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BP PLC
Form 20-F
March 24, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F

(Mark One)

- REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) or (g)
OF THE SECURITIES EXCHANGE ACT OF 1934
OR
- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2002
OR
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

Commission file number 1-6262

BP p.l.c.

(Exact name of Registrant as specified in its charter)
ENGLAND and WALES

(Jurisdiction of incorporation or organization)

1 St James's Square
London
SW1Y 4PD
England

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act.

Title of each class	Name of each exchange on which registered
Ordinary Shares of 25c each	Chicago Stock Exchange* New York Stock Exchange* Pacific Exchange, Inc.*

*Not for trading, but only in connection
with the registration of American Depositary
Shares, pursuant to the requirements of the
Securities and Exchange Commission

Securities registered or to be registered pursuant to Section 12(g) of the Act.
None

Securities for which there is a reporting obligation pursuant to Section 15(d)
of the Act.
None

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Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Ordinary Shares of 25c each	22,378,650,865
Cumulative First Preference Shares of (pound)1 each	7,232,838
Cumulative Second Preference Shares of (pound)1 each	5,473,414

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes	<input checked="" type="checkbox"/>	No
	-----	-----

Indicate by check mark which financial statement item the Registrant has elected to follow.

Item 17	-----	Item 18	<input checked="" type="checkbox"/>	-----
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CERTAIN DEFINITIONS

Unless the context indicates otherwise, the following terms have the meanings shown below:

Oil and natural gas reserves

'Proved reserves' -- Estimated quantities of crude oil or natural gas which geological and engineering data demonstrate, with reasonable certainty, to be recoverable in future years from known reservoirs under existing economic and operating conditions, i.e. prices and costs as of the date the estimate is made.

'Proved developed reserves' -- Reserves that can be expected to be recovered through existing wells with existing equipment and operating methods. Additional oil and natural gas expected to be obtained through the application of fluid injection or other improved recovery techniques for supplementing natural forces and mechanisms of primary recovery are included as 'proved developed reserves' only after testing by a pilot project or after the operation of an installed programme has confirmed through production response that increased recovery will be achieved.

'Proved undeveloped reserves' -- Reserves that are expected to be recovered from new wells on undrilled acreage, or from existing wells where a relatively major expenditure is required for recompletion. Reserves on undrilled acreage are limited to those drilling units offsetting productive units that are reasonably certain of production when drilled. Proved reserves for other undrilled units are claimed only where it can be demonstrated with certainty that there is continuity of production from the existing productive formation. Under no circumstances are estimates of proved undeveloped reserves attributable to acreage for which an application of fluid injection or other improved recovery technique is contemplated, unless such techniques have been proved effective by actual tests in the area and in the same reservoir.

Miscellaneous terms

'ADR' -- American Depositary Receipt.

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'ADS' -- American Depositary Share.

'Amoco' -- The former Amoco Corporation and its subsidiaries.

'ARCO' -- Atlantic Richfield Company and its subsidiaries.

'Associated undertaking' -- An undertaking in which the BP Group has a participating interest and over whose operating and financial policy the BP Group exercises a significant influence (presumed to be the case where 20% or more of the voting rights are held) and which is not a subsidiary undertaking.

'Barrel' -- 42 US gallons.

'Billion' -- 1,000,000,000.

'BP', 'BP Group' or the 'Group'-- BP p.l.c. and its subsidiaries.

'Burmah Castrol' -- Burmah Castrol plc and its subsidiaries.

'Cent' or 'c' -- One hundredth of the US dollar.

The 'Company' -- BP p.l.c.

'Crude oil' or 'Oil' -- Crude oil, condensate and natural gas liquids.

'Dollar' or '\$' -- The US dollar.

'FSA' -- Financial Services Authority.

'Gas' -- Natural Gas.

'LNG' -- Liquefied Natural Gas.

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'London Stock Exchange' or 'LSE'-- London Stock Exchange Limited.

'LPG' -- Liquefied Petroleum Gas.

'MTBE' -- Methyl Tertiary Butyl Ether

'NGL' -- Natural Gas Liquid.

'Noon Buying Rate' -- The noon buying rate in New York City for cable transfers in pounds as certified for customs purposes by the Federal Reserve Bank of New York.

'OECD' -- Organization for Economic Cooperation and Development.

'OPEC'-- The Organization of Petroleum Exporting Countries.

'Ordinary Shares'-- Ordinary fully paid shares in BP p.l.c. of 25c each.

'Pence' or 'p' -- One hundredth of a pound.

'Pound', 'sterling' or '(pound)' -- The pound sterling.

'Preference Shares' -- Cumulative First Preference Shares and Cumulative Second Preference Shares in BP p.l.c. of (pound)1 each.

'Subsidiary undertaking' -- An undertaking in which the BP Group holds a majority of the voting rights.

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'Tonne' or 'metric ton' -- 2,204.6 pounds.
 'Trillion' -- 1,000,000,000,000.
 'UK'-- United Kingdom of Great Britain and Northern Ireland.
 'UK GAAP' -- Generally Accepted Accounting Practice in the UK.
 'Undertaking' -- A body corporate, partnership or an unincorporated association, carrying on a trade or business.
 'US' or 'USA' -- United States of America.
 'US GAAP' -- Generally Accepted Accounting Principles in the USA.
 'Vastar'-- Vastar Resources Inc. and its subsidiaries.

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PART I

ITEM 1 -- IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

ITEM 2 -- OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

ITEM 3 -- KEY INFORMATION

SELECTED FINANCIAL INFORMATION

Summary

This information has been extracted or derived from the audited financial statements of the BP Group presented elsewhere herein or otherwise included with BP p.l.c.'s Annual Reports on Form 20-F for the relevant years which have been filed with the Securities and Exchange Commission, as reclassified to conform with the accounting presentation adopted in this annual report. With effect from January 1, 2002, BP has adopted Financial Reporting Standard No. 19 'Deferred Tax' (FRS 19). Comparative information for 2001, 2000, 1999 and 1998 has been restated to reflect the change in accounting policy.

	Years ended December 31			
	2002	2001	2000	1999
	-----	-----	-----	-----
	(\$ million except per share a			
UK GAAP				
Income statement data				
Turnover.....	180,186	175,389	161,826	101,1
Less: joint ventures.....	1,465	1,171	13,764	17,6
	-----	-----	-----	-----
Group turnover.....	178,721	174,218	148,062	83,5
Total replacement cost operating profit (a).....	10,246	16,027	17,679	8,8

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Replacement cost profit before				
exceptional items (b).....	4,698	8,291	9,314	4,6
Historical cost profit for the year.....	6,845	6,556	10,120	4,5
Per ordinary share (c): (cents)				
Profit for the year:				
Basic.....	30.55	29.21	46.77	23.
Diluted.....	30.41	29.04	46.46	23.
Dividends (d).....	24.00	22.00	20.50	20.
Average number outstanding of 25 cents				
ordinary shares (shares million).....	22,397	22,436	21,638	19,3
Balance sheet data				
Total assets.....	159,125	141,970	144,862	89,4
Net assets.....	70,047	65,759	66,152	38,0
Share capital.....	5,616	5,629	5,653	4,8
BP shareholders' interest.....	69,409	65,161	65,584	37,0
Finance debt due after more than one year.....	11,922	12,327	14,772	9,6
Debt to borrowed and invested capital (e).....	15%	16%	18%	2
Other data				
Per ordinary share (c): (cents)				
Replacement cost profit before				
exceptional items.....	20.97	36.95	41.15	24.
Net cash inflow from operating activities (f).....	19,342	22,409	20,416	10,2
Net cash outflow from capital expenditure				
acquisitions and disposals.....	10,983	11,604	6,207	5,1

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	Years ended December			
	2002	2001	2000	19
	-----	-----	-----	-----
	(\$ million except per share)			
US GAAP				
Income statement data				
Revenues.....	178,721	174,218	148,062	83,5
Profit for the year.....	8,397	4,164	10,183	4,5
Comprehensive income.....	10,422	2,649	7,730	3,6
Profit per ordinary share (c): (cents)				
Basic.....	37.48	18.55	47.05	23.
Diluted.....	37.30	18.44	46.74	23.
Profit per American Depositary Share (c): (cents)				
Basic.....	224.88	111.30	282.30	142.
Diluted.....	223.80	110.64	280.44	141.
Balance sheet data				
Total assets.....	164,090	145,990	151,966	90,2
BP shareholders' interest.....	66,999	62,322	65,554	37,8
Other data				
Net cash used in investing activities.....	11,083	11,685	6,326	4,9
Net cash used in financing activities.....	5,123	5,853	7,852	3,3

(a) Operating profit is a UK GAAP measure of trading performance. It excludes profits and losses on the sale of fixed assets and businesses or termination of operations and businesses and fundamental restructuring costs, interest expense and taxation.

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BP determines operating profit on a replacement cost basis, which eliminates the effect of inventory holding gains and losses. For the oil and gas industry, the price of crude oil can vary significantly from period to period; hence the value of crude oil (and products) also varies. As a consequence, the amount that would be charged to cost of sales on a first-in, first-out (FIFO) basis of inventory valuation would include the effect of oil price fluctuations on oil and products inventories. BP therefore charges cost of sales with the average cost of supplies incurred during the period rather than the historical cost of supplies on a FIFO basis. For this purpose, inventories at the beginning and end of the period are valued at the average cost of supplies incurred during the period rather than at their historical cost. These valuations are made quarterly by each business unit, based on local oil and product price indices applicable to their specific inventory holdings, following a methodology that has been consistently applied by BP for many years. Operating profit on the replacement cost basis and a derivative measure, that is, profit adjusted for depreciation and amortization arising from the fixed asset revaluation adjustment and goodwill consequent upon the ARCO and Burmah Castrol acquisitions, and adjusted for special items (charges and credits that are not classified as exceptional under UK GAAP), are used by BP management as the primary measures of business unit trading performance and BP management believes that these measures assist investors to assess BP's trading performance from period to period.

Replacement cost is not a US GAAP measure. The major US oil companies apply the last-in, first-out (LIFO) basis of inventory valuation. The LIFO basis is not permitted under UK GAAP. The LIFO basis eliminates the effect of price fluctuations on crude oil and product inventory except where an inventory drawdown occurs in a period. BP management believes that where inventory volumes remain constant or increase in a period, operating profit on the LIFO basis will not differ materially from operating profit on BP's replacement cost basis.

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Where an inventory drawdown occurs in a period, cost of sales on a LIFO basis will be charged with the historical cost of the inventory drawn down, whereas BP's replacement cost basis charges cost of sales at the average cost of supplies for the period. To the extent that the historical cost on the LIFO basis of the inventory drawn down is lower than the current cost of supplies in the period, operating profit on the LIFO basis will be greater than operating profit on BP's replacement cost basis. To the extent that the historical cost on the LIFO basis of the inventory drawdown is greater than the current cost of supplies in the period, operating profit on the LIFO basis will be lower than operating profit on BP's replacement cost basis.

- (b) Replacement cost profit before exceptional items excludes profits and losses on the sale of fixed assets and businesses and termination of operations and fundamental restructuring costs, which are defined by UK GAAP. This measure and a derivative measure, that is, profit adjusted for depreciation and amortization arising from the fixed asset revaluation adjustment and goodwill consequent upon the ARCO and Burmah Castrol acquisitions, and adjusted for special items (charges and credits that are not classified as exceptional under UK GAAP), are used by the BP board in setting targets for and monitoring performance within the Group. BP's management believes these indicators provide the most relevant and useful measures for investors because they most accurately reflect trading performance.
- (c) With effect from October 4, 1999 BP split (or subdivided) its ordinary

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share capital. As a result, the number of Ordinary Shares held at the close of business on Friday October 1, 1999, doubled, and holders of ADSs received a two-for-one stock split. Comparative figures for 1998 have been changed accordingly.

- (d) BP dividends per share represent historical dividends per share paid by The British Petroleum Company p.l.c., for 1998.
- (e) Finance debt due after more than one year, compared with such debt plus BP and minority shareholders' interests.
- (f) The net cash inflows from operating activities are presented in accordance with the requirements of Financial Reporting Standard No. 1 (Revised 1996) issued by the UK Accounting Standards Board. For a cash flow statement prepared on a US GAAP basis see Item 18 -- Financial Statements -- Note 50.
- (g) The Group adopted Financial Reporting Standard No. 12 'Provisions, Contingent Liabilities and Contingent Assets' with effect from January 1, 1999. Comparative figures for 1998 have been changed accordingly.

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Exchange Rates

The following table sets forth, for the periods and dates indicated, certain information concerning the Noon Buying Rate for the pound in New York City for cable transfers in pounds as certified for customs purposes by the Federal Reserve Bank of New York. This is expressed in dollars per (pound)¹.

	At period end -----	Average (a) -----	High -----
Year ended December 31,			
1998.....	1.66	1.66	1.72
1999	1.62	1.61	1.68
2000	1.50	1.51	1.65
2001.....	1.45	1.44	1.65
2002.....	1.61	1.50	1.61
Month of			
September 2002.....	1.57	1.56	1.57
October 2002.....	1.56	1.56	1.57
November 2002.....	1.56	1.57	1.59
December 2002.....	1.61	1.59	1.60
January 2003.....	1.64	1.62	1.65
February 2003.....	1.57	1.61	1.65
March 2003 (through March 19).....	1.56	1.59	1.61

(a) The average of the Noon Buying Rates on the last day of each month during the calendar year or, in the case of monthly averages, the average of all days in the month.

(b) The Noon Buying Rate on March 19, 2003 was \$1.56 = (pound)¹.

Dividends

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BP has paid dividends on its Ordinary Shares in each year since 1917. In 2000 and thereafter, dividends were, and are expected to continue to be, paid quarterly in March, June, September and December.

At least until December 31, 2003, BP will announce dividends for Ordinary Shares in US dollars and state an equivalent pounds sterling dividend. Dividends on Ordinary Shares will be paid in pounds sterling and on BP ADSs in US dollars. Prior to the fourth quarterly dividend of 1998 The British Petroleum Company p.l.c. announced dividends in sterling. Foreign exchange rates may affect dividends paid.

The following table shows dividends announced by the Company per ADS for each of the past five years, together with the 'refund' but before deduction of withholding taxes as described in Item 10 -- Additional Information - Taxation. Refund means an amount equal to the tax credit available to individual shareholders resident in the UK in respect of such dividend, less a withholding tax equal to 15% (but limited to the amount of the tax credit) of the aggregate of such tax credit and such dividend. Dividends have been translated from pounds per ADS up to and including the third quarterly dividend for 1998, and from dollars per ADS for the fourth quarterly dividend of 1998 and thereafter, at an exchange rate determined in London on the business day last preceding the day when the directors announced their intention to pay the quarterly dividends for those years.

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Dividends per American Depositary Share (a)		Quarterly			
		First	Second	Third	Fourth
1998.....	UK pence	21.5	22.5	22.5	23.0
	US cents	36.0	36.5	37.5	33.4
	Can. cents	51.4	55.3	57.8	50.0
1999.....	UK pence	20.5	20.8	20.2	20.8
	US cents	33.3	33.3	33.3	33.4
	Can. cents	48.7	50.1	48.6	48.5
2000.....	UK pence	21.5	22.3	24.0	24.1
	US cents	33.3	33.3	35.0	35.0
	Can. cents	49.7	49.8	53.6	53.2
2001.....	UK pence	24.4	26.1	25.4	27.0
	US cents	35.0	36.7	36.7	38.3
	Can. cents	53.7	56.0	58.5	61.0
2002.....	UK pence	27.0	25.8	26.0	25.4
	US cents	38.3	40.0	40.0	41.7
	Can. cents	60.1	63.0	62.3	63.8

(a) With effect from October 4, 1999, BP split (or subdivided) its ordinary share capital. As a result, the number of BP ordinary shares held at the close of business on Friday October 1, 1999, doubled, and holders of ADSs received a two-for-one stock split. Comparative figures for 1998 have been changed accordingly.

The share dividend plan, whereby holders of Ordinary Shares could elect to receive new shares (out of unissued share capital) instead of cash dividends at

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a rate equivalent to the sum of the net cash dividend and related tax credit, was withdrawn following the third quarterly 1998 dividend.

A dividend reinvestment plan was introduced with effect from the fourth quarterly 1998 dividend, whereby holders of BP ordinary shares can elect to reinvest the net cash dividend in shares purchased on the London Stock Exchange. This plan is not available to any person resident in the USA or Canada, or in any jurisdiction outside the UK where such an offer requires compliance by the Company with any governmental or regulatory procedures or any similar formalities.

A dividend reinvestment plan is, however, available for holders of ADSs through JPMorgan Chase Bank.

Future dividends will be dependent upon future earnings, the financial condition of the Group, the Risk Factors set out below, and other matters which may affect the business of the Group set out in Item 5 -- Operating and Financial Review and Prospects.

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RISK FACTORS

There is strong competition, both within the oil industry and with other industries, in supplying the fuel needs of commerce, industry and the home.

The oil industry is particularly subject to regulation and intervention by governments throughout the world in such matters as the award of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, control over the development and decommissioning of a field (including restrictions on production) and, possibly, nationalization, expropriation or cancellation of contract rights.

The oil industry is also subject to the payment of royalties and taxation, which tend to be high compared with those payable in respect of other commercial activities.

Investment and business activities in emerging markets present a higher degree of business risk due to volatile economic conditions, less developed and predictable legal systems, political instability, local security concerns and the increased possibility of civil strife, war and various types of adverse governmental action.

Exploration and production require high levels of investment and have particular economic risks and opportunities. They are subject to natural hazards and other uncertainties including those relating to the physical characteristics of an oil or natural gas field. Operations are subject to delays, curtailment or suspension due to adverse weather conditions or natural disasters.

Oil prices are subject to international supply and demand. Political developments (especially in the Middle East) and the outcome of meetings of OPEC can particularly affect world oil supply and oil prices.

Natural gas prices are subject to regional supply and demand. Prices can fluctuate significantly.

Refining profitability can be volatile with both oversupply and periodic supply tightness in various regional markets.

The marketing of petroleum and related products, especially to retail customers, can be affected by intense competition and general economic conditions.

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Crude oil prices are generally set in dollars while sales of refined products may be in a variety of currencies. Fluctuation in exchange rates can therefore give rise to foreign exchange exposures.

Sectors of the chemicals industry are also subject to fluctuations in supply and demand within the chemicals market, with consequent effect on prices and profitability, and to governmental regulation and intervention in such matters as safety and environmental controls.

In addition to the adverse effect on revenues, margins and profitability from any future fall in oil and natural gas prices, a prolonged period of low prices or other indicators would lead to a review for impairment of the Group's oil and natural gas properties. This review would reflect management's view of long-term oil and natural gas prices. Such a review could result in a charge for impairment which could have a significant effect on the Group's results of operations in the period in which it occurs.

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FORWARD LOOKING STATEMENTS

In order to utilize the 'Safe Harbor' provisions of the United States Private Securities Litigation Reform Act of 1995, BP is providing the following cautionary statement. This document contains certain forward-looking statements with respect to the financial condition, results of operations and business of BP and certain of the plans and objectives of BP with respect to these items. These statements may generally, but not always, be identified by the use of words such as 'will', 'expects', 'is expected to', 'should', 'may', 'is likely to', 'intends', 'believes' or similar expressions. In particular, among other statements, (i) certain statements in Item 4 -- Information on the Company and Item 5 -- Operating and Financial Review and Prospects with regard to management aims and objectives, planned expansion, investment or other projects, expected or targeted hydrocarbon production volume, capacity or rate, the date or period in which production is scheduled or expected to come on stream or a project or action is scheduled or expected to be completed, (ii) the statements in Item 4 -- Information on the Company -- Strategy and Financial Targets with respect to the Group's ratio of net debt to net debt plus equity, dividend payments, the manner in which we use cash surpluses, the target to reduce the cost structure of the Group, hydrocarbon production growth, targeted performance improvements and effect on pre tax results, and levels of annual investment, and (iii) the statements in Item 5 -- Operating and Financial Review and Prospects including the statements under 'Outlook' with regard to trends in the trading environment, the outlook for economic recovery, oil and gas prices and realizations, refining, marketing and chemicals margins, inventory and product inventory levels, supply capacity, profitability, results of operation, working capital, liquidity or financial position are all forward-looking in nature. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future and are outside the control of BP. Actual results may differ materially from those expressed in such statements, depending on a variety of factors, including the specific factors identified in the discussions accompanying such forward-looking statements; the timing of bringing new fields on stream; future levels of industry product supply, demand and pricing; operational problems; general economic conditions; political stability and economic growth in relevant areas of the world; changes in governmental regulation; exchange rate fluctuations; development and use of new technology and successful partnering; the actions of competitors; natural disasters and other changes to business conditions; prolonged adverse weather conditions; wars and acts of terrorism or sabotage; and other factors discussed elsewhere in this report. In addition to factors set forth elsewhere in this report, the factors set forth above are important factors, although not exhaustive, that may cause actual results and developments

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to differ materially from those expressed or implied by these forward-looking statements.

STATEMENTS REGARDING COMPETITIVE POSITION

Statements made in Item 4 -- Information on the Company, referring to BP's competitive position are based on the Company's belief, and in some cases rely on a range of sources, including investment analysts' reports, independent market studies and BP's internal assessments of market share based on publicly available information about the financial results and performance of market participants.

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ITEM 4 -- INFORMATION ON THE COMPANY

GENERAL

Unless otherwise indicated, information in this Item reflects 100% of the assets and operations of the Company and its subsidiaries which were consolidated at the date or for the periods indicated, including minority interests. Also, unless otherwise indicated, figures for business turnover include sales between BP businesses.

BP was created on December 31, 1998 by the merger of Amoco Corporation of the USA and The British Petroleum Company p.l.c. of the UK. Following this merger, Amoco Corporation became a wholly owned subsidiary of The British Petroleum Company p.l.c. and was renamed BP Amoco Corporation, and The British Petroleum Company p.l.c. was renamed BP Amoco p.l.c. Amoco Corporation was incorporated in Indiana, USA, in 1889 and The British Petroleum Company p.l.c. was incorporated in 1909 in England. On April 14, 2000, we acquired the Atlantic Richfield Company (ARCO) and on July 7, 2000, we completed our successful tender offer for Burmah Castrol plc of England. To signify the single entity that has successfully been created through these combinations, the name of the company was changed to BP p.l.c. with effect from May 1, 2001.

BP is one of the world's leading oil companies on the basis of market capitalization and proved reserves. Our worldwide headquarters is located in London, UK. Our registered address is:

BP p.l.c.
1 St James's Square
London SW1Y 4PD
United Kingdom

Tel: +44(0)20 7496 4000

Internet address: www.bp.com

Business Overview and Strategy

Our main businesses are Exploration and Production; Gas, Power and Renewables; Refining and Marketing; and Chemicals. Exploration and Production's activities include oil and natural gas exploration and field development and production (upstream activities), together with pipeline transportation and natural gas processing (midstream activities). Gas, Power and Renewables activities include marketing and trading of natural gas, NGL, new market development, LNG and solar and renewables. The activities of Refining and Marketing include oil supply and trading as well as refining and marketing (downstream activities). Chemicals activities include petrochemicals

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manufacturing and marketing. The Group provides high quality technological support for all its businesses through its research and engineering activities.

We have well established operations in Europe, the USA, Canada, South America, Australasia and parts of Africa. Currently, more than 70% of the Group's capital is invested in Organization for Economic Cooperation and Development (OECD) countries with just under one half of our fixed assets located in the USA, and around one third located in the UK and the Rest of Europe.

Our strategy is to create value from a distinctive set of opportunities, biased towards the upstream, through a disciplined approach to investment within our established financial framework. Consistent with this strategy, and based on a thorough review of our assets and opportunities, we intend to increase our investment, excluding acquisitions, to \$14 billion to \$14.5 billion in 2003, focusing on creating five material new upstream profit centres, while divesting \$3 billion to \$6 billion. We expect our annual investment level, excluding acquisitions, to move toward the \$12 billion to \$13 billion range by 2005.

The information disclosed above for 2003 and beyond are forward looking statements and as such are subject to numerous risks and uncertainties that may cause actual results to differ as described under Item 3 -- Risk Factors and Item 3 -- Forward Looking Statements.

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We believe that BP has a strong portfolio of assets in each of its four main businesses:

- In Exploration and Production we have upstream interests in 28 countries. In addition to our drive to maximize the value of our existing portfolio we are creating five new profit centres in the Deepwater Gulf of Mexico, Trinidad, Angola, Azerbaijan, and Asia Pacific LNG in which we have competitive advantage and which provide the foundation for volume growth and improved margins in the future. We also have significant midstream activities to support our upstream interests.
- In Gas, Power and Renewables, we have established growing marketing and trading businesses in North America (USA and Canada), the UK and Europe. Our marketing and trading activities include natural gas, LNG, NGL and power. Our international gas monetization activities are focused on growing gas markets including the USA, Canada, Spain and many of the emerging markets of the Asia Pacific region, notably China. We are involved in power projects in the USA, UK and Spain. Effective January 1, 2001, BP's North American NGL business was transferred from Refining and Marketing to Gas and Power. On January 1, 2002, the solar, renewables and alternative fuels business activities were transferred to the Gas and Power business from Other Businesses and Corporate. To reflect this transfer, Gas and Power has been renamed Gas, Power and Renewables from the same date.
- In Refining and Marketing we have a strong presence in the USA. We market under the Amoco and BP brands in the Midwest, East, and Southeast, and under the ARCO brand on the West Coast. In Europe we have a strong retail position and increased our presence in 2000 by buying out ExxonMobil's interest in the BP/Mobil European fuels business and in 2002 by acquiring Veba Oil (Veba). The Veba transaction expanded our refining position in Germany and our marketing position in Germany and Central Europe. Veba markets gasoline under the Aral brand, which is now our principal retail brand

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in Germany and in the Czech Republic. In 2000, we purchased Burmah Castrol, which significantly increased our lubricants activities throughout the world. In addition we have established or are growing businesses elsewhere in the world under the BP brand.

-- In Chemicals, we are the world's third largest petrochemical company, by capacity, with strong manufacturing and marketing bases in the USA and Europe. We continue to grow in the Asia Pacific region, where we already have interests in a number of production facilities. Our portfolio is focused on seven core products. We have leading technology in each of these products -- purified terephthalic acid (PTA), acetic acid, acrylonitrile, paraxylene (PX), high density polyethylene (HDPE), polypropylene, ethylene. During 2002, we strengthened our market positions through the Veba acquisition whilst also building new and expanding existing capacity.

The combination of BP and ARCO was completed on April 18, 2000. The combination excluded ARCO's Alaskan businesses, which were sold to Phillips Petroleum Company (Phillips) for approximately \$6.8 billion cash. The combination has been accounted for as an acquisition under UK GAAP and as a purchase under US GAAP. The results of ARCO have been included with effect from April 14, 2000, the day following the approval by the US Federal Trade Commission of the acquisition. ARCO stockholders received for each share of ARCO common stock held as of April 17, 2000, 9.84 Ordinary Shares.

BP acquired Burmah Castrol of the UK on July 7, 2000, for \$4.8 billion through a cash offer to shareholders of (pound)16.75 per share.

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In 2000, BP and ExxonMobil dissolved the BP/Mobil European joint venture in response to the conditions of the European Commission's authorization of the Exxon and Mobil merger. BP purchased ExxonMobil's 30% interest in the fuels business for \$1.5 billion with effect from August 1, 2000. In addition, the two companies divided the assets of the lubricants business broadly in line with their equity stakes (Mobil 51%, BP 49%). This dissolution was substantially completed in 2000, thus increasing BP's share of all European markets where the fuels joint venture was active.

On September 15, 2000, we acquired through ARCO the common stock of Vastar held by minority shareholders at a price of \$83 per share for a total consideration of \$1.6 billion. Vastar became a wholly owned subsidiary of the Company.

During 2000 BP made two strategic investments in China, one of the world's fastest growing economies. BP invested \$416 million in the China Petroleum and Chemical Corporation (Sinopec) and \$578 million in PetroChina in the initial public offerings of both companies. BP has an interest of around 2% in each company. Separately, BP has formed a joint venture with PetroChina in Guangdong province which had 320 service stations at the end of 2002, and has agreed to form a joint venture with Sinopec to acquire, revamp or build service stations in the Zhejiang Province. PetroChina and Sinopec are two of China's major companies in the oil and chemicals businesses.

With effect from February 1, 2002, BP acquired a majority stake in Veba Oil from E.ON. Veba owns Aral, Germany's biggest fuels retailer. BP paid E.ON \$1.6 billion in cash and assumed some \$1.0 billion of debt in return for 51% and operational control of Veba. Under the terms of the agreement, E.ON had the option to require BP to buy the remaining 49% of Veba.

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On June 30, 2002, BP purchased the remaining 49% of Veba Oil from E.ON for \$2.4 billion. Separately, E.ON acquired BP's wholly-owned subsidiary Gelsenberg, which held a 25.5% stake in Germany's largest natural gas distributor, Ruhrgas for \$2.3 billion.

As a condition of regulatory approval of the deal BP was required to dispose of 4% of the combined 26.5% retail market share of BP and Aral in Germany, 45% of its stake in the Bayernoil refinery, two of its three shareholdings in the ARG ethylene pipeline, and to make it possible for a new entrant to supply aviation fuel on competitive terms at Frankfurt airport. During 2003, BP expects to fully comply with the conditions imposed.

Separately, BP and E.ON reached agreement to sell Veba's oil and natural gas exploration and production business to Petro-Canada for \$2.1 billion, of which \$1.6 billion was received in 2002 and the remainder is subject to preemption rights.

Recent Developments

BP and the Alfa Group and Access-Renova (AAR) announced on February 11, 2003, that they have agreed in principle to combine most of their interests in Russia to create the country's third biggest oil business, in which they will each have a 50% stake.

BP intends to contribute its holding in Sidanco, its stake in Russia Petroleum, its interest in the Sakhalin V exploration licence and its holding in the BP Moscow retail network.

AAR intends to contribute its holdings in TNK and Sidanco, its share of Russia Petroleum, its stake in the Rospan gasfield in West Siberia and its interest in the Sakhalin IV and V exploration licence. Neither AAR's association with Slavneft, nor BP's interest in LukArco or the Russian elements of BP's international businesses such as lubricants, marine and aviation, are included in the transaction.

The transaction, which will be effective from January 1, 2003, is scheduled for completion in the summer of 2003.

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For its 50% stake in the new company BP will pay AAR \$3 billion in cash on completion of the deal, adjusted to take account of the period between the effective date and the completion date. BP will subsequently pay three annual tranches of \$1.25 billion in BP shares, valued at market prices prior to each annual payment.

The new company will be called TNK-BP. We believe it should generate sufficient cash to finance its investment programme and it is not expected to need additional funding from its shareholders.

Financial and Operating Information

The following table summarizes the Group's turnover, results and capital expenditure for the last five years and total assets at the end of each of those years.

Years ended December 31,			
2002	2001	2000	1999

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	-----	-----	-----	-----
			(\$ million)	
Turnover.....	180,186	175,389	161,826	101,180
Less: joint ventures.....	1,465	1,171	13,764	17,614
	-----	-----	-----	-----
Group turnover (sales to third parties).....	178,721	174,218	148,062	83,566
Total replacement cost operating profit.....	10,246	16,027	17,679	8,894
Profit for the year*.....	6,845	6,556	10,120	4,566
Capital expenditure and acquisitions.....	19,111(a)	14,124	47,613(a)	7,345(b)
Total assets.....	159,125	141,970	144,862	89,481

* After minority shareholders' interest

(a) Capital expenditure and acquisitions for 2002 includes \$5,038 million for the acquisition of Veba, and for 2000 includes \$27,506 million for the acquisition of ARCO and \$8,936 million for other significant one-off cash investments.

(b) Capital expenditure and acquisitions in 1999 reflected reduced investment following the merger of BP and Amoco.

With the exception of the ARCO acquisition, all capital expenditure and acquisitions have been financed from cash flow from operations, disposal proceeds and external financing.

Information for 2002, 2001 and 2000 concerning the profits and assets attributable to the businesses and to the geographical areas in which the Group operates is set forth in Item 18 -- Financial Statements -- Note 49.

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The following table shows our production for the last five years and the estimated proved oil and natural gas reserves at the end of each of those years.

	Years ended December			
	2002	2001	2000	1999
	-----	-----	-----	-----
Total crude oil production (thousand barrels per day) (a).....	2,018	1,931	1,928	2,018
Total natural gas production (million cubic feet per day) (a).....	8,707	8,632	7,609	6,609
Total estimated net proved crude oil reserves (million barrels) (b).....	7,762	7,217	6,508	6,508
Total estimated net proved natural gas reserves (billion cubic feet) (b).....	45,844	42,959	41,100	33,100

(a) Includes BP's share of equity-accounted entities.

(b) Net proved reserves of crude oil and natural gas exclude production

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royalties due to others and reserves of equity-accounted entities.

During 2002, 2,016 million barrels of oil and natural gas, on an oil equivalent* basis (mmboe), were added to BP's proved reserves (excluding purchases, sales and equity accounted entities), more than replacing the volume produced. After allowing for production, which amounted to 1,154 mmboe, BP's proved reserves increased to 15,666 mmboe. These proved reserves are mainly located in the USA (39%), Trinidad and Tobago (19%) and the UK (11%).

* Natural gas is converted to oil equivalent at 5.8 billion cubic feet = 1 million barrels.

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SEGMENTAL INFORMATION

The following tables show turnover and replacement cost profit by business and by geographical area, for the years ended December 31, 2002, 2001 and 2000.

	Years ended December 31,						
	2002			2001 (c)			
	Total sales	Sales between businesses	Sales to third parties	Total sales	Sales between businesses	Sales to third parties	Total sales
Turnover (a)							
		(\$ million)			(\$ million)		
By business							
Exploration and Production.....	25,753	18,556	7,197	28,229	19,660	8,569	30,942
Gas, Power and Renewables.....	37,357	1,320	36,037	39,442	2,954	36,488	21,203
Refining and Marketing.....	125,836	3,366	122,470	120,233	2,903	117,330	107,883
Chemicals.....	13,064	557	12,507	11,515	233	11,282	11,247
Other businesses and corporate.....	510	--	510	549	--	549	59
Group turnover.....	202,520	23,799	178,721	199,968	25,750	174,218	171,334
Share of joint venture sales.....			1,465			1,171	
			180,186			175,389	
	Total sales	Sales between businesses	Sales to third parties	Total sales	Sales between businesses	Sales to third parties	Total sales

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	(\$ million)				(\$ million)			
By geographical area								
UK (b).....	48,748	14,673	34,075	47,618	13,467	34,151	45,400	
Rest of Europe.....	46,518	7,980	38,538	36,701	7,603	29,098	20,553	
USA.....	80,381	2,099	78,282	84,696	939	83,757	71,084	
Rest of World.....	34,401	6,575	27,826	33,911	6,699	27,212	31,014	
	-----	-----	-----	-----	-----	-----	-----	
	210,048	31,327	178,721	202,926	28,708	174,218	168,051	
	=====	=====	=====	=====	=====	=====	=====	
Share of joint venture sales								
UK			129				13	
Rest of Europe			298				30	
USA			236				318	
Rest of World			802				810	
			-----				-----	
			1,465				1,171	
Sales between areas			--				--	
			-----				-----	
			1,465				1,171	
			=====				=====	

- (a) 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.
- (b) UK area includes the UK-based international activities of Refining and Marketing.
- (c) 2000 and 2001 have been restated to reflect the transfer of the solar, renewables and alternative fuels activities from Other Businesses and Corporate to Gas, Power and Renewables.

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	Group replacement cost operating profit (a)	Joint ventures	Associated undertakings	Total replacement cost operating profit (a)	E
	-----	-----	-----	-----	
	(\$ million)				
Year ended December 31, 2002					
By business					
Exploration and Production.....	8,595	343	268	9,206	
Gas, Power & Renewables.....	247	--	107	354	
Refining and Marketing.....	668	24	180	872	
Chemicals.....	527	(21)	9	515	
Other businesses and corporate.....	(753)	--	52	(701)	
	-----	-----	-----	-----	
	9,284	346	616	10,246	
	=====	=====	=====	=====	
By geographical area					
UK (c).....	1,701	(15)	10	1,696	
Rest of Europe.....	1,572	(1)	132	1,703	
USA.....	2,665	16	209	2,890	
Rest of World.....	3,346	346	265	3,957	
	-----	-----	-----	-----	

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	9,284	346	616	10,246
	=====	=====	=====	=====
Year ended December 31, 2001 (d)				
By business				
Exploration and Production.....	11,802	373	186	12,361
Gas, Power & Renewables.....	304	--	184	488
Refining and Marketing.....	3,295	83	195	3,573
Chemicals.....	21	(13)	120	128
Other businesses and corporate.....	(598)	--	75	(523)
	-----	-----	-----	-----
	14,824	443	760	16,027
	=====	=====	=====	=====
By geographical area				
UK (c).....	2,657	(3)	14	2,668
Rest of Europe.....	1,579	(1)	236	1,814
USA.....	6,632	76	233	6,941
Rest of World.....	3,956	371	277	4,604
	-----	-----	-----	-----
	14,824	443	760	16,027
	=====	=====	=====	=====
Year ended December 31, 2000 (d)				
By business				
Exploration and Production.....	13,359	384	229	13,972
Gas, Power & Renewables.....	370	--	162	532
Refining and Marketing.....	2,887	433	166	3,486
Chemicals.....	576	(9)	193	760
Other businesses and corporate.....	(1,113)	--	42	(1,071)
	-----	-----	-----	-----
	16,079	808	792	17,679
	=====	=====	=====	=====
By geographical area				
UK (c).....	3,629	106	38	3,773
Rest of Europe.....	1,488	264	261	2,013
USA.....	6,929	44	246	7,219
Rest of World.....	4,033	394	247	4,674
	-----	-----	-----	-----
	16,079	808	792	17,679
	=====	=====	=====	=====

- (a) Replacement cost operating profit is before inventory 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.
- (b) Exceptional items comprise profit or loss on the sale of fixed assets and businesses and termination of operations.
- (c) UK area includes the UK-based international activities of Refining and Marketing.
- (d) 2000 and 2001 have been restated to reflect the adoption of FRS 19 and the transfer of the solar, renewables and alternative fuels activities from Other Businesses and Corporate to Gas, Power and Renewables.

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EXPLORATION AND PRODUCTION

The activities of our Exploration and Production business include oil and natural gas exploration and field development and production -- the upstream activities -- as well as the management of crude oil and natural gas pipelines, processing and export terminals and LNG processing facilities -- the midstream

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activities. We have Exploration and Production interests in 28 countries. Areas of activity include the USA, UK, Norway, Canada, South America, Africa, the Middle East, and Asia. Production during 2002 came from 23 countries. Our most significant midstream activities are in three major pipelines -- the Trans Alaska Pipeline System (BP 46.9%); the Forties Pipeline System (BP 100%) and the Central Area Transmission System pipeline (BP 29.5%) both in the UK sector of the North Sea; three major LNG plants -- the Atlantic LNG plant in Trinidad (BP 34% in Train 1 and 42% in Trains 2 and 3), in Indonesia through the joint venture operating company Virginia Indonesia Co. (VICO) (BP 50%) and in Australia through our share of LNG from the North West Shelf natural gas development (BP 16.7%).

	Years ended December 31	
	2002	2001
	(\$ million)	
Turnover (a).....	25,753	28,229
Total replacement cost operating profit.....	9,206	12,361
Total assets.....	72,801	70,017
Capital expenditure and acquisitions.....	9,699	8,861
		(\$ per barrel)
Average BP crude oil realizations.....	22.69	22.50
Average West Texas Intermediate oil price.....	26.14	25.89
Average Brent oil price.....	25.03	24.44
		(\$ per thousand cubic feet)
Average BP natural gas realizations.....	2.46	3.30
Average BP US natural gas realizations.....	2.63	3.99
		(\$ per mmbtu)
Average Henry Hub gas price (b).....	3.22	4.26

(a) Excludes BP's share of joint venture turnover of \$539 million in 2002, \$666 million in 2001, and \$585 million in 2000.

(b) Henry Hub First of Month Index.

Strategy and Overview

Our strategy is to deliver a competitive combination of production growth and returns over the long-term. Simply stated, our strategy is to create, build and produce material businesses in some of the world's most promising hydrocarbon provinces. It is underpinned by a focus on creating value through four stages in the basin lifecycle: creating new profit centers by accessing the right basins; building projects of the highest quality and value through choice amongst a portfolio of opportunities; maximizing the productivity of the existing profit centers by managing the relevant assets for cash and returns; and by understanding when our best option is to stop investing in opportunities that others may find more valuable. In all phases of the lifecycle, the strategy has two basic principles: focus on build material businesses, that is pursuing only those opportunities that are of sufficient size to enable higher returns through cost efficiency, and choice of investments to drive quality.

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The first element underpinning our Exploration and Production strategy is

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to access the right basin opportunities. We aim to do this through focused exploration projects in both proved and emerging basins and selective satellite projects adjacent to existing hubs, taking advantage of existing infrastructure. Our exploration programme today is focused primarily on the Deepwater Gulf of Mexico, Trinidad and Angola.

The second element underpinning our strategy is to build new profit centers through the choice of the best projects. We are currently building five new profit centers in Deepwater Gulf of Mexico, Trinidad, Angola, Azerbaijan, and Asia Pacific LNG. In these areas, several key projects provide the foundation for volume growth and improved margins over the next several years. In 2002, we approved \$5.2 billion of new projects in these five areas. Combined with other projects in these areas, we currently have \$15.9 billion of major projects under construction and another estimated \$8.5 billion of additional opportunities in various appraisal stages.

The third element underpinning our strategy is to maximize the value of our existing profit center portfolio. We accomplish this through focused pursuit of production optimization and cost efficiencies. Production optimization is delivered through reservoir management, improved facility runtime and enhanced recovery technologies to mitigate volume decline and increasing ultimate recoveries in mature fields. Continuous improvement in cost efficiency is also a critical element. We drive cost efficiencies through leveraging economies of scale in key producing basins; and through the application of technology, focused on improving system efficiency and operational reliability.

The fourth element underpinning our strategy is to understand when to stop investing. We have a rigorous process for evaluating the economic merit and strategic fit of all investment opportunities. With our sizeable portfolio of opportunities in the profit centers we are building, we are afforded the benefit of choosing the best projects for funding. In the existing profit centers, we globally rank the attractiveness of investment opportunities and choose the best for funding. Both in the new profit centers and in the existing profit centers, we are disposing of investments that do not fit our criteria, but in which others may see value.

Recent Developments

As part of our aim to focus on retention of a greater share of large, low-cost oil and gas fields, the sale of our interests in the Arbroath, Arkwright and Montrose fields to Paladin Resources plc for \$80.5 million was announced in December 2002. It is anticipated that this will complete in the second quarter of 2003.

As part of implementing our strategy, a number of other portfolio changes have been announced or completed post December 31, 2002.

In addition to the recent transaction in Russia which is described in this item under General - Business Overview and Strategy, these activities include:

- In October 2002, Repsol-YPF notified us of their intent to exercise their option to acquire a further 20% of our upstream interests in Trinidad and on January 2, 2003, we completed this transaction. Repsol now has a 30% interest in BP Trinidad and Tobago LLC. This transaction gives leverage for our upstream position in Trinidad to access gas markets and growth opportunities in Spain, thus providing a further platform for BP's future gas growth in Trinidad.
- In January 2003, we announced the divestment of our 96.14% interest in the North Sea Forties oilfield along with some 61 mature, primarily gas-producing assets in the shallow water of the Gulf of Mexico to Apache for \$1.3 billion.

- On February 26, 2003, we completed an exchange of interests with Amerada Hess under which we will swap our 25% interest in block A-18 of the Malaysia Thailand Joint Development Area (JDA), for Amerada Hess's interests in Colombia and \$10 million in cash. The Colombian interests include a 12% stake in the Santiago de las Atalayas, Tauramena and Rio Chitamena contracts; 10% in the Recetor Association contract; and a 9.6% stake in the OCENSA pipeline. This transaction adds some 58 million barrels of proven reserves to BP's Colombian portfolio.
- As part of building our competitive position in LNG in the Asia Pacific region we announced, in February 2003, the sale of 12.5 per cent of our Tangguh LNG project to China National Offshore Oil Corporation (CNOOC) for \$275 million. This completed the Heads of Agreement, which was signed in September 2002 concurrent with the signing of the LNG supply agreement to Fujian. The involvement of CNOOC in this project should afford greater access to the growing Chinese LNG market.
- Other restructuring activities have included the agreement to sell a package of assets primarily in North America. The sale is scheduled to be completed in April 2003.
- In February 2003, we announced the sale to Perenco of certain Southern North Sea gas interests for \$162 million, and Venezuelan interests for \$160 million.
- In February 2003, we redeemed our 3% five year Exchangeable Bond for Lukoil ADRs. This transaction completed the monetization of our stake in the Russian Oil company Lukoil with proceeds of \$420 million being received. The stake in Lukoil was obtained through the acquisition of ARCO.

Upstream Activities

Exploration

The Group explores for oil and natural gas under a wide range of licensing, joint venture and other contractual agreements. We may do this alone or, more frequently, with partners. BP acts as operator for many of these ventures.

Our exploration and appraisal costs in 2002 were \$1,108 million compared to \$1,102 million in 2001. About 55% of 2002 exploration and appraisal capital was directed towards appraisal activity as we delineated the discoveries made during 1999, 2000, and 2001. In 2002, we participated in 110 gross (52 net) exploration and appraisal wells in 18 countries. The principal areas of activity were Angola, Egypt, Norway, Trinidad, and the USA.

In 2002, we obtained upstream rights in several new tracts, which include the following:

- In Norway's 17th License Round, BP gained a 20% interest in the 'Grip High' block, which lies immediately due north of the Ormen Lange field.
- In Russia, a five-year exploration license for part of the offshore Sakhalin V block was awarded to Rosneft and through an alliance agreement, the joint venture with Rosneft and

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Rosneft-Sakhalinmorneftegas in which BP holds a 49% interest will carry out the exploration on behalf of the licence holder.

- In the Gulf of Mexico, BP was successful in the OCS Lease Sales 182 and 184 with bids on 58 blocks, of which 40 were won, for an overall success rate of 69%.
- In deepwater Brazil, we extended our offshore Foz do Amazonas licence in Block BM-FZA-1 (BP 30% and operator) for 3 years following encouraging exploration activity during 2002.

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In 2002, we were involved in discoveries in Angola, Egypt, Trinidad, and the USA. In most cases, reserve bookings from these fields will depend on the results of ongoing technical and commercial evaluations, including appraisal drilling. Our 2002 discoveries included the following:

- In Angola, BP made the country's first discovery in the 'ultra deep water' (greater than 1,500 metres) acreage with the Plutao well in Block 31 (BP 26.7% and operator). Continued success was experienced in the established partner operated deepwater blocks; in Block 15 (BP 26.7%) the Reco-Reco, Mondo North, and Marimba South discoveries, and, in Block 17 (BP 16.7%), the Zinia discovery.
- In Egypt, BP was involved in seven gas discoveries in the Nile Delta. Four of these; El Max, El Bahig, Abu Sir and El King, were made in the West Med Concession under an arrangement in which we reduced our interest from 16.7% to 10%. In the West Med Deep Concession, BP made the Ruby discovery (BP 80%). Viper-1 (BP 30%) in North Idku, and Tenin-1 (BP 50%) in East Deep Delta Marine were also successful. Oil exploration close to established production in the Gulf of Suez resulted in the Luli discovery (BP 100%).
- In Trinidad new gas reservoirs were discovered in the Red Mango No.2 and Iron Horse wells off the east coast of the island. These interests are held in a fully consolidated subsidiary in which in 2002 there was a 10% minority interest. In the fourth quarter we determined the Catfish well was a dry hole and consequently the cost was written off.
- In the Deepwater Gulf of Mexico, discoveries include the partner-operated Great White (BP 33.3%) in the Alaminos Canyon area, and the partner operated Shenzi well (BP 28%) in the Green Canyon area, seven miles north west of BP's Atlantis development (BP 56%). Infrastructure-led efforts in the Mississippi Canyon area were successful with the King West discovery (BP 100%), adjacent to the King Development (BP 100%), the Dorado discovery, adjacent to the Marlin TLP (BP 75%) and the Deimos discovery (BP 28.5%) in the Mars basin. The deepwater prospect Neptune was relinquished after we concluded that the discovered volumes did not rank highly enough in our portfolio of investment opportunities.

Reserves and Production

We annually review our total reserves of crude oil, condensate, natural gas liquids and natural gas to take account of production, field reassessments, the application of improved recovery techniques, the addition of new reserves from discoveries and economic factors. We also conduct selective periodic reserve reviews for individual fields.

Details of our net proved reserves of crude oil, condensate, natural gas

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liquids and natural gas at December 31, 2002, 2001, and 2000 and reserves changes for each of the three years then ended are set out in the Supplementary Oil and Gas Information section in Item 18 -- Financial Statements.

Total hydrocarbon proved reserves, on an oil equivalent basis and excluding equity-accounted entities, comprised 15,666 mmbœ at December 31, 2002, an increase of 7.1% compared with December 31, 2001. Natural gas represents about 50% of these reserves. Reserve replacement through extensions, discoveries, revisions and improved recovery, for the Group excluding equity accounted entities, exceeded production for the tenth consecutive year with a ratio of 175%.

In 2002, total additions to the Group's proved reserves (excluding purchases and sales and equity-accounted entities) amounted to 2,016 mmbœ, mostly through extensions to existing fields and discoveries of new fields. The principal reserve additions were in Algeria (In Amenas Train 3), Angola (Kizomba B), Azerbaijan (Azeri-Chirag-Gunashli Phase 2), Gulf of Mexico (Mad Dog) and Trinidad (reserves to support the 4th train of the Atlantic LNG project).

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Our total hydrocarbon production (including equity-accounted entities) during 2002 averaged 3,519 thousand barrels of oil equivalent per day (mboe/d), an increase of 100 mboe/d, or 2.9% compared with 2001, as production declines in mature fields were more than offset by production start-ups, build-ups to full production and acquisitions. 39% of our production was in the USA, 21% in the UK and 9% from equity-accounted entities, of which 23% is from Sidanco.

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The following tables show BP's production by major field for 2002, 2001 and 2000, and BP's aggregate estimated net proved reserves as at December 31, 2002:

Crude oil (a)

Production	Field or Area	Interest	Net prod	
			2002	2001
		(%)	(thousand barre	
Alaska (b)	Prudhoe Bay*	26.3	113	123
	Kuparuk	39.2	74	76
	Milne Point*	100.0	44	45
	Northstar*	98.8	36	3
	Endicott*	67.9	15	19
	Point McIntyre	26.4	9	10
	Other	Various	18	12
Total Alaska			309	288
Lower 48 States onshore	Total	Various	192	213
Gulf of Mexico (b)	Mars	28.5	41	42
	Troika	33.3	20	25
	Pompano*	75.0	23	21
	Ursa	22.7	20	23

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	Crosby	50.0	19	--
	Marlin*	86.3	19	19
	Other	Various	122	113
			-----	-----
Total Gulf of Mexico			264	243
			-----	-----
Total USA			765	744
			-----	-----
UK offshore (b)	Foinaven*	72.0	72	60
	ETAP+	Various	61	80
	Forties* (c)	96.1	50	51
	Schiehallion/Loyal*	Various	43	40
	Harding*	70.0	42	42
	Magnus*	85.0	31	37
	Andrew*	62.8	23	25
	Miller*	52.0	11	15
	Other	Various	96	99
			-----	-----
Total UK offshore			429	449
Onshore	Wytch Farm*	67.8	32	36
			-----	-----
Total UK			461	485
			-----	-----
Norway	Draugen	18.4	37	40
	Valhall*	28.1	21	22
	Ula*	80.0	18	18
	Gyda*	61.0	8	12
Other including Netherlands	Various	Various	20	8
			-----	-----
Total Rest of Europe	Various		104	100
			-----	-----

* BP operated.

+ BP operates the majority of the fields in this area.

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Production	Field or Area	Interest	Net prod	
			2002	2001
		(%)	(thousand barre	
Angola	Girassol	16.7	29	1
Australia	Various	16.7	43	40
Azerbaijan	Azeri-Chirag-Gunashli*	34.1	38	35
Canada (b)	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

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Venezuela	Various	Various	51	54
Other (b)	Various	Various	61	59
			-----	-----
Total Rest of World			436	394
			-----	-----
Total Group			1,766	1,723
			=====	=====
Equity-accounted entities				
Abu Dhabi (d)	Various	Various	113	126
Russia	Various	Various	73	20
Argentina	Various	Various	53	50
Other	Various	Various	13	12
			-----	-----
Total equity-accounted entities			252	208
			-----	-----
Total Group and BP share of equity-accounted entities (e)			2,018	1,931
			=====	=====

* BP operated.

December 31, 2002				
Estimated net proved reserves (a)	UK	Rest of Europe	USA	Rest of World
	-----	-----	-----	-----
	(millions of barrels)			
Subsidiary undertakings				
Developed.....	858	250	2,225	1,002
Undeveloped.....	269	99	1,336	1,723
	-----	-----	-----	-----
	1,127	349	3,561	2,725
	=====	=====	=====	=====
Equity-accounted entities				
Total Group and BP share of equity-accounted entities				

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Natural gas (a) (f)

Production	Field or Area -----	Interest ----- (%)	Net prod	
			2002	2001
			----- (million cubic f	

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Lower 48 States onshore (b)	San Juan Coal*	Various	601	615
	Arkoma	Various	206	219
	San Juan Conventional +	Various	196	217
	Hugoton +	Various	169	180
	Tuscaloosa +	Various	138	187
	Jonah*	75.2	113	109
	Wamsutter*	70.5	108	100
	Whitney Canyon +	Various	50	50
	Anschutz Ranch East*	Various	28	45
	Moxa Arch*	41.0	54	43
	Other	Various	583	595
			-----	-----
Total Lower 48 States onshore			2,246	2,360
			-----	-----
Alaska	Various	Various	52	11
			-----	-----
Gulf of Mexico (b)	Marlin*	100.0	106	79
	Pompano*	73.7	63	35
	Mica	50.0	58	27
	Ram Powell (VK 912)	31.0	54	58
	Matagorda Island 623*	43.5	48	76
	Matagorda Island 519*	82.3	47	40
	Mars	28.5	38	41
	Other	Various	771	827
			-----	-----
Total Gulf of Mexico			1,185	1,183
			-----	-----
Total USA			3,483	3,554
			-----	-----
UK offshore (b)	Bruce*	37.0	221	256
	Marnock*	62.0	135	125
	Braes	Various	116	100
	West Sole*	100.0	72	81
	Armada	18.2	71	71
	Ravenspurn South*	100.0	56	66
	Britannia	9.0	56	65
	Amethyst*	59.5	52	68
	East Leman*	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
			-----	-----
Total UK			1,550	1,713
			-----	-----
Netherlands	P/18-2*	48.7	41	47
	Other	Various	46	52
Norway	Various	Various	60	48
			-----	-----
Total Rest of Europe			147	147
			-----	-----

* BP operated.

+ BP operates the majority of the fields in this area.

