

ANNUAL REPORT AND ACCOUNTS

BP Eastern Mediterranean Limited

31 December 2007



BP Eastern Mediterranean Limited
ANNUAL REPORT AND ACCOUNTS 2007

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BP Eastern Mediterranean Limited

(Registered No 02239062)

ANNUAL REPORT AND ACCOUNTS 2007

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 2007

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 £66,655, which, when added to the retained deficit brought forward at 1 January 2007 of £50,492, together with exchange gain adjustments and actuarial gain taken directly to reserves of £47,015 and £1,229,460 respectively, gives a total retained profit carried forward at 31 December 2007 of £1,292,638. The directors do not propose the payment of a final dividend.

Directors

The present directors are listed above.

G Papanastasiou, P A Short, M Johnson and F J Baudry served as directors of the company throughout the financial year.

Changes since 1 January 2007 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
A A Barrios	1 February 2007	

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 (effective for the period up to 30 September 2007) and section 232 of the Companies Act, 2006 (effective for the period from 1 October 2007)

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 four categories: strategic, compliance and ethics, financial risk management and operations.

Strategic risks

Prices and markets

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 price, a prolonged period of low prices or other indicators would lead to a review for impairment of the BP 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 BP group's results of operations in the period in which it occurs.

Refining profitability can be volatile, with both periodic oversupply and supply tightness in various regional markets. Sectors of the chemicals industry are also subject to fluctuations in supply and demand within the petrochemicals market, with consequent effect on prices and profitability.

Socio-political

BP Group has operations in developing countries where political, economical and social transition is taking place. Some countries have experienced political instability, changes to the regulatory environment, expropriation or nationalization of property, civil strife, strikes, acts of war and insurrections. Any of these conditions occurring could disrupt or terminate the BP group's operations, causing our development activities to be curtailed or terminated in these areas or our production to decline, and could cause us to incur additional costs.

We set ourselves high standards of corporate citizenship and aspire to contribute to a better quality of life through the products and services we provide. If it is perceived that we are not respecting or advancing the economic and social progress of the communities in which we operate, our reputation and shareholder value could be damaged.

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.

BP Eastern Mediterranean Limited

REPORT OF THE DIRECTORS (continued)

Compliance and ethics risks

Regulatory

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.

Ethical misconduct and non-compliance

Our code of conduct, which applies to all employees, defines our commitment to integrity, compliance with all applicable legal requirements, high ethical standards and the behaviours and actions we expect of our business and people wherever we operate. Incidents of non-compliance with applicable laws and regulation or ethical misconduct could be damaging to our reputation and shareholder value. Multiple events of non-compliance could call into question the integrity of our operations.

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 counterparty. 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.

Operations risks

Operations – safety and operations

Environmental

If we do not apply our resources to overcome the perceived trade-off between global access to energy and the protection or improvement of the natural environment, we could fail to live up to our aspirations of no or minimal damage to the environment and contributing to human progress.

Transportation

All modes of transportation of hydrocarbons contain inherent risks. A loss of containment of hydrocarbons and other hazardous material could occur during transportation by road, rail or sea. Given the high volumes involved this is a significant risk due to the potential impact of a release on the environment and people.

Key performance indicators

The Companies Act 1985 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 plc.

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 31.

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



ASSISTANT Secretary

23 July 2008

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.

BP Eastern Mediterranean Limited

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 2007 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the accounting policies and the related notes 1 to 26. 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 the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and 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 2007 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

Ernst & Young LLP

Registered auditor

London

1 August

2008

BP Eastern Mediterranean Limited

ACCOUNTING POLICIES

Accounting standards

These accounts are prepared in accordance with applicable UK accounting standards

Accounting convention

The accounts are prepared under the historical cost convention

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 currency 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 for the year.

