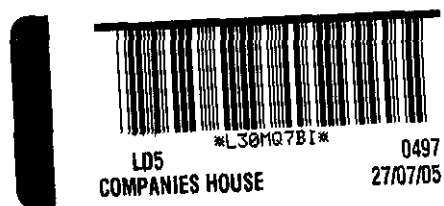


COMPANY NUMBER: 454043

ANNUAL REPORT AND ACCOUNTS

Hellenic Petroleum Cyprus Limited

31 DECEMBER 2004



Hellenic Petroleum Cyprus Limited

ANNUAL REPORT AND ACCOUNTS 2004

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REPORT OF THE DIRECTORS

Board of Directors

Michail Myrianthis (Chairman)
Olga Tsaloglou
Yiannis Gregoriou
Akis Pegasiou
Garry Pegg
Jonathan Ivinson

The directors present their report and the accounts for the year ended 31 December 2004.

Principal activity

The Company buys, sells and otherwise deals in petroleum products in Cyprus. It is the intention of the directors that this business will continue for the foreseeable future.

Review of activities and future developments

On 1st May 2004 Cyprus joined the European Union and on 24th May 2004 the oil market was deregulated after more than thirty years of Governmental control through the PNBS (Price Negotiations Balance Sheet) system.

The deregulation was scheduled by the Government to coincide with the termination of the operation of the Cyprus Refinery so that the disposal of the leaded gasoline and high sulphur gasoil produced by the refinery was terminated and all needs for the country were imported according to E.U. specifications.

The Company has had a satisfactory year and the directors believe that this is sustainable. The Company is in a good position to take advantage of any opportunity which may arise in the future.

Results and dividends

The profit for the year after taxation of STG£6,420,190, when added to retained profit brought forward at 1 January 2004 of STG£10,768,170 (together with exchange adjustments taken directly to reserves of STG£512,834) gives a total retained profit carried forward at 31 December 2004 of STG£17,701,194. The directors do not propose the payment of a final dividend.

Directors

The present directors are listed above.

Andreas Tzouros, Sarantos Kyriakopoulos, Yiannis Gregoriou, and Akis Pegasiou served as directors throughout the financial year. Changes since 1 January 2004 are as follows:"

	Appointed	Resigned
Garry Pegg	11 October 2004	
Jonathan Ivinson	11 October 2004	
Michail Myrianthis	11 January 2005	
Olga Tsaloglou	11 January 2005	
Andreas Tzouros		11 January 2005
Sarantos Kyriakopoulos		11 January 2005

Hellenic Petroleum Cyprus Limited

Directors' interests

The interests of the directors holding office at 31 December 2004, other than directors of the ultimate parent undertaking, and their families, in the ordinary shares of Hellenic Petroleum S.A. were as set out below:

	<u>31 December 2004</u>	<u>31 December 2003</u>
Andreas Tzouros	2.000	2.000
Sarantos Kyriakopoulos	2.000	2.000
Yiannis Gregoriou	800	800

No director had any interest in the shares or debentures of subsidiary undertakings of Hellenic Petroleum S.A. at 31 December 2004.

Post balance sheet events

In February 2005 an agreement was reached between the Government and the Oil Companies for the settlement of prior year PNBS under-recoveries amounting to STG£2,440,000. The amount which the Company is entitled to, out of this figure, is STG£510,000 excluding any amount due to BP for the years up to and including 2002. At the same time, the Company reached an agreement with Petrolina Holdings Ltd (Petrolina) for the PNBS dispute. The amount payable to Petrolina is STG£450,000 out of which BP will cover STG£207,000. No provision has been made in these accounts for the amount receivable by the Government or payable to Petrolina. These transactions will be accounted for when cash settlements take place.

Policy with respect to payment of suppliers

It is the Company's policy to follow the CBI's prompt payment code of practice for all suppliers to the Company. A copy of the code of practice can be obtained from the CBI.

The number of days purchases represented by trade creditors at the year-end was 21.

Auditors

Ernst & Young LLP will be resigning as the company's auditors. Pricewaterhouse Coopers LLP will be appointed as the company's auditors in place of Ernst & Young LLP.

