

BP EXPLORATION (DELTA) LIMITED

REPORT OF THE DIRECTORS

(Registered in England and Wales No 983913)

ANNUAL REPORT AND ACCOUNTS 2004

Board of Directors:- J E Lynch Jr
H Mekawi
J C Skipper
D J Blackwood

REPORT OF THE DIRECTORS

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

Principal activity

The company's principal activity during the year was the exploration for and production of oil and gas from its interest in the Foinaven Field in the UKCS. The company also holds interests in a number of concessions in Egypt in both the Gulf of Suez and the Mediterranean Sea.

It is the intention of the directors that the above business of the company will continue for the foreseeable future.

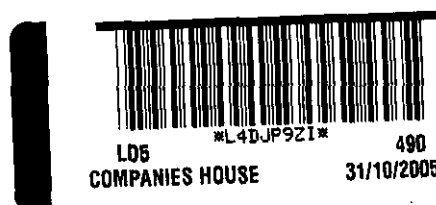
Review of activities and future developments

The company has had a satisfactory year. During the period production commenced from the North Ghara field in Egypt. The company was also engaged in Exploration activity in Egypt, drilling the Muzhil well in the South Abu Zenima concession, and acquiring Seismic data. Following the year end the company was awarded two new concessions in Egypt, Borollus and North El-Bourg, and has sanctioned the Saqqara Project which is a major development in the Gulf of Suez.

The company is in a good position to take advantage of any opportunities which may arise in the future.

Results and dividends

The loss for the year after taxation was £0.3 million, when deducted from the retained profit brought forward at 1 January 2004 of £2.7 million, together with exchange adjustments taken directly to reserves of £2.1 million, gives a total retained profit carried forward at 31 December 2004 of £4.5 million. The directors do not propose the payment of a final dividend.



guy

BP EXPLORATION (DELTA) LIMITED

REPORT OF THE DIRECTORS

Directors

The present directors of the company are listed on page 1.

J E Lynch Jr., H Mekawi, J C Skipper and S D Urban served as directors of the company throughout the financial year. Changes since 1 January 2004 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
D J Blackwood	20 April 2005	-
S D Urban	-	31 August 2005

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>
J E Lynch Jr	-	-
H Mekawi	15,206*	4,768*
J C Skipper	3,080	2,593
S D Urban	17,472*	17,472*

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*	-
H Mekawi	42,000*	-
J C Skipper	2,250	-
S D Urban	91,500*	111,156

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

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

Policy 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 30.

Post balance sheet event

After the balance sheet date another class of share capital was created by ordinary resolution. On 28 September 2005, 140,000,000 ordinary shares of \$1 each were subsequently issued to the immediate parent company at par value.

BP EXPLORATION (DELTA) 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

21 October 2005

Registered Office:
Chertsey Road
Sunbury-on-Thames
Middlesex
TW16 7BP



BP EXPLORATION (DELTA) 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 (DELTA) LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF
BP EXPLORATION (DELTA) 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 related notes 1 to 24. 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
Registered Auditor
ABERDEEN

21 October

2005



BP EXPLORATION (DELTA) LIMITED

ACCOUNTING POLICIES

Accounting standards

The 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 where:

1. 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 sterling 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 and differences on long term monetary items, are 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 the profit/loss for the year.

BP EXPLORATION (DELTA) 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.

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 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.

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. The amount recognised is the best estimate of the expenditure required. Where the liability will not be settled for a couple of years, the amount recognised is the present value of the estimated future expenditure.

BP EXPLORATION (DELTA) LIMITED

ACCOUNTING POLICIES

Leases

Rentals under operating leases are charged against income as incurred.

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 interest in those properties (the entitlement method). Differences between the production sold and the group's share of production are not significant.

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 (DELTA) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

	<u>Note</u>	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
Turnover	1	13,021	25,453
Cost of sales		(6,780)	(14,182)
		-----	-----
Gross profit		6,241	11,271
Exploration expense		(4,744)	(14,535)
Distribution and marketing expenses		-	(24)
Administration expenses		(33)	-
		-----	-----
Other income	3	1,464 553	(3,288) 612
		-----	-----
Operating profit/(loss) being the profit/(loss) on ordinary activities before interest and taxation	2	2,017	(2,676)
Interest payable and similar charges	4	(2,157)	(102)
		-----	-----
Loss on ordinary activities before taxation		(140)	(2,778)
Taxation	5	(176)	-
		-----	-----
Loss for the year		(316)	(2,778)
Distributions to shareholders	7	-	(20,000)
		-----	-----
Retained loss for the year		(316)	(22,778)
		=====	=====

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

	<u>2004</u> <u>£'000</u>	<u>2003</u> <u>£'000</u>
Loss for the year	(316)	(2,778)
Currency translation differences	2,102	2,060
	-----	-----
Total recognised gains/(losses) for the year	1,786	(718)
	=====	=====

