COMPANY NUMBER: 2239062

ANNUAL REPORT AND ACCOUNTS

BP Eastern Mediterranean Limited

31 DECEMBER 2005

ANNUAL REPORT AND ACCOUNTS 2005

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REPORT OF THE DIRECTORS

Board of Directors

G. Papanastasiou
K.L. James
P.A. Short
L.J. Navarro
M. Johnson

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

Principal activity

The company is engaged in the purchasing, selling and otherwise dealing in fuels and lubricants products in Cyprus. The company has a branch operating in Cyprus.

It is the intention of the directors that this business will continue for the foreseeable future.

Review of activities and future developments

The company did not have satisfactory results, mainly because of the increase of the purchase cost of fuels due to the high crude oil prices which in turn brought rigorous competition in the market as well as foreign currency losses suffered by the Company. However, the company is in a good position to take advantage of any opportunities which may arise in the future.

Results and dividends

The loss for the year after taxation was £1,380,180, when added to the accumulated loss brought forward at 1 January 2005 of £680,444 (together with exchange gain adjustments and actuarial loss taken directly to reserves of £587 and £76,459 respectively), gives a total accumulated loss carried forward at 31 December 2005 of £2,136,496. The directors do not propose the payment of a dividend.

Directors

The present directors are listed above.

K L James, P A Short and L J Navarro served as directors of the above company throughout the financial year.

Changes since 1 January 2005 are as follows:

	Appointed	Resigned
J T Cook	-	1 July 2005
M Johnson	1 July 2005	-
G Papanastasiou	18 August 2006	
G A Petrou		18 August 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:

	31 December 2005	1 January 2005 (or date of appointment)
G.A. Petrou	-	-
K.L. James	10,590*	10,590*
P.A. Short	36,551	35,213
M Johnson	13,193	12,694
L. J. Navarro	24,255	23,174

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 (or date of appointment) and 31 December 2005 as follows:

	Granted	Exercised
G.A. Petrou	-	-
K.L. James	-	-
P.A. Short	749	1,500
M Johnson	-	-
L. J. Navarro	-	-

* 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. as 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 practise for all suppliers to the company. A copy of the code of practice can be obtained from the CBI.

The number of days' purchases represented by trade creditors at the year-end was 29.

Post Balance Sheet Events

As at the date of this report, there are no significant post balance sheet events.

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

Rebecca Wright

Rebecca Wright
Secretary

14 September 2006

Registered Office

Chertsey Road
Sunbury-on-Thames
Middlesex
TW16 7BP

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BP EASTERN MEDITERRANEAN LIMITED

We have audited the company's accounts for the year ended 31 December 2005, which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, accounting policies and the related notes 1 to 23. These accounts have been prepared on the basis of the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practise).

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 financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with 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 financial statements. It also includes an assessment of the significant estimates and judgments 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
London

14 September 2006

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ACCOUNTING POLICIES

Accounting standards

These accounts are prepared in accordance with applicable UK accounting standards. In preparing the financial statements for the current year, the company has adopted Financial Reporting Standard No. 17 'Retirement Benefits' (FRS 17), No. 21 'Events after the Balance Sheet Date' (FRS 21) and No. 28 Corresponding Amounts' (FRS 28). The adoption of FRS 17 has resulted in changes in accounting policy for pensions and other post-retirement benefits (see note 23). The adoption of FRS 21 has resulted in changes in accounting policy for dividends. Dividends proposed or declared on equity instruments after the balance sheet date are now not recognised as a liability at the balance sheet date.

Accounting convention

The accounts are prepared under the historical cost convention.

Basis of Preparation

The directors consider it appropriate to prepare the accounts on a going concern basis since during the year the company issued additional share capital of £5,220,000.

Statement of cash flows

The Group financial statements 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.

Foreign currencies

Assets and liabilities of the foreign currency branch are translated into sterling at rates of exchange ruling at the balance sheet date. Income statement is translated into sterling using average rates of exchange.

Exchange differences arising when the opening net assets and the profits for the year retained by the foreign currency branch are translated into sterling are taken directly to reserves and reported in the statement of total recognised gains and losses.