By order of the Board



Director

22 JUL 2005

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Registered Office
One Angel Court
16th Floor
London EC2R 7HJ

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE ACCOUNTS**

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of its profit or loss for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The directors confirm that they have complied with these requirements and having a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts.

INDEPENDENT REPORT OF THE AUDITORS
to the members of Hellenic Petroleum Cyprus Limited

We have audited the accounts for the year ended 31 December 2004, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, and the related notes 1 to 21. These accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities, the Company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Company as at 31 December 2004 and of the profit of the Company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London.

22 JUL 2005

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Hellenic Petroleum Cyprus Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2004

	Note	2004 STG£	2003 STG£
Turnover	2	107,233,525	95,700,619
Cost of sales		(87,320,309)	(81,575,808)
Gross profit		19,913,216	14,124,811
General and administrative expenses		(2,343,058)	(1,814,245)
Distribution and marketing expenses		(8,496,122)	(7,857,550)
Other income	4	9,074,036 17,979	4,453,016 17,642
Profit on ordinary activities before interest and tax		9,092,015	4,470,658
Interest payable and similar charges	5	(133,587)	(73,616)
Profit on ordinary activities before taxation		8,958,428	4,397,042
Taxation	6	(2,538,238)	(1,861,341)
Profit on ordinary activities after taxation	15	6,420,190	2,535,701
Distribution to shareholders		-	(4,900,000)
Retained profit/(deficit) for the year		6,420,190	(2,364,299)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2004

	2004 STG£	2003 STG£
Profit for the year	6,420,190	2,535,701
Currency translation differences	512,834	1,133,451
Total recognised gains and losses for the year	6,933,024	3,669,152

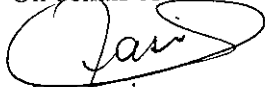
The profit for the year is not materially different from the result on an unmodified historical cost basis.

Hellenic Petroleum Cyprus Limited

BALANCE SHEET at 31 December 2004

	Note	2004 STG£	2003 STG£
Fixed assets			
Tangible assets	8	14,644,909	13,630,053
Investments	9	435,963	429,834
		<u>15,080,872</u>	<u>14,059,887</u>
Current assets			
Stocks	10	4,225,286	4,779,520
Debtors	11	13,598,206	12,342,054
Cash at bank and in hand		8,787,680	8,860,463
		<u>26,611,172</u>	<u>25,982,037</u>
Creditors - amounts falling due within one year	12	(17,696,988)	(22,026,444)
Net current assets		<u>8,914,184</u>	<u>3,955,593</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>23,995,056</u>	<u>18,015,480</u>
UK deferred tax liability	6	(802,917)	(1,506,831)
Overseas deferred tax asset/(liability)	6	93,369	(156,165)
NET ASSETS		<u>23,285,508</u>	<u>16,352,484</u>
Represented by			
Capital and reserves			
Called up share capital	14	4,433,450	4,433,450
Revaluation reserve	15	219,420	219,420
Other reserves		931,444	931,444
Profit and loss account		17,701,194	10,768,170
SHAREHOLDERS' FUNDS - EQUITY INTERESTS	15	<u>23,285,508</u>	<u>16,352,484</u>

On behalf of the Board


A. Pegasiou
Director

22 JUL 2005

..... 2005

Hellenic Petroleum Cyprus Limited

NOTES TO THE ACCOUNTS

at 31 December 2004

1. Accounting policies

Basis of Preparation

The accounts have been prepared in accordance with applicable UK Accounting Standards and the Companies Act 1985.

The accounts have been prepared under the historical cost convention with the exception of tangible fixed assets, which, under the transitional rules of Financial Reporting Standard 15 "Tangible Fixed Assets" (FRS 15), are included at their previous valuations. From 2000 it is the Company's policy not to revalue tangible fixed assets. Historical cost accounts show the profits available to shareholders and are the most appropriate basis for presentation of the Company's balance sheet.

Statement of cash flows

The Group accounts of the ultimate parent undertaking contain a consolidated statement of cash flows. The Company has taken advantage of the exemption granted by the Financial Reporting Standard 1 (Revised), whereby it is not required to publish its own statement of cash flows.

Group accounts

Group accounts are not submitted as the Company is exempt from the obligation to prepare group accounts under Section 228(1) of the Companies Act 1985. The results of the subsidiary undertaking are dealt with in the consolidated accounts of the ultimate parent undertaking, Hellenic Petroleum S.A., a company registered in Greece.

