

BP EXPLORATION (ANGOLA) LIMITED

(Registered No.615393)

ANNUAL REPORT AND ACCOUNTS 2004

Board of Directors: W G Schrader
J E Lynch, Jr.
A C Little

REPORT OF THE DIRECTORS

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

Principal activity

The company's principal activities are the exploration, exploitation and production of petroleum. The company is a participant in Production Sharing Agreements (PSA's) for Blocks 15, 17 and 31 of offshore Angola and holds an interest in the Kimmeridge onshore oilfield in the UK. 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

In Block 15 (Exxon Mobil Operated – BP share 26.7%), the Xikomba field commenced production in the fourth quarter of 2003. Kizomba A commenced production in the third quarter of 2004. Development activities on Kizomba B were more than three quarters complete by the end of 2004.

In Block 17 (Total operated – BP share 17.7%) the Jasmim field, a tie-back to the Girassol hub, commenced production at the end of 2003. The Rosa project, a tie-back to Girassol hub, commenced development in the third quarter of 2004. Development activities progressed on the Dalia project in line with expectation, with production forecast to commence in the second half of 2006.

An exploration well was successfully drilled on Acacia 2 during the year. In addition, drilling on Perpetua 2, an Appraisal Well, commenced at the end of 2004.

In Block 31 (BP operated – BP share 26.7%), a successful exploration discovery Venus was made in the northeast area, the fourth such discovery in the area. An exploration drilling program on the southeast part of the Block began in October 2004.

Angolan oil projects have associated gas. As part of the Angola LNG project, BP is seeking both economically and environmentally acceptable solutions for the associated gas production.

Results and dividends

The profit for the year after taxation of US\$329,554,000 together with exchange adjustments taken directly to reserves of US\$36,000 when added to the retained profit brought forward at 1 January 2004 of US\$4,952,000 gives a total retained profit carried forward at 31 December 2004 of US\$334,542,000. The directors do not recommend the payment of a dividend.



BP EXPLORATION (ANGOLA) LIMITED

REPORT OF THE DIRECTORS

Directors

The present directors are listed on page 1. Changes since 1 January 2004 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
J H Bryant		1 September 2004
W G Schrader	1 September 2004	
A C Little	22 December 2004	

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> <u>(or date of appointment)</u>
W G Schrader	20,256*	20,256*
J E Lynch, Jr.	nil	nil
A C Little	8,268	7,209

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 E Lynch, Jr.	42,000*	nil
W G Schrader	nil	nil
A C Little	nil	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.

Post balance sheet event

After the balance sheet date, 1,105,555,250 ordinary shares of £1 each were issued to the immediate parent company at par value.

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 nil.

BP EXPLORATION (ANGOLA) LIMITED

REPORT OF THE DIRECTORS

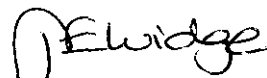
Charitable contributions

During the year the company made various charitable contributions totaling \$41,000.

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

26 OCTOBER 2005

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP

BP EXPLORATION (ANGOLA) 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 (ANGOLA) LIMITED

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

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 22. 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.

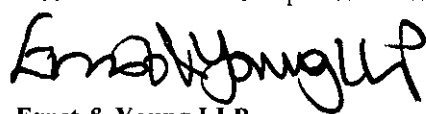
Basis of audit opinion

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 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.

26 OCTOBER 2005

BP EXPLORATION (ANGOLA) LIMITED

ACCOUNTING POLICIES

Accounting Standards

These accounts are prepared in accordance with applicable UK accounting standards.

In addition to the requirements of accounting standards, the accounting for exploration and production activities is governed by the Statement of Recommended Practice ('SORP') 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities' issued by the UK Oil Industry Accounting Committee on 7 June 2001.

