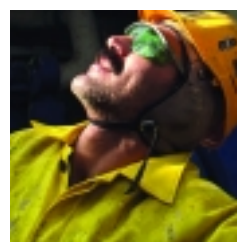
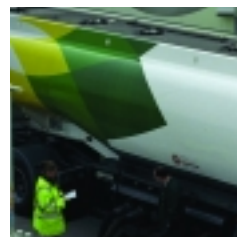




Our business is strong.  
Our company is soundly  
managed. Our people  
are determined to be  
the best in their field.



The Annual Report and Accounts for the year ending 31 December 2002 comprises two volumes.

This volume, *Annual Accounts 2002*, contains only the full annual accounts.

A separate volume, *Annual Report 2002*, contains the full Directors' Report on pages 1-21, 28-29 and 40-41, the Directors' Remuneration Report on pages 30-39, and a summary of the information in the annual accounts on pages 22-27. This complies with the information required under the Companies (Summary Financial Statement) Regulations 1995.

This volume on its own does not contain sufficient information to allow as full an understanding of the results and state of affairs of BP as when read in conjunction with *Annual Report 2002*. Shareholders requiring more detailed information may obtain a copy of *Annual Report 2002* on request, free of charge (see page 56).

As BP shares, in the form of ADSs, are listed on the New York Stock Exchange, an Annual Report on Form 20-F will be filed with the US Securities and Exchange Commission in accordance with

the US Securities and Exchange Act 1934. This is expected to be filed around the end of March 2003, and copies may be obtained free of charge (see page 56).

BP p.l.c. is the parent company of the BP group of companies. Unless otherwise stated, the text does not distinguish between the activities and operations of the parent company and those of its subsidiary undertakings.

The term 'shareholders' in this report means, unless the context otherwise requires, investors in the equity capital of BP p.l.c., both direct and/or indirect.

The registered office of BP p.l.c. is: 1 St James's Square, London SW1Y 4PD, UK. Telephone: +44 (0)20 7496 4000. Registered in England and Wales No. 102498. Stock exchange symbol 'BP'.

BP's Annual Report and Accounts 2002 may be downloaded from the BP website using the following URLs:

[www.bp.com/annualreport2002](http://www.bp.com/annualreport2002)

[www.bp.com/annualaccounts2002](http://www.bp.com/annualaccounts2002)

No other material on the BP website, except that found at the cited URLs, forms any part of the Annual Report and Accounts 2002.

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## Statement of directors' responsibilities in respect of the accounts

Company law requires the directors to prepare accounts for each financial year that give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing those accounts, the directors are required:

- To select suitable accounting policies and then apply them consistently.
- To make judgements and estimates that are reasonable and prudent.
- To state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts.
- To prepare the accounts on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The directors are also responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors confirm that they have complied with these requirements, and, having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts.

## Independent auditors' report

### To the Members of BP p.l.c.

We have audited the group's accounts for the year ended 31 December 2002 which comprise the group income statement, balance sheets, group cash flow statement, statement of total recognized gains and losses, accounting policies and related notes 1 to 48. These accounts have been prepared on the basis of the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report contained in *Annual Report 2002* that is described as having been subject to audit.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report or for the opinions we have formed.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report and Accounts, including the accounts in accordance with applicable United Kingdom law and accounting standards as set out in the statement of directors' responsibilities in respect of the accounts.

Our responsibility is to audit the accounts and the part of the Directors' Remuneration Report that is subject to audit in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Directors' Remuneration Report that is subject to audit have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report, contained in *Annual Report 2002*, is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law or the Listing Rules regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the corporate governance statement contained in *Annual Report 2002* reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read other information contained in *Annual Report 2002* and *Annual Accounts 2002* and consider whether it is consistent with the audited accounts. This other information comprises the United States Accounting Principles, the supplementary information on oil and natural gas quantities, the five-year summaries, the Directors' Report, and the unaudited part of the Directors' Remuneration Report. We consider the implications for our report if we become aware of any misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

### Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the part of the Directors' Remuneration Report that is subject to audit. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the part of the Directors' Remuneration Report that is subject to audit are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts and the part of the Directors' Remuneration Report that is subject to audit.

### Opinion

In our opinion:

- the accounts give a true and fair view of the state of affairs of the company and of the group as at 31 December 2002 and of the profit of the group for the year then ended; and
- the accounts and the part of the Directors' Remuneration Report that is subject to audit have been properly prepared in accordance with the Companies Act 1985.

### Ernst & Young LLP

Registered Auditor

London

11 February 2003

## Accounting policies

### Accounting standards

These accounts are prepared in accordance with applicable UK accounting standards. In preparing the financial statements for the current year, the group has adopted Financial Reporting Standard No. 19 'Deferred Tax' (FRS 19) and the transitional disclosure requirements of Financial Reporting Standard No. 17 'Retirement Benefits' (FRS 17). The adoption of FRS 19 has resulted in a change in accounting policy for deferred tax. See Note 45 New accounting standard for deferred tax for further information.

In addition to the requirements of accounting standards, the accounting for exploration and production activities is governed by the Statement of Recommended Practice ('SORP') 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities' issued by the UK Oil Industry Accounting Committee on 7 June 2001.

These accounts have been prepared in accordance with the SORP's provisions except for where royalties are payable in cash and the royalty holder does not have a direct interest in the underlying reserves and production. In these circumstances, the SORP recommends that turnover, reserves and production should be presented on a gross basis with the royalty payable treated as an expense. The group has historically presented turnover, reserves and production net of all royalties whether payable in cash or in kind. BP considers that such presentation more appropriately reflects the nature of the profit sharing arrangements.

### Group consolidation

The group financial statements comprise a consolidation of the accounts of the parent company and its subsidiary undertakings (subsidiaries). The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passes.

An associated undertaking (associate) is an entity in which the group has a long-term equity interest and over which it exercises significant influence. The consolidated financial statements include the group proportion of the operating profit or loss, exceptional items, stock holding gains or losses, interest expense, taxation and net assets of associates (the equity method).

A joint venture is an entity in which the group has a long-term interest and shares control with one or more co-venturers. The consolidated financial statements include the group proportion of turnover, operating profit or loss, exceptional items, stock holding gains or losses, interest expense, taxation, gross assets and gross liabilities of the joint venture (the gross equity method).

Certain of the group's activities are conducted through joint arrangements and are included in the consolidated financial statements in proportion to the group's interest in the income, expenses, assets and liabilities of these joint arrangements.

On the acquisition of a subsidiary, or of an interest in a joint venture or associate, fair values reflecting conditions at the date of acquisition are attributed to the identifiable net assets acquired. When the cost of acquisition exceeds the fair values attributable to the group's share of such net assets the difference is treated as purchased goodwill. This is capitalized and amortized over its estimated useful economic life, which is usually 10 years.

Where an interest in a separate business of an acquired entity is held temporarily pending disposal, it is carried on the balance sheet at its estimated net proceeds of sale.

### Accounting convention

The accounts are prepared under the historical cost convention, except as explained under stock valuation. Accounts prepared on this basis show the profits available to shareholders and are the most appropriate basis for presentation of the group's balance sheet. Profit or loss determined under the historical cost convention includes stock holding gains or losses and, as a consequence, does not necessarily reflect underlying trading results.

### Replacement cost

The results of individual businesses and geographical areas are presented on a replacement cost basis. Replacement cost operating results exclude stock holding gains or losses and reflect the average cost of supplies incurred during the year, and thus provide insight into underlying trading results. Stock holding gains or losses represent the difference between the replacement cost of sales and the historical cost of sales calculated using the first-in first-out method.

### Stock valuation

Stocks are valued at cost to the group using the first-in first-out method or at net realizable value, whichever is the lower. Stores are stated at or below cost calculated mainly using the average method.

Stock held for trading purposes is marked-to-market and any gains or losses are recognized in the income statement rather than the statement of total recognized gains and losses. The directors consider that the nature of the group's trading activity is such that, in order for the accounts to show a true and fair view of the state of affairs of the group and the results for the year, it is necessary to depart from the requirements of Schedule 4 to the Companies Act 1985. Had the treatment in Schedule 4 been followed, the profit and loss account reserve would have been reduced by \$209 million (\$84 million) and a revaluation reserve established and increased accordingly.

### Revenue recognition

Revenues associated with the sale of oil, natural gas liquids, liquefied natural gas, petroleum and chemical products and all other items are recognized when the title passes to the customer. Generally, revenues from the production of natural gas and oil properties in which the group has an interest with other producers are recognized on the basis of the group's working interest in those properties (the entitlement method). Differences between the production sold and the group's share of production are not significant.

### Foreign currencies

On consolidation, assets and liabilities of subsidiaries are translated into US dollars at closing rates of exchange. Income and cash flow statements are translated at average rates of exchange. Exchange differences resulting from the retranslation of net investments in subsidiaries, joint ventures and associates at closing rates, together with differences between income statements translated at average rates and at closing rates, are dealt with in reserves. Exchange gains and losses arising on long-term foreign currency borrowings used to finance the group's foreign currency investments are also dealt with in reserves. All other exchange gains or losses on settlement or translation at closing rates of exchange of monetary assets and liabilities are included in the determination of profit for the year.

### Derivative financial instruments

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

The purpose for which a derivative contract is used is identified at inception. To qualify as a derivative for risk management, the contract must be in accordance with established guidelines which ensure that it is effective in achieving its objective. All contracts not identified at inception as being for the purpose of risk management are designated as being held for trading purposes and accounted for using the fair value method, as are all oil price derivatives.

The group accounts for derivatives using the following methods:

**Fair value method** Derivatives are carried on the balance sheet at fair value ('marked-to-market') with changes in that value recognized in earnings of the period. This method is used for all derivatives which are held for trading purposes. Interest rate contracts traded by the group include futures, swaps, options and swaptions. Foreign exchange contracts traded include forwards and options. Oil and natural gas price contracts traded include swaps, options and futures.

**Accrual method** Amounts payable or receivable in respect of derivatives are recognized ratably in earnings over the period of the contracts. This method is used for derivatives held to manage interest rate risk. These are principally swap agreements used to manage the balance between fixed and floating interest rates on long-term finance debt. Other derivatives held for this purpose may include swaptions and futures contracts. Amounts payable or receivable in respect of these derivatives are recognized as adjustments to interest expense over the period of the contracts. Changes in the derivative's fair value are not recognized.

**Deferral method** Gains and losses from derivatives are deferred and recognized in earnings or as adjustments to carrying amounts, as appropriate, when the underlying debt matures or the hedged transaction occurs. This method is used for derivatives used to convert non-US dollar borrowings into US dollars, to hedge significant non-US dollar firm commitments or anticipated transactions, and to manage some of the group's exposure to natural gas price fluctuations. Derivatives used to convert non-US dollar borrowings into US dollars include foreign currency swap agreements and forward contracts. Gains and losses on these derivatives are deferred and recognized on maturity of the underlying debt, together with the matching loss or gain on the debt. Derivatives used to hedge significant non-US dollar transactions include foreign currency forward contracts and options and to hedge natural gas price exposures include swaps, futures and options. Gains and losses on these contracts and option premia paid are also deferred and recognized in the income statement or as adjustments to carrying amounts, as appropriate, when the hedged transaction occurs.

Where derivatives used to manage interest rate risk or to convert non-US dollar debt or to hedge other anticipated cash flows are terminated before the underlying debt matures or the hedged transaction occurs, the resulting gain or loss is recognized on a basis that matches the timing and accounting treatment of the underlying debt or hedged transaction. When an anticipated transaction is no longer likely to occur or finance debt is terminated before maturity, any deferred gain or loss that has arisen on the related derivative is recognized in the income statement, together with any gain or loss on the terminated item.

### Depreciation

Oil and gas production assets are depreciated using a unit-of-production method based upon estimated proved reserves. Other tangible and intangible assets are depreciated on the straight line method over their estimated useful lives. The average estimated useful lives of refineries are 20 years, chemicals manufacturing plants 20 years and service stations 15 years. Other intangibles are amortized over a maximum period of 20 years.

The group undertakes a review for impairment of a fixed asset or goodwill if events or changes in circumstances indicate that the carrying amount of the fixed asset or goodwill may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, that is, the higher of net realizable value and value in use, the fixed asset or goodwill is written down to its recoverable amount. The value in use is determined from estimated discounted future net cash flows.

### Maintenance expenditure

Expenditure on major maintenance, refits or repairs is capitalized where it enhances the performance of an asset above its originally assessed standard of performance; replaces an asset or part of an asset which was separately depreciated and which is then written off; or restores the economic benefits of an asset which has been fully depreciated. All other maintenance expenditure is charged to income as incurred.

### Exploration expenditure

Exploration expenditure is accounted for in accordance with the successful efforts method. Exploration and appraisal drilling expenditure is initially capitalized as an intangible fixed asset. When proved reserves of oil and natural gas are determined and development is sanctioned, the relevant expenditure is transferred to tangible production assets. All exploration expenditure determined as unsuccessful is charged against income. Exploration licence acquisition costs are amortized over the estimated period of exploration. Geological and geophysical exploration costs are charged against income as incurred.

### Decommissioning

Provision for decommissioning is recognized in full at the commencement of oil and natural gas production. The amount recognized is the present value of the estimated future expenditure determined in accordance with local conditions and requirements. A corresponding tangible fixed asset of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the capital costs of the production and transportation facilities. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset.

### Petroleum revenue tax

The charge for petroleum revenue tax is calculated using a unit-of-production method.

### Changes in unit-of-production factors

Changes in factors which affect unit-of-production calculations are dealt with prospectively, not by immediate adjustment of prior years' amounts.

### Environmental liabilities

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

Liabilities for environmental costs are recognized when environmental assessments or clean-ups are probable and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The amount recognized is the best estimate of the expenditure required. Where the liability will not be settled for a number of years the amount recognized is the present value of the estimated future expenditure.

### Leases

Assets held under leases which result in group companies receiving substantially all risks and rewards of ownership (finance leases) are capitalized as tangible fixed assets at the estimated present value of underlying lease payments. The corresponding finance lease obligation is included within finance debt. Rentals under operating leases are charged against income as incurred.

### Research

Expenditure on research is written off in the year in which it is incurred.

### Interest

Interest is capitalized gross during the period of construction where it relates either to the financing of major projects with long periods of development or to dedicated financing of other projects. All other interest is charged against income.

### Pensions and other post-retirement benefits

The cost of providing pensions and other post-retirement benefits is charged to income on a systematic basis, with pension surpluses and deficits amortized over the average expected remaining service lives of current employees. The difference between the amounts charged to income and the contributions made to pension plans is included within other provisions or debtors as appropriate. The amounts accrued for other post-retirement benefits and unfunded pension liabilities are included within other provisions.

### Deferred taxation

Deferred tax is recognized in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, tax in the future.

In particular:

- Provision is made for tax on gains arising from the disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the replacement assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, joint ventures and associated undertakings only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Deferred tax assets are recognized only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### Discounting

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

### Use of estimates

The preparation of accounts in conformity with generally accepted accounting practice requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from these estimates.

### Comparative figures

Information for 2001 has been restated to reflect the transfer of the solar, renewables and alternative fuels activities from Other businesses and corporate to Gas, Power and Renewables. In addition, certain prior year figures have been restated to conform with the 2002 presentation.

## Group income statement

For the year ended 31 December

	Note	\$ million	
		2002	2001
<b>Turnover</b>		<b>180,186</b>	175,389
Less: Joint ventures		<b>1,465</b>	1,171
<b>Group turnover</b>	1	<b>178,721</b>	174,218
Replacement cost of sales		<b>155,528</b>	147,001
Production taxes	2	<b>1,274</b>	1,689
<b>Gross profit</b>		<b>21,919</b>	25,528
Distribution and administration expenses	3	<b>12,632</b>	10,918
Exploration expense		<b>644</b>	480
		<b>8,643</b>	14,130
Other income	4	<b>641</b>	694
<b>Group replacement cost operating profit</b>	5	<b>9,284</b>	14,824
Share of profits of joint ventures	5	<b>346</b>	443
Share of profits of associated undertakings	5	<b>616</b>	760
<b>Total replacement cost operating profit</b>	5	<b>10,246</b>	16,027
Profit (loss) on sale of businesses or termination of operations	7	<b>(33)</b>	(68)
Profit (loss) on sale of fixed assets	7	<b>1,201</b>	603
<b>Replacement cost profit before interest and tax</b>	5	<b>11,414</b>	16,562
Stock holding gains (losses)	8	<b>1,129</b>	(1,900)
<b>Historical cost profit before interest and tax</b>		<b>12,543</b>	14,662
Interest expense	9	<b>1,279</b>	1,670
<b>Profit before taxation</b>		<b>11,264</b>	12,992
Taxation	12	<b>4,342</b>	6,375
<b>Profit after taxation</b>		<b>6,922</b>	6,617
Minority shareholders' interest (MSI)		<b>77</b>	61
<b>Profit for the year</b>		<b>6,845</b>	6,556
Distribution to shareholders	13	<b>5,375</b>	4,935
<b>Retained profit for the year</b>		<b>1,470</b>	1,621
<b>Earnings per ordinary share – cents</b>			
Basic	14	<b>30.55</b>	29.21
Diluted	14	<b>30.41</b>	29.04
<b>Replacement cost results</b>			
<b>Historical cost profit for the year</b>		<b>6,845</b>	6,556
Stock holding (gains) losses (net of MSI)		<b>(1,104)</b>	1,900
<b>Replacement cost profit for the year</b>		<b>5,741</b>	8,456
Exceptional items (net of tax)	7	<b>(1,043)</b>	(165)
<b>Replacement cost profit before exceptional items</b>		<b>4,698</b>	8,291
<b>Earnings per ordinary share – cents</b>			
On replacement cost profit before exceptional items	14	<b>20.97</b>	36.95

## Balance sheets

At 31 December

	Note	Group		\$ million	
		2002	2001	2002	2001
<b>Fixed assets</b>					
Intangible assets	19	15,566	16,489	–	–
Tangible assets	20	87,682	77,410	–	–
Investments					
Joint ventures – Gross assets		4,829	4,661		
– Gross liabilities		798	800		
– Net investment	21	4,031	3,861	–	–
Associated undertakings	21	4,626	5,433	3	3
Other	21	2,154	2,669	51,944	46,703
		10,811	11,963	51,947	46,706
<b>Total fixed assets</b>		<b>114,059</b>	<b>105,862</b>	<b>51,947</b>	<b>46,706</b>
<b>Current assets</b>					
Stocks	22	10,181	7,631	–	–
Debtors – amounts falling due:					
Within one year	23	26,905	21,988	1,892	713
After more than one year	23	6,245	4,681	11,689	20,560
Investments	24	215	450	–	–
Cash at bank and in hand		1,520	1,358	1	3
		45,066	36,108	13,582	21,276
<b>Creditors – amounts falling due within one year</b>					
Finance debt	28	10,086	9,090	–	–
Other creditors	29	36,215	28,524	9,906	7,642
<b>Net current assets (liabilities)</b>		<b>(1,235)</b>	<b>(1,506)</b>	<b>3,676</b>	<b>13,634</b>
<b>Total assets less current liabilities</b>		<b>112,824</b>	<b>104,356</b>	<b>55,623</b>	<b>60,340</b>
<b>Creditors – amounts falling due after more than one year</b>					
Finance debt	28	11,922	12,327	–	–
Other creditors	29	3,455	3,086	98	191
<b>Provisions for liabilities and charges</b>					
Deferred taxation	12	13,514	11,702	–	–
Other provisions	30	13,886	11,482	142	216
<b>Net assets</b>		<b>70,047</b>	<b>65,759</b>	<b>55,383</b>	<b>59,933</b>
Minority shareholders' interest – equity		638	598	–	–
<b>BP shareholders' interest</b>		<b>69,409</b>	<b>65,161</b>	<b>55,383</b>	<b>59,933</b>
Represented by					
<b>Capital and reserves</b>					
Called up share capital	31	5,616	5,629	5,616	5,629
Share premium account	32	3,794	3,590	3,794	3,590
Capital redemption reserve	32	449	424	449	424
Merger reserve	32	27,033	26,983	26,336	26,286
Other reserves	32	173	223	173	223
Profit and loss account	32	32,344	28,312	19,015	23,781
	33	69,409	65,161	55,383	59,933

The accounts on pages 4 to 45 were approved by a duly appointed and authorized committee of the board of directors on 11 February 2003 and were signed on its behalf by:

**Peter Sutherland**, Chairman

**The Lord Browne of Madingley**, Group Chief Executive

## Group cash flow statement

For the year ended 31 December

	Note	\$ million	
		2002	2001
<b>Net cash inflow from operating activities</b>	34	<b>19,342</b>	22,409
<b>Dividends from joint ventures</b>		<b>198</b>	104
<b>Dividends from associated undertakings</b>		<b>368</b>	528
<b>Servicing of finance and returns on investments</b>			
Interest received		<b>231</b>	256
Interest paid		<b>(1,204)</b>	(1,282)
Dividends received		<b>102</b>	132
Dividends paid to minority shareholders		<b>(40)</b>	(54)
<b>Net cash outflow from servicing of finance and returns on investments</b>		<b>(911)</b>	(948)
<b>Taxation</b>			
UK corporation tax		<b>(979)</b>	(1,058)
Overseas tax		<b>(2,115)</b>	(3,602)
<b>Tax paid</b>		<b>(3,094)</b>	(4,660)
<b>Capital expenditure and financial investment</b>			
Payments for tangible and intangible fixed assets		<b>(12,049)</b>	(12,142)
Payments for fixed assets – investments		<b>(67)</b>	(72)
Proceeds from the sale of fixed assets	17	<b>2,470</b>	2,365
<b>Net cash outflow for capital expenditure and financial investment</b>		<b>(9,646)</b>	(9,849)
<b>Acquisitions and disposals</b>			
Investments in associated undertakings		<b>(971)</b>	(586)
Proceeds from sale of investment in Ruhrgas	17	<b>2,338</b>	–
Acquisitions, net of cash acquired		<b>(4,324)</b>	(1,210)
Net investment in joint ventures		<b>(354)</b>	(497)
Proceeds from the sale of businesses	17	<b>1,974</b>	538
<b>Net cash outflow for acquisitions and disposals</b>		<b>(1,337)</b>	(1,755)
<b>Equity dividends paid</b>		<b>(5,264)</b>	(4,827)
<b>Net cash (outflow) inflow</b>		<b>(344)</b>	1,002
<b>Financing</b>	34	<b>(181)</b>	972
<b>Management of liquid resources</b>	34	<b>(220)</b>	(211)
<b>Increase in cash</b>	34	<b>57</b>	241
		<b>(344)</b>	1,002

## Statement of total recognized gains and losses

For the year ended 31 December

	\$ million	
	2002	2001
<b>Profit for the year</b>	<b>6,845</b>	6,556
Currency translation differences (net of tax)	<b>3,333</b>	(828)
<b>Total recognized gains and losses relating to the year</b>	<b>10,178</b>	5,728
Prior year adjustment – change in accounting policy	<b>(9,206)</b>	
<b>Total recognized gains and losses since last annual accounts</b>	<b>972</b>	

## Notes on accounts

## 1 Turnover

	\$ million	
	2002	2001
Sales and operating revenue	222,231	208,299
Customs duties and sales taxes	43,510	34,081
<b>Group turnover</b>	<b>178,721</b>	<b>174,218</b>

Turnover<sup>a</sup>

	Total sales	Sales between businesses	Sales to third parties	Total sales	Sales between businesses	Sales to third parties
<b>By business</b>						
Exploration and Production	25,753	18,556	7,197	28,229	19,660	8,569
Gas, Power and Renewables	37,357	1,320	36,037	39,442	2,954	36,488
Refining and Marketing	125,836	3,366	122,470	120,233	2,903	117,330
Chemicals	13,064	557	12,507	11,515	233	11,282
Other businesses and corporate	510	–	510	549	–	549
<b>Group turnover</b>	<b>202,520</b>	<b>23,799</b>	<b>178,721</b>	199,968	25,750	174,218
Share of sales by joint ventures			1,465			1,171
			<b>180,186</b>			<b>175,389</b>

	Total sales	Sales between areas	Sales to third parties	Total sales	Sales between areas	Sales to third parties
<b>By geographical area</b>						
UK <sup>b</sup>	48,748	14,673	34,075	47,618	13,467	34,151
Rest of Europe	46,518	7,980	38,538	36,701	7,603	29,098
USA	80,381	2,099	78,282	84,696	939	83,757
Rest of World	34,401	6,575	27,826	33,911	6,699	27,212
	<b>210,048</b>	<b>31,327</b>	<b>178,721</b>	202,926	28,708	174,218

## Share of sales by joint ventures

UK	129	13
Rest of Europe	298	30
USA	236	318
Rest of World	802	810
	<b>1,465</b>	<b>1,171</b>

<sup>a</sup> Turnover to third parties is stated by origin, which is not materially different from turnover by destination. Transfers between group companies are made at market prices taking into account the volumes involved.

