

BP EXPLORATION COMPANY LIMITED

(Registered No.792)

ANNUAL REPORT AND ACCOUNTS 2002

Board of Directors: A B Hayward
 S D Urban
 A G Inglis
 W E Armstrong
 I R Vann

REPORT OF THE DIRECTORS

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

Principal activity

The company holds investments in subsidiary undertakings engaged in oil and gas production and exploration world-wide.

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.

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

Results

The profit for the year after taxation of £622,686,000 less interim dividend of £500,000,000 gives a total retained profit for the year of £122,606,000 when deducted from the retained profit brought forward at 1 January 2002 of £79,921,000, gives a total retained profit carried forward at 31 December 2002 of £202,607,000. The directors do not propose the payment of a final dividend.

Directors

The present directors are listed above.

Mr R L Olver, Mr A G Inglis, Mr W E Armstrong, Mr S D Urban and Mr D S Fitzsimmons served as directors of the company throughout the financial year. Changes since 1 January 2002 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
R C Alexander	-	1 June 2002
R L Olver	-	1 March 2003
I R Vann	1 January 2002	-
A B Hayward	1 December 2002	-
D S Fitzsimmons	-	1 October 2003



BP EXPLORATION COMPANY LIMITED

REPORT OF THE DIRECTORS

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> (or date of appointment)
W E Armstrong	103,018*	67,671*
A G Inglis	120,459*	98,865*
S D Urban	17,472*	17,472*
D S Fitzsimmons	193,594	151,548
A B Hayward	91,925	98,726
I R Vann	121,053	75,306

In addition, rights to subscribe for the US \$0.25 ordinary shares in BP p.l.c. were granted to, or exercised by, those directors between 1 January 2002 (or date of appointment) and 31 December 2002 as follows:

	<u>Granted</u>	<u>Exercised</u>
W E Armstrong	108,464*	2,386*
A G Inglis	120,464*	2,386*
S D Urban	119,010*	93,684*
D S Fitzsimmons	120,757	2,864
A B Hayward	160,000	416
I R Vann	66,200	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 2002.

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 company had no trade creditors at the year end.

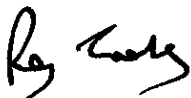
BP EXPLORATION COMPANY LIMITED

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 Companies Act 1985.

By order of the Board



Secretary

26 November 2003

Registered Office
Burnside Road
Farburn Industrial Estate
Dyce
Aberdeen AB21 7PB.

BP EXPLORATION COMPANY 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 EXPLORATION COMPANY LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF
BP EXPLORATION COMPANY 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 13. 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

26 November 2003

BP EXPLORATION COMPANY 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 not resulted in a change in accounting policy for deferred tax.

Accounting convention

The accounts are prepared under the historical cost convention. Accounts prepared on this basis show the profits available to shareholders and are the most appropriate basis for presentation of the company'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.

Group accounts

Group accounts are not submitted as the company is exempt from the obligation to prepare group accounts under Section 228(1) of the Companies Act 1985. The results of subsidiary and associated undertakings are dealt with in the consolidated accounts of the ultimate parent undertaking, BP p.l.c. a company registered in England and Wales.

Foreign currencies

Assets and liabilities of foreign currency branches are translated into sterling at closing rates of exchange (with the exception of fixed assets which are translated at the rate of exchange ruling at the date of acquisition). Income statements are translated at average rates of exchange.

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/loss for the year.

BP EXPLORATION COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	<u>Note</u>	<u>2002</u> £000	<u>2001</u> £000
Other income	1	802,140	1,638,330
Administrative expenses		(335)	(7,680)
Provisions released		11,025	15,861
Operating profit on ordinary activities before interest and tax	2	812,830	1,646,511
Operating exchange gain/(loss)		(11,042)	2,829
Interest payable and similar charges	3	(179,102)	(203,624)
Profit before taxation		622,686	1,445,716
Taxation	4	-	-
Profit for the year		622,686	1,445,716
Distribution to shareholders	6	(500,000)	(1,510,000)
Retained profit/(loss) for the year		122,686	(64,284)

There are no recognised gains or losses attributable to the shareholders of the company other than the profit of £622,686,000 for the year ended 31 December 2002 (2001 profit of £1,445,716).