BP EXPLORATION (DELTA) 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	8	18,196	12,061
Tangible assets	9	41,058	33,458
Investments	10	22,680	10,344
		-----	-----
		81,934	55,863
		-----	-----
Current assets			
Stock	11	367	344
Debtors	12	2,092	4,047
Cash at bank and in hand		1	1
		-----	-----
		2,460	4,392
		-----	-----
Creditors - amounts falling due within one year	13	(34,433)	(54,148)
		-----	-----
Net current liabilities		(31,973)	(49,756)
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		49,961	6,107
		-----	-----
Creditors - amounts falling due after more than one year	13	(40,735)	-
Provisions for liabilities and charges	14	(4,733)	(3,400)
		-----	-----
NET ASSETS		4,493	2,707
		=====	=====
Represented by			
Capital and reserves			
Called up share capital	15	-	-
Profit and loss account	16	4,493	2,707
		-----	-----
SHAREHOLDERS' FUNDS - EQUITY INTERESTS		4,493	2,707
		=====	=====

Director

21 October 2005

BP EXPLORATION (DELTA) LIMITED

NOTES TO THE ACCOUNTS

1. Turnover

Turnover represents the selling value of petroleum products produced during the year attributable to the company and of petroleum purchased for resale, both of which are continuing, stated net of value added tax where applicable. The country of origin and destination is substantially the UK.

2. Operating profit/(loss)

This is stated after charging/(crediting):

	2004 <u>£'000</u>	2003 <u>£'000</u>
Hire charges under operating lease:		
Plant and machinery	3,455	4,202
Depreciation of owned fixed assets (including amortisation of intangibles)	6,880	13,690
Exchange (gain)/loss on foreign currency borrowings less deposits	(10)	67

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

3. Other income

	2004 <u>£'000</u>	2003 <u>£'000</u>
Interest income from fellow subsidiary undertakings	553	612
	=====	=====

4. Interest payable and similar charges

	2004 <u>£'000</u>	2003 <u>£'000</u>
Loans from fellow subsidiary undertakings	2,061	20
Unwinding of discount on provisions	96	82
	-----	-----
	2,157	102
	=====	=====

BP EXPLORATION (DELTA) LIMITED

NOTES TO THE ACCOUNTS

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 activity 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 without charge.

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 it is required and to provide for any current or deferred tax that arises without charge.

The following table provides a reconciliation of the UK statutory corporation tax rate to the effective current tax rate on profit before taxation.

Overseas Taxation

(a) Tax on profit on ordinary activities

The charge is made up as follows:

	2004	2003
<u>Current tax:</u>	<u>£'000</u>	<u>£'000</u>
Overseas tax on income for the period	176	-
Overseas tax overprovided/underprovided in prior periods	-	-
	-----	-----
Total current tax	176	-
 <u>Deferred tax:</u>		
Origination and reversal of timing differences	-	-
Effect of increased/decreased tax rate on opening liability	-	-
	-----	-----
Total deferred tax	-	-
	176	-
Tax on profit on ordinary activities	=====	=====

BP EXPLORATION (DELTA) 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/lower than the standard rate of corporation tax in the UK of 30% (2003 – 30%). The differences are reconciled below:

	2004 <u>£'000</u>	2004 <u>£'000</u>	2003 <u>£'000</u>
	UK	O'seas	UK
	£	£	£
Loss before taxation	(140)	(140)	(2,778)
Current taxation	-	(176)	-
Effective current tax rate	0%	126%	0%
	2004 %	2004 %	2003 %
UK statutory corporation tax rate:	30	30	30
Higher taxes on overseas earnings	-	11	-
UK supplementary tax at 10% on			
North sea profits	(639)	-	(40)
Timing differences	4,127	85	98
Group relief	(6,073)	-	(250)
IRF tax provided by BPEOC	2,555	-	162
	-----	-----	-----
Effective current tax rate	-	126	-
	=====	=====	=====

6. Directors

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

7. Distribution to shareholders

	2004 <u>£'000</u>	2003 <u>£'000</u>
Ordinary Dividend – interim paid	-	20,000
	=====	=====

any

BP EXPLORATION (DELTA) LIMITED

NOTES TO THE ACCOUNTS

8. Intangible assets

	Exploration expenditure £'000
Cost	
At 1 January 2004	22,815
Exchange adjustments	(2,011)
Additions	7,165

At 31 December 2004	27,969
	=====
Depreciation	
At 1 January 2004	10,754
Exchange adjustments	(780)
Deletions	(201)

At 31 December 2004	9,773
	=====
Net book amount	
At 31 December 2004	18,196
	=====
At 31 December 2003	12,061
	=====