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Production	Field or Area	Interest	Net prod	
			2002	2001
		(%)	(million cubic f	
Rest of World				
Australia	Various	16.7	295	237
Canada (b)	Kirby*	95.0	66	72
	Ricinus*	47.2	54	61
	Brazeau River Gas*	66.9	53	71
	Marten Hills*	93.5	32	45
	Other	Various	309	335
China	Yacheng*	34.0	102	108
Egypt	Temsah	50.0	84	26
	Ha'py	50.0	74	66
	Other	Various	98	98
Indonesia	Pagerungan*	100.0	189	242
	Sanga-Sanga (direct)	26.3	174	164
	Other*	46.0	94	95
Sharjah	Sajaa*	40.0	110	125
	Other	Various	24	35
Trinidad	Mahogany*	100.0	521	529
	Amherstia*	100.0	492	244
	Immortelle*	100.0	154	128
	Flamboyant*	100.0	40	52
	Other*	100.0	31	58
Other (b)	Various	Various	148	82
Total Rest of World			3,144	2,873
Total Group			8,324	8,287
Equity-accounted entities				
Argentina	Various	Various	251	236
Other	Various	Various	132	109
Total equity-accounted entities			383	345
Total Group and BP share of equity-accounted entities			8,707	8,632

Estimated net proved reserves (a)	December 31, 2002			
	UK	Rest of Europe	USA	Rest of World
	(millions of barrels)			
Subsidiary undertakings				
Developed.....	3,215	216	12,102	8,240
Undeveloped.....	651	44	2,259	19,117

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	----- 3,866 =====	----- 260 =====	----- 14,361 =====	----- 27,357 =====
Equity-accounted entities				
Total Group and BP share of equity-accounted entities				

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- (a) Net proved reserves of crude oil and natural gas, stated as of December 31, 2002, exclude production royalties due to others, and include minority interests in consolidated operations.
- (b) In 2002, BP acquired additional working interest in the Badin acreage (Pakistan) from the government and disposed of its interest in the Al Rayyan field (Qatar), Qadirpur field (Pakistan) and Elgin/Franklin field (UK). In 2001, BP purchased part of the interests of Statoil in Vietnam and the interest of Inaquimicas in Cusiana/Cupiagua in Colombia. In 2000, BP acquired the interests of ARCO outside Alaska. At the same time, a deal was concluded (primarily with Exxon and Phillips) in which the oil and natural gas interests in Prudhoe Bay (and some of the associated fields) were realigned. We also disposed of our interest in Altura Energy. In addition to portfolio management in the USA and Canada, we disposed of certain of our interests in Venezuela, Colombia and the UK and acquired an interest in Pakistan as part of the Burmah Castrol acquisition.
- (c) The sale of BP's interest in the Forties field was announced in January 2003.
- (d) The BP Group holds proportionate interests, through associated undertakings, in onshore and offshore concessions in Abu Dhabi expiring in 2014 and 2018, respectively.
- (e) Includes NGLs from processing plants in which an interest is held of 69, 78 and 41 thousand barrels per day for 2002, 2001, and 2000 respectively.
- (f) Natural gas production volumes exclude gas consumed in operations within the lease boundaries of the producing field.

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United States

We are the largest producer of both crude oil and natural gas in the USA. 2002 crude oil production at 765 thousand barrels per day (mb/d) increased 3% from 2001, while natural gas production at 3,483 million cubic feet per day (mmcf/d) decreased 2% over 2001.

During 2002, BP operations experienced significant reductions in production due to adverse weather and natural events. Hurricanes and tropical storms in the Gulf of Mexico during September and October resulted in multiple shut-ins of Gulf of Mexico production and some Gulf Coast production, which reduced full year production by 24 mboe/d. In October 2002, an earthquake forced the shut-in

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of the Trans Alaska Pipeline for 3 days while inspection and immediate repairs were made. No oil was spilled, however, a 3-mboe/d reduction in 2002 production resulted from the shutdown.

Development expenditure in the USA (excluding pipelines) during 2002 was \$3,618 million, compared with \$3,723 million in 2001, a decrease of 3%.

Our activities within the United States take place in four main areas. Significant events during 2002 within each of these are indicated below.

Deepwater Gulf of Mexico

Deepwater Gulf of Mexico is one of our five new profit centres and our largest area of growth in the USA. In 2002, our Deepwater Gulf of Mexico crude oil production was 205 mb/d, up 15% from 2001 levels. Gas production was 511 mmcf/d, up over 26% from 2001 levels.

Growth in 2002 was driven by new field start-up activity, as well as strong performance from the existing major facility hubs. Key events include:

- The King MC85 subsea tieback (BP 100%) started production via facilities on the Marlin platform in April 2002.
- The King's Peak development, 3 subsea wells, (BP 100%) started production in September 2002.
- Production started from the Horn Mountain field (BP 67% and operator) in November 2002.
- The Princess development (BP 23%), drilled from the Ursa platform, started producing in November 2002.
- Aspen (BP 40% and operator), a subsea development to the non-operated Bullwinkle platform, commenced production in December 2002.

Development of five major projects continued in the Gulf of Mexico during 2002 -- Na Kika (BP 50% and operator post construction), Holstein (BP 50% and operator), Mad Dog (BP 60.5% and operator), Thunder Horse (BP 75% and operator) and Atlantis (BP 56% and operator).

Gulf of Mexico Shelf

The Shelf is a mature basin, with high decline rates that average 30-40% per year. In 2002, BP's gas production from Gulf of Mexico Shelf operations was 674 mmcf/d, which was down 13% compared to 2001. BP produced 7% of total Gulf of Mexico Shelf gas production, which, in turn, supplies 15% of the US gas demand. Crude oil and NGL production was 59 mb/d, down 8% compared to 2001. We operate more than 200 platforms and 700 wells on the Shelf, in water up to 1,500 feet deep. We operated 8 rigs and drilled 32 operated wells in 2002. The sale to Apache announced in January 2003 included 61 small, mainly gas producing fields on the Shelf, which accounted for approximately 40% of 2002 production.

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Lower 48 States

In the Lower 48 States, we remain the largest producer of natural gas, accounting for approximately 6% of total US onshore natural gas production. Production comes from more than 11,000 operated wells, in over 900 oil and gas fields, situated principally in the states of Colorado, Kansas, Louisiana, New Mexico, Oklahoma, Texas and Wyoming.

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In 2002, crude oil production was 192 mb/d, down 10% from 2001 levels. Natural gas production was 2,246 mmcf/d in 2002, down 5% from 2001 production. This is a mature region and reduced production is driven by natural decline. In 2002, we operated 76 drilling and service rigs and drilled 400 wells, finding and developing additional reserves to replace 78% of production. More than 3,000 well workovers and maintenance interventions were performed.

Our production in the onshore Lower 48 States was derived primarily from the following areas:

- In the mid-continent states (Texas, Oklahoma, Kansas and Louisiana) our operations produced 915 mmcf/d of natural gas and 54 mb/d of oil and NGL's in 2002. Improved efficiency to maintain the production rate in mature areas is the key to continued success in these assets. Examples of improved efficiency include:
 - Texas Panhandle (Anadarko Basin) - BP's application of horizontal drilling in the Courson Ranch field in 2002 has raised production from 2 mmcf/d to 8 mmcf/d by year end with the possibility of further development in 2003. The switch from conventional vertical wells to horizontal completions has resulted in a 33% improvement in reserves/spend efficiency.
 - Eastern Oklahoma (Red Oak field) - Red Oak field's 2002 production exceeded 1997 levels in what was previously thought to be a fully developed reservoir. This was accomplished through an ongoing successful infill-drilling programme based on the use of 3D seismic.
 - Southwest Kansas (Hugoton and Panoma fields) - We continued to manage the decline of the Hugoton field, down 4% for 2002. We achieved this through an active wellwork and facilities maintenance programme, installation of additional compression and development drilling. Optimization of the entire work programme was facilitated by implementation of an innovative multiwell visualisation tool, which was developed by the Hugoton team. The 80-year-old Hugoton field is the largest natural gas field in the Lower 48 States and has previously experienced annual decline rates as high as 20%.
 - Louisiana (Tuscaloosa Trend) - BP is now delivering initial production rates of 50 to 60 mmcf/d per well from the Tuscaloosa asset, significantly higher than the historical rates of 20 mmcf/d. BP's development strategy in the trend is to look for deeper gas producing horizons in areas that are also likely to have shallower secondary gas producing horizons. BP has optimized well design and improved the time from completion to first gas sale by 60% compared with 2001. This achievement resulted in an average of 20 additional days per well of production delivery to the market.
- The Southern Wyoming (Overthrust Belt, Greater Green River Basin) operations produced 371 mmcf/d of natural gas and 39 mb/d of crude oil in 2002 with both the Wamsutter and Jonah fields achieving record production. Drilling activity in 2002 continued as part of a multi-year drilling programme comprising both extension and infill wells in the Jonah and Wamsutter fields. In 2002, BP drilled 123 wells with 6 rigs in Wamsutter. The previous drilling time benchmark for BP in the basin was beaten by 40% of the wells drilled in 2002, reducing the asset's overall drilling time by 20%.

- Colorado and New Mexico (San Juan Basin Coal and Conventional Gas fields) operations produced 807 mmcf/d of natural gas in 2002, maintaining BP's position as the largest coalbed methane producer in the largest coalbed methane region in the USA. In 2002, the unit reduced overall well costs by 10% to 15% by reducing site construction, drilling and completion costs, while at the same time increasing initial production rates from new wells and reducing cycle time from well spud to gas sales.

Alaska

In Alaska, crude oil production in 2002 was 309 mb/d, an increase of 7% from 2001, due principally to the start-up of Northstar and the performance of satellite fields around Prudhoe Bay.

Key activities during 2002 in Alaska included:

- As part of maximising the productivity of our existing profit centers, active reservoir management at Alaska's largest producing field, Prudhoe Bay (BP 26.4% and operator) included an ongoing active infill drilling programme with 111 new sidetracked wells, plus continued development of the Greater Prudhoe Bay Satellite fields, which added 31 wells and production of 3 mboe/d in 2002.
- The Northstar oil field (BP 98.8% and operator) completed its first full year of production. We undertook remedial action to resolve initial compressor start-up problems.
- We are continuing to evaluate options to commercialize the Point Thomson natural gas condensate field (BP 32%) on the Eastern North Slope.
- On August 16, 2002, an explosion and fire took place on the A Pad in the Prudhoe Bay field resulting in an injury to an employee. The explosion was caused by thermal expansion, which caused the outer annulus pressure in the well to exceed normal operating pressures, as opposed to being caused by corrosion or other damage. A third party expert examined the casing and determined the pressure reached to be about 7,700 pounds per square inch (psi), which exceeded the casing's original rating of 5,380 psi. As a precautionary measure, 137 wells with high annular pressures were taken out of production, and were not brought back on line until enhanced procedures were developed and implemented. Over 90 wells have been returned to production after passing inspection. The remainder have not yet been returned to production pending further engineering review. We paid a fine of \$6,300 to the US Occupational Safety and Health Administration on February 21, 2003.

United Kingdom

We are the largest producer of both oil and natural gas in the UK. In 2002, total crude oil production was 461 mb/d, a 5% decrease on 2001, and gas production was 1,550 mmcf/d, a 9.5% decrease on 2001. The North Sea is a mature basin and this reduction was driven by natural decline. In addition, an operational problem on the Schiehallion Floating Production Storage and Offloading (FP50) vessel resulted in a 27 day production outage in the third quarter of 2002. Our activities in the North Sea are focused on production optimization and cost efficiencies. This is delivered through proactive reservoir management, including progression of new developments and new production start-ups, the majority of which are tie backs to existing

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infrastructure, and application of new technology to existing fields. Our development expenditure in the UK was \$895 million in 2002 compared with \$930 million in 2001.

Significant activities in 2002 included the following:

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New Developments

- In 2002, all major construction contracts were awarded for the Clair field Phase 1 development (BP 28.6% and operator) and fabrication was initiated. Clair is currently one of the largest undeveloped field on the UK Continental Shelf (UKCS), with start-up scheduled in 2004.

New Production

New fields which started production in 2002 included:

- The Juno Project comprises the development of 5 offshore gas fields; BP has an interest in two of these -- Wollaston and Whittle (BP 35.5% and operator). The Wollaston well was drilled and completed in record time for the region and the Whittle well exceeded the production rate forecast by optimization of drilling location and fluid systems. Production commenced in December 2002.

New production from subsea wells tied back to existing facilities included:

- The Mirren (BP 46%) and Madoes (BP 38%) fields began production in the fourth quarter following tie-backs to the ETAP platform.
- The Maclure field (BP 33.3% and operator) tie-back to the non-operated Gryphon field started production in July 2002.
- The Alba Extreme South development (BP 16%) was tied back to the Alba North platform and came on stream in September 2002.
- The Boyle field (BP 22% and operator) was developed through the existing Davy field facilities and achieved first production in October 2002.

New Technology

New and innovative applications of technology were applied to many of our existing fields in the North Sea, to mitigate volume decline and increase ultimate recoveries, examples of which include:

- Foinaven is the largest BP net producing field in the UKCS. In 2002 production increased by 30% on 2001, from Foinaven (BP 72% and operator) and East Foinaven (BP 43%) fields. This followed completion of the 2nd phase of development drilling and debottlenecking activity. In addition, a new integrated system model was developed to optimize all production, gas lift and water injection.
- A new yearly total production record of 43 mboe/d (BP net share) was achieved from West of Shetland fields Schiehallion (BP 33% and operator) and Loyal (BP 50% and operator) due to completion of development drilling in Schiehallion and 2 new wells in the Loyal field. During 2002, the gross production through the FPSO grew by 33% on 2001 to 160 mb/d following the tie-in of the new wells. Export of natural gas from Foinaven, East Foinaven, and Schiehallion to Magnus through BP's newly constructed West of Shetland Pipeline System began

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in the third quarter.

- A Mid Life Compression Project was completed on the Everest field (BP 21% and operator) to extend plateau production and increase recoverable reserves. The additional compression should enhance gross export capability by 20 mmscfd.
- The Enhanced Oil Recovery (EOR) project on the Magnus field (BP 85% and operator) was completed and successful injection of West of Shetland gas into the Magnus oil reservoir began in October, thereby improving recovery of un-swept oil.

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- In 2002, Bruce field (BP 37% and operator) successfully completed the two longest reach (17,402 feet and 17,560 feet) Through Tubing Rotary Drilled wells in the BP portfolio. A new ocean bottom cable seismic survey was shot over part of the field to assist the development of future drilling.
- The Shearwater Project (BP 27.5%) saw the completion of remedial work on three wells. As a result of the difficulties encountered, a full field technical review was undertaken and a reserve write down taken during the year. This, together with other works on the topsides to overcome pipework cracking and flare tip issues, allowed the field to produce at rates close to design capacity through the second half of 2002.

To further maximize the value from our existing mature fields we have completed the following activities:

- In the fourth quarter of 2002, BP completed a partial renegotiation of the gas sale from the Sean field, (BP 50%) which was otherwise solely dedicated to Centrica until 2011.
- In 2002, a series of small asset swaps were completed to realign BP's interest in the non-operated Braes complex of fields. This brought BP's equity up to 30%. During 2002, the agreements governing the offtake of gas from the Braes fields were renegotiated.
- The NW Hutton field (BP 25.8% and operator) began preparation for decommissioning in July 2002, following cessation of production. The well decommissioning programme is ongoing, combined with engineering studies to determine the best method to remove the facility.
- All but 1% of BP's working interest was sold and operatorship was transferred in the Thistle field (BP 81.7% and operator) effective January 1, 2003. Upon economic depletion, the operator will return the field to BP for decommissioning.

Rest of Europe

Norwegian production increased in 2002, mainly as a result of a full year production from the Tambar field (BP 55% and operator), which came on stream in July 2001. During the year BP acquired a further 5% interest in Gyda bringing BP's share to 61%. The Draugen field (BP 18.4%) experienced initial water breakthrough although new wells in Garn West and Rogn South have mitigated the decline.

Our operations in the Netherlands primarily comprise gas storage services delivered from the Peak Gas Installation to assist in meeting peak demand

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requirements. This installation has a capacity of 17,000 mmcf and is capable of withdrawing 1,270 mmcf/d.

Rest of World

In the Rest of World, areas of oil production in 2002 were Abu Dhabi, Algeria, Angola, Argentina, Australia, Azerbaijan, Bolivia, Canada, China, Colombia, Egypt, Indonesia, Pakistan, Russia, Sharjah, Trinidad, Venezuela and Qatar.

The largest part of our share of natural gas production in 2002, in the Rest of World, came from Trinidad and Tobago and from Indonesia, with the remainder from Argentina, Australia, Bolivia, Canada, China, Colombia, Egypt, Pakistan, Vietnam and Sharjah.

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Significant activity in Rest of World during 2002, included:

Canada

- In Canada our 2002 production was 105 mboe/d, down 12% from 2001, mainly due to natural field declines. Natural gas makes up 85% of Canada's production. During 2002, we drilled 50 wells (gross), 39 of which were operated by BP. In late 2002 we started up our Ojay production in Northeastern British Columbia, which was producing 15 mmcf/d of natural gas at year end.

Caribbean and Latin America:

- In Trinidad, gas sales increased by 22% and crude oil production increased by nearly 40%. The increase in natural gas sales was principally driven by the successful commissioning of Atlantic LNG Train 2 (50% BP supply) in the third quarter 2002, as well as expansion of the domestic sales contract with the National Gas Company of Trinidad and Tobago. During the year, BP completed the construction of the 48-inch offshore 'Bombax' gas pipeline, and successfully installed and commissioned the Kapok facility in anticipation of Train 3 commissioning (75% BP supply) in 2003.
- In Venezuela our four base assets are reactivation projects consisting of two operated properties and two non-operated properties under operating fee agreements to produce oil for the state oil company, Petroleos de Venezuela S.A. (PDVSA). During the year, as a result of the Veba transaction, the Cerro Negro asset was added to the portfolio. As part of this transaction we have entered into a sales agreement with Petro-Canada for the Cerro Negro asset and we have been seeking resolution of the outstanding approvals in order to complete the sale. As a result of a loss of reservoir pressure, reserve write downs in LL652 and Boqueron were taken during the year. The Venezuelan National strike action began to impact production by mid-December 2002. In January 2003, PDVSA started to slowly ramp up production and by mid-March 2003, BP's production was approaching pre-strike levels.
- The Colombian activity is made up of mature producing assets (Cusiana/Cupiagua fields, BP 19%), assets under appraisal/development (Recetor (BP 40%) and Florena/Pauto (BP 50%) fields). Decline in the mature producing assets has been compensated by well work and new production coming from the appraisal/development areas which now account for 40% of the production. A facility expansion will allow Florena and Pauto to further increase production during 2003. Phase I development of the Recetor extension of Cupiagua field was

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successfully completed and Phase II has commenced.

- In Argentina and Bolivia, activity is conducted via our participation in Pan American Energy (PAE) (BP 60%). In addition, PAE in turn owns 50.001% of Empresa Petrolera Chaco, a Bolivian oil and gas company.

In 2002, oil production increased by around 7% over 2001, largely as a result of a major drilling programme in Golfo San Jorge. Gas production increased by 6% over 2001. The significant increase arose in Cerro Dragon and in the Northwest Basin, where new treatment plants were completed and extended respectively.

Despite a severely depressed economy in Argentina, PAE was successful in increasing its natural gas market share from 12% to 13% during 2002. PAE also has interests in NGL plants, oil and natural gas pipelines, electricity generation plants, and other midstream infrastructure.

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Africa

Angola

Angola is one of our five new profit centers where progression of several key projects provides the foundation for volume growth over the next few years. These projects include the following activities:

- The ramp up of the Girassol field in Block 17 (BP 16.7%) was successful, achieving plateau production within three months of field start-up. The Jasmim project, a tie-back to the Girassol hub, commenced construction in the first quarter of 2002.
- In Block 15 (BP 26.7%), development activities progressed on Kizomba A, expected to start up by late 2004. During the year Xikomba and Kizomba B development projects commenced.
- In Block 18 (BP 50% and operator), work has continued on the Greater Plutonio development, with front-end engineering and design completed in the fourth quarter of 2002.
- BP is participating in studies to evaluate gas solutions, as part of the Angola LNG project. (BP 12%).

Egypt

- In Egypt, the Gulf of Suez Petroleum Company (GUPCO), a joint operating company with BP and the Egyptian General Petroleum Corporation, carries out our oil production operations. GUPCO operates seven production-sharing contracts in the Gulf of Suez and Western Desert, encompassing more than forty fields. New start-ups included Esma, North Razzak and Edfu.
- Gas production in Egypt grew 35% with Ha'py (BP 50%) and Baltim (BP 50%) and Temsah (BP 50%) fields ramping up and Akhen field (BP 50%) contributing from the third quarter of 2002. In 2002, BP's entitlement gas production reached 256 mmscfd, underpinned by agreements to supply to the domestic Egyptian market from these and other Nile Delta fields.
- BP has a 33% interest in a joint venture United Gas Derivatives, which operates the Med NGL project. The project involves the construction of

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a 1.1 bcf/d NGL plant, progressed in 2002.

Algeria

- In Algeria, BP and the Algerian state company, Sonatrach, continued to progress the development of the In Salah project (BP 65%). The first stage comprises the development of four of the seven deep Saharan natural gas fields expected to supply the fast-growing markets of Southern Europe.
- In November 2002, BP and Sonatrach reached agreement to expand the In Amenas (BP 100%) project scope, enhancing the plant size from two to three trains in the development of the gas condensate field. The In Amenas Engineering, Procurement and Construction contract was been awarded to KBR/JGC engineering company.
- Following completion of a technical reassessment in September 2002, a reserve write down was made on Rhourde El Baguel (BP 60%).

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Middle East and Pakistan

- Production in the Gulf States was dominated by the production entitlement of associated undertakings in Abu Dhabi where we have equity interests of 9.5% and 14.7% in onshore and offshore concessions. In 2002 production in Abu Dhabi was down from 2001 as a result of OPEC cuts.
- Sharjah natural gas production was down 16% on 2001, although the decline in 2002 was moderated by plant modifications and successful drilling activities in 2001.
- In Qatar, BP divested its interest in the Al Raya development.
- The operator continues to progress negotiations on Core Venture 1 in Saudi Arabia, in which BP has a 25% stake.
- In Iran we continue to evaluate a number of potential opportunities including the Ahwaz Bangestan redevelopment and a South Pars LNG project. At this stage, no agreements have yet been concluded that commit BP to any significant investments in Iran.
- In Pakistan, BP is the largest foreign operator producing 47% of the country's oil and 8.5% of its natural gas on a gross basis. In 2002, production was up 42% compared to 2001 as the Company has deepened its interest in the Badin field. During 2002 we disposed of our interest in the Qadirpur field to KUFPEC, for \$80.6 million.

Azerbaijan and Russia

Azerbaijan

- BP, as operator of the Azerbaijan International Operating Company (AIOC), manages and has a 34.1% interest in the Azeri-Chirag-Gunashli (ACG) oil fields under the Caspian Sea, offshore Azerbaijan. In 2002, ACG production grew from the Chirag 1 platform. The staged development of the full field made good progress with execution of Central Azeri projects (previously referred to as ACG Phase 1). The second phase of development on West and East Azeri commenced on 1 September 2002 for which the following contracts were awarded:

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- CWP Topsides to AMEC and Tekfen Azfen
- West Azeri/East Azeri Topsides to McDermott
- West Azeri/East Azeri Accommodation to Emtunga

The Engineering Procurement Contract for ACG Phase 3 was awarded to AMEC in September 2002.

- A staged plan has been developed for the Shah Deniz natural gas field (BP 25.5% and operator). Progress was made on partner, government, transportation and related agreements.

Russia

- In Russia, we acquired an additional 15% plus 1 share interest in Sidanco in April 2002, raising our equity to 25% plus 1 share, in line with our previous voting rights. BP seconded personnel hold a number of the senior management positions and a BP executive acts as Chairman of the Sidanco Board of Directors. Production growth exceeded the equity increase, rising 270% to 74 mb/d compared with 2001. The interest in Sidanco will become part of our new Russian joint venture, TNK-BP.

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Far East and Australia

- In Indonesia, BP is the largest supplier of natural gas to Java. In addition, BP participates in Indonesia's LNG exports through its Sanga-Sanga Production Sharing Contract (PSC) holding (38% BP). BP holds 26% directly and 12% via its associate company VICO. Sanga-Sanga delivers 30% of the total gas feed to the Bontang LNG plant.
- In China, the Yacheng field (BP 34% and operator) supplies 100% of the natural gas supply for power generation into Hong Kong where it is sold to Castle Peak Power Company under a long-term contract. Some natural gas and all the crude oil is piped to Hainan Island where the natural gas is sold to the Fuel and Chemical Company of Hainan also under a long-term contract. In 2002 the remaining four platforms (out of a total of six platforms) on the QHD oil field (BP 24.5%) were installed and commissioned allowing the field to reach plateau late in 2002.
- In Vietnam, construction, installation and commissioning of the onshore/offshore production and transportation system was completed for the Lan Tay Platform (BP 35% and operator). In November 2002 first gas was produced. Lan Tay gas is sold under a long-term agreement for electricity generation in Southern Vietnam.

Midstream Activities

Oil and Natural Gas Transportation

The Group has direct or indirect interests in certain crude oil transportation systems, the principal ones of which are the Trans Alaska Pipeline System (TAPS) in the USA and the Forties Pipelines System (FPS) in the UK sector of the North Sea. We also operate the Central Area Transmission System (CATS) for natural gas in the UK sector of the North Sea.

BP, as AIOC operator, manages and holds a 30.1% interest in the Baku-Tbilisi-Ceyhan (BTC) oil pipeline currently under construction. AIOC operates the Western Export Route Pipeline between Azerbaijan and Black Sea

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coast of Georgia and the Azeri leg of the Northern Export Route Pipeline between Azerbaijan and Russia.

Our onshore US crude oil and product pipelines and related transportation assets are included under 'Refining and Marketing' in this item. Revenue is earned on pipelines through charging tariffs. Our gas marketing business is described under 'Gas, Power and Renewables' in this item.

Significant activity in oil and natural gas transportation during 2002 included:

Alaska

- BP owns a 46.9% interest in TAPS, with the balance owned by five other companies. TAPS transported production from Prudhoe Bay and the other North Slope fields averaging 1,004 mb/d.

There are a number of unresolved protests regarding tariffs charged for shipping oil through the Northstar Pipeline (BP 98.8% and operator) and TAPS. These protests were filed between 1994 and 2002 with the Federal Energy Regulatory Commission and the Regulatory Commission of Alaska (RCA). The RCA recently issued an Order requiring refunds to be made to shippers of intra-state crude oil through TAPS. BP has appealed this Order to the Alaska Superior Court.

The use of US-built and US-flagged ships is required when transporting Alaskan oil to markets in the USA. In accordance with this, BP America Inc. has a chartered fleet of 10 US-flagged tankers to transport

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Alaskan crude oil to markets. Over the next few years, we plan to begin replacing our US-flagged fleet as existing ships are retired in accordance with the Oil Pollution Act of 1990. For discussion of the Oil Pollution Act of 1990, see Environmental Protection -- Marine Oil Spill Regulations within Item 4. BP has contracted for the delivery of four 1.3 million-barrel-capacity, double-hull tankers for use in transporting North Slope oil to West Coast refineries. The ships are being constructed by NASSCO in San Diego with deliveries in years 2004, 2005 and 2006.

North Sea

- FPS in the UK (BP 100%) is an integrated oil and NGL transportation and processing system that handles production from over 40 fields in the Central North Sea. The system has a capacity of more than 1 mmb/d, with average throughput in 2002 at 820 mb/d.
- BP operates and has a 29.5% interest in CATS, a 400-kilometre natural gas pipeline system in the central UK sector of the North Sea. The pipeline has a transportation capacity of 1.7 bcf/d to a natural gas terminal at Teesside, Northeast England. CATS offers natural gas transportation services or transportation and processing via two 600 mmcf/d processing trains. In 2002, throughput was 1.7 bcf/d.

Asia (including the former Soviet Union)

- For the BTC oil pipeline, detailed engineering was completed in mid 2002 and the project was approved for construction by partners on 1 August. BP diluted its equity in the project to 30.1% in 2002, consistent with its upstream throughput requirements. Extensive consultations have been carried out with landowners along the pipeline

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corridor, affected communities, national government institutions, and other interested parties during 2002 to gain input into the project. Environmental and Social Impact Assessments have been approved in Azerbaijan, Georgia and Turkey. Land acquisition has commenced in all three countries and follows World Bank Policy guidelines. The pipeline crosses no IUCN category I-IV reserves and the route avoids the need for any resettlement of population.

- Through the LukArco Joint Venture BP holds a 5.75% interest in the Caspian Pipeline Consortium (CPC) pipeline. CPC is a 1,510-kilometre pipeline from Kazakhstan to the Russian port of Novorossiysk. The pipeline has an initial capacity of 28.2 million tonnes (approximately 225 mmb/oe) a year and carries crude oil from the Tengiz field (BP 2.3%). In addition to our interest in LukArco, we hold a separate 0.87% interest in CPC.

Gulf of Mexico

- Construction continued on the Mardi Gras pipeline system (BP approximately 65% and operator). When complete, the network of pipelines will extend, in total, more than 450 miles, and lie in waters of greater than 7,000 feet deep. It will be the largest capacity deepwater pipeline ever built.

Liquefied Natural Gas

Within BP, Exploration and Production is responsible for the supply of LNG and Gas, Power and Renewables is responsible for the subsequent marketing and distribution of LNG (see details under 'Gas, Power and Renewables -- New Market Development and LNG' in this item).

Significant activity during 2002 included the following:

- We have a 10% equity shareholding in the Abu Dhabi Gas Liquefaction Company, which in 2002 supplied 5.3 million tonnes of LNG, down 3% on 2001.

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- In Australia the North West Shelf Venture (BP 16.7%) was successful in securing a long-term LNG supply contract, to supply the first 3.2 mmtpa for Guangdong terminal commencing in 2006. LNG Train 4 is progressing both on schedule and budget.
- In Indonesia, VICO is a jointly owned operating company held 50:50 by BP and ENI/Lasmo. It operates the Sanga-Sanga PSC in East Kalimantan on behalf of BP (38%) and ENI/Lasmo, as well as CPC (Taiwan) and a consortium of JAPEX, Osaka Gas, JNOC, Nippon Mining, and Nissho Iwai.

In addition, we have interests in the Wiriagar (BP 38% and operator, post-CNOOC sale), Berau (BP 48% and operator) and Muturi (BP 1%, post-CNOOC sale) PSC's in Northwest Papua. These PSCs will provide the natural gas feed to the Tangguh LNG project, which is expected to become the third LNG centre in Indonesia.

In September 2002, an agreement was signed for the supply of 2.6 million tonnes per year of LNG to Fujian. Concurrent with the signing of the LNG supply agreement, BP entered into a Heads of Agreement with CNOOC to sell 12.5% of BP's 49.7% interest in Tangguh. The government of Indonesia approved the project's environmental and social impact assessment in October 2002. Evaluation of the technical bids for the LNG Plant was also completed in October. In addition, front-end

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engineering and design work was completed for the pipelines and platforms in the fourth quarter of 2002.

- In Trinidad, Atlantic LNG Train 2 (BP 42%) was successfully commissioned in the third quarter, with first LNG sales taking place in August. Front-end engineering and design for LNG Train 4 (4.8 million tonnes per annum) was completed, and negotiations with partners and the government of Trinidad and Tobago are progressing.
- In Trinidad, we announced our agreement to own a 37% share in the Atlas methanol plant, with Methanex, the Canadian operator, holding the remainder. BP, through its customer NGC, will supply 100% of the natural gas demand for the plant. Plant construction continues with first sales planned in first quarter of 2004.

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GAS, POWER AND RENEWABLES

The strategic purpose of the Gas, Power and Renewables segment is to maximize the value of BP's gas through marketing, to enhance the value of BP's natural gas liquids production and to build a profitable renewables business. On January 1, 2002, the solar, renewables and alternative fuels business activities were transferred to the Gas and Power business from Other Businesses and Corporate. To reflect this transfer, Gas and Power was renamed Gas, Power and Renewables from the same date and the financial information for 2000 and 2001 has been restated.

The segment is organized into four main activities: marketing and trading; natural gas liquids (NGL); new market development and LNG; and solar and renewables.

	Years ended December 31,		
	2002	2001	
	(\$ million)		
Turnover	37,357	39,442	21
Total replacement cost operating profit	354	488	
Total assets.....	6,927	5,775	6
Capital expenditure and acquisitions.....	408	492	

We seek to maximize the value of our gas by targeting higher value customer segments in selected markets and to optimize supply around our physical and contractual assets. Marketing and trading activities are focused on the relatively open and liberalized natural gas and power markets of North America, the United Kingdom and certain parts of continental Europe. Some elements of long-term natural gas contracting activity are also still included within the Exploration and Production business segment.

During 2002 we sold our 25.5% interest in Ruhrgas, which had been announced in 2001 as part of the Veba deal.

Our NGLs business is engaged in the processing, fractionation and marketing of ethane, propane, butanes and pentanes extracted from natural gas. Our NGL activity is underpinned by our upstream asset base and serves markets for both chemicals and clean fuels and also supplies BP's chemicals and refining

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activities.

New market development and LNG activities involve developing opportunities to capture sales for our upstream natural gas resources, and are conducted in close collaboration with the Exploration and Production business. Our strategy is to capture a disproportionate share of growth in the international demand for natural gas and is focused on markets which offer significant prospects for growth. These include the USA, Canada, Spain and many of the emerging markets of the Asia Pacific region, notably China, where we believe there could be substantial growth in demand. For our undeveloped gas, we believe the key is to gain markets ahead of supply with a longer-term aim of allowing gas resources to move into the market with the same ease that oil does today. Our LNG activities involve the marketing of BP and third party LNG.

Our solar and renewables business activities include the development, production and marketing of solar panels and the development of wind farms on specific company sites.

Our other activities include several gas-fired power generation projects, where our principal focus is on projects that monetize our equity natural gas and/or reduce Group power costs and reduce overall emissions.

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Marketing and Trading Activities

Our gas marketing and trading activities are concentrated in the markets of North America and the United Kingdom. Gas sales volumes have increased from 18.8 bcf/d in 2001 to 21.6 bcf/d in 2002. Most of this growth was realized in the USA and Canada. Canada volumes are reported in the Rest of World volumes.

Gas sales volumes (a)	Years ended December 31	
	2002	2001
	(million cubic feet per d)	
UK.....	2,372	2,641
Rest of Europe.....	399	213
USA.....	9,315	8,327
Rest of World.....	9,535	7,613
Total.....	21,621	18,794

(a) Includes marketing, trading and supply sales.

Our policy toward natural gas price risk is described in Item 11 -- Quantitative and Qualitative Disclosures about Market Risk.

North America

BP is one of the leading marketers and traders of natural gas in North America, the world's largest natural gas market, a business which has been built on the foundation of our position as the continent's leading producer of gas. Our North American total natural gas sales volumes have grown from 9.7 bcf/d in 2000 to 13.4 bcf/d in 2001 and to 16.1 bcf/d in 2002. Of these sales volumes, 3.6 bcf/d was supplied from BP upstream producing operations in 2000, increasing

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to 4.1 bcf/d in 2001 and 4.0 bcf/d in 2002.

Our North American natural gas marketing and trading strategy seeks to provide unconstrained market access for BP's equity gas, increase gross margin through targeting higher value customer segments and optimizing around our network of connected assets to reduce cost of goods sold. These assets could include those owned by BP and those contractually accessed through agreements with third parties.

United Kingdom

The natural gas market in the UK is significant in size and is one of the most progressive in terms of deregulation when compared with other European markets. BP is one of the largest producers of natural gas in the UK. Our total natural gas sales volumes in the UK were 2.4 bcf/d in 2002, 2.6 bcf/d in 2001 and 2.5 bcf/d in 2000. Of these volumes 1.6 bcf/d (2001 1.7 bcf/d and 2000 1.7 bcf/d) were supplied from BP's upstream producing operations. Some of the natural gas is sold under long-term natural gas supply contracts to customers such as Centrica, the largest distributor of gas in the UK. However, the majority of natural gas sales are to commercial and industrial customers, power generation companies and via long-term supply deals with other gas wholesalers. We also sell physical natural gas on the UK spot market.

We have a 10% interest in the Interconnector, a 1.9-bcf/d, 240-kilometre, 40-inch diameter sub-sea natural gas pipeline between Bacton in the UK and Zeebrugge in Belgium, which effectively links the natural gas markets of the UK and continental Europe.

In June 2002 we sold our contract energy management business to Elyo.

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Rest of Europe

We are building a natural gas and power marketing and trading business in Europe. Our interest in the European market is driven by the size and growth potential of the market, deregulation and the proximity of BP natural gas supplies.

In Europe our main marketing activities are in Spain. The Spanish natural gas market has continued to grow and has liberalized at a faster rate than required by European law, with full market opening effective as from January 2003. Over the last two and a half years in Spain we have continued to build our position as the leading new entrant, maintaining our position as number two behind the incumbent Gas Natural. In July 2002 we purchased 5% of the shares in Enagas, the owner and operator of the majority of the Spanish grid and Spain's three existing regas terminals.

Natural Gas Liquids

	Years ended December 31,		
NGL sales volumes	2002	2001	2000
	(thousand barrels per day)		
UK.....	--	--	--
Rest of Europe.....	--	--	--
USA.....	208	221	154
Rest of World.....	202	189	195

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Total.....	----- 410 =====	----- 410 =====	----- 349 =====
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BP is one of the largest marketers of NGLs in North America and considers NGLs as an integral part of the overall natural gas value chain. A significant portion of BP's NGLs are marketed on a wholesale basis under annual supply contracts that provide for price redetermination based on prevailing market prices.

NGLs are also supplied to our chemical and refining activities. We operate natural gas processing facilities across North America with a total capacity of 8.3 bcf/d. We own or have an interest in fractionation plants in Canada and the United States.

New Market Development and LNG

Our new market development and LNG activities are focused on developing worldwide opportunities to capture international natural gas sales for our upstream natural gas resources.

BP's major existing LNG supplies are from Trinidad and Tobago, ADGAS in Abu Dhabi and the North West Shelf in Australia. We also supply gas (from VICO) to the Bontang LNG project in Indonesia. Additional LNG supplies and gas monetization are being pursued through expansions of existing LNG plants in Trinidad and Tobago, the North West Shelf in Australia, and greenfield developments such as Tangguh in Indonesia.

In Trinidad, a second LNG train commenced operations in August 2002, with initial deliveries to Lake Charles, Louisiana. A third train is scheduled to start-up in 2003. In the Spanish market, construction continued on the integrated LNG regasification and power generation facility at Bilbao (BP 25%), which should start-up in 2003. BP has secured 250 mmcf/d regasification capacity in Cove Point, Maryland that should commence operations in 2003. We plan to deliver LNG from Trinidad to the Cove Point regasification facility upon start-up. Short-term contracts for LNG supply were signed with ADGAS and Qatar in October 2002. These LNG supplies will allow us to further optimize our Atlantic LNG marketing business.

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In the rapidly growing South China market, BP continued to develop a leading gas supply position. Development of the Guangdong LNG Terminal and Trunkline project (BP 30%) continued and bids were solicited for gas supply totalling 3.3 million tonnes per annum of LNG. The Australia North West Shelf consortium (BP 16.7%) was selected as the winner of this initial sales contract, which was signed in October, 2002 and is due to commence delivery in 2006.

The Chinese government announced plans for a second LNG terminal, in Fujian province, and an agreement was signed in September 2002 to supply 2.6 million tonnes per annum to the terminal from Indonesia's Tangguh natural gas project (BP 37.2% from January 1, 2003).

In November 2002, BP took delivery of the first of three new leased LNG ships from Samsung Heavy Industries in Korea. Two more LNG ships should be delivered during 2003. These ships will be employed in the Asia-Pacific and Atlantic trades, delivering from LNG suppliers to market positions established by BP and others.

Solar and Renewables

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Global market trends demonstrate a move towards greener energy sources, including solar and wind. BP intends to shape and develop this market from a base as one of the world's leading solar companies. In November 2002 BP announced it would concentrate on its key markets supported by growth in worldwide manufacturing of its crystalline-based products, and would cease manufacturing its thin film solar modules.

Our solar energy business in 2002 grew in excess of 20% as sales reached a total of 67 megawatts (MW) of solar panels generating capacity (2001, 55 MW). To expand the market for solar, we initiated plans to extend the brand directly into residential and consumer markets with a launch in January 2003 in California.

Major projects in 2002 included the completion of a \$10 million project to power 1,852 schools in remote areas of Brazil and a \$3 million project to power telecommunication systems in remote areas of Peru, benefiting 3 million people. BP and partners have also been selected to supply an on-grid, solar power system to China's Shenzhen Citizen Center, a new building providing municipal facilities.

We are building expertise in wind energy and implementing wind projects on selected BP sites. In 2002 we announced the start-up of our 22.5 megawatt wind farm at the Nerefco oil refinery in the Netherlands, which provides electricity to the refinery and the local grid. The refinery and the wind farm are jointly owned with ChevronTexaco (BP 69%).

Other Activities

We participate in power projects that support the marketing and sale of our natural gas and in cogeneration projects on certain BP refining and chemical manufacturing sites. We currently have two major power generation construction projects underway: the LNG regasification and power generation facility at Bilbao (BP 25%) and a 570 MW cogeneration plant as part of a 50:50 joint venture with Cinergy Solutions, Inc. at Texas City, Texas, which is BP's largest refining and petrochemical complex. BP will supply natural gas to the Texas City plant and will use the excess generation capacity to support power marketing and trading activities.

During the year our 400 MW gas-fired power plant at Great Yarmouth in the UK completed its performance and grid connection tests. We are operating the plant and selling electric power, with BP providing the natural gas to the plant.

In alternative fuels, we are exploring market opportunities for hydrogen fuel cells through participation in various industry projects and organisations promoting fuel cells for transport and stationary power.

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REFINING AND MARKETING

Our Refining and Marketing business is responsible for the supply and trading, refining, marketing and transportation of crude oil and petroleum products to wholesale and retail customers. BP markets our products in over 100 countries. We operate primarily in Europe and North America, but also market our products across Australasia and in parts of South East Asia, Africa and Central and South America.

Years ended Dec

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	2002	2001
		(\$ milli
Turnover (a).....	125,836	120,233
Total replacement cost operating profit.....	872	3,573
Total assets.....	55,815	43,553
Capital expenditure and acquisitions.....	7,753	2,415
		(\$ per bar
Global Indicator Refining Margin (b).....	2.11	4.06

- (a) Excludes BP's share of joint venture turnover of \$415 million in 2002, \$403 million in 2001 and \$13,112 million in 2000.
- (b) The Global Indicator Refining Margin is the average of seven regional indicator margins weighted for BP's crude refining capacity in each region. Each regional indicator margin is based on a single representative crude with product yields characteristic of the typical level of upgrading complexity.

There are four areas of business in Refining and Marketing: Refining, Retail, Lubricants and Business to Business Marketing. Our strategy is to grow through focused investment in key assets and market positions. In all areas we aim for greater operational efficiency and, at the same time, we seek to improve our asset portfolio. The acquisition of Veba's marketing and refining operations provides an important addition of high quality assets to our operations.

Refining and Marketing manages a portfolio of assets that we believe are competitively advantaged across the chain of downstream activities. Such advantage may derive from several factors, including location, operating cost and physical asset quality.

We are one of the leading refiners of gasoline and hydrocarbon products in the USA, Europe and Australia. We have significant retail and business to business market positions in the USA, UK, Germany and the rest of Europe, Australasia, Africa and South East Asia and we are enhancing our presence in China and Mexico.

BP acquired Veba's retail and refining assets in Germany and Central Europe in 2002. The Veba acquisition makes BP the retail market leader in Germany and Austria, and substantially strengthens BP's position in Poland and in several other Central European countries. Veba's retail stations are branded Aral and BP is in the process of rebranding its BP branded stations in Germany to the Aral brand. Veba has interests in five refineries in Germany. As a condition of the approval of the acquisition of Veba, BP was, amongst other things, required to divest approximately 4% of its retail market share in Germany and a significant portion of its Bayernoil refining interests. The \$146 million sale of 494 retail sites in the northern and northeastern part of Germany to PKN Orlen, announced in December 2002 and the \$394 million sale of retail and refinery assets in Germany and Central Europe to OMV announced in February 2003 will complete the divestments required.

BP continues to optimize its Downstream portfolio through selective

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dispositions. In 2002 BP divested its Yorktown, Virginia refinery, BP's equity interest in the Colonial Pipeline, BP's Cyprus and Oman retail assets and various small retail assets throughout the USA and Europe.

The number of employees at December 31, 2002 was 73,350, an increase of approximately 8,750 from year-end 2001.

Refining

The Company's global refining strategy is to own interests in and to operate advantaged refineries that provide supplies for its marketing operations and/or are integrated with other parts of the Group's business. Refining's focus remains continuing safe, reliable, and efficient operations of the refining system and income growth.

For BP, advantaged refinery characteristics relate to the refinery's position in relation to the market, the refinery's ability to support our clean fuels strategy, and the value created through the integration with other parts of the Group's business. Efficient operations are measured primarily using regional refining surveys. The surveys assess our competitive position against benchmarked industry measures such as costs per barrel. Investment in our refineries is focused on maintaining our competitive position and developing the capability to produce the cleaner fuels and the enhanced quality products that meet our customers and the communities' requirements.

In line with the Company's global refining strategy, we completed the sale of the Yorktown, Virginia refinery to Giant Industries, Inc. on May 13, 2002. We have also announced our intention to sell our 33% equity interest in the Singapore Refining Company (SRC). In February 2003 we announced the divestment of a 45% interest in our Bayernoil refinery, as required in connection with the acquisition of Veba.

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The following table summarizes the BP Group interests and crude distillation capacities (at December 31, 2002):

	Refinery -----	Group interest (b) %	Crude d capac Total -----
UK	Coryton*	100.00	172
	Grangemouth*	100.00	205
Total UK			377
Rest of Europe			
France	Lavera*	100.00	218
	Reichstett	17.00	84
Germany	Bayernoil*	67.50	267
	Gelsenkirchen*	50.00	266
	Karlsruhe	12.00	308
	Lingen*	100.00	87
	Neuhof**	100.00	--
	Schwedt	18.75	221

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Netherlands	Nerefco*	69.00	400
Spain	Castellon*	100.00	110
Turkey	Mersin*	68.00	100

Total Rest of Europe			2,061

USA			
California	Carson*	100.00	260
Washington	Cherry Point*	100.00	232
Indiana	Whiting*	100.00	420
Ohio	Toledo*	100.00	155
Texas	Texas City*	100.00	470

Total USA			1,537

Rest of World			
Australia	Bulwer*	100.00	90
	Kwinana*	100.00	139
New Zealand	Whangerei	23.66	109
Singapore	SRC*	33.00	288
Kenya	Mombasa	17.00	90
South Africa	Durban	50.00	182

Total Rest of World			898

Total			4,873
			=====

* Indicates refineries operated by BP.

+ Indicates lubricants refinery which does not have crude distillation capacity.

(a) Gross rated capacity is defined as the maximum achievable utilization of capacity (24-hour assessment) based on standard feed.

(b) BP share of equity, which is not necessarily the same as BP share of processing entitlements.

(c) These are shown as BP share of capacities.

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The following table outlines by region the volume of crude oil and feedstock processed by BP for its own account and for third parties, and for the Group by other refiners under processing agreements. Corresponding BP refinery capacity utilization data are summarized.

	Years ended Decem	
	2002	2001
	-----	-----
Refinery throughputs (a)		
		(thousand barrel
UK (b)	389	364

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Rest of Europe (b).....	918	663
USA.....	1,439	1,526
Rest of World.....	357	376
	-----	-----
	3,103	2,929
For BP by others.....	14	14
	-----	-----
Total.....	3,117	2,943
	=====	=====
Refinery capacity utilization		
Crude distillation capacity at December 31, (b) (c).....	3,534	3,259
Crude distillation capacity utilization (d).....	91%	94%
United States.....	93%	95%
Europe.....	91%	94%
Rest of World.....	85%	93%

- (a) Refinery throughput reflects crude and other feedstock volumes.
- (b) Includes the BP share of the BP/Mobil joint venture until August 1, 2000.
- (c) Gross rated capacity is defined as the maximum achievable utilization of capacity (24 hour assessment) based on standard feed.
- (d) Crude distillation capacity utilization is defined as the percentage utilization of capacity per calendar day over the year after making allowances for average annual shutdowns at BP refineries (i.e. net rated capacity).

BP's 2002 refinery throughput increased in the rest of Europe compared with 2001, primarily due to the Veba acquisition. The decrease in the USA over the same period is mainly due to the sale of the Yorktown, Virginia refinery.

Marketing

Marketing comprises three business areas: Retail, Lubricants and Business to Business Marketing. We market a comprehensive range of refined oil products worldwide. These products include gasoline, gasoil, marine and aviation fuels, heating fuels, LPG, lubricants and bitumen.

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The following table sets out refined product sales by area. A significant increase in sales was achieved in 2002 as a result of the Veba acquisition.

	Years ended Dec	
	2002	2001

	(thousand barrel	
Sales of refined products (a)		
Marketing sales:		
UK (b) (c).....	253	266
Rest of Europe (b).....	1,467	1,062
USA.....	1,874	1,866

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Rest of World.....	586	603
	-----	-----
Total marketing sales (d).....	4,180	3,797
Trading/supply sales (d).....	2,383	2,409
	-----	-----
Total refined products.....	6,563	6,206
	=====	=====
Proceeds from sale of refined products (b).....	87,520	82,241

(\$ milli
82,241

- (a) Excludes sales to other BP businesses.
- (b) Includes the BP share of the BP/Mobil European joint venture until August 1, 2000.
- (c) UK area includes the UK-based international activities of Refining and Marketing.
- (d) Marketing sales are sales to service stations, end-consumers, bulk buyers, jobbers and small resellers. Trading/supply sales are to large unbranded resellers and other oil companies.

The following table sets out marketing sales by major product group:

Marketing sales by product	Years ended Dec	
	2002	2001
	-----	-----
	(thousand barrel)	
Aviation fuel.....	529	515
Gasolines.....	1,744	1,659
Middle distillates.....	1,232	1,077
Fuel oil.....	451	351
Other products.....	224	195
	-----	-----
Total marketing sales	4,180	3,797
	=====	=====

In marketing our aim is to grow gross margin by focusing on both volumes and unit gross margin. We do this by growing our customer base, both in existing and new markets, by attracting new customers and by covering a wider geographic area. We also work to improve the efficiency of our operations through reducing the cost of goods sold and improving our product mix. In addition, we recognize that our customers are demanding a wider choice of fuels, particularly fuels that are cleaner and more efficient. Through our integrated refining and marketing operations we believe we are able to meet these customer needs.

During 2002 we continued implementation of our clean fuels initiative and became the largest retailer in California to eliminate MTBE in all the gasolines we sell.

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In retail, we differentiate between two distinct segments: a fuels segment in which we supply fuel to retail customers through dealers and jobbers, and a convenience segment, incorporating an integrated fuel and convenience store offering, the operation of which will either be directly managed or franchised. The strategic focus in this segment is to underpin or expand gross margin through selective investment in fast growing convenience and emerging markets and by driving efficiency in mature fuels markets. In order to achieve above market growth, we plan to concentrate our investment primarily in additional store space on existing real estate in our core metropolitan convenience markets. During 2002, our retail sales grew 7% in stores we also operated in 2001, a similar rate to the previous year. Retail fuel volumes grew by 10%, including the effect of the Veba acquisition.

	Years ended Dec	
	2002	2001
Shop sales (a)		
		(\$ milli
UK.....	527	458
Rest of Europe.....	2,638	904
USA.....	1,585	1,510
Rest of World.....	421	362
Total.....	5,171	3,234
	=====	=====
Direct-- managed.....	1,869	1,650
Franchise.....	3,216	1,504
Shop alliances.....	86	80
Total.....	5,171	3,234
	=====	=====

(a) Shop sales reported are sales through direct-managed stations, franchises and the BP share of shop alliances and joint ventures. Sales figures exclude sales taxes and lottery sales but include quick service restaurant sales. The sales include the BP share of the relevant sales within the BP/Mobil European joint venture until August 1, 2000.

Our retail network is concentrated in Europe and the USA, with established operations in Australasia, South East Asia and Southern Africa as well. We are developing networks in China, Mexico and Russia.

In 2002, we added approximately 3,200 service stations in Germany and Central Europe as a result of the Veba acquisition to increase BP's worldwide network to approximately 29,200 stations, most of them BP, Amoco, ARCO and Aral branded. BP expects its total number of service stations to decline in future years reflecting the continued optimization of the efficiency of our retail network and the mandated divestments required for approval of the Veba acquisition. The mandated divestments, which have been announced in December 2002 and February 2003, will result in the sale of about 800 retail sites in Germany and Central Europe.

In 2002, we continued our rollout of BP Connect sites primarily in the UK and USA as part of our retail strategy that builds on our advantaged locations, strong market positions and brand. The BP Connect sites offer our customers cleaner fuels, a wider range of services and a distinctive food offer. The new BP Connects include new sites, razed and rebuilt sites, and extensive upgrading

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and remodelling of some existing stations. At December 31, 2002 486 BP Connect stations were open. In addition the number of stations with the new BP Helios design increased by about 5,500 during 2002.

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We also continue to improve the efficiency of our retail asset network through a process of regular review. Actions taken during 2002 have included divesting sites and networks. Alongside this activity, we have continued to upgrade existing sites and invest in new sites, principally in markets where we believe there is growing demand for our full convenience offer.

At December 31, 2002, BP's retail network in the USA comprised approximately 14,900 service stations of which approximately 10,500 were jobber owned. Developments in the USA during 2002 included the strategic divestment of 349 service stations to concentrate our ownership of real estate in markets designated for development of the convenience offer. In the USA, we opened 80 BP Connect sites and increased the number of stations with the new BP Helios design by approximately 2,100.

In the UK and the Rest of Europe, BP's network comprised about 10,500 service stations at December 31, 2002. In 2002 we opened 57 BP Connect sites in Europe with the majority being in the metropolitan London area. The number of stations throughout Europe which use the new BP Helios design grew by about 3,200. The Veba acquisition has significantly strengthened our retail position in Germany and Central Europe making BP the market leader in Germany and Austria by adding over 2,800 stations in Germany and 155 stations in Austria. In Central Europe, the Veba deal has added over 130 stations in the Czech Republic, Slovakia and Hungary. The combination of the BP and Veba network in Poland makes BP the largest foreign oil company in Poland with over 275 stations. In Russia, we continued to expand our retail network by adding 5 stations in 2002. Our 39 stations in the Moscow metropolitan area are expected to be part of TNK-BP, our Russian joint venture. In 2002 we sold our network of 70 service stations and several other assets in Cyprus to Hellenic Petroleum.

At December 31, 2002 BP's retail network in the rest of the world comprised some 3,800 service stations. Our established networks are primarily in Australia, New Zealand, Southern Africa and South East Asia. BP is growing in China through two strategic alliances. BP's joint venture with PetroChina in Guangdong Province in the coastal region of China had 320 stations at December 31, 2002. BP has agreed in principle with Sinopec to form a second alliance through a joint venture to acquire, revamp or build 500 fuels service stations in the Zhejiang Province, East China. The dual-branded service stations will sell gasoline produced by Sinopec and sell other petroleum products supplied by each partner. The Sinopec joint venture is expected to start development of sites in 2003. In addition, BP has 112 stations in Venezuela and 29 retail stations in Mexico.

In March 2002, BP completed the sale of its 21 service stations in Japan to Japan Energy. BP's exit from retail marketing in Japan is not expected to have any impact on its other business activities there. In December 2002, BP sold its 49% stake in BP Oman SAOG to the state-owned Oman Oil Co. Ltd. This resulted in the disposal of 74 retail service stations and some aviation and other business to business activities. BP will continue to have a strong presence in Oman through its downstream aviation, lubricants and marine businesses and other activities. In Malaysia, BP sold 16 service stations and a small business to business activity to Petronas; the transaction was completed in December 2002.

Lubricants

We manufacture and market lubricant products and also supply related products and services to business customers and end-consumers in over 60

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countries directly, and to the rest of the world through local distributors. Our business is concentrated on the higher margin sectors of automotive lubricants, especially in the consumer sector, but also has a strong presence in business markets such as commercial vehicle fleets, marine and specialized industrial segments.

We aim to achieve growth by further focusing our resources and capabilities on selected market spaces. Relentless customer focus, distinctive brands and superior technology remain the cornerstone of our long-term strategy.

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BP markets through its two major brands, Castrol and BP, and several secondary brands including Duckhams and Veedol. The Veba acquisition strengthened our lubricants position in Germany and in Central Europe with the addition of the Aral brand to the BP Lubricants portfolio.

