# OTSM S.A. OF MAINTENANCE COMPULSORY STOCKS AND TRADING OF CRUDE OIL AND PETROLEUM PRODUCTS

## Financial Statements

## in accordance with IFRS for the

## year ended 31 December 2016

COMPANY REGISTRATION NUMBER: 1178122701000

REGISTERED OFFICE: 8$^{A}$ CHIMARRAS STR, 15125 MAROUSSI, GREECE

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# Company Information

| | |
|---|---|
| **Directors** | Howard Prince-Wright – Chairman of the Board<br>Emmanouil Markakis – Member and legal representative<br>Sofia Grigoriadou – Member<br>Vasilis Konstantinidis- Member |
| **Other Board Members during the year:** | George Demetriou – (Until 1/11/2016)<br>Maria Golfinopoulou – (Until 3/11/2016)<br>Anna Katsabeki – (Until 30/6/2016) |
| **Registered Office:** | 8A Chimarras Str.<br>15125 Maroussi, Greece |
| **Registration number:** | 117812701000 |
| **Auditors:** | KPMG Certified Auditors AE<br>3, Stratigou Tombra Str,<br>153 42 Aghia Paraskevi,<br>Greece<br>AM SOEL 114 |

# Independent Auditor's Report

# (Translated from the original in Greek)

To the Shareholders of
OTSM SOCIETE ANONYME OF MAINTENANCE COMPULSORY STOCKS AND TRADING OF CRUDE OIL AND PETROLEUM PRODUCTS

**Auditor's Report on the Financial Statements**

We have audited the accompanying Financial Statements of OTSM SOCIETE ANONYME OF MAINTENANCE COMPULSORY STOCKS AND TRADING OF CRUDE OIL AND PETROLEUM PRODUCTS (the "Company") which comprise the Statement of Financial Position as of 31 December 2016, the Statements of Comprehensive Income, Changes in Equity and Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 as adopted by the European Union, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing that have been adopted by Greek Legislation. 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 from material misstatement.

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

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

Opinion

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of OTSM SOCIETE ANONYME OF MAINTENANCE COMPULSORY STOCKS AND TRADING OF CRUDE OIL AND PETROLEUM PRODUCTS as of 31 December 2016 and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

**Report on Other Legal and Regulatory Requirements**

Taking into consideration that Management is responsible for the preparation of the Directors' Report, pursuant to the provisions of paragraph 5 of Article 2 (part B) of Law 4336/2015, we note that:

a) In our opinion, the Directors' Report has been prepared in accordance with the applicable legal requirements of Article 43a of C. L. 2190/1920 and its contents correspond with the accompanying Financial Statements for the year ended 31 December 2016.

b) Based on the knowledge acquired during our audit, relating to the OTSM SOCIETE ANONYME OF MAINTENANCE COMPULSORY STOCKS AND TRADING OF CRUDE OIL AND PETROLEUM PRODUCTS and its environment, we have not identified any material misstatements in the Directors' Report.

Athens, Greece
31 July 2017

**KPMG Certified Auditors A.E.**
3 Stratigou Tombra Street
Aghia Paraskevi
GR - 15342 Athens Greece

# Statement of Financial Position

| | Note | 2016 | 2015 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non current assets** | | | |
| Property, plant and equipment | 5 | - | 18 |
| **Total non current assets** | | **-** | **18** |
| | | | |
| **Current assets** | | | |
| Oil Stock held | 6 | 118.972 | 99.540 |
| Deferred income tax asset | 7 | 7.076 | - |
| Derivative financial instruments | 13 | - | 33.217 |
| Accounts receivable and other receivables | 8 | 43.617 | 73.643 |
| Cash and cash equivalents | 9 | 369 | 20 |
| **Total current assets** | | **170.034** | **206.420** |
| **Total assets** | | **170.034** | **206.438** |
| | | | |
| **EQUITY** | | | |
| Share capital | 10 | 2.000 | 2.000 |
| Retained earnings and reserves | 11 | 19.147 | 37.809 |
| **Total equity** | | **21.147** | **39.809** |
| | | | |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 12 | 21.006 | 39.334 |
| Tax payables | 15 | 6.439 | 1.345 |
| Deferred income tax liability | 7 | - | 9.679 |
| Derivative financial instruments | 13 | 16.685 | - |
| Borrowings | 14 | 104.757 | 116.271 |
| **Total current liabilities** | | **148.887** | **166.629** |
| **Total liabilities** | | **148.887** | **166.629** |
| **Total equity and liabilities** | | **170.034** | **206.438** |

The Notes on pages 11 to 35 form an integral part of these Financial Statements.

These Financial Statements were approved by the board on 28 July 2017.

| H. Prince-Wright | E.Markakis | A. Karabetsos<br>Lic No OEE 11511 A’ Class |
|---|---|---|
| Chairman of the Board | Member of the Board | RSM Business Advisors EPE |

# Statement of Comprehensive Income

| | Note | 2016 | 2015 (restated) |
|---|---|---|---|
| **Revenue** | **16** | **33.919** | **92.638** |
| Cost of sales | 17 | (54.939) | (33.302) |
| **Gross profit** | | **(21.020)** | **59.336** |
| General and administrative costs | | (284) | (246) |
| **Operating result** | | **(21.304)** | **59.090** |
| Finance income | 18 | 143 | 138 |
| Finance cost | 18 | (6.320) | (9.643) |
| Finance (expenses)/ income - net | | (6.177) | (9.505) |
| **(Loss)/ profit before income tax** | | **(27.481)** | **49.585** |
| Income tax credit / (expense) | 19 | 8.819 | (14.844) |
| **(Loss)/ profit after tax for the year** | | **(18.662)** | **34.741** |
| **Other comprehensive income** | | | |
| **Other comprehensive income for the year net of tax** | | - | - |
| **Total comprehensive (loss)/ income for the year** | | **(18.662)** | **34.741** |

The Notes on pages 11 to 35 form an integral part of these Financial Statements.