The accounts present information about the Company as an individual undertaking and not about the group.

Stock valuation

Stocks are valued at cost to the Company using the weighted average cost method, or at net realisable value, whichever is the lower. In prior years the first-in, first-out method was used. The effect of the change in the method was not material.

Revenue recognition

Revenues associated with the sale of petroleum products and all other items are recognised when the title passes to the customer.

Foreign currencies

Assets and liabilities of foreign currency branches are translated into sterling at closing rates of exchange. Income statements are translated at average rates of exchange.

Exchange differences resulting from the retranslation of net investments in foreign currency branches at closing rates of exchange, together with the difference between the profit and loss account translated at average rate and at closing rate, are dealt with in reserves. Exchange gains and losses arising on long-term foreign currency borrowings used to finance the company's foreign currency investments are also dealt with in reserves.

All exchange gains or losses on settlement, or translation at closing rates of exchange of monetary assets and liabilities, are included in the determination of profit for the year.

NOTES TO THE ACCOUNTS
at 31 December 2004

1. Accounting policies (continued)

Depreciation

Tangible assets, other than freehold land, are depreciated on the straight line method over their estimated useful lives. The Company undertakes a review for impairment of a fixed asset if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, that is, the higher of net realisable value and value in use, the fixed asset is written down to its recoverable amount. The value in use is determined from estimated discounted future net cash flows.

Maintenance expenditure

Expenditure on major maintenance, refits or repairs is capitalised where it enhances the performance of an asset above its originally assessed standard of performance; replaces an asset or part of an asset which was separately depreciated and which is then written off; or restores the economic benefits of an asset which has been fully depreciated. All other maintenance expenditure is charged to income as incurred.

Environmental liabilities

Environmental expenditures that relate to current or future revenues are expensed or capitalised as appropriate. Expenditures that relate to an existing condition caused by past operations and that do not contribute to current or future earnings are expensed.

Liabilities for environmental costs are recognised when environmental assessments or clean-ups are probable and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The amount recognised is the best estimate of the expenditure required.

Where the liability will not be settled for a couple of years, the amount recognised is the present value of the estimated future expenditure.

Leases

Rentals under operating leases are charged against income as incurred.

Pensions and other retirement benefits

The Company makes a provision for the regular service cost of its employees based on an actuarial estimate. As explained in note 18 to the accounts, the amounts so recognised will be transferred to the new schemes that the Company will set up following the split of the existing schemes between the Company and BP.

Hellenic Petroleum Cyprus Limited

NOTES TO THE ACCOUNTS **at 31 December 2004**

1. Accounting policies (continued)

Deferred tax

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay, less tax in the future.

In particular:

- Provision is made for tax on gains arising from the revaluation of fixed assets, and gains on disposals of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associated undertakings and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates enacted or substantively enacted at the balance sheet date.

Hellenic Petroleum Cyprus Limited

NOTES TO THE ACCOUNTS

at 31 December 2004

2. Turnover

Turnover, which is stated net of value added tax and associated petroleum revenue duties and taxes, comprises amounts invoiced to third parties, all of which falls within the European geographic area.

Included in turnover were provisions made by the Company for any under/over recovery of profits made by the Company, recoverable/refundable through the Price Negotiations Balance Sheet adjustment (PNBS) mechanism that was operated by the Government for the oil industry in Cyprus, until May 2004.

Turnover is attributable to one activity, the purchasing and selling of petroleum products to the local market.

3. Operating profit

This is stated after charging/ (crediting):

	2004 STG£	2003 STG£
Operating lease rentals:		
Land and buildings	1,383,991	1,378,818
Plant and machinery	10,276	9,464
Depreciation of owned fixed assets	1,451,055	1,204,658
Auditors' remuneration:		
Audit fees – current fees	39,539	40,490
Difference in exchange	(43,799)	(1,124,699)

Difference in exchange arises on imports of products which are invoiced in US dollars or Euros, and represents variations in the parity of US dollar or Euro to Cyprus Pound on settlement of amounts due to suppliers or on short-term loans raised to finance such imports. Such amounts, although created from transactions falling under the ordinary activities of the Company, are disclosed by virtue of their nature/size.

