

**GLOBAL PETROLEUM ALBANIA ShA.**

**FINANCIAL STATEMENTS**

**31 DECEMBER 2009**

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*"Inter BBK Auditing" sh.p.k.*

## **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 2009 and the statements of income and expenditures, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant 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.



*"Inter BBK Auditing" sh a s*

*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 2009, 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 26<sup>th</sup>, 2010

**Esmeralda BALLUKU .**

Partner

A handwritten signature in black ink, appearing to read "Esmeralda Balluku". The signature is written in a cursive style with a large initial 'E' and a long, sweeping tail.

GLOBAL PETROLEUM ALBANIA SHA.  
STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2009

(AMOUNTS IN ALL THOUSAND, UNLESS OTHERWISE STATED)

	Note	As at 31 December	
		2009	2008
<b>Assets</b>			
<b>Non-current assets</b>			
Intangible assets		1,146	819
Property, plant and equipments	6	419,122	1,048,918
Investments in subsidiaries	7	617,473	617,473
		<b>1,037,741</b>	<b>1,667,210</b>
<b>Current assets</b>			
Inventories	8	118,527	162,111
Trade and other receivables	9	427,494	444,886
Cash and cash equivalents	10	79,385	64,279
		<b>625,405</b>	<b>671,276</b>
<b>Total assets</b>		<b>1,663,145</b>	<b>2,338,486</b>
<b>Equity</b>			
Share capital	11	1,063,800	1,063,800
Share premium	11	623,920	623,920
Accumulated losses		(1,534,463)	(688,550)
		<b>153,257</b>	<b>999,170</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Provisions for other liabilities and charges	12	100,386	9,745
		<b>100,386</b>	<b>9,745</b>
<b>Current liabilities</b>			
Borrowings	13	95,805	132,871
Trade and other payables	14	1,313,696	1,196,700
		<b>1,409,502</b>	<b>1,329,571</b>
<b>Total liabilities</b>		<b>1,509,888</b>	<b>1,339,316</b>
<b>Total equity and liabilities</b>		<b>1,663,145</b>	<b>2,338,486</b>

GLOBAL PETROLEUM ALBANIA SHA.  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 31 DECEMBER 2009

(AMOUNTS IN ALL THOUSAND, UNLESS OTHERWISE STATED)

	Note	Year ended 31 December	
		2009	2008
Revenue	15	3,788,415	5,827,668
Cost of sales	16	(3,399,796)	(5,767,873)
<b>Gross profit</b>		<b>388,619</b>	<b>59,795</b>
Sales and distribution costs	17	(406,642)	(229,168)
Administrative expenses	18	(67,463)	(102,001)
Other income	19	14,715	13,687
Other (losses)/gains - net	20	(666,640)	(6,289)
<b>Operating loss</b>		<b>(737,411)</b>	<b>(263,976)</b>
Finance income	21	532	346
Finance costs	21	(109,034)	(64,352)
Finance costs - net	21	(108,502)	(64,006)
<b>Loss before income tax</b>		<b>(845,913)</b>	<b>(327,982)</b>
<b>Income tax expense</b>	22	-	-
<b>Loss for the year</b>		<b>(845,913)</b>	<b>(327,982)</b>

GLOBAL PETROLEUM ALBANIA SHA.  
 STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED 31 DECEMBER 2009  
 (AMOUNTS IN ALL THOUSAND, UNLESS OTHERWISE STATED)

	Share capital	Share premium	Accumulated losses	Total equity
<b>Balance at 01 January 2008</b>	1,556,855	623,920	(853,623)	1,327,152
Profit or loss			(327.982)	(327.982)
Decrease in share capital	(493,055)		493,055	-
<b>Balance at 01 January 2009</b>	<b>1,063,800</b>	<b>623,920</b>	<b>(688,550)</b>	<b>999,170</b>
Profit or loss			(845.913)	(845.913)
<b>Balance at 31 December 2009</b>	<b>1,063,800</b>	<b>623,920</b>	<b>(1,534,463)</b>	<b>153,257</b>