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

Depreciation

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

Maintenance Expenditure

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

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ACCOUNTING POLICIES (continued)

Environmental liabilities

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

Liabilities for environmental costs are recognised when environmental assessments or clean-ups are probable and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The amount recognised is the best estimate of the expenditure required. Where the liability will not be settled for a couple of years, the amount recognised is the present value of the estimated future expenditure.

Leases

Rentals under operating leases are charged against income as incurred.

Revenue recognition

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

Pensions and other post-retirement benefits

For defined benefit pension and other post-retirement benefit schemes, scheme assets are measured at fair value and scheme liabilities are measured on an actuarial basis using the projected unit method and discounted at an interest rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities. Full actuarial valuations are obtained at least every two years and are updated at each balance sheet date. The resulting surplus or deficit, net of taxation thereon, is presented separately above the total for net assets on the face of the balance sheet.

The service cost of providing pension and other post-retirement benefits to employees for the year is charged to the income statement. The cost of making improvements to pension and other post-retirement benefits is recognized in the income statement on a straight-line basis over the period during which the increase in benefits vests. To the extent that the improvements in benefits vest immediately, the cost is recognized immediately. These costs are recognized as an operating expense.

A charge representing the unwinding of the discount on the scheme liabilities during the year is included within other finance expense.

A credit representing the expected return on the scheme assets during the year is included within other finance expense. This credit is based on the market value of the scheme assets, and expected rates of return, at the beginning of the year.

Actuarial gains and losses may result from: differences between the expected return and the actual return on scheme assets; differences between the actuarial assumptions underlying the scheme liabilities and actual experience during the year; or changes in the actuarial assumptions used in the valuation of the scheme liabilities. Actuarial gains and losses, and taxation thereon, are recognized in the statement of total recognized gains and losses.

For defined contribution schemes, contributions payable for the year are charged to the income statement as an operating expense.

ACCOUNTING POLICIES (continued)

Deferred tax

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

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

Comparative figures

Certain prior year figures without any profit impact have been restated to conform with the 2005 presentation.

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PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2005

	Note	2005 £	2004 as restated £
Turnover	1	62,917,818	37,322,241
Cost of sales		(58,798,716)	(33,381,586)
Gross profit		4,119,102	3,940,655
Distribution and marketing expenses		(5,325,313)	(3,878,519)
Other income	3	128,649	115,307
Operating (loss)/profit	2	(1,077,562)	177,443
Loss on disposal of fixed assets	4	-	(7,114)
(Loss)/profit on ordinary activities before interest and tax		(1,077,562)	170,329
Interest payable and similar charges	5	(355,918)	(147,505)
Other finance expense	6	(94,312)	(71,569)
Loss before taxation		(1,527,792)	(48,745)
Taxation	7	147,612	3,237
Retained loss for the year		(1,380,180)	(45,508)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December 2005

	Note	2005 £	2004 as restated £
Loss for the year		(1,380,180)	(45,508)
Actuarial (loss)/gain relating to pensions and other post-retirement benefits - gross		(84,954)	186,771
- related tax		8,495	(18,677)
Currency translation differences	14	587	(8,869)
Total recognised gains and (losses) relating to the year		(1,456,052)	113,717
Prior year adjustment (see note 22)		(1,176,173)	
Total recognised gains and (losses) since last annual accounts		(2,632,225)	

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BP Eastern Mediterranean Limited

BALANCE SHEET
at 31 December 2005

	Note	2005 £	2004 as restated £
Fixed assets			
Tangible assets	9	1,981,477	2,290,870
Current assets			
Stocks	10	4,521,132	1,860,867
Debtors	11	6,861,028	3,557,014
Cash at bank and in hand		324,854	3,032,634
Deposit with related party		5,230,510	-
		16,937,524	8,450,515
Creditors - amounts falling due within one year			
Creditors	12	(14,748,251)	(10,248,572)
Net current assets/(liabilities)		2,189,273	(1,798,057)
Total assets less current liabilities		4,170,750	492,813
Deferred tax asset	7	150,747	2,918
Net assets excluding pension and other post-retirement benefit balances		4,321,497	495,731
Defined benefit pension plans deficit	20	(548,423)	(560,370)
Other post-retirement benefit plan deficit	21	(689,568)	(615,803)
NET ASSETS/(LIABILITIES)		3,083,506	(680,442)
Represented by:			
Capital and reserves			
Called up share capital	13	5,220,002	2
Profit and Loss account	14	(2,136,496)	(680,444)
SHAREHOLDERS' FUNDS – EQUITY INTEREST		3,083,506	(680,442)

