

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

**ANNUAL REPORT AND ACCOUNTS 2003**

Board of Directors: J G Nemeth  
F W M Starkie  
A C Little

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**REPORT OF THE DIRECTORS**

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

**Principal activity**

The company operates representative offices in Russia as well as management services for other BP affiliates. During 2003 the company took the decision to close the Irkutsk representative centre office.

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 another disappointing year.

**Russian Business Environment**

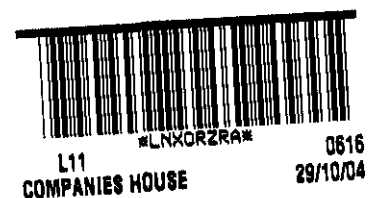
The Group's Russian operations are currently subject to the unique economic, political and social risks inherent in doing business in the Russian Federation. These include matters arising out of the policies of the Russian government, economic conditions, imposition of or changes to taxes or other similar changes by regulatory bodies, foreign exchange controls and uncertainty over contract rights and enforceability.

**Results and dividends**

The loss for the year after taxation was \$2,296,559, when added to the retained deficit brought forward at 1 January 2003 of \$6,397,705, gives a total retained deficit carried forward at 31 December 2003 of \$8,694,264. The directors do not propose the payment of a dividend.

**Post balance sheet event**

After the balance sheet date the authorised share capital was increased from 100 ordinary shares of £1 each to 100,000,000 ordinary shares of £1 each. 6,333,334 ordinary shares were subsequently issued to the immediate parent company at par value.



## **BP TRADING LIMITED**

### **REPORT OF THE DIRECTORS**

#### **Directors**

The present directors are listed above.

Mr. F W M Starkie served as director throughout the financial year. Changes since 1 January 2003 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
D P Chapman	-	1 February 2003
J G Nemeth	1 February 2003	-
A C Little	14 October 2004	-

#### **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:

	<u>31 December 2003</u>	<u>1 January 2003</u> (or date of appointment)
F W M Starkie	108,733	125,029
J G Nemeth	36,264	36,264

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:

	<u>Granted</u>	<u>Exercised</u>
F W M Starkie	61,642	33,600
J G Nemeth	59,010*	None

\*These holdings include shares held in the form of ADRs (America Depository Receipts)

No director had any interest in the shares or debentures of subsidiary undertakings of BP p.l.c. at 31 December 2003.

#### **Trade Creditors**

It is the company's policy to follow the CBI's prompt payment code of practice for all supplies to the company. A copy of the code of practice may be obtained from the CBI. There were no trade creditors at the year-end.

**BP TRADING LIMITED**

**REPORT OF THE DIRECTORS**

**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

Secretary



29 October

2004

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 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 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 2003 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.

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 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 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 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 of the state of affairs of the company as at 31 December 2003 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  
Registered Auditor  
London.

29 October 2004

## **BP TRADING 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.

#### **Basis of preparation**

At 31 December 2003, the company's balance sheet had net liabilities amounting to \$8,694,261. 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 \$11,636,868.

#### **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 currencies**

Assets and liabilities of foreign currency branches are translated into dollars at closing rates of exchange. Income statements are translated at average rates of exchange. Exchange differences resulting from the retranslation of net investments in foreign currency branches at closing rates, together with differences between income statements translated at average rates and at closing rates of exchange, are dealt with in reserves. 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/loss for the year.

#### **Depreciation**

Tangible 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.

#### **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.

## **BP TRADING LIMITED**

### **ACCOUNTING POLICIES**

#### **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 asset 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 recognized 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 TRADING LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

		<u>2003</u>	<u>2002</u>
	Note	\$	\$
Turnover	1	<u>17,074,842</u>	<u>13,673,782</u>
Gross profit		17,074,842	13,673,782
Administration expenses		<u>(16,860,552)</u>	<u>(15,996,919)</u>
Operating profit/(loss)	2	214,290	(2,323,137)
Profit on disposal of fixed assets	3	<u>8,893</u>	<u>74,215</u>
Profit/(loss) on ordinary activities before interest and tax		223,183	(2,248,922)
Interest payable and similar charges	4	<u>(1,586,184)</u>	<u>(1,242,468)</u>
Loss before taxation		(1,363,001)	(3,491,390)
Taxation	5	<u>(933,558)</u>	<u>(575,912)</u>
Retained loss for the year		<u>(2,296,559)</u>	<u>(4,067,302)</u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

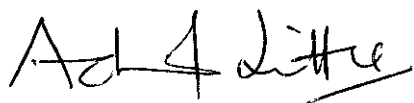
There are no recognised gains or losses attributable to the shareholders of the company other than the loss of \$2,296,559 for the year ended 31 December 2003 (2002 loss of \$4,067,302).



