

**BP KAZAKHSTAN LIMITED**

**(Registered No.1838589)**

**ANNUAL REPORT AND ACCOUNTS 2004**

Board of Directors: R L Paniguian  
S M Bennett  
J H Bartlett

**REPORT OF THE DIRECTORS**

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

**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 and future developments**

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

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

**Results and dividends**

The profit for the year after taxation was \$2,486,873, when added to the retained profit brought forward at 1 January 2004 of \$208,234,642, together with exchange adjustments taken directly to reserves of \$13,166, gives a total retained profit carried forward at 31 December 2004 of \$210,734,681. The directors do not propose the payment of a final dividend.

**Directors**

The present directors are listed above.

R L Paniguian and J H Bartlett served as directors throughout the financial year. Changes since 1 January 2004 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
S Kerr	-	1 March 2004
S M Bennett	1 February 2004	-



BP KAZAKHSTAN 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> (or date of appointment)
R L Paniguian	190,601	178,365
S M Bennett	-	14,441*
J H Bartlett	68,915	69,709

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>
R L Paniguian	91,500	-
S M Bennett	10,500*	-
J H Bartlett	1,367	1,500

\*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.

**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 KAZAKHSTAN 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

11 October 2005

Registered Office:

Chertsey Road  
Sunbury on Thames  
Middlesex  
TW16 7BP

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 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 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 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.

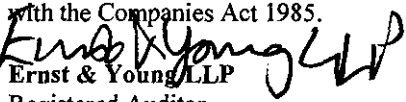
**Basis of audit opinion**

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 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.

11 October 2005

## BP KAZAKHSTAN 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 in the following two cases:

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.
2. The SORP recommends that underlift positions are adjusted through cost of sales. The company has accounted for a year end underlift position through turnover. This treatment has no impact on the retained profit for the year and consequently the directors have elected not to adjust the treatment.

#### **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.

#### **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.

## BP KAZAKHSTAN 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 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.

#### **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

#### **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 assets 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 KAZAKHSTAN LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2004**

	<b>Note</b>	<u>2004</u> \$	<u>2003</u> \$
<b>Turnover</b>	<b>1</b>	293,290	98,821
Cost of sales		<u>(340,158)</u>	<u>(426,231)</u>
<b>Gross profit</b>		(46,868)	(327,410)
Administration expenses		(292,078)	(801,872)
Other income	<b>3</b>	2,825,819	4,308,527
<b>Operating profit</b>	<b>2</b>	<u>2,486,873</u>	<u>3,179,245</u>
Taxation	<b>4</b>	<u>-</u>	<u>-</u>
<b>Retained profit for the year</b>		<u>2,486,873</u>	<u>3,179,245</u>

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

	<u>2004</u> \$	<u>2003</u> \$
<b>Profit for the year</b>	2,486,873	3,179,245
Currency translation differences	<u>13,166</u>	<u>38,791</u>
<b>Total recognised gains and losses for the year</b>	<u>2,500,039</u>	<u>3,218,036</u>

BP KAZAKHSTAN LIMITED

BALANCE SHEET AT 31 DECEMBER 2004

	Note	<u>2004</u> \$	<u>2003</u> \$
<b>Fixed assets</b>			
Tangible assets	6	<u>629,278</u>	<u>661,578</u>
<b>Current assets</b>			
Debtors	7	219,640,847	216,826,443
Cash at bank and in hand		<u>1,321</u>	<u>14,259</u>
		<u>219,642,168</u>	<u>216,840,702</u>
<b>Creditors – amounts falling due within one year</b>	8	<u>(9,056,468)</u>	<u>(8,978,054)</u>
<b>Net current assets</b>		<u>210,585,700</u>	<u>207,862,648</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>211,214,978</u>	<u>208,524,226</u>
<b>Provisions for liabilities and charges</b>			
Other provisions	9	<u>(480,146)</u>	<u>(289,433)</u>
<b>NET ASSETS</b>		<u>210,734,832</u>	<u>208,234,793</u>
<b>Represented by</b>			
<b>Capital and reserves</b>			
Called up share capital	10	151	151
Reserves	11	<u>210,734,681</u>	<u>208,234,642</u>
<b>SHAREHOLDERS' FUNDS – EQUITY INTERESTS</b>		<u>210,734,832</u>	<u>208,234,793</u>

Director

11 October 2005

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 purchasing and selling of petroleum products.

