BP PLC
Form 6-K
September 07, 2005

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 6-K

Report of Foreign Issuer

Pursuant to Rule 13a-16 or 15d-16 of

the Securities Exchange Act of 1934

for the period ended March 31, 2005

BP p.l.c.

(Translation of registrant s name into English)

1 ST JAMES S SQUARE, LONDON, SW1Y 4PD, ENGLAND

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F	ý	Form 40-F	o

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes	o	No	ý

THIS REPORT ON FORM 6-K SHALL BE DEEMED TO BE INCORPORATED BY REFERENCE IN THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-9790) OF BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-65996), THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-110203) OF BP p.l.c., THE PROSPECTUS INCLUDED IN THE REGISTRATION STATEMENT ON FORM F-3 (FILE NO. 333-83180) OF BP AUSTRALIA CAPITAL MARKETS LIMITED, BP CANADA FINANCE COMPANY, BP CAPITAL MARKETS p.l.c., BP CAPITAL MARKETS AMERICA INC. AND BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 33-21868) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-9020) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-9798) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-79399) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-34968) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-67206) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-74414) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-103924) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-102583) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-103923) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-119934) OF BP p.l.c., THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-123482) OF BP p.l.c., AND THE REGISTRATION STATEMENT ON FORM S-8 (FILE NO. 333-123483) OF BP p.l.c., AND TO BE A PART THEREOF FROM THE DATE ON WHICH THIS REPORT IS FURNISHED, TO THE EXTENT NOT SUPERSEDED BY DOCUMENTS OR REPORTS SUBSEQUENTLY FILED OR FURNISHED.

BP p.l.c. AND SUBSIDIARIES

FORM 6-K FOR THE PERIOD ENDED MARCH 31, 2005

1. Management s Discussion and Analysis of Financial Condition and Results of Operations for the period January-March 2005

2. Consolidated Financial Statements including Notes to Consolidated Financial Statements for the period January-March 2005.

3. First-time Adoption of International Financial Reporting Standards

4. Environmental, Operating and Other Information

BP p.l.c. AND SUBSIDIARIES

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS

GROUP RESULTS JANUARY MARCH 2005

	Three months ended March 31 (Unaudited)	
	2005	2004
	($ million)	
Sales and other operating revenues	78,998	68,461
Profit for the period attributable to BP shareholders	6,602	4,912
Profit attributable to BP shareholders per ordinary share cents	30.79	22.24
Dividends payable per ordinary share cents	8.50	6.75

BP will adopt International Financial Reporting Standards (IFRS) for the first time in its financial statements for the year ending December 31, 2005, which will include comparative financial statements for the years ended December 31, 2004 and 2003. For all periods up to and including the year ended December 31, 2004, BP has prepared its financial statements in accordance with UK generally accepted accounting practice (UK GAAP). IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS 1) requires that an entity develop accounting policies based on the standards and related interpretations effective at the reporting date of its first annual IFRS financial statements (that is, December 31, 2005). IFRS 1 also requires that those policies be applied as of the date of transition to IFRS (that is, January 1, 2003) and throughout all periods presented in the first IFRS financial statements. The accompanying interim financial information as of and for the three month periods ended March 31, 2005 and 2004, has been prepared in accordance with those IASB standards and IFRIC interpretations issued and effective, or issued and early-adopted, at April 26, 2005. The IASB standards and IFRIC interpretations that will be applicable at December 31, 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information. As a result, the accounting policies used to prepare these financial statements are subject to change up to the reporting date of the Company s first IFRS financial statements. In addition, BP has decided to early adopt IFRS 5 Non-current Assets Held for Sale and Discontinued Operations , IFRS 6 Exploration for and Evaluation of Mineral Resources , the amendment to IAS 19 Amendment to international accounting standard IAS 19 Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures and IFRIC 4 Determining whether an Arrangement contains a Lease .

The financial information for 2004 has been restated to reflect the following, all with effect from January 1, 2005: (a) the adoption by the Group of IFRS (see Note 3 and the heading First-time Adoption of International Financial Reporting Standards); (b) the transfer of the aromatics and acetyls operations from the former Petrochemicals segment to the Refining and Marketing segment; (c) the transfer of the olefins and derivatives operations from the former Petrochemicals segment to Other businesses and corporate; (d) the transfer of the Grangemouth and Lavéra refineries from the Refining and Marketing segment to Other businesses and corporate; (e) the transfer of the Mardi Gras pipeline from the Exploration and Production segment to the Refining and Marketing segment; and (f) the transfer of the Hobbs fractionator from the Gas, Power and Renewables segment to Other businesses and corporate. Note 4 provides further detail of the resegmentation.

TNK-BP operational and financial information has been estimated.

The first quarter trading environment was generally stronger than a year ago with higher oil and gas realizations, higher refining and chemicals margins, but with lower marketing margins. For the three months ended March 31, 2005 the Brent oil price increased $15.59 per barrel, the Henry Hub gas price was up $0.58 per mmbtu and the refining Global Indicator Margin increased $1.05 per barrel compared with a year ago.

Sales and other operating revenues for the three months ended March 31, 2005 were $79 billion compared with $69 billion for the equivalent period in 2004. The increase in sales and other operating revenue for the first quarter reflects increases of around $19 billion from higher prices and around $1 billion from foreign exchange movements, partly offset by a net decrease of approximately $7 billion from lower sales volumes.

Profit attributable to BP shareholders for the three months ended March 31, 2005 was $6,602 million, including inventory holding gains of $1,111 million. Profit attributable to BP shareholders for the three months ended March 31, 2004 was $4,912 million, including inventory holding gains of $648 million. Inventory holding gains or losses represent the difference between the cost of sales calculated using the average cost of supplies incurred during the period and the cost of sales calculated using the first-in first-out method.

Profit attributable to BP shareholders for the three months ended March 31, 2005:

includes gains of $1,070 million on the sale of assets primarily from our interest in the Ormen Lange field, and is after charges for impairments of $130 million relating to fields in the UK North Sea, and fair value losses of $160 million on embedded derivatives in certain long-term gas contracts (these embedded derivatives are fair valued at each period end with the resulting gains or losses taken to the income statement) in Exploration and Production;

includes a gain of $14 million relating to the sale of marketing assets and an impairment charge of $41 million in Refining and Marketing;

includes a gain of $63 million on the disposal of BP s interest in Interconnector UK Ltd and net fair value gains on embedded derivatives of $42 million in Gas, Power and Renewables;

and is after a charge of $43 million in respect of the separation of the olefins and derivatives businesses and an asset impairment of $23 million, also related to the olefins and derivatives businesses, in Other businesses and corporate.

Profit attributable to BP shareholders for the three months ended March 31, 2004:

includes gains on sales of assets of $211 million and is after an impairment charge of $186 million related to our interests in Desarollo Zuli Occidental (DZO) and Boqueron in Venezuela in Exploration and Production;

is after a loss of $160 million on the sale of assets, principally the disposal of BP s interests in the Singapore Refining Company Private Limited (SRC) in Refining and Marketing;

and includes gains on disposal of $1,257 million primarily from our interests in PetroChina and Sinopec in Other businesses and corporate.

Interest payable for the three months ended March 31, 2005 was $172 million compared with $98 million in the same period of 2004. The increase for the three months ended March 31, 2005 primarily reflects higher interest rates and costs associated with the early redemption of finance leases, partially offset by an increase in capitalized interest. Other finance expense for the three months ended March 31, 2005 was $29 million compared with $76 million in the same period of 2004. The decrease in the period primarily reflects a reduction in net pension finance costs.

Net taxation, other than production taxes, charged for the three months ended March 31, 2005 was $2,612 million compared with $1,919 million in the equivalent period last year. The effective tax rate was 28% for both the three months ended March 31, 2005 and for the equivalent period of 2004.

The primary additional factors contributing to the increase in profit for the three months ended March 31, 2005 compared with the three months ended March 31, 2004 are higher liquids and gas realizations, higher refining margins, higher olefins and derivatives margins, a higher contribution from the natural gas liquids business and the impact of higher oil and gas production volumes. These increases were partially offset by higher revenue investment and higher costs.

