactions

The Company's parent company is Hellenic Petroleum SA. Greece. The party with ultimate control over the Company is Hellenic Petroleum SA.

Publicly available financial statements are produced by Hellenic Petroleum SA., which is the ultimate controlling party of the Company.

Transactions with related parties

The Company's related party transactions are disclosed below:

	2010	2009
Sales of goods and services:		
- Associates		
Sales of goods	526,128	405,376
Agent's commissions	(51,063)	(46,241)
Rent	1,612	1,200
- Entities controlled by immediate parent		
Sales of goods	-	-
	476,677	**360,335**

Purchase of good and services:	**2010**	**2009**
- Associates		
Purchase of goods	2,393	1,709
- The immediate parent		
Purchase of goods	1,380,778	1,974,089
Purchase of services	2,563	6,702
- Entities controlled by immediate parent		
Purchase of goods	4,019	36,443
Purchase of services	13,433	13,320
	1,403,185	**2,032,263**

All outstanding balances with related parties are to be settled in cash within twelve months of the balance sheet date. None of the balances is secured.

	2010	2009
Receivables from related parties		
- Associates	36,194	-
Payables to related parties		
- Associates	74	4,517
- The immediate parent	1,282,432	1,277,056
- Entities controlled by immediate parent	6,971	14,428

26. Subsequent events

There are no significant subsequent events after the balance sheet date which requires adjustment or disclosure to these financial statements.