Our lubricants business is organized around the automotive segment as follows:

Consumer markets: We supply lubricants, other products and related business services to intermediate customers (for example retailers, workshops) who in turn serve end-consumers (car, motorcycle, leisure craft owners) in the mature markets of Western Europe and North America and also in the fast growing markets of the developing world (e.g. Russia, China, India, Middle East, South America and Africa). The Castrol brand is recognized worldwide and we believe it provides us with a significant competitive advantage.

Commercial vehicle and general industrial markets: We supply lubricants and lubricant-related services to the transportation industry and to automotive manufacturers.

Business to Business Marketing

Our Business to Business Marketing encompasses marketing a comprehensive range of products to other businesses. This business aims to build relationships with customers that not only purchase a wide variety of products in large quantities but also additional services. Logistics plays a crucial role in this business. We aim to attract more customers through innovation in multi-product offers and cleaner fuels, packaged with a range of value-added services and solutions.

Our aviation business sells fuels and lubricants to airlines and general aviation customers as well as providing technical services to airlines and airports. During the last few years, our aviation business has strengthened its position in established markets and pursued opportunities in new or emerging markets. The business now markets in approximately 95 countries and is the third largest jet fuel supplier globally.

Our LPG businesses sell bulk, bottled, automotive and wholesale products to a wide range of customers in over 20 countries. During the past few years, our LPG business has strengthened its position in established markets, pursued opportunities in new and emerging markets and rationalized its operations. During 2002, we successfully commissioned China's largest underground Cavern complex for the storage of LPG.

In our marine business we supply lubricants and fuels, on a global basis, to major shipping companies as well as to small fishing vessel operators. We are the leading global participant in the marine lubricants market and operate a network of offices and supply points in more than 900 ports across 90 countries.

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In our specialized industrial segment we supply metalworking fluids and lubricants alongside a range of business services, such as fluid management, to the metal component manufacturing sector. We also have a significant high performance industrial lubricants business in some key markets.

Supply and Trading

We are one of the world's major traders of crude oil and refined products, dealing extensively in physical and futures markets. Our portfolio of purchases and sales is spread among spot, term, exchange and other arrangements, and covers a range of sources and customers to match the location and quality requirements of the Group's refineries and the various markets, while seeking to ensure flexibility and cost-competitiveness. In addition, the Group's oil-trading function undertakes trading in physical and paper markets in order to contribute to the Group's income.

Refer to Item 11 -- Quantitative and Qualitative Disclosures About Market Risk for further information.

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Transportation

Our Refining and Marketing business owns, operates or has an interest in extensive transportation facilities for crude oil, refined products and petrochemical feedstock in the USA. It also has interests in a number of crude oil and product pipelines in the UK and the Rest of Europe.

We transport crude oil to our refineries principally by ship and through pipelines from our import terminals. We have interests in seven major crude oil pipelines in the UK and the Rest of Europe and fifteen in the USA.

Bulk products are transported between refineries and storage terminals by pipeline, ship, barge, and rail. Onward delivery to customers is primarily by road. We have interests in nine major product pipelines in the UK and the Rest of Europe and five in the USA.

BP sold its 17.97% interest in the Colonial Pipeline to Koch Industries in November 2002, and took over operatorship of the Chicap Crude pipeline in September 2002. The Company still maintains its share of 29.2% in the Chicap.

Shipping

BP Shipping owns or operates an international fleet of crude oil and product tankers and LNG carriers transporting cargoes for the Group and for third parties. It also offers a wide range of marine-related services to Group and third party customers.

Excluding BP companies in the USA, at December 31, 2002 the Group controlled or operated an international fleet of 17 oil tankers and 6 LNG ships with total capacity of approximately 2.7 million deadweight tonnes (dwt). The Group had four very large crude carriers, five medium sized crude carriers, seven product carriers, and one North Sea shuttle tanker. It also operated one LNG carrier to trade globally, four LNG carriers for Abu Dhabi contracted gas, and one LNG carrier for the Western Australia North West Shelf (NWS) project. BP holds an interest in six NWS gas carriers of which this is one.

BP Companies in the USA had seven large crude carriers, four medium crude carriers, and six product carriers totalling approximately 1.54 million dwt on long-term charter. BP owns four barges totalling 0.01 million dwt.

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BP is in the middle of a new building programme which saw four ships delivered into service in 2002.

In addition Group companies around the world charter a large number of vessels.

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CHEMICALS

Our petrochemicals business is a major producer of chemicals through subsidiaries, joint ventures and associated undertakings. BP has operations principally in the USA and Europe. We are increasing our activities in the Asia-Pacific region. The petrochemicals segment is also responsible for the supply, marketing and distribution of chemical products to bulk, wholesale and retail customers.

	Years ended Decem	
	2002	2001
	(\$ million)	
Turnover (a).....	13,064	11,515
Total replacement cost operating profit	515	128
Total assets.....	16,595	15,098
Capital expenditure and acquisitions.....	823	1,926
		(\$/tonne)
Chemicals Indicator Margin (b).....	102 (c)	109

- (a) Excludes BP's share of joint venture turnover of \$511 million in 2002, \$102 million in 2001, and \$67 million in 2000.
- (b) The Chemicals Indicator Margin (CIM) is a weighted average of externally based product margins. It is based on market data collected by Nexant (formerly Chem Systems) in their quarterly market analyses, then weighted based on BP's product portfolio. While it does not cover our entire portfolio, it includes a broad range of products. Among the products and businesses covered in the CIM are the olefins and derivatives, the aromatics and derivatives, linear alpha-olefins (LAOs), acetic acid, vinyl acetate monomers and nitriles. Not included are fabrics and fibres, plastic fabrications, poly alpha-olefins (PAOs), anhydrides, engineering polymers and carbon fibres, speciality intermediates, and the remaining parts of the solvents and acetyls businesses.
- (c) Provisional. The data for the current year is based on eleven months of actual data and one month of provisional data.

2002 was the first full year of operations following the acquisition of the 50% of Erdoelchemie we did not already own, and the Solvay transaction, which resulted in the transfer of Solvay's US and European polypropylene businesses to BP, the transfer of BP's engineering polymers business to Solvay, and the combination of the two companies' European and US high-density polyethylene businesses. Erdoelchemie has been renamed BP Koeln. In 2002, we acquired the chemicals interests of Veba. We also continued to high grade our portfolio,

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expand our existing capacity by debottlenecking or with new plant additions and reduce our cost base. Since 2001, these efforts have grown capacity by 7% and increased our efficiency by reducing cash fixed costs per tonne of capacity by 6%.

BP is now the world's third largest petrochemicals company in terms of capacity, and manufactures and markets more than 26 million tonnes of products each year.

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The following table shows BP production capacity (kilotonnes per annum (ktepa)) by product and by region at December 31, 2002.

Capacity by Region (a)	UK -----	Rest of Europe -----	USA -----	Rest of World -----
PTA.....	--	1,180	2,481	2,246
PX.....	--	583	2,320	--
Ethylene and related co-products.....	1,575	4,247	2,267	64
Polypropylene.....	270	1,052	1,276	--
HDPE.....	165	617	412	530
Acrylonitrile/Acetonitrile.....	--	300	677	--
Acetic acid.....	781	--	491	875
Other.....	1,843	5,365	2,154	342
	-----	-----	-----	-----
Total	4,634	13,344	12,078	4,057
	=====	=====	=====	=====

(a) Includes BP share of joint ventures, associated undertakings and other interests in production.

Approximately 2,100 ktepa of our production capacity increase from 2001 resulted from our acquisition of Veba.

During the year, we completely reviewed our strategy and are now focusing on seven core products. The outcome of the review is to pursue a strategy aimed at providing industry-leading performance in all aspects of our activities. The mechanisms for achieving this objective are:

Differentiation -- creating a material and differentiated portfolio, which, by matching our products and services with customer needs, and through selective integration, creates distinctive performance in our chosen areas of various value chains.

Focus -- growing seven core products where our emphasis is on developing and retaining advantaged positions. In addition we have a number of closely associated products.

Capability -- further developing our functional capabilities in innovative proprietary technology, world-class manufacturing, market excellence and commercial optimization.

The seven core products within our portfolio are:

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Purified Terephthalic Acid (PTA)

PTA is important as a raw material for the manufacture of polyester used in textiles, fibres and films. BP is the world's largest producer of PTA, with an interest in approximately 20% of the world's PTA capacity. PTA is manufactured at Cooper River, South Carolina and Decatur, Alabama, in the USA, Geel in Belgium, and Kuantan in Malaysia. We also produce PTA through Samsung Petrochemical Company (SPC) in Korea (BP 35%), China American Petrochemical Company (CAPCO) in Taiwan (BP 50%), PT Ami in Indonesia (BP 50%) and Rhodiaco in Brazil (BP 49%). The sites in Taiwan, Korea, Belgium and the USA are among the largest PTA production sites in the world.

Major Activities

- During 2001, construction began on a new PTA plant in Taiwan. The plant, to be operated by our CAPCO joint venture, will add 700 ktepa capacity and is expected to commence operation during 2003.
- Construction on the Zhuhai (BP 85%) plant was completed in early 2003 and operation has commenced. This plant will add 350 ktepa capacity.

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- BP further refined its options for the site of the next European PTA investment. This is intended to be a world-scale development located in Northwestern Europe which will take into account integration with customers and feedstock.
- BP, in collaboration with several industry partners, has developed a polyethylene terephthalate (PET) beer bottle. We believe this to be technically best in class and cost competitive with glass. Market evaluation and roll out occurred during 2002. The aim is to establish PET as a competitive third packaging material in the global beer market, potentially developing new markets for BP's polyester intermediate product lines.

Paraxylene (PX)

PX is feedstock for the production of PTA and is manufactured from mixed xylene streams acquired from BP refineries and third party producers. We are currently the global leader in PX. Our plants are located in Decatur, Alabama and Texas City, Texas in the USA and Geel in Belgium. Joint efforts with Refining and Marketing continue to maximize sourcing of xylenes feedstock from BP refineries.

Ethylene (and related co-products)

We produce and market the basic petrochemical building blocks, known as olefins, that are used primarily as raw material for other chemical products. These olefins are derived from the steam cracking of liquid and gaseous hydrocarbons.

The olefins -- ethylene, propylene and butadiene -- are produced by crackers at Grangemouth, UK; Lavera, France (Naphtachimie - BP 50%); Koeln, Germany and Chocolate Bayou, Texas in the USA. Olefins are also manufactured by Ethylene Malaysia Sdn. Bhd. (BP 15%) at Kertih, Malaysia. The Veba share of production in the crackers at Gelsenkirchen and Munchmunster in Germany was added during 2002 through acquisition. Crackers produce the raw materials for the production of derivative products including polyethylene, polypropylene, acrylonitrile, styrene, ethanol and ethylene oxide, which are also produced at various BP plants.

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Major Activities

- In February 2002 and June 2002, BP acquired first a majority stake and then complete ownership of Veba, based in Germany. Veba's petrochemicals business, based at Gelsenkirchen and Munchmunster in Germany, with Veba's share of ethylene capacity of 810 ktepa, will help meet BP's future chemical feedstock needs in the region.
- BP successfully completed and commissioned a 200-ktepa cracker expansion at Koeln.
- In December 2001 BP, Sinopec and Shanghai Petrochemicals Company announced the formation of SECCO (BP 50%), which plans to build a \$2.7-billion petrochemicals complex near Shanghai. The integrated complex will be centred around a 900-ktepa naphtha cracker producing a range of olefins and related derivatives. In January 2002 we announced a loan facility in the amount of \$1.8 billion with nine UK and two international banks to provide financing for the project. Construction began in late 2002, and the first contracts were awarded in 2003. Operation is expected to begin in 2005.
- In the USA, we announced our intention to increase ethylene capacity at Chocolate Bayou, Texas by 295 ktepa.

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Polypropylene

Polypropylene is used for moulded products, fibres and films. We are the second largest producer of polypropylene in the world, with manufacturing facilities at Chocolate Bayou and Deer Park, Texas and Carson City, California in the USA; Lillo and Geel, Belgium and Sarralbe, France.

Major Activities

- In 2002 we elected to rationalize our polypropylene activities in the USA, closing the Cedar Bayou operation and shutting a unit at Chocolate Bayou.
- Late in 2002 we increased our interest in the Carson, California polypropylene unit from 85% to 100%.
- The complex near Shanghai, planned by SECCO (BP 50%), is expected to add 250 ktepa of polypropylene when completed in 2005.

High Density Polyethylene (HDPE)

Polyethylene is used for packaging, pipes and containers. BP Solvay Polyethylene Europe (BP 50%) has HDPE plants at Grangemouth, UK; Lillo, Belgium; Sarralbe and Lavera, France; and Rosignano, Italy. In addition BP Solvay Polyethylene North America (BP 49%) has a HDPE plant at Deer Park, Texas. We also produce HDPE through Polyethylene Malaysia Sdn. Bhd. (BP 60%) at Kertih, Malaysia.

Major Activities

- We announced the intended closure of our smaller 118-ktepa HDPE plant at Deer Park, Texas in light of the opening of a new more efficient 600-ktepa, world scale HDPE plant (BP 25%) in Houston, Texas.
- In light of continuing difficult market conditions in Asia we decided to exit the mothballed Bataan Polyethylene Company plant (BP 39%) in

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the Philippines, and commence the sale of our share in PT Peni (BP 75%) at Merak, Indonesia.

- The complex near Shanghai, planned by SECCO (BP 50%), is expected to add 600 ktepa of HDPE/linear-low density polyethylene (LLDPE) when completed in 2005.

Acrylonitrile

BP is the world's largest producer and marketer of acrylonitrile, which is used in textiles and plastics for the automobile and consumer goods industries. We operate two acrylonitrile plants at Green Lake, Texas and Lima, Ohio in the USA. Green Lake, with a capacity of 450 ktepa, is the largest acrylonitrile production site in the world. Acrylonitrile is also produced at Koeln, Germany and through a capacity rights agreement with Sterling Chemicals at Texas City, Texas in the USA. Additionally, BP is the world's largest producer and marketer of the co-product, acetonitrile, primarily sold for pharmaceutical applications.

Major Activities

- The planned SECCO complex near Shanghai (BP 50%) is intended to produce 260 ktepa of acrylonitrile when complete in 2005.

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Acetic Acid

We are a major manufacturer and supplier of acetic acid, a versatile chemical used in a variety of products such as foodstuffs, textiles, paints, dyes and pharmaceuticals. Acetic acid is also used in the production of PTA. BP has acetic acid operations in Europe, the USA, in Korea through Samsung - BP Chemicals (BP 51%), in China through Yangtze River Acetyls Company (BP 51%) and in Malaysia through BP Petronas Acetyls Sdn. Bhd. (BP 70%).

Major Activities

- We established a new joint venture with Formosa Chemicals and Fibre Corporation (BP 50%), with a view to building a 300-ktepa acetic acid plant in Taiwan around 2005.

Other Products

In addition to the seven core products, we are involved in a number of other closely related products. These include LLDPE and low density polyethylene (LDPE), used in a wide range of applications including packaging, as is styrene, ethylene oxide and ethanol, all used in solvents, coatings, and the automotive industry, LAOs, used as a plasticiser; PAOs, used in both synthetic lubricants and surfactants, purified isophthalic acid (PIA), used for isopolyester resins and gel coats; naphthalene dicarboxylate (NDC), used for photographic film and specialized packaging; polybutene, used in lubricants and fuel additives; trimellitic anhydride (TMA), used by the automotive and consumer goods industries; butanediol (BDO), used in synthetic materials and engineering plastics; maleic anhydride (MAN), used in a wide range of plastics and resins; ethyl acetate, and vinyl acetate monomer (VAM), used in coatings and textile applications.

BP operates LLDPE plants at Grangemouth in the UK and Koeln in Germany. Koeln also produces LDPE.

We operate styrene monomer plants at Texas City, Texas in the USA and Marl in Germany. Polystyrene plants are operated at Marl in Germany, Wingles in France and Trelleborg in Sweden. Expanded polystyrene plants are operated at

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Wingles and Marl.

PIA is produced at Joliet, Illinois in the USA; Geel, Belgium; and by the AG International Chemicals Company joint venture (BP 50%) with Mitsubishi Gas Chemical Company in Japan. NDC is produced at our plant in Decatur, Alabama in the USA.

BP manufactures polybutene at Whiting, Indiana in the USA and at Lavera, France. A plant at Texas City, Texas ceased production in 2002.

LAOs are produced at our facilities in Pasadena, Texas in the USA; Joffre, Canada and Feluy, Belgium. We manufacture PAOs at our facilities in Deer Park, Texas in the USA and Feluy, Belgium.

We produce TMA and MAN at Joliet, Illinois in the USA. We manufacture BDO using our proprietary technology in a world-scale plant at Lima, Ohio in the USA.

In Korea, the Asian Acetyls Company (BP 34%) operates a 150-ktepa plant producing VAM, a derivative of acetic acid. A new 250-ktepa VAM plant at Hull was commissioned during 2001 and the VAM plant at Baglan Bay in Wales closed during 2002.

Major Activities

- The 110-ktepa ethanol plant at Grangemouth was commissioned as planned.
- We announced the cessation of the production of alcohols on our site at Pasadena, Texas. The 60-ktepa plant stopped during the fourth quarter 2002 when this site began concentrating on the production of LAOs.

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- The proposed 65-ktepa TMA plant at our existing PTA complex in Kuantan, Malaysia had advanced to construction bid stage. As a consequence of current market conditions, this TMA plant construction has been cancelled.
- In Korea we exited the acetate esters business, International Esters Co. (BP 50%).

We have implemented or announced a number of structural changes that we believe should significantly strengthen our position as the petrochemicals arm of an integrated energy company. The most significant structural changes were as follows:

- During 2002, we sold our Plastics Fabrications Group.
- During 2002, we wrote down the value of our manufacturing assets in the Philippines and Indonesia, thus reflecting the difficult market conditions expected to prevail in the region.
- During 2002, we sold Fosroc Construction, and in early 2003 announced the sale of the two remaining Burmah Castrol Chemicals businesses (Fosroc Mining and Sericol).
- Early in 2003 we announced our intention to sell our wholly-owned TMA, PIA and MAN business in Joliet, Illinois in the USA and PIA produced at our integrated aromatics and polyolefins complex in Geel, Belgium.

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Manufacturing Facilities

BP has large-scale manufacturing facilities in Europe and the USA. The Group's major sites, with our share of their capacities are: Grangemouth (2,930 ktepa) and Hull (1,595 ktepa) in the UK; Lavera (1,800 ktepa) in France; Marl (630 ktepa), Gelsenkirchen (1,700 ktepa) and Koeln (4,730 ktepa) in Germany; Geel (2,300 ktepa) in Belgium; and Texas City, Texas (2,690 ktepa), Chocolate Bayou, Texas (2,650 ktepa), Decatur, Alabama (2,280 ktepa), and Cooper River, South Carolina (1,330 ktepa) in the USA.

We also aim to grow in the Asia-Pacific region, which offers prospects for demand growth. The intention is to build further on the positions that the Group now holds in the region through planned investment and commercial relationships, such as joint ventures. Our share of capacity in Asia amounts to 3,670 ktepa, as follows: Indonesia (580 ktepa), Korea (820 ktepa), Malaysia (1,440 ktepa), Taiwan (680 ktepa), China (105 ktepa), and Japan (45 ktepa).

	Years ended Dec	
	2002	2001
Production by region (a)		(kte)
UK.....	3,221	3,126
Rest of Europe.....	10,526	7,925
USA.....	10,201	8,943
Rest of World.....	3,040	2,722
Total Production (a).....	26,988	22,716
	=====	=====

(a) Includes BP share of joint ventures, associated undertakings and other interests in production.

BP's petrochemical products are sold to companies in a number of industries that manufacture components used in a wide range of applications. These include the agriculture, automotive, construction, furniture, household products, insulation, packaging, paint, pharmaceuticals and textile industries. Our products are marketed through a network of sales personnel and agents who also provide technical services.

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OTHER BUSINESSES AND CORPORATE

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.

	Years ended Dec	
	2002	2001
Turnover.....	510	549
		(\$ milli

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Total replacement cost operating loss.....	(701)	(523)
Total assets.....	6,987	7,527
Capital expenditure and acquisitions (a).....	428	430

(a) Capital expenditure and acquisitions in 2000 includes \$27,506 million for the acquisition of ARCO and \$994 million for the acquisition of interests in PetroChina and Sinopec.

On January 1, 2002 the solar, renewables and alternative fuels activities were transferred to Gas, Power and Renewables. Comparative information has been restated.

Finance coordinates the management of the Group's major financial assets and liabilities. From locations in the UK, Europe, the USA and the Asia-Pacific region, it provides the link between BP and the international financial markets, and makes available a range of financial services to the Group including supporting the financing of BP's projects around the world.

Coal activity consists of our 50% interest in PT Kaltim Prima Coal, an Indonesian company. This company operates an opencast coal mine at Sangatta in Kalimantan, Indonesia.

Aluminium. Our aluminium business is a non-integrated producer and marketer of rolled aluminium products, headquartered in Louisville, Kentucky, USA. Production facilities are located in Logan County, Kentucky and are jointly owned with Alcan Aluminum. The primary activity of our aluminium business is the supply of aluminium coil to the beverage can business.

Investments in China. During 2000 BP made two strategic investments in China, one of the world's fastest growing economies. BP invested \$416 million in the China Petroleum and Chemical Corporation (Sinopec) and \$578 million in PetroChina in the initial public offerings of both companies. BP has an interest of around 2% in each company. Separately, BP has formed a joint venture with PetroChina in Guangdong province which had 320 service stations at the end of 2002, and has agreed to form a joint venture with Sinopec to acquire, revamp or build service stations in the Zhejiang Province. PetroChina and Sinopec are two of China's major companies in the oil and chemicals businesses.

Research, technology and engineering activities are carried out by each of the major business segments on the basis of a distributed programme coordinated by the BP Technology Council. This body provides leadership for scientific, technical and engineering activities throughout the Group and in particular promotes cross-business initiatives and the transfer of best practice between businesses. In addition, a group of eminent industrialists and academics form the Technology Advisory Council, which advises senior management on the state of technology within the Group and helps identify current trends and future developments in technology.

Research and development is carried out using a balance of internal and external resources. Involving third parties in the various steps of technology development and application enables a wider range of technology solutions to be considered and implemented, improving the productivity of research and development activities.

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The innovative application of technology and the rapid transfer of this knowledge through the Group make a key contribution to improving BP's business performance, particularly in the areas of the introduction of new products,

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safety, the environment, cost reduction and efficiency of business operations. We believe that, in addition to improving existing business performance, the use of innovative technology can create new possibilities for the organic growth of our energy- and petrochemical-related businesses.

Insurance. 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 from time to time.

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REGULATION OF THE GROUP'S BUSINESS

United Kingdom

BP's exploration and production activities are conducted in many different countries and are therefore subject to a broad range of legislation and regulations. These cover virtually all aspects of exploration and production activities, including matters such as license acquisition, production rates, royalties, pricing, environmental protection, export, taxes and foreign exchange. The terms and conditions of the leases, licenses and contracts under which these oil and gas interests are held vary from country to country. These leases, licenses and contracts are generally granted by or entered into with a government entity or state company and are sometimes entered into with private property owners. These arrangements usually take the form of licenses or production sharing agreements.

Licenses (or concessions) give the holder the right to explore for and exploit a commercial discovery. Under a license, the holder bears the risk of exploration, development and production activities and provides the financing for these operations. In principle, the license holder is entitled to all production minus any royalties that are payable in kind. A license holder is generally required to pay production taxes or royalties, which may be in cash or in kind.

Production sharing agreements entered into with a government entity or state company generally obligate BP to provide all the financing and bear the risk of exploration and production activities in exchange for a share of the production remaining after royalties, if any.

In certain countries, separate licenses are required for exploration and production activities and, in certain cases, production licenses are limited to a portion of the area covered by the exploration license. Both exploration and production licenses are generally for a specified period of time (except for production licenses in the United States which remain in effect until production ceases). The term of BP's licenses and the extent to which these licenses may be renewed vary by area.

In general, BP is required to pay income tax on income generated from production activities (whether under a license or production sharing agreement). In addition, depending on the area, BP's production activities may be subject to a range of other taxes, levies and assessments, including special petroleum taxes and revenue taxes. The taxes imposed upon oil and gas production profits and activities may be substantially higher than those imposed on other businesses.

BP's other activities are also subject to a broad range of legislation and regulations in various countries in which it operates.

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Health, safety, and environmental regulations are discussed in more detail in this item under 'Environmental Protection'.

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ENVIRONMENTAL PROTECTION

Health, Safety and Environmental Regulation

The Group is subject to numerous national and local environmental laws and regulations concerning its products, operations and activities. Current and proposed fuel and product specifications under a number of environmental laws will have a significant effect on the production, sale and profitability of many of our products. Environmental laws and regulations also require the Group to remediate or otherwise redress 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, chemicals plants, natural gas processing plants, oil and natural gas fields, service stations, terminals and waste disposal sites. In addition, the Group may have obligations relating to prior asset sales or closed facilities. Provisions for environmental restoration and remediation are made when a clean-up is probable and the amount is reasonably determinable. Generally, their timing coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The provisions made are considered by management to be sufficient for known requirements.

The extent and cost of future environmental restoration, remediation and abatement programmes are often inherently difficult to estimate. They depend on the magnitude of any possible contamination, the timing and extent of the corrective actions required and BP's share of liability relative to that of other solvent responsible parties. Though the costs of future restoration and remediation could be significant, and may be material to the results of operations in the period in which they are recognized, it is not expected that such costs will have a material impact on the Group's overall financial position or liquidity.

The Group's operations are also subject to environmental and common law claims for personal injury and property damage caused by the release of chemicals, hazardous materials or petroleum substances by the Group or others. Proceedings instituted by governmental authorities are pending or known to be contemplated against BP and certain of its US subsidiaries under US federal, state or local environmental laws, each of which could result in monetary sanctions in excess of \$100,000. No individual proceeding is, nor are the proceedings as a group, expected to have a material adverse effect on BP's consolidated financial position or profitability.

Management cannot predict future developments, such as increasingly strict requirements of environmental laws and enforcement policies thereunder, that might affect the Group's operations or affect the exploration for new reserves or the products sold by the Group. A risk of increased environmental costs and impacts is inherent in particular operations and products of the Group and there can be no assurance that material liabilities and costs will not be incurred in the future. In general, the Group does not expect that it will be affected differently from other companies with comparable assets engaged in similar businesses. Management believes that the Group's activities are in compliance in all material respects with applicable environmental laws and regulations.

For a discussion of the Group's environmental expenditures see Item 5 -- Operating and Financial Review and Prospects -- Environmental Expenditure.

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BP operates in over 100 countries worldwide. In all regions of the world BP has processes to ensure compliance with applicable regulations. In addition, each individual in the Company is required to comply with the BP Health Safety and Environment policy, and associated expectations and standards. Our partners, suppliers and contractors are also encouraged to adopt them. This document focuses primarily on the US and EU where over 80% of our fixed assets are located - and on two issues of a global nature; climate change programmes; and maritime oil spills regulations.

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Climate Change Programs

Kyoto Protocol

In December 1997, at the Third Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC) in Kyoto, Japan, the participants agreed on a system of differentiated internationally legally binding targets for the first commitment period of 2008 to 2012. Before it can be implemented, the Kyoto protocol to the UNFCCC needs to be ratified by at least 55 nations, representing a minimum of 55% of global anthropogenic greenhouse gas (GHG) emissions. The US has indicated that it will not ratify. Therefore, in order for the treaty to come into force, both Russia and Canada need to ratify, in addition to those nations which have either already ratified or indicated that they will ratify. If the Kyoto treaty does enter into force and its targets are to be met, some reduction in the use of fossil fuels would be required within countries which have ratified the Kyoto treaty. The impact of the Kyoto agreements on global energy (and fossil fuel) demand is expected to be small (see International Energy Agency Global Energy Outlook, 2000 Edition).

Since 1997, BP has been actively involved in policy debate, worked with others on mitigating technologies, demonstrated global emissions trading and reduced the emissions from our facilities. Last year, we announced that we had succeeded in reducing our direct, equity share, GHG emissions by 10%, and set a target to maintain our net emissions at 2001 levels through the next decade, which is dependent upon the resolution of the various international policy discussions on market mechanisms.

BP is an advocate of market mechanisms to allow optimum utilization of resources to meet national Kyoto targets. Such systems are being considered, developed or implemented by individual countries, and also internationally through the European Union. The relative success of these systems will determine the extent to which alternative fiscal or regulatory measures may be applied. Some EU member States have indicated that they require energy product taxes to enable them to meet their Kyoto commitments within the EU burden sharing agreement, and are already implementing national legislation, such as the UK Climate Change Levy.

United Kingdom Emissions Trading Scheme

In April 2002, we joined the UK government-sponsored emissions trading scheme, the world's first scheme to cross industry sectors. We successfully made a 353,500 tonnes of carbon dioxide equivalent emissions reduction commitment into the UK Scheme equating to nearly 10% of the total commitment made by UK industry entering into the Scheme as 'Direct Participants' via the auction. If BP does not meet the targets, a proportion of the incentive money would be at risk and rules could be imposed during 2003 which may penalize companies in future for exceeding the agreed targets. This market is at its early stages and the risk of significant penalties from BP participation in the scheme is small.

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European Union Emissions Trading Scheme

In December 2002, EU Member States' Environment Ministers reached political agreement on the proposal for a Directive of the European Parliament and the Council establishing a scheme for greenhouse gas emission allowance trading within the Community (this proposal amends Directive 96/61/EC). The political agreement will have its second reading later in 2003. It aims to create an instrument to reduce emissions of GHGs in a cost-effective manner, in order to allow the Union to meet its obligations under the UNFCCC and the Kyoto Protocol. It may proceed even without ratification of the Kyoto Protocol at the international level. Once ratified in member states, the programme would be mandatory for all enterprises producing emissions from combustion installations greater than 20 MW rated thermal input. It would apply to BP's European refineries, chemical sites with crackers, upstream offshore installations and possibly flares.

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Maritime Oil Spill Regulations

Within the United States, the Oil Pollution Act of 1990 significantly increased oil spill prevention requirements. Details of this legislation are provided in the regional review below. Outside of the United States, the BP operated fleet of tankers is subject to international spill response and preparedness regulations that are typically promulgated through the International Maritime Organization (IMO) and implemented by the relevant flag state authorities. The International Convention for the Prevention of Pollution From Ships (Marpol 73/78) requires vessels to have detailed shipboard emergency and spill prevention plans. The International Convention on Oil Pollution, Preparedness, Response, and Co-Operation (OPRC) requires vessels to have adequate spill response plans, resources, and financial cover for response anywhere the vessel travels to. These conventions and separate Marine Environmental Protection Circulars also stipulate the relevant state authorities around the globe that require engagement in the event of a spill. All of these requirements together are addressed by the vessel owners in Shipboard Oil Pollution Emergency Plans.

Since 1995, BP Shipping has taken 10 single hull vessels out of service. At the end of 2002 our international fleet numbered 17 oil tankers with an average age of six years (13 are double-hulled, three are double-sided, one is a single-hulled ear-marked for disposal) and six gas ships with an average age of eight years. The fleet renewal programme will continue into the future and should see 16 modern double-hulled vessels delivered by the end of 2003, with a further 19 confirmed for 2004 onwards. In addition to its own fleet, BP will continue to charter quality ships; currently these vessels include both single- and double-hulled designs but all are vetted to BP's high standard prior to each use to ensure they are operated and maintained to meet our stringent requirements.

United States Regional Review

The following is a summary of significant US environmental legislation affecting the Group.

The Clean Air Act and its regulations require, among other things, new fuel specifications and sulphur reductions, enhanced monitoring of major sources of specified pollutants; stringent air emission limits and new operating permits for chemical plants, refineries, marine and distribution terminals; and risk management plans for storage of hazardous substances. This law affects BP facilities producing, refining, manufacturing and distributing oil and products

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as well as the fuels themselves. Federal and state controls on ozone, carbon monoxide, benzene, sulphur, MTBE, nitrogen dioxide, oxygenates and Reid Vapor Pressure impact BP's activities and products in the US. BP is continually adapting its business to these rules and has the know-how to produce quality and competitive products in compliance with their requirements. For example, in 1999, BP introduced a premium grade gasoline in Atlanta, Georgia, meeting stringent future sulphur standards and has expanded this offering to over 40 cities across the US.

In 2001, BP entered into a consent decree with the EPA and several states that settled alleged violations of various Clean Air Act requirements related largely to emissions of sulphur dioxide and nitrogen dioxide at BP's refineries. This settlement requires the installation of additional controls at all of BP's US refineries at a cost, over at least an eight-year period, of approximately \$500 million, and the one-time payment of a \$10 million penalty which was made in 2001.

On March 11, 2003 the South Coast Air Quality Management District filed a complaint against BP West Coast Products LLC and Atlantic Richfield Company in Los Angeles County Superior Court, alleging multiple violations of air quality regulations at the Carson oil refinery in California, USA. Atlantic Richfield Company operated the refinery until its acquisition by the Group in 2000. The complaint seeks penalties for non-compliance in the amount of \$319 million. BP believes that it has valid defenses to many of the allegations of the complaint, believes that the amount of the penalty sought is grossly disproportionate to any resulting environmental harm, and intends to defend the action vigorously.

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BP is in the fourth year of implementing a plea agreement with the US Justice Department to develop, implement and maintain a nationwide environmental management system (EMS) consistent with the best environmental practices at Group facilities engaged in oil exploration, drilling and/or production in the US and its territories. BP expects to have EMSs fully implemented for Alaska and Lower 48 performance units during 2003. BP has met the requirement to spend at least \$15 million on the programme.

The Clean Water Act is designed to protect and enhance the quality of US surface waters by regulating the discharge of wastewater and other pollutants from both onshore and offshore operations. Facilities are required to obtain permits for most surface water discharges, install control equipment and implement operational controls and preventative measures, including spill prevention and control plans. Requirements under the Clean Water Act have become more stringent in recent years, including coverage of storm and surface water discharges at many more facilities and increased control of toxic discharges.

BP was fined approximately \$25 million for underground storage tank allegations in its US Retail operations. These fines constituted 90% of the total fines and penalties paid by BP in 2002. In addition to these fines, BP paid \$3 million for supplemental environmental projects; approximately \$24 million in miscellaneous environmental funds and projects and \$6 million in associated legal costs.

The Oil Pollution Act of 1990 or OPA 90 significantly increased oil spill prevention requirements, spill response planning obligations and spill liability for tankers and barges transporting oil, offshore facilities such as platforms and onshore terminals. To provide funds for response to and compensation for oil spills when the spiller is unable to do so, the Oil Pollution Act created a \$1-billion fund which is funded by a tax on imported and domestic oil. One requirement of the Oil Pollution Act is that all new tank vessels operating in

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US waters must have double hulls, and the law orders the phase out, between the years 1995 and 2015, of existing vessels without double hulls. In 2002, BP began construction of four double hull tankers at a shipyard in San Diego, California. The first of these new vessels should begin service in early 2004. BP has interest in the Alaska Tanker Company (ATC) in the US. Since 1995, seven ATC single hull vessels have been taken out of service (replaced with chartered tonnage). The current ATC fleet consists of six single hull vessels and three double hull vessels. By the end of 2006 all ATC vessels are expected to be double hulled vessels.

BP has a national strike team, the BP Americas Response Team, which consists of approximately 240 trained emergency responders at company locations throughout North America, which is ready to assist in a response to a major incident.

The Resource Conservation and Recovery Act (RCRA) regulates the storage, handling, treatment, transportation and disposal of hazardous and non-hazardous wastes. It also requires the investigation and remediation of certain locations at a facility where such wastes have been handled, released or disposed of. BP facilities generate and handle a number of wastes regulated by RCRA and have units that have been used for the storage, handling or disposal of RCRA wastes that are subject to investigation and corrective action.

Under the Comprehensive Environmental Response, Compensation, and Liability Act (also known as CERCLA or Superfund), waste generators, site owners, facility operators and certain other parties are strictly liable for part or all of the cost of addressing sites contaminated by spills or waste disposal regardless of fault or the amount of waste sent to a site. Additionally, each state has laws similar to CERCLA.

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BP has been identified as a Potentially Responsible Party (PRP) under CERCLA and similar state statutes at approximately 800 sites. A PRP has joint and several liability for site remediation costs under some of these statutes and so BP may be required to assume, among other costs, the share attributed to insolvent, unidentified or other parties. BP has the most significant exposure for remediation costs at 75 of these sites. For the remaining sites, the number of PRPs can range up to 200 or more. BP expects its share of remediation costs at these sites to be small in comparison to the major sites. BP has estimated its potential exposure at all sites where it has been identified as a PRP and has accrued provisions accordingly. BP does not anticipate that its ultimate exposure at these sites individually, or in the aggregate, will be significant except as reported for ARCO in the matters below.

The State of Montana has pursued claims against ARCO alleging natural resource damages arising out of ARCO's predecessors' mining and mineral processing activities. In addition, a tribe was allowed to intervene in the lawsuit, Montana vs. ARCO. These matters were settled in part in 1999, except for the State's claims for \$206 million for restoration damages at several sites. In 1989, the EPA filed a CERCLA cost recovery action against Atlantic Richfield Company for oversight costs at several of the Upper Clark Fork River Basin Superfund sites US v. ARCO. Litigation is proceeding on both the EPA's claim, and on ARCO's counterclaims against various federal agencies seeking contribution from the federal agencies for remediation costs and for any natural resource damage liability it might incur in Montana vs. ARCO. The settlements in Montana vs. ARCO, and subsequent settlements resolved the claims and counterclaims in US vs. ARCO pertaining to four sites and may provide a framework for possible future settlement of the remaining claims. The Group is also subject to other claims for natural resource damage (NRD) under several

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federal and state laws. This is a developing area under US law which could impact the cost of some cleanups. NRD claims have been asserted by government trustees against several refineries and other company operations.

In 1995, a final federal rule was issued regarding protection of the Great Lakes watershed which has had ongoing impacts on water protection requirements. In 2000, a final federal rule was issued regarding use of Total Maximum Daily Load (TMDL) assessments to address pollutants not meeting water quality standards. EPA deferred implementation of the rule to April 2003 and in December 2002, proposed to withdraw the rule. However, the TMDL programme is going forward under existing regulations with the effect of requiring more stringent permit limits at affected industrial facilities. In May 2002, EPA published a draft strategy for water quality standards and criteria. The strategy lays out actions through 2008 addressing a broad range of issues with implications for industrial facilities; these include water use designations, antidegradation, TMDLs, mixing zones, water quality protection criteria, and contaminated sediments.

In the US, many environmental cleanups are the result of strict groundwater protection standards at both the state and federal level. Contamination or the threat of contamination of current or potential drinking water resources can result in stringent cleanup requirements, but some states have addressed contamination of nonpotable water resources using similarly strict standards. BP has encouraged risk-based approaches to these issues and aims to tailor remedies at its facilities to match the level of risk presented by the contamination.

Other significant legislation includes the Toxic Substances Control Act which regulates the development, testing, import, export and introduction of new chemical products into commerce; the Occupational Safety and Health Act which imposes workplace safety and health, training and process standards to reduce the risks of chemical exposure and injury to employees; the Emergency Planning and Community Right-to-Know Act which requires emergency planning and spill notification as well as public disclosure of chemical usage and emissions.

See also Item 8 -- Financial Information -- Legal Proceedings.

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European Union Regional Review

A European Commission (the Commission) Directive for a system of Integrated Pollution Prevention and Control (IPPC) was approved in 1996. This system requires permitting through the application of Best Available Techniques (BAT) taking into account the costs and benefits. In the event that the use of BAT is likely to result in the breach of an environmental quality standard, plant emissions must be reduced further. The European Commission has stated that it hopes that all processes to which it applies will be licensed by July 2005. All plants must be permitted according to the requirements of the IPPC Directive by November 2007. The Directive encompasses most activities and processes undertaken by the oil and petrochemical industry within the European Union and requires capital and revenue expenditure across these BP sites. The European Commission is expected to make recommendations for a revision to the IPPC Directive in 2003. This may tighten minimum standards for permitting including the provision of emission limit values.

The European Union Large Combustion Plant Directive sets emission limit values for sulphur dioxide, nitrogen oxides and particulates from large combustion plants. It also required phased reductions in emissions from existing large combustion plants at the latest by April 1, 2001. A revised Large Combustion Plant Directive has been agreed and implementation is required by

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November 27, 2002. Plants will have to comply by 2008. The second important set of air emission regulations affecting BP European operations is the Air Quality Framework Directive and its three daughter Directives on ambient air quality assessment and management, which prescribe, among other things, limit values for sulphur dioxide, oxides of nitrogen, particulate matter, lead, carbon monoxide, benzene and ozone. Measured or modelled exceedences of air quality limit values will require local action to reduce emissions and may impact any BP operations whose emissions contribute to such exceedences.

BP continues to make investments on Cleaner Fuels at its refineries worldwide. For our European refineries, these investments are important because availability of cleaner fuels is a part of the EU strategy to combat air pollution. In April 1999, the EU adopted a Directive to further reduce the sulphur content of liquid fuels, but excluding marine bunker fuel oil, and marine gas oil used by ships crossing a frontier between a third country and an EU Member State. Sulphur in gas oil is limited to 0.2% from July 2000, and 0.1% from January 2008. From January 2003, sulphur in heavy fuel oil is limited to 1%, except where use of heavy fuel oil up to 3% sulphur can be used in combustion plants without exceeding specific emission limits, and provided that local air quality standards are met.

The EU has set stringent objectives to control exhaust emissions from vehicles, which are being implemented in stages. In 1998, the EU adopted directives to set emission limits for cars and light vehicles to apply from 2000, together with specifications for gasoline and diesel fuel to apply from that date. In 1999, this was followed by emission limits for heavy commercial vehicles. Maximum sulphur levels for gasoline and diesel fuels to apply from 2005 have also been agreed at 50 parts per million (ppm), and 35% maximum aromatic content for gasoline from the same date. Agreement was reached in December 2002 on a further Directive to make petrol and diesel with a maximum sulphur content of 10 ppm mandatory throughout the EU from January 2009, and from 2005 member states will also have to supply low-sulphur fuel at enough locations to allow the circulation of new low-emission engines requiring the cleaner fuel.

In Europe there is no overall soil protection regulation, although a draft Directive is expected in 2003. Certain individual member states have soil protection policies, but each has its own contaminated land regulations. There are common principles behind these regulations, including a risk based approach and recognition of costs versus benefits. Much of the technical guidance supporting these regulations is in draft form.

Other environment-related existing regulations include: the Major Hazards Directive which requires emergency planning, public disclosure of emergency plans and ensuring that hazards are assessed, and effective emergency management systems; the Water Framework Directive which includes protection of groundwater; and the Framework Directive on Waste to ensure that waste is recovered or disposed without endangering human health and without using processes or methods which could harm the environment.

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There are many other environmental regulations at national levels, including those to implement existing EU Directives outlined above. Individually these national regulations are less significant in their overall impact on BP.

The European Commission is expected soon to release a draft proposal setting out the system for Registration, Evaluation and Authorisation of Chemicals. It is anticipated that up to 100,000 chemicals, including

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intermediaries and polymers, could be captured by the legislation. Additional complexity and costs for the important small and medium enterprise (SME) sector of the chemical industry could be severe, with adverse impact on employment, innovation and competitiveness. Costs to BP will mainly arise from erosion of the SME customer base.

The European Commission issued a proposed Directive on Environmental Liability on January 23, 2003, which is currently under consideration within the European Parliament and Council. The proposal seeks to implement a strict liability approach for damage to biodiversity from high-risk operations.

The Commission's Clean Air for Europe Programme aims to conduct a review of the health and environmental effects of air pollution and predicted European Air Quality up to 2020. It will also examine cost-effective solutions to any residual air pollution problems, firstly in a strategy document (expected in 2005) and secondly in legislative proposals (expected between 2005 and 2007) which may include revisions to current regulations on air quality limit values, fuel quality standards, plant emission standards and totally new regulations. BP through various industry bodies is among the various stakeholders contributing to the scientific activities underpinning this work.

PROPERTY, PLANTS AND EQUIPMENT

BP has freehold and leasehold interests in real estate in numerous countries throughout the world, but no one individual property is significant to the Group as a whole. See Exploration and Production under this heading for a description of the Group's significant reserves and sources of crude oil and natural gas. Significant plans to construct, expand or improve specific facilities are described under each of the business headings within this Item.

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ORGANIZATIONAL STRUCTURE

The significant subsidiary undertakings of the Group at December 31, 2002 and the Group percentage of ordinary share capital (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 Company are marked with an asterisk (*), the percentage owned being that of the Group unless otherwise indicated.

Subsidiary undertakings -----	%	Country of incorporation -----	Principal activities -----
INTERNATIONAL			
BP Chemicals Investments	100	England	Chemicals
BP Exploration Co.	100	Scotland	Exploration and p
BP International	100	England	Integrated oil op
BP Oil International	100	England	Integrated oil op
BP Shipping*	100	England	Shipping
Burmah Castrol	100	England	Lubricants
EUROPE			
UK			
BP Capital Markets	100	England	Finance
BP Chemicals	100	England	Chemicals
BP Oil UK	100	England	Refining and mark
Britoil (parent 15%)*	100	Scotland	Exploration and p
Jupiter Insurance	100	Guernsey	Insurance

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FRANCE			
BP France	100	France	Refining and mark
GERMANY			
Deutsche BP	100	Germany	Refining and mark
Veba Oil	100	Germany	Refining and mark
NETHERLANDS			
BP Capital BV	100	Netherlands	Finance
BP Nederland	100	Netherlands	Refining and mark
NORWAY			
BP Norway	100	Norway	Exploration and p
SPAIN			
BP Espana	100	Spain	Refining and mark
MIDDLE EAST			
BP Egypt	100	USA	Exploration and p
BP Egypt Gas	100	USA	Exploration and p
FAR EAST			
INDONESIA			
BP Kangean	100	Indonesia	Exploration and p
SINGAPORE			
BP Singapore Pte*	100	Singapore	Refining and mark

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Subsidiary undertakings -----	%	Country of incorporation -----	Principal activit -----
AFRICA			
BP Southern Africa	75	South Africa	Refining and mark
AUSTRALASIA			
AUSTRALIA			
BP Australia	100	Australia	Integrated oil op
BP Developments Australia	100	Australia	Exploration and p
BP Finance Australia	100	Australia	Finance
NEW ZEALAND			
BP Oil New Zealand	100	New Zealand	Marketing
WESTERN HEMISPHERE			
CANADA			
BP Canada Energy	100	Canada	Exploration and p
TRINIDAD			
Amoco Trinidad (LNG) B.V.	100	Netherlands	Exploration and p
BP of Trinidad and Tobago	90	USA	Exploration and p
USA			
Atlantic Richfield Co.	100	USA	(
BP America*	100	USA	(
BP America Production Company	100	USA	(Exploration and
BP Amoco Chemical Company	100	USA	(gas, power and
BP Company North America	100	USA	(refining and ma
BP Corporation North America	100	USA	(pipelines and c
BP Products North America	100	USA	(
BP West Coast Products	100	USA	(
Standard Oil Co.	100	USA	(

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ITEM 5 -- OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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GROUP OPERATING RESULTS

	Years ended December 31,		
	2002	2001	2000
	(\$ million except per share amounts)		
Turnover.....	178,721	174,218	148,000
Reconciliation of historical cost and pro forma results			
Historical cost profit for the year.....	6,845	6,556	10,100
Inventory holding (gains) losses.....	(1,104)	1,900	(700)
Replacement cost profit for the year.....	5,741	8,456	9,300
Exceptional items, net of tax.....	(1,043)	(165)	(100)
Replacement cost profit before exceptional items (a).....	4,698	8,291	9,300
Special items, net of tax.....	1,443	683	1,200
Acquisition amortization.....	2,574	2,585	1,600
Pro forma result adjusted for special items.....	8,715	11,559	12,100
Per ordinary share (cents)			
Historical cost profit.....	30.55	29.21	46.00
Replacement cost profit before exceptional items.....	20.97	36.95	41.00
Pro forma result adjusted for special items.....	38.90	51.51	56.00
Dividends per ordinary share (cents).....	24.00	22.00	20.00

(a) Refer to Item 3 -- Key Information -- Selected Financial Information for further information on replacement cost measures.

The financial information for 2001 and 2000 has been restated to reflect (i) the adoption by the Group of UK Financial Reporting Standard No. 19 (FRS 19) 'Deferred Tax' with effect from January 1, 2002; and (ii) the transfer of the solar, renewables and alternative fuels activities from Other Businesses and Corporate to Gas and Power on January 1, 2002. To reflect this transfer, Gas and Power was renamed Gas, Power and Renewables from the same date. Comparative information has been restated. For further information see Item 18 -- Financial Statements -- Notes 45 and 46.

On February 1, 2002, BP acquired a 51% interest in and operational control of Veba. Veba has been fully consolidated within the Group's results from this date. The remaining 49% of Veba was acquired on June 30, 2002.

During 2000 the Company acquired ARCO and Burmah Castrol and also purchased most of ExxonMobil's assets used by the fuels refining and marketing operation in Europe (the 2000 portfolio changes). BP's turnover and results in 2000 reflect the inclusion of ARCO and Burmah Castrol and the full consolidation of the European fuels joint venture from April 14, July 7 and August 1, 2000, respectively.

The 2000 portfolio changes have a significant effect on year on year comparisons: 2002 and 2001 include a full year; 2000 includes ARCO, Burmah Castrol and the full consolidation of the European fuels business for varying

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parts of the year.

The trading environment was challenging during 2002, with natural gas prices and refining margins significantly weaker than in the previous year, owing to the global economic slowdown. Demand improved in most parts of the business after the first half of the year but economic conditions remained sluggish. The adverse business conditions had the greatest impact on refining and marketing. Worldwide refining margins were depressed for much of the year, at nearly half the average level of 2001. Margins in Chemicals were at levels similar to the bottom of previous cycles.

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Oil prices were volatile in 2002. The Brent price ranged from around \$18 per barrel to above \$31 per barrel. The crude oil price increased during the second half of the year, partly reflecting a 'war premium'. Brent prices averaged \$25.03 per barrel compared with \$24.44 per barrel in 2001. Natural gas prices in the USA were on average lower than in 2001, at around \$3.36 per mmbtu compared with \$3.96 per mmbtu, owing to a large surplus of natural gas in storage during the 2001-2002 heating season. Cold weather and the start of a decline in domestic production in the USA brought about a rise in price to around \$5 per mmbtu towards the end of 2002.

The trading environment was generally favourable in the first half of 2001. Natural gas and oil prices remained high until clear evidence of the global economic slowdown emerged after the first few months. Business conditions deteriorated in the second half and remained weak following the events of September 11. Oil prices were 15% down against the levels seen in 2000; refining margins were weak; retailing was fiercely competitive; and in the chemicals sector, margins were at levels below those seen at the bottom of the previous business cycle.

The trading environment was strong in 2000, with high oil and gas prices and significantly improved refining margins being partly offset by pressure on marketing margins from higher product costs and the weaker chemicals environment, owing to high feedstock costs and a weak euro.

Hydrocarbon production increased by 2.9% in 2002 against a target of 5.5%, reflecting production growth of 4.5% for crude oil and 0.9% for natural gas. Total hydrocarbon production increased by 5.5% in 2001 compared with 2000.

The increase in turnover for 2002 reflects production and sales volume increases and higher crude oil realizations, partly offset by lower natural gas prices. The increase in turnover between 2000 and 2001 reflects a full year's contribution from the 2000 portfolio changes and higher natural gas sales volumes partly offset by the effect of lower oil prices.

Replacement cost profit before exceptional items (which excludes inventory holding gains and losses) was \$4,698 million in 2002 compared with \$8,291 million in 2001 and \$9,314 million in 2000.

The reduction in 2002 replacement cost profit before exceptional items compared with 2001 reflects the challenging environment, although the impact of lower natural gas prices and refining margins was partly offset by higher production and sales volumes, lower costs in certain businesses, improved Chemicals performance and contributions from Veba and other acquisitions.

The decline in replacement cost profit before exceptional items for 2001 compared with 2000 primarily reflects lower oil prices and chemicals margins, partly offset by the inclusion of the first full year of contributions from the 2000 portfolio additions.

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Owing to the significant acquisitions that took place in 2000, in addition to its reported results, BP is presenting pro forma results adjusted for special items in order to enable shareholders to assess current performance in the context of our past performance and against that of our competitors. The pro forma result, adjusted for special items, was \$8,715 million in 2002 compared with \$11,559 million in 2001 and \$12,183 million in 2000. The pro forma result, adjusted for special items, has been derived from the Group's reported UK GAAP accounting information but is not in itself a recognized UK or US GAAP measure. The pro forma result is replacement cost profit before exceptional items excluding acquisition amortization. Acquisition amortization refers to depreciation relating to the fixed asset revaluation adjustments and amortization of goodwill consequent upon the ARCO and Burmah Castrol acquisitions in 2000. Goodwill and fixed asset revaluation adjustments arising from subsequent transactions has not been included in acquisition amortization.

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The following tables provide a breakdown of pro forma results and reconcile those results to replacement cost operating profit by operating segment.

Reconciliation of replacement cost profit/loss to pro forma result adjusted for special items	Reported	Acquisition amortization (a)	Speci ite
	-----	-----	-----
		(\$ million)	
Year ended December 31, 2002			
Exploration and Production.....	9,206	1,780	1,0
Gas, Power and Renewables.....	354	--	
Refining and Marketing.....	872	794	4
Chemicals.....	515	--	2
Other businesses and corporate.....	(701)	--	1
	-----	-----	-----
Replacement cost operating profit.....	10,246	2,574	1,9
Interest expense.....	(1,279)	--	
Taxation.....	(4,217)	--	(4
Minority shareholders' interest.....	(52)	--	(
	-----	-----	-----
Replacement cost profit before exceptional items.....	4,698	2,574	1,4
		=====	=====
Exceptional items before tax.....	1,168		
Taxation on exceptional items.....	(125)		

Replacement cost profit after exceptional items.....	5,741		
Inventory holding gains (losses).....	1,104		

Historical cost profit.....	6,845		
	=====		
Year ended December 31, 2001(c)			
Exploration and Production.....	12,361	1,815	3
Gas, Power and Renewables.....	488	--	
Refining and Marketing.....	3,573	770	4

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Chemicals.....	128	--	1
Other businesses and corporate.....	(523)	--	
	-----	-----	-----
Replacement cost operating profit.....	16,027	2,585	9
Interest expense.....	(1,670)	--	
Taxation.....	(6,005)	--	(3)
Minority shareholders' interest.....	(61)	--	
	-----	-----	-----
Replacement cost profit before exceptional items.....	8,291	2,585	6
		=====	=====
Exceptional items before tax.....	535		
Taxation on exceptional items.....	(370)		

Replacement cost profit after exceptional items.....	8,456		
Inventory holding gains (losses).....	(1,900)		

Historical cost profit.....	6,556		
	=====		

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Reconciliation of replacement cost profit/loss to pro forma result adjusted for special items	Reported	Acquisition amortization (a)	Speci ite
	-----	-----	-----
		(\$ million)	
Year ended December 31, 2000 (c)			
Exploration and Production.....	13,972	1,214	5
Gas, Power and Renewables.....	532	--	
Refining and Marketing.....	3,486	477	5
Chemicals.....	760	--	2
Other businesses and corporate.....	(1,071)	--	4
	-----	-----	-----
Replacement cost operating profit.....	17,679	1,691	1,8
Interest expense.....	(1,770)	--	1
Taxation.....	(6,506)	--	(7)
Minority shareholders' interest.....	(89)	(79)	
	-----	-----	-----
Replacement cost profit before exceptional items.....	9,314	1,612	1,2
		=====	=====
Exceptional items before tax.....	220		
Taxation on exceptional items.....	(142)		

Replacement cost profit after exceptional items.....	9,392		
Inventory holding gains (losses).....	728		

Historical cost profit.....	10,120		
	=====		

(a) Acquisition amortization refers to depreciation relating to the fixed asset

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revaluation adjustment and amortization of goodwill consequent upon the ARCO and Burmah Castrol acquisitions in 2000.