Capital expenditure and acquisitions in the first quarter of 2005 was $2.8 billion compared with $4.4 billion for the first quarter of 2004. The first quarter of 2004 includes a $1.35 billion payment relating to the contribution of TNK s interest in Slavneft to TNK-BP. There were no acquisitions in the first quarter of 2005. Disposal proceeds in the first quarter of 2005 were $1.3 billion and in the first quarter of 2004 were $2.8 billion.

Net cash provided by operating activities for the three months ended March 31, 2005 was $9.4 billion, compared with $7.0 billion for the equivalent period of 2004, reflecting higher profit before taxation and a lower working capital requirement, partially offset by higher income taxes paid. Net cash used in investing activities was $1.6 billion in the three months ended March 31, 2005 compared with $1.8 billion in the equivalent quarter of 2004, reflecting lower net investment in jointly controlled entities and associates, partially offset by lower proceeds from disposal of businesses and fixed assets. Dividends paid were higher in the three months ended March 31, 2005 compared with the equivalent period in 2004.

Net debt at March 31, 2005 was $18.0 billion compared with $21.7 billion at December 31, 2004. The ratio of net debt to net debt plus equity was 18% at March 31, 2005 compared with 22% at December 31, 2004. This ratio shows the proportion of debt and equity used to finance our operations, and can also be used to measure borrowing capacity. In addition to reported debt, BP uses conventional off balance sheet sources of finance such as operating leases and joint venture and associate borrowings.

The Group has access to other sources of liquidity in the form of committed facilities and other funding through the capital markets. BP believes that, taking into account the substantial amounts of undrawn borrowing facilities available, the Group has sufficient working capital for foreseeable requirements.

In the normal course of business the Group has entered into certain long-term purchase commitments principally relating to take or pay contracts for the purchase of natural gas, crude oil and chemicals feedstocks and throughput arrangements for pipelines. The Group expects to fulfil its obligations under these arrangements with no adverse consequences to the Group s results of operations or financial condition.

On April 26, 2005 BP announced a quarterly dividend of 8.50 cents per ordinary share to be paid in June. Holders of ordinary shares received 4.450 pence per share and holders of American Depositary Receipts (ADRs) $0.51 per ADS. The dividend was paid on June 6, 2005 to shareholders on the register on May 13, 2005. Participants in the Dividend Reinvestment Plan (DRIP) or the DRIP facility in the US Direct Access Plan received the dividend in the form of shares, also on June 6, 2005. During the first quarter of 2005, the Company repurchased 193.1 million of its own shares, at a cost of $2.0 billion. Of these, 77 million shares were cancelled and the remainder are held in treasury.

DETAILED REVIEW OF BUSINESSES

EXPLORATION AND PRODUCTION

		Three months ended March 31 (Unaudited)	
		2005	**2004**
Sales and other operating revenues	- $m	10,186	8,186
Profit before interest and tax (a)	- $m	6,491	4,250
Results include:			
Exploration expense	- $m	160	136
Of which: Exploration expenditure written off	- $m	84	67
Key Statistics:			
Crude oil			
- Average prices realized by BP	- $/bbl	43.37	31.30
- Production for subsidiaries	- mb/d	1,313	1,367
- Production for equity-accounted entities	- mb/d	1,092	974
Natural gas liquids			
- Average prices realized by BP	- $/bbl	28.14	23.14
- Production for subsidiaries	- mb/d	184	187
- Production for equity-accounted entities	- mb/d	4	4
Total liquids (b)			
- Average prices realized by BP	- $/bbl	41.74	30.48
- Production for subsidiaries	- mb/d	1,497	1,555
- Production for equity-accounted entities	- mb/d	1,096	978
Natural gas			
- Average prices realized by BP	- $/mcf	4.26	3.79
- Production for subsidiaries	- mmcf/d	7,826	7,816
- Production for equity-accounted entities	- mmcf/d	919	784
Total hydrocarbons (c)			
- Average prices realized by BP	- $/boe	33.60	26.48
- Production for subsidiaries	- mboe/d	2,846	2,902
- Production for equity-accounted entities	- mboe/d	1,255	1,113
Brent oil price	- $/bbl	47.62	32.03
West Texas Intermediate oil price	- $/bbl	49.88	35.30
Alaska North Slope US West Coast oil price	- $/bbl	45.07	34.22
Henry Hub gas price (d)	- $/mmbtu	6.27	5.69
UK Gas National Balancing Point	- p/therm	37.96	24.59

(a) Includes profit after interest and tax of equity-accounted entities.

(b) Crude oil and natural gas liquids.

(c) Natural gas is converted to oil equivalent at 5.8 billion cubic feet = 1 million barrels.

(d) Henry Hub First of the Month Index.

Sales and other operating revenues for the three months ended March 31, 2005 were $10 billion, compared with $8 billion in the corresponding period in 2004, primarily reflecting an increase of around $2 billion related to higher liquids and gas realizations.

Profit before interest and tax for the three months ended March 31, 2005 was $6,491 million, including inventory holding gains of $5 million and gains of $1,070 million on the sales of assets primarily from our interest in the Ormen Lange field, and is after charges for impairments of $130 million relating to fields in the UK North Sea, and fair value losses of $160 million on embedded derivatives in certain long-term gas contracts where the contract price is tied to oil and electricity prices rather than indexed to the gas price. These embedded derivatives are fair valued at each period end with the resulting gains or losses taken to the income statement. Profit before interest and tax for the three months ended March 31, 2004 was $4,250 million, including inventory holding gains of $8 million and gains on sales of assets of $211 million, and is after an impairment charge of $186 million related to our interests in Desarrollo Zuli Occidental (DZO) and Boqueron in Venezuela.

In addition to the factors above, the primary reasons for the increase in profit before interest and tax for the three months ended March 31, 2005 compared with the three months ended March 31, 2004 are higher realizations in both liquids and gas contributing around $1,950 million combined with an increase of around $50 million due to higher volumes, partly offset by the impact of planned higher revenue investment and costs of around $450 million.

Production for the quarter was 2,846 mboe/d for subsidiaries and 1,255 mboe/d for equity-accounted entities compared with 2,902 mboe/d and 1,113 mboe/d respectively, a year ago. For subsidiaries, this reflects decline in our Existing Profit Centres, partially offset by the continuing ramp-up of production in the New Profit Centres and for equity-accounted entities this primarily reflects increased volumes from TNK-BP.

In the deepwater Gulf of Mexico, efforts continue in response to the Thunder Horse platform incident. The facility is now stable and trim; freeboard and displacement are normal. Work continues to determine the cause. We will not begin production, originally scheduled for end-2005, until any damage has been identified and repaired. Elsewhere, projects in the New Profit Centres remain on track. In the Gulf of Mexico, the Mad Dog project achieved first production in January 2005. In Azerbaijan, the Azeri project achieved first production in February, and construction on the BTC pipeline remains on track.

In the Existing Profit Centres, the Clair project in the UK North Sea commenced production in February 2005. In addition, we sanctioned investment in the Saqqara gas field in Egypt and received approval from the Indonesian government for the Tangguh gas project.

We had exploration success in Angola with the Palas-1 and Ceres-1 oil discoveries in ultra-deepwater Block 31. These are the fifth and sixth successful discoveries that BP has drilled in Block 31. We have also been awarded three blocks in Algeria s sixth international licensing round.

REFINING AND MARKETING

		Three months ended March 31 (Unaudited)	
		2005	**2004**
Sales and other operating revenues	- $m	49,869	44,096
Profit before interest and tax (a)	- $m	2,363	1,473
Total refined product sales	- mb/d	6,126	6,486
Refinery throughputs (b)	- mb/d	2,510	2,572
Refining availability (c)	-%	95.2	95.1
Global Indicator Refining Margin (d)	- $/bbl	5.94	4.89

(a) Includes profit after interest and tax of equity-accounted entities.

(b) Refinery throughputs exclude the Grangemouth and Lavéra refineries which were transferred to Other businesses and corporate effective January 1, 2005.

(c) Refining availability in the period is the weighted average percentage that refinery units are available for processing, after accounting for downtime such as planned maintenance.