GLOBAL PETROLEUM ALBANIA SHA.  
 STATEMENT OF CASH FLOW  
 FOR THE YEAR ENDED 31 DECEMBER 2009  
 (AMOUNTS IN ALL THOUSAND, UNLESS OTHERWISE STATED)

	Note	Year ended 31 December	
		2009	2008
Profit for the year		(845,913)	(327,982)
<i>Adjustment for:</i>			
Loss from changes in accounting policies		-	(53,212)
Depreciation	6	68,703	83,355
Provision for inventory	7	-	50,927
Provision for impairment of receivables	20	14,020	-
Impairment of PP&E	20	564,805	-
Provision for liabilities	20	90,641	9,745
Interest expenses	21	3,614	13,388
Interest incomes	21	(532)	-
Cash flow from operating activities		(104,662)	(223,779)
(Increase)/decrease in inventories		43,584	299,964
(Increase)/decrease from trade and other debtors		3,372	(72,735)
Increase/(decrease) from trade and other payables		116,996	11,871
<i>Net cash generated from operating activities</i>		<b>59,291</b>	<b>15,321</b>
<b>Cash flow from investing activities</b>			
Acquisition of property, plant and equipment	6	(3,712)	(5,729)
(Increase)/Decrease of intangibles assets		(327)	(757)
Interest received		532	-
<i>Net cash used in investing activities</i>		<b>(3,507)</b>	<b>(6,486)</b>
<b>Financing activities</b>			
Proceeds from borrowings		(37,066)	(67,430)
Interest paid		(3,614)	(13,388)
<i>Net cash used in financing activities</i>		<b>(40,679)</b>	<b>(80,818)</b>
<b>Net increase/(decrease) in cash during the year</b>		<b>15,105</b>	<b>(71,983)</b>
Cash on hand and at banks, at 1 January 2009	10	64,279	136,262
<b>Cash on hand and at banks, at 31 December 2009</b>	<b>10</b>	<b>79,385</b>	<b>64,279</b>

The financial statements are approved on 26 March 2010 and signed as follows:

General Director  
Argyrios Katsibiris



Chief Accountant  
Elizabeta Burda

GLOBAL PETROLEUM ALBANIA SHA.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009  
*(AMOUNTS IN ALL THOUSAND, UNLESS OTHERWISE STATED)*

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## **1. Background**

### **a- Organisation and operations**

Global Petroleum Albania SHA. (the “Company”) was established as a joint stock company in Tirana on July 1996. 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 26.

As at 31 December 2009 the company had 23 employees (31 December 2008: 22 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), 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.

## **2. Significant accounting policies (continued)**

### **b- Basis of measurement**

The financial statements are prepared on the historical cost basis.

### **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 2009 amounting LEK 845,913 thousand (31 December 2008: LEK 327,982 thousand) and current liabilities exceed current assets by LEK 784,097 thousand (31 December 2008: LEK 658,295 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.

GLOBAL PETROLEUM ALBANIA SHA.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009  
*(AMOUNTS IN ALL THOUSAND, UNLESS OTHERWISE STATED)*

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**2. Significant accounting policies (continued)**

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.

*(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 recourse 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:

<b>Description</b>	<b>Years</b>
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.

## **2. Significant accounting policies (continued)**

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.

### **2.6 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.

## **2. Significant accounting policies (continued)**

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.

### **2.8 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. Significant accounting policies (continued)**

**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.

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 2009 as the management believes it is no longer probable that the related tax benefit will be realised.

## **2. Significant accounting policies (continued)**

### **2.15 New Standards and Interpretations issued but not yet effective**

A number of new Standards, amendments and interpretations are not yet effective as at 31 December 2009, 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.

