

BP EXPLORATION (ALOV) LIMITED

(Registered No. 3196342)

ANNUAL REPORT AND ACCOUNTS 2004

Board of Directors: J H Bartlett
H G McDowell
R L Paniguan
D K Woodward

REPORT OF THE DIRECTORS

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

Principal activity

The company is operator for the exploration block including the Araz, Alov and Sharg prospective structures in the Azerbaijan sector of the Caspian Sea on behalf of the parties to a Production Sharing Agreement dated 20 July 1998 ("Alov PSA").

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

During the year the company continued to carry out some technical work pending inter-governmental agreement on borders in the Caspian Sea amongst the Caspian Littoral States.

Results and dividends

The company incurs costs on an agency basis on behalf of the parties to the Alov PSA and accordingly makes neither profit nor loss. The directors do not propose the payment of a dividend.

Directors

The present directors are listed above.

J H Bartlett, R L Paniguan, D K Woodward and H G McDowell served as directors throughout the financial year. No changes since 1 January 2004.



BP EXPLORATION (ALOV) LIMITED

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>
J H Bartlett	68,915	69,709
R L Paniguan	190,601	178,365
D K Woodward	305,842	291,335
H G McDowell	106,596*	100,185*

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 and 31 December 2004 as follows:

	<u>Granted</u>	<u>Exercised</u>
J H Bartlett	1,367	1,500
R L Paniguan	91,500	-
D K Woodward	54,000	33,600
H G McDowell	25,000*	-

*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.

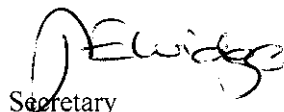
Post balance sheet event

State Oil Company of Azerbaijan Republic formally approved the Alov PSA extension on 31 March 2005, effective as of 1 January 2005.

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

18 July 2005

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP

BP EXPLORATION (ALOV) 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 EXPLORATION (ALOV) LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF
BP EXPLORATION (ALOV) LIMITED

We have audited the company's accounts for the year ended 31 December 2004 which comprise Balance Sheet, accounting policies and the related notes 1 to 11. 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 result 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 July

2005

BP EXPLORATION (ALOV) 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.

The company incurs costs on an agency basis on behalf of Alov PSA participants and accordingly makes neither profit nor loss. No profit and loss account has therefore been prepared.

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

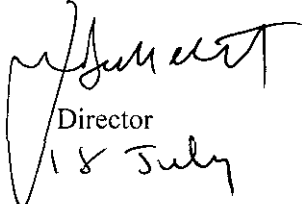
Transactions in currencies other than United States dollars are recorded at the rate ruling at the date of the transaction. Assets and liabilities in currencies other than United States dollars are translated into dollars at closing rates of exchange. All exchange gains and losses on settlement or translation at closing rates of exchange of monetary assets and liabilities are charged to Alov PSA participants.

Comparative figures

Certain prior year figures have been restated to conform with the 2004 presentation.

BP EXPLORATION (ALOV) LIMITED
BALANCE SHEET AT 31 DECEMBER 2004

	Note	<u>2004</u> US\$	<u>2003</u> US\$
Current assets			
Debtors	4	16,953,485	855,594
Creditors – amounts falling due within one year	5	<u>(254,482)</u>	<u>(855,591)</u>
Net current assets		<u>16,699,003</u>	<u>3</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		16,699,003	3
Provisions for liabilities and charges	6	<u>(16,699,000)</u>	<u>-</u>
NET ASSETS		<u>3</u>	<u>3</u>
Represented by			
Capital and reserves			
Called up share capital	7	<u>3</u>	<u>3</u>
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		<u>3</u>	<u>3</u>


 Director
 18 July 2005

BP EXPLORATION (ALOV) LIMITED

NOTES TO THE ACCOUNTS

1. Auditor's remuneration

Costs recoverable from Alov PSA partners include:

	<u>2004</u> US\$	<u>2003</u> US\$
Auditors' remuneration:		
Audit fees - current year	20,000	15,000
Fees for other services	25,000	20,000

2. 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 tax that arises without charge.