(d) The Global Indicator Refining Margin (GIM) is the average of six regional indicator margins weighted for BP s crude refining capacity in each region. Each regional indicator margin is based on a single representative crude with product yields characteristic of the typical level of upgrading complexity. The regional indicator margin may not be representative of the margins achieved by BP in any period because of BP s particular refinery configurations and crude and product slate. The GIM data shown above excludes the Grangemouth and Lavéra refineries.

Sales and other operating revenues for the three months ended March 31, 2005 were $50 billion compared with $44 billion for the same period in the prior year. The increase in sales and other operating revenues in the first quarter of 2005 compared with 2004 was due principally to higher prices contributing approximately $13 billion and foreign exchange movements contributing approximately $1 billion, offset by lower sales volumes of around $8 billion.

Profit before interest and tax for the three months ended March 31, 2005 was $2,363 million, including inventory holding gains of $942 million and a gain of $14 million relating to the sale of marketing assets, and is after an impairment charge of $41 million. Profit before interest and tax for the three months ended March 31, 2004 was $1,473 million, including inventory holding gains of $553 million and is after a loss of $160 million on the sale of assets, principally the disposal of BP s interests in the Singapore Refining Company Private Limited (SRC).

In addition to the factors above, the primary reasons for the increase in profit before interest and tax for the three months ended March 31, 2005 compared with the three months ended March 31, 2004 are improved refining margins contributing approximately $600 million, offset partially by lower retail marketing margins of around $250 million. Improved refining margins were supported by strong product demand, together with the continuing weakness in the relative price of extra-heavy sour crudes. Retail marketing margins in the first quarter of 2005 were significantly lower than those of a year ago, reflecting sustained pressure from rising crude and product prices.

Refining throughputs for the quarter were 2,510 mb/d, some 62 mb/d lower than in the first quarter of 2004, due principally to the disposal of BP s interests in the SRC and the closure of refining operations at the ATAS Refinery in Mersin, south eastern Turkey, in 2004. Refining availability was 95.2%, in line with that of the first quarter of 2004. Marketing sales were 3,930 mb/d, slightly below those of a year ago.

The Texas City Refinery in Texas, USA, experienced a tragic explosion on March 23, 2005 at the Isomerization unit. The financial impact in the first quarter was minimal. In the second quarter of 2005, the results include a charge of $700 million in respect of all fatality and personal injury compensation claims associated with the incident.

On August 17, 2005 BP announced that it is to appoint an independent panel to review the safety management systems and corporate safety culture of BP Products North America, the subsidiary responsible for its US refining operations, responding to an urgent recommendation made by the US Chemical Safety and Hazard Investigation Board (CSB) on August 17, 2005 in the wake of recent chemical accidents at BP s south Texas facilities. CSB, an independent US federal agency charged with investigating industrial chemical accidents, is investigating the March 23 explosion at the Texas City refinery. BP continues to cooperate with the CSB, the US Occupational Safety and Health Administration, the US Environmental Protection Agency and the Texas Commission on Environmental Quality in connection with this matter.

During the three months ended March 31, 2005, BP and the South Coast Air Quality Management District of California agreed to the settlement of two outstanding lawsuits regarding the Carson Refinery. The quarter s result includes a charge of $35 million in respect of this settlement, including local community programmes relating to air quality and its impacts.

Also during the three months ended March 31, 2005, BP and Sinopec Corporation of China signed a joint venture contract to build a world scale acetic acid plant in Nanjing, in east China s Jiangsu province. The 500,000 tonnes-a-year operation is planned to come on stream in the second half of 2007.

GAS, POWER AND RENEWABLES

		Three months ended March 31 (Unaudited)	
		2005	2004
Sales and other operating revenues	- $m	23,667	20,975
Profit before interest and tax (a)	- $m	418	191

(a) Includes profit after interest and tax of equity-accounted entities.

Sales and other operating revenues for the three months ended March 31, 2005 were $24 billion compared with $21 billion for the same period in 2004. The increase for the quarter reflects an increase of around $2 billion due to higher prices and an increase of around $1 billion due to higher volumes.

Profit before interest and tax for the three months ended March 31, 2005 was $418 million, including inventory holding gains of $14 million, a gain of $63 million on the disposal of BP s interest in Interconnector UK Ltd. and net fair value gains on embedded derivatives of $42 million. Profit before interest and tax for the three months ended March 31, 2004 was $191 million after inventory holding losses of $10 million.

In addition to the factors above, higher profit before interest and tax in the three months ended March 31, 2005 compared with the equivalent period in 2004 is primarily due to a higher result in the natural gas liquids business contributing around $88 million.

OTHER BUSINESSES AND CORPORATE

		Three months ended March 31 (Unaudited)	
		2005	2004
Sales and other operating revenues	- $m	5,515	3,819
Profit before interest and tax (a)	- $m	357	1,191

(a) Includes profit after interest and tax of equity-accounted entities.

Other businesses and corporate comprises olefins and derivatives, Finance, the Group s aluminium asset, interest income and costs related to corporate activities. The Group s interests in PetroChina and Sinopec were divested in early 2004.

Profit before interest and tax for the three months ended March 31, 2005 was $357 million, including inventory holding gains of $150 million and is after a charge of $43 million in respect of the separation of the olefins and derivatives businesses and an asset impairment of $23 million, also related to the olefins and derivatives businesses. The olefins and derivatives result showed a marked increase over a year ago due to higher margins.

Profit for the three months ended March 31, 2004 was $1,191 million, including inventory holding gains of $97 million and gains on disposal of $1,257 million primarily from our interests in PetroChina and Sinopec.

On August 10, 2005, Innovene s Chocolate Bayou plant near Alvin, Texas, US, experienced a fire in the plant s #2 Olefins unit. No personnel were injured as a direct result of the incident. One employee emergency responder was taken to hospital for treatment but has since been released.

The fire resulted in the loss of production from the #2 Olefins unit. The unit produces ethylene, propylene and hydrogen. An investigation has been opened, but the cause of the incident is not known at this time.

FORWARD-LOOKING STATEMENTS

In order to utilize the Safe Harbor provisions of the United States Private Securities Litigation Reform Act of 1995, BP is providing the following cautionary statement. The foregoing discussion, in particular, although not limited to, the statements under Group Results and Exploration and Production , with regard to BP s capital expenditure costs, demand, growth and other trend projections, future performance margins, prices, production, working capital and fulfillment of contract obligations are all forward-looking in nature. Forward-looking statements are also identified by such phrases as will , expects , is expected to , should , may , is likely to , intends , plans , appears an

their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will or may occur in the future and are outside the control of BP. Actual results may differ materially from those expressed in such statements, depending on a variety of factors, including the specific factors identified in the discussions accompanying such forward-looking statements; future levels of industry product supply, demand and pricing; the timing of bringing new fields onstream; exchange rate fluctuations; operational problems; general economic conditions, including inflationary pressure, political stability and economic growth in relevant areas of the world; changes in laws and governmental regulations; development and use of new technology; successful partnering; the actions of competitors; the actions of competitors and third party suppliers of facilities and services; natural disasters and prolonged adverse weather conditions; changes in public expectations and other changes to business conditions; wars and acts of terrorism or sabotage; and other factors discussed elsewhere in this report. These and other factors may cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements. Additional information, including information on factors which may affect BP s business, is contained in BP s Annual Report and Accounts for 2004 and the Annual Report on Form 20-F for 2004 filed with the US Securities and Exchange Commission.

DIVIDENDS PAYABLE

On April 26, 2005, BP p.l.c. announced a dividend of 8.50 cents per ordinary share of 25 cents (ordinary shares) to be paid in June, representing $0.51 per American Depositary Share (ADS). The record date for qualifying US resident holders of American Depositary Shares as well as holders of ordinary shares was May 13, 2005, and payment was made on June 6, 2005.

A dividend reinvestment facility is available for holders of ADSs through JPMorgan Chase Bank. Participants in the dividend reinvestment facility included in the US Direct Access Plan received the dividend in the form of shares on June 6, 2005.