## **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.

#### **3.1.2 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. Financial risk management (continued)**

#### **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. 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.

GLOBAL PETROLEUM ALBANIA SHA.  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2009  
*(AMOUNTS IN ALL THOUSAND, UNLESS OTHERWISE STATED)*

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**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 6 - Property, plant and equipments - impairment of PP&E;

Note 9 - Trade and other receivables - Impairment of trade receivables;

Note 12 - Provisions for other liabilities and charges;

Note 25 - Commitments and contingencies.

**5. Comparative information**

The presentation of certain balance sheet captions related to non-current trade receivable, other receivables, current and non-current borrowings, other payables, translation and other reserves and income statement captions relating to sales and distribution costs, administrative expense and other incomes/(cost) was changed for the year ended 31 December 2009 to better present the nature of the underlying transactions. Comparative information has been reclassified to conform to changes in presentation in the current year.

GLOBAL PETROLEUM ALBANIA SHA.  
 NOTES TO FINANCIAL STATEMENTS  
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**6. Property, plant and equipments**

	Land and buildings	Technical installation	Vehicles	Furniture, fittings and equipment	Computer hardware	In progress	Total
<b>At January 2008</b>							
Cost	797,491	666,285	16,038	65,198	21,113	7,431	1,573,556
Accumulated depreciation	(186,845)	(207,841)	(5,871)	(28,257)	(18,383)	-	(447,197)
Net book amount	610,646	458,444	10,167	36,941	2,730	7,431	1,126,359
<b>Year ended 31 December 2008</b>							
Opening net book amount	610,646	458,444	10,167	36,941	2,730	7,431	1,126,359
Additions	1,114	1,951	25	1,041	681	2,240	7,052
Disposals (net book value)	(96)	(995)	-	-	(232)	-	(1,323)
Depreciation charge	(29,790)	(43,077)	(1,797)	(7,710)	(796)	-	(83,170)
<b>Closing net book amount</b>	<b>581,874</b>	<b>416,323</b>	<b>8,395</b>	<b>30,272</b>	<b>2,383</b>	<b>9,671</b>	<b>1,048,918</b>
<b>At 31 December 2008</b>							
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
<b>Year ended 31 December 2009</b>							
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)
<b>Closing net book amount</b>	<b>362,564</b>	<b>17,244</b>	<b>4,696</b>	<b>22,028</b>	<b>865</b>	<b>11,725</b>	<b>419,122</b>
<b>At 31 December 2009</b>							
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)
<b>Net book amount</b>	<b>362,564</b>	<b>17,244</b>	<b>4,696</b>	<b>22,028</b>	<b>865</b>	<b>11,725</b>	<b>419,122</b>

Depreciation expense has been charged to 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 (31 December 2008: nil).

**7. 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 2009 is LEK 617.473 thousand (31 December 2008: LEK 617.473 thousand).

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**8. Inventories**

	<b>2009</b>	<b>2008</b>
Refined products with tax	21,595	83,605
Refined products in transit	83,337	113,705
Lubricants	9,113	11,726
Consumable materials	4,482	4,002
Provisions for inventory's net realizable value	-	(50,927)
	<b>118,527</b>	<b>162,111</b>

**9. Trade and other receivables**

	<b>2009</b>	<b>2008</b>
Trade receivables	381,062	359,330
Less provisions for impairment of trade receivables	(193,008)	(178,988)
Trade receivables – net	188,054	180,342
Trade receivables from related parties	-	13,522
VAT receivable	9,179	153,373
Income tax receivables	18,328	87,438
Tax receivables – litigations	200,426	-
Tax refund	-	10,211
Prepaid custom duties	4,946	-
Other receivables	6,561	-
	<b>427,494</b>	<b>444,886</b>

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

	<b>2009</b>	<b>2008</b>
At 1 January	<b>178,988</b>	178,988
Provision for receivables impairment	<b>44,483</b>	-
Unused amounts reversed	<b>(30,463)</b>	-
<b>At 31 December</b>	<b>193,008</b>	<b>178,988</b>

**10. Cash and cash equivalents**

	<b>2009</b>	<b>2008</b>
Cash at banks - local currency	54,066	60,291
Cash at banks - foreign currency	25,090	3,971
Cash in hand	229	17
	<b>79,385</b>	<b>64,279</b>

The Company's exposure to market risks and sensitivity analysis are disclosed in note 23.