# Statement of Changes in Equity

| | Note | Share capital | Reserves | Retained Earnings | Total Equity |
|---|---|---|---|---|---|
| **Balance at 1 January 2015** | | **2.000** | **351** | **2.717** | **5.068** |
| **Other comprehensive income for the year** | | - | - | - | - |
| Profit/ (loss) for the year | | - | - | 34.741 | 34.741 |
| **Total comprehensive income for the year** | | - | - | **34.741** | **34.741** |
| Transfer to statutory reserve | | - | 316 | (316) | - |
| **Balance at 31 December 2015** | | **2.000** | **667** | **37.142** | **39.809** |
| **Balance at 1 January 2016** | | **2.000** | **667** | **37.142** | **39.809** |
| **Other comprehensive income for the year** | | - | - | - | - |
| Profit/ (loss) for the year | | - | - | (18.662) | (18.662) |
| **Total comprehensive income for the year** | | **-** | **-** | **(18.662)** | **(18.662)** |
| **Balance at 31 December 2016** | | **2.000** | **667** | **18.480** | **21.147** |

The Notes on pages 11 to 35 form an integral part of these Financial Statements.

# Statement of Cash flows

| | Note | 2016 | 2015 |
|---|---|---|---|
| **(Loss) / Profit before tax** | | **(27.481)** | **49.585** |
| Adjustments for: | | | |
| Depreciation of property, plant and equipment | 5 | 18 | 20 |
| Finance expenses-net<br>(disclosed in investing and financing activities) | 18 | 6.178 | 9.505 |
| NRV provision (oil stock held) | 6 | (17.633) | 17.633 |
| Change of fair value of derivative financial instruments | 13 | 49.902 | 25.120 |
| | | **10.984** | **101.863** |
| **Changes in working capital** | | | |
| (Increase)/ decrease in oil stock held | | (1.799) | 10.835 |
| Decrease/ (increase) in trade and other receivables | | 30.027 | (40.111) |
| (Decrease) in trade and other payables | | (18.718) | (541) |
| | | **9.510** | **(29.817)** |
| **Cash generated from operating activities** | | **20.494** | **72.046** |
| Taxes paid | 15 | (2.454) | (2.849) |
| **Net cash generated from operating activities** | | **18.040** | **69.197** |
| **Cash flows from investing activities** | | | |
| Interest received | 18 | 143 | 138 |
| **Net cash used in investing activities** | | **143** | **138** |
| **Cash flows from financing activities** | | | |
| Payment of long term borrowings | 14 | (11.400) | (59.500) |
| Interest paid | 14 | (6.434) | (10.207) |
| **Net cash generated from financing activities** | | **(17.834)** | **(69.707)** |
| **Net increase /(decrease) in cash and cash equivalents** | | **349** | **(372)** |
| **Cash and cash equivalents on the beginning of the period** | | **20** | **392** |
| Net increase /(decrease) in cash and cash equivalents | | 349 | (372) |
| **Cash and cash equivalents at the end of the period** | 9 | **369** | **20** |

The Notes on pages 11 to 35 form an integral part of these Financial Statements.

# Notes to the Financial Statements

## 1 General information

OTSM S.A. OF MAINTENANCE COMPLULSORY STOCKS AND TRADING OF CRUDE OIL AND PETROLEUM PRODUCTS (the "Company") operates in the oil industry. Based on the article of incorporation the Company's scope of operations is a) the holding of Compulsory Stock Obligations (CSO) on behalf of third parties pursuant to a CSO Delegation Agreement and b) the trading of crude oil and petroleum products.

The Company is incorporated in Greece and the address of its registered office is $8^{A}$ Chimarras Str. Maroussi, Greece.

The Company is a 100% subsidiary of DMEP UK Ltd which is in turn a 100% subsidiary of DMEP HoldCo Ltd. Both DMEP HoldCo and DMEP UK are companies incorporated in the United Kingdom. The shareholders of DMEP HoldCo Ltd are Bridge Opportunity Ltd with a stake of 52% and Hellenic Petroleum International A.G with a stake of 48%.

The Company's financial year commences on 1 January and ends on 31 December. The Company was incorporated on 27 September 2011 and thus its first financial period commenced on 27 September 2011 and ended on 31 December 2012.

The Company adopts International Financial Reporting Standards as adopted by the European Union.

The Company's functional and presentation currency is the Euro, and the financial information in these Financial Statements is expressed in thousands of Euro (unless otherwise stated). Any differences are due to roundings.

The Company's Financial Statements are included in the consolidated financial statements of DMEP HoldCo Ltd., that is registered at United Kingdom.

The Financial Statements of OTSM S.A. for the year ended 31 December 2016, were approved for issue by the Board of Directors on 28 July 2017. The shareholders of the Company have the power to amend the Financial Statements after issue.

# 2 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these Financial Statements are set out below.

## 2.1 Basis of preparation

The Financial Statements of OTSM S.A. have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board ("IASB"), as adopted by the European Union ("EU").

These Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of derivative financial assets and liabilities at fair value through profit or loss.

The preparation of Financial Statements, in accordance with IFRS, requires the use of critical accounting estimates. It also requires management to exercise its judgment in the process of applying the accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 4 "Critical accounting estimates and judgments". These estimates are based on management's best knowledge of current events and actions, actual results ultimately may differ from those estimates.

### 2.1.1 New standards, amendments to standards and interpretations

***(a) New and amended standards adopted by the Company.***

The Company has applied the following standards and amendments for the first time for the annual reporting period commencing 1 January 2016:

- *IAS 19R (Amendment) "Employee Benefits"* These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans and simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

- *IFRS 11 (Amendment) "Joint Arrangements"* This amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'.

- *IAS 16 and IAS 38 (Amendments) "Clarification of Acceptable Methods of Depreciation and Amortisation"***.** This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate and it also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

- *IAS 27 (Amendment) "Separate financial statements"*. This amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and clarifies the definition of separate financial statements.

- *IAS 1 (Amendment)" Disclosure Initiative"*. These amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

- *IFRS 10, IFRS 12 and IAS 28 (Amendments) "Investment Entities: Applying the Consolidation Exception"*. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

- *Annual Improvements to IFRSs 2012:*

  The amendments set out below describe the key changes to six IFRSs following the publication of the results of the IASB's 2010-12 cycle of the annual improvements project.

  – *IFRS 2 "Share-based payment".* The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.

  – *IFRS 3 "Business combinations".* The amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32 "Financial instruments: Presentation". It also clarifies that all non-equity contingent consideration, both financial and non-financial, is measured at fair value through profit or loss.