These accounts have been prepared in accordance with the SORP's provisions except, the SORP recommends that oil and gas reserve quantities be disclosed. The Company is a wholly owned subsidiary of BP p.l.c. and, as such, the oil and gas reserve quantities of the company are included in the consolidated oil and gas reserve quantities disclosed in the Annual Report and Accounts of BP p.l.c. Consequently the directors have elected not to publish this information for the Company.

Accounting convention

The accounts are prepared under the historical cost convention.

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.

Stock valuation

Stocks are valued at cost to the company, using the first-in first-out method or at net realisable value, whichever is the lower.

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 for the year.

BP EXPLORATION (ANGOLA) LIMITED

ACCOUNTING POLICIES

Depreciation

Oil and gas production assets are depreciated using a unit-of-production method based upon estimated proven reserves. Other 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.

Maintenance Expenditure

Expenditure on major maintenance, refits or repairs is capitalized where it enhances the performance of an asset above its originally assessed standard of performance; replaces an asset or part of an asset which was separately depreciated and which is then written off; or restores the economic benefits of an asset which has been fully depreciated. All other maintenance expenditure is charged to income as incurred.

Exploration Expenditure

Exploration expenditure is accounted for in accordance with the successful efforts method. Exploration and appraisal drilling expenditure is initially capitalised as an intangible fixed asset. When proved reserves of oil and natural 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.

Decommissioning

Provision for decommissioning is recognised in full on the installation of oil and natural gas production facilities. The amount recognised is the present value of the estimated future expenditure determined in accordance with the local conditions and requirements. A corresponding tangible fixed asset of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the capital costs of the production and transportation facilities. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset.

Changes in unit-of-production factors

Changes in factors, which affect unit-of-production calculations, are dealt with prospectively not by immediate adjustment of prior years' amounts.

Leases

Rentals under operating leases are charged against income as incurred.

BP EXPLORATION (ANGOLA) LIMITED

ACCOUNTING POLICIES

Interest

Interest is capitalised gross during the period of construction where it relates either to the financing of major projects with long periods of development or to dedicated financing of other projects. All other interest is charged against income.

Revenue recognition

Revenues associated with the sale of oil, natural gas liquids, liquefied natural gas, petroleum and chemical products and all other items are recognised when title passes to the customer.

Generally revenues from the production of natural gas and oil properties in which the company has an interest with other producers are recognised on the basis of the company's working interests in those properties (the entitlement method). Differences between the production sold and the group's share of production are not significant.

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.

Discounting

The unwinding of the discount on provisions is included within interest expense. Any change in the amount recognized for environmental and other provisions arising through changes in discount rates is included within interest expense.

BP EXPLORATION (ANGOLA) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2004

	<u>Note</u>	<u>2004</u> \$000	<u>2003</u> \$000
Turnover	1	898,283	358,586
Cost of sales		(233,813)	(104,115)
		<hr/>	<hr/>
Gross profit		664,470	254,471
Exploration expense		(57,058)	(30,100)
Administration expenses		(8,540)	(4,872)
Other income	3	36	34
		<hr/>	<hr/>
Profit on ordinary activities before interest and tax	2	598,908	219,533
		<hr/>	<hr/>
Interest payable and similar charges	4	(3,922)	(3,231)
		<hr/>	<hr/>
Profit before taxation		594,986	216,302
Taxation	5	(265,432)	(95,631)
		<hr/>	<hr/>
Retained profit for the year		329,554	120,671
		<hr/>	<hr/>

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

	<u>2004</u> \$000	<u>2003</u> \$000
Profit for the year	329,554	120,671
Currency translation differences	36	42
	<hr/>	<hr/>
Total recognised gains and losses for the year	329,590	120,713
	<hr/>	<hr/>