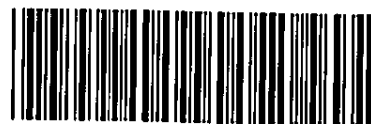
Discontinued operations

The aggregate results of continuing and discontinued operations are disclosed separately. The minimum disclosure required by FRS3 Reporting Financial Performance, down to the operating profit level on the face of the profit and loss account in respect of continuing and discontinued operations is the analysis of turnover and operating profit, which is presented on the face of the profit and loss account. The analysis between continuing and discontinued operations of each of the other profit and loss account format items between turnover and operating profit is given in note 5 to the financial statements.

Only costs directly related to discontinued operations appear under the heading of discontinued operations. Reorganisation or restructuring of continuing operations resulting from the termination have been treated as part of continuing operations.

The comparative figures in respect of the profit and loss account include in the continuing category only the results of those operations included in the current period's continuing operations.

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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. 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.

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

BP Eastern Mediterranean Limited

ACCOUNTING POLICIES (continued)

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

Trade and other debtors

Trade and other debtors are carried at the original invoice amount, less allowances made for doubtful receivables. Provision is made when there is objective evidence that the company will be unable to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Trade and other creditors

Trade and other creditors are carried at payment or settlement amounts. If the effect of the time value of money is material, trade and other creditors are determined by discounting the expected future cash flows at a pre-tax rate.

Provisions

Provisions are recognised when the Company 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 time value of money is material, 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 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.

As at 31 December 2007 and 2006, the company did not have any finance leases.

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

Employee benefits

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the company. The accounting policy for pensions and other post retirement benefits is described below.

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.

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 or 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.

Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period. In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative. Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation and any cost not yet recognised in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

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.

Use of estimates

The preparation of accounts in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

Comparative figures

Certain prior year figures without any profit impact have been restated to conform with the 2007 presentation.

BP Eastern Mediterranean Limited**PROFIT AND LOSS ACCOUNT
for the year ended 31 December 2007**

	Note	2007 £	2006 £
Turnover			
Continuing operations	5	52,064,309	57,019,229
Discontinued operations	5	20,934,036	16,801,590
	1	72,998,345	73,820,819
Cost of sales		(67,452,032)	(66,599,730)
Gross profit		5,546,313	7,221,089
Distribution and marketing expenses		(5,524,149)	(5,496,909)
Other income	4	208,325	29,069
Operating profit	2	230,489	1,753,249
Continuing operations	5	1,088,641	2,060,955
Discontinued operations	5	(858,152)	(307,706)
		230,489	1,753,249
Reorganisation costs	6	-	(533,207)
Profit on ordinary activities before interest and tax		230,489	1,220,042
Interest payable and similar charges	7	(578,607)	(682,531)
Interest receivable	8	315,033	244,340
Other finance income / (expense)	9	73,415	(45,245)
Profit before taxation		40,330	736,606
Taxation	10	26,325	(67,797)
Profit for the year		66,655	668,809


**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES,
for the year ended 31 December 2007**

	2007 £	2006 £
Profit for the year	66,655	668,809
Actuarial gain relating to pensions and other post-retirement benefits – gross	1,366,066	1,552,670
– related tax	(136,606)	(155,267)
Currency translation differences	47,015	19,792
Total recognised gains in the year	1,343,130	2,086,004

BP Eastern Mediterranean Limited**BALANCE SHEET
at 31 December 2007**

	Note	2007 £	2006 £
Fixed assets			
Tangible assets	12	2,085,764	1,970,350
Current assets			
Stocks	13	5,765,847	9,517,266
Debtors	14	12,413,485	6,903,651
Cash at bank and in hand		3,320,932	2,058,595
Deposit with related party – falling due after more than one year		5,773,100	5,459,530
		27,273,364	23,939,042
Creditors - amounts falling due within one year			
Creditors	15	(24,480,809)	(20,948,134)
Net current assets		2,792,555	2,990,908
TOTAL ASSETS LESS CURRENT LIABILITIES		4,878,319	4,961,258
Net assets excluding pension and other post-retirement benefit balances		4,878,319	4,961,258
Defined benefit pension plans surplus	23	2,495,697	1,015,773
Other post-retirement benefit plan deficit	24	(861,376)	(807,521)
NET ASSETS		6,512,640	5,169,510
Represented by:			
Capital and reserves			
Called up share capital	16	5,220,002	5,220,002
Profit and Loss account	17	1,292,638	(50,492)
SHAREHOLDERS' FUNDS – EQUITY INTEREST		6,512,640	5,169,510

