

5

ANNUAL REPORT AND ACCOUNTS

BP Eastern Mediterranean Limited

31 December 2006

MONDAY



A21 *AHEYRRVG* 125
06/08/2007
COMPANIES HOUSE

BP Eastern Mediterranean Limited
ANNUAL REPORT AND ACCOUNTS 2006

Index	Page
Report of the directors	3-7
Statement of directors' responsibilities in respect of the accounts	8
Report of the auditors	9
Accounting policies	10-15
Profit and loss account	16
Statement of total recognised gains and losses	16
Balance sheet	17
Notes to the accounts	18 - 34

BP Eastern Mediterranean Limited

(Registered No 02239062)

ANNUAL REPORT AND ACCOUNTS 2006

REPORT OF THE DIRECTORS

Board of Directors

G Papanastasiou
P A Short
M Johnson
F J Baudry
A A Barrios

The directors present their report and accounts for the year ended 31 December 2006

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 has had a satisfactory year and the directors believe that the trend will continue.

The company is in a good position to take advantage of any opportunities which may arise in the future.

Results

The profit for the year after taxation was £668,809 which, when added to the retained deficit brought forward at 1 January 2006 of £2,136,496, together with exchange gain adjustments and actuarial gain taken directly to reserves of £19,792 and £1,397,403 respectively, gives a total retained deficit carried forward at 31 December 2006 of £50,492. The directors do not propose the payment of a final dividend.

Directors

The present directors are listed above.

P A Short and M Johnson served as directors of the above company throughout the financial year.

Changes since 1 January 2006 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
F J Baudry	15 September 2006	-
A A Barrios	1 February 2007	-
G Papanastasiou	18 August 2006	-
G A Petrou	-	18 August 2006
K L James	-	15 September 2006
L J Navarro	-	1 December 2006

BP Eastern Mediterranean Limited

REPORT OF THE DIRECTORS (continued)

Directors' indemnity

The company indemnifies the directors in its Articles of Association to the extent allowed under section 309 of the Companies Act, 1985

Risks

The company aims to deliver sustainable value by identifying and responding successfully to risks. Risk management is integrated into the process of planning and performance management at a Group level. Monitoring and accountability for the management of these risks occur through quarterly performance reviews at a group level.

Company level risks have been identified and classified in three categories: inherent, enduring and financial.

Inherent risks

There are a number of risks that arise as a result of the business climate, which are not directly controllable.

Competition risk

The oil, gas and petrochemicals industries are highly competitive. There is strong competition, both within the oil and gas industry and with other industries, in supplying the fuel needs of commerce, industry and the home. Competition puts pressure on product prices, affects oil products marketing and requires continuous management focus on reducing unit costs and improving efficiency.

Price risk

Oil, gas and product prices are subject to international supply and demand. Political developments (especially in the Middle East) and the outcome of meetings of OPEC can particularly affect world supply and oil prices. In addition to the adverse effect on revenues, margins and profitability from any future fall in oil and natural gas prices, a prolonged period of low prices or other indicators would lead to a review for impairment of the group's oil and natural gas properties. This review would reflect management's view of long-term oil and natural gas prices. Such a review could result in a charge for impairment that could have a significant effect on the group's results of operations in the period in which it occurs.

Regulatory risk

The oil industry is subject to regulation and intervention by governments throughout the world in such matters as the award of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, controls over the development and decommissioning of a field (including restrictions on production) and, possibly, nationalization, expropriation, cancellation or non-renewal of contract rights. The oil industry is also subject to the payment of royalties and taxation, which tend to be high compared with those payable in respect of other commercial activities, and operates in certain tax jurisdictions that have a degree of uncertainty relating to the interpretation of, and changes to, tax law. As a result of new laws and regulations or other factors, we could be required to curtail or cease certain operations, causing our production to decrease, or we could incur additional costs.

BP Eastern Mediterranean Limited

REPORT OF THE DIRECTORS (continued)

Enduring risks

The company sets high standards of corporate citizenship and aspires to contribute to a better quality of life through the products and services it provides. This may create risks to reputation if it is perceived that actions are not aligned to these standards and aspirations.

Social responsibility risk

Risk could arise if it is perceived that the company is not respecting or advancing the economic and social progress of the communities in which it operates.

Environmental risk

The company seeks to conduct its activities in such a manner that there is no or minimal damage to the environment. Risk could arise if the company does not apply its resources to overcome the perceived trade-off between global access to energy and the protection or improvement of the natural environment.

Compliance risk

Incidents of non-compliance with applicable laws and regulation or ethical misconduct could be damaging to the company's reputation. Inherent in the company's operations are hazards that require continual oversight and control. If operational risks materialized, loss of life, damage to the environment or loss of production could result.