BP EXPLORATION (ANGOLA) LIMITED

BALANCE SHEET AT 31 DECEMBER 2004

	<u>Note</u>	<u>2004</u> <u>\$000</u>	<u>2003</u> <u>\$000</u>
Fixed assets			
Intangible assets	7	286,233	279,204
Tangible assets	8	2,593,947	1,926,303
		<u>2,880,180</u>	<u>2,205,507</u>
Current assets			
Stocks	9	19,274	5,474
Debtors – <i>amounts falling due:</i>			
<i>Within one year</i>	10	279,637	169,863
<i>After more than one year</i>	10	22,875	24,633
Cash at bank and in hand		<u>295</u>	<u>381</u>
		322,081	200,351
Creditors – amounts falling due within one year	11	(1,770,586)	(1,449,640)
Net current liabilities		<u>(1,448,505)</u>	<u>(1,249,289)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,431,675	956,218
Provisions for liabilities and charges	12	(240,498)	(94,631)
NET ASSETS		<u>1,191,177</u>	<u>861,587</u>
Represented by			
Capital and reserves			
Called up share capital	13	856,635	856,635
Profit and Loss account	14	334,542	4,952
		<u>1,191,177</u>	<u>861,587</u>
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		<u>1,191,177</u>	<u>861,587</u>

By order of the Board

Ad & Little

Director

26 OCTOBER 2005

BP EXPLORATION (ANGOLA) 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.

Turnover is attributable to one continuing activity, the exploration, production and sale of petroleum products.

	<u>2004</u>	<u>2003</u>
	\$000	\$000
By geographical area:		
UK	293	99
Rest of the World	897,990	358,487
Total	<u>898,283</u>	<u>358,586</u>

2. Operating profit

This is stated after charging:

	<u>2004</u>	<u>2003</u>
	\$000	\$000
Hire Charges under operating leases:		
Plant & machinery	11,582	1,792
Depreciation of owned fixed assets (including amortisation of intangibles)	179,217	81,302
	<u> </u>	<u> </u>

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

3. Other income

	<u>2004</u>	<u>2003</u>
	\$000	\$000
Interest income from fellow subsidiary undertakings	<u>36</u>	<u>34</u>

BP EXPLORATION (ANGOLA) LIMITED

NOTES TO THE ACCOUNTS

4. Interest payable and similar charges

	<u>2004</u>	<u>2003</u>
Interest expense on:	£'000	£'000
Loans from fellow subsidiary undertakings	13	-
Unwinding of discount on provisions	<u>3,909</u>	<u>3,231</u>
Total charged against profit	<u>3,922</u>	<u>3,231</u>

5. 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 in respect of the company's oil extraction activities in the UK and UK Continental Shelf because another group company, BP Exploration Operating Company Limited, has undertaken to provide for any current or deferred tax that arises.

In respect of the company's other activities, 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 that 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>	\$000	\$000
Overseas tax on income for the period	191,976	73,331
Total current tax	<u>191,976</u>	<u>73,331</u>
<u>Deferred tax:</u>		
Origination and reversal of timing differences	73,456	22,300
Total deferred tax	<u>73,456</u>	<u>22,300</u>
Tax on profit on ordinary activities	<u>265,432</u>	<u>95,631</u>

BP EXPLORATION (ANGOLA) LIMITED

NOTES TO THE ACCOUNTS

(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% (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
Profit before taxation	594,986	594,986	216,302	216,302
Current taxation	-	191,976	-	73,331
Effective current tax rate	0%	32%	0%	33%
	<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
Increase / (decrease) resulting from:				
Higher taxes on overseas earnings	-	20	-	20
Timing differences	0	(12)	(48)	(8)
Non deductible expenditure/Non taxed income	-	(6)	(7)	(9)
Double Tax Relief	(30)	-	(10)	-
Group relief	-	-	35	-
Effective current tax rate	<u>0</u>	<u>32</u>	<u>0</u>	<u>33</u>

(c) Deferred tax

The deferred tax included in the balance sheet is as follows:

	<u>2004</u>	<u>2003</u>
	\$000	\$000
Fixed Asset Timing Differences	116,456	43,000
Provision for deferred tax	<u>116,456</u>	<u>43,000</u>
At 1 January 2004		\$000
Deferred tax charged in the profit and loss account		43,000
		73,456
At 31 December 2004		<u>116,456</u>

BP EXPLORATION (ANGOLA) LIMITED

NOTES TO THE ACCOUNTS

6. Directors and employees

None of the directors received any fees or remuneration for services as a director of the company during the financial year (2003 \$Nil).

