

**BP MARINE LIMITED**  
**(Registered No.1214291)**

**ANNUAL REPORT AND ACCOUNTS 2005**

Board of Directors:    F J Baudry  
                                 S H Rataj

**REPORT OF THE DIRECTORS**

The directors present their report and accounts for the year ended 31 December 2005.

**Principal activity**

The company is engaged in the purchasing and selling of marine products. It also provides back office support services to the international marine business of the BP group. It is the intention of the directors that the above business of the company will continue for the foreseeable future.

**Review of activities & future developments**

Losses in 2005 were due largely to the \$19m loss in Lubricants (BP & Castrol) which was mainly due to customer price rises lagging behind the increases in base oil and additive prices.

In 2006 the business is in a much better position as the Lubricants business have turned the profitability of the business around with a price increase/surcharge implemented in December 2005 & January 2006.

**Results and dividends**

The loss for the year after taxation was \$29,507,000 when added to the retained deficit brought forward at 1 January 2005 of \$45,841,000, gives a total retained deficit carried forward at 31 December 2005 of \$75,348,000. The directors do not propose the payment of a dividend.

**Directors**

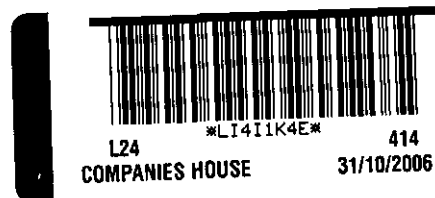
The present directors are listed above.

Mr K.L. James & G. F. Whitely served as directors throughout the financial year. Changes since 1 January 2005 are as follows:-

	Appointed	Resigned
K L James		15 September 2006
G F Whitely		15 September 2006
F J Baudry	15 September 2006	
S H Rataj	15 September 2006	

**Directors' interests**

The interests of the directors holding office at 31 December 2005 and their families, in the US \$0.25 ordinary shares of BP p.l.c., were as set out below:



BP MARINE LIMITED

REPORT OF THE DIRECTORS

31 December 2005

1 January 2005

K L James	10,590*	10,590*
G F Whitely	4,972	4,539

In addition, rights to subscribe for US \$0.25 ordinary shares in BP p.l.c. were granted to, or exercised by, those directors between 1 January 2005 and 31 December 2005 as follows:

	<u>Granted</u>	<u>Exercised</u>
K L James	None	None
G F Whitely	12,000	None

\*These holdings include shares held in the form of ADRs (American Depository Receipts)

No director had any interest in the shares or debentures of subsidiary undertakings of BP p.l.c. at 31 December 2005.

**Policy and practice 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 may be obtained from the CBI.

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

**Post balance sheet events**

After the balance sheet date 13,335,000 fully paid up ordinary shares of £1 each were issued to the immediate parent company at par value.

**Auditors**

Ernst & Young LLP will continue in office as the company's auditor in accordance with the elective resolution passed by the company under Section 386 of the Companies Act 1985.

By order of the Board  
*Nehela Wright*  
Secretary

*23 October 2006*

Registered Office:

Chertsey Road  
Sunbury on Thames  
Middlesex  
TW16 7BP

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the annual report and accounts in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

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 the profit or loss of the company 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 which 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.

BP MARINE LIMITED

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF  
BP MARINE LIMITED

We have audited the company's accounts for the year ended 31 December 2005 which comprise accounting policies, Profit and Loss Account, Balance Sheet and the related notes 1 to 19. 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 United Kingdom Generally Accepted Accounting Practice.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 accounts, 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 International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 December 2005 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*  
Ernst & Young LLP  
Registered Auditor  
Luton.

*23 October 2006*

*23*

ACCOUNTING POLICIES

**Accounting Standards**

These accounts are prepared in accordance with applicable UK accounting standards.

**Accounting convention**

The accounts are prepared under the historical cost convention.

**Basis of Preparation**

At 31 December 2005 the company's balance sheet had net liabilities amounting to \$22,508,000. The directors consider it appropriate to prepare the accounts on a going concern basis because after the balance sheet date the company received cash following an issue of shares to its immediate parent of the sterling equivalent of \$25m.

**Statement of cash flows**

The accounts of the ultimate parent undertaking contain a consolidated cash flow statement. The Company has taken advantage of the exemption granted by the Financial Reporting Standard No. 1 (Revised), whereby it is not required to publish its own cash flow statement.

