

**BP Australia Group
Pty Ltd**

A.C.N. 007 412 553

**Annual Financial Report
for the Year Ended 31 December 2007**

BP AUSTRALIA GROUP PTY LTD

CORPORATE INFORMATION

ACN 007 412 553

BOARD OF DIRECTORS

G.R. Hueston

SECRETARIES

R.W. Venner (resigned 29/06/07)

S.C. Broe

M. J. O'Brien

DOMICILE AND PLACE OF INCORPORATION

Australia

HEAD OFFICE

Levels 26 and 28-31, The Tower, Melbourne Central,
360 Elizabeth Street, Melbourne, 3000
(03 9268 4111)

REGISTERED OFFICE

Level 29, The Tower, Melbourne Central,
360 Elizabeth Street, Melbourne, 3000
(03 9268-4844)

BANKERS TO THE GROUP

Australia and New Zealand Banking Group Limited
National Australia Bank

SOLICITORS

Corrs Chambers Westgarth

AUDITORS

Ernst & Young
Australia

BP AUSTRALIA GROUP PTY LTD

DIRECTORS' REPORT (continued)

Your director submits his report for the year ended 31 December 2007.

DIRECTORS

The name and details of the Company director in office during the financial year and until the date of this report is as follows. The director was in office for this entire period.

G.R. Hueston

CORPORATE STRUCTURE

BP Australia Group Pty Ltd is a company domiciled in Australia. Its Australian parent entity is BP Regional Australasia Holdings Pty Ltd. Its ultimate parent company is BP p.l.c.

BP Australia Group Pty Ltd has prepared a consolidated financial report incorporating the entities that it controlled during the financial year.

EMPLOYEES

The Consolidated Entity employed 5,368 people as at 31 December 2007 (2006: 5,252 employees).

PRINCIPAL ACTIVITIES

The principal activities of the Consolidated Entity constituted by the Company and the entities it controlled from time to time during the financial year were the exploration for and production of oil, natural gas and liquefied natural gas, and the refining, transportation and marketing of petroleum and lubricant products, sealants and waxes as well as power trading and the manufacture and marketing of photovoltaic cells and related solar powered equipment.

REVIEW AND RESULTS OF OPERATIONS

The financial report of the Consolidated Entity for the year shows an operating profit before income tax of \$1,895.5 million (2006: \$1,441.6 million profit). The profit of the Consolidated Entity for the year after income tax was \$1,431.2 million (2006: \$1,010.3 million profit).

The Consolidated Entity, through its subsidiary BP Developments Australia Pty Limited, is one of six equal partners in the North West Shelf (NWS) Venture alongside Woodside Offshore Petroleum, BHP Billiton, ChevronTexaco, Japan Australia LNG and Shell, with CNOOC also owning 5.8% of gas reserves. The operation covers offshore production platforms, a floating production and storage vessel, trunk lines, onshore gas processing plants and LNG carriers.

Oil prices continued to be strong and volatile throughout the year. The highly competitive environment continues to put pressure on historic cost operating margins in the downstream industry (refining and marketing). Strong competition continues in the Australian retail marketplace and consequently the Consolidated Entity has continued its cost reduction and revenue enhancement initiatives during 2007 to help meet income targets.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

BP Australia Investments Pty Ltd entered into agreements with a related US Party, Kerr McGee Australia Exploration and Production Pty Ltd and Anadarko E&P Company LP, for the acquisition of Exploration Permits WA-303-P, WA-304-P and WA-305-P together with participating interests in the underlying joint ventures, on 8 November 2007 for USD55m and associated transaction costs and expenses. The BP Australia Group was effectively committed to this transaction at this time subject to pre-emption rights not being exercised by the relevant joint venturers and Department of Industry and Resources (DOIR) approval and registration. DOIR approval was granted on 31st March 2008, an intra-group payment for the Permits and participating interests was made, and DOIR registration was completed on 1st April 2008.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There have been no significant changes in the state of affairs of the Consolidated Entity other than those mentioned elsewhere in this report.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Through all of its business, the Consolidated Entity will continue to look for opportunities to improve its profitability and competitiveness. Profitability will remain sensitive to the competitive pressures in the domestic and international marketplace, the exchange rate of the Australian dollar, international oil prices. A continued government policy framework that allows the operation of strong open markets will also be important.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The Company's ultimate holding company, BP p.l.c, maintains insurance for Directors and officers of all its Group Companies insuring them against the financial consequences of actions brought against them for acts or omissions in the performance of their duties, subject to certain exemptions and exclusions.

ENVIRONMENTAL REGULATION AND PERFORMANCE

BP Australia remains committed to reducing its environmental footprint in Australia and around the world, and ensuring our staff and customers are safe and healthy in all interactions with our operations and products. We do this by targeting those parts of our business which have the greatest environmental, health and safety impacts as determined by a thorough risk management process.

Examples of how we have reduced the impacts of our operations in Australia include:

- Leading the cleaner fuels agenda in Australia:
 - Introducing BP Ultimate™, the first available petrol that meets the requirements of the federal Government's 2008 clean fuel standards.
 - Launching a new generation of additive formulations in BP Ultimate Unleaded and BP Ultimate Diesel that keep engines cleaner and reduce emissions.
- Upgrading infrastructure to facilitate the uptake of biofuels in Australia:

BP AUSTRALIA GROUP PTY LTD

DIRECTORS' REPORT (continued)

- Investing at BP's Bulwer Refinery in Queensland to allow production of renewable diesel through a new technology development. First production run was carried out in 2007.
- Installation of ethanol storage and blending facilities at BP terminals in Sydney and Newcastle, and upgrades to existing facilities in Brisbane
- Ongoing program of upgrades to BP-branded retail service stations to introduce ethanol-blended fuels in more locations
- Improving the waste water treatment capability at the Bulwer refinery following a number of reported licence accidents. Installation of hydro cyclones has resulted in improved oil recovery from the refinery effluent system.
- Significantly improving environmental performance across our retail network:
 - Upgrading the drainage systems on our retail forecourts and at Terminal and Depot sites.
 - Significantly reduce water consumption
 - Reducing the volume of waste disposed to landfill
 - Offering re-usable bags to our customers
 - Winning an award for our National Packaging Covenant action plan.
- Continuing to remediate and monitor contaminated properties owned and/or managed by BP Australia through our Remediation Management business, in consultation with appropriate regulatory agencies and stakeholders. This business also actively promotes various prevention strategies across our operations to avoid generating new environmental liabilities.
- Exceeding IMO recommendations and AMSA legislation by only using double-hulled tankers for hydrocarbon shipping activity.
- Operating Australia's largest solar panel manufacturing plant at Sydney Olympic Park, NSW, Australia's largest exporter of solar energy technology:
 - Winner of the Global Excellence (Large Business) category and awarded a Highly Commended in the Judges' Choice – Most Outstanding Manufacturer category in the 2007 Western Sydney Industry Awards
 - As consortium leader, successfully launched the \$37 million Blacktown Solar City project in 2007 and an active participant in the Adelaide and Alice Springs Solar City projects, funded by the Australian Government
 - In 2007, manufactured more than 39 megawatts of clean electricity-generating solar products, enough to supply the electricity needs of more than 8,000 average Australian homes
- Offering our commercial customers and BP staff the opportunity to offset their car's greenhouse gas emissions through their purchase of BP fuel as part of our BP Global Choice™ program. Through this program, more than 1.8 million tonnes of greenhouse gas emissions have been offset in Australia.
- Our industrial lubricants business implemented a project in 2007 to recycle spent oil at its Brooklyn Industrial Products plant. This process has led to the recovery, resale and reuse of approximately 40,000 litres of oil per annum.
- Taking an active role in shaping new legislation by commenting and advocating on draft legislation and participating in workshops and regulatory debate.

Details of our environmental performance are published in our annual Sustainability Report available from our web site at www.bp.com.

During the 2007 financial year BP Australia Pty Ltd has revised its environmental liability provisions in accordance with revised international and local accounting standards. The provision for environmental liabilities on BP Australia group's books is AU\$ 33,201,000.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the director of BP Australia Group Pty Ltd has adopted and operates within a robust set of governance policies that go beyond regulatory compliance.

AUDITOR INDEPENDENCE & NON AUDIT SERVICES

A copy of the auditors' independence declaration as required under section 370C of the Corporations Act 2001 is attached.

NON AUDIT RELATED SERVICES

Non-audit services totalling \$ 293,940 were provided by the auditor during the financial year. Refer to Note 29 for a disclosure of non-audit related services.

Signed in accordance with a resolution of the director.

Director
Melbourne

Date:

Auditor's Independence Declaration to the Director of BP Australia Group Pty Ltd

In relation to our audit of the financial report of BP Australia Group Pty Ltd for the financial year ended 31 December 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Partner
XX April 2008

BP AUSTRALIA GROUP PTY LTD

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2007

		Millions of dollars			
		Consolidated		BP Australia Group Pty Ltd	
Notes		2007	2006	2007	2006
REVENUE FROM CONTINUING OPERATIONS	2	16,492.4	15,845.2	-	-
Other Revenue	2	137.9	98.7	-	850.0
Changes in inventories of finished goods and work in progress	3	416.1	(200.4)	-	-
Raw materials and consumables used	3	(12,533.2)	(12,086.7)	-	-
Depreciation and amortisation expenses	3	(643.8)	(574.2)	-	-
Finance costs	3	(283.8)	(280.6)	-	-
Net profit/(loss) on sale of non-current assets	3	3.4	(5.8)	-	-
Salaries and employee benefits expense		(660.5)	(547.2)	-	-
Rental		(32.6)	(32.8)	-	-
Freight		(433.0)	(184.4)	-	-
Fees and commissions		(104.8)	(69.5)	-	-
Electricity		(46.1)	(33.3)	-	-
Royalties		(27.3)	(31.5)	-	-
Advertising		(17.7)	(16.9)	-	-
Travel		(29.3)	(22.3)	-	-
Repairs and maintenance		(97.0)	(103.0)	-	-
Other expenses		(362.7)	(289.2)	-	-
Foreign exchange gains/(losses)		117.5	(24.5)	32.8	24.6
PROFIT BEFORE INCOME TAX EXPENSE		1,895.5	1,441.6	32.8	874.6
INCOME TAX EXPENSE	4	(464.3)	(431.3)	-	-
PROFIT FOR THE YEAR		1,431.2	1,010.3	32.8	874.6
Attributable to:					
Members of BP Australia Group Pty Ltd		1,436.0	1,011.0	-	-
Minority Interest		(4.8)	(0.7)	-	-
		1,431.2	1,010.3	-	-

The above income statements should be read in conjunction with the accompanying notes