BP p.l.c. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

	Three months ended March 31 (Unaudited)	
	2005	2004
	($ million, except per share amounts)	
Sales and other operating revenues (Note 5)	78,998	68,461
Earnings from jointly controlled entities after interest and tax (Note 17)	486	312
Earnings from associates after interest and tax (Note 17)	114	107
Interest and other revenues	212	89
Total revenues	79,810	68,969
Gain on sale of businesses and fixed assets	1,198	1,549
Total revenues and other income	81,008	70,518
Purchases	59,205	52,487
Production and manufacturing expenses	5,430	4,855
Production and similar taxes (Note 6)	649	525
Depreciation, depletion and amortization	2,288	2,163
Impairment and losses on sale of businesses and fixed assets	246	426
Exploration expense (Note 6)	160	136
Distribution and administration expenses	3,432	2,887
Fair value (gain) loss on embedded derivatives	122	
Profit before interest and taxation	9,476	7,039
Interest payable (Note 7)	172	98
Other finance expense (Note 8)	29	76
Profit before taxation	9,275	6,865
Taxation	2,612	1,919
Profit for the period (a)	6,663	4,946
Attributable to:		
BP shareholders	6,602	4,912
Minority interest	61	34
	6,663	4,946
Earnings per share cents (a) (Note 13)		
Profit attributable to BP shareholders		
Basic	30.79	22.24
Diluted	30.36	21.77
Earnings per American Depositary share cents (a)		
Profit attributable to BP shareholders		
Basic	184.74	133.44
Diluted	182.16	130.62

(a) A summary of the material adjustments to profit for the period which would be required if generally accepted accounting principles in the United States had been applied instead of International Financial Reporting Standards is given in Note 15.

BP p.l.c. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	March 31, 2005 (Unaudited)	December 31, 2004 (Unaudited)
	($ million)	
Noncurrent assets		
Property, plant and equipment	92,110	93,092
Goodwill	10,754	10,857
Other intangible assets	4,232	4,205
Investments in jointly controlled entities	14,519	14,556
Investments in associates	5,710	5,486
Other investments	810	467
Fixed assets	128,135	128,663
Loans and other receivables	4,519	2,419
Defined benefit pension plan surplus	2,128	2,105
	134,782	133,187
Current assets		
Inventories	16,562	15,645
Trade and other receivables	44,414	44,282
Current tax receivable	130	157
Cash and cash equivalents	1,521	1,359
	62,627	61,443
Total assets	197,409	194,630
Current liabilities		
Trade and other payables	49,658	48,096
Finance debt	7,352	10,184
Current tax payable	5,293	4,131
Provisions	842	715
	63,145	63,126
Noncurrent liabilities		
Other payables	6,605	4,438
Finance debt	12,212	12,907
Deferred tax liabilities	16,722	16,701
Provisions	8,703	8,884
Defined benefit pension plan and other postretirement benefit plan deficits	10,111	10,339
	54,353	53,269
Total liabilities	117,498	116,395
Net assets	79,911	78,235
Equity		
Capital shares		
Preference	21	21
Ordinary	5,342	5,382
Paid-in surplus	6,584	6,366
Merger reserve	27,178	27,162
Other reserves	28	44
Shares held by ESOP trusts	(148)	(82)
Revaluation of available-for-sale investments	189	
Cash flow hedges	(185)	
Exchange differences on translation of foreign operations	4,919	5,616
Treasury shares	(1,269)	
Share-based payments	473	434
Retained earnings	35,673	31,949
BP shareholders equity (a)	78,805	76,892

Minority interest	1,106	1,343
Total equity	79,911	78,235

(a) A summary of the material adjustments to BP shareholders equity which would be required if generally accepted accounting principles in the United States had been applied instead of International Financial Reporting Standards is given in Note 15.

BP p.l.c. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS

		Three months ended March 31 (Unaudited)	
		2005	**2004**
		($ million)	
Operating activities			
Profit before taxation		9,275	6,865
Adjustments to reconcile profits before tax to net cash provided by operating activities:			
Exploration expenditure written off		84	67
Depreciation, depletion and amortization		2,288	2,163
Impairment and (gain) loss on sale of businesses and fixed assets		(952)	(1,123)
Earnings from jointly controlled entities and associates		(600)	(419)
Dividends received from jointly controlled entities and associates		355	209
Interest receivable		(65)	(55)
Interest received		35	44
Interest payable		172	98
Interest paid		(332)	(165)
Other finance expense		29	76
Share-based payments		77	58
Net operating charge for pensions and other postretirement benefits, less contributions		(10)	(23)
Net charge for provisions, less payments		(65)	(110)
(Increase) decrease in inventories		(960)	254
(Increase) decrease in trade and other receivables		(1,573)	(1,481)
Increase (decrease) in trade and other payables		2,749	1,130
Income taxes paid		(1,133)	(580)
Net cash provided by operating activities		9,374	7,008
Investing activities			
Capital expenditure		(2,825)	(2,795)
Acquisitions, net of cash acquired			
Net investment in jointly controlled entities		(15)	(1,379)
Net investment in associates		(99)	(433)
Proceeds from disposal of businesses and fixed assets		1,327	2,836
Proceeds from loan repayments		32	3
Net cash used in investing activities		(1,580)	(1,768)
Financing activities			
Net issue (repurchase) of shares		(1,933)	(1,138)
Proceeds from long-term financing		811	628
Repayments of long-term financing		(2,192)	(836)
Net (decrease) increase in short-term debt		(2,166)	(2,228)
Dividends paid	- BP shareholders	(1,823)	(1,492)
	- Minority interest	(320)	(2)
Net cash used in financing activities		(7,623)	(5,068)
Currency translation differences relating to cash and cash equivalents		(9)	3
(Decrease) increase in cash and cash equivalents		162	175
Cash and cash equivalents at beginning of period		1,359	2,056
Cash and cash equivalents at end of period		1,521	2,231

BP p.l.c. AND SUBSIDIARIES

STATEMENT OF RECOGNIZED INCOME AND EXPENSES

	Three months ended March 31 (Unaudited)	
	2005	2004
	($ million)	
Exchange differences on translation of foreign operations	(752)	242
Exchange gain on translation of foreign operations transferred to gain or loss on sale of businesses and fixed assets		(78)
Available-for-sale investments	(41)	
Cash flow hedges	(67)	
Taxation	56	(55)
Net income recognized directly in equity	(804)	109
Profit for the period	6,663	4,946
Total recognized income and expense for the period	5,859	5,055
Attributable to:		
BP shareholders	5,798	5,021
Minority interest	61	34
	5,859	5,055

BP p.l.c. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Significant accounting policies

Basis of preparation

The consolidated financial statements have been prepared on a historical cost basis, except for inventory held for trading purposes and certain derivative financial instruments that have been measured at fair value.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and entities controlled by the Company (its subsidiaries) as at December 31, each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intercompany balances and transactions, including unrealized profits arising from intra-group transactions, have been eliminated in full. Unrealized losses are eliminated unless costs cannot be recovered.

Investments in associates

An associate is an entity over which the Group is in a position to exercise significant influence, but not control or joint control, through participation in the financial and operating policy decisions of the investee.

The results and the assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group s share of net assets of the associate, less any impairment in value of individual investments. The income statement reflects the Group s share of the results of operations after tax of the associate. Where there has been a change recognized directly in the associate s equity, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

Financial statements of associates have been prepared for the same reporting period as the Group. Where necessary, adjustments are made to the financial statements of associates to bring the accounting policies used into line with those used by the Group.

Unrealized gains on transactions between the Group and its associates are eliminated to the extent of the Group s interest in the associates. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Investments in joint ventures

A jointly controlled entity is a joint venture which involves the establishment of an entity to engage in economic activity which the Group jointly controls with its fellow venturers. Joint control requires that there be a contractual agreement between the venturers sharing control over the entity; and which, among other things, requires the unanimous consent of venturers to all strategic financial and operating decisions.

The results and the assets and liabilities of jointly controlled entities are incorporated in these financial statements using the equity method of accounting. Investments in jointly controlled entities are carried in the balance sheet at cost plus post-acquisition changes in the Group s share of net assets of the jointly controlled entity, less any impairment in value of individual investments. The income statement reflects the Group s share of the results of operations after tax of the jointly controlled entity. Where there has been a change recognized directly in the jointly controlled entity s equity, the Group recognizes its share of any changes and discloses this, when applicable, in the statement of changes in equity.