By order of the Board

Director

14 September 2006

NOTES TO THE ACCOUNTS
at 31 December 2005

1. Turnover

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

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

2. Operating (loss)/profit

This is stated after charging:

	2005	*2004*
	£	*£*
Hire charges under operating leases:		
Land & buildings	169,964	175,878
Plant & machinery	1,246,722	2,097
Depreciation of owned tangible fixed assets	395,546	302,320
Auditors' remuneration :		
Audit fees - current year	28,453	25,653
Fees for other services	-	700

3. Other income

	2005	*2004*
	£	*£*
Income from fellow subsidiary undertakings	100,861	84,445
Interest on deposit account with related party	10,510	-
Other interest and miscellaneous income	17,278	30,862
	128,649	115,307

4. Exceptional items

Exceptional items comprise the loss on disposal of fixed assets, as follows:

	2005	*2004*
	£	*£*
Loss on disposal of tangible fixed assets	-	(7,114)
Exceptional items	-	(7,114)
Taxation credit/(charge)	-	-
Exceptional items, net of tax	-	(7,114)

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NOTES TO THE ACCOUNTS
at 31 December 2005

5. Interest payable and similar charges

	2005 £	2004 £
Interest due to fellow subsidiary undertaking	332,338	123,271
Non-group bank interest and charges	23,580	24,234
Total charged against profit	355,918	147,505

6. Other finance expense

	2005 £	2004 £
Interest on pension and other post-retirement benefit plan liabilities	412,760	385,990
Expected return on pension and other post-retirement benefit plan assets	(318,448)	(314,421)
	94,312	71,569

7. Taxation

United Kingdom 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 UK tax that arises without charge.

Overseas taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2005 £	2004 £
Current tax:		
Overseas tax on income for the year	-	-
Deferred tax:		
Origination and reversal of timing differences	147,612	3,237
Tax on profit on ordinary activities	147,612	3,237

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NOTES TO THE ACCOUNTS
at 31 December 2005

7. Taxation (continued)

(b) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2004: 30%). The differences are reconciled below:

	2005 UK £	*2005 O'seas £*	*2004 UK £*	*2004 O'seas £*
Loss before taxation	(1,527,792)	(1,527,792)	(48,745)	(48,745)
Current taxation	-	-	-	-
Effective current tax rate	0%	0%	0%	0%

	2005 UK %	*2005 O'seas %*	*2004 UK As restated %*	*2004 O'seas %*
Profit on ordinary activities before tax	30	30	30	30
UK Statutory corporation tax rate:				
Lower taxes on overseas earnings	-	(20)	-	(20)
Permanent differences	-	-	-	15
Timing differences	-	(1)	176	(63)
Tax allowances/credits	-	-	-	-
Tax losses utilised/carried forward	-	(9)	-	38
Group relief	(30)	-	(206)	-
Effective current tax rate	0	0	0	0

(c) Provision for deterred tax

The deferred tax asset included in the balance sheet is as follows:

	2005 £	*2004 £*
Pensions and other post-retirement benefits	137,554	130,687
Accelerated capital allowances	(15,324)	(7,380)
Tax losses carried forward	166,071	5,668
Other timing differences	-	4,630
	288,301	133,605

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NOTES TO THE ACCOUNTS
at 31 December 2005

7. Taxation (continued)

(c) Provision for deferred tax (continued)

	2005	*2004*
	£	*£*
At 1 January	133,605	147,043
Exchange adjustments	(1,411)	2,002
Credited to the profit and loss account	147,612	3,237
Credited/(charged) directly to the statement of total recognised gains and losses	8,495	(18,677)
At 31 December	288,301	133,605
of which - pensions	(60,936)	(62,263)
- other post-retirement benefits	(76,618)	(68,424)
	150,747	2,918

8. Directors and employees

(a) Remuneration of directors

	2005	*2004*
	£	*£*
Total paid in respect of one director with an overseas service contract	-	57,719

The remaining directors received no fees or remuneration for services as directors of the company during the financial year (2004: £nil).