BP AUSTRALIA GROUP PTY LTD
BALANCE SHEET
AS AT 31 DECEMBER 2007

		Millions of dollars			
		Consolidated		BP Australia Group Pty Ltd	
Notes		2007	2006	2007	2006
CURRENT ASSETS					
	Cash and cash equivalents	105.5	65.0	-	-
	Trade and other receivables	7 2,718.8	2,317.8	-	-
	Inventories	8 1,617.7	1,099.6	-	-
	Other current assets	9 13.3	29.8	-	-
	Total Current Assets	4,455.3	3,512.2	-	-
NON-CURRENT ASSETS					
	Trade and other receivables	10 22.0	30.0	-	-
	Investments accounted for using the equity method	11 5.9	3.4	-	-
	Other financial assets	12 34.7	14.0	7,112.9	7,112.9
	Property, plant and equipment	13 7,242.5	7,389.2	-	-
	Deferred tax asset	4 98.5	115.8	-	-
	Intangible assets and goodwill	14 647.2	623.7	-	-
	Total Non-Current Assets	8,050.8	8,176.1	7,112.9	7,112.9
	TOTAL ASSETS	12,506.1	11,688.3	7,112.9	7,112.9
CURRENT LIABILITIES					
	Overdraft	-	1.8	-	-
	Trade and other payables	16 2,072.1	2,333.4	-	-
	Interest-bearing loans & borrowings	17 428.7	118.8	290.6	323.4
	Current tax liabilities	(0.1)	0.4	-	-
	Provisions	18 244.1	74.7	-	-
	Total Current Liabilities	2,744.8	2,529.1	290.6	323.4
NON-CURRENT LIABILITIES					
	Trade and other payables	19 40.4	6.5	-	-
	Interest-bearing loans and borrowings	20 3,417.0	3,753.5	1,929.3	1,929.3
	Deferred tax liabilities	4 1,033.8	1,302.1	-	-
	Provisions	21 174.1	296.0	-	-
	Total Non-Current Liabilities	4,665.3	5,358.1	1,929.3	1,929.3
	TOTAL LIABILITIES	7,410.1	7,887.2	2,219.9	2,252.7
	NET ASSETS	5,096.0	3,801.1	4,893.0	4,860.2
EQUITY					
	Contributed equity	22 4,029.5	4,029.5	4,029.5	4,029.5
	Retained profits/(losses)	23 1,409.6	(49.6)	863.5	830.7
	Reserves	23 (342.5)	(183.0)	-	-
		5,096.6	3,796.9	4,893.0	4,860.2
	Minority Shareholders' Interests	23 (0.6)	4.2	-	-
	TOTAL EQUITY	5,096.0	3,801.1	4,893.0	4,860.2

The above balance sheets should be read in conjunction with the accompanying notes.

BP AUSTRALIA GROUP PTY LTD

**STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2007**

Millions of dollars					
	Notes	Consolidated 2007	2006	BP Australia Group Pty Ltd	
				2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		16,099.4	16,234.8	-	-
Payments to suppliers and employees		(15,344.3)	(14,340.1)	-	-
Interest received		56.5	46.5	-	-
Rent received		3.5	4.7	-	-
Cost Recoveries		64.6	34.4	-	-
Other revenue		7.5	4.7	-	-
Borrowing costs		(283.8)	(277.9)	-	-
Dividends received		5.8	7.0	-	-
Net cash flows from operating activities	24	609.2	1,714.1	-	-
CASH FLOWS FROM INVESTING ACTIVITIES					
Payments for financial assets		(46.5)	(89.3)	-	-
Purchases of property, plant and equipment		(503.8)	(698.0)	-	-
Proceeds from sales of property, plant and equipment and investments		10.1	2.9	-	-
Net cash flows used in investing activities		(540.2)	(784.4)	-	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from borrowings		0.1	6.5	-	-
Repayments of borrowings		(26.8)	(16.5)	-	-
Dividends paid		-	(850.0)	-	-
Net cash flows from financing activities		(26.7)	(860.0)	-	-
NET INCREASE /(DECREASE) IN CASH & CASH EQUIVALENTS HELD		42.3	69.7	-	-
Add opening cash brought forward		63.2	(6.5)	-	-
CLOSING CASH & CASH EQUIVALENTS CARRIED FORWARD		105.5	63.2	-	-

All transactions of the parent entity are settled by way of intercompany accounts. The parent entity has no bank account and no cash transactions; accordingly, there are no cash flows.

Closing Cash & Cash Equivalents Carried Forward comprises:

Cash in bank	105.5	65.0	-	-
Overdraft	-	(1.8)	-	-
Closing Cash	105.5	63.2	-	-

The above statement of cash flow should be read in conjunction with the accompanying notes.

BP AUSTRALIA GROUP PTY LTD

**STATEMENT OF RECOGNISED INCOME AND EXPENSES
FOR THE YEAR ENDED 31 DECEMBER 2007**

	Millions of dollars				
	Notes	Consolidated		BP Australia Group Pty Ltd	
		2007	2006	2007	2006
Foreign Currency Translation		(160.1)	(193.1)	-	-
Actuarial Gain / (Loss) on Defined Benefits Plan		23.2	35.9	-	-
Employee Share Options		0.6	4.6	-	-
Net Income / (Loss) Recognised in Equity		(136.3)	(152.6)	-	-
Profit for the Financial Year		1,431.2	1,010.3	32.8	874.6
TOTAL RECOGNISED INCOME AND EXPENSE FOR THE FINANCIAL YEAR		1,294.9	857.7	32.8	874.6
Attributable to:					
Members of BP Australia Group Pty Ltd		1,299.7	858.4	32.8	874.6
Minority Interest		(4.8)	(0.7)	-	-
		1,294.9	857.7	32.8	874.6

The above statement of changes in equity should be read in conjunction with the accompanying notes.

BP AUSTRALIA GROUP PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to the year presented, unless otherwise stated.

(a) Basis of preparation

The financial report is a general-purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standard Board.

The financial report is presented in Australian dollars and all values are rounded to the nearest one hundred thousand dollars unless otherwise stated under the option available to the company under ASIC class order 98/100. The company is an entity to which this class order applies.

Historical Cost Convention

The financial report has been prepared in accordance with the historical cost convention.

Critical Accounting Estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Refer to the provisions policy for further details.

Compliance with AIFRS

The financial report complies with Australian Accounting Standards including Australian equivalents to International Financial Reporting Standards. Compliance with AIFRS ensures that the financial report comprising the consolidated financial statements complies with International Financial Reporting Standards (AIFRS).

New Accounting standards and Interpretation

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the annual reporting period ending 31 December 2007 are outlined in the table below.

Reference	Title	Summary	Application date of standard*	Impact on Group financial report	Application date for group
AASB 2007-1	Amendments to Australian Accounting Standards arising from AASB Interpretation 11 [AASB 2]	Amending standard issued as a consequence of AASB Interpretation 11 <i>AASB 2 – Group and Treasury Share Transactions</i> .	1 March 2007	This is consistent with the Group's existing accounting policies for share-based payments, so the amendments are not expected to have any impact on the Group's financial report.	1 January 2008
AASB 2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments [AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038]	Amendments arising as a result of the AASB decision that, in principle, all options that currently exist under IFRSs should be included in the Australian equivalents to IFRSs and additional Australian disclosures should be eliminated, other than those now considered particularly relevant in the Australian reporting environment.	1 July 2007	These amendments are expected to reduce the extent of some disclosures in the Group's financial report.	1 January 2008
AASB Interpretation 11	AASB 2 – Group and Treasury Share Transactions	Addresses whether certain types of share-based payment transactions with employees (or other suppliers of good and services) should be accounted for as equity-settled or as cash-settled transactions under AASB 2. It also specifies the accounting in a subsidiary's financial statements for share-based payment arrangements involving equity instruments of the parent.	1 March 2007	Refer to AASB 2007-1 above.	1 January 2008
AASB Interpretation 14	AASB 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Aims to clarify how to determine in normal circumstances the limit on the asset that an employer's balance sheet may contain in respect of its defined benefit pension plan.	1 January 2008	The Group does have a defined benefit pension plan and as such this interpretation may have an impact on the Group's financial report. The Group has not yet determined the extent of the impact, if any.	1 January 2008

- * designates the beginning of the applicable annual reporting period

Adoption of new accounting standard

The Group has adopted AASB 7 Financial Instruments: Disclosures and all consequential amendments which became applicable on 1 January 2007. The adoption of this standard has only affected this disclosure in these financial statements. There has been no affect on profit and loss or the financial position of the entity.

(b) Principals of consolidation

The consolidated statement comprises the financial statements of BP Australia Group Pty Ltd and its subsidiaries as at 31 December 2007 ('The Group').

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

BP AUSTRALIA GROUP PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES(continued)

The financial statements of subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless costs cannot be recovered. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Minority interests in the results and equity of subsidiaries are shown separately in the consolidated income statement and balance sheet respectively.

(c) Joint Venture Operations

The group's interest in its joint venture operation is accounted for in recognising the group's assets, liabilities and expenses of a joint venture operation they have been incorporated in the financial statements under the appropriate headings. Details of the joint venture are set out in note 11.

Joint Venture Entities

The interest in a joint venture partnership is accounted for in the consolidated financial statements using the equity method and is carried at cost by the parent entity. Under the equity method, the share of the profits or losses of the partnerships are recognised in the income statement, and the share of movements in reserves is recognised in reserves in the balance sheet.

Profits or losses on transactions establishing the joint venture partnership and transactions with the joint venture are eliminated to the extent of the Group's ownership interest until such time as they are realised by the joint venture partnership on consumption or sale, unless they relate to an unrealised loss that provides evidence of the impairment of an asset transferred.

(d) Foreign currency translation

Functional and presentation currency

The functional currency of BP Australia Group Pty Ltd (Parent company) and its subsidiary BP Development Australia Pty Ltd is United States dollars. The functional currency of all other BP Australia Group Pty Ltd subsidiaries is Australian dollars. The consolidated financial statements are presented in Australian dollars.

Transactions and Balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

(e) Revenue recognition

Revenue is recognised when the significant risk and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in relation to the transaction can be measured reliably. Risk and rewards of ownership are considered passed to the buyer at the time of delivery of the goods to the customer.

Sale of Goods

Control of the goods has passed to the buyer.

Rendering of Services

Control of a right to be compensated for the services has been attained.

Interest

Control of a right to receive the interest payment.

Dividends

Control of a right to receive the dividend payment.

(f) Deferred income

Amounts received for gas volumes not yet taken in accordance with take-or-pay contracts are recorded as deferred income. These amounts will be recognised as sales revenue when the gas to which the payments relate is delivered to the purchaser.

(g) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts or deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

BP AUSTRALIA GROUP PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

(h) Other Taxes

Revenue expenses and other taxes are measured net of the amount of GST.

Commitments and contingencies are disclosed net of the amount of GST recoverable from or payable to the taxation authority.