7. Intangible assets

	Exploration Expenditure
Cost	\$000
At 1 January 2004	327,804
Additions	44,779
Deletions	-
Transfers	(37,750)
At 31 December 2004	<u>334,833</u>
Depreciation	
At 1 January 2004	48,600
Charge for the year	-
At 31 December 2004	<u>48,600</u>
Net book amount	
At 31 December 2004	<u>286,233</u>
At 31 December 2003	<u>279,204</u>

BP EXPLORATION (ANGOLA) LIMITED

NOTES TO THE ACCOUNTS

8. Tangible assets

	<u>Production</u> <u>Assets</u> \$000	<u>Development</u> <u>Expenditure</u> \$000	<u>Land &</u> <u>Buildings</u> \$000	<u>Fixtures &</u> <u>Fittings</u> \$000	<u>Motor</u> <u>Vehicles</u> \$000	<u>Total</u> \$000
Cost						
At 1 January 2004	1,186,279	868,250	-	13,545	-	2,068,074
Exchange adjustments	77	-	-	-	-	77
Additions	274,082	529,945	3,320	1,460	258	809,065
Transfers	372,464	(334,714)	-	-	-	37,750
At 31 December 2004	<u>1,832,902</u>	<u>1,063,481</u>	<u>3,320</u>	<u>15,005</u>	<u>258</u>	<u>2,914,966</u>
Depreciation						
At 1 January 2004	128,226	-	-	13,545	-	141,771
Exchange adjustments	31	-	-	-	-	31
Charge for the year	179,170	-	-	30	17	179,217
At 31 December 2004	<u>307,427</u>	<u>-</u>	<u>-</u>	<u>13,575</u>	<u>17</u>	<u>321,019</u>
Net book amount						
At 31 December 2004	<u>1,525,475</u>	<u>1,063,481</u>	<u>3,320</u>	<u>1,430</u>	<u>241</u>	<u>2,593,947</u>
At 31 December 2003	<u>1,058,053</u>	<u>868,250</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,926,303</u>

Principal rates of dep'n

33.3%

33.3

Included within development assets are amounts in respect of capitalised interest of \$17.6 million (2003 \$ Nil). Included within Land and Buildings and Fixtures and Fittings are amounts in respect of assets under construction of \$4.8 million (2003 \$Nil).

9. Stocks

	<u>2004</u> \$000	<u>2003</u> \$000
Petroleum	6,017	2,200
Stores	<u>13,257</u>	<u>3,274</u>
	<u>19,274</u>	<u>5,474</u>

The difference between the carrying value of stocks and their replacement cost is not material.

BP EXPLORATION (ANGOLA) LIMITED

NOTES TO THE ACCOUNTS

10. Debtors

	<u>2004</u>		<u>2003</u>	
	Within	After	Within	After
	1 year	1 year	1 year	1 year
	\$000	\$000	\$000	\$000
Trade	-	-	449	-
Parent and fellow subsidiary undertakings	57,588	22,875	45,471	24,633
Prepayments and accrued income	28,454	-	10,079	-
Joint venture balance	157,844	-	107,637	-
Other	<u>35,751</u>	<u>-</u>	<u>6,227</u>	<u>-</u>
	<u>279,637</u>	<u>22,875</u>	<u>169,863</u>	<u>24,633</u>

11. Creditors

	<u>2004</u>	<u>2003</u>
	Within	Within
	1 year	1 year
	\$000	\$000
Bank overdraft	195	-
Parent and fellow subsidiary undertakings	1,347,031	994,607
Accruals and deferred income	330,714	364,861
Joint Venture Balance	92,629	83,246
Other	17	726
Taxation on profits	<u>-</u>	<u>6,200</u>
	<u>1,770,586</u>	<u>1,449,640</u>