  – *IFRS 8 "Operating segments".* The amendment requires disclosure of the judgments made by management in aggregating operating segments.

  – *IFRS 13 "Fair value measurement".* The amendment clarifies that the standard does not remove the ability to measure short-term receivables and payables at invoice amounts in cases where the impact of not discounting is immaterial.

  – *IAS 16 "Property, plant and equipment"* and *IAS 38 "Intangible assets".* Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

  – *IAS 24 "Related party disclosures".* The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

- *Annual Improvements to IFRSs 2014:*

  The amendments set out below describe the key changes to four IFRSs.

  – *IFRS 5 "Non-current assets held for sale and discontinued operations".* The amendment clarifies that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.

  – *IFRS 7 "Financial instruments: Disclosures".* The amendment adds specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement and clarifies that the additional disclosure required by the amendments to IFRS 7, "Disclosure – Offsetting financial assets and financial liabilities" is not specifically required for all interim periods, unless required by IAS 34.

  – *IAS 19 "Employee benefits".* The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise.

  – *IAS 34 "Interim financial reporting".* The amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'.

  The adoption of these amendments does not have significant impact for the Company.

***(b) New standards and interpretations not yet adopted.***

Certain new standards, amendments to standards and interpretations have been issued that are not mandatory for periods beginning during the current financial year. The Company's evaluation of the effect of these new standards, amendments to standards and interpretations is set out below.

- *IFRS 9 "Financial Instruments" and subsequent amendments to IFRS 9 and IFRS 7 (effective for annual periods beginning on or after 1 January 2018).* IFRS 9 replaces the guidance in IAS 39 which deals with the classification and measurement of financial assets and financial liabilities and it also includes an expected credit losses model that replaces the incurred loss impairment model used today. IFRS 9 establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model of IAS 39.

  While the Company has yet to undertake a detailed assessment of the classification and measurement of financial assets, it would appear that financial assets currently held would likely continue to be measured on the same basis under IFRS 9, and accordingly, the Company does not expect the new guidance to have a significant impact on the classification and measurement of its financial assets.

  There will be no impact on the Company's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and would likely continue to be measured on the same basis under IFRS 9.

  The new hedge accounting rules will align the accounting for hedging instruments more closely with the Company's risk management practices. While the Company is yet to undertake a detailed assessment, it would appear that the Company's current hedge relationships would qualify as continuing hedges upon the adoption of IFRS 9. Accordingly, the Company does not expect a significant impact on the accounting for its hedging relationships.

  The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under IAS 39. While the Company has not yet undertaken a detailed assessment of how its impairment provisions would be affected by the new model, it may result in an earlier recognition of credit losses.

  The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Company's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

- *IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018).* IFRS 15 has been issued in May 2014. The objective of the standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. It contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognised. The underlying principle is that an entity will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services.

  Management has identified and assessed the impact on potential areas that may be affected by the application of this standard. The Company considers that the application of the new rules will not affect the Company's financial statements.

- *IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019).* IFRS 16 has been issued in January 2016 and supersedes IAS 17. The objective of the standard is to ensure the lessees and lessors provide relevant information in a manner that faithfully represents those transactions. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The standard has not yet been endorsed by the EU.

The standard will affect primarily the accounting for the Company's operating leases. As at the reporting date, the Company does not hold any material non-cancellable operating lease commitments (note 21). However, the Company has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Company's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16.

- *IAS 12 (Amendments) "Recognition of Deferred Tax Assets for Unrealised Losses"* *(effective for annual periods beginning on or after 1 January 2017)*. These amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments have not yet been endorsed by the EU.

- *IAS 7 (Amendments) "Disclosure initiative"* *(effective for annual periods beginning on or after 1 January 2017).* These amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments have not yet been endorsed by the EU.

- *IFRS 2 (Amendments) "Classification and measurement of Shared-based Payment transactions"* *(effective for annual periods beginning on or after 1 January 2018).* The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The amendments have not yet been endorsed by the EU.

- *IFRS 4 (Amendments) "Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts"* *(effective for annual periods beginning on or after 1 January 2018).* The amendments introduce two approaches. The amended standard will: a) give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and b) give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard—IAS 39. The amendments have not yet been endorsed by the EU.

- *IAS 40 (Amendments) "Transfers of Investment Property"* *(effective for annual periods beginning on or after 1 January 2018)*. The amendments clarified that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition and the change must be supported by evidence. The amendments have not yet been endorsed by the EU.

- *IFRIC 22 "Foreign currency transactions and advance consideration"* *(effective for annual periods beginning on or after 1 January 2018*. The interpretation provides guidance on how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 21. The Interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. The interpretation has not yet been endorsed by the EU.

- *Annual Improvements to IFRSs 2014 (2014 – 2016 Cycle)* *(effective for annual periods beginning on or after 1 January 2017)*

  The amendments set out below describe the key changes to two IFRSs. The amendments have not yet been endorsed by the EU.

  – *IFRS 12 "Disclosures of Interests in Other Entities".* The amendment clarified that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information.

– *IAS 28 "Investments in associates and Joint ventures".* The amendements clarified that when venture capital organisations, mutual funds, unit trusts and similar entities use the election to measure their investments in associates or joint ventures at fair value through profit or loss (FVTPL), this election should be made separately for each associate or joint venture at initial recognition.

## 2.2 Foreign currency translation

*(a) Functional and presentation currency*

Items included in the Financial Statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The Financial Statements are presented in Euro, which is the Company's functional and presentation currency. Given that certain of the Company's activities involve oil transactions, in line with industry practices, most crude oil and oil products are based on the international reference prices of crude oil and oil products in US Dollars. The Company translates this value to Euro at the time of each transaction.

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of comprehensive income in the Financial Statements' line that is relevant to the specific transaction, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

## 2.3 Property, plant and equipment

Motor vehicles represent tanker trucks. Motor vehicles are shown at historical cost less subsequent depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized.

Repairs and maintenance are charged to the statement of comprehensive income as incurred.

Depreciation on assets is calculated using the straight-line method to allocate the cost of each asset to its residual value over its estimated useful life, as shown on the table below for the main classes of assets:

| – Motor vehicles | 5 years |
|---|---|

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (refer to Note 2.4).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount.