(i) Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 25). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset. 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 recognised as an expense in profit or loss. Capitalised leased assets are depreciated over the lease term.

(j) Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. The company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset 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 any such indication of impairment exists or when annual impairment testing for an asset group is required, the company makes an estimate of its recoverable amount. An asset group's recoverable amount is the higher of its net realisable value and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised as profit or loss. After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Impairment losses recognised for goodwill are not subsequently reversed.

(k) Cash and cash equivalents

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand; cash in banks and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

Bank overdrafts are carried at the principal amount. Interest is charged as an expense as it accrues.

There are no cash flows of the parent entity as all cash transactions are made on behalf of the entity by BP Finance Australia Pty Ltd, a subsidiary of the parent.

(l) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

(m) Inventories

Inventories are valued at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned on the basis of First In First Out". Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(n) Investments and other financial assets

The Group classifies its investments in the following categories:

- Financial assets at fair value through profit or loss;
- Loans and receivables;
- Held-to-maturity investments; and
- Available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)*Financial assets at fair value through profit or loss*

This category has two sub-categories: financial assets held for trading, and those designated at fair value through profit or loss on initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. The policy of management is to designate a financial asset if there exists the possibility it will be sold in the short term and the asset is subject to frequent changes in fair value. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the balance sheet date.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classed as non-current assets. Loans and receivables are included in receivables in the balance sheet (notes 7 and 10).

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has positive intention and ability to hold to maturity.

Purchases and sales of investments are recognised on trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit and loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Financial assets at fair value through profit and loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are carried at amortised cost using the effective interest method. Realised and unrealised gains and losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are included in the income statement in the period which they arise.

(o) Fair value estimation

The fair value of financial assets and liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of forward exchange contracts is determined using forward exchange market rates at the balance sheet date.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(p) Property, plant & equipment

For those assets with an expected life that are associated with specific production, amortisation is determined on a unit of production basis. At current production levels, the maximum useful life of the assets depreciated on a unit of production basis (including buildings and plant and equipment) is 23 years. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives, as follows:

Freehold buildings	20 - 30 years
Plant and equipment	2.5 - 30 years
Plant and equipment under Finance Lease	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with carrying amount.

(q) Intangible assets*Goodwill*

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment. Refer to note 14 "Intangible Assets & Goodwill" for further information.

Retention Lease

Retention lease or exploration licence costs are initially capitalised within intangible fixed assets. Upon determination of economically recoverable reserves ('proved reserves' or commercial reserves'), the costs are aggregated with exploration expenditure and held on a field-by-field basis as proved properties awaiting approval within intangible assets. When development is sanctioned, the relevant expenditure is transferred to tangible production assets.

Each property is reviewed on an annual basis to confirm that drilling activity is planned and the property is not impaired. If no future activity is planned, the remaining balance of the licence is written off.

BP AUSTRALIA GROUP PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2007

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Development Costs

Computer software costs are capitalised as intangible assets and when the development has obtained internal sanction, the relevant expenditure is transferred to tangible assets. These have a useful life of three to five years.

(r) Trade and other payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the group prior to the end of the financial year that are unpaid and arise when the group becomes obliged to make future payments in respect of the purchase of these goods and services.

Payables to related parties are carried at the principal amount. Interest, when charged by the lender, is recognised as an expense on an accrual basis.

(s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

(t) Borrowing costs

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed. The amount capitalised in 2007 is A\$ NIL.

(u) Provisions

Provisions are recognised when:

- The Group has a present legal or constructive obligation as a result of past events;
- It is probable that an outflow of resources will be required to settle the obligation; and
- The obligation can be reliably estimated.

Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole.

The provision for restoration represents the provision for environmental clean up of refineries, terminals and retail sites. This includes provisions for terminals that have been sold, are planned to be sold or are operating where there is a known problem that requires attention.

(v) Exploration, evaluation, development and restoration costs

Costs carried forward

Costs arising from exploration and evaluation activities are carried forward provided such costs are expected to be recouped through successful development, or by sale, or where exploration and evaluation activities have not, at balance date, reached a stage to allow a reasonable assessment regarding the existence of economically recoverable reserves.

Restoration costs

Restoration costs that are expected to be incurred are provided for as part of the cost of the exploration, evaluation, development, construction or production phases that give rise to the need for restoration.

At the date a provision for rehabilitation is required to be recognised, the present value of the provision and an asset is recognised at that date. The asset is depreciated over the term of its useful life and the discount on the associated provision is released to the P&L over the term. Any changes in the estimates are adjusted on a prospective basis. In determining the restoration obligations, the entity had assumed no significant changes will occur in the relevant Federal and State legislation in relation to restoration in the future.

(w) Employee entitlements

Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long Service Leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Retirement benefit obligations

All employees of the Group are entitled to benefits on retirement, disability or death from the Group's superannuation plan. The Group has a defined benefit section and defined contribution section within its plan. The defined benefit section provided defined lump sum benefits based on years of service and final average salary. The defined contribution section receives fixed contributions from the Group companies and the Group's legal or constructive obligation is limited to these contributions.

A liability or asset in respect of defined benefit superannuation plans is recognised in the balance sheet, and is measured as the present value of the defined benefit obligation at the reporting date plus unrecognised actuarial gains (less unrecognised actuarial costs) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The present value of the defined benefit obligation is based on expected future payments which arise from membership of the fund to the reporting date, calculated annually by independent actuaries using the

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service.

Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Actuarial expenses such as current service costs and interest are taken directly to the profit and loss account. The difference between the actuarial assessment and the liability sitting in the books of BP are taken directly to equity.

Past service costs are recognised immediately in income, unless the changes to the superannuation fund are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past service costs are amortised on a straight-line basis over the vesting period.

Future taxes that are funded by the entity and are part of the provision of the existing benefit obligation (e.g. taxes on investment income and employer contributions) are taken into account in measuring the net liability or asset.

Contributions to the defined contribution fund are recognised as an expense as they become payable. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments available.

Share-based payments

Equity settled transactions:

The Group provides benefits to employees (including senior executives) in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award. The fair value is determined by using an appropriate valuation model.

Information relating to these schemes is set out in note 26.

(x) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

BP AUSTRALIA GROUP PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2007

		Millions of dollars			
		CONSOLIDATED		BP Australia Group Pty Ltd	
Notes		2007	2006	2007	2006
2. REVENUE					
Revenues from continuing operations					
<i>Sales Revenue</i>					
	Revenue from sale of goods	16,001.2	15,429.7	-	-
	Revenue from services	491.2	415.5	-	-
		16,492.4	15,845.2	-	-
<i>Other Revenue</i>					
	Rent	3.5	4.7	-	-
	Dividends				
	- related parties within wholly-owned group	-	-	-	850.0
	- other corporations	5.8	7.0	-	-
	Interest				
	- related parties – common controlled entities	54.4	46.5	-	-
	- other person/corporations	2.1	-	-	-
	Total interest	56.5	46.5	-	-
	Bad Debts Recovered	-	1.4	-	-
	Cost recoveries	64.6	34.4	-	-
	Other revenue	7.5	4.7	-	-
		137.9	98.7	-	850.0

BP AUSTRALIA GROUP PTY LTD
NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2007

	Millions of dollars			
Notes	CONSOLIDATED 2007	2006	BP Australia Group Pty Ltd 2007	2006
3. EXPENSES				
Cost of sales				
<i>Upstream</i>				
Costs of production				
Production costs	171.3	191.5	-	-
Royalty	166.7	164.6	-	-
Depreciation and amortisation				
Plant and equipment	570.4	209.2	-	-
Buildings	-	-	-	-
Provision for restoration of operating locations	-	-	-	-
	908.4	565.3	-	-
<i>Downstream</i>				
Depreciation and amortisation				
Plant and equipment	3.5	57.7	-	-
Raw materials and consumables used				
Changes in inventories of finished goods and work in progress	(416.1)	200.4	-	-
Raw materials and consumables used	12,533.2	12,086.7	-	-
	12,117.1	12,287.1	-	-
Total cost of sales	13,029.0	12,910.1	-	-
Depreciation expense				
<i>Upstream</i>				
Plant and equipment	570.4	209.2	-	-
Buildings	-	-	-	-
Provision for restoration of operating locations	-	-	-	-
<i>Downstream</i>				
Depreciation of non-current assets				
Plant and equipment	67.5	361.4	-	-
Buildings	3.5	3.6	-	-
Amortisation of non-current assets	2.4	-	-	-
Total depreciation and amortisation expense	643.8	574.2	-	-
Finance costs – net				
Interest expense				
Wholly owned group	-	-	-	-
Other related parties – common controlled entities	284.3	271.4	-	-
Other persons/corporations	(0.5)	6.5	-	-
Unwind of restoration of operating locations	-	2.7	-	-
Total finance costs	283.8	280.6	-	-
Bad and doubtful debts – trade receivables	0.9	(1.4)	-	-
Superannuation contributions – Defined benefit fund	17.8	21.7	-	-
Superannuation contributions – Defined contribution funds	16.4	14.2	-	-
Operating lease rental :				
-minimum lease payments	6.4	23.4	-	-
Total operating lease rental	6.4	23.4	-	-
Net (profit)/loss on sale of non-current assets	(3.4)	5.8	-	-

BP AUSTRALIA GROUP PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2007

Notes	Millions of dollars			
	CONSOLIDATED 2007	2006	BP Australia Group Pty Ltd 2007	2006
4. INCOME TAX				
Major components of income tax expense for the years ended 31 December 2007 and 2006 are:				
Income Statement				
<i>Current income tax</i>				
Current income tax charge	673.6	509.4	-	-
Adjustments in respect of current income tax of previous years	(15.2)	(6.7)	-	-
<i>Deferred income tax</i>				
Relating to origination and reversal of temporary differences	(194.1)	(71.4)	-	-
Income tax expense reported in income statement	464.3	431.3	-	-
Recognised directly in equity				
<i>Deferred income tax</i>				
Other	(56.9)	(67.4)	-	-
Income tax benefit reported in equity	(56.9)	(67.4)	-	-
A reconciliation of income tax expense applicable to accounting profit before income tax at the statutory income tax rate to income tax expense at the Group's effective income tax rate for the years ended 31 December 2007 and 2006 is as follows:				
Accounting profit before tax from continuing operations	1,895.5	1,441.6	32.8	874.6
At the statutory income tax rate of 30% (2006: 30%)	568.6	432.6	9.8	262.4
Adjustments in respect of current income tax of previous years	(12.2)	(7.4)	-	-
Non-taxable gain on sale	(0.4)	0.4	-	-
Research and development	(1.0)	(1.5)	-	-
Expenditure not allowable for income tax purposes	-	0.3	-	-
Unrealised exchange results	(9.1)	(4.1)	(9.8)	(7.4)
Group Dividends	-	-	-	(255.0)
Other	(81.6)	11.0	-	-
Gain arising from restatement of deferred tax liabilities due to the reset of the tax base of assets under tax consolidation	-	-	-	-
At effective income tax rate of 25% (Parent 5%)(2006:30%, Parent 0%)	464.3	431.3	-	-
Income tax expense reported in income statement	464.3	431.3	-	-
	464.3	431.3	-	-

