

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 consolidated 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 consolidated 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 directors draw attention to Notes 2, 37 and 44 on the financial statements which describe the uncertainties surrounding the amounts and timings of liabilities arising from the Gulf of Mexico oil spill.

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 63 to 67 and elsewhere in the notes on financial statements. The report also includes details of the group's risk mitigation and management. Information on the Gulf of Mexico oil spill and BP's response is included on pages 34 to 39 and elsewhere in this report, including Corporate responsibility on pages 68 to 76. 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 or loss 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 on the Annual Report and Accounts 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 2010 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 46. 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 142, 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 and express an opinion on 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 2010 and of its loss 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 applying 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.

Emphasis of matter – significant uncertainty over provisions and contingencies related to the Gulf of Mexico oil spill

In forming our opinion we have considered the adequacy of the disclosures made in Notes 2, 37 and 44 to the financial statements concerning the provisions, future expenditures for which reliable estimates cannot be made and other contingencies related to the Gulf of Mexico oil spill significant event. The total amounts that will ultimately be paid by BP in relation to all obligations relating to the incident are subject to significant uncertainty and the ultimate exposure and cost to BP will be dependent on many factors. Actual costs could ultimately be significantly higher or lower than those recorded as the claims and settlement process progresses. Our opinion is not qualified in respect of these matters.

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 142, in relation to going concern;
- 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; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

Other matter

We have reported separately on the parent company financial statements of BP p.l.c. for the year ended 31 December 2010 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
2 March 2011

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.

This page does not form part of BP's Annual Report on Form 20-F as filed with the SEC.

Report of Independent Registered Public Accounting Firm on the Annual Report on Form 20-F

The Board of Directors and Shareholders of BP p.l.c.

We have audited the accompanying group balance sheets of BP p.l.c. as of 31 December 2010 and 2009, and the related group income statement, group cash flow statement, group statement of comprehensive income and group statement of changes in equity, for each of the three years in the period ended 31 December 2010. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the group financial position of BP p.l.c. at 31 December 2010 and 2009, and the group results of operations and cash flows for each of the three years in the period ended 31 December 2010, in accordance with International Financial Reporting Standards as adopted by the European Union and International Financial Reporting Standards as issued by the International Accounting Standards Board.

In forming our opinion we have considered the adequacy of the disclosures made in Notes 2, 37 and 44 to the financial statements concerning the provisions, future expenditures for which reliable estimates cannot be made and other contingencies related to the Gulf of Mexico oil spill significant event. The total amounts that will ultimately be paid by BP in relation to all obligations relating to the incident are subject to significant uncertainty and the ultimate exposure and cost to BP will be dependent on many factors. Actual costs could ultimately be significantly higher or lower than those recorded as the claims and settlement process progresses. Our opinion is not qualified in respect of these matters.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), BP p.l.c.'s internal control over financial reporting as of 31 December 2010, based on criteria established in the Internal Control: Revised Guidance for Directors on the Combined Code (Turnbull) as issued by the Institute of Chartered Accountants in England and Wales (the Turnbull criteria) and our report dated 2 March 2011 expressed an unqualified opinion thereon.

/s/ERNST & YOUNG LLP

Ernst & Young LLP

London, England

2 March 2011

Report of Independent Registered Public Accounting Firm on the Annual Report on Form 20-F

The Board of Directors and Shareholders of BP p.l.c.

We have audited BP p.l.c.'s internal control over financial reporting as of 31 December 2010, based on criteria established in Internal Control: Revised Guidance for Directors on the Combined Code (Turnbull) as issued by the Institute of Chartered Accountants in England and Wales (the Turnbull criteria). BP p.l.c.'s management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's report on internal control over financial reporting on page 106. Our responsibility is to express an opinion on the company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, BP p.l.c. maintained, in all material respects, effective internal control over financial reporting as of 31 December 2010, based on the Turnbull criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the group balance sheets of BP p.l.c. as of 31 December 2010 and 2009, and the related group income statement, group cash flow statement, group statement of comprehensive income and group statement of changes in equity, for each of the three years in the period ended 31 December 2010, and our report dated 2 March 2011 expressed an unqualified opinion thereon.

/s/ERNST & YOUNG LLP

Ernst & Young LLP
London, England
2 March 2011

Consent of independent registered public accounting firm

We consent to the incorporation by reference of our reports dated 2 March 2011 with respect to the group financial statements of BP p.l.c., and the effectiveness of internal control over financial reporting of BP p.l.c., included in this Annual Report (Form 20-F) for the year ended 31 December 2010 in the following registration statements:

Registration Statement on Form F-3 (File No. 333-157906) of BP Capital Markets p.l.c. and BP p.l.c.; and

Registration Statements on Form S-8 (File Nos. 333-149778, 333-119934, 333-103923, 333-79399, 333-67206, 333-102583, 333-103924, 333-123482, 333-123483, 333-131583, 333-146868, 333-146870, 333-146873, 333-131584 and 333-132619) of BP p.l.c.