On behalf of the Board



Director

23 July 2008

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS at 31 December 2007

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

Discontinued operations comprise the marine fuels business, which was terminated on 31 December 2007

2. Operating profit

This is stated after charging

	2007	2006
	£	£
Hire charges under operating leases		
Land & buildings	154,384	153,758
Plant & machinery	1,288,997	1,427,855
Depreciation of owned tangible fixed assets	286,750	257,709

3. Auditor's remuneration

	2007	2006
	£	£
Fees for the audit of the company	38,204	29,596
Under provision in prior year	5,977	6,274
	44,181	35,870

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

	2007	2006
	£	£
Other operating income from fellow subsidiary undertakings	208,325	29,069

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS at 31 December 2007

5. Discontinued operations

	Continuing	Discontinued	2007 Total	Continuing	Discontinued	2006 Total
	£	£	£	£	£	£
Turnover	52,064,309	20,934,036	72,998,345	57,019,229	16,801,590	73,820,819
Cost of sales	(46,883,788)	(20,568,244)	(67,452,032)	(50,846,497)	(15,753,233)	(66,599,730)
Distribution and marketing expenses	(4,102,070)	(1,422,079)	(5,524,149)	(4,140,846)	(1,356,063)	(5,496,909)
Other operating income	10,190	198,135	208,325	29,069	-	29,069
Operating profit/(loss)	1,088,641	(858,152)	230,489	2,060,955	(307,706)	1,753,249

Discontinued operations comprise the marine fuel business which was terminated on 31 December 2007

There are no separately identifiable assets or liabilities concerning the discontinued operations, which will not be absorbed by continuing operations.

6. Reorganisation

The reorganisation costs in 2006 of £533,207 concern redundancy payments for four employees made redundant in 2006 as a result of the "BP European Efficiency Programme" and the attempt for simplification of the organisational structure.

7. Interest payable and similar charges

	2007 £	2006 £
Interest on loans from parent and fellow subsidiary undertakings	547,441	626,512
Non-group bank interest and charges	31,166	56,019
Total charged against profit	578,607	682,531

8. Interest receivable

	2007 £	2006 £
Bank and other interest	1,463	4,808
Interest on deposit account with related party	313,570	239,532
	315,033	244,340

9. Other finance (income)/cost

	2007 £	2006 £
Interest on pension and other post-retirement benefit plan liabilities	348,444	368,839
Expected return on pension assets	(421,859)	(323,594)
	(73,415)	45,245

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS

at 31 December 2007

10. 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

	<u>2007</u>	<u>2006</u>
	£	£
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>26,325</u>	<u>(64,613)</u>
Tax on profit on ordinary activities	<u>26,325</u>	<u>(67,797)</u>

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS at 31 December 2007

10. 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% (2006 30%). The differences are reconciled below

	2007 UK £	2007 Overseas £	2006 UK £	2006 Overseas £
Profit before taxation	40,330	40,330	736,606	736,606
Current tax	-	-	-	3,184
Effective current tax rate	0%	0%	0%	0%
	2007 UK %	2007 Overseas %	2006 UK %	2006 Overseas %
UK statutory corporation tax rate	30	30	30	30
Increase / (decrease) resulting from				
Lower taxes on overseas earnings	-	(20)	-	(20)
Fixed asset timing differences	(67)	-	-	-
Other timing differences	43	9	6	(4)
Permanent differences	(66)	(4)	-	1
Tax losses	-	(15)	-	(7)
Group relief	60	-	(36)	-
Effective current tax rate	-	-	-	-