BP AUSTRALIA GROUP PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2007

4. INCOME TAX (continued)

	Millions of dollars CONSOLIDATED				Millions of dollars BP Australia Group Pty Ltd			
	Balance Sheet		Income Statement		Balance Sheet		Income Statement	
	2007	2006	2007	2006	2007	2006	2007	2006
Deferred income tax								
Deferred income tax at 31 December relates to the following:								
<i>CONSOLIDATED</i>								
<i>Deferred income tax liabilities</i>								
Accelerated depreciation for tax purposes	(1,021.3)	(1,284.6)	(263.3)	(158.8)	-	-	-	-
Trading Stock	(1.3)	(0.7)	0.6	(0.0)	-	-	-	-
Foreign exchange	(0.9)	(1.2)	(0.3)	1.2	-	-	-	-
Prepayments	(10.3)	(15.6)	(5.3)	3.4	-	-	-	-
Other	-	-	-	-	-	-	-	-
Gross deferred income tax liabilities	<u>(1,033.8)</u>	<u>(1,302.1)</u>			<u>-</u>	<u>-</u>		
<i>CONSOLIDATED</i>								
<i>Deferred income tax assets:</i>								
Foreign exchange	-	-	-	2.5	-	-	-	-
Provisions	92.8	112.7	(37.0)	(67.0)	-	-	-	-
Accruals	4.0	2.4	(1.6)	12.1	-	-	-	-
Other	1.7	0.7	(1.0)	0.3	-	-	-	-
Deferred tax in Equity	-	-	56.9	67.4	-	-	-	-
Gross deferred income tax assets	<u>98.5</u>	<u>115.8</u>			<u>-</u>	<u>-</u>		
Deferred income tax charge			<u>(251.0)</u>	<u>(138.9)</u>			<u>-</u>	<u>-</u>

Tax consolidation

BP Regional Australasia Holdings Pty Ltd and its 100% affiliated Australian companies are a tax consolidated (MEC) group. Members of the group have entered into a tax sharing arrangement in order to allocate income tax expense to the members of the MEC group on a pro-rata basis. Also under the Agreement, all members of the MEC group are not jointly and severally liable for any tax related liability that the Head company fails to pay on time. Thus members may leave the group clear of certain income tax related liabilities. At the balance date, the possibility of default is remote. The head entity of the tax consolidated MEC group is BP Regional Australasia Holdings Pty Ltd.

BP AUSTRALIA GROUP PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2007

5. CORRECTION OF ERRORS AND REVISION OF ACCOUNTING ESTIMATES

(a) Correction of error in recording the retained earnings of the group

Due to a duplicated recognition of an intercompany transaction between two subsidiaries of the group, BP Solar Australia Pty Ltd and BP Finance Australia Pty Ltd in the year ended 31 December 2002, the retained earnings of the group were incorrectly recorded.

This error had the effect of understating the consolidated trade receivables by \$34,148,307, while understating the consolidated retained earnings by \$34,148,307.

This error has been retrospectively corrected by restating each of the affected financial statement line items for the prior year, as described above.

		Millions of dollars			
		CONSOLIDATED		BP Australia Group Pty Ltd	
Notes		2007	2006	2007	2006
6. DIVIDENDS PAID AND PROPOSED					
<i>Declared and paid during the year</i>					
Dividends on ordinary shares:					
		-	850.0	-	850.0
		-	850.0	-	850.0

		Millions of dollars			
		CONSOLIDATED		BP Australia Group Pty Ltd	
		2007	2006	2007	2006
7. TRADE AND OTHER RECEIVABLES (CURRENT ASSETS)					
Trade receivables		1,435.2	789.9	-	-
Allowance for doubtful debts	(a)	(10.1)	(12.1)	-	-
		1,425.1	777.8	-	-
Sundry receivables	(b)	97.7	35.3	-	-
Advances to joint venture operator	(c)	4.4	4.6	-	-
Amounts other than trade debts receivable from related parties:					
Other related parties – common controlled entities	(d)	1,191.6	1,500.1	-	-
		1,293.7	1,540.0	-	-
		2,718.8	2,317.8	-	-

(a) Allowance for doubtful debts

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for doubtful debts is recognized when there is objective evidence that an individual trade receivable becomes bad debt. An impairment loss of \$0.9mil (2006:-\$1.4mil) has been recognised by the Group and \$0 by the parent company in the current year. These amounts have been included in the profit and loss item.

Movement in the provision for bad-doubtful debts

		Millions of dollars			
		CONSOLIDATED		BP Australia Group Pty Ltd	
		2007	2006	2007	2006
At 1 January		12.1	16.8	-	-
Charge for the year		0.9	(1.4)	-	-
Foreign Exchange Translation		-	-	-	-
Amount written off		(2.9)	(3.3)	-	-
At 31 December		10.1	12.1	-	-

(b) Sundry debtors and other receivables are due under normal commercial terms and conditions.

(c) Details in the interest in joint venture operations are set out in note 15.

(d) Details of the terms and conditions of related party receivables are set out in note 30.

BP AUSTRALIA GROUP PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2007

	Millions of dollars			
	CONSOLIDATED		BP Australia Group Pty Ltd	
	2007	2006	2007	2006
8. INVENTORIES (CURRENT ASSETS)				
Project stores – at cost	17.1	14.6	-	-
Raw materials and stores - at cost	787.5	464.6	-	-
Provision for stores write-off	(2.9)	(6.8)	-	-
	801.7	472.4	-	-
Finished goods - at cost	796.7	609.1	-	-
Other inventory - at cost	19.2	18.1	-	-
Total inventories at lower of cost and net realisable value	1,617.7	1,099.6	-	-

	Millions of dollars			
	CONSOLIDATED		BP Australia Group Pty Ltd	
	2007	2006	2007	2006
9. OTHER CURRENT ASSETS				
Prepayments	13.3	29.8	-	-

	Millions of dollars			
	CONSOLIDATED		BP Australia Group Pty Ltd	
	2007	2006	2007	2006
10. TRADE AND OTHER RECEIVABLES (NON-CURRENT ASSETS)				
Investment loans to other companies	-	6.8	-	-
Customer loans	22.0	23.2	-	-
	22.0	30.0	-	-

	Notes	Millions of dollars			
		CONSOLIDATED		BP Australia Group Pty Ltd	
		2007	2006	2007	2006

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Investments in JV Entities	(a)	5.9	3.4	-	-
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(a) Investments in JV Entities

BP Australia Group Pty Ltd has a 50% interest in each of Australasian Lubricants Manufacturing Company Pty Ltd, which is involved in the manufacture of lubricants and Westoil Petroleum Pty Ltd, a regional distributor of fuel and lubricants. BP Australia Group Pty also owns 20% of Airport Fuel Services Pty Ltd, which provides fuel facilities at Sydney airport.

There are no impairment losses relating to the investments and no capital commitments or other commitments relating to the jointly controlled entities.

The following table illustrates summarised financial information of the group's investments :

	Millions of dollars	
	CONSOLIDATED	
	2007	2006
<i>Share of JVs' balance sheets</i>		
Current assets	63.7	77.6
Non-current assets	10.6	25.6
Current liabilities	(55.8)	(86.9)
Non-current liabilities	(12.6)	(12.9)
Net assets	5.9	3.4

BP AUSTRALIA GROUP PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2007

11. INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD (continued)

Millions of dollars

	CONSOLIDATED	
	2007	2006
<i>Share of JVs' profit or loss:</i>		
Revenue	287.2	288.3
Profit before income tax	2.6	1.8
Income tax expense	-	-
Profit after income tax	2.6	1.8

12. OTHER FINANCIAL ASSETS (NON-CURRENT ASSETS)

Millions of dollars

	CONSOLIDATED		BP Australia Group Pty Ltd	
	2007	2006	2007	2006
Related entities - Shares unlisted	-	2.9	7,112.9	7,112.9
Investment at cost - Other	36.4	13.0	-	-
Investment at cost – Other – Provision for diminution on other	(1.7)	(1.9)	-	-
	34.7	14.0	7,112.9	7,112.9

13. PROPERTY, PLANT AND EQUIPMENT

Millions of dollars

Consolidated	Land & Buildings	Plant & Equipment	Plant & Equipment – production phase	Work In Progress	Total
At 31 December 2006					
Cost	212.8	3,025.7	8,566.2	318.1	12,122.8
Provision for depreciation	(26.8)	(976.4)	(3,730.4)	-	(4,733.6)
Net book amount	186.0	2,049.3	4,835.8	318.1	7,389.2
Year ended 31 December 2006					
Opening net book amount	431.2	1,571.7	5,329.1	229.5	7,561.5
Exchange Translation	-	(121.6)	(165.7)	(0.1)	(287.4)
Additions	9.2	0.4	586.1	245.1	840.8
Disposals	(2.5)	(3.6)	(2.6)	-	(8.7)
Transfers	(248.3)	671.9	(410.0)	(156.4)	(142.8)
Depreciation charge	(3.6)	(69.5)	(501.1)	-	(574.2)
Closing net book amount	186.0	2,049.3	4,835.8	318.1	7,389.2
At 31 December 2007					
Cost	226.0	2,936.0	8,345.4	800.9	12,308.3
Provision for depreciation	(34.2)	(1,023.7)	(4,007.9)	-	(5,065.8)
Net book amount	191.8	1,912.3	4,337.5	800.9	7,242.5
Year ended 31 December 2007					
Opening net book amount	186.0	2,049.3	4,835.8	318.1	7,389.2
Exchange Translation	-	(110.3)	(92.2)	(43.0)	(245.5)
Additions	0.4	0.8	276.2	471.4	748.8
Disposals	(3.2)	(0.8)	(2.7)	-	(6.7)
Transfers	(a) 12.1	40.8	(109.2)	54.4	(1.9)
Depreciation charge	(3.5)	(67.5)	(570.4)	-	(641.4)
Closing net book amount	(b) 191.8	1,912.3	4,337.5	800.9	7,242.5

(a) The transfers of WIP asset include a reclassification of Train 5 assets from Plant & Equipment – production phase into WIP. The carrying amount of the Train 5 assets is \$336,933,650 as at 31 December 2007 (2006: \$226,374,303).

(b) The closing net book amount of the entities plant & equipment includes an amount of \$166,191.92 (2006: \$0) related to leased assets.