## 2.4 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and, are tested annually for impairment. Assets that are subject to amortization or depreciation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use (discounted cash flows an asset is expected to generate based upon management's expectations of future economic and operating conditions). For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

## 2.5 Financial assets

The Company classifies its financial assets in the following categories: Financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at every reporting date. As at 31 December 2016 all financial assets represent derivative financial instruments for hedging purposes and loans and receivables as classified below:

### 2.5.1 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. 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. Loans and receivables include "Trade and other receivables" and "Cash and cash equivalents" in the statement of financial position.

### 2.5.2 Recognition and measurement

Purchases and sales of financial assets are recognized on trade-date – the date on which the Company commits to purchase or sell the asset. Financial assets are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Loans and receivables are carried at amortized cost using the effective interest method.

### 2.5.3 Impairment of financial assets

The Company assesses at each end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. Impairment losses recognized in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

Impairment testing is described in Note 2.8.

### 2.5.4 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the balance sheet, when there is a legally enforceable right to offset the recognized amounts and there is a decision to settle on a net basis or realize the asset and settle the liability simultaneously, otherwise assets and liabilities are presented separately in the financial statements. The clearance of the balances can be done at a net basis if respecting agreement with the counterparty exists.

## 2.6 Derivative financial instruments and hedging activities

As part of its risk management policy, the Company utilizes financial and commodity derivatives to mitigate the impact of future price volatility of crude oil and petroleum products. Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. Depending on the characteristics of each transaction, the respective derivative may be designated as a hedging instrument. In cases where it is designated, the Company designates these derivatives as either:

(a) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge) or;

(b) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge).

The Company documents, at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

In case the Company enters into certain derivative contracts that are designated as cash flow hedges, the effective portion of changes in the fair value of these derivatives is recognized in equity. The gain or loss relating to the ineffective portion is recognized immediately in the statement of comprehensive income. Amounts accumulated in equity are recycled in the statement of comprehensive income in the periods when the hedged item affects profit or loss (i.e. when the forecast transaction being hedged takes place).

When a hedging instrument expires or is sold, or a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in the statement of comprehensive income. When a forecast transaction is no longer expected to occur, the derivative is de-designated and the cumulative gain or loss that was reported in equity is immediately transferred to the statement of comprehensive income within “Other operating (losses) / gains – net”.

The derivatives that are not designated as hedges and do not qualify for hedge accounting are classified as held-for-trading and accounted for at fair value through profit or loss. Changes in the fair value of such derivative instruments are recognized immediately in the statement of comprehensive income within “Cost of Sales” ( if the derivative transactions are matching physical positions and trades or close proxies thereof), or in “Other operating (losses) / gains - net”(if it is not be possible to achieve a fully matched position).

## 2.7 Oil Stock held

Oil stocks are stated at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

The cost of oil stock is determined using the costing formula of weighted average. Goods exchanged or swapped for goods of a similar nature and value were not regarded as purchases.

## 2.8 Trade receivables

Trade receivables, which generally are settled within one month, are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization and default or delinquency in payments are considered indicators the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognized in the statement of comprehensive income and is included in "General and administrative costs".

## 2.9 Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments such as marketable securities and time deposits with original maturities of three months or less.

## 2.10 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds, net of tax.

## 2.11 Borrowings

Borrowings essentially represent the major part of the Company's financial liabilities.

Borrowings are recognized 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 recognized in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalized as a pre-payment for liquidity services and amortized over the period of the facility to which it relates.

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 end of the reporting period. At the end of the reporting period payable amounts of bank overdrafts are included within borrowings in current liabilities on the statement of financial position. In the statement of cash flows, bank overdrafts are shown within financing activities.

## 2.12 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognized in the statement of comprehensive income, except to the extent that it relates to items recognized directly in equity. In this case, the tax is also recognized in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the country where the Company operates and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the balance sheet method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial Statements. The deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities, where there is an intention to settle the balances on a net basis

## 2.13 Trade and other payables

Trade and other payables are recognized initially at fair value and subsequently are measured at amortized cost and using the effective interest method. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

## 2.14 Provisions

Provisions for environmental restoration and legal claims are recognized when: The Company has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value reflects current market assessments of the time value of money and the increases specific to the liability.

## 2.15 Environmental liabilities

Liabilities for environmental remediation 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.

## 2.16 Revenue recognition

Revenue comprises the fair value of the sale of goods and services, net of value-added tax and any excise duties, rebates and discounts. Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognized as follows:

*(a) Sales of goods – Oil stock transactions*

Revenue on sale of goods is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales of goods are recognized when the Company has delivered the products to the customer; the customer has accepted the products; and collectability of the related receivables is reasonably assured. Sales of goods undertaken in the course of ordinary activities that are incidental to the main revenue-generating activities are not regarded as sales. These incidental activities relate to the regular semi-annual renewal of safety stock.When goods are exchanged or swapped for goods which are of a similar nature and value the exchange is not regarded as a transaction which generates revenue.

*(b) Sales of services*

For sales of services, revenue is recognized in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

*(c) Interest income*

Interest income is recognized on a time-proportion basis using the effective interest method. When a receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

### 2.17 Leases

Leases of property, plant and equipment, where the Company has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant periodic rate of interest on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in "Borrowings". The interest element of the finance cost is charged to the statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the asset's useful life and the lease term.

The Company does not presently have any leases that are classified as finance leases.

Leases where the lessors retain substantially all the risks and rewards of ownership are classified as operating leases. Payments or receipts made under operating leases (net of any incentives received from the lessors) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

### 2.18 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Company's Financial Statements in the period in which the dividends are approved, by the Company's Shareholders' General Meeting.

### 2.19 Comparative figures

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

## 3 Financial risk management

### 3.1 Financial risk factors

The Company's activities include oil transactions which involve crude oil, diesel and unleaded gasoline as well as holding CSO's on behalf of third parties. As such, the Company is exposed to a variety of financial and commodity markets risks including foreign exchange and commodity price risk, credit risk, liquidity risk, cash flow risk and fair value interest-rate risk. In line with international best practices and within the context of local markets and legislative framework, the Company's overall risk management policies aim at reducing possible exposure to market volatility and / or mitigating its adverse effects on the financial position of the Company to the extent possible.

Commodity price risk management is supervised by Management following approval of the Company's Board of Directors.

