



2006 Annual Report



MEASURING OUR PROGRESS

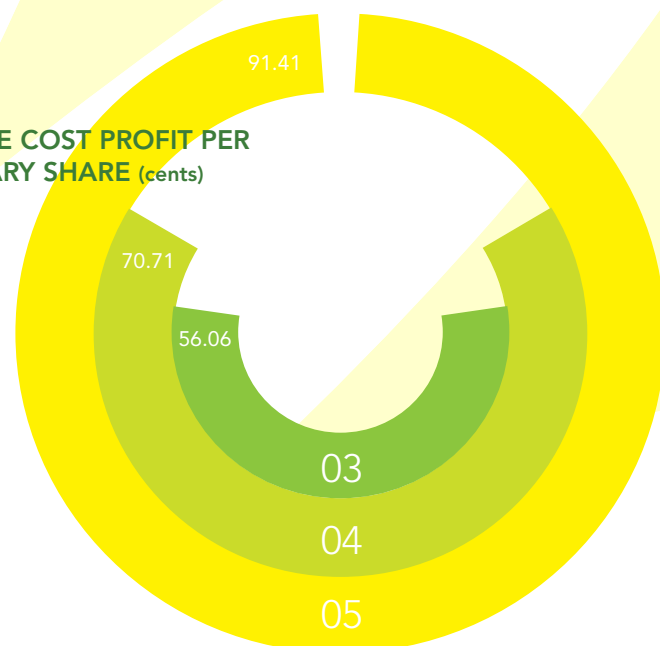
We have three targets:

To underpin growth by a focus on performance, particularly on returns, investing at a rate appropriate for long-term growth.

To increase the dividend per share in light of our policy.

To return to shareholders all free cash flows in excess of investment and dividend needs. The charts opposite provide some measures of our progress in 2005.

REPLACE COST PROFIT PER ORDINARY SHARE (cents)



GREENHOUSE GAS EMISSIONS

78 Mte million tonnes

BP share of emissions expressed as an equivalent mass of carbon dioxide.

OIL SPILLS

541 spills of ≥ 1 barrel

compared with 578 in 2004
a barrel = 159 litres = 42 US gallon

EXPLORATION AND PRODUCTION

100%

We have replaced 100% or more of our production for 13 consecutive years on a UK SORP basis.

REFINING AND MARKETING

1 or 2

We are number 1 or 2 in 85% of the retail markets in which we operate.

CAPITAL INVESTMENT (\$ millions)