Technical integrity risk

There is a risk of loss of containment of hydrocarbons and other hazardous material at operating sites, pipelines or during transportation by road, rail or sea.

Financial Risk Management

The main financial risks faced by the company through its normal business activities are market risk, currency risk, credit risk and liquidity risk. The management of these financial risks is performed at a group (BP plc Group) level.

Market risk

Market risk is the possibility that changes in currency exchange rates, interest rates or oil, natural gas and power prices will adversely affect the value of the group's financial assets, liabilities or expected future cash flows. The management of such risks is performed at BP Group level. The group has developed policies aimed at managing the market risk inherent in its natural business activities and, in accordance with these policies, the group enters into various transactions using derivative financial and commodity instruments (derivatives). Derivatives are contracts whose value is derived from one or more underlying financial instruments, indices or prices that are defined in the contract. The group also trades derivatives in conjunction with these risk management activities.

Currency risk

Fluctuations in exchange rates can have significant effects on the company's reported profit. The company's financial assets and liabilities give rise to transactional currency exposures. Such exposures arise from transactions in a currency other than the company's functional currency. The management of such risks is performed at BP Group level.

BP's foreign exchange management policy is to minimize economic and significant transactional exposures arising from currency movements against the US dollar. The group co-ordinates the handling of foreign exchange risks centrally, by netting off naturally occurring opposite exposures wherever possible to reduce the risks, and then dealing with any material residual foreign exchange risks. Significant residual non-dollar exposures are managed using a range of derivatives.

BP Eastern Mediterranean Limited

REPORT OF THE DIRECTORS (continued)

Oil, natural gas and power prices

BP's trading function uses financial and commodity derivatives as part of the overall optimisation of the value of the group's equity oil production and as part of the associated trading of crude oil, products and related instruments. It also uses financial and commodity derivatives to manage certain of the group's exposures to price fluctuations on natural gas and power transactions.

Credit risk

Credit risk is the potential exposure of the company to loss in the event of non-performance by a counter party. The management of such risks is performed at BP Group level. The group controls the related credit risk through credit approvals, limits, use of netting arrangements and monitoring procedures. Counterparty credit validation, independent of the dealers, is undertaken before contractual commitment.

Liquidity risk

Liquidity risk is the risk that sources of funding for the company's business activities may not be available. This risk is managed by the BP Group on the company's behalf and as such the company has access to the resources of the group. The group has long-term debt ratings of Aa1 and AA+, assigned respectively by Moody's and Standard & Poor's.

Key performance indicators

The Companies Act requires directors to disclose the company's Key Performance Indicators (KPIs). BP manages its KPIs at a segment and geographical level. As a result the directors have taken the decision not to disclose KPIs in individual subsidiary accounts. The BP Group KPIs are included within the accounts of the ultimate parent undertaking BP p.l.c.

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 can be obtained from the CBI.

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

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.

BP Eastern Mediterranean Limited

REPORT OF THE DIRECTORS (continued)

Directors' statement as to the disclosure of information to the auditor

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditor, each of these directors confirm that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditor is unaware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information

By order of the Board

Neha Wright

Secretary

31 July 2007

Registered Office
Chertsey Road
Sunbury-on-Thames
Middlesex
TW16 7BP

BP Eastern Mediterranean Limited

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the 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 that give a true and fair view of the state of affairs of the company. In preparing these accounts, the directors are required

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of 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 AUDITOR'S REPORT TO THE MEMBERS OF
BP EASTERN MEDITERRANEAN LIMITED**

We have audited the company's accounts for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the accounting policies and the related notes 1 to 24. These accounts have been prepared under 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

The directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

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 whether in our opinion the information given in the directors' report is consistent with the accounts.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited accounts. This other information comprises only the directors' report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

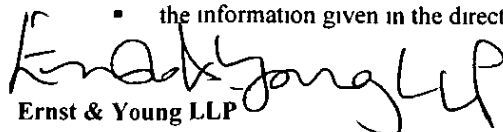
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and 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.

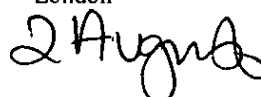
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. 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 the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the accounts have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the accounts.


Ernst & Young LLP
Registered auditor
London

 2 August 2007

BP Eastern Mediterranean Limited

ACCOUNTING POLICIES

Accounting standards

These accounts are prepared in accordance with applicable UK accounting standards. In preparing the accounts for the current year, the company has adopted Financial Reporting Standard No 20 'Share-based Payments' (FRS 20). The adoption of FRS 20 has resulted in a change in accounting policy for share-based payment transactions. FRS 20 requires that the fair value of options and share awards which ultimately vest to be charged to the profit and loss account over the vesting period or performance period. Previously under UK GAAP, no charge was made in respect of share options.

