

BP KUWAIT LTD
(Registered No. 284323)

ANNUAL REPORT AND ACCOUNTS 2004

Board of Directors: T R Marchant
 J H Bartlett
 R L Paniguan

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2004.

Principal activity

BP Kuwait Limited provides technical and managerial advice and assistance in re-developing Kuwait's oil production operations through a technical services agreement signed with the Kuwait Oil Company in 1992. The most recent extension to that agreement covers the period to March 2005.

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 satisfactory year and the directors believe that the trend will continue.

Results and dividends

The loss for the year after taxation was \$2,183,000, when deducted from the retained profit brought forward at 1 January 2003 of \$600,000, gives a total retained deficit carried forward at 31 December 2004 of \$1,583,000. The directors do not propose the payment of a dividend.

Directors

The present directors are listed above.

Mr. J H Bartlett and Mr. R L Paniguan served as directors throughout the financial year. Changes since 1 January 2004 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
T R Marchant	1 February 2004	



BP KUWAIT LTD

REPORT OF THE DIRECTORS

Directors' interests

The interests of the directors holding office at 31 December 2004, and their families, in the US \$0.25 ordinary shares of BP p.l.c., were as set out below:

	<u>31 December 2004</u>	<u>1 January 2004</u> (or date of appointment)
J H Bartlett	68,915	69,709
R L Paniguan	190,601	178,365
T R Marchant	nil	nil

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 2004 (or date of appointment) and 31 December 2004 as follows:

	<u>Granted</u>	<u>Exercised</u>
J H Bartlett	1,367	1,500
R L Paniguan	91,500	nil
T R Marchant	24,350 *	nil

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

No director had any interest in the shares or debentures of subsidiary undertakings of BP p.l.c. at 31 December 2004.

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.

There were no trade creditors at the year end. (2003-Nil)

Post balance sheet events

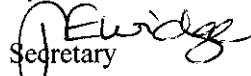
After the balance sheet date the authorised share capital was increased from 250,000 ordinary shares of £1 each to 5,000,000 ordinary shares of £1 each. 630,260 ordinary shares were subsequently issued to the immediate parent at par value.

BP KUWAIT LTD
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

27 October 2005

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP

BP KUWAIT LTD

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 KUWAIT LTD

REPORT OF THE AUDITORS TO THE MEMBERS OF
BP KUWAIT LTD

We have audited the company's accounts for the year ended 31 December 2004 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, accounting policies and the related notes 1 to 15. 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 2004 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.

28 October 2005

BP KUWAIT LTD
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 2004, the company's balance sheet had net liabilities amounting to \$1,116,000. 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 \$1,116,000.

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

Transactions in currencies other than dollars are recorded at the rate ruling at the date of the transaction. Assets and liabilities in currencies other than dollars are translated into dollars at closing rates of exchange. 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 profit 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.

Pensions

The disclosures of Financial Reporting Standard No. 17 "Retirement Benefits" have been made in the accounts of the ultimate parent undertaking.

BP KUWAIT LTD

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.

BP KUWAIT LTD

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004

		<u>2004</u>	<u>2003</u>
	Note	\$'000	\$'000
Turnover	1	21,684	17,622
Cost of sales		<u>(23,333)</u>	<u>(17,716)</u>
Gross loss		(1,649)	(94)
Exchange Loss		(504)	(633)
Other income		-	-
Loss on ordinary activities before interest and tax	2	<u>(2,153)</u>	<u>(727)</u>
Interest payable and similar charges	3	<u>(30)</u>	<u>(8)</u>
Loss before taxation		(2,183)	(735)
Taxation	4	<u>-</u>	<u>(93)</u>
Retained loss for the year		<u>(2,183)</u>	<u>(828)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2004

There are no recognised gains or losses attributable to the shareholders of the company other than the loss of \$2,183,000 for the year ended 31 December 2004 (2003 loss of US\$828,000).

BP KUWAIT LTD

BALANCE SHEET AT 31 DECEMBER 2004

	Note	<u>2004</u> \$'000	<u>2003</u> \$'000
Fixed assets			
Tangible assets	6	<u>107</u>	<u>-</u>
Current assets			
Debtors	7	19,462	10,291
Cash at bank and in hand		<u>477</u>	<u>263</u>
		19,939	10,554
Creditors – amounts falling due within one year	8	<u>(11,162)</u>	<u>(9,487)</u>
Net current assets		8,777	1,067
TOTAL ASSETS LESS CURRENT LIABILITIES		8,884	1,067
Provisions for liabilities and charges	9	(10,000)	-
NET (LIABILITIES)/ASSETS		<u>(1,116)</u>	<u>1,067</u>
Represented by			
Capital and reserves			
Called up share capital	10	467	467
Profit and loss account	11	<u>(1,583)</u>	<u>600</u>
SHAREHOLDERS' FUNDS – EQUITY INTERESTS	11	<u>(1,116)</u>	<u>1,067</u>

By order of the Board

Director

27 October 2005

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NOTES TO THE ACCOUNTS

1. Turnover

Turnover represents the amount receivable under the Technical Service Agreement signed with Kuwait Oil Company on 27 July 1992.

	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
By geographical area:		
Kuwait	<u>21,684</u>	<u>17,622</u>
Total	<u>21,684</u>	<u>17,622</u>

2. Loss on ordinary activities before interest and tax

This is stated after charging/(crediting):

	<u>2004</u>	<u>2003</u>
	\$000	\$000
Depreciation	2	21
Exchange	<u>(504)</u>	<u>(633)</u>

Auditors' remuneration is dealt with in the accounts of the parent undertaking. No fees were paid to the auditors for other services.