<sup>b</sup> UK area includes the UK-based international activities of Refining and Marketing.

## 2 Production taxes

	\$ million	
	2002	2001
UK petroleum revenue tax	309	600
Overseas production taxes	965	1,089
	<b>1,274</b>	<b>1,689</b>

## 3 Distribution and administration expenses

	\$ million	
	2002	2001
Distribution	11,431	9,852
Administration	1,201	1,066
	<b>12,632</b>	<b>10,918</b>

## 4 Other income

	\$ million	
	2002	2001
Income from other fixed asset investments	139	208
Other interest and miscellaneous income	502	486
	<b>641</b>	<b>694</b>
Income from listed investments included above	58	32

## 5 Analysis of replacement cost profit

	\$ million					
	2002					
	Group replacement cost operating profit <sup>a</sup>	Joint ventures	Associated undertakings	Total replacement cost operating profit <sup>a</sup>	Exceptional items <sup>b</sup>	Replacement cost profit before interest and tax
<b>By business</b>						
Exploration and Production	8,595	343	268	9,206	(726)	8,480
Gas, Power and Renewables	247	–	107	354	1,551	1,905
Refining and Marketing	668	24	180	872	613	1,485
Chemicals	527	(21)	9	515	(256)	259
Other businesses and corporate <sup>c</sup>	(753)	–	52	(701)	(14)	(715)
	<b>9,284</b>	<b>346</b>	<b>616</b>	<b>10,246</b>	<b>1,168</b>	<b>11,414</b>
<b>By geographical area</b>						
UK <sup>d</sup>	1,701	(15)	10	1,696	(88)	1,608
Rest of Europe	1,572	(1)	132	1,703	1,817	3,520
USA	2,665	16	209	2,890	(242)	2,648
Rest of World	3,346	346	265	3,957	(319)	3,638
	<b>9,284</b>	<b>346</b>	<b>616</b>	<b>10,246</b>	<b>1,168</b>	<b>11,414</b>
2001						
<b>By business</b>						
Exploration and Production	11,802	373	186	12,361	195	12,556
Gas, Power and Renewables	304	–	184	488	–	488
Refining and Marketing	3,295	83	195	3,573	471	4,044
Chemicals	21	(13)	120	128	(297)	(169)
Other businesses and corporate <sup>c</sup>	(598)	–	75	(523)	166	(357)
	<b>14,824</b>	<b>443</b>	<b>760</b>	<b>16,027</b>	<b>535</b>	<b>16,562</b>
<b>By geographical area</b>						
UK <sup>d</sup>	2,657	(3)	14	2,668	(319)	2,349
Rest of Europe	1,579	(1)	236	1,814	33	1,847
USA	6,632	76	233	6,941	289	7,230
Rest of World	3,956	371	277	4,604	532	5,136
	<b>14,824</b>	<b>443</b>	<b>760</b>	<b>16,027</b>	<b>535</b>	<b>16,562</b>

<sup>a</sup> Replacement cost operating profit is before stock holding gains and losses and interest expense, which is attributable to the corporate function. Transfers between group companies are made at market prices taking into account the volumes involved.

<sup>b</sup> Exceptional items comprise profit or loss on the sale of fixed assets and the sale of businesses or termination of operations.

<sup>c</sup> Other businesses and corporate comprises Finance, the group's coal asset and aluminium asset, its investments in PetroChina and Sinopec, interest income and costs relating to corporate activities worldwide.

<sup>d</sup> UK area includes the UK-based international activities of Refining and Marketing.

## 6 Auditors' remuneration

	\$ million			
	2002		2001	
<b>Audit fees – Ernst &amp; Young</b>	UK	Total	UK	Total
Group audit	6	14	5	13
Local statutory audit and quarterly review	4	14	3	11
	<b>10</b>	<b>28</b>	8	24
<b>Fees for other services – Ernst &amp; Young</b>				
Audit-related services	14	21	20	30
Taxation services	4	28	9	28
Other services	2	2	–	1
	<b>20</b>	<b>51</b>	29	59

Group audit fees include \$2 million (\$2 million) in respect of the parent company.

The audit fees payable to Ernst & Young are reviewed by the Audit Committee in the context of other global companies for cost effectiveness. The committee also reviews the nature and extent of non-audit services to ensure that independence is maintained.

Ernst & Young is selected to provide audit-related services in addition to its statutory audit duties where its expertise and experience of BP are important. The tax services were awarded either through a full competitive tender process or following an assessment of the expertise of Ernst & Young relative to that of other potential service providers. These services are for a fixed term. The other services were awarded on a similar basis.

## 7 Exceptional items

Exceptional items comprise profit (loss) on sale of fixed assets and the sale of businesses or termination of operations as follows:

	\$ million	
	2002	2001
Profit on sale of businesses or termination of operations – Group	195	182
Loss on sale of businesses or termination of operations – Group	(228)	(250)
	(33)	(68)
Profit on sale of fixed assets – Group	2,736	948
– Associated undertakings	2	–
Loss on sale of fixed assets – Group	(1,537)	(343)
– Associated undertakings	–	(2)
Exceptional items	1,168	535
Taxation credit (charge):		
Sale of businesses or termination of operations	45	(100)
Sale of fixed assets	(170)	(270)
Exceptional items (net of tax)	1,043	165

**Sale of businesses or termination of operations** The profit on the sale of businesses in 2002 relates mainly to the disposal of the group's retail network in Cyprus and the UK contract energy management business. For 2001, the profit relates to the sale of the group's interest in Vysis.

The loss on sale of businesses or termination of operations for 2002 represents the loss on disposal of the plastic fabrications business, the loss on disposal of the former Burmah Castrol speciality chemicals business Fosroc Construction, the loss on withdrawal from solar thin film manufacturing and the provision for the loss on divestment of the former Burmah Castrol speciality chemicals businesses Sericol and Fosroc Mining. The loss during 2001 arose principally from the sale of the group's Carbon Fibers business and the write-off of assets following the closure or exit from certain chemicals activities.

**Sale of fixed assets** The major part of the profit on the sale of fixed assets during 2002 arises from the divestment of the group's shareholding in Ruhrgas. The other significant elements of the profit for the year are the gain on the redemption of certain preferred limited partnership interests BP retained following the Altura Energy common interest disposal in 2000 in exchange for BP loan notes held by the partnership, the profit on the sale of the group's interest in the Colonial pipeline in the USA and the profit on the sale of a US downstream electronic payment system. For 2001, the profit on the sale of fixed assets includes the profit from the divestment of the refineries at Mandan, North Dakota, and Salt Lake City, Utah; the group's interest in the Alliance and certain other pipeline systems in the USA; and BP's interest in the Kashagan discovery in Kazakhstan.

The major element of the loss on sale of fixed assets in 2002 relates to provisions for losses on sale of exploration and production properties in the USA announced in early 2003. For 2001, the loss on sale of fixed assets arose from a number of transactions.

Additional information on the sale of businesses and fixed assets is given in Note 17 Disposals.

## 8 Stock holding gains (losses)

	\$ million	
	2002	2001
<b>By business</b>		
Exploration and Production	3	(6)
Gas, Power and Renewables	51	(81)
Refining and Marketing	1,049	(1,583)
Chemicals <sup>a</sup>	26	(230)
	1,129	(1,900)
Minority shareholders' interest	25	–
	1,104	(1,900)
<b>By geographical area</b>		
UK	88	(225)
Rest of Europe	283	(444)
USA	640	(1,014)
Rest of World	118	(217)
	1,129	(1,900)
Minority shareholders' interest	25	–
	1,104	(1,900)

<sup>a</sup> Includes \$2 million stock holding gains (\$7 million losses) in respect of joint ventures and associated undertakings.

**9 Interest expense**

	<b>\$ million</b>	
	<b>2002</b>	2001
Bank loans and overdrafts	<b>134</b>	119
Other loans <sup>a</sup>	<b>852</b>	1,111
Finance leases	<b>40</b>	78
	<b>1,026</b>	1,308
Capitalized at 4% (5%)	<b>100</b>	81
Group	<b>926</b>	1,227
Joint ventures	<b>58</b>	70
Associated undertakings	<b>83</b>	135
Unwinding of discount on provisions	<b>170</b>	196
Change in discount rate for provisions	<b>42</b>	42
Total charged against profit	<b>1,279</b>	1,670

<sup>a</sup> Interest expense includes a charge of \$15 million (\$62 million) relating to early redemption of debt.

**10 Depreciation and amounts provided**

	<b>\$ million</b>	
	<b>2002</b>	2001
Included in the income statement under the following headings:		
<b>Depreciation and amortization of goodwill and other intangibles</b>		
Replacement cost of sales	<b>9,346</b>	7,475
Distribution	<b>952</b>	1,221
Administration	<b>90</b>	94
	<b>10,388</b>	8,790
<b>Amounts provided against fixed asset investments</b>		
Replacement cost of sales	<b>13</b>	68
	<b>10,401</b>	8,858
Depreciation of capitalized leased assets included above	<b>49</b>	65

The 2002 charge for depreciation and amortization of goodwill and other intangibles includes asset write-downs and impairment charges of \$1,390 million in total. Exploration and Production recognized a charge of \$1,091 million for the impairment of Shearwater in the North Sea, Rhourde El Baguel in Algeria, LL652 and Boqueron in Venezuela, Pagerungan in Indonesia and Badami in Alaska, following full technical reassessments and evaluations of future investment opportunities. In addition, the business took a \$94 million write-off in respect of its Gas-to-Liquids plant in Alaska. Chemicals wrote down the value of its Indonesian manufacturing assets by \$140 million following a review of immediate prospects and opportunities for future growth in a highly competitive regional market. Gas, Power and Renewables incurred an impairment charge of \$30 million in respect of a cogeneration power plant in the UK. Refining and Marketing recognized an impairment charge of \$35 million for its retail business in Venezuela.

The charge for depreciation and amortization of goodwill and other intangibles in 2001 included \$175 million for the impairment of the upstream Venezuelan Lake Maracaibo operation.

In assessing the value in use of potentially impaired assets, a discount rate of 9% has been used.

**11 Hire charges and expenditure on research**

	<b>\$ million</b>	
	<b>2002</b>	2001
<b>Hire charges under operating leases</b>		
Tanker charters	<b>397</b>	393
Plant and machinery	<b>621</b>	530
Land and buildings	<b>342</b>	355
	<b>1,360</b>	1,278
<b>Expenditure on research</b>	<b>373</b>	385

**12 Taxation**

	<b>\$ million</b>	
	<b>2002</b>	2001
<b>Tax on profit on ordinary activities</b>		
Current tax:		
UK corporation tax	<b>1,304</b>	1,666
Overseas tax relief	<b>(301)</b>	(678)
	<b>1,003</b>	988
Overseas	<b>1,883</b>	3,846
Group	<b>2,886</b>	4,834
Joint ventures	<b>75</b>	94
Associated undertakings	<b>187</b>	203
	<b>3,148</b>	5,131
Deferred tax:		
UK	<b>433</b>	(48)
Overseas	<b>761</b>	1,292
	<b>1,194</b>	1,244
<b>Tax on profit on ordinary activities</b>	<b>4,342</b>	6,375

Included in the charge for the year is a charge of \$125 million (\$370 million) relating to exceptional items.

	<b>\$ million</b>	
	<b>2002</b>	2001
<b>Tax included in statement of total recognized gains and losses</b>		
Current tax:		
UK	<b>57</b>	(12)
Overseas	<b>(54)</b>	(4)
	<b>3</b>	(16)
Deferred tax:		
UK	<b>138</b>	(14)
Overseas	<b>1</b>	–
	<b>139</b>	(14)
<b>Tax included in statement of total recognized gains and losses</b>	<b>142</b>	(30)

**Factors affecting current tax charge**

The following table provides a reconciliation of the UK statutory corporation tax rate to the effective current tax rate of the group on profit before taxation.

	<b>\$ million</b>	
	<b>2002</b>	2001
Analysis of profit before taxation:		
UK	<b>2,822</b>	2,333
Overseas	<b>8,442</b>	10,659
	<b>11,264</b>	12,992
Taxation	<b>4,342</b>	6,375
<b>Effective tax rate</b>	<b>39%</b>	49%
	<b>% of profit before tax</b>	
UK statutory corporation tax rate	<b>30</b>	30
Increase (decrease) resulting from:		
UK supplementary and overseas taxes at higher rates	<b>9</b>	9
Tax credits	<b>(3)</b>	(3)
No relief for inventory holding losses (inventory holding gains not taxed)	<b>(2)</b>	3
Current year losses unrelieved (prior year losses utilized)	<b>1</b>	4
Acquisition amortization	<b>7</b>	6
Other	<b>(3)</b>	–
Effective tax rate	<b>39</b>	49
Current year timing differences	<b>(11)</b>	(10)
<b>Effective current tax rate</b>	<b>28</b>	39

Current year timing differences arise mainly from the excess of tax depreciation over book depreciation.

**12 Taxation** continued**Factors that may affect future tax charges**

The group earns income in many different countries and, on average, pays taxes at rates higher than the UK statutory rate. The overall impact of these higher taxes, which include the supplementary charge of 10% on UK North Sea profits, is subject to changes in enacted tax rates and the country mix of the group's income. However, it is not expected to increase or decrease substantially in the near term.

The major component of timing differences in the current year is accelerated tax depreciation. Based on current capital investment plans, the group expects to continue to be able to claim tax allowances in excess of depreciation in future years at a level similar to the current year.

The tax charge in 2002 reflected a benefit from 'non-conventional fuel credits' in the USA. Those credits are no longer available after 31 December 2002. The effect of the loss of these credits on the overall tax charge is likely to be offset by benefits from restructuring and planning initiatives.

The group's profit before taxation includes stock holding gains or losses. These gains (or losses) are not taxed (or deductible) in certain jurisdictions in which the group operates, and therefore give rise to decreases or increases in the effective tax rate. However, over the longer term, significant changes in the tax rate would arise only in the event of a substantial and sustained change in oil prices.

The group has around \$5.3 billion of carry-forward tax losses in the UK, which would be available to offset against future taxable income. To date, tax assets have been recognized on \$840 million of those losses (i.e. to the extent that it is regarded as more likely than not that suitable taxable income will arise). It is unlikely that the group's effective tax rate will be significantly affected in the near term by utilization of losses not previously recognized as deferred tax assets. Carry-forward losses in other taxing jurisdictions have not been recognized as deferred tax assets, and are unlikely to have a significant effect on the group's tax rate in future years.

The impact on the tax rate of acquisition amortization (non-deductible depreciation and amortization relating to the fixed asset revaluation adjustments and goodwill consequent upon the ARCO and Burmah Castrol acquisitions) is unlikely to change in the near term.

**Deferred tax**

	<b>\$ million</b>	
	<b>2002</b>	2001
Analysis of provision:		
Depreciation	<b>(14,990)</b>	(12,511)
Other taxable timing differences	<b>(1,837)</b>	(1,995)
Petroleum revenue tax	<b>567</b>	390
Decommissioning and other provisions	<b>2,192</b>	1,993
Tax credit and loss carry forward	<b>273</b>	184
Other deductible timing differences	<b>281</b>	237
Deferred tax provision	<b>(13,514)</b>	(11,702)
of which – UK	<b>2,906</b>	2,071
– Overseas	<b>10,608</b>	9,631

	<b>\$ million</b>	
	<b>2002</b>	
Analysis of movements during the year:		
At 1 January		<b>11,702</b>
Exchange adjustments		<b>477</b>
Acquisitions		<b>6</b>
Charge for the year on ordinary activities		<b>1,194</b>
Charge for the year in the statement of total recognized gains and losses		<b>139</b>
Deletions/transfers		<b>(4)</b>
At 31 December		<b>13,514</b>

	<b>\$ million</b>	
	<b>2002</b>	2001
The charge for deferred tax on ordinary activities:		
Origination and reversal of timing differences	<b>839</b>	1,244
Effect of the introduction of supplementary UK corporation tax of 10% on opening liability	<b>355</b>	–
	<b>1,194</b>	1,244
The charge (credit) for deferred tax in statement of total recognized gains and losses:		
Origination and reversal of timing differences	<b>139</b>	(14)

**13 Distribution to shareholders**

	pence per share		cents per share		\$ million	
	2002	2001	2002	2001	2002	2001
Preference dividends (non-equity)					<b>2</b>	2
Dividends per ordinary share: First quarterly	<b>4.051</b>	3.665	<b>5.75</b>	5.25	<b>1,290</b>	1,178
Second quarterly	<b>3.875</b>	3.911	<b>6.00</b>	5.50	<b>1,346</b>	1,235
Third quarterly	<b>3.897</b>	3.805	<b>6.00</b>	5.50	<b>1,340</b>	1,232
Fourth quarterly	<b>3.815</b>	4.055	<b>6.25</b>	5.75	<b>1,397</b>	1,288
	<b>15.638</b>	15.436	<b>24.00</b>	22.00	<b>5,375</b>	4,935

**14 Earnings per ordinary share**

	cents per share	
	2002	2001
Basic earnings per share	<b>30.55</b>	29.21
Diluted earnings per share	<b>30.41</b>	29.04

The calculation of basic earnings per ordinary share is based on the profit attributable to ordinary shareholders, i.e. profit for the year less preference dividends, related to the weighted average number of ordinary shares outstanding during the year. The profit attributable to ordinary shareholders is \$6,843 million (\$6,554 million). The average number of shares outstanding excludes the shares held by the Employee Share Ownership Plans.