BP EXPLORATION COMPANY LIMITED

BALANCE SHEET AT 31 DECEMBER 2002

	<u>Note</u>	<u>2002</u> £000	<u>2001</u> £000
Fixed assets			
Investments	7	4,566,699	4,567,337
		<hr/>	<hr/>
Current assets			
Debtors – amounts falling due within one year	8	208,241	314,246
		<hr/>	<hr/>
Creditors - amounts falling due within one year	9	(701,998)	(931,327)
		<hr/>	<hr/>
Net current liabilities		(493,757)	(617,081)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		4,072,942	3,950,256
Creditors - amounts falling due after more than one year	9	(3,090,000)	(3,090,000)
		<hr/>	<hr/>
SHAREHOLDERS' INTEREST		982,942	860,256
		<hr/>	<hr/>
Represented by			
Capital and reserves			
Called up share capital	10	780,335	780,335
Reserves	11	202,607	79,921
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS		982,942	860,256
		<hr/>	<hr/>

By order of the Board


Director

26 November 2003

BP EXPLORATION COMPANY LIMITED

NOTES TO THE ACCOUNTS

1. Other income

	<u>2002</u> £000	<u>2001</u> £000
Income from shares in subsidiary undertakings	800,000	1,633,123
Interest received	2,140	5,207
	<u>802,140</u>	<u>1,638,330</u>

2. Operating profit

This is stated after charging

	<u>2002</u> £000	<u>2001</u> £000
Impairment loss on BP Energy Ltd	-	2,038
Impairment loss on Kuwait Oil Company Ltd	-	2,051
Impairment loss on Bunduq Company Ltd	25	3,591
Impairment loss on BP Exploration Mexico Ltd	<u>613</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. Interest payable and similar charges

	<u>2002</u> £000	<u>2001</u> £000
Interest payable to subsidiary undertaking	179,102	203,624
	<u>179,102</u>	<u>203,624</u>

4. 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 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 UK 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.

BP EXPLORATION COMPANY LIMITED

NOTES TO THE ACCOUNTS

4. Taxation (continued)

	<u>2002</u>	<u>2001</u>
	£000	£000
Profit before taxation	622,686	1,445,716
Current tax	0	0
Effective tax rate	0	0
	%	%
	UK	UK
Tax at expected rate	30	30
Timing differences	-	-
Permanent differences	-39	-34
Group relief	9	4
	<hr/>	<hr/>
Effective tax rate	0	0
	<hr/>	<hr/>

5. Directors

None of the directors received any fees or remuneration for services as director of the company during the financial year (2001 Nil).

6. Distribution to shareholders

	<u>2002</u>	<u>2001</u>
	£000	£000
Ordinary – interim	500,000	1,510,000
	<hr/>	<hr/>
	500,000	1,510,000
	<hr/>	<hr/>

BP EXPLORATION COMPANY LIMITED

NOTES TO THE ACCOUNTS

7. Fixed assets - investment

	<u>Subsidiary</u> <u>undertakings</u> <u>Shares</u> £000	<u>Associated</u> <u>undertakings</u> <u>Shares</u> £000	<u>Total</u> £000
Cost			
At 1 January 2002	4,564,423	10,594	4,575,017
Additions		-	
At 31 December 2002	<u>4,564,423</u>	<u>10,594</u>	<u>4,575,017</u>
Provision for Impairment			
At 1 January 2002	2,038	5,642	7,680
Charge for the year	613	25	638
At 31 December 2002	<u>2,651</u>	<u>5,667</u>	<u>8,318</u>
Net book amount			
At 31 December 2002	<u>4,561,772</u>	<u>4,927</u>	<u>4,566,699</u>
At 31 December 2001	<u>4,562,385</u>	<u>4,952</u>	<u>4,567,337</u>

The investment in the subsidiary and associated undertakings are unlisted.