**BP TRADING LIMITED**

**BALANCE SHEET AT 31 DECEMBER 2003**

	<u>Note</u>	<u>2003</u> \$	<u>2002</u> \$
<b>Fixed assets</b>			
Tangible assets	7	<u>7,103,903</u>	<u>7,644,238</u>
<b>Current assets</b>			
Debtors	8	32,110,550	18,007,654
Cash at bank and in hand		<u>78,402</u>	<u>21,531</u>
<b>Creditors – amounts falling due within one year</b>	9	<u>(47,987,116)</u>	<u>(32,071,125)</u>
<b>Net current liabilities</b>		<u>(15,798,164)</u>	<u>(14,041,940)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>(8,694,261)</u>	<u>(6,397,702)</u>
<b>NET LIABILITIES</b>		<u>(8,694,261)</u>	<u>(6,397,702)</u>
<b>Represented by</b>			
<b>Capital and reserves</b>			
Called up share capital	10	3	3
Profit and Loss account	11	<u>(8,694,264)</u>	<u>(6,397,705)</u>
<b>SHAREHOLDERS' FUNDS – EQUITY INTERESTS</b>	12	<u>(8,694,261)</u>	<u>(6,397,702)</u>



Director

29 October 2004

**BP TRADING LIMITED**

**NOTES TO THE ACCOUNTS**

**1. Turnover**

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

**2. Operating loss**

This is stated after charging:

	<u>2003</u>	<u>2002</u>
	\$	\$
Operating lease rentals	612,638	612,124
Depreciation	1,023,889	978,809
Auditors' remuneration		
Audit fees – Current Year		
- UK	3,000	3,000
- Overseas	<u>20,500</u>	<u>20,000</u>

**3. Exceptional items**

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

	<u>2003</u>	<u>2002</u>
	\$	\$
Profit on disposal of fixed assets	<u>8,893</u>	<u>74,215</u>

**4. Interest Payable and Similar Charges**

	<u>2003</u>	<u>2002</u>
	\$	\$
Interest expense on:		
- Loan from fellow subsidiary undertakings	<u>1,586,184</u>	<u>1,242,468</u>

## **BP TRADING LIMITED**

### **NOTES TO THE ACCOUNTS**

#### **5. 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>2003</u> \$	<u>2002</u> \$
<u>Current tax:</u>		
Overseas tax on income for the period	933,558	575,912
Total current tax	<u>933,558</u>	<u>575,912</u>

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

The tax assessed on the profit on ordinary activities for the year is higher/lower than the standard rate of corporation tax in the UK of 30% (2002 – 30%). The differences are reconciled below:

	<u>2003</u> UK \$	<u>2003</u> O'seas \$	<u>2002</u> UK \$	<u>2002</u> O'seas \$
Loss before taxation	(1,363,001)	(1,363,001)	(3,491,390)	(3,491,390)
Current taxation	-	933,558	-	575,912
Effective current tax rate	0%	(68)%	0%	(16)%

**BP TRADING LIMITED**

**NOTES TO THE ACCOUNTS**

**5. Taxation (continued)**

	<u>2003</u>	<u>2003</u>	<u>2002</u>	<u>2002</u>
	UK	O'seas	UK	O'seas
	%	%	%	%
UK statutory corporation tax rate:	30	30	30	30
Higher taxes on overseas earnings	-	(6)	-	(6)
Non deductible expenditure/Non taxed income	(22)	(92)	(9)	(40)
Double tax relief	21	-	5	-
Timing differences	(6)	-	(16)	-
Group relief	(23)	-	(10)	-
Effective current tax rate	<u>-</u>	<u>(68)</u>	<u>-</u>	<u>(16)</u>

**6. 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 (2002 \$Nil).

**(b) Employee costs**

	<u>2003</u>	<u>2002</u>
	\$	\$
Wages and salaries	5,714,646	6,321,766
Social security costs	<u>335,333</u>	<u>341,834</u>
	<u>6,049,979</u>	<u>6,663,600</u>

**(c) Average number of employees during the year**

	<u>2003</u>	<u>2002</u>
	No.	No.
Administration	80	120

**(d) Pensions**

The company does not operate a pension scheme on behalf of its employees.