**Stock valuation**

Stocks are valued at cost to the company, using the first-in first-out method or at net realisable value, whichever is the lower.

**Revenue recognition**

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

**Foreign currencies**

Transactions in currencies other than dollars are recorded at the rate ruling at the date of the transaction. Assets and liabilities in currencies other than dollars are translated into dollars at closing rates of exchange. All exchange gains and losses on settlement or translation at closing rates of exchange of monetary assets and liabilities are included in the determination of loss for the year.

**Fixed Assets**

Fixed assets are initially recorded at cost.

03

ACCOUNTING POLICIES

**Goodwill**

Goodwill is the excess of purchase consideration over the fair value of net assets acquired. It is capitalised and amortised over its estimated useful economic life, which has been determined as three years.

**Depreciation**

Tangible and intangible assets, other than freehold land, are depreciated on a straight line basis over their estimated useful lives. The company undertakes a review for impairment of a fixed asset or goodwill if events or changes in circumstances indicate that the carrying amount of the fixed asset or goodwill 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 or goodwill is written down to its recoverable amount. The value in use is determined from estimated discounted future net cash flows.

**Operating Leases**

Rentals under operating leases are charged against income as incurred.

**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 asset 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, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- Deferred tax assets are recognized 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 future reversal of 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.

BP MARINE LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 \$'000	2004 \$'000
<b>Turnover</b>	<b>1</b>	668,434	208,406
Cost of sales		(585,039)	(142,054)
<b>Gross profit</b>		83,395	66,352
Distribution and marketing expenses		(16,516)	(13,227)
Administration expenses		(97,310)	(89,934)
Other income	<b>3</b>	5,920	306
<b>Operating loss</b>	<b>2</b>	(24,511)	(36,503)
<b>Loss on ordinary activities before interest and tax</b>		(24,511)	(36,503)
Interest payable and similar charges	<b>4</b>	(5,025)	(821)
Interest receivable	<b>4</b>	29	-
<b>Loss before taxation</b>		(29,507)	(37,324)
Taxation	<b>5</b>	-	-
<b>Retained loss for the year</b>		(29,507)	(37,324)

There are no recognised gains and losses except for the loss of \$29,507,000 for the year ended 31 December 2005 (2004 – loss of \$37,324,000).

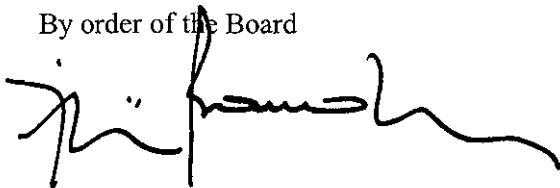
847

BP MARINE LIMITED

BALANCE SHEET AT 31 DECEMBER 2005

		<u>2005</u>	<u>2004</u>
	<u>Note</u>	\$'000	\$'000
<b>Fixed assets</b>			
Intangible assets	7	4,403	7,046
Tangible assets	8	3,458	4,310
		<u>7,861</u>	<u>11,356</u>
<b>Current assets</b>			
Stocks	9	13,688	9,678
Debtors – amounts falling due:	10		
Within one year		555,807	377,950
After more than one year		14,163	18,419
Cash at bank and in hand		2,116	2,271
		<u>585,774</u>	<u>408,318</u>
Creditors – amounts falling due within one year	11	(616,143)	(456,890)
<b>Net current liabilities</b>		<u>(30,369)</u>	<u>(48,572)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(22,508)</u>	<u>(37,216)</u>
<b>NET LIABILITIES</b>		<u>(22,508)</u>	<u>(37,216)</u>
<b>Represented by</b>			
<b>Capital and reserves</b>			
Called up share capital	12	52,840	8,625
Profit and Loss account - Deficit	13	(75,348)	(45,841)
<b>SHAREHOLDERS' FUNDS – EQUITY INTERESTS</b>		<u>(22,508)</u>	<u>(37,216)</u>

By order of the Board



Director

23 October 2006





NOTES TO THE ACCOUNTS**1. Turnover**

Turnover, which is stated net of value added tax comprises amounts invoiced to third parties. Turnover is attributable to the purchasing and selling of Marine products.

