

COMPANY NUMBER: 2239062

ANNUAL REPORT AND ACCOUNTS
BP Eastern Mediterranean Limited

31 DECEMBER, 2003



BP Eastern Mediterranean Limited
ANNUAL REPORT AND ACCOUNTS 2003

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BP Eastern Mediterranean Limited

REPORT OF THE DIRECTORS

Board of Directors

G.A. Petrou
K.L. James
J. T. Cook
P.A. Short
L. J. Navarro

The directors present their report and the accounts for the year ended 31 December 2003.

Principal activity

The company buys, sells and otherwise deals in fuels and lubricants products 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 and dividends

The profit for the year after taxation was STG£973,355, when added to the retained deficit brought forward at 1 January 2003 of STG£484,032 (together with exchange adjustments taken directly to reserves of STG£13,989), gives a total retained profit carried forward at 31 December 2003 of STG£475,334. The directors do not propose the payment of a dividend.

Directors

The present directors are listed above.

Mr G A Petrou, Mr K L James, Mr R T Junguis and Mr P A Short served as directors of the company throughout the financial year.

Changes since 1 January 2003 are as follows:

	Appointed	Resigned
R T Jungius		1 March 2004
J T Cook	1 March 2004	
L J Navarro	1 April 2004	

BP Eastern Mediterranean Limited

REPORT OF THE DIRECTORS (continued)

Directors' interests

The interests of the directors holding office at 31 December 2003, and their families, in the US\$0.25 ordinary shares of BP p.l.c. were as set out below:

	31 December 2003	1 January 2003 (or date of appointment)
G.A. Petrou	-	937
K.L. James	10,590 *	10,590 *
P.A. Short	12,370	22,447
R.T. Jungius	29,046	25,110

In addition, rights to subscribe for US \$0.25 ordinary shares in BP p.l.c. were granted to, or exercised by, those directors between 1 January 2003 (*or date of appointment*) and 31 December 2003 as follows:

	Granted	Exercised
G.A. Petrou	None	None
K.L. James	53,220*	None
P.A. Short	3,910	1,192
R.T. Jungius	4,000	928

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

No Director held any interest in the shares or debentures of subsidiary undertakings of BP p.l.c. as at 31st December 2003.

Policy with respect to payment of suppliers

It is the company's policy to follow the CBI's prompt payment code of practise for all suppliers to the company. A copy of the code of practice can be obtained from the CBI.

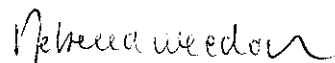
The number of days' purchases represented by trade creditors at the year-end was 34.

BP Eastern Mediterranean Limited

Auditors

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

By order of the Board



Secretary

18 October 2004

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

**STATEMENT OF DIRECTORS' RESPONSIBILITIES
IN RESPECT OF THE ACCOUNTS**

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

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

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors confirm that they have complied with these requirements and having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts.

BP Eastern Mediterranean Limited

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

We have audited the company's accounts for the year ended 31 December 2003, which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 21. These accounts have been prepared on the basis of the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

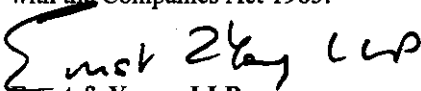
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 of the state of affairs of the company as at 31 December 2003 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP

Registered Auditor
London

18 October 2004

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

Stock valuation

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

Foreign currencies

Assets and liabilities of foreign currency branch are translated into sterling at closing rates of exchange. Income statement is translated at average rates of exchange.

Exchange differences resulting from the retranslation of net investment in foreign currency branch at closing rates, together with differences between income statement translated at average rates and at closing rates of exchange, are 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.

Depreciation

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

BP Eastern Mediterranean Limited

ACCOUNTING POLICIES (Cont.)

Leases

Rentals under operating leases are charged against income as incurred.

Revenue recognition

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

Pensions and other retirement benefits

Pension costs represent the contributions made to The BP Pension Fund. The company has accounted for pensions in accordance with SSAP24 "Accounting for pension costs". The cost of providing pensions and other retirement benefits is charged to income on a systematic basis, with pension surpluses and deficits amortised over the expected average remaining service lives of current employees. The difference between the amounts charged to income and contributions made to the pension and other retirement benefit plans is included within debtors or creditors as appropriate.

Transitional disclosures required by the new accounting standard, FRS17 "Retirement Benefits" have been made in note 20 to the accounts.