In the opinion of the directors, the value of the shares and loans in the company's subsidiary and associated undertakings is not less than the amount at which they are shown in the balance sheet

The more important direct subsidiary and associated undertakings of the company at 31 December 2002 and the percentage of equity capital held are set out below. The principal country of operation is generally indicated by the company's country of incorporation or by its name. A complete list of investments in subsidiary and associated undertakings will be attached to the parent company's annual return made to the Registrar of Companies.

BP EXPLORATION COMPANY LIMITED

NOTES TO THE ACCOUNTS

7. Fixed Assets - investments (continued)

Subsidiary undertakings	%	<u>Country of incorporation</u>	<u>Principal activity</u>
BP Exploration Company (Middle East) Ltd	100	England and Wales	Holding company
BP Exploration Operating Company Ltd	100	England and Wales	Exploration and production
BP (Abu Dhabi) Ltd	100	England and Wales	Exploration and production
BP Energy Ltd	100	England and Wales	Exploration and production
BP Exploration Mexico Ltd	100	England and Wales	Exploration and production
BP Exploration Orinoco Ltd	100	England and Wales	Exploration and production
BP Exploration (Finance) Ltd	100	England and Wales	Exploration and production

Associated undertakings	%	<u>Country of incorporation</u>	<u>Principal activity</u>	<u>Issued shared capital</u>
Abu Dhabi Marine Operating Company	14.67	Abu Dhabi	Refining and marketing	10,000 ordinary shares of DH 100 each
BP-Japan Oil Development Company Ltd	50	Scotland	Refining and marketing	50,000 ordinary shares of £1 each. 272,500 deferred ordinary shares of £1 each
Bunduq Company Ltd	33.33	Abu Dhabi	Crude oil Production	25,000 'A' Shares of £1 each
Kuwait Oil Company Ltd	50	England and Wales	Exploration and production	25,000 'A' Shares of £1 each

8. Debtors

	<u>2002 After 1 year £000</u>	<u>2001 Within 1 year £000</u>
Parent and fellow subsidiary undertakings	131,296	246,378
Associated undertakings	76,942	67,219
Other	3	649
	<u>208,241</u>	<u>314,246</u>

BP EXPLORATION COMPANY LIMITED

NOTES TO THE ACCOUNTS

9. Creditors

	<u>2002</u>		<u>2001</u>	
	<u>Within</u> <u>1 year</u> <u>£000</u>	<u>After</u> <u>1 year</u> <u>£000</u>	<u>Within</u> <u>1 year</u> <u>£000</u>	<u>After</u> <u>1 year</u> <u>£000</u>
Parent and fellow subsidiary undertaking	701,998	3,090,000	931,327	3,090,000

10. Called up share capital

	<u>2002</u>	<u>2001</u>
	<u>£000</u>	<u>£000</u>
Ordinary Share Capital		
Authorised, allotted, called up and fully paid : 260,335,000 ordinary shares of £1 each	260,335	260,335
Preference Share capital		
Authorised : 5,400,000 redeemable cumulative preference shares of £100 each	540,000	540,000
Allotted, called up and fully paid: 5,200,000 redeemable cumulative preference shares of £100 each	520,000	520,000

The redeemable cumulative preference shares are redeemable on four days' notice and are entitled to a fixed cumulative preference dividend, but carry no right to vote.

11. Reconciliation of shareholders' funds and movements on reserves

	<u>Equity</u> <u>share</u> <u>capital</u> <u>£000</u>	<u>Reserves</u> <u>£000</u>	<u>Total</u> <u>£000</u>
At 1 January 2001	780,335	144,205	924,540
Profit/(loss) for the year	-	1,445,716	1,445,716
Distribution to shareholders	-	(1,510,000)	(1,510,000)
At 1 January 2002	780,335	79,921	860,256
Profit/(loss) for the year	-	622,686	622,686
Distribution to shareholders	-	(500,000)	(500,000)
At 31 December 2002	780,335	202,607	982,942

BP EXPLORATION COMPANY LIMITED

NOTES TO THE ACCOUNTS

12. Related party transactions

The company has taken advantage of the exemptions contained within Financial Reporting Standard No 8 "Related Party Disclosures" and has not disclosed transactions with group companies. There were no other related party transactions in the year.

13. Ultimate parent undertaking

The ultimate parent undertaking of the group of undertaking 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