12. Provisions for liabilities and charges

	Decommissioning	Deferred Tax	Other	Total
	\$000	\$000	\$000	\$000
At 1 January 2004	51,631	43,000	-	94,631
New Provisions	41,100	73,456	27,402	141,958
Charged to income	-	-	-	-
Unwinding of discount	3,909	-	-	3,909
Effect of change in discount rate	-	-	-	-
Utilised/deleted during the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2004	<u>96,640</u>	<u>116,456</u>	<u>27,402</u>	<u>240,498</u>

BP EXPLORATION (ANGOLA) LIMITED

NOTES TO THE ACCOUNTS

12. Provisions for liabilities and charges (continued)

The company makes full provision for the future cost of decommissioning oil and natural gas production facilities and related pipelines on a discounted basis at the commencement of production. At 31 December 2004, the provision for the costs of decommissioning these production facilities at the end of their economic lives was \$96.6 million (2003: \$51.6 million). The provision has been estimated using existing technology, at current prices and discounted using a real discount rate of 2.0% (2003: 2.5%). These costs are expected to be incurred over the next 22 years. While the provision is based on the best estimate of future costs and the economic lives of the facilities and pipelines, there is uncertainty regarding both the amount and timing of incurring these costs.

13. Called up share capital

	<u>2004</u>	<u>2003</u>
	<u>\$000</u>	<u>\$000</u>
Authorised share capital:		
1,000,000,000 Ordinary shares of £1 each		
Allotted, called up and fully paid:		
600,000,000 ordinary shares of £1 each	<u>856,635</u>	<u>856,635</u>

On 31 December 1991, 35,000 ordinary shares of £1 each were issued fully paid at par (translated at 31 December 1991 rate of USD 1.87/£1).

On 30 July 2001 599,965,000 ordinary shares of £1 each were issued fully paid at par (translated at 30 July 2001 rate of USD 1.4277/£1).

14. Reconciliation of shareholders' funds and movements on reserves

	<u>Equity Share</u>	<u>Profit</u>	
	<u>Capital</u>	<u>and</u>	<u>Total</u>
		<u>Loss</u>	
		<u>account</u>	
	<u>\$000</u>	<u>\$000</u>	<u>\$000</u>
At 1 January 2004	856,635	4,952	861,587
Profit for the year	-	329,554	329,554
Currency translation differences	-	36	36
At 31 December 2004	<u>856,635</u>	<u>334,542</u>	<u>1,191,177</u>

BP EXPLORATION (ANGOLA) LIMITED

NOTES TO THE ACCOUNTS

15. Reconciliation of movements in shareholders' interest

	<u>2004</u>	<u>2003</u>
	\$000	\$000
Profit for the year	329,554	120,671
Currency translation differences	36	42
Net increase in shareholders' interests	<u>329,590</u>	<u>120,713</u>
Shareholders' interest at 1 January	861,587	740,874
Shareholders' interest at 31 December	<u>1,191,177</u>	<u>861,587</u>

16. Operating lease commitments

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

	<u>2004</u>	<u>2003</u>
	\$000	\$000
Expiring:		
Within 1 year	-	-
Between 2 to 5 years	-	-
Thereafter	<u>11,582</u>	<u>11,680</u>

17. Capital commitments

Authorised and contracted future capital expenditure is estimated at \$26.4 million (2003 \$3.5 million).

18. Contingent liabilities

There were no contingent liabilities at 31 December 2004 in respect of guarantees and indemnities entered into as part of, and claims arising from, the ordinary course of the company's business, upon which material losses are likely to arise.

19. 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.

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NOTES TO THE ACCOUNTS

20. Pensions

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

21. Post balance sheet event

After the balance sheet date, 1,105,555,250 ordinary shares of £1 each were issued to the immediate parent company at par value.

22. 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.