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**11. Share capital**

	Number of shares	Ordinary shares	Share premium	Total
At January 2008	1,557,530	1,556,855	623,920	2,180,775
Decrease in share capital	(493,730)	(493,055)	-	(493,055)
At 31 December 2008	1,063,800	1,063,800	623,920	1,687,720
At 31 December 2009	<b>1,063,800</b>	<b>1,063,800</b>	<b>623,920</b>	<b>1,687,720</b>

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%
	<b>1,063,800</b>	<b>1,063,800</b>	<b>100.000%</b>

**12. Provision for other liabilities and charges**

	2009	2008
At 1 January	9,745	-
Charged/(credited) to the income statement:		
-Additional provisions for tax claims	90,641	9,745
Unused amounts reversed	-	-
At 31 December	<b>100,386</b>	<b>9,745</b>

**13. 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 + 2,75% p.a. As of 31 December 2009 the used balance was USD 1 million (31 December 2008: USD 1.25 million and EUR 68 thousand). The Company's exposure to market risks and sensitivity analysis are disclosed in note 23.

**14. Trade accounts payable**

	2009	2008
Trade payables - third parties	16,302	19,975
Trade payables - related parties	1,296,001	1,175,902
Due to social insurance	351	382
Due to payroll tax	361	441
Other payables	681	-
	<b>1,313,696</b>	<b>1,196,700</b>

The Company's exposure to market risks and sensitivity analysis are disclosed in note 23.

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**15. Revenue from sales**

	<b>2009</b>	<b>2008</b>
Sales of refined products with tax	3,291,617	4,034,934
Sales of refined products in transit	481,657	1,756,933
Sales of lubricants	15,141	35,801
Agent's commissions	(257,113)	(98,622)
	<b>3,531,302</b>	<b>5,729,046</b>

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.

**16. Cost of sales**

	<b>2009</b>	<b>2008</b>
Cost of products	(3,393,775)	(5,696,414)
Provisions for inventory's net realizable value	-	(50,927)
Other costs	(1,168)	(20,532)
	<b>(3,394,943)</b>	<b>(5,767,873)</b>

**17. Other income**

	<b>2009</b>	<b>2008</b>
Rent incomes	9,862	12,052
Other income	-	1,635
	<b>9,862</b>	<b>13,687</b>

**18. Sales and distribution costs**

	<b>2009</b>	<b>2008</b>
Rent	(4,976)	(4,874)
Services	(20,182)	-
Insurance expenses	(3,230)	-
Transportation expenses	(27,852)	(43,125)
Depreciation charge and amortization	(66,115)	(73,052)
Staff expenses	(13,332)	(12,915)
Repairs and maintenance	(4,128)	-
Other	(9,714)	(1,454)
	<b>(149,529)</b>	<b>(135,420)</b>

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**19. Administrative expenses**

	<b>2009</b>	<b>2008</b>
Rent	(10,581)	(7,515)
Consultancy fees	(8,357)	(23,108)
Depreciation charge and amortization	(2,588)	(10,303)
Staff expenses	(18,664)	(23,749)
Travel and per diems	(3,633)	(6,298)
Communication expenses	(3,369)	(4,283)
Penalties and fines	-	(9,781)
Supplies	(9,188)	(6,676)
Repairs and maintenance	(2,152)	-
Other	(8,931)	(10,288)
	<b>(67,463)</b>	<b>(102,001)</b>