Deferred tax

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

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

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

Comparative figures

Certain prior year figures have been restated to conform with the 2003 presentation

BP Eastern Mediterranean Limited**PROFIT AND LOSS ACCOUNT**
for the year ended 31 December, 2003
(in Sterling Pounds)

	<i>Note</i>	<i>2003</i> <i>STG£</i>	<i>Period</i> <i>Ending</i> <i>31/12/2002</i> <i>STG£</i>
Turnover	1	45,328,029	1,962,112
Cost of sales		<u>(40,088,209)</u>	<u>(1,772,062)</u>
Gross profit		5,239,820	190,050
Distribution and marketing expenses		<u>(4,109,640)</u>	<u>(787,157)</u>
Other income	3	<u>67,834</u>	<u>79,863</u>
Operating profit/(Loss)	2	1,198,014	(517,244)
Loss on disposal of fixed assets	4	<u>(13,660)</u>	<u>-</u>
Profit/(Loss) on ordinary activities before interest and tax		1,184,354	(517,244)
Interest payable and similar charges	5	<u>(103,536)</u>	<u>(9,082)</u>
Profit/(Loss) before taxation		1,080,818	(526,326)
Taxation	6	<u>(107,463)</u>	<u>53,049</u>
Retained profit/(Loss) for the year		<u>973,355</u>	<u>(473,277)</u>

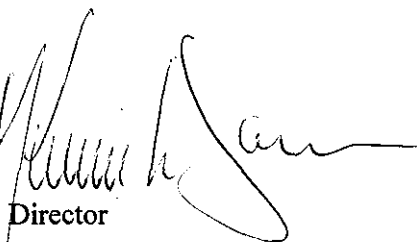
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
for the year ended 31 December, 2003

	<i>Note</i>	<i>2003</i> <i>STG£</i>	<i>2002</i> <i>STG£</i>
Profit/(Loss) for the year		973,355	(473,277)
Currency translation differences	13	<u>(13,989)</u>	<u>(10,755)</u>
Total recognised gains and losses for the year		<u>959,366</u>	<u>(484,032)</u>

BP Eastern Mediterranean Limited

BALANCE SHEET at 31 December, 2003 (in Sterling Pounds)

	Note	2003 STG£	2002 STG£
Fixed assets			
Tangible assets	8	<u>1,492,564</u>	<u>1,574,051</u>
Current assets			
Stocks	9	1,585,195	1,076,088
Debtors	10	4,035,214	3,018,023
Cash at bank and in hand		<u>1,961,243</u>	<u>966,618</u>
		7,581,652	5,060,729
Creditors - amounts falling due within one year			
Creditors	11	<u>(8,604,868)</u>	<u>(7,173,065)</u>
Net current liabilities		<u>(1,023,216)</u>	<u>(2,112,336)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		469,348	(538,285)
Deferred tax asset	6	<u>5,988</u>	<u>54,255</u>
NET ASSETS/(LIABILITIES)		<u>475,336</u>	<u>(484,030)</u>
Represented by:			
Capital and reserves			
Called up share capital	12	2	2
Profit and Loss account	13	<u>475,334</u>	<u>(484,032)</u>
SHAREHOLDERS' FUNDS - EQUITY INTERESTS		<u>475,336</u>	<u>(484,030)</u>



Director

18 October 2004

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS

at 31 December, 2003

(in Sterling Pounds)

1. Turnover

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

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

2. Operating profit/(loss)

This is stated after charging:

	2003 STG£	2002 STG£
Depreciation of owned tangible assets	305,482	-
Impairment loss on tangible assets	-	155,556
Operating lease rentals:		
Plant and machinery	2,059	2,120
Land and buildings	95,909	-
Auditors' remuneration :		
Audit fees - current year	<u>23,103</u>	<u>21,111</u>

3. Other income

	2003 STG£	2002 STG£
Income from fellow subsidiary undertakings	67,011	79,863
Other interest and miscellaneous income	<u>823</u>	<u>-</u>
	<u>67,834</u>	<u>79,863</u>

4. Exceptional items

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

	2003 £	2002 £
(Loss) on disposal of fixed assets	(13,660)	-
Exceptional items	<u>(13,660)</u>	<u>-</u>
Taxation credit/(charge):		
Exceptional items, net of tax	<u><u> </u></u>	<u><u> </u></u>

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS

at 31 December, 2003

(in Sterling Pounds)

5. Interest payable and similar charges

	2003 STG£	2002 STG£
Interest due to fellow subsidiary undertaking	96,064	9,064
Non-group bank interest	<u>7,472</u>	<u>18</u>
Total charged against profit	<u>103,536</u>	<u>9,082</u>

6. 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 free group relief to the extent it is required and to provide for any current or deferred tax that arises without charge.

