

BP KAZAKHSTAN LIMITED
(Registered No.1838589)

ANNUAL REPORT AND ACCOUNTS 2002

Board of Directors: J H Bartlett
R L Paniguian
S Kerr



REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2002.

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

Review of activities

The company has had a satisfactory year and the directors believe that the trend will continue.

Results and dividends

The profit for the year after taxation of \$11,620,965, when added to the retained profit brought forward at 1 January 2002 of \$193,378,447 (together with exchange adjustments taken directly to reserves of \$17,194), gives a total retained profit carried forward at 31 December 2002 of \$205,016,606. The directors do not propose payment of a final dividend.

Directors

The present directors are listed above. J H Bartlett, M R Bly, R L Paniguian, D C Reardon and S Kerr served as directors throughout the financial year. Changes since 1 January 2002 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
M R Bly		3 February 2003
D C Reardon		31 March 2003

Directors' interests

The interests of the directors holding office at 31 December 2002, and their families, in the US \$0.25 ordinary shares of BP p.l.c., were as set out below.

	<u>31 December 2002</u>	<u>1 January 2002</u>
JH Bartlett	64,392	60,497
MR Bly	Nil	Nil
R L Paniguian	165,901	139,599
D C Reardon	26,044	25,719
S Kerr	26,982*	26,982*

BP KAZAKHSTAN LIMITED

REPORT OF THE DIRECTORS

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 2002 and 31 December 2002 as follows:

	<u>Granted</u>	<u>Exercised</u>
JH Bartlett	5,000	Nil
MR Bly	39,960*	Nil
R L Paniguan	66,200	Nil
D C Reardon	Nil	Nil
S Kerr	22,710	9,012

No director had any interest in the shares or debentures of subsidiary undertakings of BP p.l.c. at 31 December 2002.

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

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 are no trade creditors as at 31 December 2002.

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

29 October 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 2002 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses 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 2002 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.

29 October 2003

BP KAZAKHSTAN LIMITED

ACCOUNTING POLICIES

Accounting Standards

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

In preparing the financial statements for the current year, the company has adopted Financial Reporting Standard No. 19 'Deferred Tax' (FRS 19). The adoption of FRS 19 has resulted in a change in accounting policy for deferred tax.

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. The accounts have been prepared in accordance with the SORP's provisions except all oil and gas reserves disclosures are included in the ultimate parent company accounts of BP p.l.c..

Accounting convention

The accounts are prepared under the historical cost convention. Historical cost accounts show the profits available to shareholders and are the most appropriate basis for presentation of the group's balance sheet.

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.

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 the 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.

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 United States Dollars at closing rates of exchange. All 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.

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.

BP KAZAKHSTAN LIMITED

ACCOUNTING POLICIES

Decommissioning

Provision for decommissioning is recognised in full at the commencement of oil and natural gas production. 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.

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.

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.

BP KAZAKHSTAN LIMITED

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.

Comparative figures

Certain prior year figures have been restated to conform with the 2002 presentation.

BP KAZAKHSTAN LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	<u>Note</u>	<u>2002</u> \$	<u>2001</u> \$
Turnover	1	191,166	116,582
Cost of sales		(138,256)	(29,656)
Gross profit		52,910	86,926
Administration expenses		(675,388)	(4,576,617)
Other Income	2	4,038,147	-
Operating profit/(loss)	3	3,415,669	(4,489,691)
Profit on disposal of fixed assets	4	8,205,296	366,073,887
Profit on ordinary activities before interest and tax		11,620,965	361,584,196
Interest payable and similar charges	5	-	(593,806)
Profit before taxation		11,620,965	360,990,390
Taxation	6	-	(100,600,000)
Profit for the year		11,620,965	260,390,390
Distributions to shareholders		-	-
Retained profit for the year		11,620,965	260,390,390

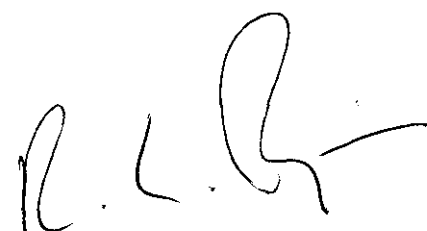
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2002

Profit for the year	11,620,965	260,390,390
Currency translation differences	17,194	-
Total recognised gains and losses for the year	11,638,159	260,390,390

BP KAZAKHSTAN LIMITED

BALANCE SHEET AT 31 DECEMBER 2002

	<u>Note</u>	<u>2002</u> \$	<u>2001</u> \$
Fixed assets			
Tangible assets	8	661,706	574,151
Current assets			
Debtors - amounts falling due within one year	9	379,677,411	462,278,431
Cash at bank and in hand		4,226	18,759
		<u>379,681,637</u>	<u>462,297,190</u>
Creditors - amounts falling due within one year	10	(175,326,586)	(269,492,743)
Net current assets		<u>204,355,051</u>	<u>192,804,447</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>205,016,757</u>	<u>193,378,598</u>
SHAREHOLDERS' INTEREST		<u>205,016,757</u>	<u>193,378,598</u>
Represented by			
Capital and reserves			
Called up share capital	11	151	151
Reserves	12	<u>205,016,606</u>	<u>193,378,447</u>
SHAREHOLDERS' FUNDS - EQUITY INTERESTS	12	<u>205,016,757</u>	<u>193,378,598</u>