Financial statements of jointly controlled entities have been prepared for the same reporting period as the Group. Where necessary, adjustments are made to the financial statements of jointly controlled entities to bring the accounting policies used into line with those used by the Group.

Unrealized gains on transactions between the Group and its jointly controlled entities are eliminated to the extent of the Group s interest in the jointly controlled entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Certain of the Group s activities, particularly in the Exploration and Production segment, are conducted through joint ventures where the venturers have a direct ownership interest in, and jointly control the assets of the venture. The results, assets and liabilities of these jointly controlled assets are included in the consolidated financial statements in proportion to the Group s interest.

Foreign currency translation

In individual companies, transactions in foreign currencies are recorded in the functional currency at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are included in the income statement. Nonmonetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into the functional currency using the rate of exchange at the date of the initial transaction. Nonmonetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency using the rate of exchange at the date the fair value was determined.

The assets and liabilities of non-US dollar functional currency subsidiaries, associates and jointly controlled entities, including related goodwill, are translated into US dollars at the rate of exchange ruling at the balance sheet date. The results and cash flows of non-US dollar functional currency subsidiaries, associates and jointly controlled entities are translated into US dollars using average rates of exchange. Exchange adjustments arising when the opening net assets and the profits for the period retained by non-US dollar functional currency subsidiaries, associates and jointly controlled entities are translated into US dollars are taken to a separate component of equity and reported in the statement of recognized income and expenses. On disposal of a foreign operation, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the income statement. Exchange gains and losses arising on long-term foreign currency borrowings used to finance the Group s foreign currency investments are also taken to equity.

Business combinations and goodwill

Business combinations are accounted for using the purchase method of accounting. The cost of an acquisition is measured as the cash paid, and the fair value of other assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. The acquired identifiable assets, liabilities and contingent liabilities are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the net fair value of the identifiable assets acquired is recognized as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to the income statement in the period of acquisition. Where the Group does not acquire 100% ownership of the acquired company, the interest of minority shareholders is stated at the minority s proportion of the fair values of the assets and liabilities recognized. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

Goodwill may also arise upon investments in associates and jointly controlled entities, being the surplus of the cost of investment over the Group s share of the net fair value of the identifiable assets. Such goodwill is recorded within investments in associates and jointly controlled entities, and any impairment of the goodwill is included within the income from associates and jointly controlled entities.

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

As at the acquisition date, any goodwill acquired is allocated to each of the cash-generating units expected to benefit from the combination s synergies. For this purpose cash-generating units are set at one level below business segment. Impairment is determined by assessing the recoverable amount of the cash-generating unit, to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized. Where goodwill forms part of a cash-generating unit and part of the operations

within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured on the basis of the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Noncurrent assets held for sale

Noncurrent assets and disposal groups classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell.

Noncurrent assets and disposal groups are classified as held for sale if their carrying amounts will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Noncurrent assets and disposal groups once classified as held for sale are not depreciated.

Property, plant and equipment

Property, plant and equipment is stated at cost less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation and the initial estimate of any decommissioning obligation. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included within property, plant and equipment.

Oil and natural gas properties are depreciated using a unit-of-production method. The cost of producing wells is amortized over proved developed reserves. Licence acquisition, decommissioning and field development costs are amortized over total proved reserves. The field development costs subject to amortization are expenditures incurred to date together with sanctioned future development expenditure.

Other property, plant and equipment is depreciated on the straight-line method over its estimated useful life.

The estimated useful lives of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

Property, plant and equipment is assessed for impairment whenever events or changes in circumstances indicate that the carrying value of an asset group may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. If an indication of impairment exists, and where the carrying value of the asset group exceeds the estimated recoverable amount, the asset group is written down to the recoverable amount. The recoverable amount is the greater of net selling price and value in use. In assessing value in use, the estimated future cash flows are adjusted for risks specific to the asset, and are discounted to their present value using a pre-tax discount rate of 9%. Impairment losses are recognized as a separate item in the income statement.

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset, which was separately depreciated and is now written off, is replaced and it is probable that future economic benefits associated with the item will flow to the Group, the expenditure is capitalized. Inspection costs associated with major maintenance programmes are capitalized and amortized over the period to the next inspection. Overhaul costs for major maintenance programmes are expensed as incurred. All other maintenance costs are expensed as incurred.

Exchanges of assets are measured at the fair value of the asset given up unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds

and the carrying amount of the item) is included in the income statement in the period the item is derecognized.

Oil and natural gas exploration and development expenditure

Oil and natural gas exploration and development expenditure is accounted for using the successful efforts method of accounting.

***Licence and property acquisition costs*.** Exploration and property leasehold acquisition costs are capitalized within intangible fixed assets and amortized on a straight-line basis over the estimated period of exploration. Each property is reviewed on an annual basis to confirm that drilling activity is planned and it is not impaired. If no future activity is planned the remaining balance of the licence and property acquisition costs is written off. Upon determination of economically recoverable reserves (proved reserves or commercial reserves), amortization ceases and the remaining costs are aggregated with exploration expenditure and held on a field-by-field basis as proved properties awaiting approval within other intangible assets. When development is approved internally, the relevant expenditure is transferred to property, plant and equipment.

***Exploration expenditure*.** Geological and geophysical exploration costs are charged against income as incurred. Costs directly associated with an exploration well are capitalized as an intangible asset until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs, delay rentals and payments made to contractors. If hydrocarbons are not found, the exploration expenditure is written off as a dry hole. If hydrocarbons are found, and, subject to further appraisal activity which may include the drilling of further wells (exploration or exploratory-type stratigraphic test wells), are likely to be capable of commercial development, the costs continue to be carried as an asset. All such carried costs are subject to technical, commercial and management review at least once a year to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proved reserves of oil and natural gas are determined and development is sanctioned, the relevant expenditure is transferred to property, plant and equipment.

***Development expenditure*.** Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalized within property, plant and equipment.

Intangible assets

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses.

Computer software, patents, licences, trademarks and other intangible assets are initially recorded at cost. Where these assets have been acquired through a business combination, this will be the fair value allocated in the acquisition accounting. Where these have been acquired other than through a business combination, the initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

Intangible assets are amortized over their useful lives on a straight-line basis. Estimated useful life is the lower of legal duration and economic useful life.

The estimated useful life of the assets is reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

As with property, plant and equipment, intangible assets are assessed for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Impairment losses for intangible assets are measured on a similar basis to impairment losses for property, plant and equipment.

Research and development costs

Research costs are expensed as incurred.

Development costs are capitalized as intangible assets when a project has obtained internal sanction and the future recoverability of such costs can reasonably be regarded as assured. Such intangible assets are reviewed for impairment at each balance sheet date before being brought into use and once brought into use are amortized on a straight-line basis over the period of the expected benefit. The asset is carried at cost less any accumulated amortization and accumulated impairment losses.

Investments

All investments are initially recognized at fair value, plus in the case of a financial asset not at-fair-value-through-profit-or-loss acquisition charges associated with the investment.

After initial recognition, investments which are classified as at-fair-value-through-profit-or-loss and available-for-sale, are measured at fair value. Gains or losses on investments classified as at-fair-value-through-profit-or-loss are recognized in income. Gains or losses on available-for-sale investments are recognized as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

For investments that are actively traded in organized financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the balance sheet date. For investments where there is no quoted market price, fair value is determined, where possible, by reference to the current market value of another instrument which is substantially the same or otherwise held at cost.

All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date that the Group commits to purchase or sell an asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

Inventories

Inventories, other than inventory held for trading purposes, are stated at the lower of cost and net realizable value. Cost is determined by the first-in first-out method and comprises direct purchase costs, cost of production, transportation and manufacturing expenses.

Inventories held for trading purposes are stated at net realizable value and any changes in net realizable value are recognized in the income statement rather than the statement of recognized income and expenses.

Supplies are valued at cost to the Group mainly using the average method or net realizable value, whichever is the lower.

Trade receivables

Trade receivables are carried at the original invoice amount less allowances made for doubtful receivables. An allowance is recorded for the difference between the carrying amount and the estimated recoverable amount.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value and have a maturity of three months or less from the date of acquisition.