The calculation of diluted earnings per share is based on profit attributable to ordinary shareholders as for basic earnings per share. However, the number of shares outstanding is adjusted to show the potential dilution if employee share options are converted into ordinary shares. The number of ordinary shares outstanding for basic and diluted earnings per share may be reconciled as follows:

	shares thousand	
	2002	2001
Weighted average number of ordinary shares	<b>22,397,126</b>	22,435,737
Ordinary shares issuable under employee share schemes	<b>107,322</b>	137,988
	<b>22,504,448</b>	22,573,725

In addition to basic earnings per share based on the historical cost profit for the year, a further measure, based on replacement cost profit before exceptional items, is provided as it is considered that this measure gives an indication of underlying performance.

	cents per share	
	2002	2001
Profit for the year	<b>30.55</b>	29.21
Stock holding (gains) losses	<b>(4.93)</b>	8.47
Replacement cost profit for the year	<b>25.62</b>	37.68
Exceptional items (net of tax)	<b>(4.65)</b>	(0.73)
Replacement cost profit before exceptional items	<b>20.97</b>	36.95

**15 Operating leases**

	\$ million			
	2002		2001	
	Land and buildings	Other	Land and buildings	Other
<b>Annual commitments under operating leases</b>				
Expiring within: 1 year	<b>80</b>	<b>174</b>	28	313
2 to 5 years	<b>166</b>	<b>438</b>	115	306
Thereafter	<b>289</b>	<b>188</b>	184	113
	<b>535</b>	<b>800</b>	327	732
<b>Minimum future lease payments</b>		<b>Total</b>		<b>Total</b>
Payable within: 1 year		<b>1,203</b>		958
2 to 5 years		<b>3,255</b>		2,282
Thereafter		<b>2,652</b>		2,626
		<b>7,110</b>		5,866

## 16 Acquisitions

	\$ million					
					2002	2001
	Book value on acquisition	Fair value adjustments			Fair value	Fair value
Accounting policy alignment		Revaluations	Fair value			
Intangible assets	–	–	–	–	194	
Tangible assets	2,562	262	2,121	4,945	841	
Fixed assets – Investments	258	(136)	–	122	18	
Businesses held for resale	900	–	469	1,369	–	
Current assets (excluding cash)	2,905	126	–	3,031	428	
Cash at bank and in hand	1,118	–	–	1,118	–	
Finance debt	(1,002)	–	–	(1,002)	(55)	
Other creditors	(3,219)	(175)	–	(3,394)	(214)	
Deferred taxation	(101)	5	90	(6)	(3)	
Other provisions	(836)	3	(274)	(1,107)	(171)	
Net investment in equity accounted entities transferred to full consolidation	(191)	–	–	(191)	(170)	
Net assets acquired	2,394	85	2,406	4,885	868	
Minority interests				(2,201)	–	
Goodwill				342	48	
Consideration				3,026	916	

**Acquisitions in 2002**

During the year BP acquired the whole of Veba Oil (Veba) from E.ON in two stages. Veba owns Aral, Germany's biggest fuels retailer. In February BP paid \$1,072 million to subscribe for new shares issued by Veba and acquired \$1,520 million of outstanding loans from E.ON to Veba in return for a 51% interest in and operational control of Veba. In addition, there were acquisition expenses of \$30 million. Subsequently, on 30 June BP paid E.ON a further \$2,386 million to acquire the remaining 49% of Veba. There were further acquisition expenses of \$30 million. The total consideration of \$5,038 million is subject to final closing adjustments. Other transactions in 2002 included buying our co-venturers' 15% interest in the ARCO polypropylene joint venture and acquiring the 51% BP did not own in certain Chinese LPG ventures. All these business combinations have been accounted for using the acquisition method of accounting. The assets and liabilities acquired as part of the 2002 acquisitions are shown in the above table in aggregate. The identifiable assets and liabilities of Veba were not revalued on the acquisition of the 49% minority interest in June, as the difference between the fair values and the carrying amounts of the assets and liabilities was not material. Additional goodwill of \$203 million was recognized on the acquisition of the minority interest in Veba.

**Fair values** The methods and assumptions used in estimating the fair values of assets and liabilities acquired are set out in the following paragraphs.

**Tangible assets** The fair value of refineries has been estimated by using earnings multiples derived from other similar transactions.

The fair value of other tangible assets has been estimated by determining the net present value of future cash flows.

**Net assets of businesses held for resale** The fair value of the net assets reflects the sales proceeds, less attributable taxation.

**Finance debt** The debt acquired was floating rate debt and had maturity dates of less than one year, so fair value approximates book value.

**Other provisions** Liabilities for pensions have been estimated by independent actuaries.

The fair values of other assets and liabilities acquired approximate their book value.

**Accounting policy alignment** The accounting policy alignment adjustments represent the adjustments necessary to restate the balance sheets of the acquired entities to conform with BP's accounting policies under UK GAAP. The principal adjustments are set out below.

**Fixed assets – Investments** Interests in certain refinery joint ventures were equity accounted by Veba. Under UK GAAP these interests are accounted for as joint arrangements that are not entities.

**Current assets** The basis of stock valuation has been changed from last-in first-out to first-in first-out.

**Acquisitions in 2001**

During the year the group acquired the 50% of Erdölchemie, a petrochemicals business based in Germany, it did not already own. In addition a number of minor acquisitions were made. All these business combinations have been accounted for using the acquisition method of accounting. The assets and liabilities acquired as part of the 2001 acquisitions are shown in the above table in aggregate. The fair value of tangible fixed assets has been estimated by determining the net present value of future cash flows. No significant adjustments were made to the other acquired assets and liabilities.

## 17 Disposals

As part of the strategy to upgrade the quality of its asset portfolio, the group has an active programme to dispose of non-strategic assets. In the normal course of business in any particular year, the group may sell interests in exploration and production properties, service stations and pipeline interests as well as non-core businesses.

**Divestments in 2002** During the year, BP made a number of asset or business disposals.

The major asset transactions during the year included the sale of the group's shareholding in Ruhrgas, the sale of a US downstream electronic payment system, the group's interest in the Colonial pipeline in the USA, the refinery at Yorktown, Virginia, and the redemption of certain preferred partnership interests BP retained following the disposal in 2000 of the Altura Energy common interest in exchange for BP loan notes held by the partnership. The group entered into sale and leaseback transactions for certain chemicals manufacturing facilities in the UK, a solar manufacturing facility in Spain and an LNG tanker.

In addition BP sold two-thirds of its interest in the European ethylene pipeline company, ARG, in accordance with EU Commission requirements in relation to the Veba acquisition.

BP closed its polypropylene production facility at Cedar Bayou, Texas, a high density polyethylene unit at Deer Park, Texas, and one of four polypropylene units at Chocolate Bayou, Texas.

BP sold its plastic fabrications business, Fosroc Construction, its UK contract energy management business and its downstream retail businesses in Cyprus and Japan. The group also announced its withdrawal from solar thin film manufacturing.

**Divestments in 2001** The major transactions in 2001 included the sale of the group's interest in the Kashagan discovery in Kazakhstan; the divestment of the refineries at Mandan, North Dakota, and Salt Lake City, Utah; the sale of interests in the Alliance and certain other pipeline systems in the USA; and the disposal of the group's majority interest in Vysis.

At 31 December 2000, the Foseco, Fosroc Construction, Fosroc Mining and Sericol speciality chemicals businesses that were acquired as part of the Burmah Castrol acquisition were categorized as businesses held for resale. Foseco was sold in July 2001. Fosroc Construction was sold in late 2002 and the sales of the remaining two businesses were announced in January 2003. These three businesses were consolidated from 1 July 2001 until their disposal.

A number of chemicals activities were either sold or terminated during 2001. Included in the businesses sold was the Carbon Fibers business.

The group reduced its investment in Lukoil, which was acquired as part of the ARCO acquisition, from 7% to 4% through the sale of 23.5 million shares.

To fulfil undertakings given to the European Commission at the time of the ARCO acquisition, BP sold certain UK Southern North Sea natural gas interests in April 2001.

Total proceeds received for disposals represent the following amounts shown in the cash flow statement:

	<b>\$ million</b>	
	<b>2002</b>	2001
Proceeds from the sale of businesses	<b>1,974</b>	538
Proceeds from the sale of fixed assets	<b>2,470</b>	2,365
Proceeds from the sale of investment in Ruhrgas	<b>2,338</b>	–
	<b>6,782</b>	2,903
	<b>\$ million</b>	
	<b>2002</b>	2001
The disposals comprise the following:		
Intangible assets	<b>205</b>	183
Tangible assets <sup>a</sup>	<b>2,545</b>	1,481
Fixed assets – Investments	<b>1,769</b>	898
Net assets of businesses held for resale	<b>1,369</b>	307
Finance debt	<b>(1,135)</b>	–
Current assets less current liabilities	<b>533</b>	(145)
Other provisions	<b>(109)</b>	(112)
	<b>5,177</b>	2,612
Profit (loss) on sale of businesses or termination of operations	<b>(33)</b>	(68)
Profit (loss) on sale of fixed assets	<b>1,199</b>	605
Total consideration	<b>6,343</b>	3,149
Decrease (increase) in amounts receivable from disposals	<b>439</b>	(246)
Net cash inflow	<b>6,782</b>	2,903

<sup>a</sup> Includes provision for loss on disposal of \$1,204 million.

## 18 Group balance sheet analysis

	\$ million			
	Capital expenditure and acquisitions		Operating capital employed	
	2002	2001	2002	2001
<b>By business</b>				
Exploration and Production	9,699	8,861	62,117	60,146
Gas, Power and Renewables	408	492	2,642	3,125
Refining and Marketing	7,753	2,415	31,006	25,319
Chemicals	823	1,926	12,631	11,996
Other businesses and corporate	428	430	490	1,405
	<b>19,111</b>	14,124	<b>108,886</b>	101,991
<b>By geographical area</b>				
UK <sup>a</sup>	1,637	2,128	20,949	19,477
Rest of Europe	6,556	1,787	11,877	7,346
USA	6,095	6,160	48,256	45,188
Rest of World	4,823	4,049	27,804	29,980
	<b>19,111</b>	14,124	<b>108,886</b>	101,991
Operating capital employed			<b>108,886</b>	101,991
Liabilities for current and deferred taxation			<b>(16,831)</b>	(14,815)
Capital employed			<b>92,055</b>	87,176
Financed by:				
Finance debt			<b>22,008</b>	21,417
Minority shareholders' interest			<b>638</b>	598
BP shareholders' interest			<b>69,409</b>	65,161
			<b>92,055</b>	87,176

<sup>a</sup> UK area includes the UK-based international activities of Refining and Marketing.

## 19 Intangible assets

	\$ million			
	Exploration expenditure	Goodwill	Other intangibles	Total
<b>Cost</b>				
At 1 January 2002	6,114	11,991	805	18,910
Prior year adjustment – change in accounting policy	–	1,081	–	1,081
Restated	6,114	13,072	805	19,991
Exchange adjustments	53	544	28	625
Acquisitions	–	342	–	342
Additions	886	203	92	1,181
Transfers	(1,138)	–	–	(1,138)
Deletions	(285)	(124)	(118)	(527)
At 31 December 2002	<b>5,630</b>	<b>14,037</b>	<b>807</b>	<b>20,474</b>
<b>Depreciation</b>				
At 1 January 2002	780	2,020	517	3,317
Prior year adjustment – change in accounting policy	–	185	–	185
Restated	780	2,205	517	3,502
Exchange adjustments	11	105	21	137
Charge for the year	385	1,302	169	1,856
Transfers	(265)	–	–	(265)
Deletions	(225)	(13)	(84)	(322)
At 31 December 2002	<b>686</b>	<b>3,599</b>	<b>623</b>	<b>4,908</b>
<b>Net book amount</b>				
At 31 December 2002	<b>4,944</b>	<b>10,438</b>	<b>184</b>	<b>15,566</b>
At 31 December 2001	5,334	10,867	288	16,489

**20 Tangible assets – property, plant and equipment**

							\$ million	
	Exploration and Production	Gas, Power and Renewables	Refining and Marketing	Chemicals	Other businesses and corporate	Total	Of which: assets under construction	
<b>Cost</b>								
At 1 January 2002	98,012	2,293	29,756	15,790	2,204	148,055	8,326	
Exchange adjustments	4,014	64	2,249	1,021	82	7,430	287	
Acquisitions	59	–	4,331	555	–	4,945	51	
Additions	8,204	287	2,598	668	209	11,966	8,849	
Transfers	1,636	–	(339)	(81)	–	1,216	(4,819)	
Deletions	(1,213)	(300)	(1,747)	(899)	(291)	(4,450)	(567)	
At 31 December 2002	<b>110,712</b>	<b>2,344</b>	<b>36,848</b>	<b>17,054</b>	<b>2,204</b>	<b>169,162</b>	<b>12,127</b>	
<b>Depreciation</b>								
At 1 January 2002	49,742	649	12,853	6,548	853	70,645		
Exchange adjustments	2,326	8	837	360	21	3,552		
Charge for the year	6,110	111	1,914	709	73	8,917		
Provision for loss on disposal	1,187	–	–	17	–	1,204		
Transfers	265	–	6	–	–	271		
Deletions	(1,122)	(24)	(1,195)	(660)	(108)	(3,109)		
At 31 December 2002	<b>58,508</b>	<b>744</b>	<b>14,415</b>	<b>6,974</b>	<b>839</b>	<b>81,480</b>		
<b>Net book amount</b>								
At 31 December 2002	<b>52,204</b>	<b>1,600</b>	<b>22,433</b>	<b>10,080</b>	<b>1,365</b>	<b>87,682</b>	<b>12,127</b>	
At 31 December 2001	48,270	1,644	16,903	9,242	1,351	77,410	8,326	

Assets held under finance leases, capitalized interest and land at net book amount included above:

	\$ million					
	Leased assets			Capitalized interest		
	Cost	Depreciation	Net	Cost	Depreciation	Net
At 31 December 2002	<b>1,694</b>	<b>904</b>	<b>790</b>	<b>3,329</b>	<b>1,617</b>	<b>1,712</b>
At 31 December 2001	1,517	837	680	3,018	1,480	1,538
	Freehold land		Leasehold land			
			Over 50 years unexpired		Other	
At 31 December 2002		<b>2,919</b>	<b>48</b>	<b>171</b>		
At 31 December 2001		2,279	211	170		

**21 Fixed assets – investments**

Group	\$ million								
	Joint ventures		Associated undertakings		Other loans	Own shares <sup>a</sup>	Listed investments <sup>b</sup>	Other <sup>c</sup>	Total
Net assets (liabilities)	Loans	Net assets (liabilities)	Loans						
<b>Cost</b>									
At 1 January 2002	2,722	1,139	4,806	1,280	181	266	1,287	998	12,679
Prior year adjustment – change in accounting policy	–	–	(84)	–	–	–	–	–	(84)
Restated	2,722	1,139	4,722	1,280	181	266	1,287	998	12,595
Exchange adjustments	(16)	17	89	48	16	19	142	9	324
Additions and net movements in joint ventures	182	178	898	62	43	18	3	3	1,387
Acquisitions	–	–	2	1	23	–	72	24	122
Transfers	(112)	(79)	(243)	(77)	(14)	–	105	(746)	(1,166)
Deletions	–	–	(1,453)	(53)	(92)	(144)	–	(31)	(1,773)
At 31 December 2002	<b>2,776</b>	<b>1,255</b>	<b>4,015</b>	<b>1,261</b>	<b>157</b>	<b>159</b>	<b>1,609</b>	<b>257</b>	<b>11,489</b>
<b>Amounts provided</b>									
At 1 January 2002	–	–	218	351	19	–	–	44	632
Exchange adjustments	–	–	5	31	–	–	–	1	37
Provided in the year	–	–	–	49	–	–	–	(36)	13
Transfers	–	–	–	–	–	–	–	–	–
Deletions	–	–	(4)	–	–	–	–	–	(4)
At 31 December 2002	<b>–</b>	<b>–</b>	<b>219</b>	<b>431</b>	<b>19</b>	<b>–</b>	<b>–</b>	<b>9</b>	<b>678</b>
<b>Net book amount</b>									
At 31 December 2002	<b>2,776</b>	<b>1,255</b>	<b>3,796</b>	<b>830</b>	<b>138</b>	<b>159</b>	<b>1,609</b>	<b>248</b>	<b>10,811</b>
At 31 December 2001	2,722	1,139	4,504	929	162	266	1,287	954	11,963

**21 Fixed assets – investments** continued

Parent	\$ million				
	Subsidiary undertakings <sup>d</sup>	Associated undertakings <sup>d</sup>			Total
	Shares	Shares	Loans	Own shares <sup>a</sup>	
<b>Cost</b>					
At 1 January 2002	46,442	3	2	266	46,713
Exchange adjustments	–	–	–	19	19
Additions	6,118	–	–	18	6,136
Deletions	(770)	–	–	(144)	(914)
At 31 December 2002	<b>51,790</b>	<b>3</b>	<b>2</b>	<b>159</b>	<b>51,954</b>
<b>Amounts provided</b>					
At 1 January 2002	5	–	2	–	7
Provided in the year	–	–	–	–	–
At 31 December 2002	<b>5</b>	<b>–</b>	<b>2</b>	<b>–</b>	<b>7</b>
<b>Net book amount</b>					
At 31 December 2002	<b>51,785</b>	<b>3</b>	<b>–</b>	<b>159</b>	<b>51,947</b>
At 31 December 2001	46,437	3	–	266	46,706

<sup>a</sup> Own shares are held in Employee Share Ownership Plans (ESOPs) to meet the future requirements of the employee share plans (see Note 35) and prior to award under the Long Term Performance Plan (see Note 36). At 31 December 2002, the ESOPs held 18,673,675 shares (34,005,910 shares) for the employee share schemes and 3,901,317 shares (7,673,056 shares) for the Long Term Performance Plan. The market value of these shares at 31 December 2002 was \$154 million (\$323 million).

<sup>b</sup> The market value of listed investments at 31 December 2002 was \$1,661 million (\$1,284 million).

<sup>c</sup> Other investments are unlisted.

<sup>d</sup> Substantially all the investments in subsidiary and associated undertakings are unlisted.

**22 Stocks**

	\$ million	
	2002	2001
Petroleum	7,647	5,176
Chemicals	966	953
Other	675	568
	<b>9,288</b>	6,697
Stores	893	934
	<b>10,181</b>	7,631
Replacement cost	<b>10,610</b>	7,686

**23 Debtors**

	\$ million							
	Group				Parent			
	Within 1 year	2002 After 1 year	Within 1 year	2001 After 1 year	Within 1 year	2002 After 1 year	Within 1 year	2001 After 1 year
Trade	18,798	–	15,436	–	–	–	–	–
Group undertakings	–	–	–	–	1,860	9,140	694	18,390
Joint ventures	70	–	32	–	–	–	–	–
Associated undertakings	282	96	236	49	–	–	–	–
Prepayments and accrued income	2,716	1,771	2,143	789	9	–	–	–
Taxation recoverable	94	9	335	8	–	–	–	–
Pension prepayment	–	3,899	–	3,417	–	2,516	–	2,138
Other	4,945	470	3,806	418	23	33	19	32
	<b>26,905</b>	<b>6,245</b>	21,988	4,681	<b>1,892</b>	<b>11,689</b>	713	20,560

## 24 Current assets – investments

	\$ million	
	2002	2001
Listed – UK	32	49
– Foreign	29	30
	61	79
Unlisted	154	371
	215	450
Stock exchange value of listed investments	61	88

## 25 Financial instruments

The group co-ordinates certain key activities on a global basis in order to optimize its financial position and performance. These include the management of the currency, maturity and interest rate profile of finance debt, cash, other significant financial risks and relationships with banks and other financial institutions. International oil and natural gas trading and risk management relating to business operations are carried out by the group's oil and natural gas trading units.

The main financial risks faced by the group through its normal business activities are market risk, credit risk and liquidity risk. These risks and the group's approach to dealing with them are discussed below.

### Market risk

Market risk is the possibility that changes in currency exchange rates, interest rates or oil and natural gas prices will adversely affect the value of the group's financial assets, liabilities or expected future cash flows. Market risks are managed using a range of derivatives. The group also trades derivatives in conjunction with these risk management activities.

All derivative activity, whether for risk management or trading, is carried out by specialist teams that have the appropriate skills, experience and supervision. These teams are subject to close financial and management control, meeting generally accepted industry practice and reflecting the principles of the Group of Thirty Global Derivatives Study recommendations. A Trading Risk Management Committee has oversight of the quality of internal control in the group's trading units. Independent control functions monitor compliance with BP's policies. The control framework includes prescribed trading limits that are reviewed regularly by senior management, daily monitoring of risk exposure using value-at-risk principles, marking trading exposures to market and stress testing to assess the exposure to potentially extreme market situations.

For market risk management and trading, conventional exchange-traded derivative instruments such as futures and options are used as well as non-exchange-traded instruments such as swaps, 'over-the-counter' options and forward contracts.

Where derivatives constitute a hedge, the group's exposure to market risk created by the derivative is offset by the opposite exposure arising from the asset, liability, cash flow or transaction being hedged. By contrast, where derivatives are held for trading purposes, changes in market risk factors give rise to realized and unrealized gains and losses, which are recognized in earnings in the current period.

**Currency exchange rates** Fluctuations in exchange rates can have significant effects on the group's reported profit. 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 profit.

The main underlying economic currency of the group's cash flows is the US dollar. This is because BP's major product, oil, is priced internationally in US dollars. BP's foreign exchange management policy is to minimize economic and significant transactional exposures arising from currency movements against the US dollar. The group co-ordinates the handling of foreign exchange risks centrally, by netting off naturally occurring opposite exposures wherever possible, to reduce the risks, and then dealing with any material residual foreign exchange risks. Significant residual non-dollar exposures are managed using a range of derivatives.

In addition, most group borrowings are in US dollars or are hedged with respect to the US dollar.

**Interest rates** The group is exposed to interest rate risk on short- and long-term floating rate instruments and as a result of the refinancing of fixed rate finance debt. Consequently, as well as managing the currency and the maturity of debt, the group manages interest expense through the balance between generally lower-cost floating rate debt, which has inherently higher risk, and generally more expensive, but lower-risk, fixed rate debt. The group is exposed predominantly to US dollar LIBOR (London Inter-Bank Offer Rate) interest rates as borrowings are mainly denominated in, or are swapped into, US dollars.

The group uses derivatives to manage the balance between fixed and floating rate debt. During 2002, the proportion of floating rate debt was in the range 41-60% of total net debt outstanding.

**Oil and natural gas prices** BP's trading units use financial and commodity derivatives as part of the overall optimization of the value of the group's equity oil production and as part of the associated trading of crude oil, products and related instruments. They also use financial and commodity derivatives to manage certain of the group's exposures to price fluctuations on natural gas transactions.

## 25 Financial instruments continued

### Credit risk

Credit risk is the potential exposure of the group to loss in the event of non-performance by a counterparty. The credit risk arising from the group's normal commercial operations is controlled by individual operating units within guidelines. In addition, as a result of its use of derivatives, to manage market risk, the group has credit exposures through its dealings in the financial and specialized oil and natural gas markets. The group controls the related credit risk by entering into contracts only with highly credit-rated counterparties and through credit approvals, limits and monitoring procedures, and does not usually require collateral or other security. Counterparty credit validation, independent of the dealers, is undertaken before contractual commitment.

### Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the group's business activities may not be available. The group has long-term debt ratings of Aa1 and AA+ assigned respectively by Moody's and Standard and Poor's. The group has access to a wide range of funding at competitive rates through the capital markets and banks. It co-ordinates relationships with banks, borrowing requirements, foreign exchange requirements and cash management centrally. The group believes it has access to sufficient funding and also has undrawn committed borrowing facilities to meet currently foreseeable borrowing requirements.

At 31 December 2002, the group had substantial amounts of undrawn borrowing facilities available, including committed facilities of \$3,600 million expiring in 2003 (\$3,400 million expiring in 2002). These facilities are with a number of international banks and borrowings under them would be at pre-agreed rates. The group expects to renew the facilities on an annual basis. Certain of these facilities support the group's commercial paper programme.

### Financial instruments

Financial instruments comprise primary financial instruments (cash, fixed and current asset investments, debtors, creditors, finance debt and provisions) and derivative financial instruments (interest rate contracts, foreign exchange contracts, oil price contracts and natural gas price contracts). Interest rate contracts include futures contracts, swap agreements and options. Foreign exchange contracts include forwards, futures contracts, swap agreements and options. Oil and natural gas price contracts are those that require settlement in cash and include futures contracts, swap agreements and options. Oil and natural gas price contracts that require physical delivery are not financial instruments. However, if it is normal market practice for a particular type of oil and natural gas contract, despite having contract terms that require settlement by delivery, to be extinguished other than by physical delivery (e.g. by cash payment) it is called a cash-settled commodity contract. Contracts of this type are included with derivatives in the disclosures in Notes 26 and 27.

With the exception of the table of currency exposures shown on page 25, short-term debtors and creditors that arise directly from the group's operations have been excluded from the disclosures contained in this note, as permitted by Financial Reporting Standard No. 13 'Derivatives and Other Financial Instruments: Disclosures'.

### Maturity profile of financial liabilities

The profile of the maturity of the financial liabilities included in the group's balance sheet at 31 December is shown in the table below.

	2002			2001		
	Finance debt	Other financial liabilities	Total	Finance debt	Other financial liabilities	Total
Due within: 1 year	10,086	–	10,086	9,090	–	9,090
1 to 2 years	913	597	1,510	1,460	699	2,159
2 to 5 years	5,083	332	5,415	2,858	798	3,656
Thereafter	5,926	2,218	8,144	8,009	1,278	9,287
	22,008	3,147	25,155	21,417	2,775	24,192

## 25 Financial instruments continued

### Interest rate and currency of financial liabilities

The interest rate and currency profile of the financial liabilities of the group, at 31 December, after taking into account the effect of interest rate swaps, currency swaps and forward contracts, is set out below.

	2002							Total \$ million
	Fixed rate			Floating rate		Interest free		
	Weighted average interest rate %	Weighted average time for which rate is fixed Years	Amount \$ million	Weighted average interest rate %	Amount \$ million	Weighted average time until maturity Years	Amount \$ million	
<b>Finance debt</b>								
US dollar	7	7	7,818	2	13,287	–	–	21,105
Sterling	–	–	–	4	103	–	–	103
Other currencies	7	11	317	5	483	–	–	800
			8,135		13,873		–	22,008
<b>Other financial liabilities</b>								
US dollar	6	6	392	8	776	5	1,205	2,373
Sterling	–	–	–	–	–	6	171	171
Other currencies	–	–	–	–	–	2	603	603
			392		776		1,979	3,147
Total			8,527		14,649		1,979	25,155

	2001							Total \$ million
	Fixed rate			Floating rate		Interest free		
	Weighted average interest rate %	Weighted average time for which rate is fixed Years	Amount \$ million	Weighted average interest rate %	Amount \$ million	Weighted average time until maturity Years	Amount \$ million	
<b>Finance debt</b>								
US dollar	7	8	11,603	2	9,365	–	–	20,968
Sterling	–	–	–	4	133	–	–	133
Other currencies	10	29	122	6	194	–	–	316
			11,725		9,692		–	21,417
<b>Other financial liabilities</b>								
US dollar	10	6	21	8	778	4	1,528	2,327
Sterling	–	–	–	–	–	3	114	114
Other currencies	–	–	–	–	–	2	334	334
			21		778		1,976	2,775
Total			11,746		10,470		1,976	24,192

	2002	2001
Analysis of the above financial liabilities by balance sheet caption:		
Creditors – amounts falling due within one year		
– Finance debt	10,086	9,090
Creditors – amounts falling due after more than one year		
– Finance debt	11,922	12,327
– Other creditors	1,953	1,673
Provisions for liabilities and charges		
– Other provisions	1,194	1,102
	25,155	24,192

The other financial liabilities comprise various accruals, sundry creditors and provisions relating to the group's normal commercial operations, with payment dates spread over a number of years.

The group aims for a balance between floating and fixed interest rates and, in 2002, the proportion of floating rate debt was in the range 41-60% of total net debt outstanding. Aside from debt issued in the US municipal bond markets, interest rates on floating rate debt denominated in US dollars are linked principally to London Inter-Bank Offer Rate (LIBOR), while rates on debt in other currencies are based on local market equivalents. The group monitors interest rate risk using a process of sensitivity analysis. Assuming no changes to the finance debt and hedges described above, it is estimated that a change of 1% in the general level of interest rates on 1 January 2003 would change 2003 profit before tax by approximately \$130 million.

**25 Financial instruments** continued

Interest rate swaps and futures are used by the group to modify the interest characteristics of its long-term finance debt from a fixed to a floating rate basis or vice versa. The following table indicates the types of instruments used and their weighted average interest rates as at 31 December.

	\$ million except percentages	
	2002	2001
Receive fixed rate swaps – notional amount	3,789	999
Average receive fixed rate	5.0%	5.6%
Average pay floating rate	1.5%	2.3%
Pay fixed rate swaps – notional amount	2,169	2,914
Average pay fixed rate	6.6%	6.6%
Average receive floating rate	1.5%	2.3%
Futures contracts – notional amount	–	760
Average pay fixed rate	–	2.7%

**Currency exchange rate risk**

The monetary assets and monetary liabilities of the group in currencies other than the functional currency of individual operating units are summarized below. These currency exposures arise from normal trading activities.

	\$ million				
	2002				
	Net foreign currency monetary assets (liabilities)				
	US dollar	Sterling	Euro	Other	Total
US dollar	–	323	2	301	626
Sterling	412	–	409	(33)	788
Other	(717)	(10)	(194)	(49)	(970)
Total	(305)	313	217	219	444
					2001
US dollar	–	(193)	10	(15)	(198)
Sterling	69	–	237	182	488
Other	(487)	(241)	(3)	(27)	(758)
Total	(418)	(434)	244	140	(468)

In accordance with its policy for managing its foreign exchange rate risk, the group enters into various types of foreign exchange contracts, such as currency swaps, forwards and options. The fair values and carrying amounts of these derivatives are shown in the fair value table in Note 27.

**Interest rate and currency of financial assets**

The following table shows the interest rate and currency profile of the group's material financial assets at 31 December.

	2002							
	Fixed rate			Floating rate		Interest free		
	Weighted average interest rate %	Weighted average time for which rate is fixed Years	Amount \$ million	Weighted average interest rate %	Amount \$ million	Weighted average time until maturity Years	Amount \$ million	Total \$ million
US dollar	3	2	180	1	873	2	1,094	2,147
Sterling	7	2	94	5	171	2	235	500
Other currencies	2	1	34	1	208	1	1,264	1,506
			308		1,252		2,593	4,153
								2001
US dollar	3	1	92	2	574	2	2,319	2,985
Sterling	7	2	81	4	11	2	762	854
Other currencies	5	1	181	5	264	1	192	637
			354		849		3,273	4,476
								2002
Analysis of the above financial assets by balance sheet caption:								2001
Fixed assets – Investments							1,995	2,403
Current assets – Debtors – amounts falling due after more than one year							423	265
– Investments							215	450
– Cash at bank and in hand							1,520	1,358
							4,153	4,476

The floating rate financial assets earn interest at various rates set principally with respect to LIBOR or the local market equivalent.

Fixed asset investments included in the table above are held for the long term and have no maturity period. They are excluded from the calculation of weighted average time until maturity.

## 26 Derivative financial instruments

In the normal course of business the group is a party to derivative financial instruments (derivatives) with off balance sheet risk, primarily to manage its exposure to fluctuations in foreign currency exchange rates and interest rates, including management of the balance between floating rate and fixed rate debt. The group also manages certain of its exposures to movements in oil and natural gas prices. In addition, the group trades derivatives in conjunction with these risk management activities.

### Risk management

Gains and losses on derivatives used for risk management purposes are deferred and recognized in earnings or as adjustments to carrying amounts, as appropriate, when the underlying debt matures or the hedged transaction occurs. When an anticipated transaction is no longer likely to occur or finance debt is terminated before maturity, any deferred gain or loss that has arisen on the related derivative is recognized in the income statement, together with any gain or loss on the terminated item. Where such derivatives used for hedging purposes are terminated before the underlying debt matures or the hedged transaction occurs, the resulting gain or loss is recognized on a basis that matches the timing and accounting treatment of the underlying hedged item. The unrecognized and carried-forward gains and losses on derivatives used for hedging, and the movements therein, are shown in the following table.

	<b>\$ million</b>					
	<b>Unrecognized</b>			<b>Carried forward in the balance sheet</b>		
	<b>Gains</b>	<b>Losses</b>	<b>Total</b>	<b>Gains</b>	<b>Losses</b>	<b>Total</b>
Gains and losses at 1 January 2002	<b>109</b>	<b>(235)</b>	<b>(126)</b>	<b>113</b>	<b>(327)</b>	<b>(214)</b>
of which accounted for in income in 2002	<b>60</b>	<b>(19)</b>	<b>41</b>	<b>50</b>	<b>(162)</b>	<b>(112)</b>
Gains and losses at 31 December 2002	<b>526</b>	<b>(450)</b>	<b>76</b>	<b>352</b>	<b>(28)</b>	<b>324</b>
of which expected to be recognized in income in 2003	<b>96</b>	<b>(51)</b>	<b>45</b>	<b>200</b>	<b>(14)</b>	<b>186</b>
Gains and losses at 1 January 2001	303	(302)	1	56	(443)	(387)
of which accounted for in income in 2001	203	(154)	49	22	(194)	(172)
Gains and losses at 31 December 2001	109	(235)	(126)	113	(327)	(214)
of which expected to be recognized in income in 2002	60	(19)	41	50	(162)	(112)

### Trading activities

The group maintains active trading positions in a variety of derivatives. This activity is undertaken in conjunction with risk management activities. Derivatives held for trading purposes are marked-to-market and any gain or loss recognized in the income statement. For traded derivatives, many positions have been neutralized, with trading initiatives being concluded by taking opposite positions to fix a gain or loss, thereby achieving a zero net market risk.

The following table shows the fair value at 31 December of derivatives and other financial instruments held for trading purposes. The fair values at the year end are not materially unrepresentative of the position throughout the year.

	<b>\$ million</b>			
	<b>2002</b>		<b>2001</b>	
	<b>Fair value asset</b>	<b>Fair value liability</b>	Fair value asset	Fair value liability
Interest rate contracts	–	–	–	–
Foreign exchange contracts	<b>29</b>	<b>(17)</b>	14	(17)
Oil price contracts	<b>440</b>	<b>(418)</b>	248	(222)
Natural gas price contracts	<b>1,112</b>	<b>(955)</b>	799	(787)
	<b>1,581</b>	<b>(1,390)</b>	1,061	(1,026)

The group measures its market risk exposure, i.e. potential gain or loss in fair values, on its trading activity using value-at-risk techniques. These techniques are based on a variance/covariance model or a Monte Carlo simulation and make a statistical assessment of the market risk arising from possible future changes in market values over a 24-hour period. The calculation of the range of potential changes in fair value takes into account a snapshot of the end-of-day exposures, and the history of one-day price movements over the previous 12 months, together with the correlation of these price movements. The potential movement in fair values is expressed to three standard deviations which is equivalent to a 99.7% confidence level. This means that, in broad terms, one would expect to see an increase or a decrease in fair values greater than the value at risk on only one occasion per year if the portfolio were left unchanged.

**26 Derivative financial instruments** continued

The group calculates value at risk on all instruments that are held for trading purposes and that therefore give an exposure to market risk. The value-at-risk model takes account of derivative financial instruments such as interest rate forward and futures contracts, swap agreements, options and swaptions, foreign exchange forward and futures contracts, swap agreements and options and oil price futures, swap agreements and options. Financial assets and liabilities and physical crude oil and refined products that are treated as trading positions are also included in these calculations. The value-at-risk calculation for oil and natural gas price exposure also includes cash-settled commodity contracts such as forward contracts.

The following table shows values at risk for trading activities.

	<b>2002</b>				<b>2001</b>			
	High	Low	Average	Year end	High	Low	Average	Year end
Interest rate trading	-	-	-	-	1	-	-	-
Foreign exchange trading	2	-	1	-	3	-	1	-
Oil price trading	34	14	23	19	29	10	18	17
Natural gas price trading	18	1	6	9	21	4	10	9

The presentation of trading results shown in the table below includes certain activities of BP's trading units that involve the use of derivative financial instruments in conjunction with physical and paper trading of oil and natural gas. It is considered that a more comprehensive representation of the group's oil and natural gas price trading activities is given by aggregating the gain or loss on such derivatives together with the gain or loss arising from the physical and paper trades to which they relate, representing the net result of the trading portfolio.

	<b>2002</b>		<b>2001</b>	
	Net gain (loss)	Net gain (loss)	Net gain (loss)	Net gain (loss)
Oil price trading	597	684		
Natural gas price trading	199	276		
Interest rate trading	-	1		
Foreign exchange trading	90	81		
	<b>886</b>	<b>1,042</b>		

## 27 Fair values of financial assets and liabilities

The estimated fair value of the group's financial instruments is shown in the table below. The table also shows the 'net carrying amount' of the financial asset or liability. This amount represents the net book value, i.e. market value when acquired or later marked-to-market. Interest rate contracts include futures contracts, swap agreements and options. Foreign exchange contracts include forward and futures contracts, swap agreements and options. Oil and natural gas price contracts include futures contracts, swap agreements and options and cash-settled commodity contracts such as forward contracts.

Short-term debtors and creditors that arise directly from the group's operations have been excluded from the disclosures contained in this note, as permitted by Financial Reporting Standard No. 13 'Derivatives and Other Financial Instruments: Disclosures'.

The fair value and carrying amounts of finance debt shown below exclude the effects of currency swaps, interest rate swaps and forward contracts (which are included for presentation in the balance sheet). Long-term borrowings in the table below include debt that matures in the year from 31 December 2002, whereas in the balance sheet long-term debt of current maturity is reported under amounts falling due within one year. Long-term borrowings also include US Industrial Revenue/Municipal Bonds classified on the balance sheet as repayable within one year.

	<b>\$ million</b>			
	<b>2002</b>		2001	
	<b>Net fair value asset (liability)</b>	<b>Net carrying amount asset (liability)</b>	Net fair value asset (liability)	Net carrying amount asset (liability)
<b>Primary financial instruments</b>				
Fixed assets – investments	<b>2,047</b>	<b>1,995</b>	2,400	2,403
Current assets				
– Debtors – amounts falling due after more than one year	<b>423</b>	<b>423</b>	265	265
– Investments	<b>215</b>	<b>215</b>	459	450
– Cash at bank and in hand	<b>1,520</b>	<b>1,520</b>	1,358	1,358
Finance debt				
– Short-term borrowings	<b>(5,504)</b>	<b>(5,504)</b>	(5,185)	(5,185)
– Long-term borrowings	<b>(15,476)</b>	<b>(14,609)</b>	(14,875)	(14,360)
– Net obligations under finance leases	<b>(2,183)</b>	<b>(2,172)</b>	(1,619)	(1,608)
Creditors – amounts falling due after more than one year				
– Other creditors	<b>(1,953)</b>	<b>(1,953)</b>	(1,673)	(1,673)
Provisions for liabilities and charges				
– Other provisions	<b>(1,194)</b>	<b>(1,194)</b>	(1,102)	(1,102)
<b>Derivative financial or commodity instruments</b>				
Risk management – interest rate contracts	<b>(63)</b>	<b>–</b>	(139)	–
– foreign exchange contracts	<b>416</b>	<b>277</b>	(251)	(264)
– oil price contracts	<b>9</b>	<b>9</b>	–	–
– natural gas price contracts	<b>5</b>	<b>5</b>	(259)	(259)
Trading				
– interest rate contracts	<b>–</b>	<b>–</b>	–	–
– foreign exchange contracts	<b>12</b>	<b>12</b>	(3)	(3)
– oil price contracts	<b>22</b>	<b>22</b>	26	26
– natural gas price contracts	<b>157</b>	<b>157</b>	12	12

The following methods and assumptions were used by the group in estimating its fair value disclosures for its financial instruments:

**Fixed assets – Investments** The carrying amount reported in the balance sheet for unlisted fixed asset investments approximates their fair value. The fair value of listed fixed asset investments has been determined by reference to market prices.

**Current assets – Debtors falling due after more than one year** The fair value of other debtors due after one year is estimated not to be materially different from its carrying value.

**Current assets – Investments and cash at bank and in hand** The carrying amount reported in the balance sheet for unlisted current asset investments and cash at bank and in hand approximates their fair value. The fair value of listed current asset investments has been determined by reference to market prices.

**Finance debt** The carrying amount of the group's short-term borrowings, which mainly comprise commercial paper, bank loans and overdrafts, approximates their fair value. The fair value of the group's long-term borrowings and finance lease obligations is estimated using quoted prices or, where these are not available, discounted cash flow analyses, based on the group's current incremental borrowing rates for similar types and maturities of borrowing.

**Creditors – Amounts falling due after more than one year – Other creditors** These liabilities are predominantly interest-free. In view of the short maturities, the reported carrying amount is estimated to approximate the fair value.

**Provisions for liabilities and charges – Other provisions** Where the liability will not be settled for a number of years the amount recognized is the present value of the estimated future expenditure. The carrying amount of provisions thus approximates the fair value.

**Derivative financial instruments and cash-settled commodity contracts** The fair values of the group's interest rate and foreign exchange contracts are based on pricing models that take into account relevant market data. The fair values of the group's oil and natural gas price contracts (futures contracts, swap agreements, options and forward contracts) are based on market prices.

## 28 Finance debt

	\$ million					
	2002			2001		
	Within 1 year	After 1 year	Total	Within 1 year	After 1 year	Total
Bank loans	476	344	820	371	409	780
Other loans	9,526	9,656	19,182	8,647	10,349	18,996
Total borrowings	10,002	10,000	20,002	9,018	10,758	19,776
Net obligations under finance leases	84	1,922	2,006	72	1,569	1,641
	<b>10,086</b>	<b>11,922</b>	<b>22,008</b>	9,090	12,327	21,417

Where finance debt is swapped into another currency, the finance debt is accounted in the swap currency and not in the original currency of denomination. Total finance debt includes an asset of \$277 million (a liability of \$264 million) for the carrying value of currency swaps and forward contracts.

Included within Other loans repayable within one year are US Industrial Revenue/Municipal Bonds of \$1,881 million (\$1,768 million) with maturity periods ranging up to 35 years. They are classified as repayable within one year, as required under UK GAAP, as the bondholders typically have the option to tender these bonds for repayment on interest reset dates. Any bonds that are tendered are usually remarketed and BP has not experienced any significant repurchases. BP considers these bonds to represent long-term funding when assessing the maturity profile of its finance debt.

At 31 December 2002, the group's share of third party finance debt of joint ventures and associated undertakings was \$457 million (\$460 million) and \$849 million (\$1,136 million) respectively. These amounts are not reflected in the group's debt on the balance sheet.

Analysis of borrowings by year of repayment	\$ million					
	2002			2001		
	Bank loans	Other loans	Total	Bank loans	Other loans	Total
Due after 10 years	–	1,417	1,417	42	3,188	3,230
Due within 10 years	1	371	372	150	312	462
9 years	43	310	353	–	15	15
8 years	–	15	15	–	1,411	1,411
7 years	–	1,699	1,699	–	593	593
6 years	–	516	516	–	879	879
5 years	–	1,603	1,603	–	501	501
4 years	161	344	505	24	1,542	1,566
3 years	19	2,671	2,690	15	626	641
2 years	120	710	830	178	1,282	1,460
	<b>344</b>	<b>9,656</b>	<b>10,000</b>	409	10,349	10,758
1 year	476	9,526	10,002	371	8,647	9,018
	<b>820</b>	<b>19,182</b>	<b>20,002</b>	780	18,996	19,776

Amounts included above repayable by instalments, part of which falls due after five years from 31 December, are as follows:

After 5 years	541	120
Within 5 years	103	1,071
	<b>644</b>	1,191

Interest rates on borrowings repayable wholly or partly more than five years from 31 December 2002 range from 1% to 12% with a weighted average of 4%. The weighted average interest rate on finance debt is 4%.