3. 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

The company has no employees.

BP EXPLORATION (ALOV) LIMITED

NOTES TO THE ACCOUNTS

4. Debtors

	<u>2004</u> Within 1 year US\$	<u>2003</u> Within 1 year US\$
Parent and fellow subsidiary undertakings	4,398,221	333,893
Prepayments and accrued income	7,010	23,876
Alov PSA partners	12,519,674	465,381
Other	28,580	32,444
	<hr/> 16,953,485 <hr/>	<hr/> 855,594 <hr/>

5. Creditors

	<u>2004</u> Within 1 year US\$	<u>2003</u> Within 1 year US\$
Parent and fellow subsidiary undertakings	(13,760)	(252,501)
Accruals	(131,650)	(455,789)
Other	(109,072)	(147,301)
	<hr/> (254,482) <hr/>	<hr/> (855,591) <hr/>

6. Provision for liabilities and charges

	Other US\$	Total US\$
At 1 January 2004	-	-
New Provisions	(16,699,000)	(16,699,000)
	<hr/> (16,699,000) <hr/>	<hr/> (16,699,000) <hr/>

The Company as Operator of Alov PSA committed to a rigslot on "Lider" rig. Due to continuing Iran – Azerbaijan border dispute, the rigslot can not be used. A provision of \$16,699,000 for 50% of total rig commitment was recorded as at the year-end. The remainder has not been provided for as the Company intends to farm out the rig.

BP EXPLORATION (ALOV) LIMITED

NOTES TO THE ACCOUNTS

7. Called up share capital

	<u>2004</u>	<u>2003</u>
Authorised share capital: 100 Ordinary shares of £1 each	£100	£100
	<hr/>	<hr/>
Allotted, called up and fully paid: 2 Ordinary shares of £1 each, translated at the 20 July 1999 exchange rate of £1 = US\$1.6464	US\$3	US\$3
	<hr/>	<hr/>

8. Reconciliation of shareholders' funds and movements on reserves

	Equity share capital US\$
At 1 January 2004	3
	<hr/>
At 31 December 2004	3
	<hr/>

9. Related party transactions

The company incurs costs on an agency basis on behalf of the parties to Alov PSA. The Company has taken advantage of the exemption contained in FRS 8, and has not disclosed transactions with group companies, but the other parties to the PSA are related parties for the purposes of FRS 8. The Company receives funding for PSA operations from parties and makes payments to those parties for services received and other chargeable costs.

	<u>Share of</u>	<u>Payments</u>	<u>2004</u> <u>Funding</u>	<u>Balance</u>
	<u>costs</u>	<u>made</u>	<u>received</u>	<u>US\$</u>
	US\$	US\$	US\$	
Statoil Azerbaijan Alov A.S.	4,337,243	16,535	(285,000)	4,174,305
Exxon South Caspian Limited	4,337,393	16,535	(360,000)	4,173,860
Turkish Petroleum Overseas Company Limited	2,891,653	10,130	(240,001)	2,781,813
AEC Exploration & Production (Azerbaijan) Limited	1,445,740	4,065	(120,000)	1,389,696

BP EXPLORATION (ALOV) LIMITED

NOTES TO THE ACCOUNTS

9. Related party transactions (continued)

	<u>Share of</u>	<u>Payments</u>	<u>2003</u> <u>Funding</u>	<u>Balance</u>
	<u>costs</u>	<u>made</u>	<u>received</u>	
	US\$	US\$	US\$	US\$
Statoil Azerbaijan Alov A.S.	408,850	5,218	(340,000)	105,527
Exxon South Caspian Limited	409,912	4,156	(264,995)	179,932
Turkish Petroleum Overseas Company Limited	273,507	2,539	(176,673)	120,031
AEC Exploration & Production (Azerbaijan) Limited	137,554	469	(88,333)	59,891

10. Capital commitments

Authorised and contracted future capital expenditure is estimated at \$210 million (2003 \$284 million).

11. 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.