This change in accounting policy has not resulted in a prior year adjustment. Historically the company has recognised the expense relating to its ShareMatch scheme, as described in note 23. This is the only scheme applicable to this company and as a result there has been no effect on shareholders' interests in 2005 or 2006. The 2005 accounts have not required restatement. The disclosure requirements of FRS 20 have been adopted and are shown in note 23.

Accounting convention

The accounts are prepared under the historical cost convention.

Statement of cash flows

The Group 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.

Revenue recognition

Revenue arising from the sale of fuels and lubricants is recognised when the significant risks and rewards of ownership have passed to the buyer and it can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes.

Foreign currency transactions

Assets and liabilities of foreign branches are translated into sterling at rates of exchange ruling at the balance sheet date. The profit and loss account 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 foreign branches are translated into sterling are taken directly to reserves and reported in the statement of total recognised gains and losses. Exchange gains and losses arising on long-term foreign currency borrowings used to finance the company's foreign currency investments are also dealt with in reserves.

All 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 or loss for the year.

BP Eastern Mediterranean Limited

ACCOUNTING POLICIES (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within property, plant and equipment

Oil and natural gas properties are depreciated using a unit-of- production method. The cost of producing wells is depreciated over proved developed reserves. Licence acquisition, decommissioning and field development costs are depreciated over total proved reserves. The unit-of-production rate for the depreciation of field development costs takes into account expenditures incurred to date, together with future development expenditure required to access the total proved reserves

Other tangible assets, with the exception of freehold land, are depreciated on the straight line method over their estimated useful lives

Maintenance Expenditure

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the company, the expenditure is capitalised. Overhaul costs for major maintenance programmes are expensed as incurred. All other maintenance costs are expensed as incurred.

Impairment of tangible fixed assets

The company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. If any such indication of impairment exists or when annual impairment testing for an asset group is required, the company makes an estimate of its recoverable amount. An asset group's recoverable amount is the higher of its net realisable value and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

ACCOUNTING POLICIES (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss. After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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.

Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

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.

ACCOUNTING POLICIES (continued)

Deferred tax

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

- Provision is made for tax on gains arising 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 replacement 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 it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted

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

Leases

Assets held under leases which transfer to the company receiving substantially all risks and rewards incidental to ownership of the leased item, are capitalised at inception of the lease at the fair value of the leased property or, if significantly lower, at the estimated present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability. The total finance charge is charged over the lease terms so as to achieve a constant rate of interest on the remaining balance of the liability

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term

Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term

ACCOUNTING POLICIES (continued)

Pensions

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 three 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 profit and loss account. The cost of making improvements to pension and other post-retirement benefits is recognised in the profit and loss account 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 recognised immediately. These costs are recognised 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 actual return on scheme assets, differences between 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 recognised in the statement of recognised gains and losses.

For defined contribution schemes, contributions payable for the year are charged to the profit and loss account as incurred.

Use of estimates

The preparation of accounts requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

ACCOUNTING POLICIES (continued)

Share-based payments

Equity-settled transactions (applicable for grants after 7 November 2002)

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. Fair value is determined by using an appropriate valuation mode. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement of otherwise of non-market conditions and the number of equity instruments that will ultimately vest or, in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity.

Cash-settled transactions

The cost of cash-settled transactions is measured at fair value using an appropriate option valuation mode. Fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled. During the vesting period, a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the balance sheet date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date. Changes in the carrying amount for the liability are recognised in profit or loss for the period.

Comparative figures

Certain prior year figures without any profit impact have been restated to conform with the 2006 presentation.

BP Eastern Mediterranean Limited

PROFIT AND LOSS ACCOUNT for the year ended 31 December 2006 (in Sterling Pounds)

	Note	2006 £	2005 £
Turnover	1	73,820,819	62,917,818
Cost of sales		<u>(66,599,730)</u>	<u>(58,798,716)</u>
Gross profit		7,221,089	4,119,102
Distribution and marketing expenses		(5,496,909)	(5,325,313)
Other income	4	<u>273,409</u>	<u>128,649</u>
Operating profit/(loss)	2	1,997,589	(1,077,562)
Reorganisation costs	5	<u>(533,207)</u>	<u>-</u>
Profit/(loss) on ordinary activities before interest and tax		1,464,382	(1,077,562)
Interest payable and similar charges	6	(682,531)	(355,918)
Other finance expense	7	<u>(45,245)</u>	<u>(94,312)</u>
Profit/(loss) before taxation		736,606	(1,527,792)
Taxation	8	<u>(67,797)</u>	<u>147,612</u>
Profit/(loss) for the year		<u>668,809</u>	<u>(1,380,180)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 December 2006 (in Sterling Pounds)