/s/ERNST & YOUNG LLP

Ernst & Young LLP
London, England
2 March 2011

Group income statement

For the year ended 31 December

		\$ million		
	Note	2010	2009	2008
Sales and other operating revenues	7	297,107	239,272	361,143
Earnings from jointly controlled entities – after interest and tax		1,175	1,286	3,023
Earnings from associates – after interest and tax		3,582	2,615	798
Interest and other income	8	681	792	736
Gains on sale of businesses and fixed assets	5	6,383	2,173	1,353
Total revenues and other income		308,928	246,138	367,053
Purchases		216,211	163,772	266,982
Production and manufacturing expenses ^a		64,615	23,202	26,756
Production and similar taxes	9	5,244	3,752	8,953
Depreciation, depletion and amortization	10	11,164	12,106	10,985
Impairment and losses on sale of businesses and fixed assets	5	1,689	2,333	1,733
Exploration expense	16	843	1,116	882
Distribution and administration expenses	12	12,555	14,038	15,412
Fair value (gain) loss on embedded derivatives	34	309	(607)	111
Profit (loss) before interest and taxation		(3,702)	26,426	35,239
Finance costs ^a	18	1,170	1,110	1,547
Net finance expense (income) relating to pensions and other post-retirement benefits	38	(47)	192	(591)
Profit (loss) before taxation		(4,825)	25,124	34,283
Taxation ^a	19	(1,501)	8,365	12,617
Profit (loss) for the year		(3,324)	16,759	21,666
Attributable to				
BP shareholders		(3,719)	16,578	21,157
Minority interest		395	181	509
		(3,324)	16,759	21,666
Earnings per share – cents				
Profit (loss) for the year attributable to BP shareholders				
Basic	21	(19.81)	88.49	112.59
Diluted	21	(19.81)	87.54	111.56

^aSee Note 2 for information on the impact of the Gulf of Mexico oil spill on the income statement line items.

Group statement of comprehensive income

For the year ended 31 December		\$ million		
	Note	2010	2009	2008
Profit (loss) for the year		(3,324)	16,759	21,666
Currency translation differences		259	1,826	(4,362)
Exchange gains on translation of foreign operations transferred to gain or loss on sale of businesses and fixed assets		(20)	(27)	–
Actuarial loss relating to pensions and other post-retirement benefits	38	(320)	(682)	(8,430)
Available-for-sale investments marked to market		(191)	705	(994)
Available-for-sale investments – recycled to the income statement		(150)	2	526
Cash flow hedges marked to market		(65)	652	(1,173)
Cash flow hedges – recycled to the income statement		(25)	366	45
Cash flow hedges – recycled to the balance sheet		53	136	(38)
Taxation	19	(137)	525	2,946
Other comprehensive income		(596)	3,503	(11,480)
Total comprehensive income		(3,920)	20,262	10,186
Attributable to				
BP shareholders		(4,318)	20,137	9,752
Minority interest		398	125	434
		(3,920)	20,262	10,186

Group statement of changes in equity

	2010			2009			2008		
	BP shareholders' equity	Minority interest	Total equity	BP shareholders' equity	Minority interest	Total equity	BP shareholders' equity	Minority interest	Total equity
At 1 January	101,613	500	102,113	91,303	806	92,109	93,690	962	94,652
Total comprehensive income	(4,318)	398	(3,920)	20,137	125	20,262	9,752	434	10,186
Dividends	(2,627)	(315)	(2,942)	(10,483)	(416)	(10,899)	(10,342)	(425)	(10,767)
Repurchase of ordinary share capital	–	–	–	–	–	–	(2,414)	–	(2,414)
Share-based payments (net of tax)	339	–	339	721	–	721	617	–	617
Changes in associates' equity	–	–	–	(43)	–	(43)	–	–	–
Transactions involving minority interests	(20)	321	301	(22)	(15)	(37)	–	(165)	(165)
At 31 December	94,987	904	95,891	101,613	500	102,113	91,303	806	92,109