(c) Deferred tax

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

	2007 £	2006 £
Pensions and other post-retirement benefits	(181,591)	(23,139)
Accelerated capital allowances	(56,205)	(35,469)
Tax losses carried forward	188,723	122,481
	(49,073)	63,873

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS at 31 December 2007

10. Taxation (continued)

(c) Deferred tax (continued)

	2007 £	2006 £
At 1 January	63,873	288,301
Exchange adjustments	(2,665)	(4,548)
Credited / (charged) to the profit and loss account	26,325	(64,613)
Charged directly to the statement of total recognised gains and losses	(136,606)	(155,267)
At 31 December	<u>(49,073)</u>	<u>63,873</u>
Included in the above		
Pensions	277,300	(112,864)
Other post-retirement benefits	<u>(95,709)</u>	<u>89,725</u>
	<u>(181,591)</u>	<u>(23,139)</u>

11. Directors and employees

(a) Remuneration of Company's directors

	2007 £	2006 £
Fees paid in respect of one ex-director	<u>-</u>	<u>6,613</u>

None of the company's directors received any fees or remuneration for services as directors of the company during the financial year (2006 £6,613)

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

(b) Employee costs

	2007 £	2006 £
Wages and salaries	1,289,412	1,268,466
Social insurance costs	122,194	122,009
Pension and other post-retirement costs		
- to local employees	178,665	156,544
- to employees seconded overseas	8,035	16,457
Other benefits and contributions	116,781	53,177
Redundancies	15,469	-
	<u>1,730,556</u>	<u>1,616,653</u>

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS at 31 December 2007

11. Directors and employees (continued)

(b) Employee costs (continued)

Emoluments of a local director

Included in the above are emoluments of one director with an overseas employment contract. This person was appointed as director in August 2006. His total emoluments for the year 2007 amount to £124,163 (2006: £122,307) and are included in employee costs above. Share-based payment transactions with this director included above, are shown in note 25.

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

	<u>2007</u>	<u>2006</u>
	No.	No.
Marketing and distribution	<u>44</u>	<u>41</u>

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS at 31 December 2007

12. Tangible assets

	Buildings on leasehold land	Computer software and hardware	Plant and machinery	Total	Of which Assets under const- ruction
	£	£	£	£	£
Cost					
At 1 January 2007	42,194	512,169	2,616,375	3,170,738	188,664
Exchange adjustments	3,522	42,753	218,401	264,676	15,748
Additions	-	5,688	352,414	358,102	338,170
Disposals & write offs	-	-	(192,429)	(192,429)	-
Transfers	-	-	-	-	(487,420)
At 31 December 2007	45,716	560,610	2,994,761	3,601,087	55,162
Depreciation					
At 1 January 2007	9,326	500,704	690,358	1,200,388	-
Exchange adjustments	1,090	42,170	77,932	121,192	-
Disposals & write offs	-	-	(93,007)	(93,007)	-
Charge for the year	4,260	5,112	277,378	286,750	-
At 31 December 2007	14,676	547,986	952,661	1,515,323	-
Net book value					
At 31 December 2007	31,040	12,624	2,042,100	2,085,764	55,162
At 31 December 2006	32,868	11,465	1,926,017	1,970,350	188,664
Principal rates of depreciation:	10%	25%-33%	33%	10%	

13. Stocks

	2007 £	2006 £
Raw materials and consumables - lubricants	190,365	185,520
Finished goods and goods for resale - fuels and lubricants	5,575,482	9,331,746
	<u>5,765,847</u>	<u>9,517,266</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 2007

14. Debtors: amounts falling due within one year

	2007	2006
	£	£
Trade debtors	8,002,856	3,559,960
Parent and fellow subsidiary undertakings	1,710,736	2,181,024
Prepayments and accrued income	1,486,683	449,998
Taxation recoverable	62,087	57,302
VAT	16,338	74,734
Deferred tax	132,518	87,012
Other	1,002,267	493,621
	<u>12,413,485</u>	<u>6,903,651</u>