4. Other income

	2004 STG£	2003 STG£
Bank interest	17,979	17,642

Hellenic Petroleum Cyprus Limited

NOTES TO THE ACCOUNTS

at 31 December 2004

5. Interest payable and similar charges

	2004 STG£	2003 STG£
Bank loans and overdrafts	85,800	28,887
Other loans	44,189	38,559
Other interest	3,598	6,170
	<u>133,587</u>	<u>73,616</u>

6. Taxation

Current year tax charge

	2004 STG£	2003 STG£
<i>UK Corporation Tax</i>		
UK Corporation Tax on profits for the year	3,252,278	769,623
Adjustment in respect of previous years	226,664	-
Double taxation relief	(1,565,548)	(320,286)
	<u>1,913,394</u>	<u>449,337</u>

Foreign Tax

Current year	1,565,548	320,286
Adjustment in respect of previous years	24,691	68,855
	<u>1,590,239</u>	<u>389,141</u>

Total current tax

<u>3,503,633</u>	<u>838,478</u>
------------------	----------------

Deferred taxation

Origination and reversal of timing differences	(965,698)	989,797
Prior year adjustment	303	33,066
	<u>(965,395)</u>	<u>1,022,863</u>
	<u>2,538,238</u>	<u>1,861,341</u>

Hellenic Petroleum Cyprus Limited

NOTES TO THE ACCOUNTS

at 31 December 2004

6. Taxation (continued)

Factors affecting current tax charge

The tax assessed on the current profit on ordinary activities for the period is lower than the standard rate of corporation tax in the UK of 30.00% (2003: 30.00%). The differences are reconciled below.

	2004 STG£	2003 STG£
Profit on ordinary activities before tax	8,958,428	4,397,042
	<hr/>	<hr/>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30.00% (2003: 30.00%)	2,687,528	1,319,113
Effect of:		
Expenses not deductible for tax purposes	41,474	36,999
Capital Allowances in excess of depreciation	(67,502)	(185,108)
Other timing differences	590,778	(401,381)
Adjustments in respect of prior periods	251,355	68,855
	<hr/>	<hr/>
Total current tax	3,503,633	838,478

Hellenic Petroleum Cyprus Limited

NOTES TO THE ACCOUNTS

at 31 December 2004

6. Taxation (continued)

Deferred taxation has been provided in the accounts comprising tax on timing differences as follows:

	2004 STG£	2003 STG£
<i>Analysis of movements during the year:</i>		
At 1 January	1,662,996	641,787
Exchange adjustments	2,227	112,469
Accelerated capital allowances	177,654	252,897
Price Negotiations Balance Sheet adjustment	(625,770)	622,777
Provision for pension contributions	(507,559)	-
Prior year adjustment	-	33,066
	<u>709,548</u>	<u>1,662,996</u>
Balance at 31 December	<u>709,548</u>	<u>1,662,996</u>
<i>Analysis of provisions:</i>		
Accelerated capital allowances	1,308,604	1,130,429
Price Negotiations Balance Sheet adjustment	-	622,777
Provision for pension contributions	(599,056)	(90,210)
	<u>709,548</u>	<u>1,662,996</u>
<i>Analysed as follows:</i>		
UK deferred tax liability	802,917	1,506,831
Cyprus deferred tax liability	(93,369)	156,165
	<u>709,548</u>	<u>1,662,996</u>

No provision has been made for deferred tax on gains recognised on the revaluation gain on tangible assets. Such tax would become payable only if the assets were sold. The Company estimates that the amount of such tax is currently STG £NIL (2003: STG£ NIL). At present, it is not envisaged that any tax will become payable in the foreseeable future.

Hellenic Petroleum Cyprus Limited

NOTES TO THE ACCOUNTS

at 31 December 2004

7. Directors and employees

	2004 STG£	2003 STG£
(a) Remuneration of directors:		
Total paid in respect of two directors (2003: two directors) with an overseas service contract and one director in non-executive capacity (2003: one director)		
Total earnings for year	<u>207,676</u>	<u>246,255</u>
The remaining directors received no fees or remuneration for services as directors of the Company during the financial year (2003: STG£ NIL).		
(b) Employee costs:		
	2004 STG£	2003 STG£
Wages and salaries	1,768,380	1,677,354
Social security costs	158,354	148,770
Pensions and other retirement benefit costs:		
- to local employees	238,429	227,843
- additional funding contribution by the Company (note 18)	348,878	-
Other benefits and contributions	78,572	64,813
Compensations and redundancies	136,112	-
	<u>2,728,725</u>	<u>2,118,780</u>

Compensations and redundancies

These relate to payments made by the Company during 2004 to two employees made redundant. The payments were made under the Employee Collective Agreement.