Overseas taxation

(a) Tax on profit/(loss) on ordinary activities

The tax charge is made up as follows:

	2003 STG£	2002 STG£
Current taxation:		
Overseas tax on income for the period	(56,803)	-
Deferred taxation:		
Origination and reversal of timing differences	<u>(50,660)</u>	<u>53,049</u>
Tax on profit/(Loss) on ordinary activities	<u>(107,463)</u>	<u>53,049</u>

(b) Factors affecting the current tax charge

The current 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% (2002: 30%). The differences are reconciled below:

	2003 UK STG£	2003 O'seas STG£	2002 UK STG£	2002 O'seas STG£
Profit/(Loss) before taxation	1,080,818	1,080,818	(526,326)	(526,326)
Current taxation	-	56,803	-	-
Effective current tax rate	0%	5%	0%	0%

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS at 31 December, 2003 (in Sterling Pounds)

6. Taxation (continued)

	2003 UK %	2003 O'seas %	2002 UK %	2002 O'seas %
Profit on Ordinary Activities before tax	30	30	30	30
UK statutory corporation tax rate:				
Lower taxes on overseas earnings	-	(20)	-	(2)
Permanent differences	-	1	-	-
Timing differences	(2)	(1)	16	5
Tax allowances/credits	-	-	-	(9)
Tax losses utilised/carried forward	-	(5)	-	(24)
Group relief	(28)	-	(46)	-
Effective current tax rate	<u>0</u>	<u>5</u>	<u>0</u>	<u>0</u>

(c) Deferred tax

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

	2003 STG£	2002 STG£
Decelared/(accelerated) capital allowances	5,988	(5,377)
Tax losses carried forward	-	59,632
Provision for deferred tax	<u>5,988</u>	<u>54,255</u>
At 1 January	54,255	-
Exchange adjustments	2,393	1,206
Deferred tax (charged)/credited in the profit and loss account	<u>(50,660)</u>	<u>53,049</u>
At 31 December	<u>5,988</u>	<u>54,255</u>

The tax losses brought forward from 2002 were fully utilised in 2003.

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS

at 31 December, 2003

(in Sterling Pounds)

7. Directors and employees

(a) Remuneration of directors:

	2003 STG£	2002 STG£
Total paid in respect of one director with an overseas service contract	<u>58,053</u>	<u>-</u>

In 2002, the director with the overseas service contract received his remuneration from Hellenic Petroleum Cyprus Ltd (formerly BP Cyprus Ltd).

The remaining directors received no fees or remuneration for services as directors of the company during the financial year (2002: STG£nil).

(b) Employee costs:

	2003 STG£	2002 STG£
Wages and salaries	916,059	232,133
Social insurance costs	84,710	12,120
Pensions and other retirement benefit costs :		
- to local employees	54,381	3,941
- to employees seconded overseas	5,234	-
Other benefits and contributions	75,875	6,204
Redundancies	74,640	-
	<u>1,210,899</u>	<u>254,398</u>

Employee share scheme

BP offers most of its employees the opportunity to acquire a shareholding in BP p.l.c. through the BP ShareMatch Plan. BP Eastern Mediterranean Ltd matches employees' own contributions of shares, up to a predetermined limit. The shares are then held in trust for a defined minimum period of three years. The company's matching contributions during the year amounted to STG£9,478 (2002: STG£nil) and are included in other benefits and contributions above.

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

	2003 No.	2002 No.
Marketing and distribution	<u>32</u>	<u>22</u>

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS

at 31 December, 2003

(in Sterling Pounds)