Group balance sheet

At 31 December

		\$ million	
	Note	2010	2009
Non-current assets			
Property, plant and equipment	22	110,163	108,275
Goodwill	23	8,598	8,620
Intangible assets	24	14,298	11,548
Investments in jointly controlled entities	25	12,286	15,296
Investments in associates	26	13,335	12,963
Other investments	28	1,191	1,567
		159,871	158,269
Fixed assets		894	1,039
Loans		6,298	1,729
Other receivables	30	4,210	3,965
Derivative financial instruments	34	1,432	1,407
Prepayments		528	516
Deferred tax assets	19	2,176	1,390
Defined benefit pension plan surpluses	38	175,409	168,315
		247	249
Current assets			
Loans		26,218	22,605
Inventories	29	36,549	29,531
Trade and other receivables	30	4,356	4,967
Derivative financial instruments	34	1,574	1,753
Prepayments		693	209
Current tax receivable		1,532	–
Other investments	28	18,556	8,339
Cash and cash equivalents	31	89,725	67,653
		7,128	–
Assets classified as held for sale			
	4	96,853	67,653
		272,262	235,968
Total assets			
Current liabilities			
Trade and other payables	33	46,329	35,204
Derivative financial instruments	34	3,856	4,681
Accruals		5,612	6,202
Finance debt	35	14,626	9,109
Current tax payable		2,920	2,464
Provisions	37	9,489	1,660
		82,832	59,320
Liabilities directly associated with assets classified as held for sale			
	4	1,047	–
		83,879	59,320
Non-current liabilities			
Other payables	33	14,285	3,198
Derivative financial instruments	34	3,677	3,474
Accruals		637	703
Finance debt	35	30,710	25,518
Deferred tax liabilities	19	10,908	18,662
Provisions	37	22,418	12,970
Defined benefit pension plan and other post-retirement benefit plan deficits	38	9,857	10,010
		92,492	74,535
Total liabilities			
		176,371	133,855
Net assets			
		95,891	102,113
Equity			
Share capital	39	5,183	5,179
Reserves		89,804	96,434
BP shareholders' equity	40	94,987	101,613
Minority interest	40	904	500
Total equity			
	40	95,891	102,113

C-H Svanberg Chairman
 R W Dudley Group Chief Executive
 2 March 2011

Group cash flow statement

For the year ended 31 December		\$ million		
	Note	2010	2009	2008
Operating activities				
Profit (loss) before taxation		(4,825)	25,124	34,283
Adjustments to reconcile profit (loss) before taxation to net cash provided by operating activities				
Exploration expenditure written off	16	375	593	385
Depreciation, depletion and amortization	10	11,164	12,106	10,985
Impairment and (gain) loss on sale of businesses and fixed assets	5	(4,694)	160	380
Earnings from jointly controlled entities and associates		(4,757)	(3,901)	(3,821)
Dividends received from jointly controlled entities and associates		3,277	3,003	3,728
Interest receivable		(277)	(258)	(407)
Interest received		205	203	385
Finance costs	18	1,170	1,110	1,547
Interest paid		(912)	(909)	(1,291)
Net finance expense (income) relating to pensions and other post-retirement benefits	38	(47)	192	(591)
Share-based payments		197	450	459
Net operating charge for pensions and other post-retirement benefits, less contributions and benefit payments for unfunded plans		(959)	(887)	(173)
Net charge for provisions, less payments		19,217	650	(298)
(Increase) decrease in inventories		(3,895)	(5,363)	9,010
(Increase) decrease in other current and non-current assets		(15,620)	7,595	2,439
Increase (decrease) in other current and non-current liabilities		20,607	(5,828)	(6,101)
Income taxes paid		(6,610)	(6,324)	(12,824)
Net cash provided by operating activities		13,616	27,716	38,095
Investing activities				
Capital expenditure		(18,421)	(20,650)	(22,658)
Acquisitions, net of cash acquired		(2,468)	1	(395)
Investment in jointly controlled entities		(461)	(578)	(1,009)
Investment in associates		(65)	(164)	(81)
Proceeds from disposals of fixed assets	5	7,492	1,715	918
Proceeds from disposals of businesses, net of cash disposed	5	9,462	966	11
Proceeds from loan repayments		501	530	647
Other		–	47	(200)
Net cash used in investing activities		(3,960)	(18,133)	(22,767)
Financing activities				
Net issue (repurchase) of shares		169	207	(2,567)
Proceeds from long-term financing		11,934	11,567	7,961
Repayments of long-term financing		(4,702)	(6,021)	(3,821)
Net decrease in short-term debt		(3,619)	(4,405)	(1,315)
Dividends paid				
BP shareholders		(2,627)	(10,483)	(10,342)
Minority interest		(315)	(416)	(425)
Net cash provided by (used in) financing activities		840	(9,551)	(10,509)
Currency translation differences relating to cash and cash equivalents		(279)	110	(184)
Increase in cash and cash equivalents		10,217	142	4,635
Cash and cash equivalents at beginning of year		8,339	8,197	3,562
Cash and cash equivalents at end of year		18,556	8,339	8,197