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Interest-bearing loans and borrowings

All loans and borrowings are initially recognized at cost, being the fair value of the proceeds received net of issue costs associated with the borrowing.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Leases

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

Operating lease payments are recognized as an expense in the income statement on a straight-line basis over the lease term.

Derivative financial instruments

The Group uses derivative financial instruments (derivatives) to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates, and to manage some of its margin exposure from changes in oil, natural gas and power prices. Derivatives are also traded in conjunction with these risk management activities.

The purpose for which a derivative is used is identified at inception. To qualify for hedge accounting, the contract must be in accordance with established guidelines which require that the hedging relationship is documented, ensure that it is highly effective in achieving its objective, and require that its effectiveness can be reliably measured throughout its duration/term. The Group also has derivatives which are not designated as hedges and derivatives that are held for trading purposes. All derivatives are stated at fair value.

The fair values of all derivatives are remeasured at each period end. Recognition of the gain or loss that results from recording and adjusting a derivative to fair value depends on the purpose for issuing or holding the derivative. For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to profit or loss for the period.

For the purpose of hedge accounting, hedges are classified as either fair value hedges when they hedge the exposure to changes in the fair value of a recognized asset or liability; or cash flow hedges where they hedge exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a forecast transaction.

In relation to fair value hedges which meet the conditions for hedge accounting, any gain or loss from remeasuring the hedging instrument at fair value is recognized immediately in the income statement. Any gain or loss on the hedged item attributable to the hedged risk is adjusted against the carrying amount of the hedged item and recognized in the income statement. Where the adjustment is to the carrying amount of a hedged interest-bearing financial instrument, the adjustment is amortized to the net profit and loss such that it is fully amortized by maturity.

In relation to cash flow hedges of firm commitments which meet the conditions for hedge accounting, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognized directly in equity and the ineffective portion is recognized in net profit or loss.

If a cash flow hedge of a forecast transaction subsequently results in the recognition of a non-financial asset or a non-financial liability, or a forecast transaction for a non-financial asset or non-financial liability becomes a firm commitment for which fair value hedge accounting is applied, then the associated gains and losses that were recognized directly in equity are included in the initial cost or other carrying amount of the asset or liability. For all other cash flow hedges, the gains or losses that are recognized in equity are transferred to the income statement in the same period in which the hedged firm commitment affects the net profit and loss, for example when the future sale actually occurs.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gain or loss on the hedging instrument recognized in equity is kept in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognized in equity is transferred to net profit or loss for the period.

Sales and purchase contracts with pricing terms that are not closely related to the host contract are categorized as having embedded derivatives. These embedded derivatives are measured at fair value at each period end. Any gains or losses arising from changes in fair value are taken directly to net profit or loss for the period.

Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as other finance expense.

Environmental liabilities

Environmental expenditures that relate to current or future revenues are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations and do not contribute to current or future earnings are expensed.

Liabilities for environmental costs are recognized 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 recognized is the best estimate of the expenditure required. Where the liability will not be settled for a number of years the amount recognized is the present value of the estimated future expenditure.

Decommissioning

Liabilities for decommissioning costs are recognized when the Group has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that liability can be made. Where an obligation exists for a new facility, such as oil and natural gas production or transportation facilities, this will be on construction or installation. An obligation for decommissioning may also crystallize during the period of operation of a facility through a change in legislation or through a decision to terminate operations. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding item of property, plant and equipment of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the capital costs of the facility or item of plant.

Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding property, plant and equipment.

Employee benefits

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the Group. Deferred bonus arrangements which have a vesting date more than twelve months after the period end are valued on an actuarial basis using the projected unit credit method and amortized on a straight-line basis over the service period until the award vests. The accounting policy for pensions and other postretirement benefits is described below.

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the awards under matching share plan arrangements, grants of share options and awards under long-term incentive plans are recognized as an expense.

For matching share plans the expense recognized is the cost of the shares purchased as matching occurs, usually on a monthly basis.

For each share option scheme, the total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted at the date of grant. At each subsequent balance sheet date the Group calculates the estimated cumulative charge for each award having regard to any change in the number of options that are expected to vest and the expired portion of the vesting period. The change in this cumulative charge since the previous balance sheet date is expensed.

Once an option vests, no further adjustment is made to the aggregate amount expensed.

Awards under the long-term incentive plans have three separate elements, one that is dependent on market-based conditions (BP shareholder return against the market) and two that are dependent on non-market-based conditions (return on average capital employed and earnings per share growth). Consequently, it is necessary to consider these two components of the award separately. For the market-based condition element of the award, the market condition is taken into account in valuing the award at the grant date. At each subsequent balance sheet date the Group revises its estimate of the number of employees who will receive awards. It recognizes the impact of the revision of original estimates, if any, in

the income statement, and a corresponding adjustment to equity over the remaining vesting period.

For the non-market-based condition of the award, the likely award is re-assessed at each balance sheet date in relation to the expected outcome of the conditions. At the end of the vesting period, the cumulative cost recognized equates to the amount of any award.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and paid in surplus when the options are exercised.

Pensions and other postretirement benefits

For defined benefit pension and postretirement benefit plans, plan assets are measured at fair value and plan liabilities are measured on an actuarial basis using the projected unit credit method and discounted at an interest rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the plan liabilities.

The service cost of providing pension and other postretirement benefits to employees for the period is charged to the income statement. The cost of making improvements to pension and other postretirement benefits is recognized in the income statement on a straight-line basis over the period during which the increase in benefits vest. To the extent that the improvements in benefits vest immediately, the cost is recognized immediately. These costs are recognized as an expense.

A charge representing the unwinding of the discount on the plan liabilities during the period is included within other finance expense.

A credit representing the expected return on the plan assets during the period is included within other finance expense. This credit is based on the market value of the plan assets, and expected rates of return, at the beginning of the year.

Actuarial gains and losses may result from: differences between the expected return and the actual return on plan assets; differences between the actuarial assumptions underlying the plan liabilities and actual experience during the year; or changes in the actuarial assumptions used in the valuation of the plan liabilities. Actuarial gains and losses, and taxation thereon, are recognized in the statement of recognized income and expenses.

For defined contribution plans, contributions payable for the period are charged to the income statement as an operating expense.

Taxation

Tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profits for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group s liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences:

except where the deferred tax liability arises on goodwill that is not tax deductible or the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

in respect of taxable temporary differences associated with investments in subsidiaries, associates and jointly controlled entities, except where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be utilized:

except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in jointly controlled entities, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Tax relating to items recognized directly in equity is recognized in equity and not in the income statement.

Revenues, expenses and assets are recognized net of the amount of customs duties or sales tax except:

- where the customs duty or sales tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the customs duty or sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables are stated with the amount of customs duty or sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Revenue

Revenue arising from the sale of goods is recognized when the significant risks and rewards of ownership have passed to the buyer and it can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes.

Revenues associated with the sale of oil, natural gas liquids, liquefied natural gas, petroleum and chemical products and all other items are recognized when the title passes to the customer. Supply buy/sell arrangements with common counterparties are reported net as are physical exchanges. Oil and natural gas forward sales contracts are included in sales and other operating revenues. Generally, revenues from the production of oil and natural gas properties in which the Group has an interest with other producers are recognized on the basis of the Group s working interest in those properties (the entitlement method). Differences between the production sold and the Group s share of production are not significant.

Interest income is recognized as the interest accrues (using the effective interest method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument) to the net carrying amount of the financial asset.

Dividend income from investments is recognized when the shareholders right to receive the payment is established.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets, until such time as the assets are substantially

ready for their intended use.

All other borrowing costs are recognized as interest payable in the income statement in the period in which they are incurred.

Discounting

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

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

Note 2

The results for the interim periods are unaudited and in the opinion of management include all adjustments necessary for a fair presentation of the results for the periods presented. The interim financial statements and notes included in this Report should be read in conjunction with the consolidated financial statements and related notes for the year ended December 31, 2004 included in BP s Annual Report on Form 20-F filed with the Securities and Exchange Commission, which was prepared on the basis of UK GAAP. The interim financial statements and notes included in this Report are prepared on the basis of International Financial Reporting Standards, see Note 3 for further information.