**BP TRADING LIMITED**

**NOTES TO THE ACCOUNTS**

**7. Tangible assets**

	<u>Short Leasehold Property</u>	<u>Furniture, Fittings and equipment</u>	<u>Total</u>
<b>Cost</b>			
At 1 January 2003	8,697,525	4,325,221	13,022,746
Additions	15,245	1,073,068	1,088,313
Deletions	-	(876,613)	(876,613)
At 31 December 2003	<u>8,712,770</u>	<u>4,521,676</u>	<u>13,234,446</u>
<b>Depreciation</b>			
At 1 January 2003	3,428,181	1,950,327	5,378,508
Charge for the year	250,687	773,202	1,023,889
Deletions	-	(271,854)	(271,854)
At 31 December 2003	<u>3,678,868</u>	<u>2,451,675</u>	<u>6,130,543</u>
<b>Net book amount</b>			
At 31 December 2003	<u>5,033,902</u>	<u>2,070,001</u>	<u>7,103,903</u>
At 31 December 2002	<u>5,269,344</u>	<u>2,374,894</u>	<u>7,644,238</u>
Principal rates of dep'n	4%-20%	20%-30%	

**8. Debtors**

	<u>2003</u>	<u>2002</u>
	<u>Within 1</u>	<u>Within 1</u>
	<u>Year</u>	<u>Year</u>
	<u>\$</u>	<u>\$</u>
Parent and fellow subsidiary undertakings	24,792,625	15,894,905
Prepayments and accrued income	4,023,885	1,427,991
Other	3,170,502	684,758
Taxation recoverable	<u>123,538</u>	<u>-</u>
	<u>32,110,550</u>	<u>18,007,654</u>

**BP TRADING LIMITED**

**NOTES TO THE ACCOUNTS**

**9. Creditors**

	<u>2003</u>	<u>2002</u>
	Within 1	Within 1
	Year	Year
	\$	\$
Parent and fellow subsidiary undertakings	44,541,258	29,146,652
Other Taxes and Social security costs	53,360	206,080
Other	1,137,085	2,718,393
Accruals and Deferred Income	<u>2,255,413</u>	<u>-</u>
	<u>47,987,116</u>	<u>32,071,125</u>

**10. Called up share capital**

	<u>2003</u>	<u>2002</u>
Authorised share capital:		
100 Ordinary shares of £1 each	<u>£100</u>	<u>£100</u>
	<u>2003</u>	<u>2002</u>
	\$	\$
Allotted, called up and fully paid:		
2 ordinary shares of £1 each	<u>3</u>	<u>3</u>

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

	<u>Equity</u>	<u>Profit and</u>	<u>Total</u>
	<u>share</u>	<u>Loss</u>	
	<u>capital</u>	<u>account</u>	
	\$	\$	\$
At 1 January 2003	3	(6,397,705)	(6,397,702)
Loss for the year	<u>-</u>	<u>(2,296,559)</u>	<u>(2,296,559)</u>
At 31 December 2003	<u>3</u>	<u>(8,694,264)</u>	<u>(8,694,261)</u>

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

	<u>2003</u>	<u>2002</u>
	\$	\$
Loss for the year	<u>(2,296,559)</u>	<u>(4,067,302)</u>
Net decrease in shareholders' interests	<u>(2,296,559)</u>	<u>(4,067,302)</u>
Shareholders' interest at 1 January	(6,397,702)	(2,330,400)
Shareholders' interest at 31 December	<u>(8,694,261)</u>	<u>(6,397,702)</u>

## **BP TRADING LIMITED**

### **NOTES TO THE ACCOUNTS**

#### **13. Operating lease commitments**

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

	<u>2003</u> <u>Land and</u> <u>Buildings</u> \$	<u>2002</u> <u>Land and</u> <u>Buildings</u> \$
Expiring:		
Within 1 year	610,000	610,000
Between 2 to 5 years	-	-
Thereafter	-	-
	<u>610,000</u>	<u>610,000</u>

#### **14. 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.

#### **15. Post balance sheet event**

After the balance sheet date the authorised share capital was increased from 100 ordinary shares of £1 each to 100,000,000 ordinary shares of £1 each. 6,333,334 ordinary shares were subsequently issued to the immediate parent company at par value.

#### **16. 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**

**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.