- (b) The special items refer to charges and credits reported in the year.
- (c) 2000 and 2001 have been restated to reflect the adoption of FRS 19 and the transfer of the solar, renewables and alternative fuels activities from Other businesses and corporate to Gas, Power and Renewables.

Acquisition amortization for 2002 was \$2,574 million compared with \$2,585 million in 2001 and \$1,612 million in 2000.

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We present special items to provide a better understanding of trading performance unaffected by significant impairment, restructuring, integration and other charges and credits. The special items for 2002, 2001 and 2000 are shown in the table below.

	Years ended December	
	2002	2001
		(\$ million)
Special items		
Impairment charges and asset write-downs.....	985	175
Restructuring, integration and rationalization costs (a).....	774	761
Insurance claim.....	(184)	--
Vacant space provision.....	140	--
Pipeline incident.....	62	--
Litigation.....	55	60
Environmental charges.....	46	--
Other.....	22	--
	1,900	996
Interest-- bond redemption charges.....	15	62
Total special items before tax.....	1,915	1,058
Taxation.....	(456)	(375)
Minority shareholders' interest.....	(16)	--
Total special items after tax.....	1,443	683

(a) Refer to 'Business Operating Results' in this item for further information on restructuring integration and rationalization costs.

The historical cost profit for 2002 was \$6,845 million including inventory holding gains of \$1,104 million and net exceptional gains of \$1,168 million (\$1,043 million after tax) in respect of net profits on the sale of fixed assets and businesses or termination of operations. For 2001, the historical cost profit was \$6,556 million after inventory holding losses of \$1,900 million and including net exceptional gains of \$535 million (\$165 million after tax) in respect of net profits on the sale of fixed assets and businesses or termination of operations. The historical cost profit for 2000 was \$10,120 million, including inventory holding gains of \$728 million and net exceptional gains of \$220 million (\$78 million after tax) in respect of net profits on the sale of

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fixed assets and businesses or termination of operations.

Employee numbers increased slightly during 2002, mainly as a result of the Veba acquisition. 2001 increases primarily related to the acquisition of Bayer's 50% interest in Erdoelchemie, the Solvay transaction and the inclusion of the Burmah Castrol chemicals businesses previously held for sale, were partly offset by downstream rationalization and a further decrease in former ARCO employees. The acquisitions of ARCO and Burmah Castrol in 2000 increased our employee numbers by approximately 25,000.

Return on average capital employed (ROACE) is one measure used to assess BP's current performance compared with prior years and the performance of our competitors. The decrease in replacement cost ROACE for 2002 and 2001 compared with the prior years is due to lower profits together with higher average capital employed. Increases in average capital employed are mainly due to acquisitions and upstream investment.

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	Years ended December	
	2002	2001
	-----	-----
	(\$ million)	
Return on average capital employed (ROACE)		
Replacement cost basis		
Replacement cost profit before exceptional items.....	4,698	8,291
Interest (a).....	602	798
Minority shareholders' interest.....	52	61
	-----	-----
	5,352	9,150
	=====	=====
Average capital employed (b).....	89,616	87,259
ROACE.....	6%	10%
	-----	-----
Pro forma and special items adjustments		
Acquisition amortization.....	2,574	2,585
Special items (post tax).....	1,449	643
Average capital employed acquisition adjustment (c).....	17,777	20,739
ROACE - Pro forma basis adjusted for special items (d).....	13%	19%
	-----	-----
Historical cost basis		
Historical cost profit after exceptional items.....	6,845	6,556
Interest.....	602	798
Minority shareholders' interest.....	77	61
	-----	-----
	7,524	7,415
	=====	=====
Average capital employed (b).....	89,616	87,259
ROACE.....	8%	8%

(a) For the ROACE calculation, interest expense excludes interest on debt of joint ventures and associated undertakings as well as the unwinding of the discount on provisions and the effect of changes in the discount rate on provisions, and is on a post-tax basis using a deemed tax rate equal to the

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US statutory tax rate.

- (b) Capital employed is defined as net assets plus total finance debt. As the acquisition of ARCO was completed in April 2000 and Burmah Castrol in July 2000, the return on average capital employed for 2000 has been calculated as the average of the four discrete quarters. Average capital employed was derived from the quarterly averages.
- (c) Acquisition adjustment refers to the fixed asset revaluation adjustment and goodwill consequent upon the ARCO and Burmah Castrol acquisitions.
- (d) Based on the pro forma result adjusted for special items and capital employed excluding the fixed asset revaluation adjustment and goodwill resulting from the ARCO and Burmah Castrol acquisitions.

	Years ended December	
	2002	2001
	-----	-----
	(\$ million)	
Capital expenditure and acquisitions (a)		
Exploration and Production.....	9,266	8,627
Gas, Power and Renewables.....	335	485
Refining and Marketing.....	2,682	2,386
Chemicals.....	810	1,446
Other businesses and corporate.....	228	256
	-----	-----
Capital expenditure.....	13,321	13,200
Acquisitions (a).....	5,790	924
	-----	-----
Capital expenditure and acquisitions.....	19,111	14,124
Disposals (b).....	(6,782)	(2,903)
	-----	-----
Net Investment.....	12,329	11,221
	=====	=====

(a) 2002 includes \$5,038 million for the Veba acquisition. 2000 includes \$27,506 million for the ARCO acquisition and \$4,909 million for the Burmah Castrol acquisition.

(b) 2000 includes \$6,803 million proceeds from the sale of ARCO assets.

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Capital expenditure and acquisitions in 2002, 2001 and 2000 amounted to \$19,111 million, \$14,124 million and \$47,613 million, respectively. Acquisitions during 2002 included Veba, an additional 15% interest in Sidanco and several minor acquisitions. Acquisitions during 2001 included the purchase of Bayer's 50% interest in Erdoelchemie and a number of minor acquisitions. Expenditure for the year 2000 included the acquisition of ARCO, Burmah Castrol, the ExxonMobil share of the European Joint Venture and the minority interest in Vastar, interests in PetroChina and Sinopec, and ExxonMobil's aviation lubricants business. Excluding acquisitions, capital expenditure for 2002 was \$13,321 million compared with \$13,200 million for 2001.

Our investment strategy for 2003 to 2007 is focused on developing five new upstream profit centres -- in the Deepwater Gulf of Mexico, Trinidad, Azerbaijan, Angola and Asia Pacific LNG. We believe the Russian joint venture, TNK-BP, should generate sufficient cash to finance its investment programme and

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it is not expected to need additional funding from its shareholders.

Exceptional Items

For 2002, net exceptional gains, consisting of the profit or loss on sale of fixed assets and businesses or termination of operations, were \$1,168 million before tax. These include gains from disposal of interests in Ruhrgas and Colonial Pipeline, the sale of a US downstream electronic payment system, and a 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. These items were partly offset by provisions for losses on the sale of certain upstream interests announced in early 2003.

Net exceptional gains were \$535 million before tax in 2001. These represented the profits from the sale of the Group's interest in Vysis; 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, partly offset by losses mainly related to the sale or closure of certain chemicals activities.

In 2000, the net exceptional gains of \$220 million before tax related mainly to disposal profits on the sale of the Group's common interest in Altura Energy, the sale of the Alliance refinery and the divestment of exploration and production interests in Trinidad, the UK and the USA, partly offset by the loss on the sale of certain Venezuelan upstream interests and on the subvention of Singapore Aromatics Company bank loans in connection with the closure of our joint venture.

Interest Expense

Interest expense in 2002 was \$1,279 million compared with \$1,670 million in 2001 and \$1,770 million in 2000. These amounts included special charges of \$15 million, \$62 million and \$111 million respectively, arising from the early redemption of bonds. After adjusting for these special charges, the decrease in Group interest expense in 2002 compared with 2001 primarily reflects lower interest rates. The decrease in 2001 compared with 2000 mainly reflects lower interest rates, partly offset by the impact of revaluing environmental and other provisions at a lower interest rate.

Taxation

The charge for corporate taxes in 2002 was \$4,342 million, compared with \$6,375 million in 2001 and \$6,648 million in 2000. The effective rate on historical cost profit was 39% in 2002, 49% in 2001 and 39% in 2000. The lower rate in 2002 reflects non-taxable inventory holding gains in 2002 compared with inventory holding losses in 2001. The higher rate in 2001 compared with 2000 reflects the effect of a full year of acquisition amortization (which is non-deductible for tax purposes) together with non-deductible inventory holding losses.

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The effective rate on replacement cost profit before exceptional items was 47% compared with 42% in 2001 and 41% in 2000. The increase in the rate for 2002 compared with 2001 reflects the ratably greater effect of acquisition amortization on lower pre-tax income in 2002, together with the \$355 million charge in the second quarter to increase the North Sea deferred tax provision for the supplementary UK tax rate, partly offset by higher tax relief on asset impairment charges and related restructuring. The higher rate in 2001 was due to the full-year effect of the ARCO and Burmah Castrol acquisition amortization

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charge (which is non-deductible for tax purposes).

Dividends and Share Repurchases

The total dividends announced for 2002 were \$5,375 million, compared with \$4,935 million in 2001 and \$4,625 million in 2000. Dividends per share for 2002 were 24.00 cents, compared with 22.00 cents per share in 2001 (an increase of 9.1%) and 20.50 cents per share in 2000 (an increase of 7.3% over 2000). The board sets the dividend based on a balance of factors. It considers present earnings, together with long-term growth prospects, cash flow and the Group's competitive position.

BP intends to continue the operation of the Dividend Reinvestment Plan (DRIP) for shareholders who wish to receive their dividend in the form of shares rather than cash. The BP Direct Access Plan for US and Canadian investors also includes a dividend reinvestment feature.

As part of giving a return to shareholders, one of the steps we take from time to time is to repurchase our own shares. During 2002, a total of 100 million shares were repurchased and cancelled at a cost of \$750 million. The repurchased shares had a nominal value of \$25 million and represented 0.4% of ordinary shares in issue at the end of 2001. At that time the Company still had shareholder approval, subject to conditions, for the repurchase of a further 2.1 billion Ordinary Shares. Since the inception of the share repurchase programme in 2000, 476 million shares have been repurchased and cancelled at a cost of \$4.1 billion. BP's present intention is to spend up to \$2 billion on further repurchases of its own shares, subject to market conditions and continuing support at the April 2003 Annual General Meeting.

Business Operating Results

Total replacement cost operating profit, which is arrived at before inventory holding gains and losses, interest expense, taxation and minority interests, and before exceptional items, was \$10,246 million in 2002, \$16,027 million in 2001 and \$17,679 million in 2000. Performance of operating segments is evaluated by management on replacement cost operating profit or loss. Segment results are discussed in the following pages on this basis.

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Exploration and Production

	Years ended D	
	2002	2001
Turnover.....	25,753	28,753
Total replacement cost operating profit.....	9,206	12,206
Results included:		
Exploration expense.....	644	
Key statistics:		
Average BP crude oil realizations (a).....	22.69	22.69
Average West Texas Intermediate oil price.....	26.14	25.14
Average Brent oil price.....	25.03	24.03
Average BP US natural gas realizations.....	2.63	3.63
Average Henry Hub gas price (b).....	3.22	4.22
Crude oil production (net of royalties) (c).....	2,018	1,018

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Natural gas production (net of royalties) (c)....	(mmcf/d)	8,707	8,
Total production (net of royalties) (c) (d).....	(mboe/d)	3,519	3,

- (a) Crude oil and natural gas liquids.
- (b) Henry Hub First of Month Index.
- (c) Includes BP's share of associated undertakings.
- (d) Expressed in thousands of barrels of oil equivalent per day (mboe/d).
Natural gas is converted to oil equivalent at 5.8 billion cubic feet : 1 million barrels.

Turnover for 2002 was \$25,753 million compared with \$28,229 million in 2001 and \$30,942 million in 2000. The decrease in 2002 was mainly due to lower natural gas prices, which more than offset the effect of higher production and crude oil realizations. The lower turnover in 2001 compared with 2000 reflected the impact of lower oil and natural gas prices, partly offset by higher production, in part through the inclusion of ARCO for a full year.

The replacement cost operating profit for 2002 was \$9,206 million compared with \$12,361 million in 2001 and \$13,972 million in 2000. These results are after charging special items of \$1,019 million, \$322 million and \$524 million respectively; and depreciation and amortization arising from the fixed asset revaluation adjustment and goodwill consequent upon the ARCO acquisition of \$1,780 million, \$1,815 million and \$1,214 million respectively. The year 2002 includes special charges of \$686 million and accelerated acquisition amortization of \$405 million related to the impairments 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. All these fields continued in operation. In addition, there were special restructuring charges of \$184 million relating to significant restructuring to reposition the business in North America and the North Sea, \$94 million for the write-off of our Gas to Liquids demonstration plant in Alaska and \$55 million of litigation costs. The special restructuring costs comprised \$145 million of severance, \$19 million repatriation and other costs of \$20 million, which were mostly settled in 2002.

Special items for 2001 included a \$175 million impairment of our partner-operated Venezuelan Lake Maracaibo operations, following a technical reassessment, \$77 million additional severance costs which related to US pension and benefits incurred in respect of ARCO terminations and were settled in 2001, \$60 million litigation and \$10 million restructuring costs related to the Grangemouth operating site in Scotland.

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The special charges of \$524 million in 2000 comprise mainly ARCO and Vastar integration costs. The restructuring cost element relating to rationalization following the ARCO and Vastar acquisitions totalled \$390 million comprising \$188 million severance, \$18 million asset write-downs, \$59 million office closures, \$26 million information technology alignment and \$99 million other restructuring costs. With the exception of the non-cash asset write-downs, the costs were mainly settled in 2000. Other special items in 2000 were costs incurred in relation to the realignment of the partner interests in Alaska of \$50 million and other costs of \$84 million that mainly relate to litigation settlements.

In assessing the value in use of potentially impaired assets, a discount rate of 9% has been used, as well as a Brent oil price of \$20 per barrel and a

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Henry Hub gas price of \$3.20 per mmbtu, which represents an average price achieved over the past ten years. The information in Item 18 -- Financial Statements -- Supplementary Oil and Gas Information -- Standardized measures of discounted future net cash flows and changes therein relating to proved oil and gas reserves was prepared using a discount rate of 10% and a year-end Brent oil price of \$30.38 per barrel and a Henry Hub gas price of \$4.75 as required by FASB Statement of Financial Accounting Standards No. 69 -- Disclosures about Oil and Gas Producing Activities.

The 2002 decrease in replacement cost operating profit reflects production growth of 4.5% for crude oil and 0.9% for natural gas (2.9% overall), a 4% decrease in unit lifting costs and slightly higher crude oil realizations, which were more than offset by significantly lower natural gas realizations.

Lower 2001 replacement cost operating profit compared with 2000 reflects the oil price decrease of over \$4 per barrel, partly offset by operational improvements and the inclusion of ARCO for the whole year, compared to only around nine months (from April 14) in 2000 and other portfolio changes.

Finding and development costs in 2002 averaged \$4.14 per barrel of oil equivalent, compared with \$3.68 in 2001 and \$3.29 in 2000. The increase reflects the higher costs incurred on the deepwater developments. Finding costs were \$0.79 per barrel of oil equivalent, compared with \$0.54 in 2001 and \$1.22 in 2000. On a three year rolling average basis, the finding costs were \$0.78 per barrel of oil equivalent for 2002 compared with \$0.82 for 2001 and \$1.21 for 2000 reflecting the significant discoveries made during the period 1999 to 2001. Unit lifting costs were \$2.60 per barrel of oil equivalent compared with \$2.70 in 2001 and \$2.60 in 2000, reflecting the sustained cost savings that have been achieved since the merger of BP and Amoco.

In 2002, a number of new fields started producing, the most significant of which were King, King's Peak, Horn Mountain, Aspen and Princess in the Deepwater Gulf of Mexico. In Trinidad, production of natural gas was increased from the existing fields to supply the second LNG train, which started up in August. In Azerbaijan, the Chirag field contributed steady production. In Angola, production from Girassol built up to its plateau level after starting up at the end of 2001. Production started at the Lan Tay field in Vietnam in November. In our other operations, production from Northstar in Alaska also built up to plateau level, and there was strong performance from Australia and Egypt owing to higher natural gas sales.

These production increases in 2002 were partly offset by a number of factors, including lower natural gas demand resulting from warm weather in the UK, OPEC reductions, severe storm patterns in the Gulf of Mexico, the general strike in Venezuela and operational problems in Alaska and the UK.

Exploration successes in 2002 included discoveries in the Gulf of Mexico, Trinidad, Angola and Egypt. The Plutao field is the first ultra-deepwater discovery offshore Angola. We were awarded new licences in the Gulf of Mexico, Norway and Russia.

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We made two major natural gas discoveries off the coast of Trinidad in 2002, in Iron Horse and Red Mango No. 2, taking the total to four new discoveries in three years. Along with the advantages of scale, improved liquefaction technology has reduced costs in Trinidad by nearly 30%, compared with LNG plants built elsewhere in the 1980s and early 1990s. Continuing technology developments and an increase in plant scale allow us to target a further 25% cost reduction by the end of the decade. This should enable us to

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compete successfully in new LNG markets. We have led our major competitors in the number of large discoveries during the past five years.

The reserve replacement ratio for 2002 was 175% with 2.0 billion barrels of oil equivalent booked through discoveries, extensions, revisions and improved recovery. Total hydrocarbon production for 2001 increased 5.5% and the reserve replacement ratio was 191% with 2.2 billion barrels of oil equivalent booked through extensions, discoveries, revisions and improved recovery. Reserve replacement has exceeded production for ten consecutive years at an average ratio of 145% over that period.

In support of growth, 2002 capital expenditure and acquisitions at \$9.7 billion was 9% higher than the 2001 level of \$8.9 billion; 2001 was 52% higher than the 2000 level of \$6.4 billion. Excluding acquisitions, capital expenditure in 2002 was \$9.3 billion compared with \$8.6 billion in 2001 and \$6.4 billion in 2000.

Our aim is to balance growth and returns by allocating investment to projects with the highest expected returns, ranked globally; by improving operating efficiency; and by selling assets that are not strategic to us and have greater value to others. We have already divested or agreed to divest assets amounting to over \$3 billion in 2003.

We made significant progress in 2002 in building up our five new profit centres. Late in 2002, development started at the Atlantis field in the Deepwater Gulf of Mexico. Atlantis joined four other fields -- Na Kika, Holstein, Mad Dog and Thunder Horse - that are also being developed in the Gulf. Construction of the Mardi Gras pipeline system, to handle the oil and gas production from BP's new fields in the Gulf, continues and is on track.

We expect to invest around \$20 billion in the five new profit centres during the period 2003 to 2007; no investment is currently planned for the proposed Russian joint venture. Building these profit centres requires a relatively high level of capital spending over the period 2002 to 2004.

Gas, Power and Renewables

		Years ended December	
		2002	2001
Turnover.....	(\$ million)	37,357	39,442
Total replacement cost operating profit.....	(\$ million)	354	488
Total natural gas sales volumes (a).....	(mmcf/d)	21,621	18,794

 (a) Includes marketing, trading and supply sales.

On January 1, 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 and comparative information has been restated.

Turnover was \$37,357 million in 2002 compared with \$39,442 million in 2001, as higher natural gas sales volumes were more than offset by lower prices, particularly in North America. The increase from \$21,203 million in 2000 is mainly attributable to higher sales volumes in the natural gas marketing and trading business.

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Replacement cost operating profit for 2002 was \$354 million compared with \$488 million in 2001 and \$532 million in 2000. The result for 2002 includes a special charge of \$30 million related to the impairment of a cogeneration power plant under construction in the UK. The impairment is the result of a significant fall in power prices in the UK over the last two years. The decrease in profit in 2002 is due to a lower contribution from Ruhrgas and a weaker marketing and trading environment, partly offset by better performance in the NGL business and increased natural gas sales volumes which were up by 15%. The sale of the Ruhrgas shareholding was effective August 1, 2002. The 2001 result is down on 2000 due to a lower contribution from NGLs, partly offset by better results from marketing and trading and Ruhrgas. In 2000 the NGL business benefited from exceptionally strong margins.

Natural gas sales increased from 14.5 billion cubic feet per day in 2000 to 18.8 billion cubic feet per day in 2001, and increased further to 21.6 billion cubic feet per day in 2002.

Although gas sales volumes increased 15% in 2002, margins in the industry were less favourable than in 2001, which had benefited from a period of unusual volatility in North America. Margins improved across our NGLs business through a combination of operating efficiency, lower costs and favourable market conditions. We also achieved more than 20% growth in sales of solar systems and panels, from 55 megawatts in 2001 to 67 megawatts in 2002, with an overall improvement in total gross margin against increasing competitive pressure.

Capital expenditure and acquisitions for 2002 was \$408 million compared with \$492 million in 2001 and \$376 million in 2000.

Refining and Marketing

		Years ended Decem	
		2002	2001
		-----	-----
Turnover.....	(\$ million)	125,836	120,233
Total replacement cost operating profit.....	(\$ million)	872	3,573
Global Indicator Refining Margin (b).....	(\$/bbl)	2.11	4.06
Refinery throughputs.....	(mb/d)	3,103	2,929
Total marketing sales	(mb/d)	4,180	3,797

(a) Includes BP's share of the BP/Mobil European joint venture until August 1, 2000.

(b) The Global Indicator Refining Margin is the average of seven regional indicator margins weighted for BP's crude refining capacity in each region. Each regional indicator margin is based on a single representative crude with product yields characteristic of the typical level of upgrading complexity.

Turnover for 2002 was \$125,836 million compared with \$120,233 million for 2001 and \$107,883 million for 2000. The increase in turnover for 2002 compared

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with 2001 is due primarily to volume increases from the Veba acquisition. Results for Veba have been included from February 1, 2002. The increase in turnover for 2001 compared with 2000 principally reflected the acquisitions of ARCO and Burmah Castrol and the consolidation of the European fuels business during 2000. Turnover for 2000 included ARCO from April 14, Burmah Castrol from July 7 and the European fuels business from August 1. Turnover for 2001 includes these businesses for the full year.

The replacement cost operating profit for 2002 was \$872 million compared with \$3,573 million in 2001 and \$3,486 million in 2000. These results are after special charges of \$415 million, \$487 million and \$595 million respectively; and depreciation and amortization arising from the fixed asset revaluation adjustment and goodwill consequent upon the ARCO and Burmah Castrol acquisitions of \$794 million, \$770 million and \$477 million, respectively. Special items for 2002 included a credit related to business interruption insurance proceeds of \$184 million, as well as charges of \$348 million related to Veba integration, \$132 million restructuring costs, \$62 million costs associated with an Olympic pipeline incident in 1999, a \$35 million write-down of retail assets in Venezuela and \$22 million settlement costs associated with a pre-acquisition ARCO US MTBE supply contract. Special charges in 2001 comprised \$334 million Castrol integration costs, \$101 million rationalization costs in the downstream European commercial business and Grangemouth restructuring and \$52 million additional severance charges mainly related to former ARCO employees. The special charges in 2000 mainly comprised ARCO and Burmah Castrol integration costs, rationalization costs following the BP and Amoco merger, environmental charges and litigation costs.

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The 2002 special charges of \$348 million related to the Veba acquisition comprised \$210 million severance costs, \$77 million other integration costs such as consulting, studies and internal project teams, \$24 million system infrastructure and application costs, \$22 million office consolidation and relocation and \$15 million additional synergy projects. 2002 cash outflows related to these special charges were approximately \$140 million. Integration began in February 2002, and completion is planned in the second half of 2003. Total costs and cash outflows are expected to be approximately \$570 million, including the full integration of the organizations, rebranding and systems integration and alignment. The targeted synergies are \$200 million per year. The \$132 million special restructuring costs are associated with several restructuring and cost reduction initiatives during 2002 in different business units and support functions, primarily in the USA, Western Europe and in Africa. The largest single functional area affected was information technology. In Venezuela an impairment review was triggered by the current political crisis and poor business performance in 2002.

The integration of the ARCO businesses was largely completed during 2001 and primarily affected the Western USA. The anticipated downstream synergies were achieved, resulting from cost reduction, hydrocarbon procurement and working capital reduction. The special charges associated with the integration were \$52 million in 2001 and \$109 million in 2000. The major components of the costs were severance payments, office consolidation and information technology infrastructure.

The integration of the Castrol businesses was mostly complete by the end of 2001. The anticipated synergies of \$260 million per year, resulting from efficiencies in supply chain and support activities, were exceeded by \$20 million and delivered one year in advance. The costs associated with restructuring, integration and rationalisation were \$485 million (\$334 million in 2001 and \$151 million in 2000). The majority of the costs were related to severance payments, relocation and infrastructure.

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The result for 2002 compared with 2001 reflects the impact of a halving of worldwide refining margins with a further adverse effect from price differentials in BP's crude oil mix, and lower US retail margins, with some offset from European retail and the Veba contribution. Refining throughputs increased by 6% over the prior year and marketing volumes increased by 10%, primarily due to Veba. Excluding Veba, marketing volumes were slightly down. Retail shop sales grew 60% due to Veba and the increased number of BP Connect stations, 10% excluding Veba. Retail sales grew 7% in 2002 in stores that were also operating in 2001.

Against this difficult background, we delivered improved plant availability, increased retail store sales and volume and margin growth in lubricants.

The 2001 result reflects the benefit of the 2000 portfolio changes and improved marketing volumes, offset by the effects of a larger refinery maintenance programme. We delivered a strong performance, led in particular by US refining in the first half of the year, where margins were very good. In both the USA and Europe, refining margins declined in the latter part of 2001. In September 2001, in line with our strategy, we completed the sale of refineries at Mandan, North Dakota and Salt Lake City, Utah in the USA.

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Marketing experienced significant competitive pressures throughout 2001. We delivered growth of 23% (7% excluding portfolio changes) in convenience store sales and 8% in retail fuel volumes, reflecting the full-year benefit of the 2000 portfolio changes and the rollout of the new BP Connect convenience sites.

Capital expenditure and acquisitions in 2002 was \$7,753 million, including \$5,038 million for the Veba acquisition, compared with \$2,415 million in 2001 and \$8,693 million in 2000. Excluding acquisitions, capital expenditure was \$2,682 million in 2002 compared with \$2,386 million in 2001 and \$2,369 million in 2000.

Chemicals

	Years ended December	
	2002	2001
Turnover.....	(\$ million) 13,064	11,515
Total replacement cost operating profit.....	(\$ million) 515	128
Chemicals Indicator Margin (a).....	(\$/te) 102 (b)	109
Production volumes (c).....	(kte) 26,988	22,716

(a) The Chemicals Indicator Margin (CIM) is a weighted average of externally based product margins. It is based on market data collected by Nexant (formerly Chem Systems) in their quarterly market analyses, then weighted based on BP's product portfolio. While it does not cover our entire portfolio, it includes a broad range of products. Among the products and businesses covered in the CIM are the olefins and derivatives, the aromatics and derivatives, linear alpha-olefins (LAOs), acetic acid, vinyl acetate monomers and nitriles. Not included are fabrics and fibres, plastic

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fabrications, poly alpha-olefins (PAOs), anhydrides, engineering polymers and carbon fibers, speciality intermediates, and the remaining parts of the solvents and acetyls businesses.

- (b) Provisional. The data for the current year is based on eleven months of actual data and one month of provisional data.
- (c) Includes BP share of joint ventures, associated undertakings and other interests in production.

Turnover has increased from \$11,247 million in 2000 to \$11,515 million in 2001 and to \$13,064 million in 2002. The higher turnover in 2001 compared with 2000 reflects the consolidation of Erdoelchemie from May 2, 2001 partly offset by the effect of lower prices. The increase in turnover for 2002 compared with 2001 primarily reflects higher production as a result of acquisitions, organic growth and improved site reliability.

Replacement cost operating profit for 2002 was \$515 million, compared with \$128 million in 2001 and \$760 million in 2000, including special charges of \$250 million, \$114 million and \$276 million respectively.

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Special charges for 2002 included a \$140 million write-down of our Indonesian manufacturing assets held for sale, following a review of immediate prospects and opportunities for future growth in a highly competitive market. In addition, there were \$110 million of special integration and restructuring costs. Special charges for 2001 include Grangemouth restructuring and costs related to Erdoelchemie and Solvay integration. In 2000 special charges comprised a provision against a chemicals investment in Indonesia, asset write-downs and rationalization costs following the BP and Amoco merger.

The special charges related to integration, rationalization and restructuring in 2002, 2001 and 2000 are the result of an ongoing segment restructuring programme which dates back to the merger of BP and Amoco. The costs comprise severance, asset write-downs, information technology alignment, and various other costs. The aim of the programme is to reposition the segment portfolio, and thus improve efficiency and performance.

The 2002 result was an increase of \$387 million over 2001, in an overall trading environment which was similar. This improvement was driven by lower costs and increased production.

Compared with 2000, the business environment for petrochemicals was very difficult throughout 2001 with margins at levels below those seen at the bottom of the previous business cycle. After early plant operating problems, we recorded lower unit costs through restructuring and improved plant performance in the second half of 2001.

Cash fixed costs per tonne of capacity, using an index which equates 2000 costs to 100, were 81 in 2002 compared with 86 in 2001.

BP's share of production for 2002 was 26,988 thousand tonnes, up 19% on 2001, as a result of new production from existing and acquired assets. Production for 2001 was 22,716 million tonnes, up 3% on 2000 due to new production and acquired assets. Production for 2000 was 22,065 million tonnes.

Major restructuring continued throughout 2002 and 2001, aimed at repositioning the portfolio and lowering the cost base. In addition to the special charges above, the 2002 and 2001 results include further rationalization

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costs of \$39 million and \$102 million respectively.

Capital expenditure and acquisitions in 2002 was \$823 million compared with \$1,926 million in 2001 and \$1,585 million in 2000. Excluding acquisitions, capital expenditure was \$810 million, \$1,446 million and \$1,585 million respectively.

Other Businesses and Corporate

	Years ended December 31,	
	2002	2001
Turnover..... (\$ million)	510	549
Replacement cost operating loss..... (\$ million)	(701)	(523)

Other Businesses and Corporate comprises Finance, our coal and aluminium assets, our investments in PetroChina and Sinopec, interest income and costs relating to corporate activities worldwide.

On January 1, 2002, the solar, renewables and alternative fuels activities were transferred to Gas, Power and Renewables. Comparative information has been restated.

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The net cost of Other Businesses and Corporate amounted to \$701 million in 2002, \$523 million in 2001 and \$1,071 million in 2000. These net costs include special charges of \$186 million, \$73 million and \$488 million respectively. Special charges in 2002 include provisions of \$140 million for future rentals on surplus leasehold property and a charge of \$46 million for environmental liabilities in respect of a divested business. Special charges in 2001 comprise additional severance charges mainly related to former ARCO employees. For 2000, special charges comprised ARCO integration costs, rationalization costs following the BP and Amoco merger and environmental charges.

Expenditure on research for 2002 was \$373 million, compared with \$385 million in 2001 and \$434 million in 2000.

During 2000, we purchased an interest in PetroChina for \$578 million and an interest in Sinopec for \$416 million.

Outlook

The trading environment was challenging during 2002. Whilst there was little change in crude oil prices between 2001 and 2002, natural gas prices and refining margins were significantly weaker than in the previous year and chemicals margins remained depressed.

Crude oil prices were marginally higher in 2002 than in 2001. Dated Brent averaged \$25.03 per barrel in 2002 compared with \$24.44 per barrel in 2001. OPEC production restraint kept the market reasonably balanced despite weak oil demand and strong growth in oil production outside OPEC. Prices were volatile moving in a range of \$18 to 32 for Brent but, in general, they trended upwards over the course of the year.

The economic downturn and the aftermath of the September 11th terrorist attacks took a heavy toll on the margin businesses in 2002. Refining margins

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were depressed for much of the year and averaged only around half of 2001 levels in the face of consistently high product inventories and tightening crude oil markets. Margins in chemicals were at levels similar to the bottom of previous cycles.

US natural gas prices (Henry Hub) averaged around \$3.36 per mmbtu in 2002, down from \$3.96 per mmbtu in 2001. The mild winter of 2001/2002 and the US economic downturn resulted in a large surplus of gas in storage at the start of the year, which was not worked off until late in 2002. Gas prices traded at a discount to residual fuel oil for most of the year. As with crude oil prices, US gas prices trended upwards over the course of 2002, the low of just under \$2/mmbtu being recorded in January and the high of over \$5/mmbtu being recorded in December.

Crude oil prices have been volatile so far in 2003, with dated Brent fluctuating between \$26 and \$35 in the aftermath of the supply disruption caused by the Venezuelan general strike and as a result of the threat and subsequent outbreak of military action in Iraq. Refining margins have strengthened in response to falling product inventories. US natural gas prices have also been strong in the face of a cold US winter and declining US gas production. Chemicals margins remain under pressure.

We continue to take a cautious view about the external environment in 2003, given the uncertain nature of the economic recovery and geopolitical uncertainties. Whilst US gas markets look to be strongly underpinned by supply/demand fundamentals, crude prices and refining margins remain vulnerable to reductions in uncertainties and potential economic weakness. Chemicals margins will be sensitive to any deterioration in economic conditions.

As of the date of filing this annual report, the outlook in all our activities is unusually uncertain due to the unpredictable situation surrounding Iraq.

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Environmental Expenditure

	Years ended December 31,		
	2002	2001	2000
	(\$ million)		
Operating expenditure.....	485	436	
Capital expenditure.....	660	423	
Clean-ups.....	49	67	
New provisions for environmental remediation.....	312	180	
New provisions for decommissioning.....	308	156	

Operating and capital expenditure on the prevention, control, abatement or elimination of air, water and solid waste pollution is often not incurred as a discrete identifiable transaction. Instead, it forms part of a larger transaction which includes, for example, normal maintenance expenditure. The figures for environmental operating and capital expenditure in the table are therefore estimates, based on the definitions and guidelines of the American Petroleum Institute.

Operating expenditure and clean-ups for 2002 were similar to the 2001

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level. Capital expenditure increased in 2002 compared with 2001, primarily as a result of projects to reduce refinery emissions associated with our agreement with the Environmental Protection Agency and upgrades required to meet new US emission requirements for gasoline and highway diesel. Capital expenditures are expected to be at levels similar to 2002 in the near term. In addition to operating and capital expenditures, we also create provisions for future environmental remediation. The increase in new provisions in 2002 is primarily related to US retail sites and results from new regulations and ongoing review of the liabilities. Expenditure against such provisions is normally incurred in subsequent periods and is not included in environmental operating expenditure reported for such periods.

Provisions for environmental remediation are made when a clean-up is probable and the amount reasonably determinable. Generally, their timing coincides with commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites.

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 the liability. Although the cost of any future remediation could be significant, and may be material to the result of operations in the period in which it is recognized, we do not expect that such costs will have a material effect on the Group's financial position or liquidity. We believe our provisions are sufficient for known requirements; and we do not believe that our costs will differ significantly from those of other companies (with similar assets) engaged in similar industries or that our competitive position will be adversely affected as a result.

In addition, we make provisions to meet the cost of eventual decommissioning of our oil- and gas-producing assets and related pipelines. Provisions for environmental remediation and decommissioning are usually set up on a discounted basis, as required by Financial Reporting Standard No. 12, 'Provisions, Contingent Liabilities and Contingent Assets'. Further details of decommissioning and environmental provisions appear in Item 18 -- Financial Statements -- Note 31. See also Item 4 -- Information on the Company -- Environmental Protection.

Insurance

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 from time to time.

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LIQUIDITY AND CAPITAL RESOURCES

Cash Flow

	Years ended December 31,		
	2002	2001	2000
	(\$ million)		
Net cash inflow from operating activities.....	19,342	22,409	20,000

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Net cash (outflow) inflow (344) 1,002 3,

Net cash outflow for 2002 was \$344 million, compared with an inflow of \$1,002 million in 2001, as lower operating cash flow and higher acquisition spending were partly offset by lower tax payments and higher disposal proceeds. The decrease in cash flow between 2000 and 2001 is primarily driven by higher capital expenditure and significantly lower divestment proceeds (2000 included proceeds from the sale of the ARCO Alaska assets).

Net cash inflow from operating activities decreased to \$19,342 million in 2002 from \$22,409 million in 2001 and \$20,416 million in 2000. In 2002, lower profit and higher working capital were partly offset by higher depreciation resulting from impairments. Lower income in 2001 compared with 2000 was more than compensated for by lower working capital requirements and higher depreciation.

Dividends from joint ventures and associated undertakings have decreased from \$1,039 million in 2000 to \$632 million in 2001 and to \$566 million in 2002. The decrease in 2002 was related to the Erdoelchemie transaction and the Altura transaction partly offset by an increase from Watson Cogeneration. The principal factor underlying the decrease in 2001 was the dissolution in August, 2000 of the BP/Mobil European joint venture.

The net cash outflow from servicing of finance and returns from investments was \$911 million in 2002, \$948 million in 2001 and \$892 million in 2000. The lower cash outflow in 2002 is primarily due to lower interest payments. The higher cash outflow in 2001 compared with 2000 arises because the decrease in interest payments was more than offset by the decrease in interest receipts.

Tax payments decreased to \$3,094 million in 2002 from \$4,660 million in 2001 and \$6,198 million in 2000 reflecting the decline in profits across the period and in 2000 additional taxes related to the FTC mandated disposal of ARCO's Alaskan operations.

Payments for capital expenditures on fixed assets net of proceeds from sales of fixed assets, amounted to \$9,646 million in 2002 compared with \$9,849 million in 2001 and \$7,072 million in 2000. The decrease in 2002 over 2001 was due to slightly lower capital expenditure and higher disposal proceeds. The increase in 2001 over 2000 was mainly due to higher capital expenditure and lower disposal proceeds.

Acquisitions and disposals of businesses produced a net cash outflow of \$1,337 million in 2002 compared with an outflow of \$1,755 million in 2001, as the impact of the Veba acquisition was more than offset by higher disposal proceeds. Acquisitions and disposals of businesses produced a net cash outflow of \$1,755 million in 2001 compared with an inflow of \$865 million in 2000 reflecting decreased acquisition activity and lower disposal proceeds. 2000 included disposal proceeds of \$6,803 million, for the FTC mandated sales, which were largely offset by the Burmah Castrol acquisition.

Overall net cash outflow for capital expenditure and acquisitions, net of disposals, was \$10,983 million compared with \$11,604 million in 2001 and \$6,207 million in 2000.

Dividend payments have increased to \$5,264 million from \$4,827 million in 2001 and \$4,415 million in 2000. The increase in both years reflects the impact of the higher dividend per share, partly offset by share repurchases.

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Financing the Group's Activities

The Group's principal commodity, oil, is priced internationally in dollars. Group policy has been to minimize economic exposure to currency movements by financing operations with US dollar debt wherever possible, otherwise by using currency swaps when funds have been raised in currencies other than dollars.

The Group's finance debt is almost entirely in US dollars and at December 31, 2002 amounted to \$22,008 million (2001 \$21,417 million) of which \$10,086 million (2001 \$9,090 million) was short term.

Net debt, that is debt less cash and liquid resources, was \$20,273 million at the end of 2002, an increase of \$664 million over the year. The ratio of net debt to net debt plus equity was 22% at the end of 2002 and 23% at the end of 2001. After adjusting for the fixed asset revaluation adjustment and goodwill consequent upon the ARCO and Burmah Castrol acquisitions, the ratio of net debt to net debt plus equity was 28%. We expect to keep this adjusted ratio in the range of 25% to 35%.

The maturity profile and fixed/floating rate characteristics of the Group's debt are described in Item 18 -- Financial Statements -- Notes 26 and 29.

In addition to reported debt, BP uses conventional off balance sheet arrangements such as operating leases and borrowings in joint ventures and associated undertakings. At December 31, 2002 the Group's share of third party borrowings of joint ventures and associated undertakings was \$457 million (2001 \$460 million) and \$849 million (2001 \$1,136 million) respectively. These amounts are not reflected in the Group's debt on the balance sheet.

The Group has issued third party guarantees under which amounts outstanding at December 31, 2002 are summarized below. Some guarantees outstanding are in respect of borrowings of joint ventures and associated undertakings noted above.

	Guarantees expiring by period					
	Total	2003	2004	2005	2006	2007
	(\$ million)					
Guarantees issued in respect of:						
Borrowings of joint ventures and associated undertakings.....	338	--	--	100	--	100
Liabilities of other third parties.....	293	133	65	9	9	11

At December 31, 2002 contracts had been placed for authorized future capital expenditure estimated at \$5,966 million, mainly in respect of exploration and production activities. Such expenditure is expected to be financed largely by cash flow from operating activities. The Group also has access to significant sources of liquidity in the form of committed facilities and other funding through the capital markets. At December 31, 2002, the Group had available undrawn committed borrowing facilities of \$3,600 million (\$3,400 million at December 31, 2001).

On February 11, BP announced the formation of a joint venture with AAR in Russia. The deal is scheduled for completion in the summer of 2003, at which time BP will pay AAR approximately \$3 billion in cash.

foreseeable requirements.

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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 from Moody's and Standard & Poor's. Standard & Poor's placed this rating on CreditWatch, following the announcement of the transaction to form TNK-BP (see Item 4 - Information on the Company -- General -- Recent Developments). In early March 2003, the Company met with Standard & Poor's to discuss its debt rating. As of the date of this annual report, we await the outcome of their review.

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 December 31, 2002, the Group had available undrawn committed facilities of \$3,600 million. These committed facilities, which are mainly with a number of international banks, expire in 2003. The Group expects to renew the facilities on an annual basis.

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 through credit approvals, limits, use of netting arrangements and monitoring procedures. Counterparty credit validation, independent of the dealers, is undertaken before contractual commitment.

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CRITICAL ACCOUNTING POLICIES AND NEW ACCOUNTING STANDARDS

UK Generally Accepted Accounting Policies

BP prepares its financial statements in accordance with UK generally accepted accounting practice (UK GAAP). This requires BP 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 the estimates and assumptions used.

The accounts for the year ended December 31, 2002 have been prepared using accounting policies consistent with those used in the preparation of the 2001 accounts, except for the change in accounting policy for deferred tax described below.

Segment information for 2001 and 2000 has been restated to reflect the transfer of the solar, renewables and alternative fuels activities from Other Businesses and Corporate to Gas and Power on January 1, 2002. At the same time to reflect this transfer Gas and Power was renamed Gas, Power and Renewables.

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The accounting policies and areas that require the most significant judgments and estimates to be used in the preparation of BP's consolidated financial statements are in relation to oil and natural gas reserves; depreciation and amounts provided; impairment; and provisions for deferred taxation, decommissioning, environmental liabilities, pensions and other postretirement benefits.

Adoption of New UK Accounting Standard

With effect from January 1, 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' (SSAP15). 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 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.

When an acquisition has been made prior to the date of adopting FRS 19, the accounting standard requires that the fair values attributed to assets and liabilities at the date of acquisition be restated as though FRS 19 had applied at that time. Applying this principle has led to the creation of additional amounts of deferred taxation and additional amounts of goodwill on acquisitions made prior to January 1, 2002.

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The change in accounting policy has resulted in a prior year adjustment. Shareholders' interest at January 1, 2000 has been reduced by \$6,250 million and the tax charge for the years ended December 31, 2001 and 2000 increased by \$1,358 million and \$1,676 million respectively. The provision for deferred tax has been increased by \$10,047 million at December 31, 2001. Profit for the current year has been reduced by approximately \$750 million as a result of the change in accounting policy.

Oil and Gas Reserves

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BP's oil and natural gas reserves are estimated by the Group's petroleum engineers in accordance with industry standards and SEC regulations. Proved oil and gas reserves are the estimated quantities of crude oil, NGLs and natural gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Accordingly, these estimates do not include probable or possible reserves. Estimated oil and gas reserves are based on available reservoir data and prices and costs as of the date the estimate is made and are subject to future revision.

As discussed below, oil and natural gas reserves have a direct impact on certain amounts reported in the financial statements.

Depreciation and Amounts Provided

The Group follows the successful efforts method of accounting for its oil and gas activities. This accounting principle requires, among other things, that the capitalized costs for proved oil and gas properties (which include the costs of drilling successful wells) be amortized on the basis of oil-equivalent barrels that are produced in a period as a percentage of the total estimated proved reserves. The impact of changes in estimated proved reserves are dealt with prospectively by amortizing the remaining book value of the asset over the expected future production. If proved reserve estimates are revised downward, earnings could be affected by higher depreciation expense or an immediate write-down of the property's book value (see impairment discussion below).

Given the large number of producing fields in the Group's portfolio, it is unlikely that any changes in reserve estimates, year on year, will have a significant effect on prospective charges for depreciation.

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, with most goodwill amortized over 10 years. The 10-year amortization period chosen for the goodwill arising on the ARCO, Burmah Castrol and Veba acquisitions reflects the period over which the benefit of cost synergies is expected to be eroded.

During the period 2000 to 2002 there have been no changes in the estimated useful lives of the Group's major asset categories. No significant changes are expected in 2003. The Group believes its asset lives are similar to those of its major competitors.

Impairment of Fixed Assets and Goodwill

Fixed assets, including goodwill are assessed for impairment if there are events or changes in circumstances which indicate that carrying values of those assets may not be recoverable. This entails comparing the carrying value of the income-generating unit and associated goodwill with the recoverable amount of the asset, that is, the higher of net realizable value and value in use. Value in use is usually determined on the basis of discounted estimated future net cash flows.

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For oil and natural gas properties, the expected future cash flows are estimated based on the Group's plans to continue to produce and develop proved and associated risk-adjusted probable and possible reserves. Expected future cash flows from the sale or production of reserves are calculated based on a

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Brent oil price of \$20 and a Henry Hub gas price of \$3.20. These represent 10-year historic average prices. The net present values of cash flows are determined using a discount rate of 9%. The estimated future level of production is based on assumptions about future commodity prices, lifting and development costs, field decline rates, market demand and supply, economic regulatory climates and other factors.

Charges for impairment are recognized in the Group's results from time to time as a result of, among other factors, adverse changes in the recoverable reserves from oil and natural gas fields, low plant utilization or reduced profitability. See Group Operating Results within this item for a discussion of impairment charges recognized in 2002. If there are low oil prices or natural gas prices or refining margins or chemicals margins over an extended period, the Group may need to recognize significant impairment charges.

Deferred Taxation

The Group has approximately \$5,300 million of carry-forward tax losses in the UK, which are 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 utilisation of losses not previously recognized as deferred tax assets. Carry-forward tax losses in other taxing jurisdictions have not been recognized as deferred tax assets, and are not likely to have a significant effect on the Group's tax rate in the near term.

Deferred taxation is not generally provided in respect of liabilities which may arise on the distribution of accumulated reserves of overseas subsidiaries, joint ventures and associated undertakings.

Decommissioning Costs

The Group holds provisions for the future decommissioning of oil and natural gas production facilities and pipelines at the end of their economic lives. The largest asset removal obligations facing BP relate to the removal and disposal of oil and natural gas platforms and pipelines around the world. The estimated discounted costs of dismantling and removing these facilities are accrued at the commencement of production, reflecting our legal obligations. Most of these removal events are many years in the future and the precise requirements that will have to be met when the removal event actually occurs are uncertain. Asset removal technologies and costs are constantly changing, as well as political, environmental, safety and public expectations. Consequently, the timing and amounts of future cash flows are subject to significant uncertainty.

The timing and amount of future expenditures are reviewed annually together with the interest rate to be used in discounting the cash flows. The interest rate used to determine the balance sheet obligation at year end 2002 was 2.5% down from 3.0% at the end of 2001. This change in the discount rate increased the provision for decommissioning costs by \$334 million at December 31, 2002.

Environmental Costs

BP also makes judgments and estimates in recording costs and establishing provisions for environmental clean-up and remediation costs, which are based on current information on costs and expected plans for remediation. For environmental provisions, actual costs can differ from estimates because of changes in laws and regulations, public expectations, discovery and analysis of site conditions and changes in clean-up technology.

The provision for environmental liabilities is reviewed annually. The change in the discount rate, from 3.0% at year end 2001 to 2.5% at year end

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2002, increased the provision for environmental liabilities by \$36 million at end 2002.

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Pensions and Other Postretirement Benefits

Accounting for pensions and other postretirement benefits involves judgment about uncertain events, including estimated retirement dates, salary levels at retirement, mortality rates, rates of return on plan assets, determination of discount rates for measuring plan obligations, health care cost-trend rates and rates of utilization of health care services by retirees. These assumptions are based on the environment in each country. Determination of the projected benefit obligations for the Company's defined benefit pension and postretirement plans are important to the recorded amounts for such obligations on the balance sheet and to the amount of benefit expense in the income statement. The assumptions used may vary from year-to-year, which will affect future results of operations. Any differences between these assumptions and the actual outcome also impacts future results of operations.

Pension and other postretirement benefit assumptions are discussed and agreed with the independent actuaries in December each year. These assumptions are used to determine the projected benefit obligation at the year end and hence the liability or asset recorded on the Group's balance sheet, and pension expense for the following year.

The pension assumptions at December 31, 2002 and 2001 under Statement of Standard Accounting Practice No. 24 'Accounting for Pension Costs' (SSAP 24) are summarized below. The change in assumptions should lead to a net increase in pension expense in 2003 of approximately \$300 million.

	UK		Other European		
	2002	2001	2002	2001	2002
	(%)				
Rate of return on assets.....	6.25	6.0	n/a	n/a	8.0
Discount rate.....	6.25	6.0	5.75	6.2	6.75
Future salary increases.....	4.0	4.5	4.0	3.2	4.0
Future pension increases.....	2.5	2.5	2.4	2.0	--
Dividend growth.....	n/a	n/a	n/a	n/a	n/a

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:

	One percentage point	
	Increase	Decrease
	(\$ million)	
Investment return:		
Effect on pension expense in 2002.....	(240)	240

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Discount rate:

Effect on pension expense in 2002.....	(320)	275
Effect on pension obligation at December 31, 2002.....	(3,575)	3,625

The assumptions used in calculating the charge for US postretirement benefits are consistent with those shown above for US pension plans. The assumed future healthcare cost trend rate is shown below.

	2003	2004	2005	2006	2007	2008
	-----	-----	-----	-----	-----	-----
	(%)					
Beneficiaries aged under 65.....	12	11	9	8	7	6
Beneficiaries aged over 65.....	15	14	12	10	8	7

The change in assumptions between 2002 and 2003 should result in an increase in postretirement benefits of approximately \$140 million.

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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:

	One percentage po	
	-----	-----
	Increase	Decr
	-----	-----
	(\$ million)	
Effect on total of service and interest cost in 2002.....	52	
Effect on postretirement obligation at December 31, in 2002.....	587	

Under SSAP 24 surpluses and deficits on pension and other postretirement benefit plans are not recognized immediately, but spread over a number of years. On the basis of SSAP 24 the asset or liability reflected in the Group's balance sheet at December 31, 2002 for the major pension and postretirement benefit plans, net of tax, is as follows:

	UK	Other	USA
	Pension	European	Postretire
	-----	-----	-----
		Pension	bene
	-----	-----	-----
	(\$ million)		

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Asset (liability).....	1,882	(2,883)	787	(1,
------------------------	-------	---------	-----	-----

If the assets and liabilities of the pension and postretirement benefits plans were measured at fair value at December 31, 2002 in accordance with Financial Reporting Standard No. 17, the assets and liabilities that would be recognized in the Group's balance sheet are set out below. The aggregate impact of using this basis would be to reduce BP Shareholders' interest by approximately \$4.2 billion.

	UK Pension	Other European Pension	----- USA Postretire Pension	----- bene
Asset (liability).....	221	(1,947)	(1,663)	(2

(\$ million)

The Other European pension plans and US postretirement benefit plans are unfunded; payments to beneficiaries are made by the Group from its operating cash flows and other resources. The UK and US pension plans are generally funded. Subject to finalization of the actuarial valuation it is expected that a contribution in the range of \$500 million to \$700 million will be made to the US pension plan in 2003.

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Impact of New UK Accounting Standards

Retirement benefits: In December 2000, the UK Accounting Standards Board issued Financial Reporting Standard No. 17 'Retirement Benefits' (FRS 17). This standard was to be fully effective for accounting periods ending on or after June 22, 2003 with certain of the disclosure requirements effective for periods prior to 2003. However, in November 2002, the UK Accounting Standards Board issued an amendment to FRS 17, which defers full adoption until January 1, 2005 although the disclosure requirements apply to periods prior to 2005. FRS 17 requires that financial statements reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and any related funding. The operating costs of providing retirement benefits are recognized in the period in which they are earned together with any related finance costs and changes in the value of related assets and liabilities.

The pro forma impact of adopting this standard on pensions and postretirement benefits is shown in Notes 40 and 41 of Notes to Financial Statements.

US Generally Accepted Accounting Principles

The consolidated financial statements of the BP Group are prepared in accordance with UK GAAP which differs in certain respects from US generally accepted accounting principles (US GAAP). The principal differences between US GAAP and UK GAAP for BP Group reporting are discussed in Note 45 of Notes to

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Financial Statements.

Impact of New US Accounting Standards

New US accounting standards adopted: The Group has adopted Statement of Financial Accounting Standards No. 141 'Business Combinations' (SFAS 141) for US GAAP reporting with effect from January 1, 2002. Under SFAS 141, the pooling of interest method of accounting is no longer permitted. Also on January 1, 2002 the Group adopted Statement of Financial Accounting Standards No. 144 'Accounting for the Impairment or Disposal of Long-Lived Assets' (SFAS 144). SFAS 144 retains the requirement to recognize an impairment loss only where the carrying value of a long-lived asset is not recoverable from its undiscounted cash flows and to measure such loss as the difference between the carrying amount and fair value of the asset. SFAS 144, among other things, changes the criteria that have to be met in order to classify an asset as held-for-sale and requires that operating losses from discontinued operations be recognized in the period that the losses are incurred rather than as of the measurement date.

The adoption of SFAS 141 and SFAS 144 had no impact on profit, as adjusted to accord with US GAAP, for the year ended December 31, 2002 or on BP shareholders' interest, as adjusted to accord with US GAAP, at December 31, 2002.

Asset retirement obligations: In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 143 'Accounting for Asset Retirement Obligations' (SFAS 143). SFAS 143 requires companies to record liabilities equal to the fair value of their asset retirement obligations when they are incurred (typically when the asset is installed at the production location). When the liability is initially recorded, companies capitalize an equivalent amount as part of the cost of the asset. Over time the liability is accreted for the change in its present value each period, and the initial capitalized cost is depreciated over the useful life of the related asset. SFAS 143 is effective for accounting periods beginning after June 15, 2002.

The cumulative effect of adopting SFAS 143 at January 1, 2003 will result in an after tax credit to income, as adjusted to accord with US GAAP, of approximately \$1,700 million. The effect of adoption also included an increase in total assets, as adjusted to accord with US GAAP, of approximately \$660 million and a reduction in total liabilities, as adjusted to accord with US GAAP, of approximately \$1,040 million. It is expected that there will be an additional charge to profit, adjusted to accord with US GAAP, in the range of \$200 to 250 million in future periods.

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Costs associated with exit or disposal activities: In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146 'Accounting for Costs Associated with Exit or Disposal Activities' (SFAS 146). SFAS 146 requires that a liability for costs associated with an exit or disposal activity be recognized only when the liability is incurred, rather than at the date of an entity's commitment to an exit plan. The new standard requires that the liability be initially measured at fair value. SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002.

Contracts involved in energy trading activities: In October 2002, the FASB Emerging Issues Task Force (EITF) reached a consensus which rescinded EITF Issue No. 98-10, 'Accounting for Contracts Involved in Energy Trading and Risk Management Activities' (EITF 98-10). As a result of this consensus, all energy-related, non-derivative contracts (such as transportation, storage,

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tolling, and requirements contracts that do not meet the definition of a derivative) and trading inventories that are accounted for at fair value pursuant to EITF 98-10 will no longer be accounted for at fair value upon application of the consensus. Rather, such contracts will be accounted for as executory contracts on an accruals basis.

The consensus is applicable for all contracts executed after October 25, 2002. Application of the consensus to contracts existing prior to October 26, 2002 is required to be accounted for as a cumulative effect of a change in accounting principle effective for periods beginning after December 15, 2002.

For BP's reporting under UK GAAP, energy-related non-derivative contracts associated with trading activities are marked to market with gains and losses recognized in the income statement.