9. Tangible assets

	Production Assets £'000	of which: Assets under Construction £'000
Cost		
At 1 January 2004	60,979	1,397
Exchange adjustments	(651)	(396)
Additions	15,114	6,238
	-----	-----
At 31 December 2004	75,443	7,239
	=====	=====
Depreciation		
At 1 January 2004	27,521	-
Exchange adjustments	(16)	-
Charge for the year	6,880	-
	-----	-----
At 31 December 2004	34,385	-
	=====	=====
Net book amount		
At 31 December 2004	41,058	7,239
	=====	=====
At 31 December 2003	33,458	1,397
	=====	=====

457

BP EXPLORATION (DELTA) LIMITED

NOTES TO THE ACCOUNTS

Included within tangible assets

	Cost <u>£'000</u>	Dep'n <u>£'000</u>	Net Book Amount <u>£'000</u>
Capitalised interest			
At 31 December 2004	1,794	1,124	670
	=====	=====	=====
At 31 December 2003	1,794	977	817
	=====	=====	=====

10. Fixed assets - investments

	Other <u>£'000</u>
Cost	
At 1 January 2004	10,344
Additions	12,336

At 31 December 2004	22,680
	=====
Net book amount	
At 31 December 2004	22,680
	=====
At 31 December 2003	10,344
	=====

11. Stocks

	2004 <u>£'000</u>	2003 <u>£'000</u>
Raw materials and consumables	367	344
	=====	=====

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

12. Debtors

	2004 <u>£'000</u>	2003 <u>£'000</u>
Trade	1,021	245
Parent and fellow subsidiary undertakings	-	1,871
Other debtors	1,028	1,931
Prepayments and accrued income	43	-
	-----	-----
	2,092	4,047
	=====	=====

BP EXPLORATION (DELTA) LIMITED

NOTES TO THE ACCOUNTS

13. Creditors

	Within 1 year <u>£'000</u>	2004 After 1 year <u>£'000</u>	Within 1 year <u>£'000</u>	2003 After 1 year <u>£'000</u>
Trade	14,668	-	5,362	-
Parent and fellow subsidiary undertakings	15,934	40,735	40,275	-
Other creditors	3,663	-	8,511	-
Taxation on profits	168	-	-	-
	<u>34,433</u>	<u>40,735</u>	<u>54,148</u>	<u>-</u>
	=====	=====	=====	=====

14. Provisions for liabilities and charges

	Decommissioning <u>£'000</u>
At 1 January 2004	3,400
Unwinding of discount	96
Change in cost of abandonment	1,047
Effect of change in discount rate	190
	<u>4,733</u>
At 31 December 2004	=====

The group makes full provision for the future cost of decommissioning oil and natural gas production facilities and related pipelines on a discounted basis on the installation of those facilities. At 31 December 2004, the provision for the costs of decommissioning these production facilities at the end of their economic lives was £4.7 million (2003: £3.4 million). The provision has been estimated using existing technology, at current prices and discounted using a real discount rate of 2% (2003: 2.5%). These costs are expected to be incurred over the next 15 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.

15. Called up share capital

	2004 <u>£</u>	2003 <u>£</u>
Authorised, issued and fully paid: 100 ordinary shares of £1 each	100	100
	=====	=====

BP EXPLORATION (DELTA) LIMITED

NOTES TO THE ACCOUNTS

16. Reconciliation of shareholders' funds and movements on reserves

	Share Capital <u>£'000</u>	Profit & loss account <u>£'000</u>	Total <u>£'000</u>
At 1 January 2004	-	2,707	2,707
Loss for the year	-	(316)	(316)
Exchange adjustments	-	2,102	2,102
	-----	-----	-----
At 31 December 2004	-	4,493	4,493
	=====	=====	=====

17. Reconciliation of movements in shareholders' interest

	2004 <u>£'000</u>	2003 <u>£'000</u>
Loss for the year	(316)	(2,778)
Currency translation differences	2,102	2,060
Dividends	-	(20,000)
	-----	-----
Net increase/(decrease) in shareholders' interests	1,786	(20,718)
Shareholders' interest at 1 January	2,707	23,425
	-----	-----
Shareholders' interest at 31 December	4,493	2,707
	=====	=====

18. Operating lease commitments

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

	2004 Other <u>£'000</u>	2003 Other <u>£'000</u>
Expiring: Between 2 to 5 years	9,126	4,043
	=====	=====

19. Capital commitments

Authorised and contracted future capital expenditure is estimated at £6.8 million (2003 £1.76 million).

BP EXPLORATION (DELTA) LIMITED

NOTES TO THE ACCOUNTS

20. Contingent liabilities

There were 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 no material losses are likely to arise.

21. 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.

22. Pensions

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

23. Post balance sheet event

After the balance sheet date another class of share capital was created by ordinary resolution. On 28 September 2005, 140,000,000 ordinary shares of \$1 each were subsequently issued to the immediate parent company at par value.

24. 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.