8. Tangible assets

	<i>Buildings on leasehold land STG£</i>	<i>Motor vehicles STG£</i>	<i>Computer software and hardware STG£</i>	<i>Plant and machinery STG£</i>	<i>Total STG£</i>	<i>Of which assets under const- ruction STG£</i>
Cost						
At 1 January 2003	22,727	228,430	631,859	846,591	1,729,607	-
Exchange adjustments	1,303	13,093	39,953	48,525	102,874	-
Additions	-	55,870	49,759	66,911	172,540	59,474
Deletions	-	-	(209,541)	-	(209,541)	-
At 31 December 2003	24,030	297,393	512,030	962,027	1,795,480	59,474
Depreciation						
At 1 January 2003	-	-	155,556	-	155,556	-
Exchange adjustments	33	673	15,013	1,251	16,970	-
Charge for the year	2,370	47,632	166,962	88,518	305,482	-
Deletions	-	-	(175,092)	-	(175,092)	-
At 31 December 2003	2,403	48,305	162,439	89,769	302,916	-
Net book amount						
At 31 December 2003	21,627	249,088	349,591	872,258	1,492,564	59,474
At 31 December 2002	22,727	228,430	476,303	846,591	1,574,051	-
Principal rates of depreciation:	10%	20%	33 1/3%	10%		

No depreciation was charged for the year 2002 as the assets were acquired from BP Cyprus Ltd (now Hellenic Petroleum Cyprus Ltd) on 1 December 2002 at net book value and the company's accounting policy is to charge depreciation in the month following the month of acquisition.

During 2003, certain computer equipment of total cost STG£209,541, were disposed of, donated or scrapped. An amount of STG£155,556 was provided for in 2002 as an impairment loss to write down this equipment to its estimated recoverable amount. The net proceeds from the disposal amounted to STG£20,789, thus realising a loss in 2003 of STG£13,660, after taking into account the depreciation charge provided for in 2003 of STG£6,882 and the impairment loss of STG£155,556 provided for in 2002 (together with exchange adjustment on the impairment loss of STG£12,654).

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS

at 31 December, 2003

(in Sterling Pounds)

9. Stocks

	2003 STG£	2002 STG£
Raw materials and consumables/lubricants	129,348	-
Finished goods and goods for resale/fuels and lubricants	1,455,847	1,076,088
	<u>1,585,195</u>	<u>1,076,088</u>

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

10. Debtors: amounts falling due within one year

	2003 STG£	2002 STG£
Trade	3,435,280	2,868,014
Parent and fellow subsidiary undertakings	2	2
Prepayments and accrued income	191,860	134,933
Taxation recoverable	38,514	-
VAT	353,750	-
Other	15,808	15,074
	<u>4,035,214</u>	<u>3,018,023</u>

11. Creditors: amounts falling due within one year

	2003 STG£	2002 STG£
Trade	788,192	453,010
Parent and fellow subsidiary undertakings	3,158,628	2,345,018
Accruals and deferred income	414,396	692,700
IFA overdraft account	3,904,287	3,501,155
Income Tax and Social Security	20,662	71,081
VAT	-	9,605
Other	318,703	100,496
	<u>8,604,868</u>	<u>7,173,065</u>

Amounts due to parent and fellow subsidiaries also include STG£3,904,287 (2002: STG£3,501,155) held in an overdraft account with BP International Ltd (BP Finance). This account has no repayment restrictions, bears an annual interest on debit balances of LIBOR + 0.65% and has a borrowing limit of US\$14m.

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS

at 31 December, 2003

(in Sterling Pounds)

12. Called up share capital

	2003 STG£	2002 STG£
Authorised share capital		
1,000 Ordinary shares of STG£1 each	<u>1,000</u>	<u>1,000</u>
Allotted, called up and fully paid		
2 Ordinary shares of STG£1 each	<u>2</u>	<u>2</u>

13. Reconciliation of shareholders' funds and movements on reserves

	Equity share capital STG£	Profit and Loss account STG£	Total STG£
At 1 January 2003	2	(484,032)	(484,030)
Profit for the year	-	973,355	973,355
Currency translation differences	-	(13,989)	(13,989)
Distribution to shareholders	-	-	-
At 31 December 2003	<u>2</u>	<u>475,334</u>	<u>475,336</u>

14. Reconciliation of movements in shareholders' interest

	2003 STG£	2002 STG £
Profit/(loss) for the year	973,355	(473,277)
Currency translation differences	(13,989)	(10,755)
Net increase/ (decreased) in shareholders' interests	<u>959,366</u>	<u>(484,032)</u>
Shareholders' interest at 1 January 2003	(484,030)	2
Shareholders' interest at 31 December 2003	<u>475,334</u>	<u>(484,030)</u>

BP Eastern Mediterranean Limited

NOTES TO THE ACCOUNTS

at 31 December, 2003

(in Sterling Pounds)

15. Operating lease commitments

At 31 December 2003 the company had annual commitments under non-cancellable operating leases for land and buildings as set out below:

	<i>2003</i> <i>STG£</i>	<i>2002</i> <i>STG£</i>
Expiring :		
Within 1 year	-	18,726
Between 2 to 5 years	35,324	13,636
Thereafter	75,015	55,900
	<u>110,339</u>	<u>88,262</u>

16. Capital commitments

As at 31 December 2003 authorised and contracted future capital expenditure is estimated at STG£795,000 (2002: STG£nil).

