

BP KAZAKHSTAN LIMITED

(Registered No.1838589)

ANNUAL REPORT AND ACCOUNTS 2001

Board of Directors: J H Bartlett
M R Bly
R L Paniguian
D C Reardon
S Kerr

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2001.

Principal activity

The company is involved in the production of petroleum from an interest in the Kimmeridge oil field, onshore in the UK. Overseas, the company is engaged in operating the representative office in Kazakhstan for the BP Group. It is also part of a consortium exploring for hydrocarbons offshore in the Caspian Sea.

During 2001, the Company sold its 9.5% stake in the Kashagan joint venture in the northern waters of the Caspian Sea offshore Kazakhstan to the other partners under the pre-emption rules in the Joint Operating Agreement. This sale was announced in June 2001, however due to changes in the Government of Kazakhstan and the roles and responsibilities of key bodies in the approval process, final completion was delayed until 23 May 2002 when the sales proceeds were received. The sale was recorded in the 2001 statutory accounts.

Results and dividends

The profit for the year after taxation of \$260,390,390, when added to the retained deficit brought forward at 1 January 2001 of \$67,011,943, gives a total retained profit carried forward at 31 December 2001 of \$193,378,447. The directors do not propose payment of a final dividend.

Directors

Mr R L Paniguian and Mr D C Reardon served as directors throughout the financial year. Changes since 1 January 2001 are as follows:

	Appointed	Resigned
Mr S Marshall	-	31 August 2001
Mr K Hostler	-	31 August 2001
Mr J H Bartlett	1 September 2001	
Mr M R Bly	1 September 2001	
Mr S Kerr	1 September 2001	



BP KAZAKHSTAN LIMITED
REPORT OF THE DIRECTORS

Directors' interests

The interests of the directors holding office at 31 December 2001, and their families, in the US \$0.25 ordinary shares of BP p.l.c. (formerly BP Amoco p.l.c.), were as set out below.

	<u>31 December 2001</u>	<u>1 January 2001</u> <u>(or date of appointment)</u>
JH Bartlett	60,497	58,403
MR Bly	Nil	Nil
R L Paniguan	139,599	110,384
D C Reardon	25,719	24,307
S Kerr	26,982*	23,778*

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

In addition, rights to subscribe for US \$0.25 ordinary shares in BP p.l.c. (formerly BP Amoco p.l.c.) were granted to, or exercised by, those directors between 1 January or date of appointment and 31 December 2001 as follows:

	<u>Granted</u>	<u>Exercised</u>
JH Bartlett	Nil	1,192
MR Bly	Nil	Nil
R L Paniguan	17,200	91,200
D C Reardon	3,302	Nil
S Kerr	Nil	Nil

No director had any interest in the shares or debentures of subsidiary undertakings of BP p.l.c. (formerly BP Amoco p.l.c.) at 31 December 2001.

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 company does not have trade creditors as at 31 December 2001.

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 Companies Act 1985.

By order of the Board


Secretary

15 January 2003
Registered Office
Britannic House
1 Finsbury Circus
London EC2M 7BA

BP KAZAKHSTAN 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, or has access within the BP Group to, adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts.

BP KAZAKHSTAN LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF
BP KAZAKHSTAN LIMITED

We have audited the accounts for the year ended 31 December 2001 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 14. These accounts have been prepared on the basis of the accounting policies set out on therein.

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 2001 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

15 January 2003

BP KAZAKHSTAN LIMITED

ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable UK accounting standards.

As the ultimate parent undertaking has published a group cash flow statement in compliance with Financial Reporting Standard No. 1 (Revised), a cash flow statement is not presented in these accounts. The group has adopted Financial Reporting Standard No. 18 "Accounting Policies" (FRS 18) with effect from 1 January 2001. Adoption of Financial Reporting Standard 18 has not had any effect on the results for the year or required any restatement of prior year comparatives.

Foreign currencies

Transactions in currencies other than US Dollars are recorded at the rate ruling at the date of the transaction.

Assets and liabilities in currencies other than US Dollars are translated into US 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/loss for the year.