The cumulative effect of adopting the consensus at January 1, 2003 will result in an after tax credit to income, as adjusted to accord with US GAAP, of approximately \$50 million.

Stock-based compensation: In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148 'Accounting for Stock-Based Compensation - Transition and Disclosure' (SFAS 148). SFAS 148 amends SFAS 123 to permit alternative methods of transition for adopting a fair value based method of accounting for stock-based employee compensation. Under UK GAAP, the Group uses the intrinsic value method to account for stock-based employee compensation.

Guarantees: In November 2002, the FASB issued FASB Interpretation No. 45 'Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others' (Interpretation 45). Interpretation 45 elaborates on existing disclosure requirements for guarantees and clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of Interpretation 45 apply on a prospective basis to guarantees issued or modified after December 31, 2002.

Consolidation: In January 2003, the FASB issued FASB Interpretation No. 46 'Consolidation of Variable Interest Entities' (Interpretation 46). Interpretation 46 clarifies the application of existing consolidation requirements to entities where a controlling financial interest is achieved through arrangements that do not involve voting interests. Under Interpretation 46, a variable interest entity is consolidated if a company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns. Interpretation 46 applies to variable interest entities created or acquired after January 31, 2003. For variable interest entities existing at January 31, 2003, Interpretation 46 is effective for accounting periods beginning after June 15, 2003.

The Company is currently carrying out the analysis necessary to adopt Interpretation 46 in the third quarter of 2003 for existing entities. The Company does not expect that the adoption of Interpretation 46 will have a significant effect on profit as adjusted to accord with US GAAP, or BP shareholders' interest, as adjusted to accord with US GAAP.

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Impact of International Accounting Standards

In June 2002, the European Union Council of Ministers adopted a Regulation which will require the Group to prepare its primary consolidated financial

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statements in accordance with International Accounting Standards (IAS) beginning January 1, 2005, with restatement of prior periods presented. IAS differ in several respects from UK and US GAAP. In addition, significant revisions to IAS are currently being contemplated and other revisions may be adopted prior to January 1, 2005. The Group has not determined the effects of adopting IAS.

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ITEM 6 -- DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

DIRECTORS AND SENIOR MANAGEMENT

The following lists the Company's directors and senior management.

Name -----		Initially elected or appointed -----
P D Sutherland.....	Non-executive chairman (a)	Chairman since Ma Director since Ju
Sir Ian Prosser.....	Non-executive deputy chairman (a) (b) (c)	Deputy chairman s February 1999 Director since Ma
The Lord Browne of Madingley.....	Executive director (Group chief executive)	September 1991
R C Alexander.....	Chief executive, Gas, Power and Renewables	April 2002
Dr D C Allen.....	Executive director	February 2003
P B P Bevan.....	Group general counsel	September 1992
R F Chase.....	Executive director	March 1992
I C Conn.....	Chief executive, Chemicals	November 2002
Dr A B Hayward.....	Executive director	February 2003
J A Manzoni.....	Executive director	February 2003
Dr B E Grote.....	Executive director (Chief financial officer)	August 2000
R L Olver.....	Executive director (Deputy group chief executive)	January 1998
J H Bryan.....	Non-executive director (a) (c)	December 1998
E B Davis, Jr.....	Non-executive director (a) (b) (c)	December 1998
Dr D S Julius.....	Non-executive director (a) (b)	November 2001
C F Knight.....	Non-executive director (a) (b)	October 1987
F A Maljers.....	Non-executive director (a) (d)	December 1998
Dr W E Massey.....	Non-executive director (a) (d)	December 1998
H M P Miles.....	Non-executive director (a) (c) (d)	June 1994
Sir Robin Nicholson.....	Non-executive director (a) (b)	October 1987
M H Wilson.....	Non-executive director (a) (c) (d)	December 1998

(a) Member of the Chairman's Committee.

(b) Member of the Remuneration Committee.

(c) Member of the Audit Committee.

(d) Member of the Ethics and Environment Assurance Committee.

Mr W D Ford retired as an executive director on March 31, 2002. Sir Robert Wilson retired as a non-executive director on April 18, 2002. Dr J G S Buchanan retired as an executive director and chief financial officer on November 21,

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2002. Mr R F Chase will retire as an executive director on April 23, 2003. BP's articles of association require directors who have held office for three years or more since they were appointed or re-elected to retire from office at the Company's annual general meeting, together with directors appointed by the board since the last annual general meeting. Retiring directors may offer themselves for re-election. The Director retiring and offering himself for re-election at this year's meeting is Mr C F Knight. Dr D C Allen, Dr A B Hayward and Mr J A Manzoni are standing for election by the shareholders.

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The biographies of the directors and the secretary are set out below.

P D Sutherland, SC -- Peter Sutherland (56) rejoined BP's board in 1995, having previously been a non-executive director from 1990 to 1993. He was appointed chairman of BP in 1997. He is non-executive chairman of Goldman Sachs International and a non-executive director of Telefonaktiebolaget LM Ericsson, Investor AB and The Royal Bank of Scotland Group.

Sir Ian Prosser -- Sir Ian (59) joined BP's board in 1997 and was appointed non-executive deputy chairman in 1999. He is chairman of Six Continents. He is also a non-executive director of GlaxoSmithKline, and chairman of the Executive Committee of the World Travel and Tourism Council.

The Lord Browne of Madingley, FREng -- Lord Browne, formerly Sir John Browne, (55), group chief executive, was appointed an executive director of BP in 1991 and group chief executive in 1995. He is a non-executive director of Goldman Sachs Group and Intel Corporation, and a trustee of the British Museum.

R C Alexander - Ralph Alexander (47), was appointed chief executive of Gas, Power and Renewables in April 2002.

Dr D C Allen -- David Allen (48), group chief of staff, was appointed an executive director of BP in February 2003.

P B P Bevan - Peter Bevan (58), was appointed group general counsel in 1992.

R F Chase -- Rodney Chase (59), senior adviser to the group chief executive, was appointed an executive director of BP in 1992. He is a non-executive director of Computer Sciences Corporation, Diageo and Tesco. He is also a trustee of the Prince of Wales International Business Leaders Forum and a member of the Executive Board of the World Council for Sustainable Development.

I C Conn - Iain Conn (40), was appointed chief executive of Chemicals in November 2002.

Dr B E Grote -- Byron Grote (54), chief financial officer, was appointed an executive director of BP in 2000 and chief financial officer in November 2002.

Dr A B Hayward -- Tony Hayward (45), chief executive, Exploration and Production, was appointed an executive director of BP in February 2003. He is a non-executive director of Corus Group.

J A Manzoni -- John Manzoni (43), chief executive, Refining and Marketing, was appointed an executive director of BP in February 2003.

R L Olver -- Dick Olver (56), deputy group chief executive, was appointed an executive director of BP in 1998, and deputy group chief executive in January 2003. He is a non-executive director of Reuters Group.

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J H Bryan -- John Bryan (66) joined Amoco's board in 1982. He serves on the boards of Bank One Corporation, General Motors Corporation and Goldman Sachs. He retired as chairman of Sara Lee Corporation in 2001.

E B Davis, Jr -- Erroll B Davis, Jr (58) joined Amoco's board in 1991. He is president and chief executive officer of Alliant Energy. He is a non-executive director of PPG Industries and a member of the American Society of Corporate Executives. He serves as a director of the Wisconsin Association of Manufacturers and Commerce, the Edison Electric Institute and the Electric Power Research Institute. He is also chairman of the board of trustees of Carnegie Mellon University.

Dr D S Julius, CBE -- DeAnne Julius (53) joined BP's board in November 2001. She is a non-executive director of the Court of the Bank of England, Lloyds TSB, Serco and Roche Holding. From 1997 until June 2001 she was a full time member of the Monetary Policy Committee of the Bank of England.

C F Knight -- Charles Knight (67) joined BP's board in 1987. He is chairman of Emerson Electric and is a non-executive director of Anheuser-Busch, Morgan Stanley Dean Witter, SBC Communications and IBM.

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F A Maljers, KBE -- Floris Maljers (69) joined Amoco's board in 1994. He is a member of the supervisory boards of SHV Holding and Vendex NV. He is chairman of the supervisory boards of KLM Royal Dutch Airlines, the Amsterdam Concertgebouw NV and Rotterdam School of Management, Erasmus University.

Dr W E Massey -- Walter Massey (64) rejoined Amoco's board in 1993, having previously been a director from 1983 to 1991. He is president of Morehouse College and is a non-executive director of Motorola, Bank of America, McDonald's Corporation, the Mellon Foundation and the Commonwealth Fund. He serves on President Bush's Council of Advisors on Science and Technology.

H M P Miles, OBE -- Michael Miles (66) joined BP's board in 1994. He is chairman of Schroders and of Johnson Matthey.

Sir Robin Nicholson, FREng, FRS -- Sir Robin (68) joined BP's board in 1987. He is a non-executive director of Rolls-Royce.

M H Wilson -- Michael Wilson (65) joined Amoco's board in 1993. He is president and chief executive officer of UBS Global Asset Management (Canada) and a non-executive director of Manufacturers Life Insurance Company and UBS Global Asset Management.

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COMPENSATION

The remuneration committee determines the terms of engagement and remuneration of the executive directors.

Reward Policy

The remuneration committee's reward policy reflects its obligation to align executive directors' remuneration with shareholders' interests and to engage world-class executive talent for the benefit of the Group. The main principles of the policy are:

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- Total rewards should be set at appropriate levels to reflect the competitive global market in which BP operates.
- The majority of the total reward should be linked to the achievement of demanding performance targets.
- Executive directors' incentives should be aligned with the interests of ordinary shareholders. This is achieved through setting performance targets that are based on measures of shareholders' interests and through the committee's policy that each executive director should hold a significant shareholding in the Company, currently equivalent to 5 x the director's base salary.
- The performance targets in the Executive Directors' Incentive Plan (EDIP) should encompass demanding comparisons of BP's shareholder returns and earnings with those of other companies in its own industry and in the broader marketplace.
- The wider scene, including pay and employment conditions elsewhere in the Group, should be taken into account, especially when determining annual salary increases.

Elements of Remuneration

The executive directors' total remuneration consists of salary, annual bonus, long-term incentives, pensions and other benefits. This reward structure is regularly reviewed by the committee to ensure that it is achieving its objectives. In 2003, over three-quarters of executive directors' potential direct remuneration will again be performance related. It is intended that this balance of elements should continue.

Salary

Each executive director receives a fixed sum payable monthly in cash. The committee expects to review salaries later in 2003 in line with global markets. The appropriate survey groups are defined and analyzed by external remuneration advisers.

Annual Bonus

Each executive director is eligible to participate in an annual performance-based bonus scheme. The remuneration committee reviews and sets bonus targets and levels of eligibility annually. The target level is 100% of base salary (except for Lord Browne, for whom, as group chief executive, it is considered appropriate to have a target of 110%). There is a stretch level of 150% of base salary for substantially exceeding targets. Executive directors' annual bonus awards for 2003 will again be based on a mix of demanding financial targets and other leadership objectives, established at the beginning of the year. In addition to business performance, they cover areas such as people, safety, environment and organization.

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Long-term Incentives

Long-term incentives are provided under the EDIP, which was approved by shareholders in April 2000. It has three elements: a share element, a share option element and a cash element. Each executive director participates in this plan. The committee's policy, subject to unforeseen circumstances, is that this should continue until the plan expires or is renewed in 2005. The committee's

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policy for 2003 is to continue to use only the share element and the share option element. The committee's policy that each executive director should hold shares equivalent to 5 x the director's base salary is reflected in the terms of the plan.

The performance conditions in the share element and share option elements of the EDIP were selected to ensure that executive directors' long-term remuneration under the EDIP is appropriately balanced between elements testing BP's performance against that of competitors in the oil industry and elements testing BP's performance against that of the leading global companies.

Share Element

The share element permits the remuneration committee to grant 'performance units' to executive directors, which may result in an award of shares (without payment by the directors) at the end of a three-year performance period if demanding performance conditions are met. The maximum number of shares that may be awarded for each performance unit is two.

Shares awarded are then held in trust for three years before they are released to the individual. This gives the executive directors a six-year incentive structure, and ensures their interests are aligned with those of shareholders.

The share element compares BP's performance against the oil and gas sector over three years on a rolling basis. This is assessed in terms of a three year total shareholder return against the market (SHRAM), return on average capital employed (ROACE) and earnings per share growth, based on pro forma results adjusted for special items (EPS). SHRAM is the primary measure, accounting for nearly two-thirds of the potential total award. All calculations are reviewed by the external auditors to ensure that they meet an independent objective standard. The relative position of the Company within the comparator group determines the number of shares awarded per performance unit.

For the 2001-2003 plan, BP's three-year SHRAM is measured against the other oil majors: ExxonMobil, Shell, TotalFinaElf and ChevronTexaco. Due to the reduced number of oil majors, for the 2002-2004 and 2003-2005 plans BP's three-year SHRAM is measured against the companies in the FTSE All World Oil and Gas Index. Companies within the index are weighted according to their market capitalization at the beginning of each three-year period in order to give greatest emphasis to oil majors.

The committee reviews and approves annually the performance measures and the comparator companies. The policy for 2003 and for the foreseeable future is to continue with the SHRAM measure adopted by the committee in relation to the 2002-2004 and 2003-2005 plans.

BP's ROACE and EPS for all the plans since April 2001 are, and for the foreseeable future will be, measured against ExxonMobil, Shell, TotalFinaElf and ChevronTexaco.

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Share Option Element

The share option element of the EDIP is designed to reflect BP's performance relative to a wider selection of global companies. It has a disclosed three-year pre-grant performance requirement that differentiates it from traditional share option schemes. Under this element, options may be granted to executive directors at an exercise price no lower than the market value (as determined in accordance with the plan rules) of a share at the date

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the option is granted. Reflecting the pre-grant performance requirement, options vest over three years after grant (one-third each after one, two and three years respectively). They have a life of seven years after grant.

In accordance with the framework approved by shareholders in 2000, it is the committee's policy to continue exercising its judgement to decide the number of options to be granted to each executive director, taking into account BP's total shareholder return (TSR) compared with the TSR for the FTSE Global 100 group of companies over the three years preceding the grant. The committee will not grant options in any year unless the criteria for an award of shares under the share element have been met. These methods of calculation were chosen to enable the committee to take into account not only the TSR position but also the underlying health of the business and the competitive marketplace.

Following grant, the options are not subject to any performance conditions. The remuneration committee favours this approach for two main reasons. First, it has the effect of treating share options as a reward both for past performance (because BP's ranking within a comparator group will have been taken into account in determining the number of shares under option) and as an incentive for future performance (because the participant's gain under the option will depend on share price growth after the grant under the option). Second, BP operates internationally and the application of a performance condition after grant is not a feature of option schemes operated by major international companies based outside the UK.

Cash Element

The cash element allows the remuneration committee to grant cash rather than share-based incentives in exceptional circumstances. This element was not used in 2002, and the committee has no present intention to use it in 2003.

Other Benefits

Pension

Executive directors are eligible to participate in the appropriate pension schemes applicable in their home countries.

Benefits and Other Share Schemes

Executive directors are eligible to participate in regular employee benefit plans and in all-employee share schemes and savings plans as applicable in their home countries. Benefits in kind are not pensionable.

Resettlement Allowance

Expatriates may receive a resettlement allowance for a limited period.

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New Appointees

Dr Allen, Dr Hayward and Mr Manzoni were appointed executive directors on February 1, 2003, each on a base salary of (pound)400,000 per annum. They are subject to the committee's policy on executive directors' remuneration, as described above. As such, they will be eligible to participate in the annual bonus scheme and EDIP described above on a similar basis to the other executive directors.

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2002 Remuneration for Executive Directors

The table below represents remuneration received by executive directors in the 2002 financial year, with the exception of the 2002 annual bonus which was earned in 2002 but paid in 2003. Amounts are shown in both US dollars and pounds sterling and are converted at the rate of (pound)1 = \$1.44 for 2001 and (pound)1 = \$1.50 for 2002. Lord Browne, Mr Chase, Mr Olver and Dr Buchanan received their remuneration in pounds sterling; Dr Grote and Mr Ford in US dollars.

Summary of 2002 Remuneration	Annual remuneration				Long term Performance Plan (LTPP)				
	2002 annual performance		Other	2002	2001	2000-2002 LTPP (awarded in Feb 2003)		1999-2001 LTPP (awarded in Feb 2002)	
	Salary	bonus	benefits	total	total	Actual award	Value	Actual award	Value
	`000	`000	`000	`000	`000	(shares) (a)	`000 (b)	(shares)	`000
	(\$)	(\$)	(\$)	(\$)	(\$)		(\$)		(\$)
	(pounds)	(pounds)	(pounds)	(pounds)	(pounds)		(pounds)		(pounds)
The Lord Browne of Madingley.....	\$1,926	\$2,543	\$78	\$4,547	\$4,373	224,000	\$1,329	472,500	\$3,877
.....	1,284	1,695	52	3,031	3,037		886		2,620
R F Chase.....	\$960	\$1,152	\$47	\$2,159	\$2,042	139,200	\$826	315,000	\$2,587
.....	640	768	32	1,440	1,418		551		1,740
Dr B E Grote.....	\$713	\$856	\$302(f)	\$1,871	\$1,864	68,000	\$403	175,000	\$1,437
.....	475	570	202	1,247	1,294		269		910
R L Olver.....	\$795	\$954	\$56	\$1,805	\$1,717	117,600	\$698	252,000	\$2,067
.....	530	636	37	1,203	1,192		465		1,410
Directors leaving the board in 2002 (g)									
Dr J G S Buchanan..	\$715	\$787	\$26	\$1,528	\$1,656	123,200	\$731	280,000	\$2,297
.....	477	524	17	1,018	1,150		487		1,510
W D Ford.....	\$180	\$180	\$148(f)	\$508	\$2,188	105,600	\$626	175,000	\$1,437
.....	120	120	99	339	1,519		418		910

-
- (a) Gross award of shares based on a performance assessment by the remuneration committee and on the other terms of the plan. Sufficient shares are sold to pay for tax applicable. Remaining shares are held in trust until 2006 when they are released to the individual.
 - (b) Based on the closing mid-market price of BP shares on February 17, 2003 ((pound)3.955/\$5.93 at (pound)1=\$1.50).
 - (c) Based on the closing mid-market price on date of award ((pound)5.695/\$8.20 at (pound)1=\$1.44).
 - (d) Performance units granted under the 2002-2004 share element of the EDIP are converted to shares at the end of the performance period. Maximum of two shares per performance unit.
 - (e) Options granted in February 2002 have a grant price of (pound)5.715 per

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share. Dr Grote holds options over ADSs; the above numbers and prices reflect calculated equivalents.

- (f) Includes resettlement allowances for Dr Grote and Mr Ford of \$300,000 and \$110,000 respectively.
- (g) Amounts for Dr Buchanan and Mr Ford reflect the eleven months and three months respectively that they were directors in 2002.

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Salary

In January 2002 base salaries for executive directors were increased by less than 10% per annum. Base salaries have recently been increased by 5% per annum both for Dr Grote on his promotion to chief financial officer and for Mr Olver on his promotion to deputy group chief executive.

Annual Bonus

The annual bonus awards for 2002 were based on a mix of financial targets and leadership objectives established at the beginning of the year. Assessment of all the targets resulted in a target performance of 120 points out of a maximum of 150, which is some 11% lower than the 135 points last year. The resulting bonus awards are shown in the summary table above. All calculations in relation to the annual bonus have been reviewed by the external auditors.

Long-term Performance-based Components

Long Term Performance Plan (LTPP) and Share Element of EDIP

Under the Long Term Performance Plans and the share element of the EDIP, performance units are granted at the beginning of the period and converted into an award of shares at the end of the three-year period, depending on performance. There is a maximum of two shares per performance unit.

Since the adoption of the EDIP in April 2000, the executive directors have ceased to be eligible for grants under the BP share option plan and the LTPPs. However, they were not required to relinquish rights under those plans that had already been granted prior to April 2000 (including performance units under the LTPPs that have yet to mature into share awards).

The last of these LTPP rights under the 1999-2001 and 2000-2002 plans matured or mature into share awards in February 2002 and 2003 respectively.

For the 2000-2002 LTPP, BP's performance was assessed in terms of SHRAM, ROACE and EPS growth - each relative to that of ExxonMobil, Shell, TotalFinaElf, ChevronTexaco, ENI and Repsol-YPF.

BP's SHRAM came in at sixth place among the comparator group, fourth place on EPS growth and first place on ROACE.

Based on a performance assessment of 80 points out of 200, the remuneration committee has made awards of shares to executive directors as highlighted in the 2000-2002 lines of the table on the page following.

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The following table summarizes the LTPPs and share elements of the executive directors' remuneration for 2002.

LTPP/Share element interests							
Performance period(a)	Date of grant of performance units	Market price of each share at date of grant of performance units (pound)	Performance units (b)			Number of ordinary shares awarded	
			At Jan 1 2002	Granted 2002	At Dec 31 2002		
The Lord Browne of Madingley	1999-2001	Mar 11, 1999	5.11	270,000	--	--	472,500
	2000-2002	Feb 23, 2000	4.59	280,000	--	280,000	224,000
	2001-2003	Feb 19, 2001	5.80	415,000	--	415,000	
	2002-2004	Feb 18, 2002	5.73	--	475,556	475,556	
R F Chase	1999-2001	Mar 11, 1999	5.11	180,000	--	--	315,000
	2000-2002	Feb 23, 2000	4.59	174,000	--	174,000	139,200
	2001-2003	Feb 19, 2001	5.80	205,000	--	205,000	
	2002-2004	Feb 18, 2002	5.73	--	237,037	237,037	
	2002-2004	Mar 13, 2002	6.17	--	34,994	34,994	
Dr B E Grote	1999-2001	Mar 11, 1999	5.11	100,000	--	--	175,000
	2000-2002	Feb 23, 2000	4.59	85,000	--	85,000	68,000
	2001-2003	Feb 19, 2001	5.80	155,000	--	155,000	
	2002-2004	Feb 18, 2002	5.73	--	182,613	182,613	
R L Olver	1999-2001	Mar 11, 1999	5.11	144,000	--	--	252,000
	2000-2002	Feb 23, 2000	4.59	147,000	--	147,000	117,600
	2001-2003	Feb 19, 2001	5.80	170,000	--	170,000	
	2002-2004	Feb 18, 2002	5.73	--	196,296	196,296	
Directors leaving the board in 2002							
Dr J G S Buchanan	1998-2000	Feb 5, 1998	4.05	159,900 (d)	--	--	
	1999-2001	Mar 11, 1999	5.11	160,000	--	--	280,000
	2000-2002	Feb 23, 2000	4.59	154,000	--	154,000 (e)	123,200
	2001-2003	Feb 19, 2001	5.80	165,000	--	165,000 (e)	
	2002-2004	Feb 18, 2002	5.73	--	192,593	192,593 (e)	
2002-2004	Mar 13, 2002	6.17	--	28,433	28,433 (e)		
W D Ford	1999-2001	Mar 11, 1999	5.11	100,000	--	--	175,000
	2000-2002	Feb 23, 2000	4.59	132,000	--	132,000 (f)	105,600
	2001-2003	Feb 19, 2001	5.80	170,000	--	170,000 (f)	
Former Director							
Dr C S Gibson-Smith	1999-2001	Mar 11, 1999	5.11	144,000	--	--	252,000
	2000-2002	Feb 23, 2000	4.59	140,000	--	140,000	112,000

(a) For performance periods up to 2000-2002, performance units were granted under the LTPPs. Thereafter they were granted under the EDIP as explained in this item. Each performance period ends on December 31 of the third

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- year.
- (b) Represents number of performance units, each having a maximum potential of two shares depending on performance.
 - (c) Represents awards of shares or share equivalents made at the end of the relevant performance period based on performance achieved under rules of the plan. BP's performance is assessed in terms of three-year SHRAM against the oil majors. For 1998-2000 this included ExxonMobil, Shell, TotalFinaElf, ChevronTexaco; for 1999-2001 this included ExxonMobil, Shell, TotalFinaElf, ChevronTexaco; and for 2000-2002 this included ExxonMobil, Shell, TotalFinaElf, ChevronTexaco, ENI Repsol-YPF. For the two latter plans, performance was also assessed in terms of ROACE and EPS growth against the same oil majors. Dr Grote and Mr Ford received their awards in ADSs.
 - (d) Dr Buchanan elected to defer to 2004 the determination of whether an award should be made for this period.
 - (e) On leaving the board of BP p.l.c. on November 21, 2002.
 - (f) On leaving the board of BP p.l.c. on March 31, 2002

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Share Options

The table below represents the interests of executive directors in options over Ordinary Shares during 2002.

	Option type	At Jan 1, 2002	Granted	Exercised	At Dec 31, 2002	Option price	Market price at date of exercise
The Lord Browne of Madingley	SAYE	5,968	--	5,968	--	(pound) 2.89	(pound) 4.52
	SAYE	--	3,661	--	3,661	(pound) 4.52	
	EDIP	408,522	--	--	408,522	(pound) 5.99	
	EDIP	1,269,843	--	--	1,269,843	(pound) 5.67	
	EDIP	--	1,348,032	--	1,348,032	(pound) 5.72	
R F Chase	SAYE	3,388	--	--	3,388	(pound) 4.98	
	EDIP	85,215	--	--	85,215	(pound) 5.99	
	EDIP	312,171	--	--	312,171	(pound) 5.67	
Dr B E Grote(a)	SAR	40,000	--	--	40,000	\$13.63	
	SAR	40,800	--	--	40,800	\$16.63	
	SAR	35,600	--	--	35,600	\$19.16	
	SAR	35,200	--	--	35,200	\$25.27	
	SAR	40,000	--	--	40,000	\$33.34	
	BPA	10,404	--	--	10,404	\$53.90	
	BPA	12,600	--	--	12,600	\$48.94	
	EDIP	40,182	--	--	40,182	\$49.65	
	EDIP	--	58,173	--	58,173	\$48.82	
R L Olver	SAYE	2,386	--	--	2,386	(pound) 2.89	
	SAYE	1,137	--	--	1,137	(pound) 5.11	
	SAYE	--	840	--	840	(pound) 4.52	
	EDIP	71,847	--	--	71,847	(pound) 5.99	
	EDIP	260,319	--	--	260,319	(pound) 5.67	
	EDIP	--	370,956	--	370,956	(pound) 5.72	

Director leaving the board in 2002

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Dr J G S Buchanan(b)	SAYE	1,856	--	--	1,856	(pound) 3.71
	SAYE	750	--	--	750	(pound) 4.49
	SAYE	1,320	--	--	1,320	(pound) 5.11
	EDIP	75,189	--	--	75,189	(pound) 5.99
	EDIP	253,971	--	--	253,971	(pound) 5.67
W D Ford(a) (c)	NRSO	105,866	--	--	105,866	\$20.80
	NRSO	119,100	--	--	119,100	\$23.69
	NRSO	132,332	--	--	132,332	\$27.68
	NRSO	132,332	--	--	132,332	\$34.08
	NRSO	132,332	--	--	132,332	\$32.92
	BPA	54,712	--	--	54,712	\$53.90
	BPA	38,750	--	--	38,750	\$48.94
EDIP	43,506	--	--	43,506	\$49.65	

 The closing market prices of an ordinary share and of an ADS on December 31, 2002 were (pound)4.27 and \$40.65 respectively. During 2002, the highest market prices were (pound)6.25 and \$53.88 respectively, and the lowest market prices were (pound)3.93 and \$36.78 respectively.

EDIP -- Executive Directors' Incentive Plan adopted by shareholders in April 2000 as described in this item. The awards take into consideration the ranking of the company's TSR against the TSR of the FTSE Global 100 group of companies over the three-year period prior to the grant. As noted in last year's report, for directors who retire after January 1, 2002, options that are vested at a director's retirement will now be preserved until the normal lapse date (the seventh anniversary of grant).

BPA -- BP Amoco share option plan which applied to US executive directors prior to the adoption of the EDIP.

NRSO -- Amoco Non-Restricted Stock Option Plan which applied to Mr Ford as an employee of Amoco.

SAR -- Stock Appreciation Rights under BP America Inc. Share Appreciation Plan.

In keeping with the US market practice, none of the options under the BPA, NRSO and SAR is subject to performance conditions because they were granted under American plans to the relevant individuals and the NRSO options were awarded prior to Amoco's merger with BP.

SAYE -- Save as You Earn employee share option scheme. These options are not subject to performance conditions because this is an all-employee share scheme governed by specific tax legislation.

 (a) Numbers shown are ADSs under option. One ADS is equivalent to six ordinary shares.

(b) On leaving the board of BP p.l.c. on November 21, 2002.

(c) On leaving the board of BP p.l.c. on March 31, 2002.

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Pensions

In the table below, amounts are shown in both US dollars and pounds sterling and are converted at the rate of (pound)1 = \$1.44 for 2001 and (pound)1 = \$1.50 for 2002. Lord Browne, Mr Chase, Mr Olver and Dr Buchanan accrued pension benefits in pounds sterling (the currency of payment). Similarly, Dr Grote and Mr Ford accrued pension benefits in US dollars.

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	Service at Dec 31, 2002	Accrued pension entitlement at Dec 31, 2002	Additional pension earned during the year ended Dec 31, 2002	Transfer value of accrued benefits at Dec 31, 2002
	-----	-----	-----	-----
			(thousand)	
The Lord Browne of Madingley (UK).(\$) (pounds).....	36 years	\$1,284 856	\$84 56	\$19,143 12,762
Dr J G S Buchanan (UK).....(\$) (pounds).....	33 years	\$520 347	\$40 27	\$9,586 6,391
R F Chase (UK).....(\$) (pounds).....	38 years	\$640 427	\$50 33	\$11,649 7,766
W D Ford (USA) (a).....(\$) (pounds).....	31 years	\$644 429	\$140 93	\$8,324 5,549
Dr B E Grote (USA).....(\$) (pounds).....	23 years	\$263 175	\$181 121	\$3,493 2,329
R L Olver (UK).....(\$) (pounds).....	29 years	\$530 353	\$40 27	\$8,210 5,473

(a) 2002 figures for Mr Ford are stated as at March 31, 2002, the date he left the board of BP p.l.c. He retired in June 2002 and, in accordance with his entitlements under the normal rules of the 'grandfathered' plan, he took a lump-sum distribution in August 2002 of his combined plan benefits totalling \$8,485,733.

UK Directors

UK directors are members of the BP Pension Scheme. The scheme offers Inland Revenue-approved retirement benefits based on final salary. It is the principal section of the BP Pension Fund, the latter being set up under trust deed. Company contributions to the fund are made on the advice of the actuary appointed by the trustee. No company contributions were made during 2002.

Scheme members' core benefits are non-contributory. They include a pension accrual of 1/60th of basic salary for each year of service, subject to a maximum of two-thirds of final basic salary; a lump-sum death-in-service benefit of 3 x salary; and a dependant's benefit of two-thirds of the member's pension. The scheme pension is not integrated with state pension benefits.

Normal retirement age is 60, but scheme members who have 30 or more years' pensionable service at age 55 can elect to retire early without an actuarial reduction being applied to their pension.

Pensions payable from the fund are guaranteed to be increased annually in line with changes in the Retail Prices Index, up to a maximum of 5% a year.

Directors appointed prior to 2003 accrue pension on a non-contributory basis at the enhanced rate of 2/60ths of their final salary for each year of service as executive directors (up to the same two-thirds limit). None of the directors is affected by the pensionable earnings cap.

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US Directors

In accordance with the Company's long-standing practice for executive directors who retire from BP on or after age 55 having accrued at least 30 years' service, Mr Chase will receive an ex-gratia lump-sum superannuation payment from the Company equal to one year's base salary following his retirement. Lord Browne will remain eligible for consideration for such a payment. In the case of these individuals, all matters relating to such superannuation payments will be considered by the remuneration committee. Any such payments would be in addition to their pension entitlements referred to above. None of the other executive directors are eligible for consideration for a superannuation payment on retirement, as the remuneration committee decided in 1996 that appointees to the board after that time should cease to be eligible for consideration for such a payment.

US directors participate in the BP Retirement Accumulation Plan (US plan), which features a cash balance formula. The current design of the US plan became effective on July 1, 2000. However, certain former employees of Amoco and ARCO have been provided with a minimum (or 'grandfathered') benefit equal to the benefit that would have accrued under the respective predecessor pension plan. Mr Ford's pension benefit was subject to this 'grandfathered' arrangement described above, reflecting his Amoco service and benefits.

Consistent with US tax regulations, pension benefits are provided through a combination of tax-qualified and non-qualified benefit restoration plans, as applicable.

The Supplemental Executive Retirement Benefit (supplemental plan) is a non-qualified top-up arrangement that became effective on January 1, 2002 for US employees above a specified salary level. The benefit formula is 1.3% of final average earnings, which comprise base salary and bonus in accordance with standard US practice (as specified under the qualified arrangement) multiplied by years of service, with an offset for benefits payable under all other BP qualified and non-qualified pension arrangements. This benefit is unfunded and therefore paid from corporate assets.

Dr Grote is an eligible participant under the supplemental plan, and his pension accrual for 2002 includes the total amount that may become payable under all plans.

Executive Directors' Shareholdings

Executive directors' interest in BP ordinary shares or calculated equivalents	At December 31, 2002	At January 1, 2002 or on appointment
	-----	-----
Current directors		
(excluding those appointed in 2003)		
The Lord Browne of Madingley.....	1,681,652 (a)	1,392,184 (a)
R F Chase.....	810,826	794,745
Dr B E Grote.....	722,562 (b)	595,845 (b)
R L Olver.....	738,563	585,852
	On retirement (c)	January 1, 2002
	-----	-----
Directors leaving the board in 2002		

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Dr J G S Buchanan.....	890,409	723,149
W D Ford.....	435,607 (b)	333,139 (b)

On appointment
on February 1, 2003

Directors appointed in 2003

Dr D C Allen.....		306,565 (d)
A B Hayward.....		91,777
J A Manzoni.....		95,552

- (a) Includes 50,368 Ordinary Shares held as ADSs throughout 2002.
- (b) Held as ADSs.
- (c) At retirement on November 21, 2002 and March 31, 2002 respectively.
- (d) Includes 25,368 shares held as ADSs.

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In disclosing the above interests to the Company under the Companies Act 1985, directors did not distinguish their beneficial and non-beneficial interests.

Executive directors are also deemed to have an interest in such shares of the Company held from time to time by BP QUEST Company Limited and The BP Employee Share Ownership Plan (No. 2) to facilitate the operation of the Company's option schemes.

No director has any interest in the preference shares or debentures of the Company, or in the shares or loan stock of any subsidiary company.

Service Contracts

The committee's policy on executive directors' service contracts is for them to contain a maximum notice period of one year. To reflect current market practice, Lord Browne has agreed to reduce the notice period in his contract to one year and it has been amended to reflect this. All executive directors' service contracts now either expire this year or can be terminated on one year's notice.

Each service contract expires at the respective normal retirement date of the director but is subject to earlier termination for cause or if notice is given under the contract.

The contracts are designed to allow for flexibility to deal with each case on its own particular merits in accordance with the law and policy as they have developed at the relevant time. With effect from January 2003, the committee will include a provision in new service contracts to allow for severance payments to be phased where appropriate to do so. It will also consider mitigation to reduce compensation to a departing director where appropriate to do so. A large proportion of each executive director's total remuneration is linked to performance and therefore will not be payable to the extent that relevant targets are not met.

Remuneration of Non-Executive Directors

During 2002, the board appointed a committee of independent non-executive

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directors to review the remuneration of the non-executive directors and make recommendations for future structure and amount.

Policy

In making recommendations for non-executive directors' remuneration, the following policies were developed to guide the board in its current and future decision-making.

- Within the limits sets by the shareholders from time to time, remuneration should be sufficient to attract, motivate and retain world-class non-executive talent.
- Remuneration of non-executive directors should be proportional to their contribution towards the interests of the Company.
- Remuneration practice should be consistent with recognized best-practice standards for non-executive directors' remuneration.
- Remuneration should be in the form of cash fees, payable monthly.
- Non-executive directors should not receive share options from the Company.
- Non-executive directors should be encouraged to establish a holding in BP shares broadly related to one year's base fee, to be held directly or indirectly in a manner compatible with their personal investment activities and any applicable legal and regulatory requirements.

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Elements of Remuneration

In contrast to the position of executive directors' pay, in which an increasing element is performance-related, non-executive directors' pay comprises cash fees, paid monthly, with increments for positions of additional responsibility, reflecting additional workload and consequent potential liability. For all non-executive directors except the chairman, a fixed sum allowance is paid for transatlantic travel undertaken for the purpose of attending a board meeting. In addition, non-executive directors receive reimbursement of reasonable travel and related business expenses. No share or share option awards are made to any non-executive director in respect of service on the board. Non-executive directors have letters of appointment that recognize that, subject to the Articles of Association, their service is at the discretion of the shareholders. They submit themselves for election at the annual general meeting following their appointment and subsequently at intervals of no more than three years.

Non-executive Directors' Annual Fee Structure

The Company's Articles provide that the remuneration paid to non-executive directors is determined by the board within limits set by shareholders. Fees payable to non-executive directors were reviewed during 2002. New and increased fees based on a comparable structure were approved by the board as from July 1, 2002. All fees are fixed and paid in pounds sterling. For conformity these are also reported in US dollars.

To June 30, 2002	From July 1, 2002
\$ (a) (pound)	\$ (a) (pound)

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	(thousands)			
Chairman.....	420	280	585	390 (b)
Deputy chairman.....	128	85	128	85 (c)
Board member.....	68	45	98	65
Committee chairmanship fee.....	8	5	23	15
Transatlantic attendance allowance (d) ..	5	3	8	5

- (a) Sterling payments converted at the average 2002 exchange rate of (pound)1 = \$1.50.
- (b) The chairman is not eligible for committee chairmanship fees or transatlantic attendance allowance but has the use of a fully maintained office and a chauffeured car for company business.
- (c) The deputy chairman receives a (pound)20,000 increment on top of the standard board fee. In addition, this is supplemented by committee chairmanship fees and the transatlantic attendance allowance. The deputy chairman is currently chairman of the Audit Committee. Prior to July 1, 2002, the deputy chairman received an all-inclusive fee of (pound)85,000 and was ineligible for both committee chairmanship fees and the transatlantic attendance allowance.
- (d) This allowance is payable to non-executive directors undertaking transatlantic travel for the purpose of attending a board meeting or board committee meeting.

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Remuneration of Non-Executive Directors	2002		2001	
	\$ (a)	(pound)	\$ (b)	(pound)
	(thousands)			
Current directors				
J H Bryan.....	120	80	82	
E B Davis, Jr.....	120	80	82	
Dr D S Julius.....	95	63	6	
C F Knight.....	95	63	78	
F A Maljers.....	95	63	78	
Dr W E Massey.....	135	90	94	
H M P Miles (c).....	95	63	78	
Sir Robin Nicholson (d).....	110	73	83	
Sir Ian Prosser.....	147	98	122	
P D Sutherland.....	503	335	403	2
M H Wilson.....	116	77	86	
Directors leaving the board in 2002				
Sir Robert Wilson.....	27	18	73	

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- (a) Sterling payments converted at the average 2002 exchange rate of (pound)1 = \$1.50.
- (b) Sterling payments converted at the average 2001 exchange rate of (pound)1 = \$1.44.
- (c) Also received (pound)300 in 2001 (\$432 at 2001 rate) and (pound)600 in 2002 (\$900 at 2002 rate) for serving as a director of BP Pension Trustees Limited.
- (d) Also received (pound)20,000 each year (\$28,800 at 2001 rate; and \$30,000 at 2002 rate) for serving as the board's representative on the Technology Advisory Council.

Long-term Incentives (residual)

Non-executive directors of Amoco Corporation were allocated restricted stock in the Amoco Non-Employee Directors' Restricted Stock Plan by way of remuneration for their service on the board of Amoco Corporation prior to its merger with BP in 1998. On merger, interests in Amoco shares in the plan were converted into interests in BP ADSs. Under the terms of the plan, the restricted stock will vest upon the retirement of the non-executive director at age 70 or upon earlier retirement at the discretion of the board. Since the merger, no further entitlements have accrued to any director under the plan.

Amoco Non-Employee Directors' Restricted Stock Plan

The table below sets out the residual entitlements of non-executive directors who were formerly non-executive directors of Amoco Corporation under the Amoco Non-Employee Directors' Restricted Stock Plan.

	Interest in BP ADSs January 1, 2002 and December 31, 2002 (a)	Date on which director reaches age 70 (b)
	-----	-----
J H Bryan	5,546	October 5, 2006
E B Davis, Jr	4,490	August 5, 2014
F A Maljers	2,906	August 12, 2003
Dr W E Massey	3,346	April 5, 2008
M H Wilson	3,170	November 4, 2007

- (a) No awards were granted or vested and no awards lapsed during the year.
- (b) If the director retires prior to this date, the board may waive the restrictions.

Superannuation Gratuities

In accordance with BP's long-standing practice, non-executive directors who retire from the board after at least six years' service are, at the time of their retirement, eligible for consideration for a superannuation gratuity. The board is authorized to make such payments under the Company's Articles. The amount of payment is determined at the board's discretion, having regard to the director's period of service as a director and other relevant factors. 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.

On the recommendation of the ad hoc committee on non-executive remuneration, during 2002 the board revised its policy with respect to such payments so that (i) non-executive directors appointed to the board after July

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1, 2002 would not be eligible for consideration for such a payment, and (ii) non-executive directors in service at July 1, 2002 would remain eligible for consideration for a payment, but service after that date would not be taken into account by the board in considering the amount of any payment.

Non-Executive Directors' Shareholding

Non-Executive Directors' interest in BP ordinary shares or calculated equivalents	At December 31, 2002 -----	At January 1, 2002 or on appointment -----	Decem to Ma -----
Current directors			
J H Bryan.....	98,760 (a)	98,760 (a)	
E B Davis, Jr.....	63,814 (a)	62,695 (a)	
Dr D S Julius.....	2,000	2,000	
C F Knight.....	92,238 (a)	30,247 (a)	
F A Maljers.....	33,492 (a)	33,492 (a)	
Dr W E Massey.....	48,232 (a)	47,378 (a)	
H M P Miles.....	22,145	9,445	
Sir Robin Nicholson.....	3,758	3,643	
Sir Ian Prosser.....	2,826	2,826	
P D Sutherland.....	7,079	7,079	
M H Wilson.....	43,200 (a)	43,200 (a)	
	-----	-----	
	On retirement (b)	At January 1, 2002 -----	
Directors leaving the board in 2002			
Sir Robert Wilson.....	5,478	5,478	

(a) Held as ADSs.

(b) At retirement on April 18, 2002.

In disclosing the above interests to the Company under the Companies Act 1985, directors did not distinguish their beneficial and non-beneficial interests.

No director has any interest in the preference shares or debentures of the Company, or in the shares or loan stock of any subsidiary company.

Total Remuneration

Total remuneration includes salary and benefits earned and paid during the relevant year, plus bonuses, which are paid in the following year, plus for 2002 the value of the awards made under the 1999 to 2001 Long Term Performance Plan in respect of the three years covered by that plan. The total remuneration paid during 2002 to all directors and senior management as a group was \$35.5 million. Total share options granted during 2002 to all directors and senior management as a group was 3,047,547; these have an option price of (pound)5.72 and expire in 2012.

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Directors' Terms of Office	Date of expiration of current term of office -----	Period during which director has served this office appointment to April -----
Dr D C Allen.....	--	2 m
The Lord Browne of Madingley.....	April 2004	11 years 7 m
J H Bryan (a).....	April 2005	4 years 4 m
R F Chase.....	Retires April 2003	11 years 1 m
E B Davis, Jr (a).....	April 2005	4 years 4 m
Dr B E Grote.....	April 2004	2 years 9 m
Dr A B Hayward.....	--	2 m
Dr D S Julius.....	April 2005	1 year 5 m
C F Knight.....	April 2003	15 years 7 m
F A Maljers (a).....	April 2005	4 years 4 m
J A Manzoni.....	--	2 m
Dr W E Massey (a).....	April 2005	4 years 4 m
H M P Miles.....	April 2004	8 years 11 m
Sir Robin Nicholson.....	April 2004	15 years 7 m
R L Olver.....	April 2004	5 years 4 m
Sir Ian Prosser.....	April 2004	6
P D Sutherland.....	April 2005	7 years 8 m
M H Wilson (a).....	April 2005	4 years 4 m

(a) Does not include service on the board of Amoco Corporation.

Directors' Service Contracts Providing for Benefits upon Termination of Employment

Executive directors are employees of the Company or one of its subsidiaries under a variety of contracts of service. The contracts of service for executive directors provides for one year's notice to be given of termination of the contract or, in some circumstances, payment of one year's salary in lieu of notice. There are two exceptions to this: Mr R F Chase and Mr W D Ford. Mr Chase has a contract that provides for two year's notice of termination, however this contract expires at his normal retirement date of May 2003. Mr Ford resigned from the board of BP p.l.c. with effect from March 31, 2002, at which time his secondment to BP p.l.c. ended and he returned to the USA. His underlying US employment agreement with BP Corporation North America (BPCNA) had a two-month notice period and was due to expire on January 21, 2004. His contract was terminated early by BPCNA in accordance with its terms. The contract terms required payment to him by BPCNA of liquidated damages of \$1,655,555, being equivalent to \$1 million per annum (pro rated for part years) for each year between the date of severance and January 21, 2004. BPCNA also made payments totalling \$129,691 to Mr Ford in June 2002 in accordance with its standard benefits and repatriation programme. Mr Ford remains eligible for a pro rata award under the 2002 annual bonus scheme and for awards under the long-term incentive schemes in accordance with the rules of those schemes.

Non-executive directors do not have service contracts with the Company; they are not employees of the Company. Non-executive directors are not entitled to any benefits on termination of office.

Corporate Governance Statement

General

The board's governance policies regulate its relationship with shareholders, the conduct of board affairs and its relationship with the group chief executive. The policies recognize that the board has a separate and unique role as the link in the chain of authority between the shareholders and the group chief executive. In addition, they acknowledge the dual role played by the group chief executive and executive directors as both members of the board and leaders of the executive management. The policies therefore require a majority of the board to be composed of non-executive directors and delegate all aspects of the relationship between the board and the group chief executive to the non-executive directors. The policies also require the chairman and deputy chairman to be non-executive directors; throughout 2002 the posts were held by Mr Sutherland and Sir Ian Prosser respectively. Sir Ian Prosser acts as the senior independent non-executive director as required by the Combined Code on Corporate Governance. Finally, the company secretary reports to the non-executive chairman and is not part of the executive management.

Relationship with Shareholders

The policies emphasize the importance of the relationship between the board and the shareholders. In them the board acknowledges that its role is to represent and promote the interests of shareholders and that it is accountable to shareholders for the performance and activities of the Group (including, for example, the system of internal control and the review of its effectiveness). The board is required to be proactive in obtaining an understanding of shareholder preferences and to evaluate systematically the economic, social, environmental and ethical matters that may influence or affect the interests of its shareholders. These interests are represented and promoted by the board through exercising its policy-making and monitoring functions. As a result, shareholder interests lie at the heart of the goals established by the board for the Company.

The board is accountable to shareholders in a variety of ways. Directors are required to stand for re-election every three years to ensure that shareholders have a regular opportunity to reassess the composition of the board. New directors are subject to election at the first opportunity following their appointment. Names submitted to shareholders for election in 2002 were accompanied by biographical details.

The board makes use of a number of formal channels of communication to account to shareholders for the performance of the Company. These include the Annual Report and Accounts, the Annual Report on Form 20-F filed with the US Securities and Exchange Commission, quarterly announcements made through stock exchanges on which BP shares are listed and the annual general meeting of shareholders. Given the size and geographical diversity of BP's shareholder base, the opportunities for shareholder interaction at the annual general meeting are limited. However, the chairman and all board committee chairmen were present at the 2002 annual general meeting to answer questions. All proxy votes at shareholder meetings are counted since votes on all matters except procedural issues are taken by way of a poll. BP has also pioneered the use of electronic communications to facilitate the exercise of shareholder voting rights. Presentations given at appropriate intervals to representatives of the investment community are available simultaneously to all shareholders by live internet broadcast or open conference call.

Board Process

The board has laid down rules for its own activities in a board process policy that covers the conduct of members at meetings; the cycle of board activities and the setting of agendas; the provision of information to the board; board officers and their roles; board committees, their tasks and composition; qualifications for board membership and the process of the Nomination Committee; the remuneration of non-executive directors; the appointment and role of the company secretary; the process for directors to obtain independent advice and the assessment of the board's performance. The board process policy places responsibility for implementation of this policy, including training of directors, on the chairman.

The policy recognizes that the board's capacity, as a group, is limited. The board therefore reserves to itself the making of broad policy decisions, delegating more detailed considerations involved in meeting its stated requirements either to board committees and officers (in the case of its own processes) or to the group chief executive (in the case of the management of the Company's business activity). The policy allocates the tasks of monitoring executive actions and assessing reward to the following committees:

- Chairman's Committee (all non-executive directors) - to review the structure and effectiveness of the business organization; succession planning for the executive directors and the most senior executives; and to assess the overall performance of the group chief executive. The committee met four times during 2002.
- Audit Committee (four to six non-executive directors) - to monitor all reporting, accounting, control and financial aspects of the executive management's activities. The auditors' lead partner and the BP general auditor (head of internal audit) attend each meeting at the request of the committee chairman. The committee met 10 times during 2002.
- Ethics and Environment Assurance Committee (four to six non-executive directors) - to monitor the non-financial aspects of the executive management's activities. The auditors' lead partner and the BP general auditor (head of internal audit) attend each meeting at the request of the committee chairman. The committee met four times during 2002.
- Remuneration Committee (four to six non-executive directors) - to determine performance contracts, targets and the structure of the rewards for the group chief executive and the executive directors and to monitor the policies being applied in remunerating other senior executives. The committee met five times during 2002.
- Nomination Committee (the chairman, group chief executive and three non-executive directors selected from time to time as required) - to identify, evaluate and recommend candidates for appointment or reappointment as directors and as company secretary. The committee met once during 2002.

The qualification for board membership includes a requirement that non-executive directors be free from any relationship with the executive management of the Company that could materially interfere with the exercise of their independent judgement. In the board's view, all non-executive directors fulfil this requirement. The board met nine times during 2002, six times in the UK, twice in the USA and once in Europe for a two-day strategy discussion. Committee meetings are held in conjunction with board meetings whenever possible.

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In carrying out its work, the board has to exercise judgement about how best to further the interests of shareholders. Given the uncertainties inherent in the future of business activity, the board seeks to maximize the expected value of the shareholders' interest in the Company, not to eliminate the possibility of any adverse outcomes for shareholders.

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Board/Executive Relationship

The board/executive relationship policy sets out how the board delegates authority to the group chief executive and the extent of that authority. In its goals policy, the board states the long-term outcome it expects the group chief executive to deliver. The restrictions on the manner in which the group chief executive may achieve the required results are set out in the executive limitations policy, which addresses ethics, health, safety, the environment, financial distress, internal control, risk preferences, treatment of employees and political considerations. On all these matters, the board's role is to set general policy and to monitor the implementation of that policy by the group chief executive.

The group chief executive explains how he intends to deliver the required outcome in annual and medium-term plans, the former of which include a comprehensive assessment of the risks to delivery. Progress towards the expected outcome is set out in a monthly report that covers actual results and a forecast of results for the current year. This report is reviewed at each board meeting.

The board/executive relationship policy also sets out how the group chief executive's performance will be monitored and recognizes that, in the multitude of changing circumstances, judgement is always involved. The group chief executive is obliged through dialogue and systematic review to discuss with the board all material matters currently or prospectively affecting the Company and its performance and all strategic projects or developments. This specifically includes any materially under-performing business activities and actions that breach the executive limitations policy. It also includes social, environmental and ethical considerations. This dialogue is a key feature of the board/executive relationship. Between board meetings the chairman has responsibility for ensuring the integrity and effectiveness of the board/executive relationship. The systems set out in the board/executive relationship policy are designed to manage rather than eliminate the risk of failure to achieve the board goals policy or observe the executive limitations policy. They provide reasonable, not absolute, assurance against material misstatement or loss.

Audit Committee

The committee is comprised of five non-executive directors: Sir Ian Prosser (Chairman), Mr Bryan, Mr Davis Jr, Mr Miles and Mr Wilson. The Secretary of the Audit Committee, Miss Judith Hanratty (Company Secretary) is independent of the executive management of the Company and reports to the non-executive chairman.

The committee's task as set out in the board governance policies are:

- To monitor systematically and obtain assurance that the legally required standards of disclosure are being fully and fairly observed.
- To review all prospectuses, information and offering memoranda and other documents to be placed before shareholders and make recommendations to the board about their adoption and publication.

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- To review all annual, quarterly and similar reports to shareholders and make recommendations to the board about their adoption and publication.
- To monitor systematically and obtain assurance that the Executive Limitations set out in the Board Governance Policies relating to financial matters are being observed.

The committee keeps under review the scope and results of audit work, its cost-effectiveness and the independence and objectivity of the auditors. It requires the auditors to rotate their lead audit partner every five years and reviews non-audit assignments. Aside from its monitoring of external audit work, the committee considers the internal audit programme.

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Remuneration Committee

The committee's tasks as set out in the board governance policies are:

- To determine on behalf of the board the terms of engagement and remuneration of the group chief executive and the executive directors and to report on those to the shareholders.
- To determine on behalf of the board matters of policy over which the Company has authority relating to the establishment or operation of the Company's pension scheme of which the executive directors are members.
- To nominate on behalf of the board any trustees (or directors of corporate trustees) of such scheme.
- To monitor the policies being applied by the group chief executive in remunerating senior executives other than executive directors.

Constitution and Operation

The committee members are all non-executive directors. The membership throughout 2002 was: Sir Robin Nicholson (chairman), Mr Davis, Dr Julius, Mr Knight and Sir Ian Prosser. Like other directors, each member of the committee is subject to re-election every three years. They have no personal financial interest, other than as shareholders, in the committee's decisions. They have no conflicts of interest arising from cross-directorships with the executive directors nor from being involved in the day-to-day business of the Company. The committee met five times in the period under review.

In its constitution and operation the committee complies with the Combined Code on Corporate Governance. It is accountable to shareholders through its annual report on executive directors' remuneration. The committee will consider the outcome of the vote on the remuneration report at the 2003 Annual General Meeting, and the views of investors will be taken into account by the committee in its future decisions.

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EMPLOYEES

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	UK -----	Rest of Europe -----	USA -----	Rest of World -----
Number of employees at December 31, 2002				
Exploration and Production.....	3,500	800	5,500	7,000
Gas, Power and Renewables.....	250	1,000	1,500	1,650
Refining and Marketing	9,950	23,300	28,100	12,000
Chemicals.....	2,800	4,750	6,650	3,700
Other businesses and corporate.....	1,250	--	1,450	100
	-----	-----	-----	-----
	17,750	29,850	43,200	24,450
	=====	=====	=====	=====
2001				
Exploration and Production.....	3,700	800	5,550	6,500
Gas, Power and Renewables.....	650	650	1,350	1,550
Refining and Marketing	10,450	15,100	27,800	11,250
Chemicals.....	3,450	6,250	6,700	5,550
Other businesses and corporate.....	1,400	--	1,350	100
	-----	-----	-----	-----
	19,650	22,800	42,750	24,950
	=====	=====	=====	=====
2000				
Exploration and Production.....	3,300	700	5,900	6,100
Gas, Power and Renewables.....	500	500	1,500	900
Refining and Marketing	10,100	16,800	27,000	13,200
Chemicals.....	3,700	4,500	7,900	1,500
Other businesses and corporate.....	1,300	--	1,700	100
	-----	-----	-----	-----
	18,900	22,500	44,000	21,800
	=====	=====	=====	=====

Employee numbers increased slightly during 2002, mainly as a result of the Veba acquisition. 2001 increases primarily related to the acquisition of Bayer's 50% interest in Erdoelchemie, the Solvay transaction and the inclusion of the Burmah Castrol chemicals businesses previously held for sale, were partly offset by downstream rationalization and a further decrease in former ARCO employees. The acquisitions of ARCO and Burmah Castrol in 2000 increased our employee numbers by approximately 25,000.

