

Consolidated financial statements of the BP group

Statement of directors' responsibilities in respect of the consolidated financial statements

The directors are responsible for preparing the Annual Report and the consolidated financial statements in accordance with applicable United Kingdom law, International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and IFRS as adopted by the European Union.

The directors are required to prepare financial statements for each financial year that present fairly the financial position of the group and the financial performance and cash flows of the group for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently.
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information.
- Provide additional disclosure when compliance with the specific requirements of IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the group's financial position and financial performance.
- State that the company has complied with IFRS, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The group's business activities, performance, position and risks are set out in this report. The financial position of the group, its cash flows, liquidity position and borrowing facilities are detailed in the appropriate sections on pages 61 to 63 and elsewhere in the notes on financial statements. The report also includes details of the group's risk mitigation and management. The group has considerable financial resources, and the directors believe that the group is well placed to manage its business risks successfully. After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

Having made the requisite enquiries, so far as the directors are aware, there is no relevant audit information (as defined by Section 418(3) of the Companies Act 2006) of which the group's auditors are unaware, and the directors have taken all the steps they ought to have taken to make themselves aware of any relevant audit information and to establish that the group's auditors are aware of that information.

The directors confirm that to the best of their knowledge:

- The consolidated financial statements, prepared in accordance with IFRS as issued by the International Accounting Standards Board, IFRS as adopted by the European Union and in accordance with the provisions of the Companies Act 2006, give a true and fair view of the assets, liabilities, financial position and profit of the group; and
- The management report, which is incorporated in the directors' report, includes a fair review of the development and performance of the business and the position of the group, together with a description of the principal risks and uncertainties.

Independent auditor's report to the members of BP p.l.c.

We have audited the consolidated financial statements of BP p.l.c. for the year ended 31 December 2009 which comprise the group income statement, the group statement of comprehensive income, the group statement of changes in equity, the group balance sheet, the group cash flow statement and the related notes 1 to 43. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of directors' responsibilities in respect of the consolidated financial statements set out on page 110, the directors are responsible for the preparation of the consolidated financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the consolidated financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the consolidated financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2009 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Separate opinion in relation to IFRS as issued by the International Accounting Standards Board

As explained in Note 1 to the consolidated financial statements, the group in addition to complying with its legal obligation to apply IFRS as adopted by the European Union, has also applied IFRS as issued by the International Accounting Standards Board (IASB).

In our opinion the consolidated financial statements comply with IFRS as issued by the IASB.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the consolidated financial statements are prepared is consistent with the consolidated financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement, set out on page 110, in relation to going concern; and
- the part of the BP board performance report relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter

We have reported separately on the parent company financial statements of BP p.l.c. for the year ended 31 December 2009 and on the information in the Directors' remuneration report that is described as having been audited.

Ernst & Young LLP

Allister Wilson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory auditor
London
26 February 2010

The maintenance and integrity of the BP p.l.c. website are the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



Group income statement

For the year ended 31 December

		\$ million		
	Note	2009	2008	2007
Sales and other operating revenues	4	239,272	361,143	284,365
Earnings from jointly controlled entities – after interest and tax		1,286	3,023	3,135
Earnings from associates – after interest and tax		2,615	798	697
Interest and other income	5	792	736	754
Gains on sale of businesses and fixed assets	3	2,173	1,353	2,487
Total revenues and other income		246,138	367,053	291,438
Purchases		163,772	266,982	200,766
Production and manufacturing expenses	6	23,202	26,756	24,225
Production and similar taxes	6	3,752	8,953	5,703
Depreciation, depletion and amortization	7	12,106	10,985	10,579
Impairment and losses on sale of businesses and fixed assets	3	2,333	1,733	1,679
Exploration expense	13	1,116	882	756
Distribution and administration expenses	9	14,038	15,412	15,371
Fair value (gain) loss on embedded derivatives	31	(607)	111	7
Profit before interest and taxation		26,426	35,239	32,352
Finance costs	15	1,110	1,547	1,393
Net finance expense (income) relating to pensions and other post-retirement benefits	35	192	(591)	(652)
Profit before taxation		25,124	34,283	31,611
Taxation	16	8,365	12,617	10,442
Profit for the year		16,759	21,666	21,169
Attributable to				
BP shareholders		16,578	21,157	20,845
Minority interest		181	509	324
Earnings per share – cents				
Profit for the year attributable to BP shareholders				
Basic	18	88.49	112.59	108.76
Diluted	18	87.54	111.56	107.84

Group statement of comprehensive income

For the year ended 31 December		\$ million		
	Note	2009	2008	2007
Profit for the year		16,759	21,666	21,169
Currency translation differences		1,826	(4,362)	1,887
Exchange gains on translation of foreign operations transferred to gain or loss on sale of businesses and fixed assets	3	(27)	–	(147)
Actuarial (loss) gain relating to pensions and other post-retirement benefits	35	(682)	(8,430)	1,717
Available-for-sale investments marked to market		705	(994)	200
Available-for-sale investments – recycled to the income statement		2	526	(91)
Cash flow hedges marked to market		652	(1,173)	155
Cash flow hedges – recycled to the income statement		366	45	(74)
Cash flow hedges – recycled to the balance sheet		136	(38)	(40)
Taxation	37	525	2,946	(276)
Other comprehensive income		3,503	(11,480)	3,331
Total comprehensive income		20,262	10,186	24,500
Attributable to				
BP shareholders		20,137	9,752	24,152
Minority interest		125	434	348
		20,262	10,186	24,500