	<u>2004</u>	<u>2003</u>
	\$	\$
Exploration – Kimmeridge (ML5)	<u>293,290</u>	<u>98,921</u>

**2. Operating profit**

This is stated after charging:

	<u>2004</u>	<u>2003</u>
	\$	\$
Exchange loss on foreign currency borrowings less deposits	12,570	975
Depreciation of owned fixed assets	<u>281,811</u>	<u>367,650</u>

The 2003 charge for depreciation and amortisation includes asset write-downs of \$289,000.

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>
	\$	\$
Interest income from parent and fellow subsidiary undertakings	<u>2,825,819</u>	<u>4,308,527</u>

BP KAZAKHSTAN LIMITED

NOTES TO THE ACCOUNTS

4. 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.

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

	<u>2004</u>	<u>2003</u>
	\$	\$
Profit before taxation	2,486,873	3,179,245
Current taxation	-	-
Effective current tax rate	0%	0%
	<u>2004</u>	<u>2003</u>
	%	%
UK statutory corporation tax rate:	30	30
Increase/(decrease) resulting from:		
UK supplementary tax at 10% on North Sea profits	1	
Timing differences	2	3
IRF tax provided in BP Exploration Operating Company Ltd	(3)	-
Group relief	(30)	(33)
Effective current tax rate	<u>-</u>	<u>-</u>

BP KAZAKHSTAN LIMITED

NOTES TO THE ACCOUNTS

**5. 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) Employees:

There were no employees during the year (2003: Nil)

**6. Tangible assets**

	Exploration Expenditure \$
<b>Cost</b>	
At 1 January 2004	1,170,634
Additions	203,508
Exchange adjustments	92,642
Deletions	(332)
At 31 December 2004	<u>1,466,452</u>
<b>Depreciation</b>	
At 1 January 2004	509,056
Exchange adjustments	46,307
Charge for the year	281,811
At 31 December 2004	<u>837,174</u>
<b>Net book amount</b>	
At 31 December 2004	<u>629,278</u>
At 31 December 2003	<u>661,578</u>

BP KAZAKHSTAN LIMITED

NOTES TO THE ACCOUNTS

**7. Debtors**

	<u>2004</u>	<u>2003</u>
	<u>Within</u>	<u>Within</u>
	<u>1 year</u>	<u>1 year</u>
	<u>\$</u>	<u>\$</u>
Trade	756,395	449,434
Parent and fellow subsidiary undertakings	218,884,452	216,260,323
Other	-	116,686
	<u>219,640,847</u>	<u>216,826,443</u>

**8. Creditors**

	<u>2004</u>	<u>2003</u>
	<u>Within</u>	<u>Within</u>
	<u>1 year</u>	<u>1 year</u>
	<u>\$</u>	<u>\$</u>
Trade	73,515	73,516
Parent and fellow subsidiary undertakings	4,933	29,047
Taxation on profits	8,133,224	8,133,224
Other	844,796	742,267
	<u>9,056,468</u>	<u>8,978,054</u>

**9. Provisions for liabilities and charges**

	<u>2004</u>	<u>2003</u>
	<u>\$</u>	<u>\$</u>
At 1 January 2004	289,433	-
Exchange Adjustments	22,900	-
New Provisions	160,008	289,433
Unwinding of Discount	7,805	-
At 31 December 2004	<u>480,146</u>	<u>289,433</u>

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. The provision has been estimated using existing technology, at current prices and discounted using a real discount rate of 2.5%. These costs are expected to be incurred over the next 4 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.

BP KAZAKHSTAN LIMITED

NOTES TO THE ACCOUNTS

**10. Called up share capital**

	<u>2004</u>	<u>2003</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)	151	151
	<u>          </u>	<u>          </u>

**11. Reconciliation of shareholders' funds and movements on reserves**

	<u>Equity share capital</u>	<u>Profit and Loss account</u>	<u>Total</u>
	\$	\$	\$
At 1 January 2004	151	208,234,642	208,234,793
Profit for the year	-	2,486,873	2,486,873
Currency translation differences	-	13,166	13,166
At 31 December 2004	<u>151</u>	<u>210,734,681</u>	<u>210,734,832</u>

**12. Reconciliation of movements in shareholders' interest**

	<u>2004</u>	<u>2003</u>
	\$	\$
Profit for the year	2,486,873	3,179,245
Currency translation differences	13,166	38,791
Net increase in shareholders' interests	<u>2,500,039</u>	<u>3,218,036</u>
Shareholders' interest at 1 January 2004	208,234,793	205,016,757
Shareholders' interest at 31 December 2004	<u>210,734,832</u>	<u>208,234,793</u>

BP KAZAKHSTAN LIMITED

NOTES TO THE ACCOUNTS

**13. 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.

**14. Pensions**

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

**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.