Exploration expenditure

Exploration expenditure is accounted in accordance with the successful efforts method. Exploration and appraisal drilling expenditure is initially classified as an intangible fixed asset. When proved reserves of oil and gas are determined and development is sanctioned, the relevant expenditure is transferred to tangible production assets. All exploration expenditure determined as unsuccessful is charged against income. Exploration licence acquisition costs are amortised over the estimated period of exploration. Geological and geophysical exploration costs are charged against income as incurred.

Depreciation

Licence costs included in Intangible Assets are depreciated on the straight line method over the life of the Licence.

Environmental liabilities

Environmental expenditures that relate to current or future revenues are expensed or capitalised as appropriate. Expenditures that relate to an existing condition caused by past operations and that do not contribute to current or future earnings are expensed.

Liabilities for environmental costs are recognised when environmental assessments or clean-ups are probable and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites.

Deferred taxation

Where required, deferred taxation is calculated using the liability method. Provision is made, or recovery anticipated, where timing differences are expected to reverse in the foreseeable future.

BP KAZAKHSTAN LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

	<u>Note</u>	<u>2001</u> \$	<u>2000</u> \$
Turnover	1	116,582	114,846
Cost of sales		(29,656)	(40,499)
Gross profit		86,926	74,347
Exploration expense		-	(1,755,696)
Administration expenses		(4,576,617)	(1,676,309)
Operating loss	2	(4,489,691)	(3,357,658)
Profit on disposal of fixed assets	3	366,073,887	-
Profit/(loss) on ordinary activities before interest and tax		361,584,196	(3,357,658)
Interest payable and similar charges	4	(593,806)	(522,798)
Profit/(loss) before taxation		360,990,390	(3,880,456)
Taxation	5	(100,600,000)	-
Profit/(loss) for the year		260,390,390	(3,880,456)
Distributions to shareholders		-	-
Retained profit/(loss) for the year		260,390,390	(3,880,456)

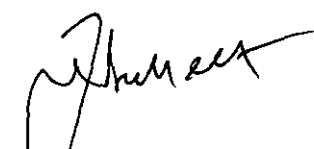
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2001

There are no recognised gains or losses attributable to the shareholders of the company other than the profit of \$260,390,390 for the year ended 31 December 2001 (2000 loss of \$3,880,456).

BP KAZAKHSTAN LIMITED**BALANCE SHEET AT 31 DECEMBER 2001**

	<u>Note</u>	<u>2001</u> \$	<u>2000</u> \$
Fixed assets			
Intangible assets	7	-	59,553,041
Current assets			
Debtors - amounts falling due within one year	8	462,479,362	1,972,407
Cash at bank and in hand		18,759	23,601
		<hr/> 462,498,121	<hr/> 1,996,008
Creditors - amounts falling due within one year	9	(269,119,523)	(128,560,841)
Net current (liabilities)		<hr/> 193,378,598	<hr/> (126,564,833)
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 193,378,598	<hr/> (67,011,792)
Represented by			
Capital and reserves			
Called up share capital	10	151	151
Reserves	11	193,378,447	(67,011,943)
		<hr/> 193,378,598	<hr/> (67,011,792)
SHAREHOLDERS' FUNDS - EQUITY INTERESTS	11	<hr/> 193,378,598	<hr/> (67,011,792)

By order of the Board


Director
15 January 2003

BP KAZAKHSTAN LIMITED**NOTES TO THE ACCOUNTS****1. Turnover**

Turnover, which is stated net of value added tax, customs duties and sales taxes comprises amounts invoiced to third parties, all of which falls within the UK geographic area.

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

	<u>2001</u>	<u>2000</u>
	\$	\$
Exploration - Kimmeridge (ML5)	116,582	114,846
	<u>116,582</u>	<u>114,846</u>

The country of origin and destination is substantially the UK.

2. Operating loss

This is stated after charging:

	<u>2001</u>	<u>2000</u>
	\$	\$
Exchange loss/(gain) on foreign currency	19,398	(3,457)
Depreciation of owned fixed assets including amortisation of Licence Costs	-	810,000

Auditors' remuneration is dealt with in the accounts of the parent undertaking.