	Note	2006 £	2005 £
Profit/(loss) for the year		668,809	(1,380,180)
Actuarial gain/(loss) relating to pensions and other post-retirement benefits - gross		1,552,670	(84,954)
- related tax		(155,267)	8,495
Currency translation differences		<u>19,792</u>	<u>587</u>
Total recognised gains/(losses) in the year		<u>2,086,004</u>	<u>(1,456,052)</u>

BP Eastern Mediterranean Limited

BALANCE SHEET at 31 December 2006 (in Sterling Pounds)

	Note	2006 £	2005 £
Fixed assets			
Tangible assets	10	<u>1,970,350</u>	<u>1,981,477</u>
Current assets			
Stocks	11	9,517,266	4,521,132
Debtors	12	6,903,651	7,011,775
Cash at bank and in hand		2,058,595	457,881
Deposit with related party – falling due after more than one year		5,459,530	5,230,510
		<u>23,939,042</u>	<u>17,221,298</u>
Creditors - amounts falling due within one year			
Creditors	13	<u>(20,948,134)</u>	<u>(14,881,278)</u>
Net current assets		<u>2,990,908</u>	<u>2,340,020</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,961,258</u>	<u>4,321,497</u>
Net assets excluding pension and other post-retirement benefit balances		4,961,258	4,321,497
Defined benefit pension plans surplus/(deficit)	21	1,015,773	(548,423)
Other post-retirement benefit plan deficit	22	<u>(807,521)</u>	<u>(689,568)</u>
NET ASSETS		<u>5,169,510</u>	<u>3,083,506</u>
Represented by:			
Capital and reserves			
Called up share capital	14	5,220,002	5,220,002
Profit and Loss account	15	<u>(50,492)</u>	<u>(2,136,496)</u>
SHAREHOLDERS' FUNDS – EQUITY INTEREST		<u>5,169,510</u>	<u>3,083,506</u>

On behalf of the Board



Director

31 July 2007

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS

at 31 December 2006

(in Sterling Pounds)

1. Turnover

Turnover, which is stated net of value added tax and associated petroleum revenue duties and taxes, represents 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 profit/(loss)

This is stated after charging

	2006 £	2005 £
Hire charges under operating leases		
Land & buildings	153,758	169,964
Plant & machinery	1,427,855	1,246,722
Depreciation of owned tangible fixed assets	<u>257,709</u>	<u>395,546</u>

3. Auditor's remuneration

	2006 £	2005 £
Fees for the audit of the company	29,596	28,453
Under provision in prior year	<u>6,274</u>	<u>-</u>

Fees paid to the Company's auditor, Ernst & Young LLP, and its associates for services other than the statutory audit of the Company are not disclosed in these accounts since the consolidated accounts of the Company's parent, BP plc, are required to disclose non-audit fees on a consolidated basis

4. Other income

	2006 £	2005 £
Income from fellow subsidiary undertakings	29,069	100,861
Interest on deposit account with related party	239,532	10,510
Bank and other interest and miscellaneous income	<u>4,808</u>	<u>17,278</u>
	<u>273,409</u>	<u>128,649</u>

5. Reorganisation

The reorganisation costs of £533,207 (2005 £Nil) concern redundancy payments for four employees made redundant during the year as a result of the "BP European Efficiency Programme" and the attempt for simplification of the organisational structure

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS

at 31 December 2006

(in Sterling Pounds)

6. Interest payable and similar charges

	2006 £	2005 £
Interest due to fellow subsidiary undertaking	626,512	332,338
Non-group bank interest and charges	<u>56,019</u>	<u>23,580</u>
Total charged against profit	<u>682,531</u>	<u>355,918</u>

7. Other finance expense

	2006 £	2005 £
Interest on pension and other post-retirement benefit plan liabilities	368,839	412,760
Expected return on pension and other post-retirement benefit plan assets	<u>(323,594)</u>	<u>(318,448)</u>
	<u>45,245</u>	<u>94,312</u>

8. 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

	2006 £	2005 £
Current tax		
Overseas tax on income for the year	-	-
Overseas tax on income for prior year	(3,184)	-
Deferred tax		
Origination and reversal of timing differences	<u>(64,613)</u>	<u>147,612</u>
Tax on profit on ordinary activities	<u>(67,797)</u>	<u>147,612</u>

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS

at 31 December 2006

(in Sterling Pounds)

8. 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% (2005: 30%) The differences are reconciled below

	2006 UK £	2006 Overseas £	2005 UK £	2005 Overseas £
Profit / (loss) before taxation	736,606	736,606	(1,527,792)	(1,527,792)
Current tax	-	3,184	-	-
Effective current tax rate	0%	0%	0%	0%