Note 3 - Transition to International Financial Reporting Standards

BP will adopt International Financial Reporting Standards (IFRS) for the first time in its financial statements for the year ending December 31, 2005, which will include comparative financial statements for the years ended December 31, 2004 and 2003. IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS 1) requires that an entity develop accounting policies based on the standards and related interpretations effective at the reporting date of its first annual IFRS financial statements (that is, December 31, 2005). IFRS 1 also requires that those policies be applied as of the date of transition to IFRS (that is, January 1, 2003) and throughout all periods presented in the first IFRS financial statements. The accompanying interim financial information as of and for the three month periods ended March 31, 2005 and 2004, has been prepared in accordance with those IASB standards and IFRIC interpretations issued and effective, or issued and early-adopted, at April 26, 2005. The IASB standards and IFRIC interpretations that will be applicable at December 31, 2005, including those that will be applicable on an optional basis, are not known with certainty at the time of preparing this interim financial information. As a result, the accounting policies used to prepare these financial statements are subject to change up to the reporting date of the Company s first IFRS financial statements. In addition, BP has decided to early adopt IFRS 5 Non-current Assets Held for Sale and Discontinued Operations , IFRS 6 Exploration for and Evaluation of Mineral Resources , the amendment to IAS 19 Amendment to international accounting standard IAS 19 Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures and IFRIC 4 Determining whether an Arrangement contains a Lease .

IFRS 1 contains a number of exemptions which companies are permitted to apply. BP has elected:

not to present comparative information in accordance with IAS 32 Financial Instruments: Disclosure and Presentation and IAS 39 Financial Instruments: Recognition and Measurement .

not to restate its financial information for acquisitions occurring before January 1, 2003.

to deem cumulative translation differences to be zero at January 1, 2003.

to recognize all actuarial gains and losses on pensions and other postretirement benefits directly in shareholders equity. This is consistent with the Group s adoption of FRS 17 Retirement Benefits in 2004.

to apply IFRS 2 Share-based Payment retrospectively to all share-based payments.

As a result of the above exemptions certain changes apply from January 1, 2003 (BP s date of transition) followed by further changes (due to IAS 32 and IAS 39) to apply from January 1, 2005.

In the restatement information for the year ended December 31, 2004 and the interim periods of 2004, financial assets and financial liabilities are accounted for on the basis of UK GAAP.

Under UK GAAP, all derivatives used for trading purposes are recognized on the balance sheet at fair value. However, derivative financial instruments used for hedging purposes are recognized by applying either the accrual method or the deferral method. Under the accrual method, amounts payable or receivable in respect of derivatives are recognized ratably in earnings over the period of the contracts. Changes in the derivative s fair value are not recognized. On the deferral method, gains and losses from derivatives are deferred and recognized in earnings or as adjustments to carrying amounts as the underlying hedged transaction matures or occurs.

From January 1, 2005 for IFRS all financial assets and financial liabilities have to be recognized initially at fair value. In subsequent periods the measurement of these financial instruments depends on their classification into one of the following measurement categories: i) financial assets or financial liabilities at-fair-value-through-profit-and-loss (such as those used for trading purposes, and all derivatives which do not qualify for hedge accounting); ii) loans and receivables; iii) available-for-sale financial assets (including certain investments held for the long term) and iv) other liabilities.

The effect of adopting IAS 39 at January 1, 2005 is shown as a movement in BP s shareholders equity for 2005 see Note 12.

The principal differences for the Group between reporting on the basis of UK GAAP and on the basis of IFRS are as follows:

ceasing to amortize goodwill.

setting up deferred taxation on:

acquisitions

inventory valuation differences

unremitted earnings of subsidiaries, associates and jointly controlled entities

expensing a greater proportion of major maintenance costs.

no longer recognizing dividends proposed but not declared as a liability at the balance sheet date.

recognizing an expense for the fair value of employee share option schemes rather than the intrinsic value.

recording asset swaps on the basis of fair value.

measuring embedded derivatives at fair value.

Details of the major differences between UK GAAP and IFRS for BP, and reconciliations of UK GAAP to IFRS for its 2003 and 2004 Income and Cash Flow Statements, its Balance Sheets at January 1, 2003, December 31, 2003, December 31, 2004 and January 1, 2005 are shown under the heading First-time Adoption of International Financial Reporting Standards . In addition, the reconciliation for the 2004 interim period included in this report is shown below.

	Three months ended March 31, 2004 (Unaudited) ($ million)
Profit for the period under UK GAAP	4,862
Adjustments	
Goodwill amortization	359
Major maintenance expenditure	(32)
Share-based payments	(16)
Asset swaps	2
Recycling foreign exchange on disposal	78
Deferred tax	(313)
Other	6
Profit for the period under IFRS	4,946

	March 31, 2004 (Unaudited) ($ million)
BP shareholders equity under UK GAAP	72,829
Adjustments	
Goodwill amortization	1,789
Major maintenance expenditure	(582)
Share-based payments	215

Asset swaps	(140)
Deferred tax	(3,890)
Dividend accrual	1,485
Other	(394)
BP shareholders equity under IFRS	71,312

Note 4 - Resegmentation

With effect from January 1, 2005 there have been the following changes to the business segments reported by the Group.

(a) The petrochemicals operations have been divided between the Refining and Marketing segment and Other businesses and corporate. The aromatics and acetyls businesses and the petrochemicals assets that are integrated with our Gelsenkirchen refinery in Germany are now part of Refining and Marketing. The olefins and derivatives business is now reported within Other businesses and corporate. This segment has also been restated to include the legacy historical results of other petrochemicals assets that have been divested during 2004. The Grangemouth and Lavéra refineries have also been combined into the olefins and derivatives business to maintain current operating synergies. These changes have been made in connection with the establishment of our olefins and derivatives business as a stand-alone entity within BP, with a view towards its divestment at a later date.

(b) A small US operation, the Hobbs fractionator, which supplies petrochemicals feedstock, has been transferred from Gas, Power and Renewables to olefins and derivatives.

(c) The Mardi Gras pipeline system in the Gulf of Mexico has been transferred from Exploration and Production to Refining and Marketing.

Comparative financial and operating information is shown after resegmentation and the adoption of International Financial Reporting Standards.

Note 5 - Sales and other operating revenues

	Three months ended March 31 (Unaudited)	
	2005	**2004**
	($ million)	
By business		
Exploration and Production	10,186	8,186
Refining and Marketing	49,869	44,096
Gas, Power and Renewables	23,667	20,975
Other businesses and corporate	5,515	3,819
	89,237	77,076
Less: sales between businesses	10,239	8,615
	78,998	68,461
By geographical area		
UK	26,911	17,862
Rest of Europe	17,009	12,428

USA	34,282	31,596
Rest of World	18,706	15,822
	96,908	77,708
Less: sales between areas	17,910	9,247
	78,998	68,461

Note 6 - Operating profits are after charging:

	Three months ended March 31 (Unaudited)	
	2005	2004
	($ million, except per share amounts)	
Exploration expense		
UK	5	2
Rest of Europe	1	2
USA	103	97
Rest of World	51	35
	160	136
Production and similar taxes (a)		
UK	114	126
Overseas	535	399
	649	525

(a) Production taxes are charged against Exploration and Production s operating profit.