BP AUSTRALIA GROUP PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2007

14. INTANGIBLE ASSETS AND GOODWILL

Consolidated	Millions of dollars			Total
	Goodwill	Retention Lease	Development Costs	
At 31 December 2006				
Cost	215.3	400.4	9.3	625.0
Accumulated amortisation and depreciation	-	-	(1.3)	(1.3)
Net book amount	<u>215.3</u>	<u>400.4</u>	<u>8.0</u>	<u>623.7</u>
Year ended 31 December 2006				
Opening net book amount	209.4	360.5	4.5	574.4
Additions	5.9	39.9	4.8	50.6
Amortisation	-	-	(1.3)	(1.3)
Impairment charge	-	-	-	-
Closing net book amount	<u>215.3</u>	<u>400.4</u>	<u>8.0</u>	<u>623.7</u>
At 31 December 2007				
Cost	214.7	427.4	8.4	650.5
Accumulated amortisation and depreciation	-	(0.9)	(2.4)	(3.3)
Net book amount	<u>214.7</u>	<u>426.5</u>	<u>6.0</u>	<u>647.2</u>
Year ended 31 December 2007				
Opening net book amount	215.3	400.4	8.0	623.7
Additions	-	27.0	0.4	27.4
Transfer	(0.5)	-	-	(0.5)
Disposals	(0.1)	-	-	(0.1)
Amortisation	-	-	(2.4)	(2.4)
Impairment charge	-	(0.9)	-	(0.9)
Closing net book amount	<u>214.7</u>	<u>426.5</u>	<u>6.0</u>	<u>647.2</u>

- (a) The ultimate recoupment of costs carried forward for exploration and evaluation phases is dependent on the successful development and commercial exploitation or sale of the respective upstream areas. Amortisation of the costs carried forward for the development phase is not being recognised pending the commencement of production.

Goodwill acquired through business combinations have been allocated to 2 individual cash generating units for impairment testing as follows:

- Marketing Australia
- Exploration and Production

Exploration and Production

The recoverable amount of the Exploration and Production unit has been determined based on a value in use calculation. To calculate this, cash flow projections are based on financial budgets approved by senior management covering a 10 to 20 year period. The discount rate applied to cash flow projections is a pre-tax risk adjusted rate of 10%.

Retention Lease

Retention leases comprise gas discoveries and are granted for 5 years in anticipation of future developments and are renewable. These relate to exploration permits in the Browse Basin that are undeveloped at this stage. The leases have appreciated in value due to higher oil and gas prices and therefore no amortisation is recorded against these assets.

Development Costs

Development costs are capitalised at cost. This intangible asset has been assessed as having a finite life and is amortised using the straight line method over their expected useful lives. If an impairment indication arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

BP AUSTRALIA GROUP PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2007

15. INTEREST IN JOINT VENTURE OPERATIONS

The Consolidated Entity has a 16.67% interest in the assets, liabilities and output of the North West Shelf joint venture operation, which produces liquefied natural gas, domestic gas, condensate, liquefied petroleum gas, and oil in Western Australia.

The net assets employed in the joint venture are included in the financial statements as follows:

	Millions of dollars			
	CONSOLIDATED 2007	2006	BP Australia Group Pty Ltd 2007	2006
CURRENT ASSETS				
JV Cash Assets	4.4	4.6	-	-
JV Receivable	8.1	9.0	-	-
Inventories - spare parts at cost	14.0	14.6	-	-
TOTAL CURRENT ASSETS	26.5	28.2	-	-
NON-CURRENT ASSETS				
Work-in-progress	362.6	253.9	-	-
Plant & equipment - at WDV	1,428.2	1,533.5	-	-
TOTAL NON-CURRENT ASSETS	1,790.8	1,787.4	-	-
TOTAL ASSETS	1,817.3	1,815.6	-	-
CURRENT LIABILITIES				
JV Cash assets (Overdraft)	-	-	-	-
Payables	(118.7)	(119.7)	-	-
Provisions	-	-	-	-
TOTAL CURRENT LIABILITIES	(118.7)	(119.7)	-	-
NON-CURRENT LIABILITIES				
Payables	(6.6)	(6.5)	-	-
Provisions	(188.9)	(229.4)	-	-
TOTAL NON-CURRENT LIABILITIES	(195.5)	(235.9)	-	-
TOTAL LIABILITIES	(314.2)	(355.6)	-	-
NET ASSETS	1,503.1	1,460.0	-	-

Capital Expenditure commitments and contingent liabilities in respect of the joint venture are disclosed in notes 25 and 27 respectively.

BP AUSTRALIA GROUP PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2007

		Millions of dollars			
		CONSOLIDATED		BP Australia Group Pty Ltd	
	Notes	2007	2006	2007	2006
16. TRADE AND OTHER PAYABLES (CURRENT LIABILITIES)					
Trade payables		684.3	947.0	-	-
Other payables	(a)	229.9	116.7	-	-
Amounts other than trade debts payable to related parties:					
Other related parties – common controlled entities	(b)	1,157.9	1,269.7	-	-
		2,072.1	2,333.4	-	-

(a) Other payables are settled on normal commercial terms and conditions.

(b) Details of the terms and conditions of related party payables are set out in note 30.

17. INTEREST-BEARING LOANS AND BORROWINGS (CURRENT LIABILITIES)

Borrowings:

Bank Loans		251.1	-	-	-
Other related parties – common controlled entities	(a)	177.6	118.8	290.6	323.4
Obligations under finance Lease	(b)	-	-	-	-
		428.7	118.8	290.6	323.4

(a) Details of the terms and conditions of related party payables are set out in note 30.

(b) Details of the terms and conditions of finance lease are set out in note 25.

18. PROVISIONS (CURRENT LIABILITIES)

Employee entitlements	21(c)	118.7	74.7	-	-
Restoration costs	21(a) (c)	-	-	-	-
Athena	21(b)(c)	-	-	-	-
Other	21(c)	125.4	-	-	-
		244.1	74.7	-	-

19. TRADE AND OTHER PAYABLES (NON-CURRENT LIABILITIES)

Deferred income – take or pay contracts		40.4	6.5	-	-
Other Payables		-	-	-	-
		40.4	6.5	-	-

20. INTEREST-BEARING LIABILITIES (NON-CURRENT LIABILITIES)

Borrowings:

Bank Loans		-	227.7	-	-
Other related parties – common controlled entities	(a)	3,416.9	3,525.8	1,929.3	1,929.3
Obligations under finance Lease	(b)	0.1	-	-	-
		3,417.0	3,753.5	1,929.3	1,929.3

(a) *Related Party Borrowings*

Details of the terms and conditions of related party payables are set out in note 30.

(b) *Finance lease liabilities*

Details of the terms and conditions of finance lease are set out in note 25.

BP AUSTRALIA GROUP PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2007

		Millions of Dollars			
		CONSOLIDATED		BP Australia Group Pty Ltd	
	Notes	2007	2006	2007	2006
21. PROVISIONS (NON-CURRENT LIABILITIES)					
Employee entitlements	(c), 25	(64.1)	15.4	-	-
Restoration	(a),(c)	224.1	262.9	-	-
Athena	(b),(c)	14.0	16.8	-	-
Other	(c)	0.1	0.9	-	-
		174.1	296.0	-	-

- (a) The provision for restoration represents the provision for environmental clean up. This includes provisions for refineries, terminals, retail sites and upstream activities where there is a known problem that requires attention and restoration costs are expected to be incurred as part of the cost of the exploration, evaluation, development, construction or production phases that give rise to the need for restoration.

The costs associated with upstream activities are recognised gradually over the life of the facility as these phases occur. The costs include obligations relating to reclamation, waste site closure, plant closure, platform removal and other costs associated with the restoration of the site. These estimates of the restoration obligations are based on anticipated technology and legal requirements and future costs, which have been discounted to their present value. Any changes in the estimates are adjusted on a prospective basis. In determining the restoration obligations, the entity has assumed no significant changes will occur in the relevant Federal and State legislation in relation to restoration in the future.

- (b) The total provision for Athena Reserves (2007: \$14.0m; 2006: \$16.8m) relates to the Athena Gas acquisition. At the Perseus producing field it was discovered that Perseus extends into another licence area owned by Mobil and Phillips. The extension into this licence area is known as Athena. Production at the Perseus field is ultimately also producing from the Athena field. An agreement was reached between the North West Shelf JV and Mobil and Phillips for compensation for production of their field. The structure of the agreement is such that the North West Shelf JV will pay for a stream of future cash payments up until 2020. The price is determined quarterly via a base price plus/minus movements in the Japanese Crude Cocktail price.

		<i>Restoration</i>	<i>Athena</i>	<i>Other</i>	<i>Employee entitlements</i>
		A\$m	A\$m	A\$m	A\$m
(c) Movement in provisions					
Carrying amount at the beginning of the financial year		262.9	16.8	0.9	90.1
Additional provision		23.5	-	125.4	-
Amounts utilised during the year		(62.3)	(2.8)	(0.8)	(35.5)
Carrying amount at the end of the financial year		224.1	14.0	125.5	54.6
- Current	18	-	-	125.4	118.7
- Non Current	21	224.1	14.0	0.1	(64.1)

		Millions of Dollars			
		CONSOLIDATED		BP Australia Group Pty Ltd	
		2007	2006	2007	2006
22. CONTRIBUTED EQUITY					
Issued and paid up capital					
- 4,029,537,881 ordinary shares fully paid	(a)	4,029.5	4,029.5	4,029.5	4,029.5
		4,029.5	4,029.5	4,029.5	4,029.5

(a) Terms and condition of contributed equity

Ordinary shares

Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts of paid up on shares held.

Ordinary shares entitle their holder to one vote, either in person or by proxy, at a meeting of the company.

BP AUSTRALIA GROUP PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2007

	Millions of Dollars				
	Notes	CONSOLIDATED		BP Australia Group Pty Ltd	
		2007	2006	2007	2006
23. RETAINED PROFITS/(LOSSES)					
Balance at the beginning of the year		(49.6)	(273.0)	830.7	806.1
Net profit		1,436.0	1,011.0	32.8	874.6
Dividends paid		-	(850.0)	-	(850.0)
Actuarial Gain/Loss (net of tax)		23.2	35.9	-	-
Other		-	(7.7)	-	-
Correction accounting error in prior years		-	34.1	-	-
Balance at end of year		1,409.6	(49.6)	863.5	830.7

Reserves

	Millions of Dollars			Millions of Dollars		
	CONSOLIDATED			BP Australia Group Pty Ltd		
	Foreign Currency Translation	Employee Equity Benefits	TOTAL	Foreign Currency Translation	Employee Equity Benefits	TOTAL
Opening Balance 1 Jan	(193.1)	10.1	(183.0)	-	-	-
Currency Translation Differences	(160.1)	-	(160.1)	-	-	-
Share Based Payment (net of tax)	-	0.6	0.6	-	-	-
Closing Balance 31 Dec	(353.2)	10.7	(342.5)	-	-	-

Minority Interest

	Millions of Dollars				
	Notes	CONSOLIDATED		BP Australia Group Pty Ltd	
		2007	2006	2007	2006
Contributed Equity		3.4	5.0	-	-
Consolidation of 100% Minority Interest		-	(1.6)	-	-
Retained Profit		(4.0)	0.8	-	-
		(0.6)	4.2	-	-

Details of minority shareholders' interests' on related entities are set out in note 30.