GAS, POWER AND RENEWABLES

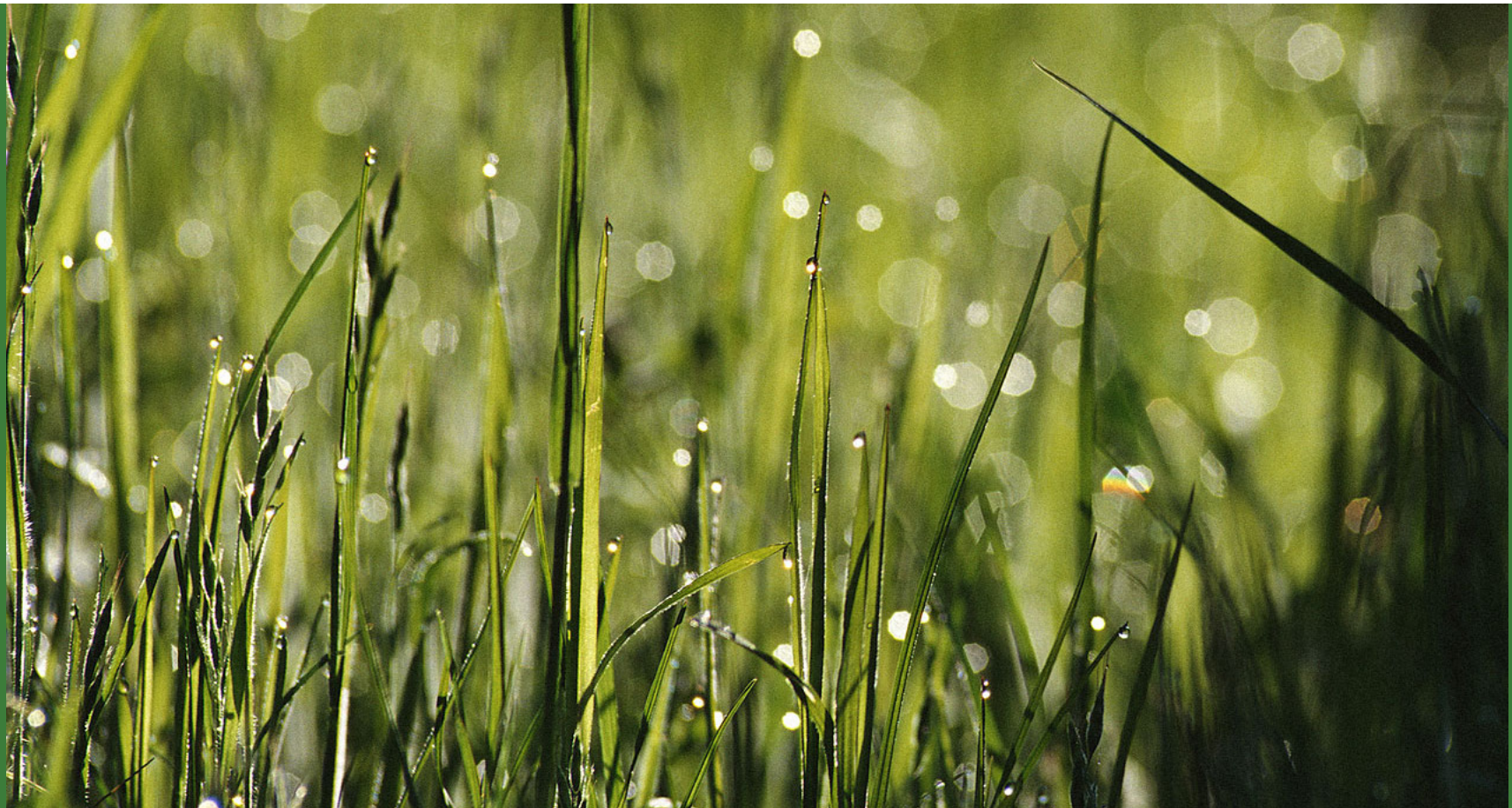
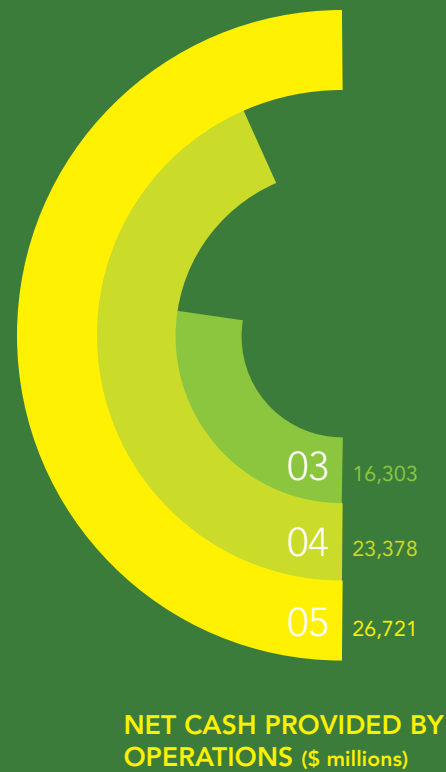
\$8bn

Planned investment in BP Alternative Energy business over next 10 years.

Net cash provided by operating activities for 2005 was \$26,721million, compared with \$23,378 million in 2004. In addition to higher profits, the increase reflects higher dividends from jointly controlled entities, partially offset by higher working capital requirements and higher income tax payments.

WHAT THE WORLD DEMANDS

2005 was a year more characterized by questions than answers. The price of fuel, the availability of supply and the profits of energy companies dominated public dialogue and political debate. Science produced more studies emphasizing the risk of climate change. The US affected our ability to produce consistently and perform safely.



At BP, we constantly ask: 'What more could we be?' In other words, from the effective choices we've made in the past, how can we be a leader in our industry and contribute to global economic progress while maximizing shareholder returns?