(c) Average number of employees during the year (all non-UK):	2004 No.	2003 No.
Marketing and distribution	<u>55</u>	<u>57</u>

Hellenic Petroleum Cyprus Limited

NOTES TO THE ACCOUNTS

at 31 December 2004

8. Tangible assets

	Freehold land & buildings STG£	Buildings on leasehold land STG£	Fixtures & fittings STG£	Plant & machinery STG£	Computer software STG£	Total STG£	of which: Assets under construction STG£
Cost							
At 1 January 2004	4,231,681	2,952,867	179,047	14,779,675	706,609	22,849,879	704,335
Exchange adjustments	61,402	73,291	2,620	278,469	13,783	429,565	35,870
Additions	-	672,597	-	1,556,503	4,070	2,233,170	816,579
Disposals	-	(19,120)	-	(99,666)	-	(118,786)	-
Transfers	21,437	(17,716)	1,350	(76,560)	71,489	-	(289,956)
At 31 December 2004	4,314,520	3,661,919	183,017	16,438,421	795,951	25,393,828	1,266,828
Depreciation							
At 1 January 2004	436,217	2,002,232	152,779	6,594,208	34,390	9,219,826	-
Exchange adjustments	8,508	28,773	2,387	143,739	13,417	196,824	-
Charge for the year	25,179	45,028	2,931	1,128,554	249,363	1,451,055	-
Disposals	-	(19,120)	-	(99,666)	-	(118,786)	-
Transfers	21,437	(21,437)	1,350	(15,563)	14,213	-	-
At 31 December 2004	491,341	2,035,476	159,447	7,751,272	311,383	10,748,919	-
Net book amount							
At 31 December 2004	3,823,179	1,626,443	23,570	8,687,149	484,568	14,644,909	1,266,828
At 31 December 2003	3,795,464	950,635	26,268	8,185,467	672,219	13,630,053	704,335
Principal rates of depreciation:	5%	2½% - 10%	15%	5%-20%	33.33%		

Hellenic Petroleum Cyprus Limited

NOTES TO THE ACCOUNTS

at 31 December 2004

8. Tangible assets (continued)

On implementation of FRS 15 in 2000, the Company did not adopt a policy of revaluation. Under the transitional provisions of FRS 15, the Company retained the carrying amounts of tangible fixed assets which reflect previous revaluations.

The last revaluation of all fixed assets other than those in territories occupied by Turkish forces was carried out as at 1 January, 1987. Land was revalued by an independent professional valuer, and other fixed assets by the Company by using appropriate cost indices.

Had no revaluation taken place, the comparative historical cost position of total assets as at 31 December, 2004 would have been as follows :

	Carrying amount STG£	Historical cost STG£
Cost	25,393,828	23,398,368
Depreciation	(10,748,919)	(10,891,109)
Net book amount	14,644,909	12,507,259

Included in tangible assets above:

- (a) land which is not depreciated of STG£3,484,111 at 31 December 2004 (2003: STG£3,435,122).
- (b) freehold land, buildings and other assets which are in territories occupied by Turkish forces following the invasion of Cyprus in July, 1974.

The ultimate effect of occupation on the value of these assets is unknown.

	Cost STG£	Depreciation STG£	Net STG£
At 31 December 2004	290,488	284,478	6,010
At 31 December 2003	286,403	280,478	5,925

Hellenic Petroleum Cyprus Limited

NOTES TO THE ACCOUNTS at 31 December 2004

9. Fixed assets – investment in subsidiary undertaking shares

	2004 STG£	2003 STG£
<i>At cost:</i>		
At 1 January	429,834	406,091
Exchange adjustments	6,129	23,743
At 31 December	<u>435,963</u>	<u>429,834</u>

Details of the investment in the subsidiary undertaking, which is unlisted, are as follows:

	% of Ordinary shares	Country of incorporation	Principal activities
Superlube Ltd	65	Cyprus	Blending of lubricating oils

In the opinion of the directors, the value of shares in the Company's subsidiary is not less than the amounts at which they are shown in the balance sheet.