15. Creditors: amounts falling due within one year

	2007	2006
	£	£
Trade creditors	1,772,547	1,195,608
Parent and fellow subsidiary undertakings	3,969,770	12,460,572
IFA overdraft account	16,208,861	5,238,390
Bank overdraft	-	925,577
Accruals and deferred income	51,658	265,135
Other	2,477,973	862,852
	<u>24,480,809</u>	<u>20,948,134</u>

The IFA overdraft account with BP International Ltd (BP Finance) has no repayment restrictions and bears an annual interest on debit balances of LIBOR + 0.65% (2006 LIBOR + 0.65%). The overdraft facility borrowing limit was increased in 2006 from US\$14m to US\$40m.

The company also has bank overdraft facilities with overseas banks, these current accounts are unsecured and are denominated in CY£, US\$ and Euro. They carry annual interest at the Cyprus base rate + 1% (2006 Cyprus base rate + 1%). One of the overseas banks, has an overdraft limit of £314,500.

16. Called up share capital

	2007	2006
	£	£
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 2007

17. Reconciliation of movements in shareholders' funds and reserves

	Equity share capital	Profit and loss account	Total
	£	£	£
At 1 January 2007	5,220,002	(50,492)	5,169,510
Profit for the year	-	66,655	66,655
Actuarial gain, net of tax	-	1,229,460	1,229,460
Currency translation differences	-	47,015	47,015
At 31 December 2007	<u>5,220,002</u>	<u>1,292,638</u>	<u>6,512,640</u>

18. Reconciliation of movements in shareholders' interest

	2007	2006
	£	£
Profit for the year	66,655	668,809
Currency translation differences	47,015	19,792
Actuarial gain, net of tax	<u>1,229,460</u>	<u>1,397,403</u>
Net increase in shareholders' interests	1,343,130	2,086,004
Shareholders' interest at 1 January	<u>5,169,510</u>	<u>3,083,506</u>
Shareholders' interest at 31 December	<u>6,512,640</u>	<u>5,169,510</u>

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS at 31 December 2007

19. Operating lease commitments

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

	2007	2007	2006	2006
	Land and Buildings	Plant and Machinery	Land and Buildings	Plant and Machinery
	£	£	£	£
Expiring				
Within 1 year	52,579	504,438	179,855	-
Between 2 to 5 years	168,896	1,177	21,187	1,455,722
Thereafter	-	-	-	-
	221,475	505,615	201,042	1,455,722

During 2005, the company entered into an operating lease agreement for the rental of fuel storage space of 25 000 m³ at the Cyprus Petroleum Storage Company Limited. The agreement took effect from 1 April 2005 for a period of two years at an annual rental cost of £428,000. The agreement has been renewed for another 2 years on 1 January 2007.

On the renewed agreement, an additional Gasoil storage space 5,500 m³ for a period of two years was rented, at an additional annual rental cost of £94,000. Due to the fact that the company decided to discontinue its marine fuels operation on 31 December 2007, this part of the agreement referring to the additional space capacity was terminated on 31 December 2007. In addition, on 15 October 2004, the company entered into an operating lease agreement for the chartering of a barge from BP Shipping at daily cost of US\$4,800. The barge was delivered to the company for use in January 2005 (annual cost US\$1,752,000). The chartering period was five years. Due to the fact that the company decided to discontinue its marine fuels operation on 31 December 2007, this agreement was terminated on 31 January 2008 and the vessel was chartered to another location by BP Shipping.

20. Capital commitments

As at 31 December 2007 authorised and contracted future capital expenditure is estimated at £nil (2006: £nil).

21. Contingent liabilities

Legal cases

A Company's former employee which was made redundant in 2003 claims from the Company damages on the scale of £315,000 – £1,260,000. Based on the opinion of the Company's legal advisors, the directors of the Company 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.