3. Interest payable and similar charges

	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Interest expense on:		
Loans from fellow subsidiary undertakings	<u>30</u>	<u>(8)</u>
Total charged against profit	<u>30</u>	<u>(8)</u>

BP KUWAIT LTD

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>2004</u>	<u>2003</u>
<u>Current tax:</u>	<u>\$'000</u>	<u>\$'000</u>
Overseas tax on income for the period	-	-
Overseas tax underprovided in prior periods	-	93
Total current tax	<u>-</u>	<u>93</u>
 Tax on profit on ordinary activities	 <u>-</u>	 <u>93</u>

(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% (2003 – 30%). The differences are reconciled below:

	<u>2004</u>	<u>2004</u>	<u>2003</u>	<u>2003</u>
	UK	O'seas	UK	O'seas
	\$'000	\$'000	\$'000	\$'000
Loss before taxation	(2,183)	(2,183)	(735)	(735)
Current taxation	-	-	-	(93)
 Effective current tax rate	 <u>0%</u>	 <u>0%</u>	 <u>0%</u>	 <u>13%</u>

BP KUWAIT LTD

NOTES TO THE ACCOUNTS

4. Taxation continued

	<u>2004</u>	<u>2004</u>	<u>2003</u>	<u>2003</u>
	UK	O'seas	UK	O'seas
	%	%	%	%
UK statutory corporation tax rate:	30	30	30	30
Higher taxes on overseas earnings				25
Non deductible/non taxed income				(42)
Timing differences	2		6	
Group relief	(32)	(30)	(36)	
Effective current tax rate	<u>-</u>	<u>-</u>	<u>-</u>	<u>13</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 (2003 \$Nil).

(b) Employee Costs

	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Wages and salaries	10,025	8,279
Social security costs	7	847
Pension costs	258	-
	<u>10,290</u>	<u>9,126</u>

(c) Average number of employees during the year

	<u>2004</u>	<u>2003</u>
	No.	No.
Administration	23	14
Other (seconded)	35	39
	<u>58</u>	<u>53</u>

BP KUWAIT LTD**NOTES TO THE ACCOUNTS****6. Tangible assets**

	Motor Vehicles \$'000	Computers \$'000	Fixtures & Fittings \$'000	Total \$'000
Cost				
At 1 January 2004	89	244	-	333
Additions	-	80	29	109
Deletions	-	-	-	-
At 31 December 2004	<u>89</u>	<u>324</u>	<u>29</u>	<u>442</u>
Depreciation				
At 1 January 2004	89	244	-	333
Charge for the year	-	2	-	2
Deletions	-	-	-	-
At 31 December 2004	<u>89</u>	<u>246</u>	<u>-</u>	<u>335</u>
Net book amount				
At 31 December 2004	<u>-</u>	<u>78</u>	<u>29</u>	<u>107</u>
At 31 December 2003	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Principal rates of dep'n	25%	25%		

7. Debtors

	2004		2003	
	Within 1 year \$'000	After 1 year \$'000	Within 1 year \$'000	After 1 year \$'000
Parent and fellow subsidiary undertakings	9,569	-	6,237	-
Prepayments and accrued income	3,620	-	1,934	-
Other	<u>6,273</u>	<u>-</u>	<u>2,120</u>	<u>-</u>
	<u>19,462</u>	<u>-</u>	<u>10,291</u>	<u>-</u>

8. Creditors

	2004		2003	
	Within 1 year \$'000	After 1 year \$'000	Within 1 year \$'000	After 1 year \$'000
Parent and fellow subsidiary undertakings	8,331	-	7,664	-
Accruals and deferred income	2,819	-	1,741	-
Other	<u>12</u>	<u>-</u>	<u>82</u>	<u>-</u>
	<u>11,162</u>	<u>-</u>	<u>9,487</u>	<u>-</u>

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BP KUWAIT LTD

NOTES TO THE ACCOUNTS

9. Provisions for liabilities and charges

	Total £'000
At 1 January 2004	-
New Provisions	10,000
At 31 December 2004	<u>10,000</u>

The provision represents an offer made in order to negotiate the termination of one of the company's contracts. Subsequent to the year end the offer was accepted and \$10m was paid to terminate the contract.

10. Called up share capital

	2004 £	2003 £
Authorised share capital: 250,000 Ordinary shares of £1 each	250,000	250,000
	2004 \$000	2003 \$000
Allotted, called up and fully paid: 250,000 Ordinary shares translated at the 31 December 1991 rate of US\$1.87	<u>467</u>	<u>467</u>

11. Reconciliation of shareholders' funds and movements on reserves

	Equity share capital \$'000	Profit and Loss account \$'000	Total \$'000
At 1 January 2004	467	600	1,067
Loss for the year	-	(2,183)	(2,183)
Shares issued	-	-	-
At 31 December 2004	<u>467</u>	<u>(1,583)</u>	<u>(1,116)</u>

BP KUWAIT LTD

NOTES TO THE ACCOUNTS

12. Reconciliation of movements in shareholders' interest

	<u>2004</u>	<u>2003</u>
	\$'000	\$'000
Loss for the year	(2,183)	(828)
Net decrease in shareholders' interests	(2,183)	(828)
Shareholders' interest at 1 January	600	1,428
Shareholders' interest at 31 December	<u>(1,583)</u>	<u>600</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. Post balance sheet events

After the balance sheet date the authorised share capital was increased from 250,000 ordinary shares of £1 each to 5,000,000 ordinary shares of £1 each. 630,260 ordinary shares were subsequently issued to the immediate parent at par value.

15. 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.