10. Stocks

	2004 STG£	2003 STG£
Petroleum	<u>4,225,286</u>	<u>4,779,520</u>

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

11. Debtors

	2004 STG£	2003 STG£
Trade	11,472,200	8,266,501
Parent and fellow subsidiary undertakings	-	-
Prepayments and accrued income	522,263	575,261
Cyprus taxation on profit refundable	-	425,986
Other	1,603,743	3,074,306
	<u>13,598,206</u>	<u>12,342,054</u>

Hellenic Petroleum Cyprus Limited

NOTES TO THE ACCOUNTS

at 31 December 2004

12. Creditors : amounts falling due within one year

	2004 STG£	2003 STG£
Trade	3,688,648	3,755,553
Subsidiary undertaking	92,386	149,780
Parent and fellow subsidiary undertakings	6,347,200	1,036,963
Bank loan and overdrafts	-	4,626,892
Other loans	2,003,542	2,120,769
Accruals and deferred income	1,445,488	2,450,577
Cyprus taxation of profits	67,240	-
UK taxation on profits	1,532,893	457,509
Other	2,519,591	2,528,401
Dividends	-	4,900,000
	<u>17,696,988</u>	<u>22,026,444</u>

13. Operating lease commitments

At 31 December, the Company had annual commitments under non-cancellable operating leases for land and buildings as set out below:

	2004 STG£	2003 STG£
Expiring:		
Within one year	12,444	78,687
Between two and five years	385,104	240,971
Thereafter	646,116	651,729
	<u>1,043,664</u>	<u>971,387</u>

Hellenic Petroleum Cyprus Limited

NOTES TO THE ACCOUNTS

at 31 December 2004

14. Called up share capital

	2004 STG£	2003 STG£
Authorised, allotted, called up and fully paid: 443,345 ordinary shares of STG£10 each	4,433,450	4,433,450

15. Reconciliation of shareholders' funds and movements on reserves

	Equity share capital STG£	Revaluation reserve STG£	Other reserves STG£	Profit and loss account STG£	Total STG£
At 1 January 2003	4,433,450	219,420	931,444	11,999,018	17,583,332
Profit for the year	-	-	-	2,535,701	2,535,701
Currency translation differences	-	-	-	1,133,451	1,133,451
Distribution to shareholders	-	-	-	(4,900,000)	(4,900,000)
At 1 January 2004	4,433,450	219,420	931,444	10,768,170	16,352,484
Profit for the year	-	-	-	6,420,190	6,420,190
Currency translation differences	-	-	-	512,834	512,834
Distribution to shareholders	-	-	-	-	-
At 31 December 2004	4,433,450	219,420	931,444	17,701,194	23,285,508

Other reserves include a special reserve of STG£490,259 (2003: STG£490,259) and a general reserve of STG£441,185 (2003: STG£441,185).

In January 2004, a dividend of STG£4,900,000 was paid to the shareholders which had been accrued in 2003.

16. Capital commitments

Authorised future capital expenditure is estimated at:

	2004 STG£	2003 STG£
Contracted for	-	-
Not contracted for	2,477,736	2,278,113
	2,477,736	2,278,113

Hellenic Petroleum Cyprus Limited

NOTES TO THE ACCOUNTS

at 31 December 2004

17. Contingent liabilities and contingent assets

Petrolina case

Background

A substantial claim was made by Petrolina (Holdings) Ltd against the rest of the oil industry with regard to the distribution of the compensation paid by the Government to cover the oil industry's losses from PNBS products, mainly incurred during the period 2000/2002. Due to a disagreement between Petrolina (Holdings) Ltd and the rest of the oil industry on the percentages to be used by the Government to split the payment among the individual companies, it was decided that the payments be made on a provisional basis and finalised upon the decision made by an arbitrator, who would be appointed for this purpose by the oil industry and whose decision would be final and binding.