17. Contingent liabilities

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

In addition, the company was contingently liable in respect of guarantees and indemnities provided to third parties of STG£151,736 (2002: STG£143,511) entered into as part of the ordinary course of the company's business.

18. Related party transactions

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

BP Eastern Mediterranean Limited

19. Pensions and other retirement benefits

As part of the Share Purchase Agreement between BP p.l.c. and Hellenic Petroleum International A.G., the retirement benefit schemes operated by BP Cyprus Ltd (now Hellenic Petroleum Cyprus Ltd) for all retired and active employees (including employees that remain under the employment of Hellenic Petroleum Cyprus Ltd) were transferred to BP Eastern Mediterranean Ltd which became the Founding Company of the schemes as from 1 December 2002. This is subject to the consent of the local regulatory authorities. In accordance with the Agreement, Hellenic Petroleum Cyprus is committed to set up its own retirement benefit schemes for its current active employees (other than those employees who will elect to continue to be members of the current BP schemes), equivalent to the existing ones. Until the setting-up of its own schemes, Hellenic Petroleum Cyprus will participate as a Member Company and for the period of such participation, it will pay the normal funding costs (i.e. the current service costs), assuming the schemes were neither in surplus or deficit.

Under the Agreement, BP procures that a transfer of assets in respect of benefits accrued is made from its current schemes to the schemes that will be set-up by Hellenic Petroleum Cyprus with the amount of such transfer to be calculated at the expiration of the period of participation and paid in cash unless otherwise agreed.

All the above arrangements are still subject to the consent of the local regulatory authorities, ie, the Inland Revenue and the Ministry of Labour.

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 amounted to STG£59,615 (2002: STG£3,941). "The Non Contributory Pension Fund" is the main retirement benefit scheme and provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company, being invested with financial institutions.

The most recent actuarial valuation of the schemes carried out by a qualified independent actuary was as at 1 January 2002. The valuation was carried out on an ongoing valuation basis using the projected unit credit valuation method and the following main assumptions:

	% p,a,
Price inflation	3
Salary increases relative to price inflation	1 ½
Discount rate	6
Increases to pensions in payments	Nil

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NOTES TO THE ACCOUNTS

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19. Pensions and other retirement benefits (continued)

The valuation showed that the value of the schemes' liabilities was STG£6,444,506, the market value of the schemes' assets was STG£9,821,407 and the resulting surplus was STG£3,376,901. Under the current scheme rules, there is no obligation to grant increases to pensions in payments. However, taking into account the current discretionary practice of providing pension increases in line with inflation and assuming an increase to pensions in payments of 3% p.a., the actuarial value of the schemes' liabilities was estimated to increase by STG£2,538,398 and the resulting surplus to reduce to STG£838,503.

The previous actuarial valuation carried out as at 1 January 2000 showed a surplus of STG£10,432,955 that was caused by the exceptional performance of the underlying portfolio investments of the Funds in the Cyprus Stock Exchange during 1999.

The following amounts at 31 December were measured in accordance with the requirements of FRS 17:

	2003 STG£	2002 STG£
Fair value of assets in the schemes :		
Property	1,142,744	987,841
Equities	2,380,612	2,957,166
Debentures	1,910,489	1,729,374
Bank accounts	2,799,186	2,666,167
Other	118,493	(3,007)
Total market value of assets	8,351,524	8,337,541
Present value of scheme liabilities	(6,466,063)	(5,735,025)
Surplus in the schemes	1,885,461	2,602,516
Related deferred tax liability	(188,545)	(260,252)
Net pension asset	1,696,916	2,342,264

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20. Incorporation

The company was incorporated in England and Wales as Linkstow Limited on 4 April 1988 with a Registration number 2239062. It was renamed to Foseco-Morval (Technology) Limited on 20 May 1988, to Stonestart (FMTL) Limited on 12 September 1989 and to BP Eastern Mediterranean Limited on 6 August 2002. BP Eastern Mediterranean Limited was also registered as a Foreign Company in the Republic of Cyprus on 15 October 2002 with a Registration Number AE1706.

21. Ultimate parent undertaking

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