	2006 UK %	2006 Overseas %	2005 UK %	2005 Overseas %
UK statutory corporation tax rate:	30	30	30	30
Increase / (decrease) resulting from				
Lower taxes on overseas earnings	-	(20)	-	(20)
Timing differences	6	(4)	-	(1)
Non-deductible expenditure / non taxed income	-	1	-	-
Tax losses utilised	-	(7)	-	(9)
Group relief	(36)	-	(30)	-
Effective current tax rate	-	-	-	-

(c) Deferred tax

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

	2006 £	2005 £
Pensions and other post-retirement benefits	(23,139)	137,554
Accelerated capital allowances	(35,469)	(15,324)
Tax losses carried forward	122,481	166,071
	<u>63,873</u>	<u>288,301</u>

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS at 31 December 2006 (in Sterling Pounds)

8. Taxation (continued)

(c) Deferred tax (continued)

	2006 £	2005 £
At 1 January	288,301	133,605
Exchange adjustments	(4,548)	(1,411)
(Charged)/credited to the profit and loss account	(64,613)	147,612
(Charged)/credited directly to the statement of total recognised gains and losses	<u>(155,267)</u>	<u>8,495</u>
At 31 December	<u>63,873</u>	<u>288,301</u>
Included in the above.		
Pensions	(112,864)	60,936
Other post-retirement benefits	<u>89,725</u>	<u>76,618</u>
	<u>(23,139)</u>	<u>137,554</u>

9. Directors and employees

(a) Remuneration of Company's directors

	2006 £	2005 £
Fees paid in respect of one ex-director	<u>6,613</u>	<u>-</u>

The remaining directors received no fees or remuneration for services as directors of the company during the financial year (2005 £Nil)

The emoluments of one director with an overseas employment contract are included in employee costs in note (b) below

(b) Employee costs

	2006 £	2005 £
Wages and salaries	1,268,466	1,281,416
Social insurance costs	122,009	123,177
Pension and other post-retirement costs		
- to local employees	156,544	131,178
- to employees seconded overseas	16,457	15,132
Other benefits and contributions	<u>53,177</u>	<u>119,686</u>
	<u>1,616,653</u>	<u>1,670,589</u>

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS

at 31 December 2006

(in Sterling Pounds)

9. Directors and employees (continued)

(b) Employee costs (continued)

Emoluments of a local director

Included in above, are emoluments of one director with an overseas employment contract
This person was appointed as director in August 2006

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

	2006 No	2005 No
Marketing and distribution	<u>41</u>	<u>46</u>

627

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS at 31 December 2006 (in Sterling Pounds)

10. Tangible assets

	Buildings on leasehold land £	Computer software and hardware £	Plant and machinery £	Total £	Of which Assets under const- ruction £
Cost					
At 1 January 2006	31,771	521,876	2,429,998	2,983,645	12,132
Exchange adjustments	(966)	(15,854)	(73,818)	(90,638)	(368)
Additions	19,514	6,147	315,333	340,994	230,738
Disposals	(8,125)	-	(55,138)	(63,263)	-
Transfers	-	-	-	-	(53,838)
At 31 December 2006	42,194	512,169	2,616,375	3,170,738	188,664
Depreciation					
At 1 January 2006	7,920	503,368	490,880	1,002,168	-
Exchange adjustments	(321)	(15,541)	(19,599)	(35,461)	-
Disposals	(2,437)	-	(21,591)	(24,028)	-
Charge for the year	4,164	12,877	240,668	257,709	-
At 31 December 2006	9,326	500,704	690,358	1,200,388	-
Net book amount					
At 31 December 2006	32,868	11,465	1,926,017	1,970,350	188,664
At 31 December 2005	23,851	18,508	1,939,118	1,981,477	12,132
Principal rates of depreciation	10%	25%-33%	33%	10%	

11. Stocks

	2006 £	2005 £
Raw materials and consumables - lubricants	185,520	238,088
Finished goods and goods for resale - fuels and lubricants	9,331,746	4,283,044
	<u>9,517,266</u>	<u>4,521,132</u>

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

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS

at 31 December 2006

(in Sterling Pounds)

12. Debtors: amounts falling due within one year

	2006 £	2005 £
Trade	3,559,960	4,662,241
Parent and fellow subsidiary undertakings	2,181,024	1,585,789
Prepayments and accrued income	449,998	372,725
Taxation recoverable	57,302	62,318
VAT	74,734	113,382
Deferred tax	87,012	150,747
Other	493,621	64,573
	<u>6,903,651</u>	<u>7,011,775</u>

13. Creditors: amounts falling due within one year

	2006 £	2005 £
Trade	1,195,608	876,064
Parent and fellow subsidiary undertakings	12,460,572	6,600,834
IFA overdraft account	5,238,390	6,483,277
Bank overdraft	925,577	133,027
Accruals and deferred income	265,135	336,163
Other	862,852	451,913
	<u>20,948,134</u>	<u>14,881,278</u>

The IFA overdraft account with BP International Ltd (BP Finance) has no repayment restrictions, bears an annual interest on debit balances of LIBOR + 0.65% (2005: LIBOR + 0.65%). The overdraft facility borrowing limit was increased during the year from US\$14m to US\$40m.