Group statement of changes in equity

	2009			2008			2007		
	BP shareholders' equity	Minority interest	Total equity	BP shareholders' equity	Minority interest	Total equity	BP shareholders' equity	Minority interest	Total equity
At 1 January	91,303	806	92,109	93,690	962	94,652	84,624	841	85,465
Total comprehensive income	20,137	125	20,262	9,752	434	10,186	24,152	348	24,500
Dividends	(10,483)	(416)	(10,899)	(10,342)	(425)	(10,767)	(8,106)	(227)	(8,333)
Repurchase of ordinary share capital	–	–	–	(2,414)	–	(2,414)	(7,997)	–	(7,997)
Share-based payments (net of tax)	721	–	721	617	–	617	1,017	–	1,017
Changes in associates' equity	(43)	–	(43)	–	–	–	–	–	–
Minority interest buyout	(22)	(15)	(37)	–	(165)	(165)	–	–	–
At 31 December	101,613	500	102,113	91,303	806	92,109	93,690	962	94,652



Group balance sheet

At 31 December		\$ million	
	Note	2009	2008
Non-current assets			
Property, plant and equipment	19	108,275	103,200
Goodwill	20	8,620	9,878
Intangible assets	21	11,548	10,260
Investments in jointly controlled entities	22	15,296	23,826
Investments in associates	23	12,963	4,000
Other investments	25	1,567	855
Fixed assets		158,269	152,019
Loans		1,039	995
Other receivables	27	1,729	710
Derivative financial instruments	31	3,965	5,054
Prepayments		1,407	1,338
Deferred tax assets	16	516	–
Defined benefit pension plan surpluses	35	1,390	1,738
		168,315	161,854
Current assets			
Loans		249	168
Inventories	26	22,605	16,821
Trade and other receivables	27	29,531	29,261
Derivative financial instruments	31	4,967	8,510
Prepayments		1,753	3,050
Current tax receivable		209	377
Cash and cash equivalents	28	8,339	8,197
		67,653	66,384
Total assets		235,968	228,238
Current liabilities			
Trade and other payables	30	35,204	33,644
Derivative financial instruments	31	4,681	8,977
Accruals		6,202	6,743
Finance debt	32	9,109	15,740
Current tax payable		2,464	3,144
Provisions	34	1,660	1,545
		59,320	69,793
Non-current liabilities			
Other payables	30	3,198	3,080
Derivative financial instruments	31	3,474	6,271
Accruals		703	784
Finance debt	32	25,518	17,464
Deferred tax liabilities	16	18,662	16,198
Provisions	34	12,970	12,108
Defined benefit pension plan and other post-retirement benefit plan deficits	35	10,010	10,431
		74,535	66,336
Total liabilities		133,855	136,129
Net assets		102,113	92,109
Equity			
Share capital	36	5,179	5,176
Reserves		96,434	86,127
BP shareholders' equity	37	101,613	91,303
Minority interest	37	500	806
Total equity	37	102,113	92,109

C-H Svanberg Chairman
 Dr A B Hayward Group Chief Executive
 26 February 2010



Group cash flow statement

For the year ended 31 December

		\$ million		
	Note	2009	2008	2007
Operating activities				
Profit before taxation		25,124	34,283	31,611
Adjustments to reconcile profit before taxation to net cash provided by operating activities				
Exploration expenditure written off	13	593	385	347
Depreciation, depletion and amortization	7	12,106	10,985	10,579
Impairment and (gain) loss on sale of businesses and fixed assets	3	160	380	(808)
Earnings from jointly controlled entities and associates		(3,901)	(3,821)	(3,832)
Dividends received from jointly controlled entities and associates		3,003	3,728	2,473
Interest receivable		(258)	(407)	(489)
Interest received		203	385	500
Finance costs	15	1,110	1,547	1,393
Interest paid		(909)	(1,291)	(1,363)
Net finance expense (income) relating to pensions and other post-retirement benefits	35	192	(591)	(652)
Share-based payments		450	459	420
Net operating charge for pensions and other post-retirement benefits, less contributions and benefit payments for unfunded plans		(887)	(173)	(404)
Net charge for provisions, less payments		650	(298)	(92)
(Increase) decrease in inventories		(5,363)	9,010	(7,255)
Decrease in other current and non-current assets		7,595	2,439	5,210
Decrease in other current and non-current liabilities		(5,828)	(6,101)	(3,857)
Income taxes paid		(6,324)	(12,824)	(9,072)
Net cash provided by operating activities		27,716	38,095	24,709
Investing activities				
Capital expenditure		(20,650)	(22,658)	(17,830)
Acquisitions, net of cash acquired		1	(395)	(1,225)
Investment in jointly controlled entities		(578)	(1,009)	(428)
Investment in associates		(164)	(81)	(187)
Proceeds from disposals of fixed assets	3	1,715	918	1,749
Proceeds from disposals of businesses, net of cash disposed	3	966	11	2,518
Proceeds from loan repayments		530	647	192
Other		47	(200)	374
Net cash used in investing activities		(18,133)	(22,767)	(14,837)
Financing activities				
Net issue (repurchase) of shares		207	(2,567)	(7,113)
Proceeds from long-term financing		11,567	7,961	8,109
Repayments of long-term financing		(6,021)	(3,821)	(3,192)
Net increase (decrease) in short-term debt		(4,405)	(1,315)	1,494
Dividends paid				
BP shareholders	17	(10,483)	(10,342)	(8,106)
Minority interest		(416)	(425)	(227)
Net cash used in financing activities		(9,551)	(10,509)	(9,035)
Currency translation differences relating to cash and cash equivalents		110	(184)	135
Increase in cash and cash equivalents		142	4,635	972
Cash and cash equivalents at beginning of year		8,197	3,562	2,590
Cash and cash equivalents at end of year		8,339	8,197	3,562