**BECAUSE, MORE THAN EVER,
SECURING THE FUTURE MEANS
LEADING THE FUTURE.**

Group Income Statement

For the year ended 31 December		\$ million		
	Note	2005	2004	2003
Sales and other operating revenues		249,485	199,876	169,441
Earnings from jointly controlled entities - after interest and tax		3,083	1,818	826
Earnings from associates - after interest and tax		460	462	388
Interest and other revenues		613	615	746
Total revenues		253,651	202,771	171,401
Gains on sale of businesses and fixed assets		172,699	1,685	1,895
Total revenues and other income		255,159	204,456	173,296
Purchases		172,699	135,907	115,978
Production and manufacturing expenses		21,092	17,330	14,130
Production and similar taxes		3,010	2,149	1,723
Depreciation, depletion and amortization		8,771	8,529	8,076
Impairment and losses on sale of businesses and fixed assets		478	1,390	1,801
Exploration expense		684	637	542
Distribution and adminstration expenses		13,706	12,768	12,270
Fair value (gain) loss on embedded derivatives		2,047	–	–
Profit before interest and taxation from continuing operations	3	32,682	25,746	18,776
Financie costs		616	440	513
Other finance expense		145	340	532
Profit before taxation from continuing operations		31,921	24,966	17,731
Taxation		9,473	7,082	5,050
Profit from continuing operations		22,448	17,884	12,681
Profit (loss) from Innovene operations		184	(622)	(63)
Profit for the year		22,632	17,262	12,681
Attributable to				
BP shareholders		22,341	17,262	12,448
Minority interest		291	187	170
		22,632	17,262	12,618
Earning per share - cents				
Profit from the year attributable to BP shareholders				
Basic		105.74	78.24	56.14
Diluted		104.52	76.87	55.61
Profit from continuing operations attributable to BP shareholders				
Basic		104.87	81.09	56.42
Diluted		103.66	79.66	55.89

Group Statement of Recognizing Income and Expense

For the year ended 31 December		\$ million		
		2005	2004	2003
Currency translation differences		(2,502)	2,283	3,656
Exchange gain on translation of foreign operations transferred to gain or loss on sale of businesses and fixed assets		(315)	(78)	–
Actuarial gain relating to pensions and other post-retirement benefits		975	107	76
Availiable-for-sale investments		262	–	–
Cast flow hedges		(176)	–	–
Unrealized gain on acquisition of further investment in Equity-accounted investments		–	94	–
Taxation		(259)	0	0
Net income recognized directly in equity		(2,015)	2,333	3,684
Profit for the year		22,632	17,262	16,302
Total recognised income and expense relating to the year		20,617	19,595	16,302
Change in accounting policy – adoption of IAS 32 and IAS 39 on January 2005		(243)		
Total recognized income and expense since last annual accounts		20,374		
Attributable to				
BP shareholders		20,084	19,408	16,132
Minority interests		291	187	170
		20,374	19,595	16,302

The summary fincial statement on pages 1-36 and 39-41 was approved by a duty appointed and authorized committee of the board of directors on 6 February 2006 and signed on its behalf by:

Petter Sutherland, Chairman
The Lord Browne of Madingley, Group Chief Executive

Group Balance Sheet

For the year ended 31 December		\$ million		
		2005	2004	2003
Non-current assets				
Property, plant and equipment		85,947	93,092	88,607
Goodwill		10,371	10,857	10,592
Intangible assets		4,772	4,205	4,471
Investments in jointly controlled entities		13,556	14,556	12,909
investments in associates		6,217	5,486	4,868
Other investments		967	394	1,452
Fixed assets		121,830	128,590	122,899
Loans		821	811	852
Inventories		770	429	495
Trade and other receivables		3,652	898	534
Derivative financial instruments		1,269	354	957
Prepayments and accrued income		3,282	2,105	1,680
		131,624	133,187	127,417
Current assets				
Loans		132	193	182
Inventories		19,760	15,645	11,597
Trade and other recivables		40,902	37,099	27,881
Derivative financial instruments		9,726	5,317	1,891
Prepayments and accrued income		1,598	1,671	1,375
Current tax receivable		212	159	92
Cash and cast equivalents		2,960	1,359	2,056
		75,290	61,443	45,074
Total Assets		206,914	194,630	172,491
Current liabilities				
Trade and other payables		42,136	38,540	29,740
Derivative financial instruments		9,083	5,074	4,145
Accruals and deferred income		5,970	4,482	2,266
Finance debt		8,932	10,184	9,456
Current tax payable		4,274	4,131	3,441
Provisions		1,102	715	735
		71,497	63,126	49,783
Non-current liabilities				
Other payables		1,935	3,581	4,630
Derivative finanacial instruments		3,696	158	344
Accruals and deferred income		3,164	699	864
Financial debt		10,230	12,907	12,869
Deferred tax liabilites		16,443	16,701	16,051
Provisions		9,954	8,884	7,864
Defined benefit pension plan and other post-retirement benefit plan deficits		9,230	10,339	9,822
		54,654	53,269	52,444
Total liabilities		126,149	116,395	102,227
Net assets		80,765	78,235	70,264
Equity				
Share capital		5,185	5,403	5,552
Reserves		74,791	71,489	63,587
BP shareholders' equity		79,976	76,892	69,139
Minority interest		789	1,343	1,125
Total equity		80,765	78,235	70,264