The bank overdraft of the Company is with an overseas bank, is unsecured and is denominated in CY£. It carries annual interest at the Cyprus base rate +1% (2005: Cyprus base rate + 1%).

14. Called up share capital

	2006 £	2005 £
Authorised share capital		
10,000,000 Ordinary shares of £1 each	<u>10,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid		
5,220,002 Ordinary shares of £1 each	<u>5,220,002</u>	<u>5,220,002</u>

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS at 31 December 2006 (in Sterling Pounds)

15. Reconciliation of shareholders' funds and movements on reserves

	Equity share capital £	Profit and loss account £	Total £
At 1 January 2006	5,220,002	(2,136,496)	3,083,506
Profit for the year	-	668,809	668,809
Actuarial gain, net of tax	-	1,397,403	1,397,403
Currency translation differences	-	19,792	19,792
At 31 December 2006	<u>5,220,002</u>	<u>(50,492)</u>	<u>5,169,510</u>

16. Reconciliation of movements in shareholders' interest

	2006 £	2005 £
Profit/(loss) for the year	668,809	(1,380,180)
Currency translation differences	19,792	587
Issue of share capital	-	5,220,000
Actuarial gain/(loss), net of tax	<u>1,397,403</u>	<u>(76,459)</u>
Net increase in shareholders' interests	2,086,004	3,763,948
Shareholders' interest at 1 January	<u>3,083,506</u>	<u>(680,442)</u>
Shareholders' interest at 31 December	<u>5,169,510</u>	<u>3,083,506</u>

**NOTES TO THE ACCOUNTS
at 31 December 2006
(in Sterling Pounds)****17. Operating lease commitments**

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

	2006	2006	2005	2005
	Land and Buildings £	Plant and Machinery £	Land and Buildings £	Plant and Machinery £
Expiring				
Within 1 year	179,855	-	142,318	407,039
Between 2 to 5 years	21,187	1,455,722	22,698	1,051,095
Thereafter	-	-	48,362	-
	<u>201,042</u>	<u>1,455,722</u>	<u>213,378</u>	<u>1,458,134</u>

During 2005, the company entered into an operating lease agreement for the rental of fuel storage space of 25 000 m³ 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 £395,000. The agreement has been renewed for another 2 years. An additional agreement was signed effective 1 January 2007, for the rental of fuel storage space of 5 500 m³ for a period of two years at an additional annual rental cost of £87,000.

In addition, on 15 October 2004, the company entered into an operating lease agreement for the chartering of a barge from BP Shipping. The barge was delivered to the company for use in January 2005. The chartering period is 5 years.

18. Capital commitments

As at 31 December 2006 there were no authorised nor contracted future capital expenditure (2005 £Nil).

19. Contingent liabilities*Legal cases*

A Company's former employee which was made redundant in 2003 claims from the Company damages on the scale of £290,000 – £1,160,000.

Based on the opinion of the Company's legal advisors, the Directors believe that no outflow of resources embodying economic benefits are expected in respect of this claim and accordingly no provision for any liability has been made in these accounts.

Further to the above, 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.

Other contingent liabilities

In addition, the Company was contingently liable in respect of guarantees and indemnities provided to third parties of £508,549 (2005 £498,468) entered into as part of the ordinary course of the company's business.

NOTES TO THE ACCOUNTS

at 31 December 2006

(in Sterling Pounds)

20. 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 Other than directors' remuneration and emoluments described in note 8 above, there were no other related party transactions in the year

21. 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 £41,929 (2005 £39,314)

"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, a 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 was 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 would 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", would be 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" was 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 was responsible to accrue in its own company accounts the funding costs for its "own" scheme liabilities.

In the context of the above, the two companies have commissioned an actuarial 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

NOTES TO THE ACCOUNTS**at 31 December 2006****(in Sterling Pounds)****21. Pensions (continued)**

The 2002 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 £2,013,785 and £2,076,878 at 31 December 2006 and 2005 respectively). As explained above, this amount was agreed by BP to be paid to HPCL's new schemes that would be set-up with interest until the actual transfer is made.

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 and in September 2006 the Company and HPCL effected the split of the assets described above. In pursuance with the directions given by the local regulatory authorities, the BP Cyprus Non-Contributory Pension Fund was renamed to Hellenic Petroleum Non-Contributory Pension Fund and the Company established the BPEM Non-Contributory Pension Fund. Assets with a carrying value of £7,700 thousand (including cash of £2,700 thousand) were transferred from Hellenic Petroleum Non-Contributory Pension Fund to BPEM Non-Contributory Pension Fund for final settlement.