The Company seeks to maintain constructive relationships with labor unions.

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SHARE OWNERSHIP

Directors and Senior Management

As at March 19, 2003 the following directors of BP p.l.c. held interests in BP ordinary shares of 25 cents each or their calculated equivalent as set out below:

Dr D C Allen.....	371,365
The Lord Browne of Madingley.....	1,816,052
R F Chase.....	894,628
Dr B E Grote.....	763,362
Dr A B Hayward.....	115,969

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J A Manzoni.....	119,744
R L Olver.....	796,792
J H Bryan.....	158,760
E B Davis, Jr.....	63,814
Dr D S Julius.....	2,000
C F Knight.....	92,238
F A Maljers.....	33,492
Dr W E Massey.....	48,232
H M P Miles.....	22,145
Sir Robin Nicholson.....	3,758
Sir Ian Prosser.....	7,301
P D Sutherland.....	7,079
M H Wilson.....	43,200

As at March 19, 2003, the following directors of BP p.l.c. held options under the BP Group share option schemes for ordinary shares or their calculated equivalent as set out below:

Dr D C Allen.....	519,950
The Lord Browne of Madingley.....	4,378,090
R F Chase.....	400,774
Dr B E Grote.....	1,077,192 (a)
Dr A B Hayward.....	494,702
J A Manzoni.....	517,478
R L Olver.....	1,076,055

(a) In addition to the above, Dr Grote holds 151,600 Stock Appreciation Rights (equivalent to 909,600 Ordinary Shares).

There are no directors or members of senior management who own more than 1% of the Ordinary Shares outstanding.

Additional details regarding the options granted, including exercise price and expiry dates, are found in this item under the heading 'Compensation -- Share Option Element and Other Option Schemes.'

Employee Share Plans

	2002	2001	2000
	-----	-----	-----
		(options thousands)	
Employee share options granted during the year			
Savings related schemes.....	9,719	7,901	7,93
Executive Directors' Incentive Plan.....	2,068	2,598	70
BP Share Option Plan.....	66,771	58,208	50,46
	-----	-----	-----
	78,558	68,707	59,10
	=====	=====	=====

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

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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 Item 18 -- Financial Statements -- 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 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.

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 2002 were \$125 million (2001 \$125 million and 2000 \$101 million).

An Employee Share Ownership Plan 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 (2001 11,508,754 shares and 2000 9,412,931 shares) for the matching share plans. The cost of shares released for these plans has been charged in these accounts. At December 31, 2002 the ESOP held 18,673,675 shares (2001 34,005,910 shares and 2000 45,514,664 shares).

BP has established a Qualifying Employee Share Ownership Trust (QUEST) to

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support the UK ShareSave plans. During the year, contributions of \$21 million (2001 \$36 million and 2000 \$76 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.

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At December 31, 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 December 31, 2002.

Pursuant to the various BP Group share option schemes, the following options for BP ordinary shares of the Company were outstanding at March 19, 2003:

Options outstanding ----- (shares)	Expiry dates of options -----	Exercise price per share -----
473,205,541	2003 to 2013	\$3.47 to \$9.97

Further details on share options appear in Item 18 -- Financial Statements -- Note 35.

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ITEM 7 -- MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Major Shareholders

At March 19, 2003, the Company has been notified that JPMorgan Chase Bank, as depositary for American Depositary Shares (ADSs), holds interests through its nominee, Guaranty Nominees Limited, in 6,537,438,628 Ordinary Shares (29.35% of the Company's ordinary share capital). Included in this total is part of the holding of the Kuwait Investment Office (KIO). Either directly or through nominees, the KIO holds interests in 715,040,000 Ordinary Shares (3.21% of the Company's ordinary share capital). The KIO does not have any different voting rights from the rights of other ordinary shareholders.

Related Party Transactions

The Group had no material transactions with joint ventures and associated undertakings during the period commencing January 1, 2002 to the date of this filing. Transactions between the Group and its significant joint ventures and associated undertakings are summarised in Item 18 -- Financial Statements -- Note 43.

In the ordinary course of its business the Group has transactions with various organizations with which certain of its directors are associated but, except as described in this report, no material transactions responsive to this item have been entered into in the period commencing January 1, 2002 to March 19, 2003.

ITEM 8 -- FINANCIAL INFORMATION

CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

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Financial Statements

See Item 18 -- Financial Statements.

Dividends

The total dividends announced for 2002 were \$5,375 million, compared with \$4,935 million in 2001 and \$4,625 million in 2000. Dividends per share for 2002 were 24.00 cents, compared with 22.00 cents per share in 2001 (an increase of 9.1%) and 20.50 cents per share in 2000 (an increase of 7.3% over 2000). The board sets the dividend based on a balance of factors. It considers present earnings, together with long-term growth prospects, cash flow and the Group's competitive position.

Legal Proceedings

Save as disclosed in the following paragraphs, no member of the Group is a party to, and no property of a member of the Group is subject to, any pending legal proceedings which are significant to the Group.

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.

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Since 1987, Atlantic Richfield Company (ARCO), a current subsidiary of BP, has been named as a co-defendant in numerous lawsuits brought in the United States 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 and 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 of 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.

For certain information regarding environmental proceedings see Item 4 -- Environmental Protection -- Legislation and Regulation -- United States.

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SIGNIFICANT CHANGES

None.

ITEM 9 -- THE OFFER AND LISTING

Markets and Market Prices

The primary market for BP's ordinary shares is the London Stock Exchange (LSE). BP's ordinary shares are a constituent element of the Financial Times Stock Exchange 100 Index. BP's ordinary shares are also traded on stock exchanges in France, Germany, Japan and Switzerland.

Trading of BP's shares on the LSE is primarily through the use of the Stock Exchange Electronic Trading Service (SETS), introduced in 1997 for the largest companies in terms of market capitalization whose primary listing is the LSE. Under SETS, buy and sell orders at specific prices may be sent to the exchange electronically by any firm which is a member of the LSE, on behalf of a client or on behalf of itself acting as a principal. The orders are then anonymously displayed in the order book. When there is a match on a 'buy' and a 'sell' order, the trade is executed and automatically reported to the LSE. Trading is continuous from 8:00 a.m. to 4:30 p.m. UK time, but in the event of a 20% movement in the share price either way the LSE may impose a temporary halt in the trading of that company's shares in the order book, to allow the market to re-establish equilibrium. Dealings in Ordinary Shares may also take place between an investor and a market-maker, via a member firm, outside the electronic order book.

In the United States and Canada the Company's securities are traded in the form of American Depositary Shares (ADSs), for which JPMorgan Chase Bank is the depository (the Depository) and transfer agent. The Depository's address is 1 Chase Manhattan Plaza, 40th Floor, New York, NY 10081, USA. Each ADS represents six Ordinary Shares. ADSs are listed on the New York Stock Exchange, and are also traded on the Chicago, Pacific and Toronto Stock Exchanges. ADSs are evidenced by American Depositary Receipts, or ADRs, which may be issued in either certificated or book entry form.

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The following table sets forth for the periods indicated the highest and lowest middle market quotations for the Ordinary Shares of The British Petroleum Company p.l.c. for 1998, and of BP p.l.c. for 1999, 2000, 2001 and 2002. These are derived from the Daily Official List of the LSE, and the highest and lowest sales prices of ADSs as reported on the New York Stock Exchange composite tape. The information in this table has been changed to reflect the subdivision of BP ordinary shares on October 4, 1999, whereby each Ordinary Share of \$0.50 was subdivided into two Ordinary Shares of \$0.25.

	Ordinary shares		American Depositary Shares (a)	
	High	Low	High	Low
	----- ----- (Pence)		----- ----- (Dollars)	
Year ended December 31,				
1998.....	484.25	368.50	48.66	36.50
1999.....	643.50	411.00	62.63	40.19

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2000.....		671.00	444.50	60.63	43.13
2001.....		647.00	491.50	54.86	43.23
2002.....		625.00	392.50	53.88	36.78
Year ended December 31,					
2001:	First quarter.....	609.00	526.50	53.49	46.64
	Second quarter.....	647.00	562.00	54.86	47.88
	Third quarter.....	610.50	504.00	52.80	44.20
	Fourth quarter.....	594.50	491.50	51.88	43.23
2002:	First quarter.....	625.00	511.00	53.10	43.84
	Second quarter.....	625.00	523.50	53.88	47.30
	Third quarter.....	559.50	418.00	50.86	39.32
	Fourth quarter.....	458.50	392.50	42.35	36.78
2003:	First quarter (through March 19)...	429.00	356.50	41.88	35.37
Month of					
	September 2002.....	499.00	418.00	44.33	39.65
	October 2002.....	458.50	392.50	42.35	36.78
	November 2002.....	423.00	396.50	39.47	37.11
	December 2002.....	429.00	410.50	40.75	38.75
	January 2003.....	429.00	356.50	41.88	35.37
	February 2003.....	416.50	379.00	39.97	37.67
	March 2003 (through March 19).....	415.00	371.00	39.45	37.25

(a) An ADS is equivalent to six Ordinary Shares.

Market prices for the BP ordinary shares on the LSE and in after-hours trading off the LSE, in each case while the New York Stock Exchange is open, and the market prices for ADSs on the New York Stock Exchange and other North American stock exchanges, are closely related due to arbitrage among the various markets, although differences may exist from time to time due to various factors including UK stamp duty reserve tax. Trading in ADSs began on the LSE on August 3, 1987.

On March 19, 2003, 1,089,573,105 ADSs (equivalent to 6,537,438,628 BP ordinary shares or some 32.4% of the total) were outstanding and were held by approximately 177,000 registered ADR holders. Of these, about 175,000 had registered addresses in the USA at that date. One of the registered holders of ADSs represents some 525,000 underlying holders.

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On March 19, 2003 there were approximately 359,000 holders of record of Ordinary Shares. Of these holders, around 1,500 had registered addresses in the United States and held a total of some 4,644,000 Ordinary Shares.

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ITEM 10 -- ADDITIONAL INFORMATION

MEMORANDUM AND ARTICLES OF ASSOCIATION

The following summarizes certain provisions of BP's memorandum and articles of association and applicable English law. This summary is qualified in its entirety by reference to the UK Companies Act and BP's memorandum and articles

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of association. Information on where investors can obtain copies of the memorandum and articles of association is described under the heading 'Documents on Display' under this Item.

Subject to the approval of shareholders at BP's Annual General Meeting to be held on April 24, 2003, BP proposed to adopt new articles of association to consolidate amendments which have been necessary to implement legislative changes since the current articles of association were adopted in 1983.

Objects and Purposes

BP is incorporated under the name BP p.l.c. and is registered in England and Wales with registered number 102498. Clause 4 of BP's memorandum of association provides that its objects include the acquisition of petroleum bearing lands; the carrying on of refining and dealing businesses in the petroleum, manufacturing, metallurgical or chemicals businesses; the purchase and operation of ships and all other vehicles and other conveyances; and the carrying on of any other businesses calculated to benefit BP. The memorandum grants BP a range of corporate capabilities to effect these objects.

Directors

The business and affairs of BP shall be managed by the directors.

The articles of association place a general prohibition on a director voting in respect of any contract or arrangement in which he has a material interest other than by virtue of his interest in shares in the Company. However, in the absence of some other material interest not indicated below, a director is entitled to vote and to be counted in a quorum for the purpose of any vote relating to a resolution concerning the following matters:

- The giving of security or indemnity with respect to any money lent or obligation taken by the director at the request or benefit of the Company;
- Any proposal in which he is interested concerning the underwriting of Company securities or debentures;
- Any proposal concerning any other company in which he is interested, directly or indirectly (whether as an officer or shareholder or otherwise) provided that he and persons connected with him are not the holder or holders of 1% or more of the voting interest in the shares of such company;
- Proposals concerning the modification of certain retirement benefits schemes under which he may benefit and which has been approved by either the UK Board of Inland Revenue or by the shareholders; and
- Any proposal concerning the purchase or maintenance of any insurance policy under which he may benefit.

The UK Companies Act requires a director of a company who is in any way interested in a contract or proposed contract with the company to declare the nature of his interest at a meeting of the directors of the company. The directors may exercise all the powers of the company to borrow money, except that the amount remaining undischarged of all moneys borrowed by the company shall not, without approval of the shareholders, exceed the amount paid up on the share capital plus the aggregate of the amount of the capital and revenue reserves of the company. Variation of the borrowing power of the board may only be effected by amending the articles of association.

Remuneration of non-executive directors shall be determined in the aggregate by resolution of the shareholders. Remuneration of executive directors is determined by the Remuneration Committee. This committee is made up of non-executive directors only. Any director attaining the age of 70 shall retire at the next annual general meeting. There is no requirement of share ownership for a director's qualification.

Dividend Rights; Other Rights to Share in Company Profits; Capital Calls

If recommended by the directors of BP, BP shareholders may, by resolution, declare dividends but no such dividend may be declared in excess of the amount recommended by the directors. The directors may also pay interim dividends without obtaining shareholder approval. No dividend may be paid other than out of profits available for distribution, as determined under UK GAAP and the UK Companies Act. Dividends on Ordinary Shares are payable only after payment of dividends on BP preference shares. Any dividend unclaimed after a period of twelve years from the date of declaration of such dividend shall be forfeited and reverts to BP.

Apart from shareholders' rights to share in BP's profits by dividend (if any is declared), the articles of association provide that the directors may set aside:

- a special reserve fund out of the balance of profits each year to make up any deficit of cumulative dividend on the BP preference shares; and
- a general reserve out of the balance of profits each year, which shall be applicable for any purpose to which the profits of the Company may properly be applied. This may include capitalization of such sum, pursuant to an ordinary shareholders' resolution, and distribution to shareholders as if it were distributed by way of a dividend on the Ordinary Shares or in paying up in full unissued Ordinary Shares for allotment and distribution as bonus shares.

Any such sums so deposited may be distributed in accordance with the manner of distribution of dividends as described above.

Holders of shares are not subject to calls on capital by the Company, provided that the amounts required to be paid on issue have been paid off. All shares are fully paid.

Voting Rights

The articles of association of BP provide that voting on resolutions at a shareholders' meeting will be decided on a poll other than resolutions of a procedural nature, which may be decided on a show of hands. If voting is on a poll, every shareholder who is present in person or by proxy has one vote for every Ordinary Share held and two votes for every (pound)5 in nominal amount of BP preference shares held. If voting is on a show of hands, each shareholder who is present at the meeting in person or whose duly appointed proxy is present in person will have one vote, regardless of the number of shares held, unless a poll is requested. Shareholders do not have cumulative voting rights.

Holders of record of ordinary shares may appoint a proxy, including a beneficial owner of those shares, to attend, speak and vote on their behalf at any shareholders' meeting.

Record holders of BP ADSs also are entitled to attend, speak and vote at any shareholders' meeting of BP by the appointment by the approved depository, JPMorgan Chase Bank, of them as proxies in respect of the ordinary shares represented by their ADSs. Each such proxy may also appoint a proxy. Alternatively, holders of ADSs are entitled to vote by supplying their voting instructions to the depository, who will vote the Ordinary Shares represented by their ADSs in accordance with their instructions.

Proxies may be delivered electronically.

Matters are transacted at shareholders' meetings by the proposing and passing of resolutions, of which there are three types: ordinary, special or extraordinary.

An ordinary resolution requires the affirmative vote of a majority of the votes of those persons voting at a meeting at which there is a quorum. Special and extraordinary resolutions require the affirmative vote of not less than three-fourths of the persons voting at a meeting at which there is a quorum. Any annual general meeting at which it is proposed to put a special or ordinary resolution requires 21 days' notice. An extraordinary resolution put to the annual general meeting requires no notice period. Any extraordinary general meeting at which it is proposed to put a special resolution requires 21 days' notice; otherwise, the notice period for an extraordinary general meeting is 14 days.

Liquidation Rights; Redemption Provisions

In the event of a liquidation of BP, after payment of all liabilities and applicable deductions under UK laws and subject to the payment of secured creditors, the holders of BP preference shares would be entitled to the sum of (i) the capital paid up on such shares plus, (ii) accrued and unpaid dividends and (iii) a premium equal to the higher of (a) 10% of the capital paid up on the BP preference shares and (b) the excess of the average market price over par value of such shares on the London Stock Exchange during the previous six months. The remaining assets (if any) would be divided pro rata among the holders of Ordinary Shares.

Without prejudice to any special rights previously conferred on the holders of any class of shares, BP may issue any share with such preferred, deferred or other special rights, or subject to such restrictions as the shareholders by resolution determine (or, in the absence of any such resolutions, by determination of the directors), and may issue shares which are to be or may be redeemed.

Variation of Rights

The rights attached to any class of shares may be varied with the consent in writing of holders of 75% of the shares of that class or upon the adoption of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class. At every such separate meeting, all of the provisions of the articles of association relating to proceedings at a general meeting apply, except that the quorum with respect to a meeting to change the rights attached to the preference shares is 10% or more of the shares of that class, and the quorum to change the rights attached to the Ordinary Shares is one third or more of the shares of that class.

Shareholders' Meetings and Notices

Shareholders must provide BP with a postal or electronic address in the UK in order to be entitled to receive notice of shareholders' meetings. In certain

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circumstances, BP may give notices to shareholders by advertisement in UK newspapers. Holders of BP ADSs are entitled to receive notices under the terms of the deposit agreement relating to BP ADSs. The substance and timing of notices is described above under the heading Voting Rights.

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Under the articles of association, the annual general meeting of shareholders will be held within 15 months after the preceding annual general meeting and at a time and place determined by the directors within the United Kingdom. If any shareholders' meeting is adjourned for lack of quorum, notice of the time and place of the meeting may be given in any lawful manner, including electronically. The Chairman has the power to take any action he sees fit to promote order at any shareholders' meeting.

Limitations on Voting and Shareholding

There are no limitations imposed by English law or BP's memorandum or articles of association on the right of non-residents or foreign persons to hold or vote the Company's Ordinary Shares or ADSs, other than limitations that would generally apply to all of the shareholders.

Disclosure of Interests in Shares

The UK Companies Act permits a public company, on written notice, to require any person whom the company believes to be or, at any time during the previous three years prior to the issue of the notice, to have been interested in its voting shares, to disclose certain information with respect to those interests. Failure to supply the information required may lead to disenfranchisement of the relevant shares and a prohibition on their transfer and receipt of dividends and other payments in respect of those shares. In this context the term 'interest' is widely defined and will generally include an interest of any kind whatsoever in voting shares, including any interest of a holder of BP ADSs.

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MATERIAL CONTRACTS

None.

EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING SECURITY HOLDERS

There are currently no UK foreign exchange controls or restrictions on remittances of dividends on the BP ordinary shares or on the conduct of the Company's operations.

There are no limitations, either under the laws of the UK or under the articles of association of BP p.l.c., restricting the right of non-resident or foreign owners to hold or vote BP ordinary or preference shares in the Company.

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TAXATION

This section describes the material United States federal income tax and UK taxation consequences of owning ordinary shares or ADSs to a US holder that holds the ordinary shares or ADSs as capital assets for tax purposes. It does not apply, however, to members of special classes of holders subject to special rules and holders that, directly or indirectly, hold 10% or more of the Company's voting stock.

A US holder is any beneficial owner of Ordinary Shares or ADSs that is (i) a citizen or resident (for United States federal income tax purposes) of the United States, (ii) a corporation organized in the United States of any of its States, (iii) an estate whose income is subject to United States federal income tax regardless of its source, or (iv) a trust if a United States court can exercise primary supervision over the trust's administration and one or more United States persons are authorized to control all substantial decisions of the trust.

This section is based on the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations, published rulings and court decisions, and the taxation laws of the United Kingdom, all as currently in effect, as well as on the Convention Between the United States of America and the United Kingdom entered into force in 1980 (the 'Treaty') and the Convention Between the United States of America and the United Kingdom which is expected to enter into force in 2003 (the 'New Treaty'). These laws are subject to change, possibly on a retroactive basis. This section is further based in part upon the representations of the Depositary and assumes that each obligation in the Deposit Agreement and any related agreement will be performed in accordance with its terms.

For United States federal income tax and UK taxation purposes, a holder of ADRs evidencing ADSs will be treated as the owner of the Company's ordinary shares represented by those ADSs. Exchanges of ordinary shares for ADSs, and ADSs for Ordinary Shares, generally will not be subject to United States federal income tax or to UK taxation.

Investors should consult their own tax advisor regarding the United States federal, state and local, the UK and other tax consequences of owning and disposing of Ordinary Shares and ADSs in their particular circumstances, and in particular whether they are eligible for the benefits of the Treaty and the New Treaty.

Taxation of Dividends

United Kingdom Taxation

Under current UK taxation law, no withholding tax will be deducted from dividends paid by the Company. A shareholder that is a company resident for tax purposes in the United Kingdom generally will not be taxable on a dividend it receives from the Company. A shareholder who is an individual resident for tax purposes in the United Kingdom is entitled to a tax credit on cash dividends paid on ordinary shares or ADSs of the Company equal to one-ninth of the cash dividend.

Under the Treaty, a US holder is entitled to a refund from the UK Inland Revenue equal to the amount of the tax credit available to a shareholder resident in the United Kingdom (i.e., one-ninth of the dividend received), but the amount of the dividend plus the amount of the refund are also subject to withholding in an amount equal to the amount of the tax credit. A US holder therefore will not receive any payment from the UK Inland Revenue in respect of a dividend from the Company and will have no further UK tax to pay in respect of that dividend. Under the Treaty, special rules apply for determining the tax

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credit available to a corporation that, either alone or together with one or more associated corporations, controls, directly or indirectly, 10% or more of the Company's voting stock.

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The New Treaty has been ratified by the UK Parliament and was ratified by the United States Senate on March 13, 2003. Under the New Treaty, a US holder will not be entitled to a tax refund from the UK Inland Revenue in respect of dividends in the manner described above. However, dividends received by the US holder from the Company generally will not be subject to a withholding tax by the United Kingdom.

The New Treaty generally will be effective in respect of taxes withheld at source for amounts paid or credited on or after the first day of the second month after it enters into force. The provisions of the New Treaty affecting all other US taxes, however, will take effect on January 1, 2004. The rules of the Treaty will remain applicable until these effective dates. A US holder, however, may elect to have the Treaty apply in its entirety for a period of twelve months after the applicable effective dates of the New Treaty.

United States Federal Income Taxation

A US holder must include in gross income as ordinary income the gross amount of any dividend paid by the Company. A US holder that is eligible for the benefits of the Treaty may include in the gross amount the UK tax withheld from the dividend payment pursuant to the Treaty, as described above in 'United Kingdom Taxation'. Subject to certain limitations, the United Kingdom tax withheld will be creditable against the US holder's United States federal income tax liability, if the US holder is eligible for the benefits of the Treaty and has appropriately filed Internal Revenue Form 8833.

A US holder will not be entitled to a UK tax credit under the New Treaty, but also will not be subject to UK withholding tax. In that case, the US holder will include in income for United States federal income tax purposes only the amount of the dividend actually received from the Company, and the receipt of a dividend will not entitle the US holder to a foreign tax credit.

In either case, the dividend must be included in income when the US holder, in the case of Ordinary Shares, or the Depositary, in the case of ADSs, actually or constructively receives the dividend, and will not be eligible for the dividends-received deduction generally allowed to United States corporations in respect of dividends received from other United States corporations. Dividends will be income from sources outside the United States, and generally will be 'passive income' or 'financial services income', which is treated separately from other types of income for purposes of computing the allowable foreign tax credit.

If a US holder holds ordinary shares of the Company, the amount of the dividend distribution on the ordinary shares that is paid in pounds sterling will be the US dollar value of the pounds sterling payments made, determined at the spot pounds sterling/US dollar rate on the date the dividend distribution is includable in income, regardless of whether the payment is in fact converted into US dollars. Generally, any gain or loss resulting from currency exchange fluctuations during the period from the date the pounds sterling dividend payment is includable in income to the date the payment is converted into US dollars will be treated as ordinary income or loss. The gain or loss generally will be income or loss from sources within the United States for foreign tax credit limitation purposes.

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Taxation of Capital Gains

United Kingdom Taxation

A US holder may be liable for both United Kingdom and United States tax in respect of a gain on the disposal of Ordinary Shares or ADSs if the US holder is (i) a citizen of the United States resident or ordinarily resident in the United Kingdom, (ii) a United States domestic corporation resident in the United Kingdom by reason of its business being managed or controlled in the United Kingdom or (iii) a citizen of the United States or a corporation that carries on a trade or profession or vocation in the United Kingdom through a branch or agency or, in respect of corporations for accounting periods beginning on or after January 1, 2003, through a permanent establishment, and that have used, held, or acquired the ordinary shares or ADSs for the purposes of such trade, profession or vocation of such branch, agency or permanent establishment. However, subject to applicable limitations and provisions of the Treaty, such persons may be entitled to a tax credit against their United States federal income tax liability for the amount of United Kingdom capital gains tax or UK corporation tax on chargeable gains (as the case may be) which is paid in respect of such gain.

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Under the New Treaty, capital gains on dispositions of Ordinary Shares or ADSs generally will be subject to tax only in the jurisdiction of residence of the relevant holder as determined under both the laws of the United Kingdom and the United States and as required by the terms of the New Treaty.

Under the New Treaty, individuals who are residents of either the United Kingdom or the United States and who have been residents of the other jurisdiction (the United States or the United Kingdom, as the case may be) at any time during the six years immediately preceding the relevant disposal of ordinary shares or ADRs may be subject to tax with respect to capital gains arising from a disposition of Ordinary Shares or ADSs of the Company not only in the jurisdiction of which the holder is resident at the time of the disposition, but also in the other jurisdiction.

United States Federal Income Taxation

A US holder that sells or otherwise disposes of ordinary shares or ADSs will recognize a capital gain or loss for United States federal income tax purposes equal to the difference between the US dollar value of the amount realized and the holder's tax basis, determined in US dollars, in the ordinary shares or ADSs. A capital gain of a noncorporate US holder is generally taxed at a maximum rate of 20% where the property is held more than one year. The gain or loss will generally be income or loss from sources within the United States for foreign tax credit limitation purposes. The deductibility of capital losses is subject to limitations.

Additional Tax Considerations

UK Inheritance Tax

The US-UK double taxation convention relating to estate and gift taxes (the Estate Tax Convention) applies to inheritance tax. ADRs held by an individual who is domiciled for the purposes of the Estate Tax Convention in the USA and is not for the purposes of the Estate Tax Convention a national of the UK will not be subject to inheritance tax on death or on transfer during the individual's lifetime unless, among other things, the ADSs are part of the business property of a permanent establishment situated in the UK or pertain to a fixed base

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situated in the UK used for the performance of independent personal services. In the exceptional case where ADSs are subject both to inheritance tax and to US Federal gift or estate tax, the Estate Tax Convention generally provides for tax paid in the UK to be credited against tax payable in the USA or for tax paid in the USA to be credited against tax payable in the UK based on priority rules set forth in the Estate Tax Convention.

UK Stamp Duty and Stamp Duty Reserve Tax

The statements below relate to what is understood to be the current practice of the UK Inland Revenue under existing law.

Provided that the instrument of transfer is not executed in the UK and remains at all times outside the UK, and the transfer does not relate to any matter or thing done or to be done in the UK, no UK stamp duty is payable on the acquisition or transfer of ADSs. Neither will an agreement to transfer ADSs in the form of ADRs give rise to a liability to stamp duty reserve tax.

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Purchases of BP ordinary shares, as opposed to ADSs, through the CREST system of paperless share transfers will be subject to stamp duty reserve tax at a rate of 0.5%. The charge will arise as soon as there is an agreement for the transfer of the shares (or, in the case of a conditional agreement, when the condition is fulfilled). The stamp duty reserve tax will apply to agreements to transfer Ordinary Shares even if the agreement is made outside the UK between two non-residents. Purchases of Ordinary Shares outside the CREST system are subject either to stamp duty at a rate of 50 pence per (pound)100 (or part), or stamp duty reserve tax at 0.5%. Stamp duty and stamp duty reserve tax are generally the liability of the purchaser. A subsequent transfer of BP ordinary shares to the Depository's nominee will give rise to further stamp duty at the rate of (pound)1.50 per (pound)100 (or part) or stamp duty reserve tax at the rate of 1.5% of the value of the Ordinary Shares at the time of the transfer.

A transfer of the underlying Ordinary Shares to an ADR holder upon cancellation of the ADSs without transfer of beneficial ownership will give rise to UK stamp duty at the rate of (pound)5 per transfer.

An ADR holder electing to receive ADSs instead of a cash dividend will be responsible for the stamp duty reserve tax due on issue of shares to the Depository's nominee and calculated at the rate of 1.5% on the issue price of the shares. Current UK Inland Revenue practice is to calculate the issue price by reference to the total cash receipt (i.e. cash dividend plus the Refund if any) to which a US Holder would have been entitled had the election to receive ADSs instead of a cash dividend not been made. ADR holders electing to receive ADSs instead of the cash dividend authorize the Depository to sell sufficient shares to cover this liability.

DOCUMENTS ON DISPLAY

It is possible to read and copy documents referred to in this annual report on Form 20-F that have been filed with the SEC at the SEC's public reference room located at 450 Fifth Street, NW, Washington, DC 20549 and at the SEC's other public reference rooms in New York City and Chicago. Please call the SEC at 1-800-SEC-0330 for further information on the public reference rooms and their copy charges. The SEC filings are also available to the public from commercial document retrieval services and, for most recent BP periodic filings only, at the Internet world wide web site maintained by the SEC at www.sec.gov.

ITEM 11 -- QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

BP is exposed to a number of different market risks arising from the Group's normal business activities. 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. The Group has developed policies aimed at managing the volatility inherent in certain of these natural business exposures and in accordance with these policies the Group enters into various transactions using derivative financial and commodity instruments (derivatives). Derivatives are contracts whose value is derived from one or more underlying financial instruments, indices or prices which are defined in the contract. The Group also trades derivatives in conjunction with these risk management activities.

In 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 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 the current period.

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 function. 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. The Group's supply and trading activities in oil, natural gas and financial markets are managed within a single integrated function. This has the responsibility for ensuring high and consistent standards of control, making investments in the necessary systems and supporting infrastructure and providing professional management oversight.

Further information about BP's use of derivatives, their characteristics, and the accounting treatment thereof is given in Item 18 -- Financial Statements -- Note 1 and Note 26.

The Group's accounting policies under UK GAAP do not satisfy the criteria for hedge accounting under Statement of Financial Accounting Standards No. 133 'Accounting for Derivative Instruments and Hedging Activities'. The Group does not intend to modify its practice under UK GAAP. See Item 18 -- Financial Statements -- Note 50 for further information.

Risk Management

Foreign Currency Exchange Rate Risk

Fluctuations in exchange rates can have significant effects on the Group's reported results. The effects of most exchange rate fluctuations are absorbed in business operating results through changing cost competitiveness, lags in market

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adjustment to movements in rates, and conversion differences accounted for on specific transactions. For this reason, the total effect of exchange rate fluctuations is not identifiable separately in the Group's reported results.

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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 material 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-US dollar exposures are managed using a range of derivatives. The most significant of such exposures are the sterling-based capital leases, the net Euro cash inflows mainly relating to downstream and chemicals in Europe, the sterling cash flow requirements for UK Corporation Tax, and the capital expenditure and operational requirements of Exploration and Production, mainly in the UK. In addition, most of the Group's borrowings are in US dollars or are hedged with respect to the US dollar. At December 31, 2002, the total of foreign currency borrowings not swapped into US dollars amounted to \$903 million. The principal elements of this are \$103 million of borrowings in sterling, \$74 million in Malaysian ringgits, \$77 million in Trinidad and Tobago dollars and \$474 million in Euros.

The following table provides information about the Group's foreign currency derivative financial instruments. These include foreign currency forward exchange agreements (forwards) and cylinder option contracts (cylinders) that are sensitive to changes in the sterling/US dollar, euro/US dollar and Norwegian krone/US dollar exchange rates. Where foreign currency denominated borrowings are swapped into US dollars using forwards or cross currency swaps such that currency risk is completely eliminated, neither the borrowing nor the derivative are included in the table.

For forwards, the tables present the notional amounts and weighted average contractual exchange rates by contractual maturity dates and exclude forwards that have offsetting positions. Only significant forward positions are included in the tables. The notional amounts of forwards are translated into US dollars at the exchange rate included in the contract at inception. The majority of the sterling forwards relate to sterling-based capital leases which effectively convert the lease obligation from sterling into dollars. The euro forwards relate mainly to payments for capital and operational expenditure. The Norwegian krone forwards relate to the Group's Norwegian tax payments over the next year. The fair value represents an estimate of the gain or loss which would be realized if the contracts were settled at the balance sheet date.

For cylinders, the tables present the notional amounts of the constituent purchased call and written put option contracts at December 31, 2002 and the weighted average strike rates. The receive sterling cylinders relate to the Group's expected sterling tax payments and net operational expenditures over the next year. The pay Euro cylinders relate to the Group's expected net Euro cash inflows from operations and the sale of business assets.

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The fair values for the foreign exchange contracts in the table below are based on market prices of comparable instruments (forwards) and pricing models which take into account relevant market data (options). These derivative

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contracts constitute a hedge; any change in the fair value or expected cash flows is offset by an opposite change in the market value or expected cash flows of the asset, liability or transaction being hedged.

	Notional amount by expected maturity date					T
	2003	2004	2005	2006	2007	
	-----					-----
	-----					-----
	(\$ million)					
At December 31, 2002						
Forwards						
Receive sterling/pay US dollars						
Contract amount.....	2,066	30	--	--	--	2
Weighted average contractual exchange rate.....	1.48					
Receive euro/pay US dollars						
Contract amount.....	(3)	47	14	--	--	
Weighted average contractual exchange rate.....	0.96					
Receive Norwegian krone/pay US dollars						
Contract amount.....	204	5	2	--	--	
Weighted average contractual exchange rate (a).....	8.58					
Cylinders						
Receive sterling/pay US dollars						
Purchased call						
Contract amount.....	859	--	--	--	--	
Weighted average strike price.....	1.62					
Sold put						
Contract amount.....	859	--	--	--	--	
Weighted average strike price.....	1.52					
Pay euro/receive US dollars						
Sold call						
Contract amount.....	430	--	--	--	--	
Weighted average strike price.....	1.05					
Purchased put						
Contract amount.....	430	--	--	--	--	
Weighted average strike price.....	0.92					
Pay euro/receive sterling						
Sold call						
Contract amount.....	614	--	--	--	--	
Weighted average strike price..... (pound)	0.68					
Purchased put						
Contract amount.....	614	--	--	--	--	
Weighted average strike price..... (pound)	0.62					

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	2002	2003	2004	2005	2006	T
	(\$ million)					
At December 31, 2001						
Forwards						
Receive sterling/pay US dollars						
Contract amount.....	3,822	(48)	--	--	--	3
Weighted average contractual exchange rate.....	1.44					
Receive euro/pay US dollars						
Contract amount.....	1,055	190	55	13	1	1
Weighted average contractual exchange rate.....	0.90					
Receive Norwegian krone/pay US dollars						
Contract amount.....	172	6	2	1	--	
Weighted average contractual exchange rate (a).....	9.49					

(a) Weighted average contractual exchange rates are expressed as US dollars per non-US dollar currency unit except Norwegian krone which are expressed as krone per US dollar.

Interest Rate Risk

BP 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 interest rates as borrowings are mainly denominated in, or swapped into, US dollars. The Group uses derivatives to achieve the required mix between fixed and floating rate debt. During 2002, the proportion of floating rate debt was in the range of 41-60% of total net debt outstanding.

The following table shows, by major currency, the Group's finance debt at December 31, 2002 and 2001 and the weighted average interest rates achieved at those dates through a combination of borrowings and other interest rate sensitive instruments entered into to manage interest rate exposure.

	Fixed rate debt			Floating rate debt	
	Weighted average interest rate (%)	Weighted average time for which rate is fixed (years)	Amount (\$ million)	Weighted average interest rate (%)	Amount (\$ million)
At December 31, 2002					
US dollar.....	7	7	7,818	2	13,287
Sterling.....	--	--	--	4	103
Other currencies.....	7	11	317	5	483

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Total loans.....			----- 8,135 =====		----- 13,873 =====
At December 31, 2001					
US dollar.....	7	8	11,603	2	9,365
Sterling.....	--	--	--	4	133
Other currencies.....	10	29	122	6	194
Total loans.....			----- 11,725 =====		----- 9,692 =====

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The Group's earnings are sensitive to changes in interest rates over the forthcoming year as a result of the floating rate instruments included in the Group's finance debt at December 31, 2002. These include the effect of interest rate and currency swaps and forwards utilized to manage interest rate risk. If the interest rates applicable to floating rate instruments were to have increased by 1% on January 1, 2003, the Group's 2003 earnings before taxes would decrease by approximately \$130 million. This assumes that the amount and mix of fixed and floating rate debt, including capital leases, remains unchanged from that in place at December 31, 2002 and that the change in interest rates is effective from the beginning of the year. Where the interest rate applicable to an instrument is reset during a quarter it is assumed that this occurs at the beginning of the quarter and remains unchanged for the rest of the year. In reality, the fixed/floating rate mix will fluctuate over the year and interest rates will change continually. Furthermore the effect on earnings shown by this analysis does not consider the effect of an overall reduction in economic activity which could accompany such an increase in interest rates.

Oil Price Risk

The Group's risk management policy with respect to oil price risk is to manage only those exposures associated with the immediate operational programme for certain of its equity share of production and certain of its refinery and marketing activities. To this end, BP's supply and trading function uses the full range of conventional oil price-related financial and commodity derivatives available in the oil markets.

The derivative instruments used for hedging purposes do not expose the Group to market risk because the change in their market value is offset by an equal and opposite change in the market value of the asset, liability or transaction being hedged. The values at risk in respect of derivatives held for oil price risk management purposes are shown in isolation in the table below. The items being hedged are not included in the values at risk.

The value at risk model used is that discussed under Trading below. Thus the value at risk calculation for oil price exposure includes derivative financial instruments such as exchange-traded futures and options, swap agreements and over-the-counter options and derivative commodity instruments (commodity contracts that permit settlement either by delivery of the underlying commodity or in cash) such as forward contracts. The values at risk represent the potential gain or loss in fair values over a 24-hour period with a 99.7% confidence level.

The following table shows values at risk for oil price risk management activities.

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	High -----	Low -----	Average -----	Decemb -----
			(\$ million)	
2002				
Oil price contracts.....	13	11	12	
2001				
Oil price contracts.....	11	4	7	
2000				
Oil price contracts.....	18	11	15	

Natural Gas Price Risk

BP's general policy with respect to natural gas price risk is to manage only a portion of its exposure to price fluctuations. Natural gas swaps, options and futures are used to convert specific sales and purchases contracts from fixed prices to market prices. Swaps are also used to hedge exposure to price differentials between locations.

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The table below provides information about the Group's material swaps contracts that are sensitive to changes in natural gas prices. Contract amount represents the notional amount of the contract. Fair value represents an estimate of the gain or loss which would be realized if the contracts were settled at the balance sheet date. Weighted average price represents the fixed price and the year-end forward price related to the settlement month for swaps.

At December 31, 2002, in addition to the swaps contracts shown in the table there were options contracts with aggregate notional amounts of \$11 million (\$1,090 million at December 31, 2001) and terms of up to one year.

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	Quantity -----	Contract amount -----	Fair value -----	
	(Btu trillion) (a)	(\$ million)	Asset -----	Liability -----
			(\$ million)	
At December 31, 2002				
Maturing in 2003				
Swaps				
Receive variable/pay fixed.....	190	734	129	(4)
Receive fixed/pay variable.....	140	529	--	(108)
Receive and pay variable.....	586	2,633	62	(61)
Maturing in 2004				
Swaps				
Receive variable/pay fixed.....	24	95	8	(1)
Receive fixed/pay variable.....	16	62	--	(9)
Receive and pay variable.....	181	757	19	(22)

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Maturing in 2005				
Swaps				
Receive variable/pay fixed.....	6	25	1	--
Receive fixed/pay variable.....	1	6	--	--
Receive and pay variable.....	115	444	10	(10)
Maturing in 2006				
Swaps				
Receive variable/pay fixed.....	2	7	--	--
Receive fixed/pay variable.....	--	1	--	--
Receive and pay variable.....	61	228	1	(3)
Maturing in 2007				
Swaps				
Receive variable/pay fixed.....	2	7	--	--
Receive fixed/pay variable.....	--	1	--	--
Receive and pay variable.....	55	204	1	(3)
Maturing beyond 2007				
Swaps				
Receive variable/pay fixed.....	1	5	--	--
Receive fixed/pay variable.....	1	5	1	--
Receive and pay variable.....	119	461	1	(5)
At December 31, 2001				
Maturing in 2002				
Swaps				
Receive variable/pay fixed.....	447	1,600	17	(419)
Receive fixed/pay variable.....	302	1,002	210	(27)
Receive and pay variable.....	4,232	44	653	(610)
Maturing in 2003				
Swaps				
Receive variable/pay fixed.....	104	349	37	(47)
Receive fixed/pay variable.....	86	272	25	(32)
Receive and pay variable.....	682	4	52	(55)
Maturing in 2004				
Swaps				
Receive variable/pay fixed.....	20	63	11	(6)
Receive fixed/pay variable.....	8	20	4	(10)
Receive and pay variable.....	230	7	18	(25)
Maturing in 2005				
Swaps				
Receive variable/pay fixed.....	3	8	2	(1)
Receive fixed/pay variable.....	4	11	2	(4)
Receive and pay variable.....	165	8	12	(20)
Maturing in 2006				
Swaps				
Receive variable/pay fixed.....	2	7	--	(1)
Receive fixed/pay variable.....	3	10	2	(2)
Receive and pay variable.....	102	9	5	(14)
Maturing beyond 2006				
Swaps				
Receive variable/pay fixed.....	3	12	--	(1)
Received fixed/pay variable.....	13	43	5	(10)
Receive and pay variable.....	318	25	22	(48)

(a) British thermal units (btu)
(b) Million british thermal units (mmbtu)

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Trading

In conjunction with the risk management activities discussed above, BP also

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trades interest rate and foreign currency exchange rate derivatives. The Group controls the scale of the trading exposures by using a value at risk model with a maximum value at risk limit authorized by the board.

In addition to the risk management activities related to equity crude disposal, refinery supply and marketing, BP's supply and trading function undertakes trading in the full range of conventional derivative financial and commodity instruments and physical cargoes available in the energy markets. The Group also uses financial and commodity derivatives to manage certain of its exposures to price fluctuations on natural gas transactions. These activities are monitored and are subject to maximum value at risk limits authorized by the Board.

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 twelve 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.

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 models take account of derivative financial instruments such as interest rate forward and futures contracts and swap agreements; foreign exchange forward and futures contracts and swap agreements; and oil and natural gas price futures and swap agreements. Financial assets and liabilities and physical crude oil and refined products that are treated as trading positions are also included in these calculations. For options a linear approximation is included in the value-at-risk models. The value-at-risk calculation for oil and natural gas price exposure also includes derivative commodity instruments (commodity contracts that permit settlement either by delivery of the underlying commodity or in cash), such as forward contracts.

The following table shows values at risk for trading activities.

	High -----	Low -----	Average -----	December -----
	(\$ million)			
2002				
Interest rate trading.....	--	--	--	
Foreign exchange trading.....	2	--	1	
Oil price trading.....	34	14	23	
Natural gas price trading.....	18	1	6	
2001				
Interest rate trading.....	1	--	--	
Foreign exchange trading.....	3	--	1	
Oil price trading.....	29	10	18	
Natural gas price trading.....	21	4	10	
2000				
Interest rate trading.....	2	--	1	

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Foreign exchange trading.....	15	--	1
Oil price trading.....	23	4	13
Natural gas price trading.....	16	1	6

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The following tables shows the changes during the year in the net fair value of instruments held for trading purposes.

	Fair value interest rate contracts -----	Fair value exchange rate contracts -----	Fair value oil price contracts -----
	(\$ million)		
Fair value of contracts at January 1, 2002.....	--	(3)	26
Contracts realized or settled in the year.....	--	3	(22)
Fair value of new contracts when entered into during the year.....	--	--	--
Changes in fair value attributable to changes in valuation techniques and assumptions.....	--	--	--
Other changes in fair values.....	--	12	18
	-----	-----	-----
Fair value of contracts at December 31, 2002.....	--	12	22
	=====	=====	=====

The following table shows the net fair value of contracts held for trading purposes at December 31, 2002 analyzed by maturity period and by methodology of fair value estimation.

	Fair value of contracts at December			
	Maturity less than 1 year -----	Maturity 1-3 years -----	Maturity 4-5 years -----	Maturity over 5 years -----
	(\$ million)			
Prices actively quoted.....	116	66	6	
Prices provided by other external sources.....	(10)	2	--	
Prices based on models and other valuation methods.....	11	--	--	
	-----	-----	-----	-----
	117	68	6	
	=====	=====	=====	=====

ITEM 12 -- DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

Not applicable

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PART II

ITEM 13 -- DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

ITEM 14 -- MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

ITEM 15 -- CONTROLS AND PROCEDURES

Under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the Company has evaluated the effectiveness of the design and operation of its disclosure controls and procedures pursuant to Exchange Act Rule 13a-14(c) within 90 days of the filing date of this annual report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures are effective.

In designing and evaluating our disclosure controls and procedures, our management, including the Chief Executive Officer and Chief Financial Officer, recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and our management necessarily was required to apply its judgement in evaluating the cost-benefit relationship of possible controls and procedures. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of their most recent evaluation.

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PART III

ITEM 17 -- FINANCIAL STATEMENTS

Not applicable.

ITEM 18 -- FINANCIAL STATEMENTS

(a) Financial Statements

The following financial statements, together with the reports of the Independent Auditors thereon, are filed as part of this annual report:

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Report of Independent Auditors and Consent of Independent Auditors.....
Consolidated Statement of Income for the Years Ended December 31, 2002, 2001, and 2000.....
Consolidated Balance Sheet at December 31, 2002 and 2001.....
Consolidated Statement of Cash Flows for the Years
 Ended December 31, 2002, 2001, and 2000.....
Statement of Total Recognized Gains and Losses for the Years
 Ended December 31, 2002, 2001, and 2000.....
Statement of Changes in BP Shareholders' Interest for
 the Years Ended December 31, 2002, 2001, and 2000.....
Notes to Financial Statements.....
Supplementary Oil and Gas Information (Unaudited).....
Schedule for the Years Ended December 31, 2002, 2001, and 2000
 Schedule II Valuation and Qualifying Accounts.....

ITEM 19 -- EXHIBITS

The following documents are filed as part of, or furnished with, this annual report:

- Exhibit 1 Memorandum and Articles of Association of BP p.l.c.*
- Exhibit 4.1 The BP Executive Directors' Long Term Incentive Plan+
- Exhibit 4.2 Directors' Service Contracts
- Exhibit 7 Computation of Ratio of Earnings to Fixed Charges (Unaudited)
- Exhibit 8 Subsidiaries
- Exhibit 10 Section 906 Certifications**

The total amount of long-term debt securities of the Registrant and its subsidiaries authorized under any one instrument does not exceed 10% of the total assets of BP p.l.c. and its subsidiaries on a consolidated basis. The Company agrees to furnish copies of any or all such instruments to the Securities and Exchange Commission upon request.

* Incorporated by reference to the Company's Annual Report on Form 20-F for the year ended December 31, 2001.

** Furnished, not filed.

+ Incorporated by reference to the Company's Annual Report on Form 20-F for the year ended December 31, 2000.

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BP p.l.c. AND SUBSIDIARIES

REPORT OF INDEPENDENT AUDITORS

To: The Board of Directors
BP p.l.c.

We have audited the accompanying consolidated balance sheets of BP p.l.c. as of December 31, 2002 and 2001, and the related consolidated statements of income, changes in BP shareholders' interest, total recognized gains and losses, and cash flows for each of the three years in the period ended December 31, 2002. Our audits also included the financial statement schedule listed in the Index at Item 18. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of BP p.l.c. at December 31, 2002 and 2001, and the consolidated results of its operations and its consolidated cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United Kingdom which differ in certain respects from those followed in the United States (see Note 50 of Notes to Financial Statements). Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 45 of Notes to Financial Statements, in the year ended December 31, 2002 the Company changed its method of accounting for deferred taxation.

/s/ ERNST & YOUNG LLP

Ernst & Young LLP

London, England
February 11, 2003

CONSENT OF INDEPENDENT AUDITORS

We consent to the incorporation by reference of our report dated February 11, 2003, with respect to the consolidated financial statements of BP p.l.c. included in this Annual Report (Form 20-F) for the year ended December 31, 2002 in the following Registration Statements:

Registration Statements on Form F-3 (File Nos. 333-9790 and 333-65996) of BP p.l.c.;

Registration Statement on Form F-3 (File No. 333-83180) of BP Australia Capital Markets Limited, BP Canada Finance Company, BP Capital Markets p.l.c., BP Capital Markets America Inc. and BP p.l.c.; and

Registration Statements on Form S-8 (File Nos. 33-21868, 333-9020, 333-9798, 333-79399, 333-34968, 333-67206, 333-74414 and 333-102583, 333-103923 and 333-103924) of BP p.l.c.

/s/ ERNST & YOUNG LLP

Ernst & Young LLP

London, England
March 24, 2003

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BP p.l.c. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

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	Note	Years ended December 31	
		2002	2001
		(\$ million, except per share)	
Turnover.....		180,186	175,389
Less: Joint ventures.....		1,465	1,171
Group turnover.....		178,721	174,218
Replacement cost of sales.....		155,528	147,001
Production taxes.....	3	1,274	1,689
Gross profit.....		21,919	25,528
Distribution and administration expenses.....	4	12,632	10,918
Exploration expense.....		644	480
Other income.....	5	8,643	14,130
		641	694
Group replacement cost operating profit.....		9,284	14,824
Share of profits of joint ventures.....		346	443
Share of profits of associated undertakings.....		616	760
Total replacement cost operating profit.....		10,246	16,027
Profit (loss) on sale of businesses or termination of operations.....	7	(33)	(68)
Profit (loss) on sale of fixed assets.....	7	1,201	603
Replacement cost profit before interest and tax.....		11,414	16,562
Inventory holding gains (losses).....		1,129	(1,900)
Historical cost profit before interest and tax.....		12,543	14,662
Interest expense.....	8	1,279	1,670
Profit before taxation.....		11,264	12,992
Taxation.....	13	4,342	6,375
Profit after taxation.....		6,922	6,617
Minority shareholders' interest.....		77	61
Profit for the year*.....		6,845	6,556
Dividend requirements on preference shares*.....		2	2
Profit for the year applicable to ordinary shares*.....		6,843	6,554
Profit per ordinary share - cents			
Basic.....	16	30.55	29.21
Diluted.....	16	30.41	29.04
Dividends per ordinary share - cents.....	15	24.00	22.00
Average number outstanding of 25 cents ordinary shares (in thousands).....		22,397,126	22,435,737
			21,6

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* A summary of the adjustments to profit for the year of the Group which would be required if generally accepted accounting principles in the United States had been applied instead of those generally accepted in the United Kingdom is given in Note 50.

The Notes to Financial Statements are an integral part of this Statement.

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BP p.l.c. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

		December 31,	
	Note	2002	
	-----	-----	-----
		(\$ million)	
Fixed assets			
Intangible assets.....	20	15,566	
Tangible assets.....	21	87,682	
Investments			
Joint ventures			
Gross assets.....		4,829	4,6
Gross liabilities.....		798	8
		-----	-----
Net investment.....	22	4,031	
Associated undertakings.....	22	4,626	
Other.....	22	2,154	
		-----	-----
		10,811	
		-----	-----
Total fixed assets.....		114,059	
Current assets			
Inventories.....	23	10,181	7,6
Trade receivables.....	24	18,798	15,4
Other receivables falling due			
Within one year.....	24	8,107	6,5
After more than one year.....	24	6,245	4,6
Investments.....	25	215	4
Cash at bank and in hand.....		1,520	1,3
		-----	-----
		45,066	36,1
		-----	-----
Current liabilities -- falling due within one year			
Finance debt.....	29	10,086	9,0
Trade payables.....	30	17,454	13,1
Other accounts payable and accrued liabilities	30	18,761	15,3
		-----	-----
		46,301	37,6
		-----	-----
Net current assets (liabilities).....		(1,235)	
		-----	-----
Total assets less current liabilities.....		112,824	
Noncurrent liabilities			

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Finance debt.....	29	11,922	12,3
Accounts payable and accrued liabilities.....	30	3,455	3,0
Provisions for liabilities and charges			
Deferred taxation.....	13	13,514	11,7
Other.....	31	13,886	11,4
		-----	-----
			42,777

Net assets.....			70,047
Minority shareholders' interest -- equity.....			638

BP shareholders' interest*.....			69,409
			=====
Represented by:			
Capital shares			
Preference.....			21
Ordinary.....			5,595
Paid in surplus.....	32	4,243	
Merger reserve.....	32	27,033	
Other reserves.....	32	173	
Retained earnings.....	32/33	32,344	

			69,409
			=====

* A summary of the adjustments to BP shareholders' interest which would be required if generally accepted accounting principles in the United States had been applied instead of those generally accepted in the United Kingdom is given in Note 50.

The Notes to Financial Statements are an integral part of this Balance Sheet.

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BP p.l.c. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS

		Years ended December	
	Note	2002	2001
	-----	-----	-----
		(\$ million)	
Net cash inflow from operating activities.....	34	19,342	22,409
Dividends from joint ventures.....		198	104
Dividends from associated undertakings.....		368	528
		-----	-----
Servicing of finance and returns on investments			
Interest received.....		231	256
Interest paid.....		(1,204)	(1,282)
Dividends received.....		102	132

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Dividends paid to minority shareholders.....		(40)	(54)
		-----	-----
Net cash outflow from servicing of finance and returns on investments.....		(911)	(948)
		-----	-----
Taxation			
UK corporation tax.....		(979)	(1,058)
Overseas tax.....		(2,115)	(3,602)
		-----	-----
Tax paid.....		(3,094)	(4,660)
		-----	-----
Capital expenditure and financial investment			
Payments for tangible and intangible fixed assets.....		(12,049)	(12,142)
Payments for fixed assets - investments.....		(67)	(72)
Proceeds from the sale of fixed assets.....	19	2,470	2,365
		-----	-----
Net cash outflow for capital expenditure and financial investment.....		(9,646)	(9,849)
		-----	-----
Acquisitions and disposals			
Investments in associated undertakings.....		(971)	(586)
Proceeds from sale of investment in Ruhrgas.....	19	2,338	--
Acquisitions, net of cash acquired.....		(4,324)	(1,210)
Net investment in joint ventures.....		(354)	(497)
Proceeds from the sale of businesses.....	19	1,974	538
		-----	-----
Net cash (outflow) inflow for acquisitions and disposals...		(1,337)	(1,755)
		-----	-----
Equity dividends paid.....		(5,264)	(4,827)
		-----	-----
Net cash (outflow) inflow.....		(344)	1,002
		=====	=====
Financing.....	34	(181)	972
Management of liquid resources.....	34	(220)	(211)
Increase (decrease) in cash.....	34	57	241
		-----	-----
		(344)	1,002
		=====	=====

For a cash flow statement and a statement of comprehensive income prepared on the basis of US GAAP see Note 50 -- US generally accepted accounting principles.

The Notes to Financial Statements are an integral part of these Statements.

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BP p.l.c. AND SUBSIDIARIES

STATEMENT OF TOTAL RECOGNIZED GAINS AND LOSSES

Years ended December

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

The Notes to Financial Statements are an integral part of these Statements.

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BP p.l.c. AND SUBSIDIARIES

STATEMENT OF CHANGES IN BP SHAREHOLDERS' INTEREST

The Company's authorized ordinary share capital at December 31, 2002, 2001 and 2000 was 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 (pound)1 each (\$21 million). Details of movements in share capital are shown in Note 32.

