

**BP TRADING LIMITED**  
**(Registered No.1033761)**

**ANNUAL REPORT AND ACCOUNTS 2005**

Board of Directors: A C Little  
F W M Starkie

**REPORT OF THE DIRECTORS**

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

**Principal activity**

The company operates representative offices in Russia as well as management services for other BP affiliates.

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

**Review of activities and future developments**

The company has had a disappointing year.

**Results and dividends**

The loss for the year after taxation was \$1,982,391, when added to the retained deficit brought forward at 1 January 2005 of \$10,751,849, gives a total retained deficit carried forward at 31 December 2005 of \$12,734,240. The directors do not propose the payment of a dividend.



**BP TRADING LIMITED**  
**REPORT OF THE DIRECTORS**

**Directors**

The present directors are listed on page 1.

Mr F W M Starkie and J G Nemeth served as a director throughout the financial year. Changes since 1 January 2005 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
J G Nemeth		3 August 2005

**Directors' interests**

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

	<u>31 December 2005</u>	<u>1 January 2005</u>
F W M Starkie	100,620	140,816
A C Little	12,261	8,268

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

	<u>Granted</u>	<u>Exercised</u>
F W M Starkie	-	-
A C Little	-	9,500

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

BP TRADING LIMITED  
REPORT OF THE DIRECTORS

**Policy and practice with respect to payment of suppliers**

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

The number of days' purchases represented by trade creditors at the year-end was 18 (2004: 95).

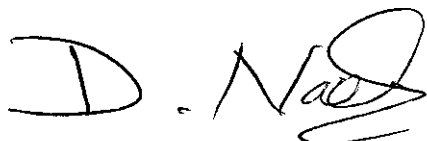
**Post balance sheet events**

After the balance sheet date 10,687,286 ordinary shares of £1 each were allotted to the immediate parent company at par value.

**Auditors**

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

By order of the Board



Assistant Secretary

30 October 2006

Registered Office:

Chertsey Road  
Sunbury on Thames  
Middlesex  
TW16 7BP

## BP TRADING LIMITED

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

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 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 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 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 TRADING LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF  
BP TRADING LIMITED

We have audited the company's accounts for the year ended 31 December 2005 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, accounting policies and the related notes 1 to 17. These accounts have been prepared on the basis of the accounting policies set out therein.

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

**Respective responsibilities of directors and auditors**

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

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

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

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

**Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

**Opinion**

In our opinion the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 December 2005 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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

30 October 2006

## BP TRADING LIMITED

### ACCOUNTING POLICIES

#### **Accounting Standards**

These accounts are prepared in accordance with applicable UK accounting standards. In preparing the financial statements for the current year, the company has adopted Financial Reporting Standards No. 21 'Events after the Balance Sheet Date' (FRS 21) and No. 28 'Corresponding Amounts' (FRS28). The adoption of FRS 21 has resulted in changes in accounting policy for dividends. Dividends proposed or declared on equity instruments after the balance sheet date are now not recognised as a liability at the balance sheet date.

#### **Accounting convention**

The accounts are prepared under the historical cost convention.

#### **Basis of Preparation**

At 31 December 2005 the company's balance sheet had net liabilities amounting to \$1,097,369. The directors consider it appropriate to prepare the accounts on a going concern basis because since the balance sheet date the company received an injection of cash from its immediate parent of \$20 million.

#### **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.

#### **Foreign currency transactions**

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

#### **Depreciation**

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

## BP TRADING LIMITED

### ACCOUNTING POLICIES

#### **Leases**

Assets held under leases which result in the company receiving substantially all risks and rewards of ownership (finance leases) are capitalised as tangible fixed assets at the estimated present value of underlying lease payments. The corresponding finance lease obligation is included with borrowings. Rentals under operating leases are charged against income as incurred.

#### **Deferred tax**

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

- Provision is made for tax on gains arising from the revaluation of fixed assets, and gains on disposals of fixed 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 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 2005 presentation.

BP TRADING LIMITED

PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	<u>2005</u> \$	<u>2004</u> \$
Administration expenses		(22,575,241)	(15,751,006)
Other income	1	24,627,284	17,466,448
<b>Operating profit</b>	<b>2</b>	<u>2,052,043</u>	<u>1,715,442</u>
Interest payable and similar charges	3	<u>(2,666,925)</u>	<u>(2,497,137)</u>
<b>Loss before taxation</b>		(614,882)	(781,695)
Taxation	4	(1,367,509)	(1,275,890)
<b>Retained loss for the year</b>	<b>10</b>	<u>(1,982,391)</u>	<u>(2,057,585)</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 DECEMBER 2005**

There are no recognised gains or losses attributable to the shareholders of the company other than the loss of \$1,982,391 for the year ended 31 December 2005 (2004 loss of \$2,057,585).