(b) Employee costs

	2005	*2004*
	£	*£*
Wages and salaries	1,281,416	967,177
Social insurance costs	123,177	97,896
Pension and other post-retirement costs :		
- to local employees	131,178	97,523
- to employees seconded overseas	15,132	10,448
Other benefits and contributions	119,686	148,567
	1,670,589	1,321,611

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NOTES TO THE ACCOUNTS
at 31 December 2005

8. Directors and employees

(b) Employee costs (continued)

Employee share scheme
BP offers most of its employees the opportunity to acquire a shareholding in BP p.l.c. through the BP ShareMatch Plan. BP Eastern Mediterranean Ltd matches employees' own contributions of shares, up to a predetermined limit. The shares are then held in trust for a defined minimum period of three years. The company's matching contributions during the year amounted to £12,922 (2004: £17,388) and are included in other benefits and contributions above.

(c) Average number of employees during the year (all non-UK)

	2005 *No.*	*2004* *No.*
Marketing and distribution	46	38

9. Tangible assets

	Buildings on leasehold land £	*Computer software and hardware* £	*Plant and machinery* £	*Total* £	*Of which assets under construction* £
Cost					
At 1 January 2005	31,366	524,396	2,351,423	2,907,185	210,580
Exchange adjustments	(691)	(11,551)	(51,798)	(64,040)	(4,639)
Additions	1,096	9,031	130,373	140,500	50,794
Transfers	-	-	-	-	(244,603)
At 31 December 2005	31,771	521,876	2,429,998	2,983,645	12,132
Depreciation					
At 1 January 2005	4,897	339,215	272,203	616,315	-
Exchange adjustments	(108)	(7,472)	(5,995)	(13,575)	-
Charge for the year	3,131	171,625	224,672	399,428	-
At 31 December 2005	7,920	503,368	490,880	1,002,168	-
Net book amount					
At 31 December 2005	23,851	18,508	1,939,118	1,981,477	12,132
At 31 December 2004	26,469	185,181	2,079,220	2,290,870	210,580
Principal rates of depreciation:	10%	25%-33⅓%	10%		

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NOTES TO THE ACCOUNTS
at 31 December 2005

10. Stocks

	2005	*2004*
	£	*£*
Raw materials and consumables - lubricants	238,088	152,518
Finished goods and goods for resale - fuels and lubricants	4,283,044	1,708,349
	4,521,132	1,860,867

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

11. **Debtors:** amounts falling due within one year

	2005	*2004*
	£	*£*
Trade	4,662,241	2,790,521
Parent and fellow subsidiary undertakings	1,585,789	423,266
Prepayments and accrued income	372,725	228,274
Taxation recoverable	62,318	63,354
VAT	113,382	15,946
Other	64,573	35,653
	6,861,028	3,557,014

12. **Creditors:** amounts falling due within one year

	2005	*2004*
	£	*£*
Trade	876,064	323,357
Parent and fellow subsidiary undertakings	6,600,834	3,130,962
IFA overdraft account	6,483,277	6,071,285
Accruals and deferred income	336,163	502,864
Other	451,913	220,104
	14,748,251	10,248,572

The IFA overdraft account with BP International Ltd (BP Finance) has no repayment restrictions, bares an annual interest on debit balances of LIBOR + 0,65% and has a borrowing limit of US$14m.

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13. Called up share capital

	2005	2004
	£	£
Authorised share capital		
10,000,000 (2004: 1,000) Ordinary shares of £1 each	10,000,000	1,000
Allotted, called up and fully paid :		
5,220,002 (2004: 2) Ordinary shares of £1 each	5,220,002	2

On the 15th December 2005 the authorised share capital of the company was increased to 10,000,000. On the same day, 5,220,000 ordinary shares of £1 each, were issued fully paid at par.