*(a) Market risk*

(i) Foreign exchange risk

As explained in note 2.2 "Foreign currency translation", the functional and presentation currency of the Company is the Euro. However, in line with industry practice in all international crude oil and oil trading transactions, underlying commodity prices are based on international reference prices quoted in US dollars.

Foreign currency exchange risk arises on two types of exposure:

- **Financial Position translation risk:** All of the oil stock held by the Company is reported in Euro while its underlying value is determined in USD. Thus, a possible devaluation of the USD against the Euro leads to a reduction in the realizable value of oil stock included in the Statement of Financial Position. In order to manage this risk, the Company has entered into derivative transactions involving cash flow hedges. There are no financial assets or liabilities in foreign currency.

- **Gross Margin transactions and translation risk:** Transactions in crude oil and oil products are based on international Platt's USD prices. This leads to exposure in terms of the Gross Margin translated in Euro. This exposure is linearly related to the Gross margin of the Company in that the appreciation of Euro vs. USD leads to a respective translation loss on the period results. USD denominated transactions are cash settled in Euro by applying market USD to Euro exchange rates.

(ii) Commodity price risk

The Company's primary activity as an entity which has undertaken part of a third's party compulsory stock obligation results into exposure to commodity price risk. Changes in current or forward absolute price levels vs acquisition costs affect the value of oil stock. Essentially commodity price risk is driven from crude oil price fluctuations between the date that it acquires oil stock and the one that it sells the oil stock.

In the case of price risk, the level of exposure is determined by the amount of priced oil stock carried at the end of the reporting period. In periods of sharp price decline, as Company's policy is to report its oil stock at the lower of historical cost and net realizable value, results are affected by the reduction in the carrying value of the oil stock. The extent of the exposure relates directly to the level of oil stocks and rate of price decrease. This exposure is hedged with derivatives to the extent that the cost of such instruments is considered positive, from a risk – return point of view and subject to the structure of the market (contango vs. backwardation).

The sensitivity of the fair value of the open derivatives contracts affecting the Company's total comprehensive income to an immediate 5% increase or decrease in all reference prices, would have been € 2m as at 31 December 2016 (2015: € 5m). This figure is offset with the respective gains / losses arising from the Company's oil stocks.

(iii) Cash flow and fair value interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk, while borrowings issued at fixed rates expose the Company to fair value interest rate risk. The Company's borrowings are all of variable rates of interest. Depending on the levels of net debt at any given period of time, any change in the base interest rates (EURIBOR or LIBOR), has a proportionate impact on the Company results. At 31 December 2016, if interest rates on Euro denominated borrowings had been 0,5% higher with all other variables held constant, post-tax losses for the year would have been € 521 thousand greater (2015: € 578 thousand).

*(b) Credit risk*

Credit risk is managed by the Company's Management. Credit risk arises from cash and cash equivalents, derivative financial instruments, as well as credit exposures to customers, including outstanding receivables and committed transactions. If wholesale customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, the credit quality of the customer is assessed, taking into account its financial position, past experience and other factors. The utilization of credit limits and indication of impairment are regularly monitored.

The counterparties of derivative financial instruments are local Greek Banks with credit rating Caa3 from Moody's.

The Financial instruments that have the major credit exposure are as follows:

| | 2016 | 2015 |
|---|---|---|
| Derivative financial instruments | - | 33.217 |
| Trade and other receivables | 43.617 | 73.643 |
| Cash and cash equivalents | 369 | 20 |
| **Total** | **43.986** | **106.880** |

*(c) Liquidity risk*

Prudent liquidity risk management entails maintaining sufficient cash, the availability of funding through the issued bond loan and the credit terms of the fee agreements entered into with third parties which fully meet the Company's working capital needs.

Further details of the bond loan are provided in note 14, "Borrowings".

The table below analyses the Company's financial liabilities and net-settled derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual cash flows. Trade and other payables equal their carrying balance as the impact of discounting is not significant.

| **Less than a year** | 2016 | 2015 |
|---|---|---|
| Borrowings (including interest to maturity) | 106.658 | 118.459 |
| Derivative financial instruments | 16.685 | - |
| Trade and other payables | 21.006 | 39.334 |
| **Total** | **144.349** | **157.793** |

## 3.2 Capital risk management

The Company's objective with respect to capital structure, which includes both equity and debt funding, is to safeguard its ability to continue as a going concern and to have in place an optimal capital structure from a cost perspective.

Consistent with others in the industry, the Company monitors capital on the basis of the gearing ratio. The ratio is calculated as net debt divided by total capital employed. Net debt is calculated as total borrowings (including "current and non-current borrowings" as shown in the Statement of Financial Position) less "Cash & Cash

equivalents". Total capital employed is calculated as "Total Equity" as shown in the Statement of Financial Position plus net debt.

Due to the nature of the Company's operations the gearing ratio is high.

The gearing ratio as at 31 December 2016 and 2015 was as follows:

| | 2016 | 2015 |
|---|---|---|
| Total Borrowings (Note 14) | 104.757 | 116.271 |
| Less: Cash and equivalents (Note 9) | (369) | (20) |
| **Net Debt** | **104.388** | **116.251** |
| Total Equity | 21.147 | 39.809 |
| Total capital employed | **125.535** | **156.060** |
| Gearing ratio | 83% | 74% |

## 3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Company's assets that are measured at fair value at 31 December 2015 and 2016:

| **As at 31 December 2015** | **Level 1** | **Level 2** | **Level 3** |
|---|---|---|---|
| Assets | - | 33.217 | - |
| **Derivatives financial instruments** | - | **33.217** | - |
| **As at 31 December 2016** | **Level 1** | **Level 2** | **Level 3** |
| Liabilities | - | 16.685 | - |
| **Derivatives financial instruments** | - | **16.685** | - |

The valuation prices for Company's derivatives are provided by financial institutions and are based on marketable data (traded futures).

The fair value of financial instruments traded in active markets (such as publicly traded derivatives) is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

### 3.4 Reporting variance on valuation

For risk management purposes the Company aims to maintain a fully hedged position through derivatives, which however are not designated as hedges and thus no hedge accounting is applied. The valuation of its oil stocks at the balance sheet date is done on the basis of the lower of cost and NRV (10 days average after the balance sheet date on a consistent basis) whereas the valuation of the derivative contracts is done on the basis of the forward prices prevailing at the balance sheet date and refer to the future date of closing the hedged position. The different basis of valuation creates a mismatch which may impact either positively or negatively the results of the Company. As of 31 December 2016, if the stock was sold and the derivative contract closed then the Company's loss before tax would be € 9.5 lower (2015: € 7,4m higher gains).