BP TRADING LIMITED

BALANCE SHEET AT 31 DECEMBER 2005

	Note	<u>2005</u> \$	<u>2004</u> \$
<b>Fixed assets</b>			
Tangible assets	6	<u>5,748,078</u>	<u>6,370,644</u>
<b>Current assets</b>			
Debtors	7	78,968,526	67,841,724
Cash at bank and in hand		<u>638,352</u>	<u>333,656</u>
<b>Creditors: amounts falling due within one year</b>	8	<u>(86,452,325)</u>	<u>(73,661,002)</u>
<b>Net current liabilities</b>		<u>(6,845,447)</u>	<u>(5,485,622)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(1,097,369)</u>	<u>885,022</u>
<b>NET (LIABILITIES) / ASSETS</b>		<u>(1,097,369)</u>	<u>885,022</u>
<b>Represented by</b>			
<b>Capital and reserves</b>			
Called up share capital	9	11,636,871	11,636,871
Profit and loss account	10	<u>(12,734,240)</u>	<u>(10,751,849)</u>
<b>SHAREHOLDERS' FUNDS – EQUITY INTERESTS</b>		<u>(1,097,369)</u>	<u>885,022</u>

By order of the Board

*Ad A Little*

Director

30 October 2006

*AS*

BP TRADING LIMITED  
NOTES TO THE ACCOUNTS

**1. Other income**

Other income, which is stated net of value added tax, represents reimbursed costs.

**2. Operating profit**

This is stated after charging / (crediting):

	<u>2005</u>	<u>2004</u>
	\$	\$
Hire charges under operating leases:		
Land & buildings	865,000	685,000
Motor vehicles	5,284,000	4,531,000
Exchange loss gain on foreign currency borrowings less deposits	-	(642,027)
Depreciation	792,179	929,159
Auditors' remuneration:		
Audit fees – current year		
UK	7,209	4,000
Overseas	<u>51,920</u>	<u>51,920</u>

**3. Interest payable and similar charges**

	<u>2005</u>	<u>2004</u>
	\$	\$
Interest expense on:		
Loans from fellow subsidiary undertakings	<u>2,666,925</u>	<u>2,497,137</u>

**BP TRADING LIMITED**  
**NOTES TO THE ACCOUNTS**

**4. Taxation**

**UK 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>2005</u>	<u>2004</u>
	\$	\$
<u>Current tax</u>		
Overseas tax on income for the period	1,195,571	895,668
Overseas tax underprovided in prior periods	<u>171,938</u>	<u>380,222</u>
Total current tax	<u>1,367,509</u>	<u>1,275,890</u>

**(b) Factors affecting the current tax charge**

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

	<u>2005</u>	<u>2005</u>	<u>2004</u>	<u>2004</u>
	UK	O'seas	UK	O'seas
	\$	\$	\$	\$
Profit on ordinary activities before tax	(614,882)	(614,882)	(781,695)	(781,695)
Current taxation	-	1,367,509	-	1,275,890
Effective current tax rate	0%	(222)%	0%	(163)%

**BP TRADING LIMITED**  
**NOTES TO THE ACCOUNTS**

**4. Taxation (cont.)**

	<u>2005</u>	<u>2005</u>	<u>2004</u>	<u>2004</u>
	UK	O'seas	UK	O'seas
	%	%	%	%
UK statutory corporation tax rate:	30	30	30	30
Increase / (decrease) resulting from:				
Lower taxes on overseas earnings	-	(6)	-	(6)
Non deductible expenditure / non taxed income	(15)	-	(10)	-
Imputed income for tax purposes	-	(246)	-	(187)
Double tax relief	67	-	49	-
Timing differences	(11)	-	(18)	-
Group relief	(71)	-	(51)	-
Effective current tax rate	<u>-</u>	<u>(222)</u>	<u>-</u>	<u>(163)</u>

**5. Directors and employees**

(a) Remuneration of directors

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

(b) Employee costs

	<u>2005</u>	<u>2004</u>
	\$	\$
Wages and salaries	8,418,000	5,775,000
Social security costs	896,000	444,000
	<u>9,314,000</u>	<u>6,219,000</u>