Note 7 - Interest payable

Group interest payable	191	148
Capitalized	(76)	(50)
	115	98
Early redemption of finance leases	57	
	172	98

Note 8 - Other finance expense

Interest on pension and other postretirement benefit plan liabilities	514	500
Expected return on pension and other postretirement benefit plan assets	(547)	(498)
Interest net of expected return on plan assets	(33)	2
Unwinding of discount on provisions	45	48
Unwinding of discount on deferred consideration for acquisition of investment in TNK-BP	17	26
	29	76

Note 9 - Dividends paid

Dividends per ordinary share		
cents	8.50	6.75
pence	4.522	3.674
Dividends per ADS (cents)	51.0	40.5

Note 10 - Business and geographical analysis

By business	Exploration and Production	Refining and Marketing	Gas, Power and Renewables	Other businesses and corporate	Consolidation adjustment and eliminations	Total
			(Unaudited) ($ million)			
Three months ended March 31, 2005						
Sales and other operating revenues						
- third parties	2,490	49,539	22,988	3,981		78,998
- sales between businesses	7,696	330	679	1,534	(10,239)	
	10,186	49,869	23,667	5,515	(10,239)	78,998
Equity-accounted income	554	49	1	(4)		600
Profit (loss) before interest and tax	6,491	2,363	418	357	(153)	9,476
Capital expenditure and acquisitions	2,301	331	21	175		2,828
Three months ended March 31, 2004						
Sales and other operating revenues						
- third parties	2,416	43,009	20,422	2,614		68,461
- sales between businesses	5,770	1,087	553	1,205	(8,615)	
	8,186	44,096	20,975	3,819	(8,615)	68,461
Equity-accounted income	345	69	(2)	7		419
Profit (loss) before interest and tax	4,250	1,473	191	1,191	(66)	7,039
Capital expenditure and acquisitions	3,764	381	60	166		4,371

By geographical area	UK	Rest of Europe	USA	Rest of World	Eliminations	Total
			(Unaudited) ($ million)			
Three months ended March 31, 2005						
Sales and other operating revenues						
- third parties	16,528	13,519	33,376	15,575		78,998
- sales between areas	10,383	3,490	906	3,131	(17,910)	
	26,911	17,009	34,282	18,706	(17,910)	78,998
Equity-accounted income	15	2	16	567		600
Profit before interest and tax	640	2,539	3,576	2,721		9,476
Capital expenditure and acquisitions	295	119	1,264	1,150		2,828
Three months ended March 31, 2004						
Sales and other operating revenues						
- third parties	12,122	10,727	31,107	14,505		68,461
- sales between areas	5,740	1,701	489	1,317	(9,247)	
	17,862	12,428	31,596	15,822	(9,247)	68,461
Equity-accounted income	2	5	14	398		419
Profit before interest and tax	492	719	2,423	3,405		7,039
Capital expenditure and acquisitions	247	154	1,165	2,805		4,371

Note 11 - Analysis of changes in net debt

	Three months ended March 31 (Unaudited)	
	2005	2004
	($ million)	
Opening balance		
Finance debt	23,091	22,325
Less: Cash and cash equivalents	1,359	2,056
Opening net debt	21,732	20,269
Closing balance		
Finance debt	19,564	19,937
Less: Cash and cash equivalents	1,521	2,231
Closing net debt	18,043	17,706
Decrease (increase) in net debt	3,689	2,563
Movement in cash and cash equivalents (excluding exchange adjustments)	171	172
Net cash outflow (inflow) from financing (excluding share capital)	3,547	2,436
Adoption of IAS 39	(147)	
Fair value hedge adjustment	98	
Other movements	49	38
Movement in net debt before exchange effects	3,718	2,646
Exchange adjustments	(29)	(83)
Decrease (increase) in net debt	3,689	2,563

Note 12 - Movement in BP shareholders equity

	(Unaudited) ($ million)
Balance at December 31, 2004	76,892
Adoption of IAS 39	(243)
As restated at January 1, 2005	76,649
Profit for the period	6,602
Distribution to shareholders	(1,823)
Currency translation differences (net of tax)	(696)
Issue of ordinary share capital for employee share schemes	207
Purchase of shares by ESOP trusts	(141)
Share-based payment accrual (net of tax)	114
Available-for-sale investments (net of tax)	(41)
Cash flow hedges (net of tax)	(67)
Repurchase of ordinary share capital	(1,999)
Balance at March 31, 2005	78,805

Note 13 - Earnings per share

The calculation of basic earnings per ordinary share is based on the profit attributable to ordinary shareholders, i.e., profit for the period less preference dividends, related to the weighted average number of ordinary shares outstanding during the period. The average number of shares outstanding excludes the shares held by the Employee Share Ownership Plans.

The calculation of diluted earnings per share is based on profit attributable to ordinary shareholders, adjusted for the unwinding of the discount on the deferred consideration for the acquisition of our interest in TNK-BP. The number of shares outstanding is adjusted to show the potential dilution if employee share options are converted into ordinary shares, and for the ordinary shares issuable, in two further annual tranches, in respect of the TNK-BP joint venture. The first of the three tranches in respect of TNK-BP was issued during the third quarter of 2004. The number of ordinary shares outstanding for basic and diluted earnings per share may be reconciled as follows:

	Three months ended March 31 (Unaudited)	
	2005	2004
	(shares thousands)	
Weighted average number of ordinary shares	21,441,285	22,087,796
Ordinary shares issuable under employee share schemes	81,096	51,752
Ordinary shares issuable as consideration for BP s interest in the TNK-BP joint venture	261,603	508,783
	21,783,984	22,648,331

Note 14 - Pension and other postretirement benefits

	Three months ended March 31, 2005 (Unaudited)			
	UK	US	Other	Total
	($ million)			
Current service cost	99	65	32	196
Past service cost	4		1	5
Settlement, curtailment and special termination benefits	5		2	7
Payments to defined contribution plans		51	3	54
Total operating charge	108	116	38	262
Expected return on plan assets	(379)	(139)	(29)	(547)
Interest on plan liabilities	261	161	92	514
Other finance (income) expense	(118)	22	63	(33)

	Three months ended March 31, 2004 (Unaudited)			
	UK	US	Other	Total
	($ million)			
Current service cost	95	67	28	190
Past service cost				
Settlement, curtailment and special termination benefits				
Payments to defined contribution plans		45	1	46
Total operating charge	95	112	29	236
Expected return on plan assets	(340)	(131)	(27)	(498)
Interest on plan liabilities	247	169	84	500
Other finance (income) expense	(93)	38	57	2

Note 15 - US generally accepted accounting principles

The consolidated financial statements of the BP Group are prepared in accordance with International Financial Reporting Standards (IFRS) which differ in certain respects from US generally accepted accounting principles (US GAAP). The principal differences between US GAAP and IFRS for BP Group reporting relate to the following:

(i) Deferred taxation/business combinations

IFRS requires the recognition of a deferred tax asset or liability for the tax effects of differences between the assigned values and the tax bases of assets acquired and liabilities assumed in a business combination. This adjustment is offset by an equivalent adjustment to goodwill or, on first-time adoption of IFRS, in retained earnings. Under US GAAP, the adjustment is reflected in the carrying value of the asset or liability concerned.

The adjustments to profit for the period and to BP shareholders equity to accord with US GAAP are summarized below.

Increase (decrease) in caption heading

	Three months ended March 31 (Unaudited)	
	2005	**2004**
	($ million)	
Depreciation, depletion and amortization	21	157
Taxation	63	(297)
Profit for the period	(84)	140

	At March 31, 2005 (Unaudited)	At December 31, 2004 (Unaudited)
	($ million)	
Property, plant and equipment	4,031	4,052
Deferred tax liabilities	1,552	1,489
BP shareholders equity	2,479	2,563

(ii) Provisions

IFRS requires provisions for decommissioning, environmental liabilities and onerous contracts to be determined on a discounted basis if the effect of the time value of money is material. The provisions for decommissioning and environmental liabilities are estimated using costs based on current prices and discounted using real discount rates. Unwinding of the discount and the effect of a change in the discount rate is included in other finance expense in the period. When a decommissioning provision is set up, an item of property, plant and equipment of the same amount is also recognized and is subsequently depreciated as part of the capital costs of the facilities.

US GAAP requires companies to record liabilities equal to the fair value of their asset retirement obligations when they are incurred (typically when the asset is installed at the production location). When the liability is initially recorded, companies capitalize an equivalent amount as part of the cost of the asset. Over time the liability is accreted for the change in its present value each period, and the initial capitalized cost is depreciated over the useful life of the related asset. Unwinding of the discount is included in operating profit for the period.

The provisions for decommissioning under US GAAP are set up on a similar basis to IFRS except that estimated future cash outflows are discounted using a credit-adjusted risk-free rate rather than a real discount rate.

Under US GAAP environmental liabilities are discounted only where the timing and amounts of payments are fixed and reliably determinable.

In addition, use of different oil and natural gas reserve volumes (see (iii)) results in different field lives and hence different decommissioning provisions under IFRS and US GAAP.