The oil companies made several attempts to appoint an arbitrator but with no success. On 22 January 2003 the claimants, through their lawyers, addressed a letter to Hellenic Petroleum Cyprus Ltd and ExxonMobil Cyprus Ltd referring again the matter to arbitration and proposing as sole arbitrator a former member of the Supreme Court. The defendants rejected the proposed nomination and the Company suggested, through their own lawyers, that another arbitrator would be appointed. No arbitrator was agreed by the parties.

The Company's lawyers' expressed opinion was that the outcome of any arbitration could not be predicted as the issue was very complex. The lawyers also expressed the opinion that the claim could not be regarded as groundless, but as a matter which presents both difficulties and significant dangers. The Company concurred with this opinion.

The total claim made by Petrolina (Holdings) Ltd, as described in a letter by their lawyers dated 23 May 2002, was STG£1,356,818 plus interest. On the basis claimed by Petrolina (Holdings) Ltd, that is to be used for the apportionment of the payments to the industry, i.e. the white oil products market shares, the whole amount was payable by the Company, less an amount already paid to Petrolina (Holdings) Ltd of STG£139,773, in excess of Petrolina's entitlement.

Post balance sheet date developments

In February 2005, an out-of-court settlement was reached between Petrolina (Holdings) Ltd, ExxonMobil Cyprus Ltd and Hellenic Petroleum Cyprus Ltd. A payment of STG£541,662 (CY£444,000) will be made to Petrolina (Holdings) Ltd, STG£478,224 (CY£392,000) of which will be payable by Hellenic Petroleum Cyprus Ltd and the remaining STG£63,438 (CY£52,000) payable by ExxonMobil Cyprus Ltd. Out of the STG£478,224 payable by Hellenic Petroleum Cyprus Ltd, STG£220,812 (CY£181,000) will be covered by BP according to an indemnity agreement signed between Hellenic Petroleum S.A. and BP plc as part of the Share Purchase Agreement for the sale by BP in 2002 of the Company's share capital to Hellenic Petroleum. The settlement was made possible following an agreement between the Government and the Oil Industry late in January 2005 for the compensation by the Government to the Oil Industry for PNBS losses incurred during the period 2000/2004. The net amount which will be left with Hellenic Petroleum Cyprus Ltd following the receipt of its share from the PNBS compensation, the payment to Petrolina (Holdings) Ltd and the settlement amount with BP plc is expected to be STG£265,951 (CY£218,000) and will be accounted for in 2005 as the Company's management decided that this will be recognised only when it will be received.

Hellenic Petroleum Cyprus Limited

NOTES TO THE ACCOUNTS

at 31 December 2004

17. Contingent liabilities and contingent assets (continued)

Other

There are several other claims made against the Company for which legal action has been taken but the Company does not expect to incur any substantial loss.

In addition, the Company was contingently liable in respect of guarantees provided to third parties of STG£344,498 (2003: STG£204,474).

18. Pensions and other retirement benefits

The Company contributes to staff schemes in respect of its operations in Cyprus, which are of an overall defined benefit type. The charge to the profit and loss account for the year is STG£587,307 (2003: STG£227,843).

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

Under the Agreement, BP procured that a transfer of assets in respect of benefits accrued as of 31 December 2002, is made from its current schemes to the Company's new schemes with the amount of such transfer to be calculated at the expiration of any period of participation and paid in cash unless otherwise agreed. As part of negotiations with the Employee Trade Unions for the execution of the Agreement, the Company made a provision of STG£543,478 (CY£500,000) in 2002 for extra funding to be contributed to the new schemes to allow for notified discretionary practices, mainly for providing increased pension benefits in line with price inflation. The provision of STG£609,979 (CY£500,000) is included in other creditors and will be paid to the new schemes when these are set up.