Obligations under finance leases	\$ million	
	2002	2001
Minimum future lease payments payable within:		
1 year	106	97
2 to 5 years	836	674
Thereafter	3,481	2,877
	<b>4,423</b>	3,648
Less finance charges	2,417	2,007
Net obligations	<b>2,006</b>	1,641

## 29 Other creditors

	\$ million							
	Group				Parent			
	2002		2001		2002		2001	
	Within 1 year	After 1 year	Within 1 year	After 1 year	Within 1 year	After 1 year	Within 1 year	After 1 year
Trade	17,454	–	13,129	–	–	–	–	–
Group undertakings	–	–	–	–	8,289	44	6,219	45
Joint ventures	22	–	21	–	–	–	–	–
Associated undertakings	287	12	268	4	–	–	–	–
Production taxes	421	1,455	254	1,346	–	–	–	–
Taxation on profits	3,420	–	3,456	–	–	–	–	–
Social security	81	–	63	–	32	–	29	–
Accruals and deferred income	5,763	1,002	4,843	1,029	–	54	3	54
Dividends	1,398	–	1,289	–	1,398	–	1,289	–
Other	7,369	986	5,201	707	187	–	102	92
	<b>36,215</b>	<b>3,455</b>	28,524	3,086	<b>9,906</b>	<b>98</b>	7,642	191

## 30 Other provisions

	\$ million						
	Group						Parent
	Decommissioning	Environmental	Unfunded pension plans	Other post-retirement benefits	Other	Total	Other provisions
At 1 January 2002	3,304	2,098	1,743	2,664	1,673	11,482	216
Exchange adjustments	250	28	362	–	63	703	–
Acquisitions	–	20	1,051	36	–	1,107	–
New provisions	308	312	356	276	333	1,585	51
Unwinding of discount	106	52	–	–	12	170	–
Change in discount rate	333	36	–	–	6	375	–
Utilized/deleted	(133)	(424)	(366)	(214)	(399)	(1,536)	(125)
At 31 December 2002	<b>4,168</b>	<b>2,122</b>	<b>3,146</b>	<b>2,762</b>	<b>1,688</b>	<b>13,886</b>	<b>142</b>

The group makes full provision for the future cost of decommissioning oil and natural gas production facilities and related pipelines on a discounted basis at the commencement of production. At 31 December 2002, the provision for the costs of decommissioning these production facilities and pipelines at the end of their economic lives was \$4,168 million (\$3,304 million). The provision has been estimated using existing technology, at current prices and discounted using a real discount rate of 2.5% (3%). These costs are expected to be incurred over the next 30 years. While the provision is based on the best estimate of future costs and the economic lives of the facilities and pipelines, there is uncertainty regarding both the amount and timing of incurring these costs.

Provisions for environmental remediation are made when a clean-up is probable and the amount reasonably determinable. Generally, this coincides with commitment to a formal plan of action or, if earlier, on divestment or closure of inactive sites. The provision for environmental liabilities at 31 December 2002 was \$2,122 million (\$2,098 million). The provision has been estimated using existing technology, at current prices and discounted using a real discount rate of 2.5% (3%). These costs are expected to be incurred over the next 10 years. The extent and cost of future remediation programmes are inherently difficult to estimate. They depend on the scale of any possible contamination, the timing and extent of corrective actions, and also the group's share of liability.

The group also holds provisions for potential future awards under the long-term performance plans, expected rental shortfalls on surplus properties and sundry other liabilities. To the extent that these liabilities are not expected to be settled within the next three years, the provisions are discounted using a real discount rate of 2.5% (3%).

### 31 Called up share capital

The company's authorized ordinary share capital remains unchanged at 36 billion shares of 25 cents each, amounting to \$9 billion. In addition the company has authorized preference share capital of 12,750,000 shares of £1 each (\$21 million). During 2002, the number of ordinary shares in issue decreased by 53,425,889. The number of ordinary shares bought back for cancellation exceeded the number issued for employee share schemes and in connection with the ARCO acquisition. Further details of movements in share capital are shown in Note 32.

The allotted, called up and fully paid share capital at 31 December was as follows:

	2002		2001	
	Shares	\$ million	Shares	\$ million
<b>Non-equity</b>				
8% cumulative first preference shares of £1 each	7,232,838	12	7,232,838	12
9% cumulative second preference shares of £1 each	5,473,414	9	5,473,414	9
<b>Equity</b>				
Ordinary shares of 25 cents each	22,378,650,865	5,595	22,432,076,754	5,608
		5,616		5,629

Voting on substantive resolutions tabled at a general meeting is on a poll. On a poll, shareholders present in person or by proxy have two votes for every £5 in nominal amount of the first and second preference shares held and one vote for every ordinary share held. On a show of hands vote on other resolutions (procedural matters) at a general meeting, shareholders present in person or by proxy have one vote each.

In the event of the winding up of the company, preference shareholders would be entitled to a sum equal to the capital paid up on the preference shares plus an amount in respect of accrued and unpaid dividends and a premium equal to the higher of (i) 10% of the capital paid up on the preference shares and (ii) the excess of the average market price of such shares on the London Stock Exchange during the previous six months over par value.

### 32 Capital and reserves

Group	\$ million						
	Share capital	Share premium account	Capital redemption reserve	Merger reserve	Other reserves	Profit and loss account	Total
At 1 January 2002	5,629	3,590	424	26,983	223	37,518	74,367
Prior year adjustment – change in accounting policy	–	–	–	–	–	(9,206)	(9,206)
Restated	5,629	3,590	424	26,983	223	28,312	65,161
Currency translation differences (net of tax)	–	–	–	–	–	3,333	3,333
Employee share schemes	9	129	–	–	–	–	138
QUEST	–	21	–	–	–	(21)	–
ARCO	3	54	–	50	(50)	–	57
Repurchase of ordinary share capital	(25)	–	25	–	–	(750)	(750)
Profit for the year	–	–	–	–	–	6,845	6,845
Dividends	–	–	–	–	–	(5,375)	(5,375)
At 31 December 2002	5,616	3,794	449	27,033	173	32,344	69,409
<b>Parent</b>							
At 1 January 2002	5,629	3,590	424	26,286	223	23,781	59,933
Employee share schemes	9	129	–	–	–	–	138
QUEST	–	21	–	–	–	(21)	–
ARCO	3	54	–	50	(50)	–	57
Repurchase of ordinary share capital	(25)	–	25	–	–	(750)	(750)
Profit for the year	–	–	–	–	–	1,380	1,380
Dividends	–	–	–	–	–	(5,375)	(5,375)
At 31 December 2002	5,616	3,794	449	26,336	173	19,015	55,383

**Employee share schemes** During the year 33,820,750 ordinary shares were issued under the BP, Amoco and Burmah Castrol employee share schemes.

**ARCO** 12,894,348 ordinary shares were issued in respect of ARCO employee share option schemes.

**Repurchase of ordinary share capital** The company purchased for cancellation 100,140,987 ordinary shares for a total consideration of \$750 million.

As a consolidated income statement is presented, a separate income statement for the parent company is not required to be published.

The profit and loss account reserve includes the following amounts, the distribution of which is limited by statutory or other restrictions:

	\$ million	
	2002	2001
Parent company	9,547	15,547
Subsidiary undertakings	5,620	2,696
Joint ventures and associated undertakings	870	1,345
	16,037	19,588

**33 Reconciliation of movements in shareholders' interest**

	Note	\$ million	
		2002	2001
Profit for the year		6,845	6,556
Currency translation differences (net of tax)		3,333	(828)
Dividends	13	(5,375)	(4,935)
Redemption of ARCO preference shares		–	(116)
Issue of ordinary share capital		195	181
Repurchase of ordinary share capital		(750)	(1,281)
Net increase (decrease) in shareholders' interest		4,248	(423)
Shareholders' interest at 1 January		65,161	65,584
Shareholders' interest at 31 December		69,409	65,161

**34 Group cash flow statement analysis**

	\$ million	
	2002	2001
<b>Reconciliation of historical cost profit before interest and tax to net cash inflow from operating activities</b>		
Historical cost profit before interest and tax	12,543	14,662
Depreciation and amounts provided	10,401	8,858
Exploration expenditure written off	385	238
Share of profits of joint ventures and associated undertakings	(966)	(1,194)
Interest and other income	(358)	(478)
(Profit) loss on sale of fixed assets and businesses or termination of operations	(1,166)	(537)
Charge for provisions	1,277	1,008
Utilization of provisions	(1,427)	(1,119)
(Increase) decrease in stocks	(1,521)	1,490
(Increase) decrease in debtors	(2,672)	1,989
Increase (decrease) in creditors	2,846	(2,508)
Net cash inflow from operating activities	19,342	22,409

	\$ million	
	2002	2001
<b>Financing</b>		
Long-term borrowing	(3,707)	(1,296)
Repayments of long-term borrowing	2,369	2,602
Short-term borrowing	(9,849)	(6,257)
Repayments of short-term borrowing	10,451	4,823
	(736)	(128)
Issue of ordinary share capital for employee share schemes	(195)	(181)
Repurchase of ordinary share capital	750	1,281
Net cash (inflow) outflow	(181)	972

**Management of liquid resources** Liquid resources comprise current asset investments, which are principally commercial paper issued by other companies. The net cash inflow from the management of liquid resources was \$220 million (\$211 million).

**Commercial paper** Net movements in commercial paper are included within short-term borrowings or repayment of short-term borrowings as appropriate.

	2002				2001			
	Finance debt	Cash	Current asset investments	Net debt	Finance debt	Cash	Current asset investments	Net debt
<b>Movement in net debt</b>								
At 1 January	(21,417)	1,358	450	(19,609)	(21,190)	1,170	661	(19,359)
Exchange adjustments	(64)	105	(15)	26	(8)	(53)	–	(61)
Acquisitions	(1,002)	–	–	(1,002)	(55)	–	–	(55)
Net cash flow	(736)	57	(220)	(899)	(128)	241	(211)	(98)
Partnership interests exchanged for BP loan notes	1,135	–	–	1,135	–	–	–	–
Other movements	76	–	–	76	(36)	–	–	(36)
At 31 December	(22,008)	1,520	215	(20,273)	(21,417)	1,358	450	(19,609)

### 35 Employee share plans

Employee share options granted during the year (options thousands)	2002	2001
Savings related schemes	9,719	7,901
Executive Directors' Incentive Plan	2,068	2,598
BP Share Option Plan	66,771	58,208
	<b>78,558</b>	68,707

The exercise prices for BP options granted during the year were £4.52/\$6.78 (9,719,005 options) for savings-related and similar plans; £5.67/\$8.51 (weighted average price) for Executive Directors' Incentive Plan (2,068,026 options); and £5.50/\$8.25 (weighted average price) for 66,770,545 options granted under the BP Share Option Plan.

BP offers most of its employees the opportunity to acquire a shareholding in the company through savings-related and/or matching share plan arrangements. Such arrangements are now in place in nearly 80 countries. BP also uses long-term performance plans (see Note 36) and the granting of share options as elements of remuneration for executive directors and senior employees.

During 2002, share options were granted to the executive directors under the Executive Directors' Incentive Plan (EDIP). For these options the option exercise price was the market value (as determined in accordance with the plan rules) on the grant date. The options granted to executive directors reflect BP's performance in terms of total shareholder return (TSR), that is, share price increase with all dividends reinvested, relative to the FTSE Global 100 group of companies over the three years preceding the grant. Options vest over three years (one-third each after one, two and three years respectively) and have a life of seven years after the grant.

Share options were also granted in 2002 under the BP Share Option Plan to certain categories of employees. Subject to certain vesting requirements the options are exercisable between the third and tenth anniversaries of the date of grant. There are no performance conditions attaching to the options granted during the year.

Under the BP ShareSave Plan (a savings-related share option plan) employees save on a monthly basis over a three- or five-year period towards the purchase of shares at a price fixed when the option is granted. The option price is usually set at a 20% discount to the market price at the time of grant. The option must be exercised within six months of maturity of the savings contract; otherwise it lapses. The plan is run in the UK and a small number of other countries.

Under the BP ShareMatch Plan, BP matches employees' own contributions of shares, up to a predetermined limit. The shares are then held in trust for a defined minimum period. The plan is run in the UK and in over 60 other countries.

BP does not recognize an expense in respect of share options granted to employees. If the fair value of options granted in any particular year is estimated and this value amortized over the vesting period of the options, an indication of the cost of granting options to employees can be made. The fair value of each share option granted has been estimated using a Black-Scholes option pricing model with the following assumptions:

	2002	2001
Risk-free interest rate	4.0%	5.0%
Expected volatility	26%	26%
Expected life in years	1 to 5	1 to 5
Expected dividend yield	3.75%	3.0%
Weighted average fair value of options granted (\$)	1.64	2.05

The additional expense that would have been recognized in 2002 on this basis would be \$90 million (\$102 million) and the impact on earnings per share would be 1 cent (1 cent).

The company sponsors a number of savings plans covering most US employees. Under these plans, most employees may contribute up to 100% of their salary subject to certain regulatory limits. Most employees are eligible for a dollar-for-dollar company matched contribution for the first 7% of eligible pay contributed on a before-tax or after-tax basis, or a combination of both. The precise arrangement may vary in certain business units. Company contributions are initially invested in a fund primarily comprised of BP ADSs but employees may transfer those amounts and may invest their own contributions in more than 200 investment options. The company's contributions generally vest over a period of three years. Company contributions to savings plans during the year were \$125 million (\$125 million).

An Employee Share Ownership Plan (ESOP) was established in 1997 to acquire BP shares to satisfy future requirements of certain employee share plans. The company provides funding to the ESOP. The assets and liabilities of the ESOP are recognized as assets and liabilities of the company within the accounts. The ESOP has waived its rights to dividends.

During 2002, the ESOP released 15,332,235 shares (11,508,754 shares) for the matching share plans. The cost of shares released for these plans has been charged in these accounts. At 31 December 2002, the ESOP held 18,673,675 shares (34,005,910 shares).

BP has established a Qualifying Employee Share Ownership Trust (QUEST) to support the UK ShareSave plan. During the year, contributions of \$21 million (\$36 million) were made by the company to the QUEST which, together with option-holder contributions, were used by the QUEST to subscribe for new ordinary shares at market price. The company has transferred the cost of this contribution directly to retained profits and the excess of the subscription price over nominal value has increased the share premium account.

At 31 December 2002, all the 9,443,842 ordinary shares issued to the QUEST had been transferred to employees exercising options under the UK ShareSave plan. Under new legislation, the QUEST can no longer be used for ShareSave plans after 31 December 2002.

### 35 Employee share plans continued

Shares issued in respect of options exercised during the year (shares thousands)	2002	2001
Savings-related schemes	10,412	8,842
BP, Amoco and Burmah Castrol executive share option plans	23,409	24,619
	<b>33,821</b>	33,461

#### Options outstanding at 31 December

BP options (shares thousands)	410,986	373,858
Exercise period	2003-2012	2002-2011
Price	£1.50-£6.40	£1.29-£6.40
Price	\$3.47-\$9.97	\$2.77-\$9.97

Details of directors' individual participation in share schemes are given in the directors' remuneration report on pages 30 to 39 of *Annual Report 2002*.

### 36 Long term performance plans

During 2002, the company operated two long-term performance plans: the Executive Directors' Incentive Plan (EDIP) for executive directors and the Long Term Performance Plan (LTPP) for senior executives. Executive directors participated in the LTPP prior to 2002 or to their appointment as an executive director. Both plans are incentive schemes under which the company may award shares to participants or fund the purchase of shares for participants if long-term targets are met. Awards were made in 2002 in respect of the 1999-2001 LTPP. Further details of the plans are given in the directors' remuneration report on pages 30 to 39 of *Annual Report 2002*.

The costs of potential future awards for both the EDIP and LTPP are accrued over the three-year performance periods of each plan. The amount charged in 2002 was \$51 million (\$80 million). The value of awards under the 1999-2001 LTPP made in 2002 was \$125 million (1998-2000 LTPP \$61 million).

Employee Share Ownership Plans (ESOPs) have been established to acquire BP shares to satisfy any awards made to participants under the EDIP and LTPP and then to hold them for the participants during the retention period of the plan. In order to hedge the cost of potential future awards the ESOPs may, from time to time over the performance period of the plans, purchase BP shares in the open market. The company provides funding to the ESOPs. The assets and liabilities of the ESOPs are recognized as assets and liabilities of the company within these accounts. The ESOPs have waived their rights to dividends on shares held for future awards.

At 31 December 2002, the ESOPs held 3,901,317 shares (7,673,056 shares) for potential future awards.

### 37 Employee costs and numbers

	\$ million	
Employee costs	2002	2001
Wages and salaries	6,519	6,361
Social security costs	490	474
Pension and other post-retirement benefit costs	440	427
	<b>7,449</b>	7,262

Number of employees at 31 December	2002	2001
Exploration and Production	16,800	16,550
Gas, Power and Renewables	4,400	4,200
Refining and Marketing <sup>a</sup>	73,350	64,600
Chemicals	17,900	21,950
Other businesses and corporate	2,800	2,850
	<b>115,250</b>	110,150

<sup>a</sup> Includes 30,250 (28,500) service station staff.

Average number of employees	2002					2001				
	UK	Rest of Europe	USA	Rest of World	Total	UK	Rest of Europe	USA	Rest of World	Total
Exploration and Production	3,750	800	5,550	6,800	16,900	3,550	750	5,700	6,200	16,200
Gas, Power and Renewables	500	850	1,400	1,550	4,300	600	600	1,350	1,350	3,900
Refining and Marketing	10,200	21,700	28,650	11,550	72,100	10,400	16,450	27,300	11,750	65,900
Chemicals	3,200	5,250	6,650	5,150	20,250	3,600	5,750	7,550	3,300	20,200
Other businesses and corporate	1,250	-	1,400	100	2,750	1,350	-	1,500	100	2,950
	<b>18,900</b>	<b>28,600</b>	<b>43,650</b>	<b>25,150</b>	<b>116,300</b>	19,500	23,550	43,400	22,700	109,150

**38 Directors' remuneration**

	\$ million	
	2002	2001
<b>Total for all directors</b>		
Emoluments	14	17
Non-executive directors retiring in 2001	–	1
Gains made on the exercise of share options	–	–
Amounts awarded under incentive schemes	14	17

**Emoluments** These amounts comprise fees paid to the non-executive chairman and the non-executive directors and, for executive directors, salary and benefits earned during the relevant financial year, plus bonuses awarded for the year.

**Pension contributions** Four executive directors participated in a non-contributory pension scheme established for UK staff by a separate trust fund to which contributions are made by BP based on actuarial advice. Two US executive directors participated in the BP Retirement Accumulation Plan during 2002.

**Non-executive directors retiring in 2002** The board did not make any payment to Sir Robert Wilson, the only non-executive director retiring in 2002, in view of his limited length of service.

**Non-executive directors retiring in 2001** In accordance with Article 76 of the company's Articles of Association, the board exercised its discretion, following the retirement of each of those non-executive directors retiring during 2001, to make an ex-gratia payment in lieu of superannuation. The payments made were as follows: \$86,400 to the Lord Wright of Richmond, who retired after serving on the board since 1991; \$21,600 to Richard Ferris, who retired after serving on the board of first Amoco and then BP since 1981; and \$17,280 to Ruth Block, who retired after serving on the board of first Amoco and then BP since 1986. Richard Ferris and Ruth Block also had accrued certain entitlements (which crystallized at the time of the merger with Amoco Corporation) in the Amoco Restricted Stock Plan for Non-Executive Directors ('the Plan'). The terms of the Plan provided that shares in respect of service on the board of Amoco Corporation were to be held in the Plan until the non-executive director retired at the normal retirement age (70), or in the case of earlier retirement the board had a discretion to make an appropriate award based upon length of service. Those directors who left the Plan at the time of the merger had their entitlements paid out. The operation of the Plan for those who remained fell to the discretion of the board of BP. Ruth Block retired at age 70 and following her retirement the board released her shares held in the Plan in respect of her service at Amoco Corporation to the value of \$283,512 (as at the date of their release). Richard Ferris retired at age 64 and the board elected to waive restrictions on all those shares held in the Plan in respect of his service at Amoco Corporation to the value of \$293,716 (as at the date of their release).

**Office facilities for former chairmen and deputy chairmen** It is customary for the company to make available to former chairmen and deputy chairmen, who were previously employed executives, the use of office and basic secretarial facilities following their retirement. The cost involved in doing so is not significant.

**Further information** Full details of individual directors' remuneration are given in the directors' remuneration report on pages 30 to 39 of *Annual Report 2002*.

**39 Loans to officers**

Miss J C Hanratty has a low interest loan of \$43,000 made to her prior to her appointment as Company Secretary on 1 October 1994.

## 40 Pensions

Most group companies have pension plans, the forms and benefits of which vary with conditions and practices in the countries concerned. Pension benefits may be provided through defined contribution plans (money purchase schemes) or defined benefit plans (final salary schemes). For defined contribution plans, retirement benefits are determined by the value of funds arising from contributions paid in respect of each employee. For defined benefit plans, retirement benefits are based on the employees' pensionable salary and length of service. Defined benefit plans may be externally funded or unfunded. The assets of funded plans are generally held in separately administered trusts.

Contributions to funded defined benefit plans are based on advice from independent actuaries using actuarial methods, the objective of which is to provide adequate funds to meet pension obligations as they fall due. The cumulative difference, since the adoption of Statement of Standard Accounting Practice No. 24 'Accounting for Pension Costs' (SSAP 24), between the contributions paid by BP to the pension funds and the pension expense recorded each year is reflected in the balance sheet. If the cumulative contributions exceed pension expense the difference is shown as a prepayment on the balance sheet. If the cumulative contributions are less than pension expense the difference is shown as a provision on the balance sheet. For unfunded plans, where assets are not held with the specific purpose of matching pension obligations, the accrued liability for pension benefits is included within other provisions. The majority of the group's employees are members of defined benefit plans. The principal plans are reviewed annually by the independent actuaries and subject to a formal actuarial valuation at least every three years. The date of the latest actuarial valuation for the UK plans was 1 January 2001 and for the US plans and the unfunded plans in Europe was 1 January 2002. The date of the most recent actuarial reviews was 31 December 2002.

The pension assumptions for the principal plans are set out below. The assumptions used to evaluate accrued pension benefits at 31 December in any year are used to determine pension expense for the following year, that is, the assumptions at 31 December 2002 are used to determine the pension liabilities at that date and the pension cost for 2003. This applies for all accounting bases described in this note.