## 4 Critical accounting estimates and judgements

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

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

*(a) Income taxes*

Estimates are required in determining the provision for income taxes that the Company is subjected to. This requires significant judgment. There are some transactions and calculations for which the ultimate tax determination is uncertain.

The Company recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

*(b) Fair value of derivatives and other financial instruments*

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Company selects methods that are based on market conditions existing at the end of each reporting period. To this effect the Company uses valuations received from the specialised departments of Financial Institutions.

*(c) Estimated impairment of non-financial asset*

The Company tests annually whether investments and non-financial assets have suffered any impairment in accordance with its accounting policies. Significant judgement is involved in management's determination of these estimates.

*(d) NRV test*

The Company uses its judgement based on the experience in the industry to select the best estimate for future selling prices, on a consistent basis an average of spot prices during a period shortly after the Financial Position date is selected to be the basis for this estimate unless there is commitment or certainty that stock at the balance sheet date will be disposed in predetermined dates which alternatively form the basis of the NRV estimate.

*(e) Hedging effectiveness testing*

The Company uses the "dollar offset method" for the retrospective on-going assessment of hedge effectiveness. The hedging instrument's reference index is a future index at the ICE Future Exchange. However the testing is performed not using future prices but with outright prices from Platt's market Crudewire since forecast values is expected to be priced with the Brent quotation from the Platt's platform. The correlation of the two indices is high.

From 2015 onwards the Company has decided to not apply hedge accounting for derivatives used to hedge exposure in crude oil commodity prices. Derivatives are accounted for as held for trading with charges in the profit and loss thereby creating fluctuations in the Income Statement at year end.

## 5 Property, plant and equipment

| **Cost** | **Motor vehicles** |
|---|---|
| **As at 1 January 2015** | 100 |
| Additions | - |
| **As at 31 December 2015** | **100** |
| | |
| **Accumulated Depreciation** | |
| **As at 1 January 2015** | **62** |
| Change for the period | 20 |
| **As at 31 December 2015** | **82** |
| | |
| **Net book value as at 31 December 2015** | **18** |
| | |
| **Cost** | |
| **As at 1 January 2016** | **100** |
| Additions | - |
| **As at 31 December 2016** | **100** |
| | |
| **Accumulated Depreciation** | |
| **As at 1 January 2016** | **82** |
| Change for the period | 18 |
| **As at 31 December 2016** | **100** |
| | |
| **Net book value as at 31 December 2016** | - |

The Company has not pledged any property, plant and equipment as security for borrowings.

## 6 Oil Stock held

| | **2016** | **2015** |
|---|---|---|
| Crude oil | 97.307 | 79.125 |
| Unleaded gasoline | 12.729 | 12.944 |
| Diesel | 8.936 | 7.471 |
| **Total** | **118.972** | **99.540** |

Write-down of oil stock to net realisable value, included in 'Cost of Sales' in the statement of comprehensive income, as at 31 December 2016 amounted to nil (2015: € 17.633).

Oil Stock represent compulsory stock obligation (CSO) delegated by Hellenic Petroleum S.A. to the Company under a CSO Delegation Agreement in line with the legal framework.

## 7 Deferred income tax asset/ (liability)

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

All temporary differences comprising the deferred tax asset balance will be settled in April 2017 and thus this balance is classified as a current asset in the statement of financial position.

The gross movement in the deferred income tax asset/(liability) is as follows:

| | 2016 | 2015 |
|---|---|---|
| **Opening balance** | **(9.679)** | **3.525** |
| Income statement recovery /(charge) | 16.755 | (13.204) |
| | - | - |
| **End of period** | **7.076** | **(9.679)** |

Deferred tax relates to the following types of deductible (taxable) temporary differences:

| | 2016 | 2015 |
|---|---|---|
| Unamortised up front loan fees | (37) | (46) |
| Valuation of derivative financial instruments | 4.838 | (9.633) |
| Temp difference stock valuation | 2.275 | 0 |
| **Net deferred income tax asset/(liability)** | **7.076** | **(9.679)** |
| **Deferred income tax liability** | - | **(9.679)** |
| **Deferred income tax assets** | **7.076** | - |

## 8 Accounts receivable and other receivables

| | 2016 | 2015 |
|---|---|---|
| Trade receivables | 30.132 | 65.943 |
| Other receivables | 13.485 | 7.700 |
| **Total** | **43.617** | **73.643** |

Trade receivables represent fee income receivable from related parties.

Other receivables in 2016 represent mainly: a) margin accounts of € 5.000 (2015: € 5.000) maintained at financial institutions which serve as collateral against outstanding derivative transactions b) amounts receivable from Greek State € 2.084 (2015: € 2.084) and c) vat receivable € 6.387 (2015: € 560).

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

As at 31 December 2016 there are no past due, doubtful or impaired receivables.

## 9 Cash and cash equivalents

| | 2016 | 2015 |
|---|---|---|
| Cash at bank and in hand | 369 | 20 |
| **Total cash and cash equivalents** | **369** | **20** |

The weighted average effective interest rate as on cash and cash equivalents as at 31 December 2016 and 2015 was 0,3% and 0,3% respectively. All cash and cash equivalents are denominated in Euro.

## 10 Share capital

| | Number of shares (authorised and issued) | Nominal Value (in EUR) | Total Share Capital (in EUR) |
|---|---|---|---|
| **As at 31 December 2016 and 2015** | **666.667** | **3** | **2.000.001** |

The amounts in the above table are stated in Euro.

All ordinary shares were authorized, issued and fully paid. The nominal value of each ordinary share is € 3,00 (2015: € 3,00).

The bond loan restricts the issue of any shares, payment of dividends or any other distribution to shareholders unless the Company obtains bondholders consent.