	<u>Turnover</u>	
	<u>2005</u>	<u>2004</u>
	\$'000	Restated * \$'000
By geographical area:		
UK	525,612	168,027
Rest of Europe	34,272	8,596
USA	33,662	13,000
Rest of World	74,888	18,783
Total	<u>668,434</u>	<u>208,406</u>

\* 2005 geographical split is based on a sales rather than a supply basis, so 2004 comparative figures have been restated to reflect this change.

**2. Operating loss**

This is stated after charging/(crediting):

	<u>2005</u>	<u>2004</u>
	\$'000	\$'000
Exchange loss/ (gain) on foreign currency borrowings less deposits	86	(1,171)
Depreciation of owned fixed assets (including amortisation of intangibles)	4,072	2,933
Auditors' remuneration:		
Audit fees – current year		
UK	120	128
Exceptional – write off of Other Debtor	<u>-</u>	<u>14,883</u>

**3. Other income**

	<u>2005</u>	<u>2004</u>
	\$'000	\$'000
Income from fellow subsidiary undertakings	<u>5,920</u>	<u>306</u>
	<u>5,920</u>	<u>306</u>

**BP MARINE LIMITED**

**NOTES TO THE ACCOUNTS**

**4. Interest**

	<u>2005</u>	<u>2004</u>
Interest payable:	<u>\$'000</u>	<u>\$'000</u>
Loans from fellow subsidiary undertakings	<u>5,025</u>	<u>821</u>
Interest receivable:		
Bank Interest	22	-
Interest received from Third Party debtors	<u>7</u>	<u>-</u>
	<u>29</u>	<u>-</u>

**5. Taxation**

The Company is a member of a group for the purposes of relief under Section 402 of the Income & Corporation Taxes Act 1988. No corporation tax has been provided because another group company, BP International Limited, has undertaken to procure the claim or surrender of group relief to the extent it is required and to provide for any current or deferred tax that arises without charge.

The following table provides a reconciliation of the UK statutory corporation tax rate to the effective current tax rate on profit before taxation.

	<u>2005</u>	<u>2004</u>
	<u>\$'000</u>	<u>\$'000</u>
Loss before taxation	(29,507)	(37,324)
Current taxation	-	-
Effective current tax rate	<u>0%</u>	<u>0%</u>

	<u>2005</u>	<u>2004</u>
	<u>%</u>	<u>%</u>
UK statutory corporation tax rate:	30	30
Increase/(decrease) resulting from:		
Timing differences	3	3
Non deductible expenditure / non taxed income	(3)	(1)
Group relief	(30)	(32)
Effective current tax rate	<u>0</u>	<u>0</u>

**6. Directors and employees**

None of the directors received any fees or remuneration for services as a director of the company during the financial year (2004 \$Nil).

The company does not directly employ any staff.

BP MARINE LIMITED

NOTES TO THE ACCOUNTS

**7. Intangible assets**

	Goodwill	Total
Cost	\$'000	\$'000
At 1 January 2005	7,926	7,926
At 31 December 2005	<u>7,926</u>	<u>7,926</u>
<b>Depreciation</b>		
At 1 January 2005	880	880
Charge for the year	<u>2,643</u>	<u>2,643</u>
At 31 December 2005	<u>3,523</u>	<u>3,523</u>
<b>Net book amount</b>		
At 31 December 2005	<u>4,403</u>	<u>4,403</u>
At 31 December 2004	<u>7,046</u>	<u>7,046</u>
Principal rates of depreciation	33%	33%

12,

**BP MARINE LIMITED**

**NOTES TO THE ACCOUNTS**

**8. Tangible assets**

	Land and Buildings \$'000	Fixtures and Fittings \$'000	Plant and Machinery \$'000	Total \$'000
<b>Cost</b>				
At 1 January 2005	133	10,159	4,069	14,361
Additions	-	817	312	1,129
Deletions	-	(616)	-	(616)
Transfers	-	547	(547)	-
At 31 December 2005	<u>133</u>	<u>10,907</u>	<u>3,834</u>	<u>14,874</u>
<b>Depreciation</b>				
At 1 January 2005	133	7,310	2,608	10,051
Charge for the year	-	1,029	400	1,429
Deletions	-	(64)	-	(64)
Transfers	-	547	(547)	-
At 31 December 2005	<u>133</u>	<u>8,822</u>	<u>2,461</u>	<u>11,416</u>
<b>Net book amount</b>				
At 31 December 2005	<u>-</u>	<u>2,085</u>	<u>1,373</u>	<u>3,458</u>
At 31 December 2004	<u>-</u>	<u>2,849</u>	<u>1,461</u>	<u>4,310</u>
Principal rates of dep'n	12.5%	10%-33%	10%-33%	