	UK			Other European			USA		
	2002	2001	2000	2002	2001	2000	2002	2001	2000
Rate of return on assets	<b>6.25</b>	6.0	6.5	<b>n/a</b>	n/a	n/a	<b>8.0</b>	10.0	10.0
Discount rate	<b>6.25</b>	6.0	6.5	<b>5.75</b>	6.2	6.2	<b>6.75</b>	7.25	7.5
Future salary increases	<b>4.0</b>	4.5	5.0	<b>4.0</b>	3.2	3.2	<b>4.0</b>	4.0	4.0
Future pension increases	<b>2.5</b>	2.5	3.0	<b>2.4</b>	2.0	2.1	<b>nil</b>	nil	nil
Dividend growth	<b>n/a</b>	n/a	n/a	<b>n/a</b>	n/a	n/a	<b>n/a</b>	n/a	n/a

n/a = not applicable.

Pension costs for the principal plans have been derived using the projected unit method and by amortizing surpluses and deficits on a straight line basis over the average expected remaining service lives of the current employees. An analysis of pension expense is set out below.

	\$ million	
	2002	2001
Principal plans:		
Regular cost	<b>450</b>	397
Settlement, curtailment and special termination benefits	<b>30</b>	211
Other variations from regular cost	<b>(520)</b>	(569)
	<b>(40)</b>	39
Other defined benefit plans	<b>51</b>	73
Defined contribution plans	<b>153</b>	155
	<b>164</b>	267

At 31 December 2002, the market value and actuarial value of assets in the group's major externally funded pension plans and the market value and actuarial value of those assets in relation to the benefits that had accrued to members of those plans, after allowing for expected future increases in salaries, are set out below.

	UK		USA	
	2002	2001	2002	2001
Market value of plan assets (\$ million)	<b>15,138</b>	16,880	<b>4,206</b>	5,625
– as a percentage of accrued benefits	<b>111%</b>	132%	<b>62%</b>	91%
Actuarial value of plan assets (\$ million)	<b>19,074</b>	17,654	<b>5,818</b>	6,315
– as a percentage of accrued benefits	<b>140%</b>	139%	<b>86%</b>	103%
Prepayment (\$ million)	<b>2,688</b>	2,138	<b>1,211</b>	1,279

At 31 December 2002, the obligation for accrued benefits in respect of the major unfunded plans in Europe was \$3,191 million (\$1,510 million). Of this amount, \$2,645 million (\$1,317 million) has been provided in these accounts.

**40 Pensions** continued

The assumed rate of investment return and discount rate have a significant effect on the amounts reported. A one-percentage-point change in these assumptions for the principal plans would have the following effects:

	\$ million	
	One-percentage point	
	Increase	Decrease
Investment return:		
Effect on pension expense in 2002	(240)	240
Discount rate:		
Effect on pension expense in 2002	(320)	275
Effect on pension obligation at 31 December 2002	(3,575)	3,625

The group continues to account for pensions in accordance with SSAP 24. However, there is a new standard, Financial Reporting Standard No. 17 'Retirement Benefits' (FRS 17), which changes the basis of accounting for pensions and other post-retirement benefits and requires certain disclosures in the periods prior to adoption. The additional disclosures for the year ended 31 December 2002 are shown in the following tables.

The expected long-term rates of return and market values of the various categories of asset held by the significant defined benefit plans and the main assumptions used to evaluate plan liabilities at 31 December on an FRS 17 basis are set out below.

	2002		2001	
	Expected long-term rate of return	Market value	Expected long-term rate of return	Market value
	%	\$ million	%	\$ million
<b>UK plans</b>				
Equities	7.5	10,815	7.5	12,228
Bonds	5.0	2,263	5.5	2,449
Property	6.5	1,352	6.5	1,057
Cash	4.0	708	4.5	1,146
		15,138		16,880
Present value of plan liabilities		14,822		12,746
Surplus in the plans		316		4,134
Deferred tax		(95)		(1,240)
At 31 December		221		2,894
<b>Other European plans</b>				
Equities	n/a	-	n/a	-
Bonds	n/a	-	n/a	-
Property	n/a	-	n/a	-
Cash	n/a	-	n/a	-
		-		-
Present value of plan liabilities		3,191		1,510
Deficit in the plans		(3,191)		(1,510)
Deferred tax		1,244		589
At 31 December		(1,947)		(921)
<b>US plans</b>				
Equities	8.5	3,371	11.0	4,537
Bonds	5.5	720	7.0	942
Property	8.0	49	8.0	51
Cash	3.5	66	4.0	95
		4,206		5,625
Present value of plan liabilities		6,765		6,146
Deficit in the plans		(2,559)		(521)
Deferred tax		896		182
At 31 December		(1,663)		(339)

	%					
	UK		Other European		USA	
	2002	2001	2002	2001	2002	2001
<b>Other main assumptions for FRS 17 disclosures as at 31 December</b>						
Discount rate for plan liabilities	5.75	6.0	5.75	6.2	6.75	7.25
Rate of increase in salaries	4.0	4.5	4.0	3.2	4.0	4.0
Rate of increase for pensions in payment	2.5	2.5	2.4	2.0	nil	nil
Rate of increase in deferred pensions	2.5	2.5	2.4	2.0	nil	nil
Inflation	2.5	2.5	2.5	2.0	2.5	3.0

## 40 Pensions continued

\$ million

	2002		
	UK	Other European	USA
<b>Analysis of the amount charged to operating profit on an FRS 17 basis</b>			
Current service cost	278	22	150
Past service cost	–	4	38
Settlement, curtailment and special termination benefits	–	(81)	75
Total operating charge	278	(55)	263

**Analysis of the amount that would be credited (charged) to other finance income on an FRS 17 basis**

Expected return on pension plan assets	1,204	–	530
Interest on pension plan liabilities	(773)	(155)	(421)
Net return (expense)	431	(155)	109

**Analysis of the amount that would be recognized in the statement of total recognized gains and losses on an FRS 17 basis**

Actual return less expected return on pension plan assets	(3,874)	–	(1,305)
Experience gains and losses arising on the plan liabilities	212	(67)	(290)
Change in assumptions underlying the present value of the plan liabilities	(480)	(242)	(343)
Actuarial loss recognized in statement of total recognized gains and losses	(4,142)	(309)	(1,938)

**Movement in surplus (deficit) during the year on an FRS 17 basis**

Surplus (deficit) in schemes at 1 January 2002	4,134	(1,510)	(521)
Movement in year:			
Current service cost	(278)	(22)	(150)
Past service cost	–	(4)	(38)
Settlement, curtailment and special termination benefits	–	81	(75)
Acquisitions	–	(1,037)	(14)
Other finance income	431	(155)	109
Actuarial loss	(4,142)	(309)	(1,938)
Employers' contributions	3	184	68
Exchange adjustments	168	(419)	–
Surplus (deficit) in plans at 31 December 2002	316	(3,191)	(2,559)

	2002		
	UK	Other European	USA
<b>History of experience gains and losses which would be recognized on an FRS 17 basis</b>			
Difference between the expected and actual return on plan assets:			
Amount (\$ million)	(3,874)	n/a	(1,305)
Percentage of plan assets	(26)%	n/a	(31)%
Experience gains and losses on plan liabilities:			
Amount (\$ million)	212	(67)	(290)
Percentage of the present value of the plan liabilities	1%	(2)%	(4)%
Total amount recognized in statement of total recognized gains and losses:			
Amount (\$ million)	(4,142)	(309)	(1,938)
Percentage of the present value of the plan liabilities	(28)%	(10)%	(29)%

	\$ million			
	2002		2001	
	Net assets	Profit and loss account reserve	Net assets	Profit and loss account reserve
<b>Group net assets and reserve reconciliation</b>				
As reported	70,047	32,344	65,759	28,312
SSAP 24 pension prepayment (net of deferred tax)	(2,669)	(2,669)	(2,328)	(2,328)
SSAP 24 pension provision (net of deferred tax)	2,883	2,883	1,524	1,524
FRS 17 pension asset (net of deferred tax)	221	221	2,894	2,894
FRS 17 pension liability (net of deferred tax)	(3,610)	(3,610)	(1,260)	(1,260)
Including FRS 17 pension assets and liabilities (net of deferred tax)	66,872	29,169	66,589	29,142

#### 41 Other post-retirement benefits

Certain group companies in the USA provide post-retirement healthcare and life insurance benefits to their retired employees and dependants. The entitlement to these benefits is usually based on the employee remaining in service until retirement age and completion of a minimum period of service. The plans are funded to a limited extent and the accrued net liability for post-retirement benefits is included within other provisions. The cost of providing post-retirement benefits is assessed annually by independent actuaries using the projected unit method. The date of the latest actuarial valuation was 1 January 2002.

The assumptions used in calculating the charge for post-retirement benefits are consistent with those shown in Note 40 for US pension plans. The charge to income for post-retirement benefits is as follows:

	\$ million	
	2002	2001
Service cost	37	31
Interest on post-retirement benefit liabilities	219	187
Expected return on plan assets	(4)	(5)
Amortization of variances	21	(21)
Curtailement	3	(32)
	<b>276</b>	<b>160</b>

At 31 December 2002, the independent actuaries reassessed the obligation for post-retirement benefits at \$4,326 million (\$3,080 million). The discount rate used to assess the obligation at 31 December 2002 of the US plan was 6.75% (7.25%). The provision for post-retirement benefits at 31 December 2002 was \$2,762 million (\$2,664 million).

	2003	2004	2005	2006	2007	2008	2009 and subsequent years
<b>Assumed future healthcare cost trend rate</b>							
Beneficiaries aged under 65	12%	11%	9%	8%	7%	6%	5%
Beneficiaries aged over 65	15%	14%	12%	10%	8%	7%	6%

The assumed healthcare cost trend rate has a significant effect on the amounts reported. A one-percentage-point change in the assumed healthcare cost trend rate would have the following effects:

	\$ million	
	One-percentage point	
	Increase	Decrease
Effect on total of service and interest cost in 2002	52	(41)
Effect on post-retirement obligation at 31 December 2002	587	(476)

As indicated in Note 40 Pensions, certain additional disclosures are required by FRS 17 for the periods prior to adoption. The additional disclosures for the year ended 31 December 2002 are set out below:

	2002		2001	
	Expected long-term rate of return	Market value	Expected long-term rate of return	Market value
	%	\$ million	%	\$ million
Equities	8.5	24	11.0	30
Bonds	5.5	9	7.0	11
		33		41
Present value of plan liabilities		4,326		3,080
Other post-retirement benefits liability before deferred tax		(4,293)		(3,039)
Deferred tax		1,503		1,124
		<b>(2,790)</b>		<b>(1,915)</b>

	\$ million
<b>Analysis of the amount that would be charged to operating profit on an FRS 17 basis</b>	<b>2002</b>
Current service cost	37
Settlement, curtailment and special termination benefits	(78)
Total operating charge	(41)

<b>Analysis of the amount that would be charged to other finance costs on an FRS 17 basis</b>	
Expected return on plan assets	4
Interest on plan liabilities	(219)
Net return (expense)	(215)

<b>Analysis of the amount that would be recognized in the statement of total recognized gains and losses on an FRS 17 basis</b>	
Actual return less expected return on plan assets	(8)
Experience gains and losses arising on the plan liabilities	(89)
Change in assumptions underlying the present value of the plan liabilities	(1,165)
Actuarial loss recognized in statement of total recognized gains and losses	(1,262)

**41 Other post-retirement benefits** continued

	<b>\$ million</b>
<b>Movement in deficit during the year on an FRS 17 basis</b>	<b>2002</b>
Deficit in plans at 1 January 2002	<b>(3,039)</b>
Movement in year:	
Current service cost	<b>(37)</b>
Settlement, curtailment and special termination benefits	<b>78</b>
Acquisitions	<b>(36)</b>
Other finance income	<b>(215)</b>
Actuarial loss	<b>(1,262)</b>
Employers' contributions	<b>218</b>
Deficit in schemes at 31 December 2002	<b>(4,293)</b>
<b>History of experience gains and losses which would be recognized on an FRS 17 basis</b>	<b>2002</b>
Difference between the expected and actual return on plan assets:	
Amount (\$ million)	<b>(8)</b>
Percentage of plan assets	<b>(24)%</b>
Experience gains and losses on plan liabilities:	
Amount (\$ million)	<b>(95)</b>
Percentage of the present value of the plan liabilities	<b>(2)%</b>
Total amount recognized in statement of total recognized gains and losses:	
Amount (\$ million)	<b>(1,262)</b>
Percentage of the present value of the plan liabilities	<b>(29)%</b>

	<b>\$ million</b>			
	<b>2002</b>		<b>2001</b>	
	<b>Net assets</b>	<b>Profit and loss account reserve</b>	<b>Net assets</b>	<b>Profit and loss account reserve</b>
<b>Group net assets and reserve reconciliation</b>				
As reported	<b>70,047</b>	<b>32,344</b>	65,759	28,312
SSAP 24 other post-retirement benefit provision (net of deferred tax)	<b>1,795</b>	<b>1,795</b>	1,732	1,732
FRS 17 other post-retirement benefit provision (net of deferred tax)	<b>(2,790)</b>	<b>(2,790)</b>	(1,914)	(1,914)
Including FRS 17 other post-retirement benefits liability (net of deferred tax)	<b>69,052</b>	<b>31,349</b>	65,577	28,130

**42 Joint ventures and associated undertakings**

The significant joint ventures and associated undertakings of the BP group at 31 December 2002 are shown in Note 47. Transactions between these entities and the group are summarized below.

		<b>\$ million</b>			
		<b>2002</b>		<b>2001</b>	
	<b>Product</b>	<b>Sales</b>	<b>Amount receivable at 31 December</b>	<b>Sales</b>	<b>Amount receivable at 31 December</b>
<b>Joint ventures</b>					
BP Solvay Polyethylene Europe	Chemicals feedstocks	<b>308</b>	<b>55</b>	24	24
Pan American Energy	Crude oil	<b>124</b>	<b>10</b>	121	5
Watson Cogeneration	Natural gas	<b>118</b>	<b>5</b>	177	3
<b>Associated undertakings</b>					
BP Solvay Polyethylene North America	Chemicals feedstocks	<b>143</b>	<b>14</b>	20	20
China American Petrochemical Co.	Chemicals feedstocks	<b>117</b>	<b>22</b>	92	2
Erdölchemie	Chemicals feedstocks	–	–	250	–
Ruhrigas	Natural gas	<b>98</b>	–	124	11

**42 Joint ventures and associated undertakings** continued**Purchases from joint ventures and associated undertakings**

		<b>\$ million</b>			
		2002		2001	
	Product	Purchases	Amount payable at 31 December	Purchases	Amount payable at 31 December
<b>Joint ventures</b>					
Pan American Energy	Crude oil	200	12	178	14
Watson Cogeneration	Electricity and steam	94	10	187	7
<b>Associated undertakings</b>					
Abu Dhabi Marine Areas	Crude oil	504	55	555	37
Abu Dhabi Petroleum Co.	Crude oil	759	77	820	47
BP Solvay Polyethylene North America	Chemicals feedstocks	7	1	–	–
China American Petrochemical Co.	Petrochemicals	77	15	16	–
Erdölchemie	Petrochemicals	–	–	50	–
Ruhrgas	Natural gas	5	–	18	–

On 31 July 2002, BP sold its 25.5% of Ruhrgas, previously an associated undertaking. The sales and purchases shown above occurred in the period to 31 July 2002.

On 2 May 2001, BP purchased the outstanding 50% of Erdölchemie, previously an associated undertaking. From that date it was fully consolidated. The sales and purchases shown above occurred in the period to 1 May 2001.

On 1 November 2001, the BP Solvay Polyethylene Europe joint venture was formed. The sales figures for 2001 are from 1 November 2001.

**43 Contingent liabilities**

There were contingent liabilities at 31 December 2002 in respect of guarantees and indemnities entered into as part of the ordinary course of the group's business. No material losses are likely to arise from such contingent liabilities.

Approximately 200 lawsuits were filed in State and Federal Courts in Alaska seeking compensatory and punitive damages arising out of the Exxon Valdez oil spill in Prince William Sound in March 1989. Most of those suits named Exxon (now ExxonMobil), Alyeska Pipeline Service Company (Alyeska), which operates the oil terminal at Valdez, and the other oil companies which own Alyeska. Alyeska initially responded to the spill until the response was taken over by Exxon. BP owns a 47% interest (reduced during 2001 from 50% by a sale of 3% to Phillips) in Alyeska through a subsidiary of BP America Inc. and briefly indirectly owned a further 20% interest in Alyeska following BP's combination with Atlantic Richfield Company (ARCO). Alyeska and its owners have settled all the claims against them under these lawsuits. Exxon has indicated that it may file a claim for contribution against Alyeska for a portion of the costs and damages which it has incurred. If any claims are asserted by Exxon which affect Alyeska and its owners, BP will defend the claims vigorously.

Since 1987, Atlantic Richfield Company (ARCO), a current subsidiary of BP, has been named as a co-defendant in numerous lawsuits brought in the USA alleging injury to persons and property caused by lead pigment in paint. The majority of the lawsuits have been abandoned or dismissed as against ARCO. ARCO (and in one case two of its affiliates) is named in these lawsuits as alleged successor to International Smelting & Refining which, along with a predecessor company, manufactured lead pigment during the period 1920-1946. Plaintiffs include individuals and governmental entities. Several of the lawsuits purport to be class actions. The lawsuits (depending on plaintiff) seek various remedies including: compensation to lead-poisoned children; cost to find and remove lead paint from buildings; medical monitoring and screening programmes; public warning and education on lead hazards; reimbursement of government healthcare costs and special education for lead-poisoned citizens; and punitive damages. No case has been settled or tried to conclusion. While the amounts claimed could be substantial and it is not possible to predict the outcome of these legal actions, ARCO believes that it has valid defences and it intends to defend such actions vigorously. Consequently, BP believes that the impact of these lawsuits on the group's results of operations, financial position or liquidity will not be material.

The group is subject to numerous national and local environmental laws and regulations concerning its products, operations and other activities. These laws and regulations may require the group to take future action to remediate the effects on the environment of prior disposal or release of chemicals or petroleum substances by the group or other parties. Such contingencies may exist for various sites including refineries, chemical plants, oil fields, service stations, terminals and waste disposal sites. In addition, the group may have obligations relating to prior asset sales or closed facilities. The ultimate requirement for remediation and its cost are inherently difficult to estimate. However, the estimated cost of known environmental obligations has been provided in these accounts in accordance with the group's accounting policies. While the amounts of future costs could be significant and could be material to the group's results of operations in the period in which they are recognized, BP does not expect these costs to have a material effect on the group's financial position or liquidity.

The group generally restricts its purchase of insurance to situations where this is required for legal or contractual reasons. This is because external insurance is not considered an economic means of financing losses for the group. Losses will therefore be borne as they arise rather than being spread over time through insurance premia with attendant transaction costs. The position is reviewed periodically.

The parent company has issued guarantees under which amounts outstanding at 31 December 2002 were \$19,952 million (\$19,900 million), including \$19,896 million (\$19,843 million) in respect of borrowings by its subsidiary undertakings and \$56 million (\$57 million) in respect of liabilities of other third parties. In addition, other group companies have issued guarantees under which amounts outstanding at 31 December 2002 were \$338 million (\$327 million) in respect of borrowings of joint ventures and associated undertakings and \$237 million (\$218 million) in respect of liabilities of other third parties.

#### 44 Capital commitments

Authorized future capital expenditure by group companies for which contracts had been placed at 31 December 2002 amounted to \$5,966 million (\$4,712 million).

#### 45 New accounting standard for deferred tax

With effect from 1 January 2002, BP has adopted Financial Reporting Standard No. 19 'Deferred Tax' (FRS 19). This standard generally requires that deferred tax should be provided on a full liability basis rather than on a restricted liability basis as required by Statement of Standard Accounting Practice No. 15 'Accounting for Deferred Tax'. The adoption of FRS 19 has been treated as a change in accounting policy.

Under FRS 19, deferred tax is recognized in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, tax in the future.

In particular:

- Provision is made for tax on gains arising from the disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the replacement assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, joint ventures and associated undertakings only to the extent that, at the balance sheet date, dividends have been accrued as receivable.

Deferred tax assets are recognized only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

As a consequence of adopting FRS 19, acquisitions have been restated as if the new standard applied at that time. This leads to the creation of higher deferred tax liabilities and greater amounts of goodwill on those acquisitions.

The change in accounting policy has resulted in a prior year adjustment. Shareholders' funds at 1 January 2001 have been reduced by \$7,832 million and the tax charge for the year ended 31 December 2001 increased by \$1,358 million. The provision for deferred tax has been increased by \$10,047 million at 31 December 2001. Profit for the current year has been reduced by approximately \$750 million as a result of the change in accounting policy.

Comparative information for 2001 has been restated to reflect the changes described above.