## 11 Retained earnings and reserves

| | Retained Earnings | Statutory reserve | Total |
|---|---|---|---|
| **Opening balance at 1 January 2015** | **2.717** | **351** | **3.068** |
| Profit after tax for the period | 34.741 | - | **34.741** |
| Transfer to statutory reserve | (316) | 316 | - |
| **Balance at 31 December 2015** | **37.142** | **667** | **37.809** |
| | | | |
| **Opening balance at 1 January 2016** | **37.142** | **667** | **37.809** |
| Loss after tax for the period | (18.662) | - | (18.662) |
| **Balance at 31 December 2016** | **18.480** | **667** | **19.147** |

*Statutory reserves*

Under Greek law, corporations are required to transfer a minimum of 5% of their annual net profit as reflected in their statutory books to a statutory reserve until such reserve equals one third of outstanding share capital. This reserve cannot be distributed during the existence of the corporation, but can be used to offset accumulated losses.

Profit appropriation has to be approved by the Shareholder's General assembly.

## 12 Trade and other payables

| | 2016 | 2015 |
|---|---|---|
| Trade payables | 20.918 | 39.261 |
| Accrued expenses | 15 | - |
| Other payables | 73 | 73 |
| **Total** | **21.006** | **39.334** |

The fair value of trade and other payables approximate their carrying amount as they relate to short term and interest free liabilities.

## 13 Derivative financial instruments

| | 2016 | | | 2015 | | |
|---|---|---|---|---|---|---|
| **Commodity Derivative type** | **Notional MT'000** | **Amount Bbls´000** | **Liabilities Euro** | **Notional MT'000** | **Amount Bbls´000** | **Assets Euro** |
| Commodity Swaps | 354 | 2.588 | (16.685) | 403 | 2.948 | 33.217 |
| | | | **(16.685)** | | | **33.217** |
| **Total** | | | **(16.685)** | | | **33.217** |

The Company uses derivative financial instruments to manage certain exposures to fluctuations in commodity prices and foreign currency exchange rates on a highly probable forecast transaction. In this framework, on 30 October 2016, the Company has entered into two derivative transactions of commodity price swaps which have not been designated by the Company as hedging instruments and any changes in their fair value is recorded in the statement of comprehensive income within “Cost of Sales” (Note 17) for the year ended 31 December 2016.

The maximum exposure to credit risk at the reporting date is the fair value of potential derivative liabilities in the statement of financial position.

## 14 Borrowings

Borrowings currently amount to € 104.100 and represent a bond loan which was initially issued on 29 December 2011 for an amount of € 175.000. On 30 October 2015 the Company repaid an amount of € 59.500 and on 26 April 2016 the Company repaid an additional amount of € 11.400. On 26 October 2016 the loan was extended until 28 April 2017 with an option for a further extension until 30 October 2017. The bond loan is guaranteed by the parent companies DMEP UK Ltd and DMEP Holdco Ltd. In addition the bond holders have pledges on the parent companies’ shares and liens on the Company’s insurance contracts, other agreements and bank accounts.

The effective interest including amortization of upfront loan commitment fees, for the year ended 31 December 2016 and 31 December 2015 amounts to 5,8% and 5,7% respectively.

Pricing is Euribor for the period selected plus 5,50% margin.

The carrying amounts of the Company's borrowings which approximate their fair value are denominated in Euro.

Below is a table listing notional amount, accrued interest and unamortized fees composing borrowings:

| | 2016 | 2015 |
|---|---|---|
| Notional amount | 104.100 | 115.500 |
| Accrued interest expenses | 786 | 930 |
| Unamortized upfront fees | (129) | (159) |
| **Total** | **104.757** | **116.271** |

The movement has as follows:

| | 2016 | 2015 |
|---|---|---|
| **Opening balance** | **116.271** | **176.335** |
| Capital repayment | (11.400) | (59.500) |
| Interest and other charges payable | 6.290 | 9.704 |
| Interest and other charges paid | (6.434) | (10.207) |
| Change in up-front fees | 30 | (61) |
| **Closing balance** | **104.757** | **116.271** |

## 15 Taxes payable

| | 2016 | 2015 |
|---|---|---|
| Withheld taxes on Bond loan interest | 139 | 526 |
| Current income tax liability | 6.300 | 819 |
| **Total** | **6.439** | **1.345** |

Movement of current income tax liability has as follows:

| | 2016 | 2015 |
|---|---|---|
| **Opening balance** | **819** | **2.272** |
| Current income tax | 7.936 | 1.640 |
| Income tax advance | - | (244) |
| Taxes paid | (2.455) | (2.849) |
| **Closing balance** | **6.300** | **819** |

## 16 Revenue

| | 2016 | 2015 (restated) |
|---|---|---|
| Sale of services - CSO Fees | 23.210 | 55.735 |
| Sale of services - Storage fees | 10.709 | 36.903 |
| **Total** | **33.919** | **92.638** |

All sales are made exclusively in Greece to related parties. Sale represent fees charged to Hellenic Petroleum S.A in accordance with a CSO Delegation agreement and a Storage Agreement that have been put in place. The delegation fee is calculated based upon the requirements of the legal framework which stipulate that it should be based upon the operating costs of storing safety stocks and a reasonable return for capital employed in the storage operations. In December 2015 the delegation fee was revised from € 11,40 /M.T to € 4,90 / M.T. Furthermore the Storage Agreement was amended in November 2015. Storage fees from 1 November 2015 onwards are based upon actual quantities stored as opposed to tank excess capacity (basis of calculation applied up to October 2015) thus allowing for excess capacity to be rented to third parties. The above changes resulted in a reduction of revenue.

During the year, the Company proceeded with changes in the classification of certain transactions in order to achieve better presentation. For more details refer to note 22.

## 17 Cost of sales

| | 2016 | 2015 (restated) |
|---|---|---|
| Cost of services sold | 58.435 | 59.771 |
| (Gains)/Losses arising from goods sold incidental to main revenue generating activity | (44.504) | 41.113 |
| (Gains)/ losses in derivative financial instruments | 41.008 | (67.582) |
| **Total** | **54.939** | **33.302** |

As explained in Note 16, during the year the Company proceeded with changes in the classification of certain transactions in order to achieve better presentation. This resulted in a reduction of the comparative figures of Cost of Sales by an amount of € 753.339.