BP AUSTRALIA GROUP PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2007

	Millions of dollars			
	CONSOLIDATED		BP Australia Group Pty Ltd	
Notes	2007	2006	2007	2006
24. CASH FLOW STATEMENT RECONCILIATION				
(a) Reconciliation of profit after income tax to net cash inflow from operating activities				
Profit from ordinary activities after tax	1,431.2	1,010.3	32.8	874.6
<i>Adjustments for:</i>				
Depreciation and amortisation	643.8	574.2	-	-
Dividends received	-	-	-	(850.0)
Loss/(Profit) on disposal of Non Current Assets	(3.4)	5.8	-	-
Unrealised net foreign currency (gains)/losses	(136.3)	125.6	-	-
	1,935.3	1,715.9	-	24.6
Changes in assets and liabilities				
(Increase) / decrease in inventory	(518.1)	182.5	-	-
(Increase) / decrease in trade and other receivables	(393.0)	354.9	-	-
(Increase) / decrease in future income tax benefits	17.3	15.3	-	-
(Increase) / decrease in other assets	16.5	(10.0)	-	-
(Decrease) / increase in trade and other payables	(227.4)	(423.6)	-	-
(Decrease) / increase in deferred income tax liability	(268.2)	(154.1)	-	-
(Decrease) / increase in tax payable	0.5	(0.2)	-	-
(Decrease) / increase in employee entitlements	(35.5)	(41.1)	-	-
(Decrease) / increase in other provisions	83.0	40.4	-	-
(Decrease) / increase in intercompany net position	-	-	(32.8)	(24.6)
Net cash flow from operating activities	609.3	1,680.0	-	-
(b) Financing facilities available				
The total facilities available at balance date were as follows:				
Bank overdraft	15.0	13.0	-	-
Inter group financing (AUD)	4,557.6	4,686.4	-	-
	4,572.6	4,699.4	-	-
Used at balance date:				
Bank overdraft	-	1.8	-	-
Inter group financing (AUD)	3,417.0	3,417.0	-	-
	3,417.0	3,418.8	-	-
Available at balance date:				
Bank overdraft	15.0	11.2	-	-
Inter group financing (AUD)	1,140.6	1,269.4	-	-
	1,155.6	1,280.6	-	-

The bank overdraft facilities disclosed above are local facilities. Further bank overdraft facilities are available to the Consolidated Entity through overseas accounts held in conjunction with other related companies within the BP worldwide group.

(c) Acquisition of controlled entities

During the year the company did not acquire any material controlled entities.

(d) Disposal of Controlled Entity

During the year, the company did not dispose of any material controlled interests or entities.

BP Global Special Products (Aust.) Pty Limited and Kinnaird Pty Ltd were placed into liquidation in 2007.

BP AUSTRALIA GROUP PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2007

		Millions of dollars			
		CONSOLIDATED		BP Australia Group Pty Ltd	
Notes		2007	2006	2007	2006
25. COMMITMENTS					
(a)	Capital expenditure commitments				
	Estimated capital expenditure contracted for at balance date, but not provided for, payable:				
	- not later than one year				
	- joint venture	11.6	227.1	-	-
	- other	211.9	27.6	-	-
	- later than one year and not later than five years				
	- joint venture	19.2	129.7	-	-
		<hr/>			
(b)	Lease expenditure commitments				
(i)	Operating leases (non-cancellable)				
	- not later than one year	672.9	611.3	-	-
	- later than one year and not later than five years	1,115.8	1,247.3	-	-
	- later than five years	732.1	848.6	-	-
	Aggregate lease expenditure contracted for at balance date	2,520.8	2,707.2	-	-
		<hr/>			
(ii)	Finance leases				
	- not later than one year	-	-	-	-
	- later than one year and not later than five years	0.1	-	-	-
	- later than five years	-	-	-	-
	Aggregate lease expenditure contracted for at balance date	0.1	-	-	-
		<hr/>			
Aggregate expenditure commitments comprise:					
Amounts provided for:					
	- lease incentive liability - current	1.5	1.5	-	-
	- non-current	4.3	5.9	-	-
	Total provided for	5.8	7.4	-	-
		<hr/>			
Amounts not provided for:					
	- Lease commitments	2,515.1	2,699.8	-	-
	Total not provided for	2,515.1	2,699.8	-	-
		<hr/>			

(c) Operating leases have an average lease term of 2-3 years and an average implicit interest rate ranging between 7% and 9%. Assets that are the subject of operating leases include motor vehicles and items of office equipment, office space, pipeline rental, vessel charter and helicopter.

Also included are long term contractual commitments of the Kwinana and Bulwer refineries. The average lease term of these commitments is 17 years. The nature of these contractual commitments, include gas, oxygen supply, utilities and use of facilities and services.

(d) The Group has a finance leases for a fleet with a carrying amount of \$221,589 (2006: \$0). The lease payments only constitute 75% of the vehicle's value and 50% of the useful life. There is no residual at the end of the lease term and no obligation on the group to extend the lease or purchase the vehicle.

(e) These commitments represent the non-cash incentive received by the Consolidated Entity for entering into a non-cancellable operating lease for premises occupied by a controlled entity, entered into in October 1993. The lease term is 18 years, with the first 6 years being rent free. The incentive liability is being reduced evenly over the remainder of the lease.

BP AUSTRALIA GROUP PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2007

		Millions of dollars			
		CONSOLIDATED		BP Australia Group Pty Ltd	
	Notes	2007	2006	2007	2006
26. EMPLOYEE BENEFITS					
Employee Entitlements					
The aggregate employee entitlement liability is comprised of:					
Provisions (current)	18	118.7	74.7	-	-
Provisions (non-current)	21	(64.1)	15.4	-	-
		54.6	90.1	-	-

The Consolidated Entity participates in BP Group pension plans covering all employees of the Consolidated Entity.

Employee Share Scheme

The share-based payment plans that existed during the year are detailed below.

Plans for senior employees

Medium Term Performance Plan (MTPP) An equity-settled incentive share plan for senior employees driven by two performance measures over a three-year performance period. The award of shares is determined by comparing BP's TSR against the other oil majors and, additionally, by comparing free cash flow against a threshold established for the period. For a small group of particularly senior employees, only the TSR measure is applicable in determining the award. The number of shares awarded is increased to take account of the net dividends that would have been received during the performance period assuming that such dividends had been reinvested. With regard to leaver provisions, the general rule is that leaving employment during the performance period will preclude an award of shares. However, special arrangements apply where the participant leaves for a qualifying reason and employment ceases after completion of the first year of the performance period.

BP Share Option Plan (BPSOP)

An equity-settled share option plan that applies to certain categories of employees. Participants are granted share options with an exercise price no lower than market price of a share immediately preceding the date of grant. There are no performance conditions and the options are exercisable between the third and tenth anniversaries of the grant date. The general rule is that the options will lapse if the participant leaves employment before the end of the third calendar year from the date of grant (and that vested options are exercisable within 3 ½ years from the date of leaving). However, special arrangements apply where the participant leaves for a qualifying reason and employment ceases after the end of the calendar year of the date of grant. Share options are no longer offered to the most senior employees.

Savings and matching plans for all employees

BP ShareMatch Plans Matching share plans under which BP matches employees' own contributions of shares up to a predetermined limit. The plans are run in the UK and in over 70 other countries, including Australia, where the plan is run on an annual basis with shares being held in trust for three years. On leaving BP, all shares must be removed from trust.

BP AUSTRALIA GROUP PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2007

26. EMPLOYEE BENEFITS (continued)

Pensions and Other Post-employment Benefit Plans

All employees are entitled to varying benefits on retirement, disability or death. The BP Superannuation Fund provides defined benefits based on years of service and final average salary. It also provides accumulation type benefits. The Consolidated Entity remains committed to making contributions to the Fund on the basis of actuarial advice and in amounts to adequately fund the retirement benefits provided for in the rules of the Fund. Expatriate employees are members of overseas pension funds. Some employees are members of other externally managed superannuation arrangements which they have chosen pursuant to the Federal government's Choice of Fund legislation. The other arrangements only provide accumulation type benefits.

The following table summarises the components of net benefit expense recognised in the consolidated income statement and the funded status and amounts recognised in the consolidated balance sheet.

	Notes	CONSOLIDATED	
		2007	2006
<i>Net Benefit Expense</i>		\$'000	\$'000
Current service cost		21,006	22,891
Interest cost on benefit obligation		22,089	20,539
Expected return on plan assets		(29,847)	(25,467)
Net benefit expense		13,248	17,963
Actual return on plan assets		48,723	67,996
<i>Benefit Asset / (Liability)</i>			
Present value of benefit obligation		(382,593)	(398,408)
Fair value of plan assets		448,452	426,609
Net benefit asset / (liability) – non-current		65,859	28,201
<i>Movements in Benefit Asset / (Liability)</i>			
At 1 January		28,201	(26,858)
Benefit expense		(13,248)	(17,963)
Contributions		17,798	21,715
Net actuarial gain/(loss) recognised in the year		33,108	51,307
At 31 December		65,859	28,201

The principal actuarial assumptions used in determining pension obligations for the Group's plan are shown below (expressed as weighted averages):

Discount rate	5.70%	5.25%
Expected rate of return on assets	7.20%	7.00%
Future salary increases	4.50%	4.25%
Future pension increases	3.00%	2.75%
Healthcare cost increase rate	n/a	n/a

Details of the defined pension plan as extracted from the plan's most recent financial report:

	\$'000	\$'000
Accrued benefits	(382,593)	(398,408)
Net market value of plan assets	448,452	426,609
Surplus / (Deficit) of net market value of plan assets over accrued benefits	65,859	28,201

BP AUSTRALIA GROUP PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2007

		Millions of dollars			
		CONSOLIDATED		BP Australia Group Pty Ltd	
Notes	2007	2006	2007	2006	
27. CONTINGENT LIABILITIES					
Contingent liabilities are categorised as follows:					
Bank guarantees					
- Government					
Vic Workcover Authority	(a)	3.0	3.0	-	3.0
Other		7.5	6.0	-	-
- Non-Government					
Kwinana	(b)	1.0	1.2	-	-
BP Dev Aust claim	(c)	2.7	-	-	-
Other		2.1	1.6	-	-

- (a) The Accident Compensation Act 1985, section 146, subsection (5) requires that either one and a half times the sum of the actuarial value of the current, non-current and contingent liabilities for Workcover Liabilities or \$3 million, whichever the greater, be held as a guarantee. An amount of \$3 million is held as a bank guarantee with the ANZ bank at year-end.
- (b) During the current and previous financial years there have been a number of incidents at the Kwinana refinery, which have resulted in breaches of the environmental license. For each incident there is the possibility of a fine being imposed of between A\$25,000 and A\$1,000,000. The likelihood of a fine being imposed diminishes over time. As at 31 December 2007, management consider that a contingent liability of A\$1,043,750 should be disclosed.
- (c) In November 2007 a Statement of Claim was issued against BP Developments Australia Pty Ltd as participant in the North West Shelf Venture. The potential cost to BP Developments Australia Pty Ltd is A\$2.7m plus interest & costs. As at 31 December 2007, management consider that a contingent liability of \$2,699,598.17 be disclosed.