The Company has recently commissioned an actuarial valuation of its own scheme liabilities as at 31 December 2006. The valuation was carried out by a qualified independent actuary on an on-going valuation basis using the projected unit credit valuation method.

The pension assumptions are set out below. The assumptions used to evaluate accrued pension benefits at 31 December in the year are used to determine pension expense for the following year, that is, the assumptions at 31 December 2006 are used to determine the pension liabilities at that date and the pension cost for 2007.

	2006 % p a	2005 % p a	2004 % p a
Price inflation	2.5	2.5	2.5
Salary increases relative to price inflation	2.5	2.5	3.0
Discount rate	4.25	5.0	6.0
Pension increases	2.5	2.5	2.5
Expected return on assets	4.9	5.3	5.5

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS at 31 December 2006 (in Sterling Pounds)

21. Pensions (continued)

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 2006 and 2005.

The valuation showed that the value of the Company's own scheme liabilities as at 31 December 2006 was £7,554,546 (2005 £7,016,057). Taking into account the above, the surplus in the company's own schemes as at 31 December 2006, as measured in accordance with the requirements of FRS17, is estimated at £1,015,773 (2005 deficit £548,423), as follows:

	2006 £	2005 £
Total market value of assets	8,683,183	6,406,698
Present value of scheme liabilities	<u>(7,554,546)</u>	<u>(7,016,057)</u>
Surplus/(deficit) in schemes	1,128,637	(609,359)
Related deferred tax(liability)/asset	<u>(112,864)</u>	<u>60,936</u>
Net pension asset/(liability)	<u>1,015,773</u>	<u>(548,423)</u>

According to the 2006 actuarial valuation, the total funding contribution rate for the future years is estimated at 14.6% of pensionable pay.

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS

at 31 December 2006

(in Sterling Pounds)

21. Pensions (continued)

	2006 £	2005 £
Analysis of the amount charged to operating profit		
Current service cost	103,726	79,101
Total operating charge	<u>103,726</u>	<u>79,101</u>
Analysis of the amount charged to other finance expense		
Expected return on pension schemes assets	(323,594)	(318,448)
Interest on pension schemes liabilities	331,995	373,942
Net charge	<u>8,401</u>	<u>55,494</u>
Analysis of amount recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on pension schemes assets	2,874,196	660,452
Experience losses arising on the schemes liabilities	(580,484)	(120,275)
Changes in assumptions underlying the present value of scheme liabilities	(589,094)	(534,277)
Actuarial gain recognized in STRGL	<u>1,704,618</u>	<u>5,900</u>
Movement in deficit during the year		
Deficit in schemes at beginning of the year	(609,359)	(622,633)
<i>Movement in year</i>		
Exchange adjustments	(14,905)	13,709
Current service cost	(103,726)	(79,101)
Contributions	160,410	128,260
Other finance expense	(8,401)	(55,494)
Actuarial gain	<u>1,704,618</u>	<u>5,900</u>
Surplus/(deficit) in schemes at the end of the year	<u>1,128,637</u>	<u>(609,359)</u>

History of experience gains and losses	2006	2005	2004
Difference between expected and actual return on scheme assets:			
amount (£)	2,874,196	660,452	(19,067)
percentage of scheme assets	32.5%	10.4%	0.3%
Experience losses on scheme liabilities:			
amount (£)	(580,484)	(120,275)	(11,831)
percentage of scheme liabilities	7.5%	1.7%	0.2%
Total amount recognised in STRGL:			
amount (£)	1,704,618	5,900	124,265
percentage of scheme liabilities	<u>22.1%</u>	<u>0.1%</u>	<u>1.9%</u>

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS

at 31 December 2006

(in Sterling Pounds)

22. 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 2006.

The key financial assumptions used for calculating the other post retirement benefits are set out below. The assumptions used to evaluate medical fund benefits at 31 December in the year are used to determine medical fund expense for the following year, that is, the assumptions at 31 December 2006 are used to determine the medical fund liabilities at that date and the medical fund cost for 2007.

	2006 % p a.	2005 % p a	2004 % p a
Discount rate	4.3	5.0	6.0
Medical inflation rate	4.0	4.0	4.0
Medical incidence claim increase	1.5	1.5	1.5
Price inflation	2.5	2.5	1.5
	2006 £	2005 £	
Total market value of assets	-	-	
Present value of scheme liabilities	(897,246)	(766,186)	
Deficit in the scheme	(897,246)	(766,186)	
Related deferred tax asset	89,725	76,618	
Net liability	(807,521)	689,568	
Analysis of the amount charged to operating profit			
Current service cost	10,889	7,047	
Total operating charge	10,889	7,047	
Analysis of the amount charged to other finance expense			
Expected return on scheme assets	-	-	
Interest on scheme liabilities	36,844	38,818	
Net charge	36,844	38,818	
Analysis of amount recognised in statement of total recognised gains and losses (STRGL)			
Actual return less expected return on scheme assets	-	-	
Experience (losses)/gains arising on the schemes liabilities	(64,220)	2,141	
Changes in assumptions underlying the present value of scheme liabilities	(87,728)	(92,995)	
Actuarial loss recognised in STRGL	(151,948)	(90,854)	