14. Reconciliation of shareholders' funds and movements on reserves

	Equity share capital	*Profit & Loss account*	*Total*
	£	£	£
At 1 January 2005	2	495,729	495,731
Prior year adjustment (see note 22)	-	(1,176,173)	(1,176,173)
Restated	2	(680,444)	(680,442)
Loss for the year	-	(1,380,180)	(1,380,180)
Issue of share capital	5,220,000	-	5,220,000
Actuarial (loss)/gain, net of tax	-	(76,459)	(76,459)
Currency translation differences	-	587	587
At 31 December 2005	5,220,002	(2,136,496)	3,083,506

15. Reconciliation of movements in shareholders' interest

	2005	2004
	£	£
Loss for the year	(1,380,180)	(45,508)
Currency translation differences	587	(8,869)
Issue of share capital	5,220,000	-
Actuarial (loss)/gain, net of tax	(76,459)	168,094
Net increase in shareholders' interests	3,763,948	113,717
Shareholders' interest at 1 January	(680,442)	(794,159)
Shareholders' interest at 31 December	3,083,506	(680,442)

16. Operating lease commitments

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

	2005 Land and Buildings £	*2005 Plant and Machinery £*	*2004 Land and Buildings £*	*2004 Plant and Machinery £*
Expiring :				
Within 1 year	142,318	407,039	129,722	2,424
Between 2 to 5 years	22,698	1,051,095	21,300	892,064
Thereafter	48,362	-	49,452	-
	213,378	1,458,134	200,474	894,488

During 2005, the company entered into an operating lease agreement for the rental of fuel storage space at the Cyprus Oil Terminal. The agreement took effect from 1 April 2005 for a period of two years at an annual rental cost of £407,000.

In addition, on 15 October 2004, the company entered into an operating lease agreement for the chartering of a barge from BP Shipping at a daily cost of US$4,800. The barge was delivered to the company for use in January 2005 (annual cost US$1,752,000).

17. Capital commitments

As at 31 December 2005 there were no authorised nor contracted future capital expenditure (2004: £nil).

18. Contingent liabilities

There are a number of claims against the company arising from the ordinary course of its business upon which no material losses are likely to arise.

In addition, the company was contingently liable in respect of guarantees and indemnities provided to third parties of £498,468 (2004: £443,200) entered into as part of the ordinary course of the company's business.

19. 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.

20. Pensions

The retirement benefit schemes comprise of one scheme of a defined contribution type and three schemes of an overall defined benefit type.

The charge to the profit and loss account during the year for the defined contribution scheme amounted to £39,314 (2004: £32,858).

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20. Pensions (continued)

"The Non Contributory Pension Fund" is the main retirement defined benefit scheme and provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, the majority of which are being invested with financial institutions.

As part of the Share Purchase Agreement between BP p.l.c. and Hellenic Petroleum International A.G. for the sale by BP in 2002 of the share capital of BP Cyprus Ltd to Hellenic Petroleum (the "Agreement"), the existing retirement benefit schemes operated by BP Cyprus Ltd (now Hellenic Petroleum Cyprus Ltd, "HPCL") for all retired and active employees (including employees that remain under the employment of HPCL) were transferred to BP Eastern Mediterranean Ltd which has become the Founding Company of the schemes as from 1 December 2002. This was subject to the consent of the local regulatory authorities. In accordance with the Agreement, HPCL is committed to set up its own retirement benefit schemes for its current active employees, equivalent to the existing ones, that will provide benefits for future service that are no less favourable overall than those provided by BP under the existing arrangements. HPCL's new schemes will recognise the employee's credited service, participation vesting and as applicable, benefit accrual periods of service, which will accrue in BP's retained arrangement in which HPCL will participate as a Member Company until the setting up of its own schemes.

Under the Agreement, BP procured that a transfer of assets in respect of benefits accrued as of the agreed "split date", is made from its current schemes to HPCL's new schemes with the amount of such transfer to be calculated at the expiration of any period of participation and paid in cash unless otherwise agreed. The effective "split date" has been agreed to be 31 December 2002. From 31 December 2002 and for the period of such participation until HPCL sets up its own schemes, HPCL is responsible to accrue in its own company accounts the funding costs for its "own" scheme liabilities.

The above arrangements were subject to the consent of the local regulatory authorities. Recently, the local regulatory authorities have given their consent for the split of the old existing staff schemes. The company and HPCL are currently in the process of finalising the arrangements and splitting the schemes (albeit that one minor scheme of the three defined benefit schemes was split during 2004). In the context of the above, the two companies have commissioned an actuary valuation of "own" scheme liabilities for each company as at 31 December 2002 (being the agreed effective "split date"), taking into account the preliminary agreement between the two companies on the split of the current scheme members between the two companies. The valuation was carried out by a qualified independent actuary on an on-going valuation basis using the projected unit credit valuation method and the following main assumptions:

	% p.a.
Price inflation	3.0
Salary increases relative to price inflation	1.5
Discount rate	6.5
Pension increases	Nil

The valuation showed that the value of HPCL's "own" scheme liabilities as at 31 December 2002 was CY£1,734,816 (translated to £2,076,878 and £2,123,658 at 31 December 2005 and 2004 respectively). As explained above, this amount was agreed by BP to be paid to HPCL's new schemes that will be set-up with interest until the actual transfer is made.