	<b>\$ million</b>	
	<b>Restated</b>	<b>Reported</b>
<b>Group income statement for the year ended 31 December 2001</b>		
<b>Turnover</b>	175,389	175,389
Less: Joint ventures	1,171	1,171
<b>Group turnover</b>	174,218	174,218
Replacement cost of sales	147,001	146,893
Production taxes	1,689	1,689
<b>Gross profit</b>	25,528	25,636
Distribution and administration expenses	10,918	10,918
Exploration expense	480	480
	14,130	14,238
Other income	694	694
<b>Group replacement cost operating profit</b>	14,824	14,932
Share of profits of joint ventures	443	443
Share of profits of associated undertakings	760	760
<b>Total replacement cost operating profit<sup>a</sup></b>	16,027	16,135
Profit (loss) on sale of businesses or termination of operations	(68)	(68)
Profit (loss) on sale of fixed assets	603	603
<b>Replacement cost profit before interest and tax</b>	16,562	16,670
Stock holding gains (losses)	(1,900)	(1,900)
<b>Historical cost profit before interest and tax</b>	14,662	14,770
Interest expense	1,670	1,670
<b>Profit before taxation</b>	12,992	13,100
Taxation	6,375	5,017
<b>Profit after taxation</b>	6,617	8,083
Minority shareholders' interest	61	73
<b>Profit for the year</b>	6,556	8,010
Distribution to shareholders	4,935	4,935
<b>Retained profit for the year</b>	1,621	3,075

## 45 New accounting standard for deferred tax continued

	\$ million	
	Restated	Reported
<b>Earnings per ordinary share – cents</b>		
Basic	29.21	35.70
Diluted	29.04	35.48
<b><sup>a</sup> Total replacement cost operating profit</b>		
Exploration and Production	12,361	12,417
Gas, Power and Renewables <sup>b</sup>	488	521
Refining and Marketing	3,573	3,625
Chemicals	128	128
Other businesses and corporate <sup>b</sup>	(523)	(556)
	16,027	16,135

<sup>b</sup> Restatement is related to the transfer of the solar, renewables and alternative fuels activities from Other businesses and corporate to Gas, Power and Renewables – see Note 46.

	\$ million	
	Restated	Reported
<b>Balance sheet at 31 December 2001</b>		
Fixed assets		
Intangible assets	16,489	15,593
Tangible assets	77,410	77,410
Investments	11,963	12,047
	105,862	105,050
Current assets	36,108	36,108
Creditors – amounts falling due within one year	37,614	37,614
<b>Net current liabilities</b>	(1,506)	(1,506)
<b>Total assets less current liabilities</b>	104,356	103,544
Creditors – amounts falling due after more than one year	15,413	15,413
Provisions for liabilities and charges		
Deferred taxation	11,702	1,655
Other provisions	11,482	11,482
<b>Net assets</b>	65,759	74,994
Minority shareholders' interest – equity	598	627
<b>BP shareholders' interest</b>	65,161	74,367

	\$ million	
	Restated	Reported
<b>Statement of total recognized gains and losses for the year ended 31 December 2001</b>		
Profit for the year	6,556	8,010
Currency translation differences (net of tax)	(828)	(908)
<b>Total recognized gains and losses</b>	5,728	7,102

## 46 Transfer of solar, renewables and alternative fuels activities

With effect from 1 January 2002, the solar, renewables and alternative fuels activities were transferred from Other businesses and corporate to Gas and Power. To reflect this transfer, Gas and Power was renamed Gas, Power and Renewables from the same date. Comparative information for 2001 has been restated to reflect this change.

	\$ million			
	Restated		Reported	
	Gas, Power and Renewables	Other businesses and corporate	Gas, Power and Renewables	Other businesses and corporate
Group turnover	39,442	549	39,208	783
Group replacement cost operating profit (loss)	304	(598)	337	(631)
Share of profits of associated undertakings	184	75	184	75
Total replacement cost operating profit (loss)	488	(523)	521	(556)
Exceptional items	–	166	(1)	167
Replacement cost profit (loss) before interest and tax	488	(357)	520	(389)
Stock holding gains (losses)	(81)	–	(81)	–
Capital expenditure and acquisitions	492	430	359	563
Operating capital employed	3,125	1,489 <sup>a</sup>	2,764	1,850
Tangible fixed assets	1,644	1,351	1,419	1,576
Number of employees – year end	4,200	2,850	1,950	5,100
Number of employees – average	3,900	2,950	1,800	5,050

<sup>a</sup> Before FRS 19 Deferred Tax restatement of \$84 million.

## 47 Subsidiary and associated undertakings and joint ventures

The more important subsidiary and associated undertakings and joint ventures of the group at 31 December 2002 and the group percentage of ordinary share capital or joint venture interest (to nearest whole number) are set out below. The principal country of operation is generally indicated by the company's country of incorporation or by its name. Those held directly by the parent company are marked with an asterisk (\*), the percentage owned being that of the group unless otherwise indicated. A complete list of investments in subsidiary and associated undertakings and joint ventures will be attached to the parent company's annual return made to the Registrar of Companies. Advantage has been taken of the exemption conferred by regulation 7 of The Partnerships and Unlimited Companies (Accounts) Regulations 1993 from the requirements to deliver to the Registrar of Companies and publish the annual accounts of the CaTO Finance V Limited Partnership.

Subsidiary undertakings	%	Country of incorporation	Principal activities	Subsidiary undertakings	%	Country of incorporation	Principal activities
<b>International</b>				<b>Africa</b>			
BP Chemicals Investments	100	England	Chemicals	BP Southern Africa	75	South Africa	Refining and marketing
BP Exploration Co.	100	Scotland	Exploration and production	<b>Australasia</b>			
BP International	100	England	Integrated oil operations	<b>Australia</b>			
BP Oil International	100	England	Integrated oil operations	BP Australia	100	Australia	Integrated oil operations
*BP Shipping	100	England	Shipping	BP Developments Australia	100	Australia	Exploration and production
Burmah Castrol	100	England	Lubricants	BP Finance Australia	100	Australia	Finance
<b>Europe</b>				<b>New Zealand</b>			
<b>UK</b>				BP Oil New Zealand	100	New Zealand	Marketing
BP Capital Markets	100	England	Finance	<b>Western Hemisphere</b>			
BP Chemicals	100	England	Chemicals	<b>Canada</b>			
BP Oil UK	100	England	Refining and marketing	BP Canada Energy	100	Canada	Exploration and production
Britoil (parent 15%)	100	Scotland	Exploration and production	<b>Trinidad</b>			
Jupiter Insurance	100	Guernsey	Insurance	Amoco Trinidad (LNG) B.V.	100	Netherlands	Exploration and production
<b>France</b>				BP Trinidad and Tobago	90	USA	Exploration and production
BP France	100	France	Refining and marketing and chemicals	<b>USA</b>			
<b>Germany</b>				Atlantic Richfield Co.	100	USA	Exploration and production, gas, power and renewables, refining and marketing, pipelines and chemicals
Deutsche BP	100	Germany	Refining and marketing and chemicals	*BP America			
Veba Oil	100	Germany	Refining and marketing and chemicals	BP America Production Company			
<b>Netherlands</b>				BP Amoco Chemical Company			
BP Capital BV	100	Netherlands	Finance	BP Company North America			
BP Nederland	100	Netherlands	Refining and marketing	BP Corporation North America			
<b>Norway</b>				BP Products North America			
BP Norway	100	Norway	Exploration and production	BP West Coast Products			
<b>Spain</b>				Standard Oil Co.			
BP España	100	Spain	Refining and marketing				
<b>Middle East</b>							
BP Egypt	100	USA	Exploration and production				
BP Egypt Gas	100	USA	Exploration and production				
<b>Far East</b>							
<b>Indonesia</b>							
BP Kangean	100	Indonesia	Exploration and production				
<b>Singapore</b>							
*BP Singapore Pte	100	Singapore	Refining and marketing				
<b>Associated undertakings</b>				<b>Country of incorporation</b>			
	%			<b>Principal activities</b>			
<b>Abu Dhabi</b>							
Abu Dhabi Marine Areas	37	England					Crude oil production
Abu Dhabi Petroleum Co.	24	England					Crude oil production
<b>Russia</b>							
Rusia Petroleum	29	Russia					Exploration and production
Sidanco	25	Russia					Integrated oil operations
<b>Taiwan</b>							
China American Petrochemical Co.	50	Taiwan					Chemicals
<b>USA</b>							
BP Solvay Polyethylene North America	49	USA					Chemicals
<b>Joint ventures</b>				<b>Principal place of business</b>			
	%			<b>Principal activities</b>			
BP Solvay Polyethylene Europe	50	Europe					Chemicals
CaTO Finance Partnership	50	UK					Finance
Lukarco	46	Kazakhstan					Exploration and production, pipelines
Malaysia – Thailand Joint Development Area	25	Thailand					Exploration and production
Pan American Energy	60	Argentina					Exploration and production
Unimar Company Texas (Partnership)	50	Indonesia					Exploration and production
Watson Cogeneration	51	USA					Power generation

**48 Oil and natural gas exploration and production activities<sup>a</sup>****\$ million**

	2002					2001				
	UK	Rest of Europe	USA	Rest of World	Total	UK	Rest of Europe	USA	Rest of World	Total
<b>Capitalized costs at 31 December</b>										
Gross capitalized costs										
Proved properties	26,804	4,029	46,996	24,604	<b>102,433</b>	23,627	2,912	42,868	21,488	90,895
Unproved properties	294	179	1,045	3,669	<b>5,187</b>	313	120	1,426	3,677	5,536
	<b>27,098</b>	<b>4,208</b>	<b>48,041</b>	<b>28,273</b>	<b>107,620</b>	<b>23,940</b>	<b>3,032</b>	<b>44,294</b>	<b>25,165</b>	<b>96,431</b>
Accumulated depreciation	16,394	2,591	22,613	12,653	<b>54,251</b>	13,320	1,883	19,508	10,980	45,691
Net capitalized costs	<b>10,704</b>	<b>1,617</b>	<b>25,428</b>	<b>15,620</b>	<b>53,369</b>	<b>10,620</b>	<b>1,149</b>	<b>24,786</b>	<b>14,185</b>	<b>50,740</b>

The group's share of associated undertakings' and joint ventures' net capitalized costs at 31 December 2002 was \$4,350 million (\$3,325 million).

**Costs incurred for the year ended 31 December**

Acquisition of properties										
Proved	–	4	–	59	<b>63</b>	–	–	–	47	47
Unproved	–	–	29	8	<b>37</b>	4	–	20	193	217
	–	4	29	67	<b>100</b>	4	–	20	240	264
Exploration and appraisal costs <sup>b</sup>										
Development costs	28	68	441	571	<b>1,108</b>	109	80	295	618	1,102
Total costs	895	219	3,618	2,503	<b>7,235</b>	930	271	3,723	1,934	6,858
	<b>923</b>	<b>291</b>	<b>4,088</b>	<b>3,141</b>	<b>8,443</b>	<b>1,043</b>	<b>351</b>	<b>4,038</b>	<b>2,792</b>	<b>8,224</b>

The group's share of associated undertakings' and joint ventures' costs incurred in 2002 was \$850 million (\$419 million).

**Results of operations for the year ended 31 December**

Turnover <sup>c</sup>										
Third parties	2,249	465	1,321	2,497	<b>6,532</b>	2,979	564	1,642	2,581	7,766
Sales between businesses	3,169	594	7,857	4,952	<b>16,572</b>	3,003	462	9,645	4,892	18,002
	<b>5,418</b>	<b>1,059</b>	<b>9,178</b>	<b>7,449</b>	<b>23,104</b>	<b>5,982</b>	<b>1,026</b>	<b>11,287</b>	<b>7,473</b>	<b>25,768</b>
Exploration expenditure	27	47	258	312	<b>644</b>	14	22	256	188	480
Production costs	662	101	1,419	950	<b>3,132</b>	878	91	1,379	915	3,263
Production taxes	279	7	288	670	<b>1,244</b>	559	17	384	688	1,648
Other costs (income) <sup>d</sup>	315	36	1,558	1,494	<b>3,403</b>	25	33	1,743	1,534	3,335
Depreciation	1,875	154	3,129	1,544	<b>6,702</b>	1,353	115	3,090	1,115	5,673
	<b>3,158</b>	<b>345</b>	<b>6,652</b>	<b>4,970</b>	<b>15,125</b>	<b>2,829</b>	<b>278</b>	<b>6,852</b>	<b>4,440</b>	<b>14,399</b>
Profit before taxation <sup>e</sup>	2,260	714	2,526	2,479	<b>7,979</b>	3,153	748	4,435	3,033	11,369
Allocable taxes	1,375	412	890	887	<b>3,564</b>	1,046	306	1,463	1,201	4,016
Results of operations	<b>885</b>	<b>302</b>	<b>1,636</b>	<b>1,592</b>	<b>4,415</b>	<b>2,107</b>	<b>442</b>	<b>2,972</b>	<b>1,832</b>	<b>7,353</b>

The group's share of joint ventures' and associated undertakings' results of operations in 2002 was a profit of \$372 million (\$246 million) after deducting a tax charge of \$110 million (\$138 million).

<sup>a</sup> This note relates to the requirements contained within the UK Statement of Recommended Practice 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities'. Mid-stream activities of natural gas gathering and distribution and the operation of the main pipelines and tankers are excluded. The main mid-stream activities are the Alaskan transportation facilities, the Forties Pipeline system and the Central Area Transmission System. The group's share of joint ventures' and associated undertakings' activities is excluded from the tables and included in the footnotes, with the exception of the Abu Dhabi operations which are included in the income and expenditure items above. Profits (losses) on sale of fixed assets and businesses or termination of operations relating to the oil and natural gas exploration and production activities, which have been accounted as exceptional items, are also excluded.

<sup>b</sup> Include exploration and appraisal drilling expenditure and licence acquisition costs which are capitalized within intangible fixed assets and geological and geophysical exploration costs which are charged to income as incurred.

<sup>c</sup> Turnover represents sales of production excluding royalty oil where royalty is payable in kind.

<sup>d</sup> Include cost of royalty oil not taken in kind, property taxes and other government take.

<sup>e</sup> The exploration and production total replacement cost operating profit comprises:

	2002		2001	
Exploration and production activities				
– Group (as above)		<b>7,979</b>		11,369
– Joint ventures and associated undertakings		<b>482</b>		384
Mid-stream activities		<b>745</b>		608
Total replacement cost operating profit		<b>9,206</b>		12,361



## Supplementary information on oil and natural gas quantities

## Movements in estimated net proved reserves

	Crude oil <sup>a</sup> million barrels					Natural gas <sup>a</sup> billion cubic feet				
	UK	Rest of Europe	USA	Rest of World	Total	UK	Rest of Europe	USA	Rest of World	Total
<b>Subsidiary</b>										
At 1 January 2002										
Developed	1,008	269	2,195	836	<b>4,308</b>	3,212	265	12,232	8,040	<b>23,749</b>
Undeveloped	317	112	1,394	1,086	<b>2,909</b>	1,160	43	2,535	15,472	<b>19,210</b>
	<b>1,325</b>	<b>381</b>	<b>3,589</b>	<b>1,922</b>	<b>7,217</b>	<b>4,372</b>	<b>308</b>	<b>14,767</b>	<b>23,512</b>	<b>42,959</b>
Changes attributable to:										
Revisions of previous estimates	(58)	–	(33)	62	<b>(29)</b>	(137)	3	(149)	1,175	<b>892</b>
Purchases of reserves-in-place	8	2	–	217	<b>227</b>	77	3	1	56	<b>137</b>
Extensions, discoveries and other additions	9	–	199	649	<b>857</b>	126	–	340	2,702	<b>3,168</b>
Improved recovery	19	4	60	49	<b>132</b>	64	–	738	1,263	<b>2,065</b>
Production <sup>b</sup>	(168)	(38)	(254)	(159)	<b>(619)</b>	(566)	(54)	(1,334) <sup>c</sup>	(1,147)	<b>(3,101)</b>
Sales of reserves-in-place	(8)	–	–	(15)	<b>(23)</b>	(70)	–	(2)	(204)	<b>(276)</b>
	<b>(198)</b>	<b>(32)</b>	<b>(28)</b>	<b>803</b>	<b>545</b>	<b>(506)</b>	<b>(48)</b>	<b>(406)</b>	<b>3,845</b>	<b>2,885</b>
<b>At 31 December 2002</b>										
Developed	858	250	2,225	1,002	<b>4,335</b>	3,215	216	12,102	8,240	<b>23,773</b>
Undeveloped	269	99	1,336	1,723	<b>3,427</b>	651	44	2,259	19,117	<b>22,071</b>
	<b>1,127</b>	<b>349</b>	<b>3,561</b>	<b>2,725</b>	<b>7,762</b>	<b>3,866</b>	<b>260</b>	<b>14,361</b>	<b>27,357</b>	<b>45,844</b>
<b>Equity-accounted entities (BP share)</b>										
At 1 January 2002										
Developed	5	–	–	977	<b>982</b>	24	–	–	1,508	<b>1,532</b>
Undeveloped	–	–	–	177	<b>177</b>	–	–	–	1,684	<b>1,684</b>
	<b>5</b>	<b>–</b>	<b>–</b>	<b>1,154</b>	<b>1,159</b>	<b>24</b>	<b>–</b>	<b>–</b>	<b>3,192</b>	<b>3,216</b>
Changes attributable to:										
Revisions of previous estimates	–	–	–	76	<b>76</b>	–	–	–	(157)	<b>(157)</b>
Purchases of reserves-in-place	–	–	–	203	<b>203</b>	–	–	–	20	<b>20</b>
Extensions, discoveries and other additions	–	–	–	7	<b>7</b>	–	–	–	27	<b>27</b>
Improved recovery	–	–	–	55	<b>55</b>	–	–	–	1	<b>1</b>
Production	–	–	–	(92)	<b>(92)</b>	(2)	–	–	(138)	<b>(140)</b>
Sales of reserves-in-place	(5)	–	–	–	<b>(5)</b>	(22)	–	–	–	<b>(22)</b>
	<b>(5)</b>	<b>–</b>	<b>–</b>	<b>249</b>	<b>244</b>	<b>(24)</b>	<b>–</b>	<b>–</b>	<b>(247)</b>	<b>(271)</b>
<b>At 31 December 2002</b>										
Developed	–	–	–	1,178	<b>1,178</b>	–	–	–	1,506	<b>1,506</b>
Undeveloped	–	–	–	225	<b>225</b>	–	–	–	1,439	<b>1,439</b>
	<b>–</b>	<b>–</b>	<b>–</b>	<b>1,403</b>	<b>1,403</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>2,945</b>	<b>2,945</b>
<b>Total group and BP share of equity-accounted entities</b>										
	<b>1,127</b>	<b>349</b>	<b>3,561</b>	<b>4,128</b>	<b>9,165</b>	<b>3,866</b>	<b>260</b>	<b>14,361</b>	<b>30,302</b>	<b>48,789</b>

<sup>a</sup> Crude oil includes natural gas liquids and condensate. Net proved reserves of crude oil and natural gas exclude production royalties due to others.

<sup>b</sup> Excludes NGLs (natural gas liquids) from processing plants in which an interest is held of 69 thousand barrels per day.

<sup>c</sup> Includes 63 billion cubic feet of natural gas consumed in Alaskan operations.

## Supplementary information on oil and natural gas quantities

Group production interests – oil (includes NGLs and condensate)	Field	Interest %	BP net share of production thousand barrels per day <sup>a</sup>		
			2002	2001	
<b>UK</b>					
Offshore	Foinaven <sup>b</sup>	72.0	72	60	
	ETAP <sup>c</sup>	Various	61	80	
	Forties <sup>b</sup>	96.1	50	51	
	Schiehallion/Loyal <sup>b</sup>	Various	43	40	
	Harding <sup>b</sup>	70.0	42	42	
	Magnus <sup>b</sup>	85.0	31	37	
	Andrew <sup>b</sup>	62.8	23	25	
	Miller <sup>b</sup>	52.0	11	15	
	Other	Various	96	99	
	Wytch Farm <sup>b</sup>	67.8	32	36	
			<b>461</b>	485	
<b>Rest of Europe</b>					
Norway	Draugen	18.4	37	40	
	Valhall <sup>b</sup>	28.1	21	22	
	Ula <sup>b</sup>	80.0	18	18	
	Gyda <sup>b</sup>	61.0	8	12	
Other including Netherlands	Various	Various	20	8	
			<b>104</b>	100	
<b>USA</b>					
Alaska	Prudhoe Bay <sup>b</sup>	26.3	113	123	
	Kuparuk	39.2	74	76	
	Milne Point <sup>b</sup>	100.0	44	45	
	Northstar <sup>b</sup>	98.8	36	3	
	Endicott <sup>b</sup>	67.9	15	19	
	Point McIntyre	26.4	9	10	
	Other	Various	18	12	
	Total	Various	192	213	
	Lower 48 onshore	Mars	28.5	41	42
		Troika	33.3	20	25
Pompano <sup>b</sup>		75.0	23	21	
Ursa		22.7	20	23	
Crosby		50.0	19	–	
Marlin <sup>b</sup>		86.3	19	19	
Other		Various	122	113	
			<b>765</b>	744	
<b>Rest of World</b>					
Angola	Girassol	16.7	29	1	
Australia	Various	16.7	43	40	
Azerbaijan	ACG (Chirag) <sup>b</sup>	34.1	38	35	
Canada	Various	Various	16	18	
Colombia	Various	Various	46	48	
Egypt	October	50.0	16	22	
	Other	Various	69	69	
Trinidad	Various	100.0	67	48	
Venezuela	Various	Various	51	54	
Other	Various	Various	61	59	
			<b>436</b>	394	
<b>Total group</b>			<b>1,766</b>	1,723	
<b>Equity-accounted entities (BP share)</b>					
Abu Dhabi	Various	Various	113	126	
Argentina	Various	Various	53	50	
Russia	Various	Various	73	20	
Other	Various	Various	13	12	
<b>Total equity-accounted entities</b>			<b>252</b>	208	
<b>Total group and BP share of equity-accounted entities<sup>d</sup></b>			<b>2,018</b>	1,931	

<sup>a</sup> Net of royalty.<sup>b</sup> BP operator.<sup>c</sup> Out of nine fields, BP operates six and Shell three.<sup>d</sup> Includes NGLs (natural gas liquids) from processing plants in which an interest is held of 69 thousand barrels per day (78 thousand barrels per day in 2001).