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

	Shares	
	----- Authorized -----	----- Issued -----
Non-equity-- preference shares 8% cumulative first preference shares of (pound)1 each at December 31, 2002, 2001 and 2000.....	7,250,000	7,232,838
	=====	=====

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9% cumulative second preference shares of (pound)1 each at December 31, 2002, 2001 and 2000.....	5,500,000	5,473,414
	=====	=====
Equity -- ordinary shares of 25 cents each Authorized December 31, 2002, 2001 and 2000.....	36,000,000,000	
	=====	

	Years ended December 31,				
	2002		2001		
	Shares of 25 cents each ----- (thousands)	Amount ----- (\$ million)	Shares of 25 cents each ----- (thousands)	Amount ----- (\$ million)	
Issued					
January 1.....	22,432,077	5,608	22,528,747	5,632	19,484,024
Employee share schemes (a).....	33,821	9	33,461	8	38,112
ARCO (b).....	12,894	3	23,798	7	--
ARCO acquisition.....	--	--	--	--	3,228,274
Repurchase of ordinary share capital (c).....	(100,141)	(25)	(153,929)	(39)	(221,663)
December 31.....	22,378,651	5,595	22,432,077	5,608	22,528,747
	=====	=====	=====	=====	=====
Paid in surplus					
January 1.....		4,014		3,770	
Premium on shares issued:					
Employee share schemes.....		129		118	
ARCO.....		54		51	
Repurchase of ordinary share capital.....		25		39	
Stamp duty reserve tax.....		--		--	
Qualifying Employee Share Ownership Trust (d).....		21		36	
December 31.....		4,243		4,014	
		=====		=====	

The Notes to Financial Statements are an integral part of this Statement.

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BP p.l.c. AND SUBSIDIARIES

STATEMENT OF CHANGES IN BP SHAREHOLDERS' INTEREST (Continued)

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- (h) 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 (pound)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.

The Notes to Financial Statements are an integral part of this Statement.

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BP p.l.c. AND SUBSIDIARIES

STATEMENT OF CHANGES IN BP SHAREHOLDERS' INTEREST (Concluded)

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.

The Notes to Financial Statements are an integral part of this Statement.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS

Note 1 -- 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

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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 June 7, 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.

Basis of preparation

The Group's main activities are the exploration and production of crude oil and natural gas; the marketing and trading of natural gas and power; the refining, marketing, supply and transportation of petroleum products; and the manufacturing and marketing of petrochemicals.

The preparation of accounts in conformity with UK 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.

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, inventory 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, inventory 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

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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.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1 -- Accounting policies (continued)

Accounting convention

The accounts are prepared under the historical cost convention, except as explained under inventory 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 inventory 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 inventory holding gains or losses and reflect the average cost of supplies incurred during the year, and thus provide insight into underlying trading results. Inventory 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.

Inventory valuation

Inventories 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.

Inventory 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 (2001 \$84 million) and a revaluation reserve established and increased accordingly.

Revenue recognition

Revenues associated with the sale of oil, natural gas liquids, LNG, 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.

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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.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1 -- Accounting policies (continued)

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,

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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.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1 -- Accounting policies (continued)

Tangible assets

The initial cost of a tangible fixed asset comprises its purchase or construction cost and any cost directly attributable to bringing it into working condition for its intended use. Capitalization of directly attributed costs ceases when the physical construction of the tangible asset is complete. Any subsequent expenditure that enhances an asset's operating performance or replaces a fully depreciated component of an asset is capitalized.

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

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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.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1 -- Accounting policies (continued)

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

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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 postretirement benefits

The cost of providing pensions and other postretirement 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 postretirement benefits and unfunded pension liabilities are included within other provisions.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 1 -- Accounting policies (concluded)

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.

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-- 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.

Comparative figures

Information for 2001 and 2000 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.

Note 2 -- Turnover

	Years ended December 31,		
	2002	2001	
	(\$ million)		
Sales and operating revenue.....	222,231	208,299	168
Customs duties and sales taxes.....	43,510	34,081	20
	178,721	174,218	148

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 3 -- Production taxes

	Years ended December 31,		
	2002	2001	
	(\$ million)		

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UK petroleum revenue tax.....	309	600	
Overseas production taxes.....	965	1,089	1
	-----	-----	-----
	1,274	1,689	2
	=====	=====	=====

Note 4 -- Distribution and administration expenses

	Years ended December 31,		
	2002	2001	2000

	(\$ million)		
Distribution.....	11,431	9,852	7,000
Administration.....	1,201	1,066	1,000
	-----	-----	-----
	12,632	10,918	9,000
	=====	=====	=====

Distribution and administration expenses for 2002 include Veba from February 1. The expenses for 2002 and 2001 include Atlantic Richfield Company (ARCO), Burmah Castrol and the European fuels business for the full year, whereas for 2000 their costs were only included for part of the year, from April 14, July 7, and August 1, respectively.

Note 5 -- Other income

	Years ended December 31,		
	2002	2001	2000

	(\$ million)		
Income from other fixed asset investments.....	139	208	
Other interest and miscellaneous income.....	502	486	
	-----	-----	-----
	641	694	
	=====	=====	=====
Income from investments publicly traded included above.....	58	32	
	-----	-----	-----

Note 6 -- Auditors' remuneration

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	Years ended December 31,			
	2002		2001	
	UK	Total	UK	Total
	(\$ million)			
Audit fees -- Ernst & Young				
Group audit.....	6	14	5	13
Local statutory audit and quarterly review.....	4	14	3	11
	10	28	8	24
Fees for other services -- Ernst & Young				
Audit-related services.....	14	21	20	30
Taxation services.....	4	28	9	28
Other services.....	2	2	--	1
	20	51	29	59

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.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 7 -- Exceptional items

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

		Years ended Deco	
		2002	2001
		(\$ milli	
Profit on sale of businesses or termination of operations	-- Group.....	195	182
Loss on sale of businesses or termination of operations	-- Group.....	(228)	(250)

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		-----	-----
		(33)	(68)
		-----	-----
Profit on sale of fixed assets	-- Group.....	2,736	948
	-- Associated undertakings.....	2	--
	-- Joint ventures.....	--	--
Loss on sale of fixed assets	-- Group.....	(1,537)	(343)
	-- Associated undertakings.....	--	(2)
		-----	-----
		1,201	603
		-----	-----
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
		=====	=====

Sales 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. For 2000 the profit is attributable primarily to the divestment by the Group of its common interest in Altura Energy.

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. The loss during 2000 arose from the subvention of bank loans to its paraxylene joint venture in Singapore.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 7 -- Exceptional items (concluded)

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

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discovery in Kazakhstan. For 2000 the profit on sale of fixed assets included the disposal of the Alliance refinery, located in Belle Chasse, Louisiana, the profit from the divestment of a 10% interest in certain exploration and production interests in Trinidad and the profit from the sale of other exploration and production interests, mainly in the UK and USA.

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. For 2000 the loss relates principally to the divestment by the Group of its interests in the Quiriquire and Guarapiche fields in Venezuela.

Additional information on the sale of businesses and fixed assets is given in Note 19 -- Disposals.

Note 8 -- Interest expense

	Years ended December 31,		
	2002	2001	2000
	(\$ million)		
Bank loans and overdrafts.....	134	119	15
Other loans (a).....	852	1,111	1,22
Capital leases.....	40	78	10
	1,026	1,308	1,48
Capitalized at 4% (2001 5% and 2000 7%).....	100	81	11
	926	1,227	1,36
Group.....	58	70	7
Joint ventures.....	83	135	14
Associated undertakings.....	170	196	18
Unwinding of discount on provisions	42	42	-
Change in discount rate for provisions	1,279	1,670	1,77
Total charged against profit.....	1,279	1,670	1,77

(a) Interest expense includes a charge of \$15 million (2001 \$62 million and 2000 \$111 million) relating to early redemption of debt.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 9 -- Depreciation and amounts provided

Included in the income statement under the following headings:

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	Years ended December	
	2002	2001
		(\$ million)
Depreciation and amortization of goodwill and other intangibles		
Replacement cost of sales.....	9,346	7,475
Distribution.....	952	1,221
Administration.....	90	94
	10,388	8,790
Amounts provided against fixed asset investments		
Replacement cost of sales.....	13	68
	10,401	8,858
Depreciation of capitalized leased assets included above.....	49	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.

For 2000 the charge included \$61 million for the write-down of Chemicals and Exploration and Production assets. In addition, for 2000 \$181 million was provided against the Group's chemicals investment in Indonesia as a result of the weak business environment in the region.

In assessing the value in use of potentially impaired assets, a discount rate of 9% has been used. This is the rate used by the Company for investment appraisal.

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	Years ended December 31,	
	2002	2001
		(\$ million)
Minimum rentals:		
Tanker charters.....	397	393
Plant and machinery.....	621	530
Land and buildings.....	342	355
	1,360	1,278
Less: Rentals from sub-leases.....	(166)	(165)
	1,194	1,113
	=====	=====

Note 11 -- Research and development

Expenditure on research and development amounted to \$373 million (2001 \$385 million and 2000 \$434 million).

Note 12 -- Currency exchange gains and losses

Accounted net foreign currency exchange gain included in the determination of profit for the year amounted to \$66 million (2001 \$12 million gain and 2000 \$30 million gain).

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 13 -- Taxation

Tax on profit on ordinary activities

	Years ended December 31,	
	2002	2001
		(\$ million)
Current tax:		
UK corporation tax.....	1,304	1,666
Overseas tax relief.....	(301)	(678)
	1,003	988
Overseas.....	1,883	3,846
	2,886	4,834
Group.....	75	94
Joint ventures.....	187	203
Associated undertakings.....	3,148	5,131
	=====	=====

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	-----	-----	-----
Deferred tax:			
UK	433	(48)	1
Overseas.....	761	1,292	1
	-----	-----	-----
	1,194	1,244	1
	-----	-----	-----
Tax on profit on ordinary activities.....	4,342	6,375	6
	=====	=====	=====

Included in the charge for the year is a charge of \$125 million (2001 \$370 million charge and 2000 \$142 million charge) relating to exceptional items.

Tax included in statement of total recognised gains and losses

	Years ended December 31,		
	-----	-----	-----
	2002	2001	2000
	(\$ million)		
Current tax:			
UK.....	57	(12)	
Overseas.....	(54)	(4)	
	-----	-----	-----
	3	(16)	
	-----	-----	-----
Deferred tax:			
UK.....	138	(14)	
Overseas.....	1	--	
	-----	-----	-----
	139	(14)	
	-----	-----	-----
Tax included in statement of total recognized gains and losses..	142	(30)	
	=====	=====	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 13 -- Taxation (continued)

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.

	Years ended December 31,	
	-----	-----
	2002	2001
	-----	-----

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(\$ million)

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

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

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.

Note 13 -- Taxation (continued)

The tax charge in 2002 reflected a benefit from 'non-conventional fuel credits' in the USA. Those credits are no longer available after December 31, 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.

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The Group's profit before taxation includes inventory 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.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 13 -- Taxation (concluded)

Deferred tax

	At December 31	
	2002	2001
	(\$ million)	
Analysis of provision:		
Depreciation.....	(14,990)	(12,990)
Other taxable timing differences.....	(1,837)	(1,837)
Petroleum revenue tax.....	567	567
Decommissioning and other provisions.....	2,192	2,192
Tax credit and loss carry forward.....	273	273
Other deductible timing differences.....	281	281
	(13,514)	(11,714)
Deferred tax provision.....	(13,514)	(11,714)
of which -- UK.....	2,906	2,906
-- Overseas.....	10,608	8,808
	13,514	11,714

Year e

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December

(\$ mil)

Analysis of movements during the year:

At January 1.....	11
Exchange adjustments.....	
Acquisitions.....	
Charge for the year on ordinary activities.....	1
Charge for the year in the statement of total recognized gains and losses.....	
Deletions/transfers.....	
At December 31.....	13

Years ended December 3

2002

2001

(\$ million)

The charge for deferred tax on ordinary activities:

Origination and reversal of timing differences.....	839	1,244
Effect of the introduction of supplementary UK corporation tax of 10% on opening liability.....	355	--
	1,194	1,244

The charge (credit) for deferred tax in statement of total recognized gains and losses:

Origination and reversal of timing differences.....	139	(14)
---	-----	------

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 14 -- Quarterly results of operations (unaudited)

	Group turnover	Historical cost profit before interest and tax	Profit (loss)
	-----	-----	-----
		(\$ million)	
Year ended December 31, 2002			
First quarter.....	36,290	2,422	1,296
Second quarter.....	43,655	4,151	2,058

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Third quarter.....	49,054	3,856	2,840
Fourth quarter.....	49,722	2,114	651
	-----	-----	-----
Total.....	178,721	12,543	6,845
	=====	=====	=====
Year ended December 31, 2001			
First quarter.....	45,412	5,452	2,830
Second quarter.....	48,409	5,156	2,741
Third quarter.....	43,580	3,509	1,588
Fourth quarter.....	36,817	545	(603)
	-----	-----	-----
Total.....	174,218	14,662	6,556
	=====	=====	=====
Year ended December 31, 2000			
First quarter.....	27,711	4,336	2,719
Second quarter.....	33,158	4,688	2,578
Third quarter.....	42,631	5,350	3,005
Fourth quarter.....	44,562	4,253	1,818
	-----	-----	-----
Total.....	148,062	18,627	10,120
	=====	=====	=====

Note 15 -- Dividends per ordinary share

	Years ended December 31,							
	2002			2001			2000	
	(pence per share)			(cents per share)			(\$ million)	
First quarterly.....	4.051	3.665	3.220	5.75	5.25	5.00	1,290	1,1
Second quarterly.....	3.875	3.911	3.352	6.00	5.50	5.00	1,346	1,2
Third quarterly.....	3.897	3.805	3.602	6.00	5.50	5.25	1,340	1,2
Fourth quarterly.....	3.815	4.055	3.617	6.25	5.75	5.25	1,397	1,2
	-----	-----	-----	-----	-----	-----	-----	-----
	15.638	15.436	13.791	24.00	22.00	20.50	5,373	4,9
	-----	-----	-----	-----	-----	-----	-----	-----

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 16 -- Profit per ordinary share

	Years ended December 31,	
	2002	2001
	(cents per share)	
	-----	-----
	-----	-----

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Basic earnings per share.....	30.55	29.21	4
Diluted earnings per share.....	30.41	29.04	4

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 (2001 \$6,554 million and 2000 \$10,118 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:

	Years ended December		
	2002	2001	
			(shares thousand)
Weighted average number of ordinary shares.....	23,397,126	22,435,737	21,
Ordinary shares issuable under employee share schemes.....	107,322	137,988	
	-----	-----	-----
	22,504,448	22,573,725	21,
	=====	=====	=====

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.

	Years ended December 3		
	2002	2001	
			(cents per share)
Profit for the year.....	30.55	29.21	
Inventory holding (gains) losses.....	(4.93)	8.47	
	-----	-----	-----
Replacement cost profit for the year.....	25.62	37.68	
Exceptional items (net of tax).....	(4.65)	(0.73)	
	-----	-----	-----
Replacement cost profit before exceptional items.....	20.97	36.95	
	=====	=====	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 17 -- Operating lease commitments

Annual commitments under operating leases were as follows:

	December 31,		
	2002		2001
	Land and buildings	Other	Land and buildings
	(\$ million)		
Expiring within: 1 year.....	80	174	28
2 to 5 years.....	166	438	115
Thereafter.....	289	188	184
	-----	-----	-----
	535	800	327
	=====	=====	=====

The minimum future lease payments (after deducting related rental income from operating sub-leases of \$705 million) were as follows:

	December

	(\$mi
2003.....	
2004.....	
2005.....	
2006.....	
2007.....	
Thereafter.....	

	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 18 -- Acquisitions

2002

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

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 June 30, 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.

BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 18 -- Acquisitions (continued)

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 inventory valuation has been changed from last-in first-out to first-in first-out.

Pro forma effects as required by US GAAP are not presented as they would not materially change reported consolidated results of operations.

Acquisitions in 2001

During the year the Group acquired the 50% of Erdoelchemie, 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.

Acquisitions in 2000

In the year the Company acquired Atlantic Richfield Company (ARCO) and Burmah Castrol p.l.c. (Burmah Castrol) and the 18% minority interest in Vastar Resources Inc. (Vastar), a subsidiary of ARCO. The Company also purchased most of ExxonMobil's assets used by the fuels refining and marketing operation in Europe and made a number of minor acquisitions.

ARCO was acquired in April 2000. The total consideration for the acquisition was \$27,506 million, including acquisition expenses of \$79 million, and was effected by the issue of approximately 3,335 million BP ordinary shares. In 2001, a cash tender offer was made for the outstanding ARCO preference stock. The cash paid on redemption, \$116 million, approximated the amount attributable to the ARCO preference stock in the original determination of the consideration.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 18 -- Acquisitions (concluded)

The fair values of the assets and liabilities of ARCO included in the accounts for the year ended December 31, 2000 have been subject to further investigation and review during 2001, as permitted by Financial Reporting Standard No. 7 'Fair Values in Acquisition Accounting'. The revisions to the previously reported fair values are set out below.

	Fair value as previously reported -----	Revisions ----- (\$ million)	fair v -----
Intangible assets.....	2,549	--	2
Tangible assets.....	19,829	(911)	18
Fixed assets-- investments.....	3,005	--	3
Net assets of businesses held for resale.....	5,290	--	5
Current assets (excluding cash).....	3,668	--	3
Cash at bank and in hand.....	994	--	
Finance debt.....	(6,796)	--	(6
Other creditors.....	(3,475)	814	(2
Deferred taxation.....	(323)	--	(3
Other provisions.....	(3,009)	--	(3
	-----	-----	-----
Net assets acquired.....	21,732	(97)	21
Minority interests.....	(1,595)	--	(1
Goodwill.....	7,369	97	7
	-----	-----	-----
Consideration.....	27,506	--	27
	=====	=====	=====

Tangible assets: The fair value attributed to certain exploration and production assets has been revised following further technical studies.

Other creditors: Liabilities for taxation have been revised following a review of outstanding liabilities.

BP completed the purchase of the minority interest in Vastar on September 15, 2000 for a total consideration of \$1,618 million. This was settled in cash and included expenses of \$9 million and \$94 million for the buy-out of employee share options.

On July 7, 2000, the Company declared its cash offer for Burmah Castrol unconditional. The total consideration was \$4,909 million. Apart from the issue of \$130 million of loan notes the balance of the consideration was settled in cash and included expenses of \$16 million. The Company also acquired a further 20% interest in Castrol India at a cost of \$178 million. This was settled in 2001.

On dissolution of the pan-European refining and marketing joint venture, BP acquired most of the ExxonMobil assets used by the fuels operation for \$1,479 million.

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The Group undertook a number of other acquisitions in 2000 for an aggregate consideration of \$100 million.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 19-- 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 December 31, 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 July 1, 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.

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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.

Divestments in 2000. As a condition of the acquisition of Atlantic Richfield Company (ARCO) in 2000 BP was required to divest ARCO's Alaskan businesses and certain pipeline interests in the Lower 48. These operations were sold for aggregate proceeds of \$6,803 million. No profit or loss arose on these disposals.

Other major disposals during 2000 were the sale of the Group's common interest in Altura Energy; the sale of the Alliance refinery; the divestment of exploration and production interests in Trinidad, the UK, USA and Venezuela; and the sale of the Southern Company Energy Marketing.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 19 -- Disposals (concluded)

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

	Years ended December	
	2002	2001
	-----	-----
		(\$ million)
Proceeds from the sale of businesses.....	1,974	538
Proceeds from the sale of fixed assets.....	2,470	2,365
Proceeds from the sale of investment in Ruhrgas.....	2,338	--
	-----	-----
	6,782	2,903
	=====	=====

	Years ended December	
	2002	2001
	-----	-----
		(\$ million)
The disposals comprise the following:		
Intangible assets.....	205	183
Tangible assets (a).....	2,545	1,481
Fixed asset -- investments.....	1,769	898
Net assets of businesses held for resale.....	1,369	307
Finance debt.....	(1,135)	--
Current assets less current liabilities.....	533	(145)
Other provisions.....	(109)	(112)

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	5,177	2,612
Profit (loss) on sale of businesses or termination of operations...	(33)	(68)
Profit (loss) on sale of fixed assets.....	1,199	605
	-----	-----
Total consideration.....	6,343	3,149
Decrease (increase) in amounts receivable from disposals.....	439	(246)
	-----	-----
Net cash inflow.....	6,782	2,903
	=====	=====

(a) Includes provision for loss on disposal of \$1,204 million.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 20 -- Intangible assets

	Exploration expenditure	Goodwill	Other intangibles
	-----	-----	-----
	(\$ million)		
Cost			
At January 1, 2002.....	6,114	11,991	805
Prior year adjustment - change in accounting policy.....	--	1,081	--
	-----	-----	-----
Restated.....	6,114	13,072	805
Exchange adjustments.....	53	544	28
Acquisitions.....	--	342	--
Additions.....	886	203	92
Transfers.....	(1,138)	--	--
Deletions.....	(285)	(124)	(118)
	-----	-----	-----
At December 31, 2002.....	5,630	14,037	807
	=====	=====	=====
Depreciation			
At January 1, 2002.....	780	2,020	517
Prior year adjustment - change in accounting policy.....	--	185	--
	-----	-----	-----
Restated.....	780	2,205	517
Exchange adjustments.....	11	105	21
Charge for the year.....	385	1,302	169
Transfers.....	(265)	--	--
Deletions.....	(225)	(13)	(84)
	-----	-----	-----
At December 31, 2002.....	686	3,599	623
	=====	=====	=====
Net book amount			
At December 31, 2002.....	4,944	10,438	184
At December 31, 2001.....	5,334	10,867	288
	=====	=====	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 21 -- Tangible assets

Property, plant and equipment:

	Exploration and Production	Gas Power and Renewables	Refining and Marketing	Chemicals	Other businesses and corporate	Tot
	(\$ million)					
Cost						
At January 1, 2002.....	98,012	2,293	29,756	15,790	2,204	148,0
Exchange adjustments.....	4,014	64	2,249	1,021	82	7,4
Acquisitions.....	59	--	4,331	555	--	4,9
Additions.....	8,204	287	2,598	668	209	11,9
Transfers.....	1,636	--	(339)	(81)	--	1,2
Deletions.....	(1,213)	(300)	(1,747)	(899)	(291)	(4,4
At December 31, 2002.....	110,712	2,344	36,848	17,054	2,204	169,1
Depreciation						
At January 1, 2002.....	49,742	649	12,853	6,548	853	70,6
Exchange adjustments.....	2,326	8	837	360	21	3,5
Charge for the year.....	6,110	111	1,914	709	73	8,9
Provision for loss on disposal.	1,187	--	--	17	--	1,2
Transfers.....	265	--	6	--	--	2
Deletions.....	(1,122)	(24)	(1,195)	(660)	(108)	(3,1
At December 31, 2002.....	58,508	744	14,415	6,974	839	81,4
Net book amount						
At December 31, 2002.....	52,204	1,600	22,433	10,080	1,365	87,6
At December 31, 2001.....	48,270	1,644	16,903	9,242	1,351	77,4

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

Leased assets			Capitalized in	
Cost	Depreciation	Net	Cost	Depreciation
(\$ million)			(\$ million)	

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At December 31, 2002.....	1,694	904	790	3,329	1,61
At December 31, 2001.....	1,517	837	680	3,018	1,48
	=====	=====	=====	=====	=====

	Freehold land	Lease Over 50 year unexpire
	-----	-----
	(\$ million)	
At December 31, 2002.....	2,919	4
At December 31, 2001.....	2,279	21
	=====	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 22 -- Fixed assets -- investments

	Joint ventures		Associated undertakings				Li
	Net assets (liabilities)	Loans	Net assets (liabilities)	Loans	Other Loans	Own shares (a)	investm
	-----	-----	-----	-----	-----	-----	-----
	(\$ million)						
Cost							
At January 1, 2002.....	2,722	1,139	4,806	1,280	181	266	1
Prior year adjustment - change in accounting policy.....	--	--	(84)	--	--	--	--
Restated.....	2,722	1,139	4,722	1,280	181	266	1
Exchange adjustments.....	(16)	17	89	48	16	19	--
Additions and net movements in							
joint ventures.....	182	178	898	62	43	18	--
Acquisitions.....	--	--	2	1	23	--	--
Transfers.....	(112)	(79)	(243)	(77)	(14)	--	--
Deletions.....	--	--	(1,453)	(53)	(92)	(144)	--
At December 31, 2002.....	2,776	1,255	4,015	1,261	157	159	1
	=====	=====	=====	=====	=====	=====	=====
Amounts provided							
At January 1, 2002.....	--	--	218	351	19	--	--
Exchange adjustments.....	--	--	5	31	--	--	--
Provided in the year.....	--	--	--	49	--	--	--

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Transfers.....	--	--	--	--	--	--
Deletions.....	--	--	(4)	--	--	--
	-----	-----	-----	-----	-----	-----
At December 31, 2002.....	--	--	219	431	19	--
	=====	=====	=====	=====	=====	=====
Net book amount						
At December 31, 2002.....	2,776	1,255	3,796	830	138	159
At December 31, 2001.....	2,722	1,139	4,504	929	162	266
	=====	=====	=====	=====	=====	=====

- (a) 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 December 31, 2002 the ESOPs held 18,673,675 shares (34,005,910 shares at December 31, 2001) for the employee share schemes and 3,901,317 shares (7,673,056 shares at December 31, 2001) for the Long Term Performance Plan. The market value of these shares at December 31, 2002 was \$154 million (\$323 million at December 31, 2001).
- (b) The market value of listed investments at December 31, 2002 was \$1,661 million (\$1,284 million at December 31, 2001).
- (c) Other investments are not publicly traded.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 23 -- Inventories

	At December 31,	
	2002	2001
	(\$ million)	
	-----	-----
Petroleum.....	7,647	5,176
Chemicals.....	966	953
Other.....	675	568
	-----	-----
Stores.....	9,288	6,697
	893	934
	-----	-----
	10,181	7,631
	=====	=====
Replacement cost.....	10,610	7,686
	=====	=====

Note 24 -- Receivables

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	December 31, 2002		December 31, 2001	
	Within 1 year	After 1 year (a)	Within 1 year	After 1 year (a)
	(\$ million)			
Trade receivables.....	18,798	--	15,436	--
	=====	=====	=====	=====
Other receivables:				
Joint ventures.....	70	--	32	--
Associated undertakings.....	282	96	236	49
Prepayments and accrued income.....	2,716	1,771	2,143	789
Taxation recoverable.....	94	9	335	8
Pension prepayment.....	--	3,899	--	3,417
Other.....	4,945	470	3,806	418
	-----	-----	-----	-----
	8,107	6,245	6,552	4,681
	=====	=====	=====	=====

Provisions for doubtful debts deducted from Trade receivables amounted to \$445 million (\$290 million at December 31, 2001).

(a) See Note 50 -- US generally accepted accounting principles.

Note 25 -- Current assets -- investments

	At December 31,	
	2002	2001
	(\$ million)	
Publicly traded -- UK.....	32	49
-- Foreign.....	29	30
	-----	-----
Not publicly traded.....	61	79
	154	371
	-----	-----
	215	450
	=====	=====
Stock exchange value of publicly traded investments.....	61	88
	=====	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 26 -- Financial instruments

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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 which 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.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 26 -- Financial instruments (continued)

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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 function uses 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.

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 through credit approvals, limits, use of netting arrangements and monitoring procedures. Counterparty credit validation, independent of the dealers, is undertaken before contractual commitment.

Concentrations of credit risk

The primary activities of the Group are oil and natural gas exploration and production, gas and power marketing and trading, oil refining and marketing and the manufacture and marketing of chemicals. The Group's principal customers, suppliers and financial institutions with which it conducts business are located throughout the world. The credit ratings of interest rate and currency swap counterparties are all of at least investment grade. The credit quality is actively managed over the life of the swap.

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Note 26 -- Financial instruments (continued)

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 December 31, 2002 the Group had substantial amounts of undrawn borrowing facilities available, including committed facilities of \$3,600 million expiring in 2003 (\$3,400 million at December 31, 2001 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 these 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 27 and 28.

With the exception of the table of currency exposures shown on page F-41, 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 is shown in the table below.

December 31, 2002			December 31, 2001	
Finance debt	Other financial liabilities	Total	Finance debt	Other financial liabilities
(\$ million)				

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Due within: 1 year.....	10,086	--	10,086	9,090	--
1 to 2 years.....	913	597	1,510	1,460	699
2 to 5 years.....	5,083	332	5,415	2,858	798
Thereafter.....	5,926	2,218	8,144	8,009	1,278
	-----	-----	-----	-----	-----
	22,008	3,147	25,155	21,417	2,775
	=====	=====	=====	=====	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 26 -- Financial instruments (continued)

Interest rate and currency of financial liabilities

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

	Fixed rate			Floating rate		Interest
	Weighted average interest rate	Weighted average time for which rate is fixed	Amount	Weighted average interest rate	Amount	Weighted average time until maturity
	(%)	(Years)	(\$ million)	(%)	(\$ million)	(Years)
At December 31, 2002						
Finance debt						
US dollar.....	7	7	7,818	2	13,287	--
Sterling.....	--	--	--	4	103	--
Other currencies.....	7	11	317	5	483	--
			-----		-----	
			8,135		13,873	
			-----		-----	
Other financial liabilities						
US dollar.....	6	6	392	8	776	5
Sterling.....	--	--	--	--	--	6
Other currencies.....	--	--	--	--	--	2
			-----		-----	
			392		776	
			-----		-----	
Total			8,527		14,649	
			=====		=====	
At December 31, 2001						
Finance debt						
US dollar.....	7	8	11,603	2	9,365	--
Sterling.....	--	--	--	4	133	--
Other currencies.....	10	29	122	6	194	--
			-----		-----	
			11,725		9,692	
			-----		-----	

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Other financial liabilities						
US dollar.....	10	6	21	8	778	4
Sterling.....	--	--	--	--	--	3
Other currencies.....	--	--	--	--	--	2
			-----		-----	
			21		778	
			-----		-----	
Total			11,746		10,470	
			=====		=====	

Analysis of the above financial liabilities by balance sheet caption:
 Current liabilities-- falling due within one year
 -- Finance debt.....
 Noncurrent liabilities
 -- Finance debt.....
 -- Accounts payable and accrued liabilities.....
 Provisions for liabilities and charges
 -- Other provisions.....

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 26 -- Financial instruments (continued)

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 January 1, 2003 would change 2003 profit before tax by approximately \$130 million.

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 December 31.

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December 31,

2002 2001

(\$ million except percentage)

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 in the functional currency of individual operating units are summarized below. These currency exposures arise from normal trading activities. As at December 31, 2002 and 2001, these exposures were as shown below.

	Net foreign currency monetary assets (liab			
	US dollar	Sterling	Euro	Other
	-----	-----	-----	-----
	(\$ million)			
At December 31, 2002				
US dollar.....	--	323	2	301
Sterling.....	412	--	409	(33)
Other.....	(717)	(10)	(194)	(49)
	-----	-----	-----	-----
	(305)	313	217	219
	=====	=====	=====	=====
At December 31, 2001				
US dollar.....	--	(193)	10	(15)
Sterling.....	69	--	237	182
Other.....	(487)	(241)	(3)	(27)
	-----	-----	-----	-----
	(418)	(434)	244	140
	=====	=====	=====	=====

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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 28.

Interest rate and currency of financial assets

The following table shows the interest rate and currency profile of the Group's material financial assets.

	Fixed rate			Floating rate		Interest
	Weighted average interest rate	Weighted average time for which rate is fixed	Amount	Weighted average interest rate	Amount	Weighted average time until maturity
	(%)	(Years)	(\$ million)	(%)	(\$ million)	(Years)
At December 31, 2002						
US dollar.....	3	2	180	1	873	2
Sterling.....	7	2	94	5	171	2
Other currencies.....	2	1	34	1	208	1
			308		1,252	
			308		1,252	
At December 31, 2001						
US dollar.....	3	1	92	2	574	2
Sterling.....	7	2	81	4	11	2
Other currencies.....	5	1	181	5	264	1
			354		849	
			354		849	

Analysis of the above financial assets by balance sheet caption:

Fixed assets -- investments.....	1,9
Current assets	
-- Receivables -- amounts falling due after more than one year.....	4
-- Investments.....	2
-- Cash at bank and in hand.....	1,5
	4,1
	4,1

The floating rate financial assets earn interest at various rates set

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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.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 27 -- 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 sheet 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 which 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.

	Not recognized in the accounts			Carried forward balance	
	Gains	Losses	Total	Gains	Lo
	(\$ million)				
Gains and losses at January 1, 2002.....	109	(235)	(126)	113	
of which accounted for in income in 2002.....	60	(19)	41	50	
Gains and losses at December 31, 2002.....	526	(450)	76	352	
of which expected to be recognized in income in 2003.....	96	(51)	45	200	
Gains and losses at January 1, 2001.....	303	(302)	1	56	
of which accounted for in income in 2001.....	203	(154)	49	22	
Gains and losses at December 31, 2001.....	109	(235)	(126)	113	
of which expected to be recognized in income in 2002.....	60	(19)	41	50	

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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.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 27 -- Derivative financial instruments (continued)

The following table shows the fair value at December 31, 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.

	December 31,		
	----- 2002 -----		
	Fair value asset -----	Fair value liability -----	Fair value asset -----
	(\$ million)		
Interest rate contracts.....	--	--	--
Foreign exchange contracts.....	29	(17)	14
Oil price contracts.....	440	(418)	248
Natural gas price contracts.....	1,112	(955)	799
	-----	-----	-----
	1,581	(1,390)	1,061
	=====	=====	=====

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.

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

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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.

	Years ended December 31,					
	2002			2001		
	High	Low	Average	Year end	High	Low
	(\$million)					
Interest rate trading.....	--	--	--	--	1	--
Foreign exchange trading.....	2	--	1	--	3	--
Oil price trading.....	34	14	23	19	29	10
Natural gas price trading.....	18	1	6	9	21	4

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 27 -- Derivative financial instruments (concluded)

The presentation of trading results shown in the table below includes certain activities of BP's trading function which involves 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.

	Years ended December 31,	
	2002	2001
	(\$ million)	
Oil price trading.....	597	684
Natural gas price trading.....	199	276
Interest rate trading.....	--	1
Foreign exchange trading.....	90	81

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886 1,042
 =====

Note 28 -- 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'.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 28 -- Fair values of financial assets and liabilities (continued)

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 December 31, 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.

	December 31,	
	----- 2002 -----	
	Net fair value asset (liability)	Net carrying amount asset (liability)
	-----	-----
	(\$ million)	
Primary financial instruments		
Fixed assets -- investments.....	2,047	1,995
Current assets		
-- Other receivables-- amounts falling due after more than one year.....	423	423
-- Investments.....	215	215
-- Cash at bank and in hand.....	1,520	1,520
Finance debt		

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-- Short-term borrowings.....	(5,504)	(5,504)	(
-- Long-term borrowings.....	(15,476)	(14,609)	(1
-- Net obligations under finance leases.....	(2,183)	(2,172)	(
Noncurrent liabilities			
-- Accounts payable and accrued liabilities.....	(1,953)	(1,953)	(
Provisions for liabilities and charges			
-- Other provisions.....	(1,194)	(1,194)	(
Derivative financial or commodity instruments			
Risk management -- interest rate contracts.....	(63)	--	
-- foreign exchange contracts.....	416	277	
-- oil price contracts.....	9	9	
-- natural gas price contracts.....	5	5	
Trading -- interest rate contracts.....	--	--	
-- foreign exchange contracts.....	12	12	
-- oil price contracts.....	22	22	
-- natural gas price contracts.....	157	157	

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 28 -- Fair values of financial assets and liabilities (concluded)

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 - Other receivables - amounts falling due after more than one year: The fair value of other receivables 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.

Noncurrent liabilities - Accounts payable and accrued liabilities: 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.

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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 which 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.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 29 -- Finance debt

	December 31, 2002			Decem
	Within 1 year (a)	After 1 year	Total	Within 1 year (a)
	(\$ million)			
Bank loans.....	476	344	820	371
Other loans.....	9,526	9,656	19,182	8,647
	-----	-----	-----	-----
Total borrowings.....	10,002	10,000	20,002	9,018
Net obligations under capital leases.....	84	1,922	2,006	72
	-----	-----	-----	-----
	10,086	11,922	22,008	9,090
	=====	=====	=====	=====

(a) Amounts due within one year include current maturities of long-term debt.

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 at December 31, 2001) 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 (December 31, 2001 \$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 December 31, 2002, the Group's share of third party finance debt of joint ventures and associated undertakings was \$457 million (December 31, 2001 \$460 million) and \$849 million (December 31, 2001 \$1,136 million) respectively. These amounts are not reflected in the Group's debt on the balance sheet.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 29 -- Finance debt (continued)

Analysis of borrowings by year of repayment		December 31, 2002			December 31,	
		Bank loans	Other loans	Total	Bank loans	Other loans
(\$ million)						
Due after	10 years.....	--	1,417	1,417	42	3,188
Due within	10 years.....	1	371	372	150	312
	9 years.....	43	310	353	--	15
	8 years.....	--	15	15	--	1,411
	7 years.....	--	1,699	1,699	--	593
	6 years.....	--	516	516	--	879
	5 years.....	--	1,603	1,603	--	501
	4 years.....	161	344	505	24	1,542
	3 years.....	19	2,671	2,690	15	626
	2 years.....	120	710	830	178	1,282
		-----	-----	-----	-----	-----
		344	9,656	10,000	409	10,349
	1 year.....	476	9,526	10,002	371	8,647
		-----	-----	-----	-----	-----
		820	19,182	20,002	780	18,996
		=====	=====	=====	=====	=====

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

	At De
	2002
	(\$
After five years.....	541
Within five years.....	103

	644
	=====

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

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 29 -- Finance debt (continued)

Obligations under capital leases

The future minimum lease payments together with the present value of the net minimum lease payments were as follows:

	December 31, 2002
	----- (\$ million)
2003.....	106
2004.....	204
2005.....	211
2006.....	218
2007.....	203
Thereafter.....	3,481

	4,423
Less: amount representing lease interest.....	(2,417)

Present value of net minimum capital lease payments.....	2,006
	=====
of which -- due within one year.....	84
-- due after one year.....	1,922

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 29 -- Finance debt (concluded)

The following information is presented in compliance with the requirements of US GAAP.

Bank and other loans -- long-term

Weighted average interest rate at December 31,		December 31,
2002	2001	2002
-----	-----	-----
(%)		(\$ million)

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US dollar.....	5	5	9,796	10
Sterling.....	4	4	26	
Other currencies.....	9	9	178	
			-----	---
			10,000	10
			=====	==

Bank and other loans -- short-term

			December 31	
			-----	---
			2002	
			-----	---
			(\$ million)	
Current maturities of long-term debt.....			2,535	1
Commercial paper.....			4,853	4
Bank loans.....			476	
Other.....			2,138	2
			-----	---
			10,002	9
			=====	==

			Weighted average	
			interest rate	
			at December	
			-----	---
			2002	
			-----	---
			(%)	
Commercial paper.....			1	
Bank loans and other borrowings.....			4	
US Industrial Revenue/Municipal bonds.....			1	

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 30 -- Accounts payable and accrued liabilities

	December 31, 2002	Decem
	-----	-----
Within	After	Within
1 year	1 year	1 year
-----	-----	-----
	(\$ million)	

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Trade payables.....	17,454	--	13,129
	=====	=====	=====
Other accounts payable and accrued liabilities:			
Joint ventures.....	22	--	21
Associated undertakings.....	287	12	268
Production taxes.....	421	1,455	254
Taxation on profits.....	3,420	--	3,456
Social security.....	81	--	63
Accruals and deferred income.....	5,763	1,002	4,843
Dividends.....	1,398	--	1,289
Other.....	7,369	986	5,201
	-----	-----	-----
	18,761	3,455	15,395
	=====	=====	=====

Note 31 -- Other provisions

	Decommissioning	Environmental	Unfunded pension plans	Other postretirement benefits	Other
	-----	-----	-----	-----	-----
	(\$ million)				
At January 1, 2002.....	3,304	2,098	1,743	2,664	1,6
Exchange adjustments.....	250	28	362	--	
Acquisitions.....	--	20	1,051	36	
New provisions.....	308	312	356	276	3
Unwinding of discount.....	106	52	--	--	
Change in discount rate.....	333	36	--	--	
Utilized/deleted.....	(133)	(424)	(366)	(214)	(3
	-----	-----	-----	-----	-----
At December 31, 2002	4,168	2,122	3,146	2,762	1,6
	=====	=====	=====	=====	=====

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 December 31, 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 at December 31, 2001). The provision has been estimated using existing technology, at current prices and discounted using a real discount rate of 2.5% (2001 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. The estimated decommissioning costs on an undiscounted basis are approximately \$6,500 million.

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Note 31 -- Other provisions (concluded)

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 December 31, 2002 was \$2,122 million (\$2,098 million at December 31, 2001). The provision has been estimated using existing technology, at current prices and discounted using a real discount rate of 2.5% (2001 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 estimated environmental costs on an undiscounted basis are approximately \$2,300 million.

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% (2001 3%).

Note 32 -- Capital and reserves

	Share capital	Paid in surplus	Merger reserve	Other reserves	Retain earnin
	-----	-----	-----	-----	-----
	(\$ million)				
At January 1, 2002.....	5,629	4,014	26,983	223	37,5
Prior year adjustment - change in accounting policy.....	--	--	--	--	(9,2
Restated	5,629	4,014	26,983	223	28,3
Currency translation differences (net of tax).....	--	--	--	--	3,3
Employee share schemes.....	9	129	--	--	
ARCO.....	3	54	50	(50)	
Repurchase of ordinary share capital.....	(25)	25	--	--	(7
Qualifying Employee Share Ownership Trust (QUEST).....	--	21	--	--	(
Profit for the year.....	--	--	--	--	6,8
Dividends.....	--	--	--	--	(5,3
At December 31, 2002.....	5,616	4,243	27,033	173	32,3

The movements in the Group's share capital during the year are set out above. All movements are quantified in terms of the number of BP shares issued or repurchased.

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

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cancellation 100,140,987 ordinary shares for a total consideration of \$750 million.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 33 -- Retained earnings

Retained earnings of \$32,344 million (\$28,312 million at December 31, 2001) include the following amounts, the distribution of which is limited by statutory or other restrictions:

	December 31,	
	2002	2001
	(\$ million)	
Parent company.....	9,547	15,547
Subsidiary undertakings.....	5,620	2,696
Joint ventures and associated undertakings.....	870	1,345
	16,037	19,588
	16,037	19,588

Cumulative net exchange losses (net of tax) of \$1,209 million are included in retained earnings (\$4,542 million losses at December 31, 2001).

There were no unrealized currency translation differences for the year on long-term borrowings used to finance equity investments in foreign currencies (2001 nil and 2000 nil).

Note 34 -- Analysis of consolidated statement of cash flows

Reconciliation of historical cost profit before interest and tax to net cash inflow from operating activities

	Years ended December	
	2002	2001
	(\$ million)	
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 inventories.....	(1,521)	1,490

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(Increase) decrease in receivables.....	(2,672)	1,989
Increase (decrease) in payables.....	2,846	(2,508)
	-----	-----
Net cash inflow from operating activities.....	19,342	22,409
	=====	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 34 -- Analysis of consolidated statement of cash flows (concluded)

Financing

	Years ended December 31,		
	2002	2001	
	-----	-----	-----
		(\$ million)	
Long-term borrowing.....	(3,707)	(1,296)	(1)
Repayments of long-term borrowing.....	2,369	2,602	2
Short-term borrowing.....	(9,849)	(6,257)	(4)
Repayments of short-term borrowing.....	10,451	4,823	4
	-----	-----	-----
	(736)	(128)	1
Issue of ordinary share capital for employee share schemes....	(195)	(181)	
Repurchase of ordinary share capital.....	750	1,281	2
Stamp duty reserve tax.....	--	--	
	-----	-----	-----
Net cash (inflow) outflow.....	(181)	972	3
	=====	=====	=====

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 (2001 \$211 million inflow and 2000 \$452 million outflow).

Commercial paper

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

Movement in net debt

	Years ended December 31,	
	2002	2001
	-----	-----

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	Finance debt	Cash	Current asset investments	Net debt	Finance debt	Cash	inve
	-----	-----	-----	-----	-----	-----	-----
	(\$ million)						
At January 1.....	(21,417)	1,358	450	(19,609)	(21,190)	1,170	
Exchange adjustments..	(64)	105	(15)	26	(8)	(53)	
Acquisitions.....	(1,002)	--	--	(1,002)	(55)	--	
Net cash flow.....	(736)	57	(220)	(899)	(128)	241	
Partnership interests exchanged for BP loan notes.....	1,135	--	--	1,135	--	--	
Other movements.....	76	--	--	76	(36)	--	
At December 31.....	(22,008)	1,520	215	(20,273)	(21,417)	1,358	
	=====	=====	=====	=====	=====	=====	

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 35 -- Employee share plans

Employee share options granted during the year	2002	2001	2000
	-----	-----	-----
	(options thousands)		
Savings related schemes.....	9,719	7,901	7,930
Executive Directors' Incentive Plan.....	2,068	2,598	709
BP Share Option Plan.....	66,771	58,208	50,461
	-----	-----	-----
	78,558	68,707	59,100
	=====	=====	=====

The exercise prices for BP options granted during the year were (pound)4.52/\$6.78 (9,719,005 options) for savings-related and similar plans; (pound)5.67/\$8.51 (weighted average price) for Executive Directors' Incentive Plan (2,068,026 options); and (pound)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

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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.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 35 -- Employee share plans (continued)

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:

	Years ended Dece	
	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 following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of FASB Statement No. 123, Accounting for Stock-Based Compensation, to share based employee compensation.

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	Years ended Dec	
	2002	2001
	(\$ million)	
Profit for the year applicable to ordinary shares, as reported.....	6,843	6,554
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects.....	(90)	(102)
Pro forma net income.....	6,753	6,452
Earnings per share		(cents)
Basic -- as reported.....	30.55	29.21
Basic -- pro forma.....	30.15	28.76
Diluted -- as reported.....	30.41	29.04
Diluted -- pro forma.....	30.01	28.58

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 (2001 \$125 million and 2000 \$101 million).

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 35 -- Employee share plans (continued)

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 (2001 11,508,754 shares and 2000 9,412,931 shares) for the matching share plans. The cost of shares released for these plans has been charged in these accounts. At December 31, 2002, the ESOP held 18,673,675 shares (At December 31, 2001 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 (2001 \$36 million and 2000 \$76 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

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the cost of this contribution directly to retained profits and the excess of the subscription price over nominal value has increased the paid in surplus.

At December 31, 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 December 31, 2002.

	Years ended Dec	
	2002	2001
	(shares thou)	
Shares issued in respect of options exercised during the year:		
Savings related schemes.....	10,412	8,842
BP, Amoco and Burmah Castrol executive share option plans.....	23,409	24,619
	33,821	33,461
	33,821	33,461
	2002	2001
	-----	-----
Options outstanding at December 31:		
BP options (shares thousands)	410,986	373,858
Exercise period.....	2003-2012	2002-2011
Price (pounds).....	1.50-6.40	1.29-6.40
Price (dollars).....	3.47-9.97	2.77-9.97

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 35 -- Employee share plans (concluded)

The following table summarizes share option transactions under employee share plans.

	Years ended December 31,			
	2002		2001	2000
	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price
	-----	-----	-----	-----
		(\$)		(\$)
	-----	-----	-----	-----
	-----	-----	-----	-----

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Outstanding at January 1.....	373,857,979	6.20	343,218,324	5.61	323,161,387
Burmah Castrol.....	--	--	--	--	3,293,317
Reinstated.....	24,310	5.08	7,152	7.84	3,729
Granted.....	78,557,576	8.07	68,706,983	8.13	59,100,161
Exercised.....	(34,130,302)	4.20	(33,592,964)	3.97	(37,029,467)
Cancelled.....	(7,323,384)	7.59	(4,481,516)	7.37	(5,310,803)
	-----		-----		-----
Outstanding at December 31...	410,986,179	6.70	373,857,879	6.20	343,218,324
	=====		=====		=====
Exercisable at December 31...	239,241,597		241,268,277		229,987,199
	=====		=====		=====
Available for grant at					
December 31.....	1,159,841,669		1,185,523,186		1,234,983,212
	=====		=====		=====

Options outstanding at December 31, 2002 will be exercisable between 2003 and 2012.

For the share options outstanding and exercisable at December 31, 2002 the exercise price ranges and average remaining lives were:

	Options outstanding			Options ex
	Number of Shares	Weighted average remaining life (years)	Weighted average exercise price (\$)	
Range of exercise prices				
\$2.27 - \$4.61.....	86,078,177	2.02	3.98	84,902,527
\$4.69 - \$6.17.....	86,230,486	4.53	5.60	81,239,138
\$6.18 - \$7.93.....	75,990,971	5.44	7.56	34,820,867
\$7.98 - \$10.10.....	162,686,545	8.21	8.32	38,279,065
	-----	-----	-----	-----
	410,986,179	5.63	6.70	239,241,597
	=====	=====	=====	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 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

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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.

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 (2001 \$80 million and 2000 \$119 million). The value of awards under the 1999-2001 LTPP made in 2002 was \$125 million (1998-2000 LTPP made in 2001 \$61 million and 1997-1999 LTPP made in 2000 \$78 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 December 31, 2002 the ESOPs held 3,901,317 shares (at December 31, 2001, 7,673,056 shares) for potential future awards.

Note 37 -- Employee costs and numbers

	Years ended December 31,		
	2002	2001	
	(\$million)		
Employee costs			
Wages and salaries.....	6,519	6,361	6
Social security costs.....	490	474	
Pension and other postretirement benefit costs.....	440	427	
	7,449	7,262	6
	=====	=====	=====
	At December 31,		
	2002	2001	
Number of employees			
Exploration and Production.....	16,800	16,550	16
Gas,Power and Renewables.....	4,400	4,200	3
Refining and Marketing (a).....	73,350	64,600	67
Chemicals.....	17,900	21,950	17
Other businesses and corporate.....	2,800	2,850	3
	115,250	110,150	107
	=====	=====	=====

(a) Includes 30,250 (2001 28,500 and 2000 27,600) service station staff.

BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 37 -- Employee costs and numbers (concluded)

	UK -----	Rest of Europe -----	USA -----	Rest of World -----
Average number of employees				
Year ended December 31, 2002				
Exploration and Production.....	3,750	800	5,550	6,800
Gas, Power and Renewables.....	500	850	1,400	1,550
Refining and Marketing	10,200	21,700	28,650	11,550
Chemicals.....	3,200	5,250	6,650	5,150
Other businesses and corporate.....	1,250	--	1,400	100
	-----	-----	-----	-----
	18,900	28,600	43,650	25,150
	=====	=====	=====	=====
Year ended December 31, 2001				
Exploration and Production.....	3,550	750	5,700	6,200
Gas, Power and Renewables.....	600	600	1,350	1,350
Refining and Marketing	10,400	16,450	27,300	11,750
Chemicals.....	3,600	5,750	7,550	3,300
Other businesses and corporate.....	1,350	--	1,500	100
	-----	-----	-----	-----
	19,500	23,550	43,400	22,700
	=====	=====	=====	=====
Year ended December 31, 2000				
Exploration and Production.....	3,250	650	4,700	5,700
Gas, Power and Renewables.....	550	450	1,350	850
Refining and Marketing	9,600	13,700	25,800	10,700
Chemicals.....	3,700	4,600	8,100	1,400
Other businesses and corporate.....	1,100	--	1,650	150
	-----	-----	-----	-----
	18,200	19,400	41,600	18,800
	=====	=====	=====	=====

Note 38 -- Directors' remuneration

	Years ended December	
	2002 -----	2001 -----
	(\$ million)	
Total for all directors		
Emoluments.....	14	17
Ex gratia payment.....	--	--
Non-executive directors retiring in 2001.....	--	1

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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 non-executive directors, and, for executive directors, salary and benefits earned during the relevant financial year, plus bonuses awarded for the year.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 38 -- Directors' remuneration (concluded)

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 crystalized 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).

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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.

Note 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 October 1, 1994.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 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' (SSAP24), 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 most recent actuarial reviews was December 31, 2002. The date of the latest actuarial valuation for the UK plans was January 1, 2001 and for the US plans and the unfunded plans in Europe was January 1, 2002.

The pension assumptions for the principal pension plans are set out below. The assumptions used to evaluate accrued pension benefits at December 31 in any year are used to determine pension expense for the following year, that is, the assumptions at December 31, 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.

At December 31,

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	2002	2001	2000	1999
	(%)			
UK plans:				
Rate of return on assets.....	6.25	6.0	6.5	6.5
Discount rate.....	6.25	6.0	6.5	6.5
Future salary increases.....	4.0	4.5	5.0	5.0
Future pension increases.....	2.5	2.5	3.0	3.0
Dividend growth.....	n/a	n/a	n/a	n/a
Other European plans:				
Rate of return on assets.....	n/a	n/a	n/a	n/a
Discount rate.....	5.75	6.2	6.2	6.2
Future salary increases.....	4.0	3.2	3.2	3.2
Future pension increases.....	2.4	2.0	2.1	2.1
Dividend growth.....	n/a	n/a	n/a	n/a
US plans:				
Rate of return on assets.....	8.0	10.0	10.0	10.0
Discount rate.....	6.75	7.25	7.5	7.5
Future salary increases.....	4.0	4.0	4.0	4.0
Future pension increases.....	nil	nil	nil	nil
Dividend growth.....	n/a	n/a	n/a	n/a

n/a = not applicable

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 40 -- Pensions (continued)

Pension costs for the principal plans have been derived using the projected unit credit 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.

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

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At December 31, 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		2001
	2002	2001	
Market value of plan assets (\$ million).....	15,138	16,880	4,206
-- as a percentage of accrued benefits.....	111%	132%	62
Actuarial value of plan assets (\$ million).....	19,074	17,654	5,818
-- as a percentage of accrued benefits.....	140%	139%	86
Prepayment (\$ million).....	2,688	2,138	1,211

At December 31, 2002 the obligation for accrued benefits in respect of the major unfunded plans in Europe was \$3,191 million (\$1,510 million at December 31, 2001). Of this amount, \$2,645 million (\$1,317 million at December 31, 2001) has been provided in these accounts.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 40 -- Pensions (continued)

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

	1-Percentage point increase p
	----- (\$ millio
Investment return:	
Effect on pension expense in 2002.....	(240)
Discount rate:	
Effect on pension expense in 2002.....	(320)
Effect on pension obligation at December 31, 2002.....	(3,575)

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 postretirement benefits and requires certain disclosures in the periods prior to adoption. The additional disclosures for the year ended

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December 31, 2002 are shown in the following tables.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 40 -- Pensions (continued)

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 December 31, on an FRS 17 basis are set out below.