Hellenic Petroleum Cyprus Limited

NOTES TO THE ACCOUNTS at 31 December 2004

18. Pensions and other retirement benefits (continued)

The above arrangements were subject to the consent of the local regulatory authorities. Recently, the local regulatory authorities have given their consent for the split of the old existing staff schemes. The Company and BP are currently in the process of finalising the arrangements and splitting the schemes. In the context of the above, the two companies have commissioned an actuary valuation of the scheme liabilities, under FRS 17, for each company as at 31 December 2002 (being the "split date"). The valuation was carried out by a qualified, independent actuary on an ongoing valuation basis using the projected unit credit valuation method and the following main assumptions:

	% p.a.
Price inflation	3
Salary increases relative to price inflation	1.5
Discount rate	6.5
Pension increases	Nil

The valuation showed that the value of the Company's scheme liabilities as at 31 December 2002 was CY£1,735,000(translated to STG£2,117,000and STG£2,087,000 at 31 December 2004 and 2003 respectively). As explained above, this amount has been agreed by BP to be paid to the Company's new schemes that will be set up with interest (provisionally agreed 5.5% p.a.), until the actual transfer is made.

The Company has also recently commissioned an actuary valuation, under FRS 17, of its scheme liabilities as at 31 December 2004. The valuation was carried out by a qualified independent actuary on an on-going valuation basis using the projected unit credit valuation method and the following main assumptions:

	2004	2003
	% p.a.	% p.a.
Price inflation	2.5	2.5
Salary increases relative to price inflation	2.5	2.5
Discount rate	5	5
Pension increases	2.5	2.5

Hellenic Petroleum Cyprus Limited

NOTES TO THE ACCOUNTS

at 31 December 2004

18. Pensions and other retirement benefits (continued)

The valuation showed that the value of the Company's Scheme liabilities as at 31 December 2004 was STG£4,117,000 (2003: STG£3,693,000). Taking into account the above, the deficit in the schemes as at 31 December 2004 is estimated at STG£498,000 (2003: STG£720,000), as follows:

	2004 STG£'000	2003 STG£'000
Assets to be transferred to the new schemes upon their setting-up:		
(a) Amounts to be paid by BP, as agreed:		
- as at 31 December 2002	2,117	2,087
- interest at 5.5% (compound)	239	116
	<u>2,356</u>	<u>2,203</u>
(b) Provisions included in other creditors :		
- regular service cost for 2003	172	169
- regular service cost for 2004	182	-
- additional funding contribution in 2002	610	601
- additional funding contribution in 2004	366	-
- payments by Company to retired member, due from schemes	(67)	-
	<u>3,619</u>	<u>2,973</u>
Total estimated assets	3,619	2,973
Present value of scheme liabilities	(4,117)	(3,693)
Estimated deficit in the schemes	<u>(498)</u>	<u>(720)</u>

According to the 2004 actuarial valuation, the future service contribution rate to cover the regular/current service cost of the employees is estimated at 9.9% (2003 : 9.8%) of pensionable pay. The actuary recommended an additional contribution at 2.4% (2003 : 3.6%) of pensionable pay to allow for the amortisation of the deficit over the expected future working lifetime of the current employees.

For 2004, the Company decided to contribute STG£366,000 (CY£300,000) to cover part of the deficit and to continue its contributions to cover the regular service cost based on the actuary's recommendation. This additional contribution in 2004 was made to cover part of the deficit that was partly caused by assuming an increase to pensions in payments of 2.5% p.a. in the actuarial valuation made subsequent to the "split date", 31 December 2002. Under the current scheme rules, there is no obligation to grant increases to pensions. Therefore the actuarial valuation at the "split date" 31 December 2002 agreed by BP and Hellenic Petroleum (Cyprus) Ltd did not allow for such increases, as shown above. However, the Company decided to take account of the current discretionary practice of providing pension increases in line with inflation and therefore accounted for this assumption in the actuarial valuations carried out at 31 December 2003 and 2004.

Hellenic Petroleum Cyprus Limited

NOTES TO THE ACCOUNTS

at 31 December 2004

19. Related party transactions

The Company has taken advantage of the exemption contained within Financial Reporting Standard 8 "Related Party Disclosures" (FRS 8), and has not disclosed transactions with group undertakings. There were no other related party transactions in the year.

20. Ultimate parent undertaking

The ultimate parent undertaking of the group of undertakings for which group accounts are drawn up, and of which the Company is a member, is Hellenic Petroleum S.A., a company registered in Greece. Copies of Hellenic Petroleum S.A.'s accounts can be obtained from its Registered office, 17th Km National Road Athens-Corinth, 19 300 Aspropyrgos, Athens, Greece.

21. Post balance sheet events

Other than the case described in Note 17 above, there have been no other significant events after the balance sheet date.