3. Exceptional items

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

	<u>2001</u>	<u>2000</u>
	\$	\$
Profit on disposal of fixed assets	366,073,887	-
Exceptional items	<u>366,073,887</u>	<u>-</u>
Taxation charge:	(100,600,00)	-
Exceptional items, net of tax	<u>265,473,887</u>	<u>-</u>

The profit on sale of \$366,073,887 arose due to the company's decision to exit from the Kashagan joint venture in the northern waters of the Caspian Sea offshore Kazakhstan.

4. Interest payable and similar charges

	<u>2001</u>	<u>2000</u>
	\$	\$
Fellow group undertakings	593,806	502,091
Other loans	-	20,707
Charged against profit	<u>593,806</u>	<u>522,798</u>

BP KAZAKHSTAN LIMITED

NOTES TO THE ACCOUNTS

5. Taxation

The company is a member of a group for the purposes of relief under Section 402 of the Income and 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.

The \$100,600,000 is an exceptional tax charge in relation to the sale of the stake in the Kashagan joint venture in the northern waters of the Caspian Sea offshore Kazakhstan.

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 (2000 \$Nil).

(b) Employees

The company has no employees.

7. Intangible assets

	<u>Licence</u>	<u>Exploration</u>	<u>Total</u>
	\$	\$	\$
Cost			
At 1 January 2001	19,444,445	46,588,596	66,033,041
Deletions	(19,444,445)	(46,026,096)	(65,470,541)
Transfers	-	(562,500)	(562,500)
At 31 December 2001	-	-	-
Depreciation			
At 1 January 2001	6,480,000	-	6,480,000
Deletions	(6,480,000)	-	(6,480,000)
At 31 December 2001	-	-	-
Net book amount			
At 31 December 2001	-	-	-
At 31 December 2000	12,964,445	46,588,596	59,553,041

Licence costs are amortised over a period of six years

BP KAZAKHSTAN LIMITED**NOTES TO THE ACCOUNTS****8. Debtors - amounts falling due within one year**

	<u>2001</u> <u>Within</u> <u>1 year</u> \$	<u>2000</u> <u>Within</u> <u>1 year</u> \$
Parent and fellow subsidiary undertakings	1,998,810	227,119
Other	460,480,552	1,745,288
	<u>462,479,362</u>	<u>1,972,407</u>

9. Creditors - amounts falling due within one year

	<u>2001</u> <u>Within</u> <u>1 year</u> \$	<u>2000</u> <u>Within</u> <u>1 year</u> \$
Parent and fellow subsidiary undertakings	167,607,970	123,893,879
Taxation on profits	100,600,000	-
Accruals and deferred income	892,376	1,444,004
Other	19,177	3,222,958
	<u>269,119,523</u>	<u>128,560,841</u>

10. Called up share capital

	<u>2001</u> \$	<u>2000</u> \$
Authorised, allotted, called up and fully paid: 100 ordinary shares of £1 each (translated at the 31 December 1993 exchange rate of 1.51)	<u>151</u>	<u>151</u>

11. Reconciliation of shareholders' funds and movements on reserves

	<u>Equity</u> <u>share capital</u> \$	<u>Profit & loss</u> <u>account</u> \$	<u>Total</u> \$
At 1 January 2000	151	(63,131,487)	(63,131,336)
Loss for the year	-	(3,880,456)	(3,880,456)
At 1 January 2001	<u>151</u>	<u>(67,011,943)</u>	<u>(67,011,792)</u>
Profit for the year	-	260,390,390	260,390,390
At 31 December 2001	<u>151</u>	<u>193,378,447</u>	<u>193,378,598</u>

BP KAZAKHSTAN LIMITED

NOTES TO THE ACCOUNTS

12. Capital commitments

There was no authorised and contracted future capital expenditure at 31 December 2001 (2000 \$1.6 million).

13. Related party transactions

The company has taken advantage of the exemption contained within FRS 8, and has not disclosed transactions with group companies. There were no other related party translations in the year.

14. 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 Britannic House, 1 Finsbury Circus, London EC2M 7BA.