Deed of Cross Guarantee

Pursuant to Class Order 98/1418, relief has been granted to certain controlled entities from the Corporations Act requirements for preparation, audit and publication of their financial reports. As a condition of the Class Order, the company has entered into an approved Deed of Cross Guarantee with the controlled entities that wish to take the benefit of the Class Order. The effect of the deed is that the company has guaranteed to pay any deficiency in the event of winding up of any of the controlled entities party to the Deed of Cross Guarantee. The controlled entities have also given a similar guarantee in the event that the company is wound up. No liabilities are expected to arise in relation to the company or the controlled entities party to the Deed of Cross Guarantee taking the benefit of the Class Order in respect of that deed. Refer to Note 30 for further details.

28. KEY MANAGEMENT PERSONNEL

(a) Details of Key Management Personnel

(i) Directors

Name	Title
G. R. Hueston	President, BP Australasia

(ii) Executives

The specified executives of the company either hold the position of Business Unit Leader or have a position of significant influence in the company.

Name	Title
T. Heyns	Business Unit Leader, Kwinana Refinery
T. Ind	General Manager/Asset Manager Asia Pacific, Air BP
K. Hirschfeld	Business Unit Leader, Bulwer Refinery
R. McGrath	Vice President – Wholesale and Business Marketing Operations, Australia & Pacific
D.J. Knox (until 27/07/07)	Managing Director – Exploration and Production, Australia
M.W. Twidell (until 12/04/07)	Regional Manager Australasia, BP Solar
M. Sturgess	Australasia Business Manager, IST
B. Miller (from 13/04/07)	Regional Manager Australasia, BP Solar
D.J. Salter	Performance Unit Leader Convenience Retail

(b) Remuneration of Directors

The objective of the Group's reward framework is to ensure reward for performance is competitive and appropriate for the results delivered.

BP AUSTRALIA GROUP PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2007

28. KEY MANAGEMENT PERSONNEL (continued)

(c) Details of Remuneration

Details of the remuneration of the directors of BP Australasia Group Pty Ltd are set out in the following table.

2007	Short-Term		Post Employment	Other Long-Term	Share-Based Payment	Total	Total Performance Related
	Salary & Fees	Non Monetary Benefits	Superannuation		Options		
Total for Specified Director and Executives	4,488,863	293,951	351,177	-	2,543,847	7,677,838	33.1%

2006	Short-Term		Post Employment	Other Long-Term	Share-Based Payment	Total	Total Performance Related
	Salary & Fees	Non Monetary Benefits	Superannuation		Options		
Total for Specified Director and Executives	3,764,716	606,403	253,477	-	1,743,877	6,368,473	27.4%

29. AUDITORS' REMUNERATION

Notes	WHOLE DOLLARS			
	CONSOLIDATED		BP Australia Group Pty Ltd	
	2007	2006	2007	2006
Amounts received or due and receivable by Ernst & Young for:				
- an audit or review of the financial report of the entity and any other entity in the Consolidated Entity	1,110,255	1,321,371	-	-
- other services in relation to the entity and any other entity in the Consolidated Entity	293,940	151,314	-	-
	1,404,195	1,472,685	-	-

30. RELATED PARTY DISCLOSURES

(a) Parent Entity

BP Regional Australasia Holdings Pty Ltd is the ultimate Australian parent entity and the ultimate controlling entity is BP p.l.c. (incorporated in England).

(b) Controlled Entities

Investments in controlled entities comprises:

	Place of Incorporation	Parent Entity's Interest		Consolidated Entity's Beneficial Interest
		2007	2006	%
		\$m	\$m	
BP Solar Australia Pty Ltd	VIC	(i)	(i)	100 (iii) (v)
Burmah Oil Investments Australia Pty Ltd	NSW	101.8	101.8	100 (iii) (v)
BP Developments Australia Pty Ltd	VIC	5,322.0	5,322.0	100 (ii)
<i>Controlled entities of BP Developments Australia Pty Ltd:</i>				
Burmah Castrol Australia Pty Ltd	NSW	-	-	100 (ii) (iv)
<i>Controlled entities of Burmah Castrol Australia Pty Ltd:</i>				
Castrol Australia Pty Ltd	ACT	-	-	100 (iii) (v)
Burmah Fuels Australia Pty Ltd	NSW	-	-	100 (iii) (v) (vii)
Burmah Fuels (Queensland) Pty Ltd	NSW	-	-	100 (iii) (v) (vii)
BP Oil Australia Pty Ltd	ACT	1,689.1	1,689.1	100 (ii)
BP Solar Pty Ltd	VIC	-	-	100 (ii)
BP Australia Shipping Pty Ltd	WA	-	-	100 (ii)

BP AUSTRALIA GROUP PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2007

30. RELATED PARTY DISCLOSURES (continued)

	Place of Incorporation	Parent Entity's Interest		Consolidated
		2007	2006	Entity's Beneficial Interest
		\$m	\$m	%
BP Australia Pty Ltd	VIC	-	-	100 (ii)
BP Finance Australia Pty Ltd	ACT	-	-	100 (ii)
BP Refinery (Kwinana) Pty Ltd	WA	-	-	100 (ii)
Elite Customer Solutions Pty Ltd	VIC	-	-	100 (ii)
BP Australia Nominees Pty Ltd	VIC	-	-	100 (viii)
BP Lubricants Services Pty Ltd	VIC	-	-	100 (ii)
<i>Controlled Entities of Burmah Fuels (Queensland) Pty Ltd:</i>				
Queensland Fuels Trust		-	-	100 (vi) (vii)
<i>Controlled Entities of BP Australia Shipping Pty Ltd:</i>				
BP LNG Shipping Limited	Bermuda	-	-	100
<i>Controlled Entities of BP Australia Pty Ltd:</i>				
BP (Fremantle) Limited	UK	-	-	100
BP Refinery (Bulwer Island) Pty Ltd	ACT	-	-	100 (ii)
No. 1 Riverside Quay Pty Ltd	VIC	-	-	100 (iii) (v)
Acroframe Pty Ltd	WA	-	-	100 (v)
BP Australia Employee Share Plan Pty Ltd	VIC	-	-	100 (iii) (v)
Veruba Pty Ltd	NSW	-	-	100 (iii) (v)
Taradadis Pty Ltd	VIC	-	-	100 (iii) (v)
<i>Controlled Entities of Taradadis Pty Ltd:</i>				
Arilow Pty Ltd	VIC	-	-	100 (v)
		7,112.9	7,112.9	

(i) \$2.00 (2006: \$2)

(ii) Pursuant to Class Order 98/1418, relief has been granted to BP Oil Australia Pty Ltd, BP Australia Pty Ltd, BP Australia Shipping Pty Ltd, BP Finance Australia Pty Ltd, BP Lubricants Services Pty Ltd, BP Refinery (Bulwer Island) Pty Ltd, BP Refinery (Kwinana) Pty Ltd, BP Solar Pty Ltd, Elite Customer Solutions Pty Ltd, BP Developments Australia Pty Ltd, Burmah Castrol Australia Pty Ltd and Kinnaird Pty Ltd (in liquidation) from the Corporations Act 2001 requirements for preparation, audit and lodgement of their financial reports.

As a condition of the Class Order, BP Australia Group Pty Ltd, BP Oil Australia Pty Ltd, BP Australia Pty Ltd, BP Australia Shipping Pty Ltd, BP Finance Australia Pty Ltd, BP Lubricants Services Pty Ltd, BP Refinery (Bulwer Island) Pty Ltd and BP Refinery (Kwinana) Pty Ltd (the "Closed Group"), entered into a Deed of Cross Guarantee on 1 November 2002. BP Solar Pty Ltd, Elite Customer Solutions Pty Ltd, BP Developments Australia Pty Ltd, Burmah Castrol Australia Pty Ltd and Kinnaird Pty Ltd (in liquidation) were added to and obtained the benefit of the Class Order during 2003. The effect of the Deed is that BP Australia Group Pty Ltd has guaranteed to pay any deficiency in the event of winding up any of these and any other of the controlled entities. The controlled entities have also given a similar guarantee in the event that BP Australia Group Pty Ltd is wound up.

(iii) This controlled entity is a party to the Deed of Cross Guarantee but is not part of the Closed Group.

(iv) BP Developments Australia Pty Ltd owns 75% of the voting share capital of Burmah Castrol Australia Pty Ltd. The remaining 25% of the voting share capital is owned by Burmah Oil Investments Australia Pty Ltd, which is 100% owned by BP Australia Group Pty Ltd.

(v) This controlled entity meets the criteria for small companies under the Corporations Act 2001, relieving it from the requirement to prepare, audit and lodge financial reports.

(vi) This controlled entity is a Trust and is not required to comply with the Corporations Act 2001 and therefore is not required to prepare or lodge audited financial reports.

(vii) Burmah Castrol Australia Pty Ltd has a 100% ownership interest in Burmah Fuels Australia Pty Ltd, Burmah Fuels (Queensland) Pty Ltd and the Queensland Fuels Trust. The director of the company however has determined that effective control of these entities passed to BP Oil Australia Pty Ltd in 2001.

(viii) BP Australia Nominees Pty Ltd obtained an Australian Financial Services Licence in August 2006. A condition of this licence is that BP Australia Nominees Pty Ltd must lodge audited annual financial statements with ASIC.

The parties to the Closed Group are materially the same as the BP Australia Group Pty Ltd group of companies. The Closed Group for 2006 and 2007 can be materially taken as the BP Australia Group Pty Ltd group consolidated statement of financial performance and consolidated statement of financial position.

BP AUSTRALIA GROUP PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2007

30. RELATED PARTY DISCLOSURES (continued)

(c) Controlled Entities Disposed

During the year, no controlled entity was disposed. BP Global Special Products (Aust.) Pty Limited and Kinnaird Pty Ltd were placed into liquidation in 2007.

(d) Related Entities

The following entities are included in the consolidated group, however, BP has no interest in the equity of these entities.