Customs case

The company received a claim by Customs & Excise Department for the amount of £640,000 plus penalty of £64,000 and interest computed at a rate of 9% p a, regarding the supply of Jet-A1 fuel to one of its customers on which no Value Added Tax and Excise has been charged during the period 1 May 2004 to 30 September 2007. The directors of the Company 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.

NOTES TO THE ACCOUNTS
at 31 December 2007**21. Contingent liabilities (continued)***Other contingent liabilities*

In addition, the company was contingently liable in respect of guarantees and indemnities provided to third parties of £709,590 (2006 £508,549) entered into as part of the ordinary course of the company's business

Other

Further to the above, there are a number of claims made against the Company arising from the ordinary course of its business from which no material losses are likely to arise

22. 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 notes 11 and 25 above, there were no other related party transactions in the year

23. 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 £40,978 (2006 £41,929)

"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

The Company has recently commissioned an actuarial valuation of its own scheme liabilities as at 31 December 2007 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 2007 are used to determine the pension liabilities at that date and the pension cost for 2008.

	2007 % p a	2006 % p a	2005 % p a
Price inflation	2.5	2.5	2.5
Salary increases relative to price inflation	2.5	2.5	2.5
Discount rate	5.5	4.25	5.0
Pension increases	2.5	2.5	2.5
Expected return on assets	5.0	4.9	5.3

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS at 31 December 2007

23. Pensions (continued)

Under the current scheme rules, there is no obligation to grant increases to pensions. 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 2007 and 2006.

The valuation showed that the value of the Company's scheme liabilities as at 31 December 2007 was £7,500,531 (2006 £7,554,546). The surplus in the Company's schemes as at 31 December 2007, as measured in accordance with the requirements of FRS17, is estimated at £2,495,697 (2006 £1,015,773), as follows

	<u>2007</u>	<u>2006</u>
	£	£
Total market value of assets	10,273,528	8,683,183
Present value of scheme liabilities	<u>(7,500,531)</u>	<u>(7,554,546)</u>
Surplus in schemes	2,772,997	1,128,637
Related deferred tax liability	<u>(277,300)</u>	<u>(112,864)</u>
Net pension asset	<u>2,495,697</u>	<u>1,015,773</u>

The various categories of assets are

	<u>2007</u>	<u>2006</u>
	£	£
Property	1,427,493	822,548
Equities	2,563,284	2,725,043
Debentures	2,369,088	418,973
Structured products and mutual funds	703,767	62,038
Bank accounts	3,257,490	4,768,367
Other	<u>(47,594)</u>	<u>(113,786)</u>
	<u>10,273,528</u>	<u>8,683,183</u>

According to the 2007 actuarial valuation, the total funding contribution rate for the future years is estimated at 12.9% of pensionable pay

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS at 31 December 2007

23. Pensions (continued)

	2007 £	2006 £
Analysis of the amount charged to operating profit		
Current service cost	124,234	103,726
Total operating charge	<u>124,234</u>	<u>103,726</u>
Analysis of the amount charged to other finance expense		
Expected return on pension schemes assets	(421,859)	(323,594)
Interest on pension schemes liabilities	310,799	331,995
Net charge/(credit)	<u>(111,060)</u>	<u>8,401</u>
Analysis of amount recognised in statement of total Recognised gains and losses (STRGL)		
Actual return less expected return on pension schemes assets	872,615	2,874,196
Experience losses arising on the schemes liabilities	(500,178)	(580,484)
Changes in assumptions underlying the present value of scheme liabilities	974,436	(589,094)
Actuarial gain recognized in STRGL	<u>1,346,873</u>	<u>1,704,618</u>
Movement in deficit during the year		
Surplus/(deficit) in schemes at beginning of the year	1,128,637	(609,359)
<i>Movement in year</i>		
Exchange adjustments	199,228	(14,905)
Current service cost	(124,234)	(103,726)
Contributions	111,433	160,410
Other finance income/(expense)	111,060	(8,401)
Actuarial gain	1,346,873	1,704,618
Surplus in schemes at the end of the year	<u>2,772,997</u>	<u>1,128,637</u>