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS

at 31 December 2006

(in Sterling Pounds)

22. Other post-retirement benefits (continued)

	2006 £	2005 £	
Movement in deficit during the year			
Deficit in scheme at beginning of the year	(766,186)	(684,227)	
<i>Movement in year</i>			
Exchange adjustments	26,347	14,129	
Current service cost	(10,889)	(7,047)	
Contributions	42,274	40,631	
Other finance expense	(36,844)	(38,818)	
Actuarial loss	<u>(151,948)</u>	<u>(90,854)</u>	
Deficit in scheme at the end of the year	<u>(897,246)</u>	<u>(766,186)</u>	
 History of experience gains and losses	 2006	 2005	 2004
Difference between expected and actual return on scheme assets:			
amount (£)	-	-	-
percentage of scheme assets	-	-	-
Experience losses and gains on scheme liabilities:			
amount (£)	(64,220)	2,141	16,883
percentage of scheme liabilities	7.0%	0.3%	2.6%
Total amount recognised in STRGL:			
amount (£)	(151,948)	(90,854)	62,506
percentage of scheme liabilities	<u>16.6%</u>	<u>12%</u>	<u>9.6%</u>

6-7

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS

at 31 December 2006

(in Sterling Pounds)

23. Share-based payments

Effect of share-based payment transactions on the Company's results and financial position

	2006 £	2005 £
Total expense recognised for equity-settled share-based payment transactions	18,025	12,922
Total expense recognised for cash-settled share-based payment transactions	-	-
Total expense recognised for share-based payment transactions	18,025	12,922
Closing balance of liability for cash-settled share-based payment transactions	-	-
Total intrinsic value for vested cash-settled share-based payments	-	-

For ease of presentation, option and share holdings detailed in the tables within this note are stated as UK ordinary share equivalents in US dollars. US employees are granted American depositary shares (ADSs) or options over the company's ADSs (one ADS is equivalent to six ordinary shares). The share-based payment plans that existed during the year are detailed below. All plans are ongoing unless otherwise stated.

The share-based payment plans that existed during the year are detailed below. All plans are ongoing unless otherwise stated.

Employee share scheme – "BP Sharematch Plan"

BP offers most of its employees the opportunity to acquire a shareholding in BP plc 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 £18,025 (2005: £12,922) and are included in expense above. Of this amount, £1,183 (2005: £887) relate to the overseas director of the Company with an overseas employment contract.

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS

at 31 December 2006

(in Sterling Pounds)

23. Share based payments (continued)

Plans for senior employees – BP Share Option Plan (BPSOP)

BPSOP is an equity-settled share option plan that applies to certain categories of employees. Participants are granted share options with an exercise price no lower than market price of a share immediately preceding the date of grant. There are no performance conditions and the options are exercisable between the third and 10th anniversaries of the grant date. The general rule is that the options will lapse if the participant leaves employment before the end of the third calendar year from the date of grant (and the vested options are exercisable within 3½ years from the date of leaving). However, special arrangements apply where the participant leaves for a qualifying reason and employment ceases after the end of the calendar year of the date of grant. From 2007, share options no longer form a regular element of incentive plans.

Share option transactions (before 7 November 2002)

	2006		2005	
	Number of options	Weighted average exercise price (US\$)	Number of options	Weighted average exercise price (US\$)
Outstanding at beginning of the year	2,000	7.93	2,000	7.93
Granted during the year	-	-	-	-
Forfeited during the year	-	-	-	-
Exercised during the year	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at end of the year	2,000	7.93	2,000	7.93
Exercisable at the end of the year	2,000	7.93	2,000	7.93

There were no option exercises during the year, or the previous year. For the options outstanding at 31 December 2006, the exercise price ranges and weighted average remaining contractual lives are shown below.

Range of exercise prices

	Options outstanding			Options exercisable	
	Number of options	Weighted average remaining life (years)	Weighted average exercise price (US\$)	Number of options	Weighted average exercise price (US\$)
US\$7.93 – US\$7.93	2,000	4.72	7.93	2,000	7.93

24. Immediate and ultimate parent undertaking

The immediate and ultimate undertaking of the group of undertakings for which group accounts are drawn up, and of which the company is a member, is BP plc, a company registered in England and Wales. Copies of BP plc's accounts can be obtained from 1 St James's Square, London, SW1Y 4PD.