(c) Average number of employees during the year

	<u>2005</u>	<u>2004</u>
	No.	No.
Administration	<u>98</u>	<u>90</u>

**BP TRADING LIMITED**

**NOTES TO THE ACCOUNTS**

**6. Tangible assets**

	Land and Buildings	Furniture Fittings and equipment	Total
<b>Cost</b>	\$	\$	\$
At 1 January 2005	8,712,770	4,064,332	12,777,102
Additions	-	283,705	283,705
Deletions	-	(152,033)	(152,033)
At 31 December 2005	<u>8,712,770</u>	<u>4,196,004</u>	<u>12,908,774</u>
<b>Depreciation</b>			
At 1 January 2005	3,910,648	2,495,810	6,406,458
Charge for the year	231,487	560,692	792,179
Deletions	-	(37,941)	(37,941)
At 31 December 2005	<u>4,142,135</u>	<u>3,018,561</u>	<u>7,160,696</u>
<b>Net book amount</b>			
At 31 December 2005	<u>4,570,635</u>	<u>1,177,443</u>	<u>5,748,078</u>
At 31 December 2004	<u>4,802,122</u>	<u>1,568,522</u>	<u>6,370,644</u>
Principal rates of depreciation	5%	15%-25%	

**7. Debtors**

	2005	2004
	\$	\$
Trade	1,587,998	317,834
Parent and fellow subsidiary undertakings	60,149,820	46,791,517
Prepayments and accrued income	12,124,212	5,861,187
Other	5,106,496	14,871,186
	<u>78,968,526</u>	<u>67,841,724</u>

**8. Creditors**

	2005	2004
	\$	\$
Trade	179,392	923,964
Parent and fellow subsidiary undertakings	82,589,966	69,127,512
Corporation tax creditor	274,466	323,318
Accruals and deferred income	3,215,606	3,177,076
Other	192,895	109,132
	<u>86,452,325</u>	<u>73,661,002</u>

**BP TRADING LIMITED**  
**NOTES TO THE ACCOUNTS**

**9. Called up share capital**

	<u>2005</u>	<u>2004</u>
Authorised share capital: 100,000,000 Ordinary shares of £1 each	<u>£100,000,000</u>	<u>£100,000,000</u>
	<u>2005</u>	<u>2004</u>
	\$	\$
Allotted, called up and fully paid: 6,333,336 ordinary shares of £1 each	<u>11,636,871</u>	<u>11,636,871</u>

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

	<u>Equity share capital</u>	<u>Profit &amp; loss account</u>	<u>Total</u>
	\$	\$	\$
At 1 January 2005	11,636,871	(10,751,849)	885,022
Loss for the year	-	(1,982,391)	(1,982,391)
At 31 December 2005	<u>11,636,871</u>	<u>(12,734,240)</u>	<u>(1,097,369)</u>

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

	<u>2005</u>	<u>2004</u>
	\$	\$
Loss for the year	(1,982,391)	(2,057,585)
Issue of ordinary share capital	-	11,636,868
Net (decrease) / increase in shareholders' interests	<u>(1,982,391)</u>	<u>9,579,283</u>
Shareholders' interest at 1 January	885,022	(8,694,261)
Shareholders' interest at 31 December	<u>(1,097,369)</u>	<u>885,022</u>

BP TRADING LIMITED  
NOTES TO THE ACCOUNTS

**12. Operating lease commitments**

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

	2005	2004
	<u>Land and Buildings \$</u>	<u>Land and Buildings \$</u>
Expiring:		
Within 1 year	685,000	663,000
Between 2 to 5 years	-	-
Thereafter	-	-
	<u>685,000</u>	<u>663,000</u>

**13. 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.

**14. Pensions**

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

**15. Russian Business Environment**

Russia currently has a number of laws related to various taxes imposed by both federal and regional government authorities. Applicable taxes include value added tax, corporate income tax (profits tax), a number of turnover-based taxes, and payroll (social taxes), together with others. Such taxes are or may be subject to different interpretations by different governmental entities (like the State Tax Service and its various inspectors). Given this, a provision is needed to adequately cover any probable contingency that could arise in respect of unpaid taxes and related penalties and fines.

Management believes that it has adequately provided for tax liabilities in the accompanying financial statements, however, the risk remains that the relevant authorities could take differing positions with regard to interpretive issues and the effect could be significant.

BP TRADING LIMITED  
NOTES TO THE ACCOUNTS

**16. Post balance sheet events**

After the balance sheet date 10,687,286 ordinary shares of £1 each were allotted to the immediate parent company at par value.

**17. Ultimate parent undertaking**

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