The analysis of gains/ (losses) of derivatives financial instruments are as follows:

| | 2016 | 2015 |
|---|---|---|
| Realized gains of the year | 8.894 | 92.702 |
| Unrealized (losses)/ gains at year end | (16.685) | 33.217 |
| Recycling of prior year Unrealized (gains) at year end | (33.217) | (58.337) |
| **Total** | **(41.008)** | **67.582** |

## 18 Finance expenses - net

| | 2016 | 2015 |
|---|---|---|
| **Finance income** | | |
| Interest income | 143 | 138 |
| **Total finance income** | **143** | **138** |
| | | |
| **Finance expense** | | |
| Accrued Interest | 786 | 930 |
| Interest expense and similar charges | 5.534 | 8.713 |
| **Total finance expense** | **6.320** | **9.643** |
| | | |
| **Finance expense-net** | **6.177** | **9.505** |

## 19 Income tax expense

| | 2016 | 2015 |
|---|---|---|
| Current income tax | 7.936 | 1.640 |
| Effect of change in tax rate to deferred tax | - | (407) |
| Deferred tax (current year) | (16.755) | 13.611 |
| **Total** | **(8.819)** | **14.844** |

The basic tax rate was 29% for the years ended 31 December 2016 and 31 December 2015.

Reconciliation between income tax expense and the product of accounting profit multiplied by the applicable tax rate for the period ended 31 December 2016 and 31 December 2015 is as follows:

| | 2016 | 2015 |
|---|---|---|
| **(Loss)/ profit before income tax** | **(27.481)** | **49.585** |
| Tax credit /(expense) at corporate tax rate of 29% | 7.969 | (14.380) |
| Effect of tax rate change on deferred tax | - | 407 |
| Non-deductible expenses | 852 | (883) |
| Other | (2) | 12 |
| **Income tax expense** | **8.819** | **(14.844)** |

The Company used tax deductible temporary differences that could be carried forward of € 870 (included in non-deductible expenses).

For financial years ending 31 December 2011 onwards, Greek companies meeting certain criteria were subject to annual tax audits from their statutory auditors. This audit results in the issuance of a Tax Certificate, however the tax authorities reserve the right of future tax audit. The Company has been audited by its respective statutory auditor and has obtained unqualified tax audit certificates for the financial years ended 31 December 2011-2015.

According to recent legislation, the tax audit and the issuance of tax certificates is also valid from 2016 onwards but on an optional basis. The tax compliance examination for the tax year ended 31 December 2016 is currently in progress. Management believes that no additional material liabilities will arise, over those already recognized in the Financial Statements, as a result of the tax compliance audit which is in progress.

## 20 Related party transactions

| i) Sales and exchange of goods and services | 2016 | 2015 |
|---|---|---|
| Sales of goods incidental to main revenue generating activity | 263.025 | 319.363 |
| Exchange of goods | 462.969 | 433.976 |
| Sales of services | 33.919 | 92.638 |
| **Total** | **759.913** | **845.977** |

| ii) Purchases and exchange of goods and services | 2016 | 2015 |
|---|---|---|
| Purchases of goods incidental to main revenue generating activity | 237.953 | 332.008 |
| Exchange of goods | 462.969 | 433.976 |
| Purchases of services | 58.435 | 59.771 |
| **Total** | **759.357** | **825.755** |

| iii) Balances arising from sales/purchases of goods /services | 2016 | 2015 |
|---|---|---|
| Receivables from related parties | 30.132 | 65.943 |
| | **30.132** | **65.943** |
| Payables to related parties | 20.911 | 39.227 |
| | **20.911** | **39.227** |
| **Net balances from related parties** | **9.221** | **26.716** |

Included in the statement of financial position are balances which have arisen from sales/purchases of goods and services in the ordinary course of business on an arm's length basis.

Sale of services represent co-storage rentals and delegation fees for the stockholding of compulsory stocks while purchase of services represent tank operation and tank rental fees.

The delegation fee is calculated based upon the requirements of the legal framework which stipulate that it should be based upon the operating costs of storing safety stocks and a reasonable return for capital employed in the storage operations.

All transactions with related parties are effected under normal trading and commercial terms.

All related parties transactions stated above were entered into with Hellenic Petroleum S.A. Hellenic Petroleum S.A. has a 48% stake in the Company through its subsidiary Hellenic Petroleum International A.G.

## 21 Commitments and contingencies

*(a) Litigation*

The Company is not involved in any pending litigation.

*(b) Leases as lessee*

At the end of the reporting period the Company does not hold any material non-cancelable operating leases. However, the Company leases a number of oil tanks from Hellenic Petroleum S.A. under an operating lease which is cancelable by the Company at any time without penalty. The duration of the lease agreement is 10 years and the annual rental expense is approximately € 50 million.

*(c) Put and call option*

The Company is counterparty to an outstanding put and call option agreement with Hellenic Petroleum S.A. to sell oil stock to Hellenic Petroleum S.A. on 26 April 2017. The put and call option may be exercised by either counterparty at any time before this date under certain conditions. The value of these two options (put and call) is immaterial due to the fact that the terms of the agreement are such that the transaction will be market priced resulting in zero payoff at any time of exercise.

## 22 Change in presentation

During the year, management have reconsidered the treatment of sales and purchases of oil stock. Previously, sales and purchases of oil stock have been recognised at their gross sales value within "Revenue" and "Cost of sales" respectively. Following the reconsideration, adjustments are applied retrospectively to the 2015 figures as described below (see also Notes 16 and 17).

a) Sales of goods undertaken in the course of ordinary activities that are incidental to the main revenue-generating activities were not regarded as sales. These incidental activities relate to the regular semi-annual renewal of safety stock. To this effect comparative figures were restated by reclassifying an amount of € 319.363 from "Sales" to "Cost of Sales" (see also Note 17) so as to conform to the change in presentation.

b) Goods exchanged or swapped for goods of a similar nature and value were not regarded as sales. To this effect comparative figures were restated by reclassifying an amount of € 433.976 from "Sales" to "Cost of Sales" (see also Note 17) so as to conform to the change in presentation.

The above changes have no impact on the net profit and total Equity. Comparative figures have been adjusted as follows:

| | **2015 Published** | **2015 Restated** | **Difference** |
|---|---|---|---|
| Revenue | 845.977 | 92.638 | (753.339) |
| Cost of sales | (786.641) | (33.302) | (753.339) |

## 23 Events after the end of the reporting period

On 28 April 2017, the Bond Loan of € 104.100 was extended to 25 October 2017 with two six-month extension options.