**9. Stocks**

	<u>2005</u> \$'000	<u>2004</u> \$'000
Finished goods and goods for resale	13,688	9,678
	<u>13,688</u>	<u>9,678</u>

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

**BP MARINE LIMITED**

**NOTES TO THE ACCOUNTS**

**10. Debtors**

	<u>2005</u>		<u>2004</u>	
	Within	After	Within	After
	1 year	1 year	1 year	1 year
	\$'000	\$'000	\$'000	\$'000
Trade	289,450	-	223,533	-
Parent and fellow subsidiary undertakings	29,392	-	26,757	-
Prepayments and accrued income	27,017	14,163	15,122	18,419
Other	209,948	-	112,538	-
	<u>555,807</u>	<u>14,163</u>	<u>377,950</u>	<u>18,419</u>

**11. Creditors**

	<u>2005</u>		<u>2004</u>	
	Within	After	Within	After
	1 year	1 year	1 year	1 year
	\$'000	\$'000	\$'000	\$'000
Trade	188,732	-	116,072	-
Parent and fellow subsidiary undertakings	404,432	-	303,014	-
Accruals and deferred income	22,809	-	37,804	-
Other	170	-	-	-
	<u>616,143</u>	<u>-</u>	<u>456,890</u>	<u>-</u>

**12. Called up share capital**

	<u>2005</u>	<u>2004</u>
	\$'000	\$'000
Authorised share capital:		
100,000,000 Ordinary shares of £1 each	182,740	182,740
	<u>                    </u>	<u>                    </u>
Allotted, called up and fully paid:		
100 ordinary shares of £1 each at exchange rate of US\$1.87 = £1 on date of issue and		
4,719,862 ordinary shares of £1 each at exchange rate of US\$1.83 = £1 on date of issue		
25,031,260 ordinary shares of £1 each at exchange rate of US\$1.77 = £1 on date of issue	52,840	8,625
	<u>                    </u>	<u>                    </u>

After the balance sheet date, 13,335,000 ordinary shares of £1 each, were issued fully paid at par.

02

**BP MARINE LIMITED**

**NOTES TO THE ACCOUNTS**

**13. Reconciliation of shareholders' funds and movements on reserves**

	<u>Equity share capital</u> \$'000	<u>Profit and Loss account</u> \$'000	Total \$'000
At 1 January 2005	8,625	(45,841)	(37,216)
Shares issued	44,215	-	44,215
Loss for the year	-	(29,507)	(29,507)
At 31 December 2005	<u>52,840</u>	<u>(75,348)</u>	<u>(22,508)</u>

**14. Reconciliation of movements in shareholders' interest**

	2005 \$'000	2004 \$'000
Loss for the year	(29,507)	(37,324)
Issue of ordinary share capital	<u>44,215</u>	<u>8,625</u>
Net increase/ (decrease) in shareholders' interests	14,708	(28,699)
Shareholders' interest at 1 January	(37,216)	(8,516)
Shareholders' interest at 31 December	<u>(22,508)</u>	<u>(37,215)</u>

**15. Operating lease commitments**

At 31 December the company had annual commitments under non-cancellable operating leases as set out below:

	2005	2004
	Other \$'000	Other \$'000
Expiring:		
Within 1 year	2,233	-
Between 2 to 5 years	2,168	-
Thereafter	-	-

**16. Related party transactions**

The company has taken advantage of the exemption contained within Financial Reporting Standard No 8 "Related Party Disclosures" and has not disclosed transactions with group companies. There were no other related party transactions in the year.

**17. Pensions**

The company does not directly employ any staff and therefore does not directly bear any pension charge.

BP MARINE LIMITED

NOTES TO THE ACCOUNTS

**18. Post balance sheet event**

After the balance sheet date 13,335,000 ordinary shares of £1 each were issued to the immediate parent company at par value.

**19. 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 BP p.l.c , a company registered in England and Wales. Copies of BP p.l.c.'s accounts can be obtained from 1 St James's Square, London, SW1Y 4PD.

82