## Supplementary information on oil and natural gas quantities

Group production interests – natural gas	Field	Interest %	BP net share of production million cubic feet per day <sup>a</sup>	
			2002	2001
<b>UK</b>				
Offshore	Bruce <sup>b</sup>	37.0	221	256
	Marnock <sup>b</sup>	62.0	135	125
	Braes	Various	116	100
	West Sole <sup>b</sup>	100.0	72	81
	Armada	18.2	71	71
	Ravenspurn South <sup>b</sup>	100.0	56	66
	Britannia	9.0	56	65
	Amethyst <sup>b</sup>	59.5	52	68
	East Leman <sup>b</sup>	48.4	44	59
	Viking Complex	50.0	42	54
	Vulcan	50.0	34	33
	Other	Various	646	730
Onshore	Wytch Farm	67.8	5	5
			<b>1,550</b>	1,713
<b>Rest of Europe</b>				
Netherlands	P/18-2 <sup>b</sup>	48.7	41	47
	Other	Various	46	52
Norway	Various	Various	60	48
			<b>147</b>	147
<b>USA</b>				
Lower 48 onshore	San Juan Coal <sup>b</sup>	Various	601	615
	Arkoma	Various	206	219
	San Juan Conventional	Various	196	217
	Hugoton <sup>b</sup>	Various	169	180
	Tuscaloosa	Various	138	187
	Jonah <sup>b</sup>	75.2	113	109
	Wamsutter <sup>b</sup>	70.5	108	100
	Whitney Canyon	Various	50	50
	Anschutz Ranch East <sup>b</sup>	Various	28	45
	Moxa Arch <sup>b</sup>	41.0	54	43
	Other	Various	583	595
Gulf of Mexico	Marlin	100.0	106	79
	Pompano <sup>b</sup>	73.7	63	35
	Mica	50.0	58	27
	Ram Powell	31.0	54	58
	Matagorda Island 623 <sup>b</sup>	43.5	48	76
	Matagorda Island 519 <sup>b</sup>	82.3	47	40
	Mars	28.5	38	41
	Other	Various	771	827
Alaska	Various	Various	52	11
			<b>3,483</b>	3,554
<b>Rest of World</b>				
Australia	Various	16.7	295	237
Canada	Kirby <sup>b</sup>	95.0	66	72
	Ricinus <sup>b</sup>	47.2	54	61
	Brazeau River Gas <sup>b</sup>	66.9	53	71
	Marten Hills <sup>b</sup>	93.5	32	45
	Other	Various	309	335
China	Yacheng <sup>b</sup>	34.0	102	108
Egypt	Temsah	50.0	84	26
	Ha'py	50.0	74	66
	Others	Various	98	98
Indonesia	Pagerungan <sup>b</sup>	100.0	189	242
	Sanga-Sanga (direct)	26.3	174	164
	Other <sup>b</sup>	46.0	94	95
Sharjah	Sajaa <sup>b</sup>	40.0	110	125
	Other	Various	24	35
Trinidad	Mahogany <sup>b</sup>	100.0	521	529
	Amherstia	100.0	492	244
	Immortelle <sup>b</sup>	100.0	154	128
	Flamboyant <sup>b</sup>	100.0	40	52
	Other	100.0	31	58
Other	Various	Various	148	82
			<b>3,144</b>	2,873
<b>Total group</b>			<b>8,324</b>	8,287
<b>Equity-accounted entities (BP share)</b>				
Argentina	Various	Various	251	236
Other	Various	Various	132	109
<b>Total equity-accounted entities</b>			<b>383</b>	345
<b>Total group and BP share of equity-accounted entities</b>			<b>8,707</b>	8,632

<sup>a</sup> Net of royalty.<sup>b</sup> BP operator.

## Shareholding information

### Register of members holding BP ordinary shares as at 31 December 2002

Range of holdings	Number of shareholders	Percentage of total shareholders	Percentage of total share capital
1 – 200	57,818	16.01	0.01
201 – 1,000	141,248	39.10	0.32
1,001 – 10,000	145,088	40.16	1.98
10,001 – 100,000	14,629	4.05	1.35
100,001 – 1,000,000	1,536	0.43	2.45
Over 1,000,000 <sup>a</sup>	913	0.25	93.89
	<b>361,232</b>	<b>100.00</b>	<b>100.00</b>

<sup>a</sup> Includes JPMorgan Chase Bank, holding 29.17% of the total share capital as the approved depository for ADSs, a breakdown of which is shown in the table below.

### Register of holders of American depositary shares as at 31 December 2002<sup>a</sup>

Range of holdings	Number of ADS holders	Percentage of total ADS holders	Percentage of total ADSs
1 – 200	40,433	22.78	0.05
201 – 1,000	41,362	23.30	0.34
1,001 – 10,000	72,868	41.05	4.00
10,001 – 100,000	21,956	12.37	8.83
100,001 – 1,000,000	867	0.49	2.38
Over 1,000,000 <sup>b</sup>	19	0.01	84.40
	<b>177,505</b>	<b>100.00</b>	<b>100.00</b>

<sup>a</sup> One ADS represents six ordinary shares.

<sup>b</sup> One of the holders of ADSs represents some 523,300 underlying holders.

At 31 December 2002, there were also 1,895 preference shareholders.

# Five-year summaries

## Summarized group income statement

	\$ million				
	1998	1999	2000	2001	2002
<b>Turnover</b>	83,732	101,180	161,826	175,389	<b>180,186</b>
Less: joint ventures	15,428	17,614	13,764	1,171	<b>1,465</b>
<b>Group turnover</b>	<b>68,304</b>	<b>83,566</b>	<b>148,062</b>	<b>174,218</b>	<b>178,721</b>
<b>Replacement cost operating profit</b>					
Exploration and Production	3,173	6,983	13,972	12,361	<b>9,206</b>
Gas, Power and Renewables	112	382	532	488	<b>354</b>
Refining and Marketing	2,487	1,614	3,486	3,573	<b>872</b>
Chemicals	1,100	686	760	128	<b>515</b>
Other businesses and corporate	(351)	(771)	(1,071)	(523)	<b>(701)</b>
<b>Total replacement cost operating profit</b>	<b>6,521</b>	<b>8,894</b>	<b>17,679</b>	<b>16,027</b>	<b>10,246</b>
Exceptional items	850	(2,280)	220	535	<b>1,168</b>
<b>Replacement cost profit before interest and tax</b>	<b>7,371</b>	<b>6,614</b>	<b>17,899</b>	<b>16,562</b>	<b>11,414</b>
Stock holding gains (losses)	(1,391)	1,728	728	(1,900)	<b>1,129</b>
<b>Historical cost profit before interest and tax</b>	<b>5,980</b>	<b>8,342</b>	<b>18,627</b>	<b>14,662</b>	<b>12,543</b>
Interest expense	1,177	1,316	1,770	1,670	<b>1,279</b>
<b>Profit before taxation</b>	<b>4,803</b>	<b>7,026</b>	<b>16,857</b>	<b>12,992</b>	<b>11,264</b>
Taxation	2,089	2,322	6,648	6,375	<b>4,342</b>
<b>Profit after taxation</b>	<b>2,714</b>	<b>4,704</b>	<b>10,209</b>	<b>6,617</b>	<b>6,922</b>
Minority shareholders' interest (MSI)	63	138	89	61	<b>77</b>
<b>Profit for the year</b>	<b>2,651</b>	<b>4,566</b>	<b>10,120</b>	<b>6,556</b>	<b>6,845</b>
Distribution to shareholders	4,121	3,884	4,625	4,935	<b>5,375</b>
<b>Retained profit (deficit) for the year</b>	<b>(1,470)</b>	<b>682</b>	<b>5,495</b>	<b>1,621</b>	<b>1,470</b>
<b>Earnings per ordinary share – cents</b>					
Basic	13.82	23.55	46.77	29.21	<b>30.55</b>
Diluted	13.76	23.42	46.46	29.04	<b>30.41</b>
<b>Dividends per ordinary share – cents</b>	<b>19.75</b>	<b>20.00</b>	<b>20.50</b>	<b>22.00</b>	<b>24.00</b>
<b>Replacement cost results<sup>a</sup></b>					
<b>Historical cost profit</b>	<b>2,651</b>	<b>4,566</b>	<b>10,120</b>	<b>6,556</b>	<b>6,845</b>
Stock holding (gains) losses (net of MSI)	1,391	(1,728)	(728)	1,900	<b>(1,104)</b>
<b>Replacement cost profit for the year</b>	<b>4,042</b>	<b>2,838</b>	<b>9,392</b>	<b>8,456</b>	<b>5,741</b>
Exceptional items (net of tax and MSI)	(563)	1,824	(78)	(165)	<b>(1,043)</b>
<b>Replacement cost profit before exceptional items</b>	<b>3,479</b>	<b>4,662</b>	<b>9,314</b>	<b>8,291</b>	<b>4,698</b>
<b>Earnings per ordinary share – cents</b>					
On replacement cost profit before exceptional items	18.14	24.05	41.15	36.95	<b>20.97</b>

<sup>a</sup> Replacement cost profit excludes stock holding gains and losses. The effect of this is to set against income for the period the average cost of supplies incurred in the same period rather than applying costs obtained by using the first-in first-out method. Profit on the replacement cost basis therefore reflects more immediately changes in purchase costs and provides an indication of the underlying trend in trading performance in a continuing business. This basis is used to assist in the interpretation of operating profit.

### US dollar/sterling exchange rates

Average exchange rate for the year	1.66	1.62	1.51	1.44	<b>1.50</b>
Year end exchange rate	1.67	1.62	1.49	1.45	<b>1.60</b>

## Summarized group balance sheet

	\$ million				
	1998	1999	2000	2001	2002
Fixed assets	67,609	66,004	104,743	105,862	<b>114,059</b>
Stocks and debtors	16,351	21,926	38,288	34,300	<b>43,331</b>
Cash and liquid resources	875	1,551	1,831	1,808	<b>1,735</b>
<b>Total assets</b>	<b>84,835</b>	<b>89,481</b>	<b>144,862</b>	<b>141,970</b>	<b>159,125</b>
Creditors and provisions excluding finance debt	33,387	36,845	57,520	54,794	<b>67,070</b>
<b>Capital employed</b>	<b>51,448</b>	<b>52,636</b>	<b>87,342</b>	<b>87,176</b>	<b>92,055</b>
Financed by:					
Finance debt	13,755	14,544	21,190	21,417	<b>22,008</b>
Minority shareholders' interest – equity	1,072	1,061	568	598	<b>638</b>
<b>BP shareholders' interest</b>	<b>36,621</b>	<b>37,031</b>	<b>65,584</b>	<b>65,161</b>	<b>69,409</b>
	51,448	52,636	87,342	87,176	<b>92,055</b>

## Summarized group cash flow statement

	\$ million				
	1998	1999	2000	2001	2002
Net cash inflow from operating activities	9,586	10,290	20,416	22,409	<b>19,342</b>
Dividends from joint ventures	544	949	645	104	<b>198</b>
Dividends from associated undertakings	422	219	394	528	<b>368</b>
Net cash outflow from servicing of finance and returns on investments	(825)	(1,003)	(892)	(948)	<b>(911)</b>
Tax paid	(1,705)	(1,260)	(6,198)	(4,660)	<b>(3,094)</b>
Net cash outflow for capital expenditure and financial investment	(7,298)	(5,385)	(7,072)	(9,849)	<b>(9,646)</b>
Net cash inflow (outflow) for acquisitions and disposals	778	243	865	(1,755)	<b>(1,337)</b>
Equity dividends paid	(2,408)	(4,135)	(4,415)	(4,827)	<b>(5,264)</b>
<b>Net cash inflow (outflow)</b>	<b>(906)</b>	<b>(82)</b>	<b>3,743</b>	<b>1,002</b>	<b>(344)</b>
Financing	(377)	(954)	3,413	972	<b>(181)</b>
Management of liquid resources	(596)	(93)	452	(211)	<b>(220)</b>
Increase (decrease) in cash	67	965	(122)	241	<b>57</b>
	(906)	(82)	3,743	1,002	<b>(344)</b>

## Capital expenditure and acquisitions

	\$ million				
	1998	1999	2000	2001	2002
<b>By business</b>					
Exploration and Production	6,223	4,194	6,383	8,861	<b>9,699</b>
Gas, Power and Renewables	275	151	376	492	<b>408</b>
Refining and Marketing <sup>a, b</sup>	1,793	1,571	8,693	2,415	<b>7,753</b>
Chemicals	1,606	1,215	1,585	1,926	<b>823</b>
Other businesses and corporate <sup>c</sup>	465	214	30,576	430	<b>428</b>
	10,362	7,345	47,613	14,124	<b>19,111</b>
<b>By geographical area</b>					
UK <sup>a, d</sup>	2,463	1,518	7,438	2,128	<b>1,637</b>
Rest of Europe <sup>b</sup>	1,248	831	2,041	1,787	<b>6,556</b>
USA <sup>c</sup>	3,720	2,963	34,037	6,160	<b>6,095</b>
Rest of World	2,931	2,033	4,097	4,049	<b>4,823</b>
	10,362	7,345	47,613	14,124	<b>19,111</b>

<sup>a</sup> 2000 includes \$4,779 million for the acquisition of Burmah Castrol.

<sup>b</sup> 2002 includes \$5,038 million for the acquisition of Veba.

<sup>c</sup> 2000 includes \$27,506 million for the acquisition of ARCO.

<sup>d</sup> UK area includes the UK-based international activities of Refining and Marketing.

## Ratios

	%				
	1998	1999	2000	2001	2002
<b>Return on average capital employed</b>					
– replacement cost profit before exceptional items	8.0	10.5	13.5	10.5	<b>6.0</b>
– historical cost profit after exceptional items	6.4	10.3	14.8	8.5	<b>8.4</b>
(Based on profit after taxation before deducting group interest expense, net of tax)					
<b>Return on average BP shareholders' interest</b>					
– replacement cost profit before exceptional items	9.4	12.7	18.1	12.7	<b>7.0</b>
– historical cost profit after exceptional items	7.2	12.4	19.7	10.0	<b>10.2</b>
(Based on profit after taxation and minority shareholders' interest)					
<b>Payout ratio</b>					
– replacement cost profit before exceptional items	118.5	83.3	49.7	59.5	<b>114.4</b>
– historical cost profit after exceptional items	155.5	85.1	45.7	75.3	<b>78.5</b>
(Dividend: profit)					
<b>Debt to debt-plus-equity ratio</b>	26.7	27.6	24.3	24.6	<b>23.9</b>
(Finance debt: finance debt plus BP and minority shareholders' interest)					
<b>Debt to equity ratio</b>	36.5	38.2	32.0	32.6	<b>31.4</b>
(Finance debt: BP and minority shareholders' interest)					
<b>Net debt to net debt-plus-equity ratio</b>	25.5	25.4	22.6	23.0	<b>22.4</b>
<b>Net debt to equity ratio</b>	34.2	34.1	29.3	29.8	<b>28.9</b>
(Net debt equals finance debt less cash and liquid resources)					

## Share price

	Pence per 25 cent ordinary share				
	1998	1999	2000	2001	2002
High	484	643	671	647	<b>625</b>
Daily average	430	552	579	575	<b>512</b>
Low	368	411	445	492	<b>393</b>
End year	449	622	540	534	<b>427</b>

## Statistics

<b>Crude oil and natural gas liquids production (net of royalties)</b>	1998	1999	2000	2001	2002
UK	518	580	534	485	462
USA	841	804	729	744	765
Other	690	677	665	702	791
<b>Crude oil and liquids production (thousand barrels per day)</b>	<b>2,049</b>	<b>2,061</b>	<b>1,928</b>	<b>1,931</b>	<b>2,018</b>
UK	1,258	1,301	1,652	1,713	1,555
USA	2,401	2,369	3,054	3,554	3,483
Other	2,149	2,397	2,903	3,365	3,669
<b>Natural gas production (million cubic feet per day)</b>	<b>5,808</b>	<b>6,067</b>	<b>7,609</b>	<b>8,632</b>	<b>8,707</b>
<b>Total production (thousand barrels oil equivalent per day)</b>	<b>3,050</b>	<b>3,107</b>	<b>3,240</b>	<b>3,419</b>	<b>3,519</b>
<b>Group refinery throughputs<sup>a</sup> (thousand barrels per day)</b>	<b>2,698<sup>b</sup></b>	<b>2,522<sup>b</sup></b>	<b>2,916<sup>b</sup></b>	<b>2,929</b>	<b>3,103</b>
For BP by others	13	19	12	14	14
<b>Total</b>	<b>2,711</b>	<b>2,541</b>	<b>2,928</b>	<b>2,943</b>	<b>3,117</b>

<sup>a</sup> Includes crude oil and other feedstock input to BP's crude distillation units both for BP and third parties.

<sup>b</sup> Includes BP share of the BP/Mobil joint venture.

<b>Crude oil and refined petroleum product sales</b>	<b>thousand barrels per day</b>				
Crude oil	4,588	4,984	5,984	4,473	4,671
Refined petroleum products	4,802 <sup>c</sup>	5,002 <sup>c</sup>	5,859 <sup>c</sup>	6,206	6,563
<b>Total oil sales</b>	<b>9,390</b>	<b>9,986</b>	<b>11,843</b>	<b>10,679</b>	<b>11,234</b>

<sup>c</sup> Includes BP share of the BP/Mobil joint venture.

<b>Estimated net proved reserves of crude oil<sup>d</sup></b>	<b>million barrels at 31 December</b>				
Developed	5,318	4,828	4,318	4,308	4,335
Undeveloped	1,986	1,707	2,190	2,909	3,427
Group companies	7,304	6,535	6,508	7,217	7,762
<b>Equity-accounted entities (BP share)</b>	<b>1,128</b>	<b>1,037</b>	<b>1,135</b>	<b>1,159</b>	<b>1,403</b>

<sup>d</sup> Net proved reserves of crude oil exclude production royalties due to others.

<b>Estimated net proved reserves of natural gas<sup>e</sup></b>	<b>billion cubic feet at 31 December</b>				
Developed	19,551	20,498	24,269	23,749	23,773
Undeveloped	11,450	13,304	16,831	19,210	22,071
Group companies	31,001	33,802	41,100	42,959	45,844
<b>Equity-accounted entities (BP share)</b>	<b>1,766</b>	<b>1,724</b>	<b>2,818</b>	<b>3,216</b>	<b>2,945</b>

<sup>e</sup> Net proved reserves of natural gas exclude production royalties due to others.

### Average realizations

BP average crude oil and natural gas liquids realizations	\$/bbl	12.1	16.7	26.6	22.5	22.7
Brent oil price	\$/bbl	12.8	17.9	28.4	24.4	25.0
Henry Hub gas price	\$/mcf	2.2	2.3	3.9	4.3	3.2

Further information is included in *BP Financial and Operating Information 1998-2002* – see page 56.

## Glossary

### Term used in

### BP Annual Report and Accounts

### US equivalent or definition

Accounts	Financial statements
Acquisition accounting	Purchase accounting
Associated undertakings	Equity affiliates
Called up share capital	Ordinary shares, capital stock or common stock issued and fully paid
Capital allowances	Tax depreciation
Capital redemption reserve	Other additional capital
Cash at bank	Cash
Creditors	Accounts payable and accrued liabilities
Creditors: amounts falling due within one year	Current liabilities
Creditors: amounts falling due after more than one year	Long-term liabilities
Debtors: amounts falling due after more than one year	Other non-current assets
Decommissioning	Dismantlement, restoration and abandonment
Employee share schemes	Employee stock benefit plans
Employment costs	Payroll costs
Finance lease	Capital lease
Financial year	Fiscal year
Fixed asset investment	Non-current investments
Freehold	Ownership with absolute rights in perpetuity
Hire charges	Rent
Interest payable	Interest expense
Interest receivable	Interest income
Merger accounting	Pooling of interests accounting
Net asset value	Book value
Other debtors	Other current assets
Own shares	Treasury stock
Profit	Income or earnings
Profit and loss account (statement)	Income statement
Profit and loss account (under 'capital and reserves' in balance sheet)	Retained earnings
Profit for year	Net income
Profit on sale of fixed assets or businesses	Gain on disposal of properties or long-term investments
Provision for doubtful debts	Allowance for doubtful accounts
Provisions	Non-current liabilities other than debt and specific accounts payable
Redundancy charges	Severance costs
Reserves	Retained earnings
Scrip dividend	Stock dividend
Shareholders' funds	Shareholders' equity
Share premium account	Amounts subscribed for share capital in excess of nominal value
Stocks	Inventories
Tangible fixed assets	Property, plant and equipment
Trade debtors	Accounts receivable (net)
Turnover	Sales and other operating revenue

## Further information

### Administration

If you have any queries about the administration of shareholdings such as change of address, change of ownership, dividend payments, the dividend reinvestment plan or the ADS direct access plan, please contact the Registrar or ADS Depository:

#### UK – Registrar's Office

The BP Registrar  
Lloyds TSB Registrars  
The Causeway, Worthing, West Sussex BN99 6DA  
Telephone: +44 (0)121 415 7005  
Freephone in UK: 0800 701107  
Fax: +44 (0)1903 833371

#### USA – ADS Administration

JPMorgan Chase Bank  
PO Box 43013, Providence, RI 02940-3013  
Telephone: +1 781 575 3346  
Toll-free in USA and Canada: +1 877 638 5672

#### Canada – ADS Administration

CIBC Mellon Trust Company, 199 Bay Street  
Commerce Court West, Securities Level, Toronto, Ontario M5L 1G9  
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7-7 Nishi-Ikebukuro 1-chome, Toshima-ku, Tokyo 171-8508  
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### Publications

Copies of *Annual Report 2002, Form 20-F, BP Environmental and Social Review 2002, BP Financial and Operating Information 1998-2002, BP Statistical Review of World Energy* and other BP publications may be obtained free of charge from the following sources:

#### USA and Canada

Toll-free: +1 800 638 5672  
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The BP website is at [www.bp.com](http://www.bp.com)

#### Audio cassettes/CDs for visually impaired shareholders

Highlights from *Annual Report 2002* are available on audio cassette and CD. Copies can be obtained free of charge from the sources listed under 'Publications'.

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