**20. Other (losses)/gains - net**

	<b>2009</b>	<b>2008</b>
Net book value of PP&E disposals	-	(685)
Impairment of PP&E	(564,805)	-
Net charge to provision for receivables impairment	(14,020)	-
Provisions for tax claims	(90,641)	-
Other	2,826	(730)
	<b>(666,640)</b>	<b>(1,415)</b>

**21. Finance income and costs**

	<b>2009</b>	<b>2008</b>
Interest income on short-term bank deposits	532	346
<b>Finance income</b>	<b>532</b>	<b>346</b>
Interest expense for bank borrowings	-	(13,388)
Other bank changes	(3,614)	(3,250)
Net foreign exchange losses on financing activities	(105,420)	(47,714)
<b>Finance costs</b>	<b>(109,034)</b>	<b>(64,352)</b>
<b>Net finance costs</b>	<b>(108,502)</b>	<b>(64,006)</b>
<b>Foreign exchange losses on financing activities</b>		
Foreign exchange gains	61,118	157,219
Foreign exchange losses	(166,538)	(204,933)
<b>Net foreign exchange losses on financing activities</b>	<b>(105,420)</b>	<b>(47,714)</b>

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**22. Income tax**

**Reconciliation of effective tax rate:**

	<b>2009</b>	<b>2008</b>
Loss before tax	<b>(845,913)</b>	(327,982)
Tax refund calculated at income tax rate of 10%	<b>84,591</b>	32,798
Tax effect of:		
- Income not subject to tax (reversal of provisions)	<b>974</b>	-
- Expenses not deductible for tax purposes	<b>(70,164)</b>	(10,408)
<b>Tax refund</b>	<b>15,402</b>	22,390

The corporate income tax rate for 2009 in Albania is 10% (2008: 10%).

**Expenses not deductible for tax purposes:**

	<b>2009</b>	<b>2008</b>
Penalties and fines	<b>28</b>	36
Gifts and entertainment	<b>217</b>	8,205
Expenses without tax invoice	<b>22,182</b>	25,842
Depreciation in excess of tax depreciation	-	9,326
Impairment of PP&E	<b>564,805</b>	-
Provision for receivables impairment	<b>14,020</b>	-
Provision for other liabilities and charges	<b>100,386</b>	9,745
Provisions for inventory's net realizable value	-	50,927
	<b>701,638</b>	104,081
Tax effect of expenses not deductible for tax purpose	<b>70,164</b>	10,408

**23. 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:

	<b>Carrying amount</b>	
	<b>2009</b>	<b>2008</b>
Trade and other receivables	427,494	444,886
Cash and cash equivalents	79,385	64,279
	<b>506,879</b>	<b>509,165</b>

The ageing analysis of these trade receivables is as follows:

	<b>2009</b>	<b>2008</b>
Up to 30 days	163,151	142,915
From 30 to 60 days	6,354	387
From 60 to 90 days	2,033	3,464
More than 90 days	209,524	212,564
	<b>381,062</b>	<b>359,330</b>

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Trade receivables and impairment were as follows:

	Not past due and not impaired	Past due, but not impaired	Impaired receivables	Total
<b>2009</b>				
Trade and other receivables	151,053	20,678	209,331	381,062
Impairment			(193,008)	(193,008)
<b>Total – net</b>	<b>151,053</b>	<b>20,678</b>	<b>16,323</b>	<b>188,054</b>
<b>2008</b>				
Trade and other receivables	141,224	60,850	178,988	381,062
Impairment			(178,988)	(178,988)
<b>Total – net</b>	<b>141,224</b>	<b>60,850</b>	<b>-</b>	<b>202,074</b>