- (i) Centrel Pty Ltd
Air Refuel Pty Ltd
- (i) BP Australia Group Pty Ltd is the effective guarantor for the debt financing facility agreements held by the entities with the ANZ Banking Group. The guarantee is in the form of a Put and Call Option Agreement between BP Australia Group Pty Ltd and Australia and New Zealand Banking Group Ltd.

(e) Directors

Disclosures relating to directors are set out in note 28.

(f) Transactions with related parties within the BP Australia Group

The following related party transactions occurred during the financial year:

	Notes	Millions of dollars			
		CONSOLIDATED		BP Australia Group Pty Ltd	
		2007	2006	2007	2006
Sales goods and services (common controlled entities)					
- Sales of fuel and Lubricants		2,486.4	1,348.0	-	-
- Consulting fees		-	2.2	-	-
- Sales of solar components		60.5	95.3	-	-
Loans to related parties					
<i>Loans advanced to</i>					
- Related parties (employees)		-	-	-	-
Loans from related parties					
<i>Loans advances from:</i>					
- common controlled entities		-	2.0	-	-
Loan repayments to					
- common controlled entities		109.2	18.7	-	-
Interest revenue					
- common controlled entities		54.4	46.5	-	-
Dividend revenue					
- related parties with in wholly-owned group		-	-	-	850.0
Finance costs					
- wholly owned group		-	-	-	-
- common controlled entities		284.5	151.0	-	-
Other transactions					
- Dividends paid to parent entity		-	850.0	-	850.0

BP AUSTRALIA GROUP PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2007

30. RELATED PARTY DISCLOSURES (continued)

(g) Outstanding balances

	Notes	CONSOLIDATED		BP Australia Group Pty Ltd	
		2007	2006	2007	2006
Current receivables					
- common controlled entities		1,191.6	1,500.1	-	-
Non current receivables (loans)					
- related parties (employees)		-	-	-	-
Current payables					
- common controlled entities		1,157.9	1,269.7	-	-
Non current payables		-	-	-	-
Current interest bearing liabilities (borrowings)					
- common controlled entities		177.6	118.8	290.6	323.4
Non current interest bearing liabilities (borrowings)					
- common controlled entities		3,416.9	3,525.9	1,929.3	1,929.3

(h) Terms and Conditions

(i) Transactions with related parties in wholly-owned group

Subsidiaries within the wholly-owned group have received loans and have provided interest free loans during the period from entities under common control.

Sales of fuels and lubricants are made under normal commercial terms and conditions.

Sales of solar components are made at cost.

Purchases are made under normal commercial terms and conditions.

Consulting fees are received under normal commercial terms and conditions.

Foreign exchange transactions are made under normal commercial terms and conditions.

For the year ended 31st December 2007, the group has not raised any provisions for doubtful debts related to amounts owed by related parties.

There have been no guarantees provided or received for any related party receivable.

(ii) Transactions with the directors of BP Australia Group Pty Ltd and the Consolidated Entity

Nil.

BP AUSTRALIA GROUP PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2007

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The group is exposed to a number of different financial risks arising from natural business exposures as well as its use of financial instruments including market risks relating to commodity prices, foreign currency exchange rates, interest rates, credit risk and liquidity risk.

The Group's overall risk management program is carried out centrally by group financial risk committee (GFRC), which belongs to the ultimate parent company of the group, BP p.l.c, based in London.

(a) Market risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of a business. The market price movements that the group is exposed to include oil, natural gas and power prices (commodity price risk), foreign currency exchange rates, interest rates, equity prices and other indices that could adversely affect the value of the group's financial assets, liabilities or expected future cash flows. The group has developed policies aimed at managing the volatility inherent in certain of its natural business exposures, and this is managed centrally in London.

i) Commodity price risk

The group's risk management policy requires the management of only certain short-term exposures in respect of its equity share of oil and natural gas production and certain of its refinery and marketing activities. The group's integrated supply and trading function uses conventional financial and commodity instruments and physical cargoes available in the related commodity markets. Natural gas swaps, options and futures are used to mitigate price risk. Power trading is undertaken using a combination of over-the-counter forward contracts and other derivative contracts, including options and futures. This activity is on both a stand alone basis and in conjunction with gas derivatives in relation to gas-generated power margin.

The sensitivity testing undertaken in relation to commodity price movement indicates the operations within the group generate a natural hedge position resulting in immaterial price risk to the business.

ii) Foreign currency exchange risk

Fluctuations in foreign currency exchange rates can have significant effects on the group's reported results. The effects of most exchange rate fluctuations are absorbed in business operating results through changing cost competitiveness, lags in market adjustment to movements in rates and conversion differences accounted for on specific transactions. For this reason, the total effect of exchange rate fluctuations is not identifiable separately in the group's reported results. The group's foreign currency risk is managed by the central treasury department in London.

As at 31 December 2007, the net position of the group's financial instrument exposure to foreign currency fluctuation is immaterial.

Within the group, the functional currency of BP Australia Group Pty Ltd (Parent company) and its subsidiary BP Development Australia Pty Ltd is United States dollars, while the presentation currency of the consolidated group is Australian dollars. Therefore foreign currency exchange rates will affect the foreign currency translation reserve, which is included in the equity of the Group. If the USD\$/AUD\$ exchange rate increases by 1%, the net impact on the Group's foreign currency translation reserve as at 31 December 2007 would be increased by \$30.1mil (2006: \$52.7mil).

iii) Interest rate risk

The Group's interest bearing liabilities are held with other entities within the BP p.l.c. group allowing the Group's income and operating cash flows to be substantially independent of changes in market interest rates.

The Group is exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows or the fair values of its financial instruments, principally finance debt.

The group's earnings are sensitive to changes in interest rates on the floating rate element of the group's finance debt. If the interest rates applicable to floating rate instruments were to have increased by 1% on 1 January 2008, it is estimated that the group's profit before taxation for 2008 would decrease by approximately \$37.4 million (2006 \$38.0million).

(b) Credit risk

Credit risk is the risk that a customer or counter party to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the group and arises from cash and cash equivalents, derivative financial instruments and deposits with financial institutions and principally from credit exposures to customers relating to outstanding receivables.

The group has a credit policy, approved by the CFO, which is designed to ensure that consistent processes are in place throughout the group to measure and control credit risk. Credit risk is considered as part of the risk-reward balance of doing business. On entering into any business contract the extent to which the arrangement exposes the group to credit risk is considered. The treasury function provides a similar credit risk management activity with respect to group-wide exposures to banks and other financial institutions.

Before trading with a new counterparty can start, its credit worthiness is assessed and a credit rating is allocated that indicates the probability of default, along with a credit exposure limit. Creditworthiness continues to be evaluated after transactions have been initiated and a watch list of higher-risk counterparties is maintained. Once assigned a credit rating, each counterparty is allocated a maximum exposure limit.

The group does not aim to remove credit risk but expects to experience a certain level of credit losses. The maximum credit exposure associated with financial assets is equal to the carrying amount. At 31 December 2007, the maximum credit exposure was \$1,435.2 million (2006 \$ 789.9 million). In addition, credit exposure exists in relation to guarantees issued by group companies under which amounts outstanding at 31 December 2007 were \$1.2 million (2006 \$0.3 million) in respect of liabilities of jointly controlled entities and associates and \$12.6 million (2006 \$11.1 million) in respect of liabilities of other third parties.

BP AUSTRALIA GROUP PTY LTD

NOTES TO THE FINANCIAL STATEMENTS (continued)

31 DECEMBER 2007

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Trade and other receivables of the group are analysed in the table below. With respect to the trade and other receivables that are neither impaired nor past due, there are no indications as of their reporting date that the debtors will not meet their payment obligations.

The group does not typically renegotiate the terms of trade receivables; however, if a renegotiation does take place, the outstanding balance is included in the analysis based on the original payment terms. There were no significant renegotiated balances outstanding at 31 December 2007 or 31 December 2006

	Millions of dollars			
	CONSOLIDATED		BP Australia Group Pty Ltd	
	2007	2006	2007	2006
TRADE RECEIVABLES AT 31 DECEMBER				
Neither Impaired nor past due	1,367.3	740.0	-	-
Impaired (net of valuation allowance)	3.2	2.6	-	-
Not impaired and past due in the following periods				
Within 30 days	50.4	35.0	-	-
31 to 60 days	6.6	6.6	-	-
61 to 90 days	4.9	2.2	-	-
Over 90 days	2.8	3.6	-	-
	1,435.2	789.9	-	-

The Group holds collateral in the form of security deposits over some customers at 31 December 2007, totalling \$65 million.

(c) Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the group's business activities may not be available. The group's liquidity is managed centrally by the central treasury function based in London.

In managing its liquidity risk, the group has access to a wide range of funding at competitive rates through capital markets and banks. The central treasury function centrally co-ordinates relationships with banks, borrowing requirements, foreign exchange requirements and cash management, and believes it has access to sufficient funding to meet foreseeable borrowing requirements.

The remaining contractual maturities of the Groups financial liabilities are:

	2007				2006				Smillion
	Trade and Other Payables	Interest Bearing Liabilities -bank loan	Deferred Income-take or pay contract	Interest Bearing Liabilities-related party	Trade and Other Payables	Interest Bearing Liabilities-bank loan	Deferred Income-take or pay contract	Interest Bearing Liabilities-related party	
Within one year	2,072.1	251.1	3.5	177.6	2,333.4	-	0.1	118.8	
1 to 2 years	-	-	3.7	0.1	-	227.7	1.8	-	
2 to 3 years	-	-	4.3	-	-	-	2.0	-	
3 to 4 years	-	-	1.8	-	-	-	2.5	-	
4 to 5 years	-	-	1.8	-	-	-	0.1	-	
5 to 10 years	-	-	8.3	3,416.9	-	-	-	3,525.8	
Over 10 years	-	-	17.0	-	-	-	-	-	
Total	2,072.1	251.1	40.4	3,594.6	2,333.4	227.7	6.5	3,644.6	

In accordance with a resolution of the director of BP Australia Group Pty Ltd, I state that:

- (1) In the opinion of the director:
- (a) the financial statements and notes of the company and of the Consolidated Entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and Consolidated Entity's financial position as at 31 December 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
 - (b) There are reasonable grounds to believe that the company and Consolidated Entity will be able to pay its debts as and when they become due and payable.
 - (c) This declaration has been made after receiving the declaration required to be made to the directors in accordance with Section 295A Corp Act 2001 for the financial reporting period ending 31st December 2007.
- (2) In the opinion of the director, as at the date of this declaration, there are reasonable grounds to believe that the members of the Closed Group identified in note 30 will be able to meet any obligations or liabilities to which they are or may become subject, by virtue of the Deed of Cross Guarantee.

On behalf of the Board

Director

Melbourne

Date