£.4

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at 31 December 2005

20. Pensions (continued)

The company has recently commissioned an actuary valuation of its "own" scheme liabilities as at 31 December 2005. The valuation was carried out by a qualified independent actuary on an on-going valuation basis using the projected unit credit valuation method and the following main assumptions:

	2005	2004
	% p.a.	% p.a.
Price inflation	2.5	2.5
Salary increases relative to price inflation	2.5	3.0
Discount rate	5.0	6.0
Pension increases	2.5	2.5
Expected return on assets	5.3	5.5

Under the current scheme rules, there is no obligation to grant increases to pensions. Therefore the actuarial valuation at the "split date" 31 December 2002 agreed by BP and HPCL did not allow for such increases, as shown above. However, the company decided to take account of the current discretionary practice of providing pension increases in line with inflation and therefore accounted for this assumption in its own actuarial valuations carried out at 31 December 2005 and 2004.

The valuation showed that the value of the company's "own" scheme liabilities as at 31 December 2005 was £7,016,057 (2004: £6,691,806). Taking into account the above, and the estimated market value of the assets that will remain in BP's plans after the split with HPCL, the deficit in the company's "own" schemes as at 31 December 2005, as measured in accordance with the requirements of FRS17, is estimated at £548,423 (2004: £560,370), as follows:

	2005	*2004*
	£	*£*
Total estimated market value of "own" assets	6,406,698	6,069,173
Present value of company's "own" scheme liabilities	(7,016,057)	(6,691,806)
Estimated deficit in company's "own" schemes	(609,359)	(622,633)
Related deferred tax asset	60,936	62,263
Net estimated pension liability	(548,423)	(560,370)

According to the 2005 actuarial valuation, the total funding contribution rate for the future years is estimated at 15% of pensionable pay.

20. Pensions (continued)

	2005	*2004*
	£	*£*
Analysis of the amount charged to operating profit		
Current service cost	79,101	58,665
Total operating charge	79,101	58,665
Analysis of the amount charged to other finance expense		
Expected return on pension schemes assets	(318,448)	(314,421)
Interest on pension schemes liabilities	373,942	348,361
Net charge	55,494	33,940
Analysis of amount recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension schemes assets	660,452	(19,067)
Experience gains and (losses) arising on the schemes liabilities	(120,275)	(11,831)
Changes in assumptions underlying the present value of scheme liabilities	(534,277)	155,163
Actuarial gain recognized in STRGL	5,900	124,265
Movement in deficit during the year		
Deficit in schemes at beginning of the year	(622,633)	(685,578)
Movement in year:		
Exchange adjustments	13,709	(9,324)
Current service cost	(79,101)	(58,665)
Contributions	128,260	40,609
Other finance expense	(55,494)	(33,940)
Actuarial gain	5,900	124,265
Deficit in schemes at the end of the year	(609,359)	(622,633)

History of experience gains and losses	*2005*	*2004*
Difference between expected and actual return on scheme assets:		
amount (£)	660,452	(19,067)
percentage of scheme assets	10.4%	0.3%
Experience gains and (losses) on scheme liabilities:		
amount (£)	(120,275)	(11,831)
percentage of scheme liabilities	1.7%	0.2%
Total amount recognised in STRGL:		
amount (£)	5,900	124,265
percentage of scheme liabilities	0.1%	1.9%

£27

NOTES TO THE ACCOUNTS
at 31 December 2005

21. Other post-retirement benefits

The company provides post-retirement medical benefits to its retired employees and dependants. The cost of providing post-retirement benefits is assessed by independent actuaries using the projected unit method. The date of the latest actuarial valuation was 31 December 2005 and its results are presented below:

	2005	*2004*
	£	*£*
Total market value of assets	-	-
Present value of scheme liabilities	(766,186)	(684,227)
Deficit in the scheme	(766,186)	(684,227)
Related deferred tax asset	76,618	68,424
Net liability	689,568	615,803
Analysis of the amount charged to operating profit		
Current service cost	7,047	6,253
Total operating charge	7,047	6,253
Analysis of the amount charged to other finance expense		
Expected return on scheme assets	-	-
Interest on scheme liabilities	38,818	37,629
Net charge	38,818	37,629
Analysis of amount recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on scheme assets	-	-
Experience gains and (losses) arising on the schemes liabilities	2,141	16,883
Changes in assumptions underlying the present value of scheme liabilities	(92,995)	45,623
Actuarial (loss)/gain recognised in STRGL	(90,854)	62,506
Movement in deficit during the year		
Deficit in scheme at beginning of the year	(684,227)	(724,972)
Movement in year:		
Exchange adjustments	14,129	(11,084)
Current service cost	(7,047)	(6,253)
Contributions	40,631	33,205
Other finance expense	(38,818)	(37,629)
Actuarial (loss)/gain	(90,854)	62,506
Deficit in scheme at the end of the year	(766,186)	(684,227)

NOTES TO THE ACCOUNTS
at 31 December 2005

21. Other post-retirement benefits (continued)

History of experience gains and losses	*2005*	*2004*
Difference between expected and actual return on *scheme assets:*		
amount (£)	-	-
percentage of scheme assets	-	-
Experience gains and (losses) on scheme liabilities:		
amount (£)	2,141	16,883
percentage of scheme liabilities	0.3%	2.6%
Total amount recognised in STRGL:		
amount (£)	(90,854)	62,506
percentage of scheme liabilities	12.0%	9.2%

Weighted-average assumptions as of 31 December		
Discount rate	5.0%	6.0%
Medical inflation rate	4.0%	4.0%
Medical incidence claim increase	1.5%	1.5%
Price inflation	2.5%	2.5%

22. New accounting standard – change in accounting policy

Comparative information for 2004 has been restated to reflect the change described below:

New accounting standard for pensions and other post-retirement benefits

With effect from 1 January 2005, the company has adopted Financial Reporting Standard No. 17 'Retirement Benefits' (FRS 17). FRS 17 requires that financial statements reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and any related funding. The operating costs of providing retirement benefits are recognised in the period in which they are earned, together with any related finance costs and changes in the value of related assets and liabilities. This contrasts with Standard Accounting Practice No. 24 'Accounting for Pension Costs', which required the cost of providing pensions to be recognised on a systematic and rational basis over the period during which the employer benefited from the employee's services. The difference between the amount charged in the income statements and the amount paid as contributions into the plans was shown as a prepayment or provision on the balance sheet.

This change in accounting policy has resulted in a prior year adjustment. Shareholders' interest at 1 January 2004 has been reduced by £1,269,495 and the profit for the year ended 31 December 2004 reduced by £56,404. Shareholders' interest at 1 January 2005 has been reduced by £1,176,173 and the loss for the current year has been increased by approximately £95,000 as a result of the change in accounting policy.

NOTES TO THE ACCOUNTS
at 31 December 2005

22. New accounting standard – change in accounting policy (continued)

New accounting standard for pensions and other post-retirement benefits (continued)

The following line items in the 2004 Profit and Loss Account, STRGL and Balance Sheet were impacted from the change in accounting policy:

	Restated £	*Reported* £
Profit and Loss Account for the year ended 31 December 2004		
Distribution and marketing expenses (service cost reduced by £8,896)	3,878,519	3,887,415
Other finance expense	71,569	-
Taxation income/(expense) (related deferred tax effect)	3,237	(3,032)
(Loss)/profit for the year (net effect of restätement)	(45,508)	10,896
STRGL for the year ended 31 December 2004		
(Loss)/profit for the year	(45,508)	10,896
Currency translation differences	(8,869)	9,499
Actuarial gains, net of tax	168,094	-
Total recognised gains and losses	113,717	20,395
Balance Sheet at 31 December 2004		
Defined benefit pension plans deficit	560,370	-
Other post-retirement benefit plan deficit	615,803	-
Profit and Loss Account	(680,444)	495,729

23. Ultimate parent undertaking

The ultimate 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 Jame's Square, London, SW1Y 4PD.

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