Director

29 October 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>2002</u>	<u>2001</u>
	\$	\$
Exploration - Kimmeridge (ML5)	191,166	116,582
	<u>191,166</u>	<u>116,582</u>

The country of origin and destination is substantially the UK.

2. Other Income

	<u>2002</u>	<u>2001</u>
	\$	\$
Interest Income from fellow subsidiary undertakings	4,038,147	-
	<u>4,038,147</u>	<u>-</u>

3. Operating profit/(loss)

This is stated after charging:

	<u>2002</u>	<u>2001</u>
	\$	\$
Exchange gain/(loss) on foreign currency	11,038	(19,398)
Depreciation of owned fixed assets	121,049	-

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

4. Exceptional items

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

	<u>2002</u>	<u>2001</u>
	\$	\$
Profit on disposal of fixed assets	8,205,296	366,073,887
Exceptional items	<u>8,205,296</u>	<u>366,073,887</u>
Taxation charge	-	(100,600,000)
Exceptional items, net of tax	<u>8,205,296</u>	<u>265,473,887</u>

The profit on sale of \$8,205,296 is a residual amount from the calculation of the disposal of the company's stake in the Kashagan joint venture in the northern waters of the Caspian Sea offshore Kazakhstan.

BP KAZAKHSTAN LIMITED

NOTES TO THE ACCOUNTS

5. Interest payable and similar charges

	<u>2002</u>	<u>2001</u>
	\$	\$
Fellow group undertakings	-	593,806
	<u>-</u>	<u>593,806</u>

6. 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 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.

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 free group relief to the extent it is required and to provide for any current or deferred tax that arises.

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

	<u>2002</u>	<u>2001</u>	<u>2001</u>
	<u>UK</u>	<u>UK</u>	<u>Overseas</u>
	%	%	%
UK statutory corporation tax rate:	30	30	30
Increase/(decrease) resulting from:			
Timing differences	(4)	-	-
Permanent differences	(21)	(31)	(2)
Group relief	(5)	1	1
	<u>-</u>	<u>-</u>	<u>-</u>
Effective current tax rate	-	-	28

BP KAZAKHSTAN LIMITED

NOTES TO THE ACCOUNTS

7. 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 (2001 \$Nil).

(b) Employees

There were no employees during the year (2001:Nil).

8. Tangible assets

	Exploration Expenditure \$000
Cost	
At 1 January 2002	574,151
Exchange adjustments	44,116
Additions	164,488
	<hr/>
At 31 December 2002	782,755
Depreciation	
At 1 January 2002	-
Charge for the Year	121,049
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At 31 December 2002	121,049
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Net book amount	
At 31 December 2002	661,706
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At 31 December 2001	574,151
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9. Debtors - amounts falling due within one year

	<u>2002</u> <u>Within</u> <u>1 year</u> \$	<u>2001</u> <u>Within</u> <u>1 year</u> \$
Trade	309,937	103,751
Parent and fellow subsidiary undertakings	379,247,603	1,684,266
Other	119,871	460,490,414
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	379,677,411	462,278,431
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BP KAZAKHSTAN LIMITED

NOTES TO THE ACCOUNTS

10. Creditors - amounts falling due within one year

	<u>2002</u> <u>Within</u> <u>1 year</u> \$	<u>2001</u> <u>Within</u> <u>1 year</u> \$
Parent and fellow subsidiary undertakings	166,038,817	167,607,970
Taxation on profits	8,423,048	100,600,000
Accruals and deferred income	210,000	892,376
Other	654,721	392,397
	<u>175,326,586</u>	<u>269,492,743</u>

11. Called up share capital

	<u>2002</u> \$	<u>2001</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>

12. 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 2001	151	(67,011,943)	(67,011,792)
Profit for the year	-	260,390,390	260,390,390
At 1 January 2002	151	193,378,447	193,378,598
Profit for the year	-	11,620,965	11,620,965
Currency translation differences		17,194	17,194
At 31 December 2002	<u>151</u>	<u>205,016,606</u>	<u>205,016,757</u>

13. Pensions

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

14. Related party transactions

The company has taken advantage of the exemption contained within Financial Reporting Standard No8 "Related Party Disclosures", and has not disclosed transactions with group companies. There were no other related party transactions in the year.

BP KAZAKHSTAN LIMITED

NOTES TO THE ACCOUNTS

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.