	2007	2006	2005	2004
History of experience gains and losses				
Difference between expected and actual return on Scheme assets:				
Amount (£)	872,615	2,874,196	660,452	(19,067)
Percentage of scheme assets	9.1%	32.5%	10.4%	0.3%
Experience losses on scheme liabilities:				
Amount (£)	(500,178)	(580,484)	(120,275)	(11,831)
Percentage of scheme liabilities	7.2%	7.5%	1.7%	0.2%
Total amount recognised in STRGL:				
Amount (£)	1,346,873	1,704,618	5,900	124,265
Percentage of scheme liabilities	19.3%	22.1%	0.1%	1.9%

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS at 31 December 2007

24. 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 2007.

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 2007 are used to determine the medical fund liabilities at that date and the medical fund cost for 2008.

	2007 % p a	2006 % p a	2005 % p a
Discount rate	5.5	4.3	5.0
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	2.5

	2007 £	2006 £
Total market value of assets	-	-
Present value of scheme liabilities	(957,085)	(897,246)
Deficit in the scheme	(957,085)	(897,246)
Related deferred tax asset	95,709	89,725
Net liability	(861,376)	(807,521)
Analysis of the amount charged to operating profit		
Current service cost	13,453	10,889
Total operating charge	13,453	10,889
Analysis of the amount charged to other finance expense		
Expected return on scheme assets	-	-
Interest on scheme liabilities	37,645	36,844
Net charge	37,645	36,844
Analysis of amount recognised in statement of total recognised gains and losses (STRGL)		
Actual return less expected return on scheme assets	-	-
Experience losses arising on the schemes liabilities	(29,442)	(64,220)
Changes in assumptions underlying the present value of scheme liabilities	48,635	(87,728)
Actuarial gain/(loss) recognised in STRGL	19,193	(151,948)

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS at 31 December 2007

24. Other post-retirement benefits (continued)

	2007 £	2006 £		
Movement in deficit during the year				
Deficit in scheme at beginning of the year	(897,246)	(766,186)		
<i>Movement in year</i>				
Exchange adjustments	(73,877)	26,347		
Current service cost	(13,453)	(10,889)		
Contributions	45,943	42,274		
Other finance expense	(37,645)	(36,844)		
Actuarial gain/(loss)	19,193	(151,948)		
Deficit in scheme at the end of the year	(957,085)	(897,246)		
History of experience gains and losses	2007	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 (£)	(29,442)	(64,220)	2,141	16,883
percentage of scheme liabilities	3.1%	7.0%	0.3%	2.6%
Total amount recognised in STRGL:				
amount (£)	19,193	(151,948)	(90,854)	62,506
percentage of scheme liabilities	2.0%	16.6%	12%	9.6%

25. Share-based payments

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

	2007 £	2006 £
Total expense recognised for equity-settled share-based payment transactions	20,119	18,025
Total expense recognised for cash-settled share-based payment transactions	-	-
Total expense recognised for share-based payment Transactions	20,119	18,025
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.

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS

at 31 December 2007

25. Share-based payments (continued)

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 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 £20,119 (2006: £18,025) and are included in expense above. Of this amount, £1,172 (2006: £1,183) relate to the overseas director of the Company with an overseas employment contract.

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

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.

The following information relates to the overseas director of the Company with an overseas employment contract.

Share option transactions (before 7 November 2002)

	2007		2006	
	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

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS at 31 December 2007

25. Share based payments (continued)

There were no option exercises during the year, or the previous year. For the options outstanding at 31 December 2007, the exercise price ranges and weighted average remaining contractual lives are shown below

Range of exercise prices

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	3.72	7.93	2,000	7.93

26. Immediate and ultimate parent undertaking

The immediate and ultimate parent undertaking of the group of undertakings for which group accounts are drawn up, and of which the company is a member, is BP 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.