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 2009 would be LEK 1,881 thousand lower/higher (31 December 2008: LEK 2,021 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		0-6 months	6-12 months	Total
	Contractual	Effective			
<b>2009</b>					
<b>Non-derivative financial liabilities</b>					
Bank borrowings	3.03%	4.30%	95,805	-	95,805
Trade and other payables	n/a	n/a	1,313,696	-	1,313,696
			<b>1,409,502</b>	<b>-</b>	<b>1,409,502</b>
<b>2008</b>					
<b>Non-derivative financial liabilities</b>					
Bank borrowings NBG USD	3.34%	4.59%	124,359	-	124,359
Bank borrowings NBG EUR	6.00%	6.78%	8,512	-	8,512
Trade and other payables	n/a	n/a	1,196,700	-	1,196,700
			<b>1,329,571</b>	<b>-</b>	<b>1,329,571</b>

#### Currency risk

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

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	<b>2009</b>	<b>EUR denominated</b>	<b>USD denominated</b>
<b>Current assets</b>			
Cash and cash equivalent		926	24,261
Trade and other receivables		17,090	124,038
<b>Current liabilities</b>			
Bank borrowings			(95,805)
Trade and other payables		(14,428)	(1,277,056)
		<u>3,588</u>	<u>(1,224,562)</u>
	<b>2008</b>	<b>EUR denominated</b>	<b>USD denominated</b>
<b>Current assets</b>			
Cash and cash equivalent		919	3,052
Trade and other receivables		154	129,680
<b>Current liabilities</b>			
Bank borrowings		(8,512)	(124,359)
Trade and other payables		(16,946)	(1,166,817)
		<u>(24,385)</u>	<u>(1,158,444)</u>

The following significant exchange rates applied during the year.

	<b>1 USD equals 2009</b>	<b>1 Euro equals 2009</b>	<b>1 USD equals 2008</b>	<b>1 Euro equals 2008</b>
ALL	96.81	137.96	87.91	123.8

**Sensitivity analysis**

A 10% strengthening of the ALL against the Euro and USD at 31 December 2009 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 2008.

	<b>Equity</b>	<b>Profit or loss</b>
<b>2009</b>		
EUR	(359)	(359)
USD	122,456	122,456
<b>2008</b>		
EUR	2,438	2,438
USD	115,844	115,844

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

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**Interest rate risk**

**Profile**

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

	<b>Carrying amount</b>	
	<b>2009</b>	<b>2008</b>
<b>Fixed rate instruments</b>		
Financial assets	-	-
Financial liabilities	(95,805)	(132,871)
	<u>(95,805)</u>	<u>(132,871)</u>

**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:

**24. Fair value**

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

**25. 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.

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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 LEK 397.246 thousand.

*Operating leases*

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

	<u>2009</u>	<u>2008</u>
No later than 1 year	9,599	13,465
Later than 1 year and no later than 5 year	23,015	21,050
Later than 5 years	<u>26,851</u>	<u>29,821</u>
	<u><b>59,465</b></u>	<u><b>64,336</b></u>

**26. 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:

	<u>2009</u>	<u>2008</u>
<b>Sales of goods and services:</b>		
- Associates		
Sales of goods	<b>405,376</b>	576,290
Agent's commissions	<b>(46,241)</b>	(36,799)
Rent	<b>1,200</b>	1,200
- Entities controlled by immediate parent		
Sales of goods		213
	<u><b>360,335</b></u>	<u>540,904</u>
<b>Purchase of good and services:</b>		
- Associates		
Purchase of goods	<b>1,709</b>	1,774
- The immediate parent		
Purchase of goods	<b>1,974,089</b>	3,910,558
Purchase of services	<b>6,702</b>	650
- Entities controlled by immediate parent		
Purchase of goods	<b>36,443</b>	86,889
Purchase of services	<b>13,320</b>	11,418
	<u><b>2,032,263</b></u>	<u>4,011,289</u>

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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.

	<u>2009</u>	<u>2008</u>
Receivables from related parties		
- Associates	-	13,522
Payables to related parties		
- Associates	4,517	-
- The immediate parent	1,277,056	1,166,817
- Entities controlled by immediate parent	14,428	9,085

**27. Subsequent events**

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