	At December 31,			
	2002		2001	
	Expected long-term rate of return	Market value	Expected long-term rate of return	
	(%)	(\$ million)	(%)	(\$ million)
UK plans:				
Equities.....	7.5	10,815	7.5	
Bonds.....	5.0	2,263	5.5	
Property.....	6.5	1,352	6.5	
Cash.....	4.0	708	4.5	

		15,138		
Present value of plan liabilities.....		14,822		

Surplus in the plans.....		316		
Deferred tax.....		(95)		

		221		
		=====		
Other European plans:				
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		

Deficit in the plans.....		(3,191)		
Deferred tax.....		1,244		

		(1,947)		

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		=====	
US plans:			
Equities.....	8.5	3,371	11.0
Bonds.....	5.5	720	7.0
Property.....	8.0	49	8.0
Cash.....	3.5	66	4.0

		4,206	
Present value of plan liabilities.....		6,765	

Deficit in the plans.....		(2,559)	
Deferred tax.....		896	

		(1,663)	
		=====	

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 40 -- Pensions (continued)

		At

		2002

Other main assumptions for FRS17 disclosures as at December 31		
UK plans		
Discount rate for plan liabilities.....		5.75
Rate of increase in salaries.....		4.0
Rate of increase for pensions in payment.....		2.5
Rate of increase in deferred pensions.....		2.5
Inflation.....		2.5
Other European plans		
Discount rate for plan liabilities.....		5.75
Rate of increase in salaries.....		4.0
Rate of increase for pensions in payment.....		2.4
Rate of increase in deferred pensions.....		2.4
Inflation.....		2.5
US plans		
Discount rate for plan liabilities.....		6.75
Rate of increase in salaries.....		4.0
Rate of increase for pensions in payment.....		nil
Rate of increase in deferred pensions.....		nil
Inflation.....		2.5

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 40 -- Pensions (continued)

	Year ended December	
	UK	Other European
		(\$ milli
Analysis of the amount charged to operating profit on an FRS 17 basis		
Current service cost.....	278	22
Past service cost.....	--	4
Settlement, curtailment and special termination benefits.....	--	(81)
	-----	-----
Total operating charge.....	278	(55)
	=====	=====
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	--
Interest on pension plan liabilities.....	(773)	(155)
	-----	-----
Net return (expense).....	431	(155)
	=====	=====
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)	--
Experience gains and losses arising on the plan liabilities.....	212	(67)
Change in assumptions underlying the present value of the plan liabilities.....	(480)	(242)
	-----	-----
Actuarial loss recognized in statement of total recognized gains and losses.....	(4,142)	(309)
	=====	=====
Movement in surplus (deficit) during the the year on an FRS 17 basis		
Surplus (deficit) in plans at January 1, 2002.....	4,134	(1,510)
Movement in year:		
Current service cost.....	(278)	(22)
Past service cost.....	--	(4)
Settlement, curtailment and special termination benefits.....	--	81
Acquisitions.....	--	(1,037)
Other finance income.....	431	(155)
Actuarial loss.....	(4,142)	(309)
Employers' contributions.....	3	184
Exchange adjustments.....	168	(419)
	-----	-----
Surplus (deficit) in plans at December 31, 2002.....	316	(3,191)
	=====	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 40 -- Pensions (continued)

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

	At December 31,		
	2002	2001	2000
	-----	-----	-----
	Net assets	Profit and loss account reserve	Net assets
	-----	-----	-----
	(\$ million)		
Group net assets and reserve reconciliation			
As reported.....	70,047	32,344	65,759
SSAP 24 pension prepayment (net of deferred tax).....	(2,669)	(2,669)	(2,328)
SSAP 24 pension provision (net of deferred tax).....	2,883	2,883	1,524
FRS 17 pension asset (net of deferred tax).....	221	221	2,894
FRS 17 pension liability (net of deferred tax).....	(3,610)	(3,610)	(1,260)
	-----	-----	-----
Including FRS 17 pension assets and liabilities (net of deferred tax).....	66,872	29,169	66,589
	=====	=====	=====

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NOTES TO FINANCIAL STATEMENTS (Continued)

Note 40 -- Pensions (continued)

Further information in respect of the Group's principal defined benefit pension plans required under FASB Statement of Financial Accounting Standards No. 132 -- 'Employers' Disclosures about Pensions and Other Postretirement Benefits' is set out below.

	At December 31,			
	2002	2001	2000	1999
	(%)			
Main assumptions for the principal plans				
UK plans:				
Discount rate.....	5.75	6.0	6.5	6.5
Expected return on plan assets.....	7.0	6.0	6.5	6.5
Rate of increase in salaries.....	4.0	4.5	5.0	5.0
Other European plans:				
Discount rate.....	5.75	6.2	6.2	6.2
Expected return on plan assets.....	n/a	n/a	n/a	n/a
Rate of increase in salaries.....	4.0	3.2	3.2	3.2
US plans:				
Discount rate.....	6.75	7.25	7.5	7.5
Expected return on plan assets.....	8.0	10.0	10.0	10.0
Rate of increase in salaries.....	4.0	4.0	4.0	4.0

n/a = not applicable

	Years ended December	
	2002	2001
Pension expense		
	(\$ million)	
Principal plans:		
Service cost -- benefits earned during year.....	450	397
Interest cost on projected benefit obligation.....	1,349	1,309
Expected return on plan assets.....	(1,676)	(1,717)
Amortization of transition asset.....	(64)	(66)
Recognized net actuarial gain.....	(206)	(169)
Recognized prior service cost.....	77	74
Curtailement and settlement (gains) losses.....	(46)	36
Special termination benefits.....	76	175
	(40)	39
Other defined benefit plans.....	51	73
Defined contribution plans.....	153	155
Total pension expense.....	164	267

BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 40 -- Pensions (concluded)

	UK		Other European		2000
	2002	2001	2002	2001	
			(\$ million)		
Benefit obligation at January 1.....	12,746	13,213	1,510	1,438	6,111
Service cost.....	278	255	22	12	1,111
Interest cost.....	773	811	155	89	4,111
Plan amendments.....	--	--	4	--	
Curtailments, settlements and special termination benefits.....	--	--	(81)	--	
Actuarial (gain) loss.....	269	(646)	309	(42)	6,111
Acquisitions.....	--	--	1,037	189	
Plan participants' contributions.....	29	26	--	--	
Benefit payments.....	(687)	(546)	(184)	(101)	(7,111)
Exchange adjustment.....	1,414	(367)	419	(75)	
Benefit obligation at December 31.....	14,822	12,746	3,191	1,510	6,711
Fair value of plan assets at January 1....	16,880	19,617	--	--	5,611
Actual return on plan assets.....	(2,671)	(1,689)	--	--	(7,111)
Acquisitions.....	--	--	--	--	
Plan participants' contributions.....	29	26	--	--	
Employers' contributions.....	3	27	--	--	
Settlement payments.....	--	--	--	--	
Benefit payments.....	(687)	(546)	--	--	(7,111)
Exchange adjustment.....	1,584	(555)	--	--	
Fair value of plan assets at December 31.....	15,138	16,880	--	--	4,211
Funded status.....	316	4,134	(3,191)	(1,510)	(2,511)
Unrecognized transition (asset) obligation.....	(85)	(154)	44	51	
Unrecognized net actuarial (gain) loss....	1,766	(2,537)	499	141	3,611
Unrecognized prior service cost.....	691	695	3	1	
Net amount recognized.....	2,688	2,138	(2,645)	(1,317)	1,211
Prepaid benefit cost (accrued benefit liability).....	2,688	2,138	(3,042)	(1,454)	(2,011)
Intangible asset.....	--	--	13	26	1,111
Accumulated other comprehensive income.....	--	--	384	111	3,111

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-----	-----	-----	-----	-----
2,688	2,138	(2,645)	(1,317)	1,2
=====	=====	=====	=====	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 41 -- Other postretirement benefits

Certain Group companies in the USA provide postretirement 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 postretirement benefits is included within other provisions. The cost of providing postretirement benefits is assessed annually by independent actuaries using the projected unit credit method. The date of the latest actuarial valuation was January 1, 2002.

The assumptions used in calculating the charge for postretirement benefits are consistent with those shown in Note 40 for US pension plans.

The charge to income for postretirement benefits is as follows:

	Years ended December 31,		
	2002	2001	2000
	(\$ million)		
Service cost-- benefits earned during year.....	37	31	2
Interest cost on projected benefit obligation.....	219	187	14
Expected return on plan assets.....	(4)	(5)	(
Recognized net actuarial (gain) loss.....	25	(6)	(4
Amortization of prior service cost recognized.....	(4)	(15)	(2
Curtailment (gain) loss.....	3	(32)	(4
Postretirement benefit expense.....	276	160	6
	=====	=====	=====

At December 31, 2002 the independent actuaries have reassessed the obligation for postretirement benefits at \$4,326 million (\$3,080 million at December 31, 2001). The discount rate used to assess the obligation at December 31, 2002 was 6.75% (7.25% at December 31, 2001). The provision for postretirement benefits at December 31, 2002 was \$2,762 million (\$2,664 million at December 31, 2001).

Assumed future healthcare cost trend rate

Years ended December 31,

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	2003	2004	2005	2006	2007
Beneficiaries aged under 65.....	12%	11%	9%	8%	7%
Beneficiaries aged over 65.....	15%	14%	12%	10%	8%

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:

	1-Percentage point increase	1-Per- centage point
	(\$ million)	
Effect on total of service and interest cost in 2002.....	52	
Effect on postretirement obligation at December 31, 2002.....	587	

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 41 -- Other postretirement benefits (continued)

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 December 31, 2002 are set out below:

	At December	
	2002	
	Expected long-term rate of return	Market value
	(%)	(\$ million)
Equities.....	8.5	24
Bonds.....	5.5	9
		33
Present value of plan liabilities.....		4,326
Other postretirement benefit liability before deferred tax.....		(4,293)

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Deferred tax.....	1,503

	(2,790)
	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 41 -- Other postretirement benefits (continued)

	Year en December 2
	----- (\$ mill
Analysis of the amount that would be charged to operating profit on an FRS 17 basis	
Current service cost.....	
Settlement, curtailment and special termination benefits.....	
Total operating charge.....	--
	==
Analysis of the amount that would be charged to other finance costs on an FRS 17 basis	
Expected return on plan assets.....	
Interest on plan liabilities.....	(
Net return (expense).....	(
	==
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 plan assets.....	
Experience gains and losses arising on the plan liabilities.....	
Change in assumptions underlying the present value of the plan liabilities.....	(1,
Actuarial loss recognized in statement of total recognized gains and losses.....	(1,
	==
Movement in deficit during the year on an FRS 17 basis	
Deficit in plans at January 1, 2002.....	(3,
Movement in year:	
Current service cost.....	
Settlement, curtailment and special termination benefits.....	
Acquisitions.....	
Other finance income.....	(
Employers' contributions.....	
Actuarial loss.....	(1,
Deficit in plans at December 31, 2002.....	(4,
	==

Year en
December

History of experience gains and losses which would be recognized on an FRS 17 basis	
Difference between the expected and actual return on plan assets:	
Amount (\$ million).....	
Percentage of plan assets.....	
Experience gains and losses on plan liabilities:	
Amount (\$ million).....	
Percentage of the present value of the plan liabilities.....	
Total amount recognized in statement of total recognized gains and losses:	
Amount (\$ million).....	(1,
Percentage of the present value of the plan liabilities.....	==

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 41 -- Other postretirement benefits (concluded)

	At December 31,		

	2002		

	Net assets	Profit and loss account reserve	Net assets

	(\$million)		

Group net assets and reserve reconciliation			
As reported.....	70,047	32,344	65,759
SSAP 24 other postretirement benefit provision (net of deferred tax).....	1,795	1,795	1,732
FRS 17 other postretirement benefit provision (net of deferred tax).....	(2,790)	(2,790)	(1,914)
	-----	-----	-----
Including FRS 17 other postretirement benefits liability (net of deferred tax).....	69,052	31,349	65,577
	=====	=====	=====

Further information presented in compliance with the requirements of FASB Statement of Financial Accounting Standards No. 132 -- 'Employers' Disclosures about Pensions and Other Postretirement Benefits' is set out below.

	2002	2001
	-----	-----
	(\$ million)	

Benefit obligation at January 1.....	3,080	2,562

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Service cost.....	37	31
Interest cost.....	219	187
Plan amendments.....	--	78
Settlement, curtailment and special termination benefits.....	(78)	(30)
Actuarial loss.....	1,255	476
Acquisitions.....	36	--
Benefit payments.....	(223)	(224)
	-----	-----
Benefit obligation at December 31.....	4,326	3,080
	-----	-----
Fair value of plan assets at January 1.....	41	49
Actual return on plan assets.....	(4)	(3)
Benefit payments.....	(4)	(5)
	-----	-----
Fair value of plan assets at December 31.....	33	41
	-----	-----
Funded status.....	(4,293)	(3,039)
Unrecognized net actuarial (gain) loss.....	1,580	349
Unrecognized prior service cost.....	(49)	26
	-----	-----
Provision for postretirement benefits.....	(2,762)	(2,664)
	=====	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 42 -- Joint ventures and associated undertakings

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

Sales to joint ventures and associated undertakings

Product	2002		2001		
	Amount receivable at Sales December 31		Amount receivable at Sales December 31		
-----	-----		-----		
	(\$ million)		(\$ million)		
Joint ventures					
BP Solvay Polyethylene					
Europe	Chemicals feedstocks	308	55	24	24
Pan American Energy	Crude oil	124	10	121	5
BP/Mobil	Crude oil and products	--	--	--	--
Watson Cogeneration	Natural gas	118	5	177	3

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Associated undertakings

BP Solvay Polyethylene					
North America	Chemicals feedstocks	143	14	20	20
China American					
Petrochemical Co.	Chemicals feedstocks	117	22	92	2
Erdoelchemie	Chemicals feedstocks	--	--	250	--
Ruhrgas	Natural gas	98	--	124	11

Purchases from joint ventures and associated undertakings

Product	2002		2001		
	Purchases	Amount payable at December 31	Purchases	Amount payable at December 31	
	(\$ million)		(\$ million)		
Joint ventures					
Pan American Energy	Crude oil	200	12	178	14
BP/Mobil	Crude oil and products	--	--	--	--
Watson Cogeneration	Electricity and steam	94	10	187	7
Associated undertakings					
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	Petrochemicals	77	15	16	--
Petrochemical Co.					
Erdoelchemie	Petrochemicals	--	--	50	--
Ruhrgas	Natural gas	5	--	18	--

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 42 -- Joint ventures and associated undertakings (concluded)

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

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

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

The pan-European refining and marketing joint venture with ExxonMobil was dissolved on August 1, 2000. Within the BP/Mobil joint venture, BP operated and had a 70% interest in the fuels refining and marketing operation and had a 49% interest in the lubricants business. On dissolution, BP acquired most of the ExxonMobil assets used by the fuels refining and marketing operation. The sales and purchases shown above occurred in the period to August 1, 2000.

Note 43 -- Contingent liabilities

There were contingent liabilities at December 31, 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.

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Note 43 -- Contingent liabilities (concluded)

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 December 31, 2002 were \$19,952 million (at December 31, 2001 \$19,900 million), including \$19,896 million (at December 31, 2001 \$19,843 million) in respect of borrowings by its subsidiary undertakings and \$56 million (at December 31, 2001 \$57 million) in respect of liabilities of other third parties. In addition, other group companies have issued guarantees under which amounts outstanding at December 31, 2002 were \$338 million (at December 31, 2001 \$327 million) in respect of borrowings of joint ventures and associated undertakings and \$237 million (at December 31, 2001 \$218 million) in respect of liabilities of other third parties.

Note 44 -- Capital commitments

Authorized future capital expenditure by group companies for which contracts had been placed at December 31, 2002 amounted to \$5,966 million (at December 31, 2001 \$4,712 million).

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 45 -- New accounting standard for deferred tax

With effect from January 1, 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

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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 January 1, 2001 have been reduced by \$7,832 million and the tax charge for the year ended December 31, 2001 increased by \$1,358 million. The provision for deferred tax has been increased by \$10,047 million at December 31, 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 and 2000 has been restated to reflect the changes described above.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 45 -- New accounting standard for deferred tax (continued)

Years ended December 31,	As restated	As
	-----	-----
	2001 2000	2001

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		(\$ million)	
Turnover.....	175,389	161,826	175,389
Less: Joint ventures.....	1,171	13,764	1,171
	-----	-----	-----
Group turnover.....	174,218	148,062	174,218
Replacement cost of sales.....	147,001	120,797	146,893
Production taxes.....	1,689	2,061	1,689
	-----	-----	-----
Gross profit.....	25,528	25,204	25,636
Distribution and administration expenses.....	10,918	9,331	10,918
Exploration expense.....	480	599	480
	-----	-----	-----
Other income.....	14,130	15,274	14,238
	694	805	694
	-----	-----	-----
Group replacement cost operating profit.....	14,824	16,079	14,932
Share of profits of joint ventures.....	443	808	443
Share of profits of associated undertakings.....	760	792	760
	-----	-----	-----
Total replacement cost operating profit (a).....	16,027	17,679	16,135
Profit (loss) on sale of businesses or termination of operations.....	(68)	132	(68)
Profit (loss) on sale of fixed assets.....	603	88	603
	-----	-----	-----
Replacement cost profit before interest and tax.....	16,562	17,899	16,670
Inventory holding gains (losses).....	(1,900)	728	(1,900)
	-----	-----	-----
Historical cost profit before interest and tax.....	14,662	18,627	14,770
Interest expense.....	1,670	1,770	1,670
	-----	-----	-----
Profit before taxation.....	12,992	16,857	13,100
Taxation.....	6,375	6,648	5,017
	-----	-----	-----
Profit after taxation.....	6,617	10,209	8,083
Minority shareholders' interest -- equity.....	61	89	73
	-----	-----	-----
Profit for the year*.....	6,556	10,120	8,010
Dividend requirements on preference shares*.....	2	2	2
	-----	-----	-----
Profit for the year applicable to ordinary shares*.....	6,554	10,118	8,008
	=====	=====	=====
Profit per ordinary share -- cents			
Basic.....	29.21	46.76	35.70
Diluted.....	29.04	46.46	35.48
	=====	=====	=====
Dividends per ordinary share-- cents.....	22.0	20.5	22.0
	=====	=====	=====
Average number outstanding of 25 cents ordinary shares (in thousands).....	22,435,737	21,638,280	22,435,737
	=====	=====	=====

* A summary of the adjustments to profit for the year of the Group which would be required if generally accepted accounting principles in the United States had been applied instead of those generally accepted in the United Kingdom is given in Note 50.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 45 -- New accounting standard for deferred tax (concluded)

	As restated		As reported
	2001	2000	2001
	(\$ million)		
(a) Total replacement cost operating profit			
Exploration and Production.....	12,361	13,972	12,417
Gas, Power and Renewables (b).....	488	532	521
Refining and Marketing.....	3,573	3,486	3,625
Chemicals.....	128	760	128
Other businesses and corporate (b).....	(523)	(1,071)	(556)
	-----	-----	-----
	16,027	17,679	16,135
	=====	=====	=====

(b) 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.

Balance sheet at December 31, 2001	Restated	Reported
	(\$ million)	
Fixed assets		
Intangible assets.....	16,489	15,500
Tangible assets.....	77,410	77,410
Investments.....	11,963	12,000
	-----	-----
	105,862	105,000
Current assets.....	36,108	36,108
Creditors - amounts falling due within one year.....	37,614	37,614
	-----	-----
Net current liabilities.....	(1,506)	(1,506)
Total assets less current liabilities.....	104,356	103,504
Creditors - amounts falling due after more than one year.....	15,413	15,413
Provisions for liabilities and charges		
Deferred taxation.....	11,702	1,600
Other provisions.....	11,482	11,482
	-----	-----
Net assets.....	65,759	74,900
Minority shareholders' interest.....	598	600
	-----	-----

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BP shareholders' interest.....	65,161	74,3
	=====	=====
Statement of total recognized gains and losses	Restated	Report
	-----	-----
	(\$ million)	
For the year ended December 31, 2001		
Profit for the year.....	6,556	8,0
Currency translation differences (net of tax).....	(828)	(9
	-----	-----
Total recognized gains and losses.....	5,728	7,1
	=====	=====
For the year ended December 31, 2000		
Profit for the year.....	10,120	11,8
Currency translation differences (net of tax).....	(2,340)	(2,5
	-----	-----
Total recognized gains and losses.....	7,780	9,3
	=====	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 46 -- Transfer of solar, renewables and alternative fuels activities

With effect from January 1, 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 has been renamed Gas, Power and Renewables from the same date. Comparative information for 2001 and 2000 has been restated to reflect this change.

	As restated		As r
	-----		-----
	Gas, Power and Renewables	Other businesses and corporate	Gas, Power and Renewables
	-----	-----	-----
	(\$ million)		
December 31, 2001			
Turnover.....	39,442	549	39,208
	-----	-----	-----
Group replacement cost operating profit.....	304	(598)	337
Joint ventures.....	--	--	--
Associated undertakings.....	184	75	184
	-----	-----	-----
Total replacement cost operating profit.....	488	(523)	521
Exceptional items.....	--	166	(1)
	-----	-----	-----
Replacement cost profit before interest and tax.....	488	(357)	520
	-----	-----	-----
Inventory holding gains (losses).....	(81)	--	(81)
	-----	-----	-----

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Capital expenditure and acquisitions.....	492	430	359
Operating capital employed.....	3,125	1,489 (a)	2,764
Tangible assets.....	1,644	1,351	1,419
Number of employees -- year end.....	4,200	2,850	1,950
Number of employees -- average.....	3,900	2,950	1,800
December 31, 2000			
Turnover.....	21,203	59	21,013
Group replacement cost operating profit.....	370	(1,113)	409
Joint ventures.....	--	--	--
Associated undertakings.....	162	42	162
Total replacement cost operating profit.....	532	(1,071)	571
Exceptional items.....	2	213	1
Replacement cost profit before interest and tax.....	534	(858)	572
Inventory holding gains (losses).....	11	--	11
Number of employees -- year end... ..	3,400	3,100	1,600
Number of employees -- average.....	3,200	2,900	1,500

(a) Before FRS 19 Deferred Tax restatement of \$84 million.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 47 -- Summarized financial information on joint ventures and associated undertakings

A summarized statement of income and assets and liabilities based on latest information available, with respect to the Group's equity accounted joint ventures and associated undertakings, is set out below:

	Years ended December 31,		
	2002	2001	2000
	(\$ million)		

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Sales and other operating revenue.....	22,457	27,503	45,3
Gross profit.....	4,180	5,164	8,9
Profit for the year.....	2,049	3,105	4,2
	=====	=====	=====

		December 31,	
		-----	-----
		2002	20
		-----	-----
		(\$ million)	
Fixed and other assets.....		17,350	25,1
Current assets.....		6,895	14,4
		-----	-----
		24,245	39,5
Current liabilities.....		(6,344)	(10,0
Noncurrent liabilities.....		(6,894)	(9,3
		-----	-----
Net assets.....		11,007	20,1
		=====	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 47 -- Summarized financial information on associated undertakings and joint ventures (concluded)

The more important joint ventures and associated undertakings of the Group at December 31, 2002 and the percentage of ordinary share capital owned or joint venture interest (to nearest whole number) are:

	%	Country of incorporation	Principal activities
	--	-----	-----
Associated undertakings			
Abu Dhabi			
Abu Dhabi Marine Areas.....	37	England	Crude oil production
Abu Dhabi Petroleum Co.....	24	England	Crude oil production
Russia			
Rusia Petroleum.....	29	Russia	Exploration and produc
Sidanco.....	25	Russia	Integrated oil operati
Taiwan			
China American Petrochemical Co.....	50	Taiwan	Chemicals
USA			

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BP Solvay Polyethylene North America.....	49	USA	Chemicals
	%	Principal place of business	Principal activities
	--	-----	-----
Joint ventures			
BP Solvay Polyethylene Europe.....	50	Europe	Chemicals
CaTO Finance Partnership.....	50	UK	Finance
Lukarco.....	46	Kazakhstan	Exploration and produc
Malaysia - Thailand Joint Development Area..	25	Thailand	Exploration and Produc
Pan American Energy.....	60	Argentina	Exploration and Produc
Unimar Company Texas (Partnership).....	50	Indonesia	Exploration and Produc
Watson Cogeneration.....	51	USA	Power generation

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 48 -- Oil and natural gas exploration and production activities (a)

Capitalized costs at December 31

	UK	Rest of Europe	USA	Rest of World
	-----	-----	-----	-----
			(\$ million)	
2002				
Gross capitalized costs:				
Proved properties.....	26,804	4,029	46,996	24,604
Unproved properties.....	294	179	1,045	3,669
	-----	-----	-----	-----
	27,098	4,208	48,041	28,273
Accumulated depreciation.....	16,394	2,591	22,613	12,653
	-----	-----	-----	-----
Net capitalized costs.....	10,704	1,617	25,428	15,620
	=====	=====	=====	=====
2001				
Gross capitalized costs:				
Proved properties.....	23,627	2,912	42,868	21,488
Unproved properties.....	313	120	1,426	3,677
	-----	-----	-----	-----
	23,940	3,032	44,294	25,165
Accumulated depreciation.....	13,320	1,883	19,508	10,980
	-----	-----	-----	-----
Net capitalized costs.....	10,620	1,149	24,786	14,185
	=====	=====	=====	=====
2000				
Gross capitalized costs:				
Proved properties.....	24,319	2,683	38,494	19,607
Unproved properties.....	482	73	1,754	3,449

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	-----	-----	-----	-----
Accumulated depreciation.....	24,801	2,756	40,248	23,056
	13,182	1,797	18,204	8,933
	-----	-----	-----	-----
Net capitalized costs.....	11,619	959	22,044	14,123
	=====	=====	=====	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 48 -- Oil and natural gas exploration and production activities (a)
(continued)

Costs incurred for the year ended December 31

	UK	Rest of Europe	USA	Rest of World
	-----	-----	-----	-----
			(\$ million)	
2002				
Acquisition of properties:				
Proved.....	--	4	--	59
Unproved.....	--	--	29	8
	-----	-----	-----	-----
	--	4	29	67
Exploration and appraisal costs (b).....	28	68	441	571
Development costs.....	895	219	3,618	2,503
	-----	-----	-----	-----
Total costs.....	923	291	4,088	3,141
	=====	=====	=====	=====
2001				
Acquisition of properties:				
Proved.....	--	--	--	47
Unproved.....	4	--	20	193
	-----	-----	-----	-----
	4	--	20	240
Exploration and appraisal costs (b).....	109	80	295	618
Development costs.....	930	271	3,723	1,934
	-----	-----	-----	-----
Total costs.....	1,043	351	4,038	2,792
	=====	=====	=====	=====
2000				
Acquisition of properties:				
Proved.....	2,838	--	8,962	2,036
Unproved.....	14	--	499	1,786
	-----	-----	-----	-----
	2,852	--	9,461	3,822

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Exploration and appraisal costs (b).....	86	67	676	466
Development costs.....	808	153	2,328	1,274
	-----	-----	-----	-----
Total costs.....	3,746	220	12,465	5,562
	=====	=====	=====	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 48 -- Oil and natural gas exploration and production activities (a)
(continued)

Results of operations for the year ended December 31

	UK	Rest of Europe	USA	Rest of World
	-----	-----	-----	-----
			(\$ million)	
2002				
Turnover (c):				
Third parties.....	2,249	465	1,321	2,497
Sales between businesses.....	3,169	594	7,857	4,952
	-----	-----	-----	-----
	5,418	1,059	9,178	7,449
	-----	-----	-----	-----
Exploration expense.....	27	47	258	312
Production costs.....	662	101	1,419	950
Production taxes.....	279	7	288	670
Other costs (d).....	315	36	1,558	1,494
Depreciation.....	1,875	154	3,129	1,544
	-----	-----	-----	-----
	3,158	345	6,652	4,970
	-----	-----	-----	-----
Profit before taxation (e).....	2,260	714	2,526	2,479
Allocable taxes.....	1,375	412	890	887
	-----	-----	-----	-----
Results of operations	885	302	1,636	1,592
	=====	=====	=====	=====
2001				
Turnover (c):				
Third parties.....	2,979	564	1,642	2,581
Sales between businesses.....	3,003	462	9,645	4,892
	-----	-----	-----	-----
	5,982	1,026	11,287	7,473
	-----	-----	-----	-----
Exploration expense.....	14	22	256	188
Production costs.....	878	91	1,379	915

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Production taxes.....	559	17	384	688
Other costs (d).....	25	33	1,743	1,534
Depreciation.....	1,353	115	3,090	1,115
	-----	-----	-----	-----
	2,829	278	6,852	4,440
	-----	-----	-----	-----
Profit before taxation (e).....	3,153	748	4,435	3,033
Allocable taxes.....	1,046	306	1,463	1,201
	-----	-----	-----	-----
Results of operations	2,107	442	2,972	1,832
	=====	=====	=====	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 48 -- Oil and natural gas exploration and production activities (a)
(continued)

Results of operations for the year ended December 31 (continued)

	UK	Rest of Europe	USA	Rest of World
	-----	-----	-----	-----
	(\$ million)			
2000				
Turnover (c):				
Third parties.....	3,538	926	4,242	2,446
Sales between businesses.....	3,191	138	6,755	5,593
	-----	-----	-----	-----
	6,729	1,064	10,997	8,039
	-----	-----	-----	-----
Exploration expense.....	36	42	257	264
Production costs.....	772	86	1,311	786
Production taxes.....	641	6	437	911
Other costs (d).....	74	6	1,624	1,889
Depreciation.....	1,453	98	2,446	748
	-----	-----	-----	-----
	2,976	238	6,075	4,598
	-----	-----	-----	-----
Profit before taxation (e).....	3,753	826	4,922	3,441
Allocable taxes.....	1,127	355	1,712	1,376
	-----	-----	-----	-----
Results of operations	2,626	471	3,210	2,065
	=====	=====	=====	=====

The Group's share of joint ventures' and associated undertakings' results of operations in 2002 was a profit of \$372 million (2001 \$246 million and 2000 \$293 million) after deducting a tax charge of \$110 million (2001 \$138 million

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tax charge and 2000 \$97 million tax charge).

The Group's share of joint ventures' and associated undertakings' net capitalized costs at December 31, 2002 was \$4,350 million (December 31, 2001 \$3,325 million and December 31, 2000 \$3,354 million).

The Group's share of joint ventures' and associated undertakings' costs incurred in 2002 was \$850 million (2001 \$419 million and 2000 \$1,490 million).

- (a) 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.
- (b) Includes 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.
- (c) Turnover represents sales of production excluding royalty oil where royalty is payable in kind.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 48 -- Oil and natural gas exploration and production activities (a) (concluded)

- (d) Includes cost of royalty oil not taken in kind, property taxes and other government take.
- (e) The exploration and production total replacement cost operating profit comprises:

	UK	Rest of Europe	USA	Rest of World
	-----	-----	-----	-----
	(\$ million)			
Year ended December 31, 2002				
Exploration and production activities				
-- Group (as above).....	2,260	714	2,526	2,479
-- Equity-accounted entities.....	--	--	16	466
Midstream activities.....	266	--	293	186

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Total replacement cost operating profit	2,526	714	2,835	3,131
Year ended December 31, 2001				
Exploration and production activities				
-- Group (as above).....	3,153	748	4,435	3,033
-- Equity-accounted entities.....	--	--	--	384
Midstream activities.....	271	--	138	199
Total replacement cost operating profit	3,424	748	4,573	3,616
Year ended December 31, 2000				
Exploration and production activities				
-- Group (as above).....	3,753	826	4,922	3,441
-- Equity-accounted entities.....	--	--	--	390
Midstream activities.....	290	--	152	198
Total replacement cost operating profit	4,043	826	5,074	4,029

Note 49 -- Business and geographical analysis

BP has four reportable operating segments -- Exploration and Production; Gas, Power and Renewables; Refining and Marketing; and Chemicals. Exploration and Production's activities include oil and natural gas exploration and field development and production (upstream activities), together with pipeline transportation and natural gas processing (midstream activities). Gas, Power and Renewables activities include marketing and trading of natural gas, natural gas liquids, new market development, LNG and solar and renewables. The activities of Refining and Marketing include oil supply and trading as well as refining and marketing (downstream activities). Chemicals activities include petrochemicals manufacturing and marketing.

The Group is managed on a unified basis. Reportable segments are differentiated by the activities that each undertakes and the products they manufacture and market.

The accounting policies of operating segments are the same as those described in Note 1, Accounting Policies. Performance is evaluated based on replacement cost operating profit or loss, which excludes exceptional items, inventory holding gains and losses, interest income and expense, taxation and minority shareholders' interests.

Sales between segments are made at prices that approximate market prices taking into account the volumes involved.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 49 -- Business and geographical analysis (continued)

By business

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	Exploration and Production	Gas Power and Renewables	Refining and Marketing	Chemicals	Other businesses and corporate (a)
	-----	-----	-----	-----	-----
	(\$ million)				
2002					
Group turnover -- third parties.....	7,197	36,037	122,470	12,507	510
-- sales between businesses (b).....	18,556	1,320	3,366	557	--
	-----	-----	-----	-----	-----
	25,753	37,357	125,836	13,064	510
	-----	-----	-----	-----	-----
Share of sales by joint ventures.....					
Equity accounted income (c).....	611	107	204	(12)	52
	-----	-----	-----	-----	-----
Total replacement cost operating profit (loss) (d).....	9,206	354	872	515	(701)
Exceptional items (e).....	(726)	1,551	613	(256)	(14)
Inventory holding gains (losses).....	3	51	1,049	26	--
	-----	-----	-----	-----	-----
Historical cost profit (loss) before interest and tax.....	8,483	1,956	2,534	285	(715)
	-----	-----	-----	-----	-----
Total assets (f).....	72,801	6,927	55,815	16,595	6,987
Operating capital employed (g).....	62,117	2,642	31,006	12,631	490
Depreciation and amounts provided(h).	6,799	117	2,658	749	78
Capital expenditure and acquisitions(i)	9,699	408	7,753	823	428
	-----	-----	-----	-----	-----
2001					
Group turnover -- third parties.....	8,569	36,488	117,330	11,282	549
-- sales between businesses (b)....	19,660	2,954	2,903	233	--
	-----	-----	-----	-----	-----
	28,229	39,442	120,233	11,515	549
	-----	-----	-----	-----	-----
Share of sales by joint ventures....					
Equity accounted income (c).....	559	184	278	107	75
	-----	-----	-----	-----	-----
Total replacement cost operating profit(loss) (d).....	12,361	488	3,573	128	(523)
Exceptional items (e).....	195	--	471	(297)	166
Inventory holding gains (losses)....	(6)	(81)	(1,583)	(230)	--
	-----	-----	-----	-----	-----
Historical cost profit (loss) before interest and tax.....	12,550	407	2,461	(399)	(357)
	-----	-----	-----	-----	-----

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Total assets (f).....	70,017	5,775	43,553	15,098	7,527
Operating capital employed (g).....	60,146	3,125	25,319	11,996	1,405
Depreciation and amounts provided (h)	6,043	67	2,302	588	96
Capital expenditure and acquisitions(i)	8,861	492	2,415	1,926	430

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 49 -- Business and geographical analysis (continued)

By business (continued)

	Exploration and Production -----	Gas Power and Renewables -----	Refining and Marketing -----	Chemicals -----	Other businesses and corporate(a) -----
	(\$ million)				
2000					
Group turnover-- third parties.....	14,155	20,857	101,960	11,031	59
-- sales between businesses (b).....	16,787	346	5,923	216	--
	-----	-----	-----	-----	-----
	30,942	21,203	107,883	11,247	59
	-----	-----	-----	-----	-----
Share of sales by joint ventures....					
Equity accounted income (c).....	613	162	599	184	42
	-----	-----	-----	-----	-----
Total replacement cost operating profit (loss) (d).....	13,972	532	3,486	760	(1,071)
Exceptional items (e).....	119	2	98	(212)	213
Inventory holding gains (losses)....	4	11	620	93	--
	-----	-----	-----	-----	-----
Historical cost profit (loss) before interest and tax.....	14,095	545	4,204	641	(858)
	-----	-----	-----	-----	-----
Total assets (f).....	66,405	6,997	46,288	13,674	11,498
Operating capital employed (g).....	57,001	3,208	28,307	11,008	2,094
Depreciation and amounts provided (h)	5,196	55	1,752	704	83
Capital expenditure and acquisitions(i)	6,383	376	8,693	1,585	30,576

By geographical area

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	UK (j)	Rest of Europe	USA	Rest of World	Eliminat
	-----	-----	-----	-----	-----
	(\$ million)				
2002					
Group turnover -- third parties (k).....	34,075	38,538	78,282	27,826	
-- sales between areas.....	14,673	7,980	2,099	6,575	(31)
	-----	-----	-----	-----	-----
	48,748	46,518	80,381	34,401	(31)
	-----	-----	-----	-----	-----
Share of sales by joint ventures.....	129	298	236	802	
Equity accounted income (c).....	(5)	131	225	611	
	-----	-----	-----	-----	
Total replacement cost operating profit (d).....	1,696	1,703	2,890	3,957	
Exceptional items (e).....	(88)	1,817	(242)	(319)	
Inventory holding gains (losses).....	88	283	640	118	
	-----	-----	-----	-----	
Historical cost profit before interest and tax.....	1,696	3,803	3,288	3,756	
	-----	-----	-----	-----	
Total assets (f).....	33,016	25,012	63,982	37,115	
Operating capital employed (g).....	20,949	11,877	48,256	27,804	
Depreciation and amounts provided (h).....	2,821	867	4,780	1,933	
Capital expenditure and acquisitions (i)....	1,637	6,556	6,095	4,823	

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 49 -- Business and geographical analysis (continued)

By geographical area (continued)

	UK (j)	Rest of Europe	USA	Rest of World	Eliminat
	-----	-----	-----	-----	-----
	(\$ million)				
2001					
Group turnover -- third parties (k).....	34,151	29,098	83,757	27,212	
-- sales between areas.....	13,467	7,603	939	6,699	(28)
	-----	-----	-----	-----	-----
	47,618	36,701	84,696	33,911	(28)
	-----	-----	-----	-----	-----
Share of sales by joint ventures.....	13	30	318	810	

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Equity accounted income (c).....	11	235	309	648	
	-----	-----	-----	-----	
Total replacement cost operating profit (d).....	2,668	1,814	6,941	4,604	
Exceptional items (e).....	(319)	33	289	532	
Inventory holding gains (losses).....	(225)	(444)	(1,014)	(217)	
	-----	-----	-----	-----	
Historical cost profit before interest and tax.....	2,124	1,403	6,216	4,919	
	-----	-----	-----	-----	
Total assets (f).....	29,951	15,287	63,150	33,582	
Operating capital employed (g).....	19,477	7,346	45,188	29,980	
Depreciation and amounts provided (h).....	2,159	513	4,937	1,487	
Capital expenditure and acquisitions (i)....	2,128	1,787	6,160	4,049	
2000					
Group turnover -- third parties (k).....	34,430	18,642	70,255	24,735	(19)
-- sales between areas....	10,970	1,911	829	6,279	(19)
	-----	-----	-----	-----	-----
	45,400	20,553	71,084	31,014	(19)
	-----	-----	-----	-----	-----
Share of sales by joint ventures.....	3,314	12,316	270	686	(2)
Equity accounted income (c).....	144	525	290	641	
	-----	-----	-----	-----	
Total replacement cost operating profit (d).....	3,773	2,013	7,219	4,674	
Exceptional items (e).....	12	(19)	459	(232)	
Inventory holding gains (losses).....	103	107	387	131	
	-----	-----	-----	-----	
Historical cost profit before interest and tax.....	3,888	2,101	8,065	4,573	
	-----	-----	-----	-----	
Total assets (f).....	35,713	14,584	63,145	31,420	
Operating capital employed (g).....	20,093	7,087	45,661	28,777	
Depreciation and amounts provided (h).....	1,945	373	4,165	1,307	
Capital expenditure and acquisitions (i)....	7,438	2,041	34,037	4,097	

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 49 -- Business and geographical analysis (concluded)

- (a) Other businesses and corporate comprises Finance, the Group's coal asset and aluminium asset, its investment in PetroChina and Sinopec, interest income and costs relating to corporate activities worldwide.
- (b) Sales and transfers between businesses are made at prices that approximate market prices taking into account the volumes involved.

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- (c) Equity accounted income (loss) represents the Group's share of income (loss) before exceptional items, inventory gains (losses) interest expense and taxes of joint ventures and associated undertakings.
- (d) Replacement cost operating profit is before inventory holding gains and losses and interest expense, which is attributable to the corporate function. Transfers between Group companies are made at prices that approximate market prices taking into account the volumes involved.
- (e) Exceptional items comprise profit or loss on the sale of fixed assets and sale of businesses or termination of operations of \$1,168 million in 2002 (2001 \$535 million profit and 2000 \$220 million profit).
- (f) Total assets comprise fixed and current assets and include investments in joint ventures and associated undertakings analyzed between activities as follows:

	Exploration and Production	Gas Power and Renewables	Refining and Marketing	Chemicals	Other businesses and corporate (a)	To
	-----	-----	-----	-----	-----	-----
	(\$ million)					
2002.....	5,687	210	1,452	1,252	56	8,
2001.....	5,326	857	1,675	1,416	20	9,
2000.....	5,093	744	1,220	1,155	47	8,

- (g) Operating capital employed comprises net assets before deducting finance debt and liabilities for current and deferred taxation.
- (h) Depreciation consists of charges for depreciation, depletion and amortization of property, plant and equipment, exploration expense and amounts provided against fixed asset investments.
- (i) Capital expenditure and acquisitions includes \$170 million in 2000 for the BP/Mobil joint venture.
- (j) United Kingdom area includes the UK-based international activities of Refining and Marketing.
- (k) Turnover to third parties is stated by origin which is not materially different from turnover by destination.

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Note 50 -- US generally accepted accounting principles

The consolidated financial statements of the BP Group are prepared in accordance with UK GAAP which differs in certain respects from US GAAP. The principal differences between US GAAP and UK GAAP for BP Group reporting relate to the following:

(a) Group consolidation

Where the Group conducts activities through a joint arrangement that is not carrying on a trade or business in its own right, the Group accounts for its own assets, liabilities and cash flows of the activity measured according to the terms of the arrangement. For the Group this method of accounting applies to certain oil and natural gas activities and undivided interests in pipelines. US GAAP permits these activities to be accounted for by proportional consolidation, which is equivalent to UK GAAP.

Joint ventures and associated undertakings are accounted for by the equity method. UK GAAP requires the consolidated financial statements to show separately the Group proportion of operating profit or loss, exceptional items, inventory holding gains or losses, interest expense and taxation of joint ventures and associated undertakings. In addition the Group's share of turnover of joint ventures should be disclosed. For US GAAP the after tax profits or losses (i.e. operating results after exceptional items, inventory holding gains or losses, interest expense and taxation) are included in the income statement as a single line item.

UK GAAP requires the Group's share of the gross assets and gross liabilities of joint ventures to be shown on the face of the balance sheet whereas under US GAAP the net investment is included as a single line item.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 50 -- US generally accepted accounting principles (continued)

The following summarizes the reclassifications for joint ventures and associated undertakings necessary to accord with US GAAP.

	Year ended December 31,	
	As reported	Reclassification
	-----	-----
	(\$ million)	
Increase (decrease) in caption heading		
Consolidated statement of income		
Other income.....	641	563
Share of profits of JVs and associated undertakings.....	962	(962)
Exceptional items before taxation.....	1,168	(2)

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Inventory holding gains (losses).....	1,129	(2)
Interest expense.....	1,279	(141)
Taxation.....	4,342	(262)
Profit for the year.....	6,845	--

	Year ended December 31,	
	As reported	Reclassification

	(\$ million)	
Increase (decrease) in caption heading		
Consolidated statement of income		
Other income.....	694	692
Share of profits of JVs and associated undertakings.....	1,203	(1,203)
Exceptional items before taxation.....	535	2
Inventory holding gains (losses).....	(1,900)	7
Interest expense.....	1,670	(205)
Taxation.....	6,375	(297)
Profit for the year.....	6,556	--

	Year ended December 31,	
	As reported	Reclassification
	-----	-----
	(\$ million)	
Increase (decrease) in caption heading		
Consolidated statement of income		
Other income.....	805	1,416
Share of profits of JVs and associated undertakings.....	1,600	(1,600)
Exceptional items before taxation.....	220	(24)
Inventory holding gains (losses).....	728	(229)
Interest expense.....	1,770	(218)
Taxation.....	6,648	(219)
Profit for the year.....	10,120	--

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 50 -- US generally accepted accounting principles (continued)

(b) Income statement

The income statement prepared under UK GAAP shows sub-totals for replacement cost profit before interest and tax, historical cost profit before interest and tax and profit after taxation. These line items are not

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recognized under US GAAP.

(c) Exceptional items

Under UK GAAP certain exceptional items are shown separately on the face of the income statement after operating profit. These items are profits or losses on the sale of fixed assets and businesses or sale or termination of operations and fundamental restructuring charges. Under US GAAP these items are classified as operating income or expenses.

(d) Deferred taxation/Business combinations

US GAAP requires the recognition of a deferred tax asset or liability for the tax effects of differences between the assigned values and the tax bases of assets acquired and liabilities assumed in a purchase business combination, whereas under UK GAAP no such deferred tax asset or liability is recognized. Under US GAAP the deferred tax asset or liability is amortized over the same period as the assets and liabilities to which it relates.

The adjustments to profit for the year and to BP shareholders' interest to accord with US GAAP are summarized below.

Increase (decrease) in caption heading	Years ended December 31,	
	2002	2001
		(\$million)
Replacement cost of sales.....	852	1,091
Taxation	(537)	(276)
Profit for the year.....	(315)	(815)
	=====	=====

	At December
	2002
	(\$ million)
Tangible assets.....	7,408
Deferred taxation.....	7,486
BP shareholders' interest.....	(78)
	=====

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Note 50 -- US generally accepted accounting principles (continued)

(d) Deferred taxation/Business combinations (concluded)

The major components of deferred tax liabilities and assets on a US GAAP basis were as follows:

	December 31	
	2002	2001
	(\$ million)	
Depreciation.....	(22,472)	(19,731)
Other taxable temporary differences.....	(2,731)	(1,141)
Total deferred tax liabilities.....	(25,203)	(20,872)
Petroleum revenue tax.....	567	303
Decommissioning and other provisions.....	5,030	2,441
Tax credit and loss carry forward.....	1,823	1,441
Other deductible temporary differences.....	423	606
Gross deferred tax assets.....	7,843	4,991
Valuation allowance.....	(1,726)	(1,441)
Net deferred tax assets.....	6,117	3,550
Net deferred tax liability*.....	(19,086)	(17,322)

* Primarily noncurrent.

(e) Provisions

UK GAAP requires provisions for decommissioning, environmental liabilities and onerous contracts to be determined on a discounted basis if the effect of the time value of money is material. Unwinding of the discount and the effect of a change in the discount rate is included in interest expense in the period. When a decommissioning provision is set up, a tangible fixed asset of the same amount is also recognized and is subsequently depreciated as part of the capital costs of the facilities. Under US GAAP (i) environmental liabilities are discounted only where the timing and amounts of payments are fixed and reliably determinable and (ii) provisions for decommissioning are provided on a unit-of-production basis over field lives; there is no corresponding tangible fixed asset.

The adjustments to profit for the year and to BP shareholders' interest to accord with US GAAP are summarized below.

Increase (decrease) in caption heading	Years ended Dec	
	2002	2001

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(\$ million)

Replacement cost of sales.....	334	523
Interest expense.....	(212)	(238)
Taxation.....	(130)	(103)
Profit for the year.....	8	(182)
	=====	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 50 -- US generally accepted accounting principles (continued)

(e) Provisions (concluded)

	At December 31,	
	2002	2001
	-----	-----
	(\$ million)	
Tangible assets.....	(1,297)	(78)
Provisions.....	412	78
Deferred taxation.....	(621)	(51)
BP shareholders' interest.....	(1,088)	(1,05)
	=====	=====

(f) Impairment

Both UK and US GAAP require that long-lived assets and certain identifiable intangibles to be held and used by an entity be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. US GAAP requires, in performing the review for recoverability, the entity to estimate the future cash flows expected to result from the use of the asset and its eventual disposition. If the sum of the expected future cash flows (undiscounted and without interest charges) is less than the carrying amount of the asset, an impairment loss is recognized. Otherwise, no impairment loss is recognized. Measurement of an impairment loss for long-lived assets and identifiable intangibles that an entity expects to hold and use is based on the fair value of the assets.

For UK GAAP to the extent that the carrying amount exceeds the recoverable amount, that is the higher of net realizable value and value in use (fair value) the fixed asset is written down to its recoverable amount.

UK GAAP permits assets and liabilities acquired on a business combination to be revised in the year following that in which the acquisition was made. US GAAP does not permit such adjustments.

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In 2001 a revision of \$911 million to the previously reported fair values for tangible fixed assets relating to the 2000 acquisition of ARCO under UK GAAP has been reflected as a charge for impairment under US GAAP.

The adjustments to profit for the year to accord with US GAAP are shown below. There is no impact on BP shareholders' interest. The consequential Balance Sheet adjustments are reflected in (d) Deferred taxation/Business combinations and (h) Goodwill and intangible assets.

Increase (decrease) in caption heading	Years ended Dec	
	2002	2001
		(\$ milli
Replacement cost of sales.....	--	1,150
Taxation.....	--	(239
Profit for the year.....	--	(911
	=====	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 50 -- US generally accepted accounting principles (continued)

(g) Sale and leaseback

The sale and leaseback of an office building in Chicago, Illinois in 1998 was treated as a sale for UK GAAP whereas for US GAAP it was treated as a financing transaction.

A provision was recognized under UK GAAP in 1999 to cover the likely shortfall on rental income from subletting the Chicago office building. As the original sale and leaseback was not treated as a sale for US GAAP the provision has been reversed for US GAAP. A further provision has been recognized in 2002 under UK GAAP, which has also been reversed for US GAAP.

Under UK GAAP the profit arising on the sale and operating leaseback of certain railcars in 1999 was taken to income in the period in which the transaction occurs. Under US GAAP this profit was not recognized immediately but amortized over the term of the operating lease.

The adjustments to profit for the year and BP shareholders' interest to accord with US GAAP are summarized below.

Increase (decrease) in caption heading	Years ended December 31,		
	2002	2001	2000

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(\$ million)

Replacement cost of sales.....	(40)	51	
Taxation.....	16	(15)	
Profit for the year.....	24	(36)	
	=====	=====	=====

		At December	

		2002	---
		-----	---
		(\$ million)	
Tangible assets.....		161	
Other accounts payable and accrued liabilities.....		27	
Provisions.....		(117)	
Finance debt.....		413	
Deferred taxation.....		(56)	
BP shareholders' interest.....		(106)	
		=====	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 50 -- US generally accepted accounting principles (continued)

(h) Goodwill and intangible assets

Various differences in the basis for determining goodwill between UK and US GAAP result in goodwill for US GAAP reporting differing from the amount recognised under UK GAAP.

On January 1, 2002 the Group adopted Statement of Financial Accounting Standards No. 142 'Goodwill and Other Intangible Assets' (SFAS 142) for US GAAP reporting. This standard eliminates the requirement to amortize goodwill and indefinite lived intangible assets. Rather, such assets are subject to periodic impairment testing. Intangible assets that are not deemed to have an indefinite life continue to be amortized over their estimated useful lives. Amortization of goodwill charged to income under UK GAAP has been reversed for US GAAP.

The adjustments to profit for the year and to BP shareholders' interest to accord with US GAAP are summarized below.

Increase (decrease) in caption heading		Years ended December 31	
		-----	-----
		2002	2001
		-----	-----

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		(\$ million)	
Replacement cost of sales.....	(1,302)	(60)	
Taxation.....	--	--	
Profit for the year.....	1,302	60	
	=====	=====	=====

	At December	

	2002	

	(\$ million)	
Intangible assets.....	(84)	(
Deferred taxation.....	--)
BP shareholders' interest.....	(84)	(
	=====	=

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 50 -- US generally accepted accounting principles (continued)

(h) Goodwill and intangible assets (continued)

Profit for the year, as adjusted to accord with US GAAP, to exclude amortization of goodwill no longer being amortized pursuant to SFAS 142 is shown below.

	Year ended	
	December 31,	

	2002	

	(\$ million)	
Profit for the year applicable to ordinary shares as adjusted to accord with US GAAP, as reported.....	4,162	10,
Add back goodwill amortization.....	1,228	---
Profit for the year as adjusted to accord with US GAAP, as adjusted.....	5,390	10,
	-----	---
Per ordinary share-- cents		
Basic-- as reported.....	18.55	47
Adjustment.....	5.47	3
Basic-- as adjusted.....	24.02	50
	-----	---
Diluted-- as reported.....	18.44	46
Adjustment.....	5.44	3

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Diluted-- as adjusted.....	23.88	50
Per American Depositary Share -- cents		
Basic-- as reported.....	111.30	282
Adjustment.....	32.82	21
Basic-- as adjusted.....	144.12	304
Diluted-- as reported.....	110.64	280
Adjustment.....	32.64	21
Diluted-- as adjusted.....	143.28	302

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 50 -- US generally accepted accounting principles (continued)

(h) Goodwill and intangible assets (concluded)

Changes to exploration expenditure, goodwill and other intangible assets, as adjusted to accord with US GAAP, during the year ended December 31, 2002 are shown below.

	Exploration expenditure	Goodwill	Oth intangibl
	-----	-----	-----
	(\$ million)		
Net book amount			
At January 1, 2002.....	5,334	9,453	5
Amortization expense.....	(385)	--	(1
Acquisitions.....	--	545	
Other movements.....	(5)	356	
	-----	-----	---
At December 31, 2002.....	4,944	10,354	4
	=====	=====	====

Amortization expense relating to other intangibles is expected to be in the range \$100-\$200 million in each of the succeeding five years.

During the second quarter of 2002 the Group completed a goodwill impairment review using the two-step process prescribed in SFAS 142. The first step includes a comparison of the fair value of a reporting unit to its carrying value, including goodwill. Where the carrying value exceeds the fair value, the goodwill of the reporting unit is potentially impaired and the second step is then completed in order to measure the impairment loss, if any. No impairment charge resulted from this review.

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(i) Derivative financial instruments and hedging activities

On January 1, 2001 the Group adopted Statement of Financial Accounting Standards No. 133 'Accounting for Derivative Instruments and Hedging Activities' (SFAS 133) as amended by Statement Nos. 137 and 138, for US GAAP reporting.

SFAS 133, as amended, requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives are recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge transaction and, if it is, the type of hedge transaction. To the extent certain criteria are met, SFAS 133 permits, but does not require, hedge accounting.

In the normal course of business the Group is a party to derivative financial instruments 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.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 50 -- US generally accepted accounting principles (continued)

(i) Derivative financial instruments and hedging activities (concluded)

All oil price derivatives and all derivatives held for trading are carried on the Group's balance sheet at fair value with changes in that value recognized in earnings of the period for both UK and US GAAP. Certain financial derivatives used to manage foreign currency and interest rate risk that qualify for hedge accounting under UK GAAP are marked-to-market under SFAS 133. For these derivatives, the cumulative effect of adopting SFAS 133 resulted in a pre-tax charge to income, as adjusted to accord with US GAAP, of \$27 million (\$18 million after tax). Under US GAAP the fair values of derivative financial instruments are shown as current assets and liabilities as appropriate.

The Group has a number of long-term natural gas contracts which have been in place for many years. The pricing structure for those contracts is not directly related to the market price of natural gas but to the price of other commodities or indices, such as fuel oil or consumer price indices. On the basis of SFAS 133 Implementation Issue C11, these contracts have been marked to market with effect from July 1, 2001.

In October 2002, the FASB Emerging Issues Task Force (EITF) reached a consensus with regards to EITF Issue No. 02-3, 'Issues Involved in Accounting for Contracts Under EITF Issue No. 98-10 'Accounting for Contracts Involved in Energy Trading and Risk Management Activities'' (EITF 02-3). Under this consensus trading inventories should be recorded on the balance sheet at historical cost. The Group marks trading inventories to market at the balance sheet date. Thus a UK/US GAAP difference arises which impacts both profit for the year and BP shareholders' interest due to the difference in inventory valuations.

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The adjustments to profit for the year and to BP shareholders' interest to accord with US GAAP are summarized below.

Increase (decrease) in caption heading	Years ended December 31	
	2002	2001
		(\$ million)
Replacement cost of sales.....	(842)	481
Taxation.....	302	(168)
Profit for the year before cumulative effect of accounting change.....	540	(313)
Cumulative effect of accounting change, net of taxation.....	--	(362)
Profit for the year.....	540	(675)

	At December	
	2002	
		(\$ million)
Inventories.....		(209)
Accounts payable and accrued liabilities.....		(13)
Deferred taxation.....		(61)
BP shareholders' interest.....		(135)

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 50 -- US generally accepted accounting principles (continued)

(j) Gain arising on asset exchange

For UK GAAP the transaction with Solvay in 2001, which led to the exchange of businesses for an interest in a joint venture and an associated undertaking, has been treated as an asset swap which does not give rise to a gain or loss. Under US GAAP the transaction has been treated as a disposal and acquisition at fair value which gives rise to a pre-tax gain on disposal of \$242 million (\$157 million after tax).

The adjustments to profit for the year and to BP shareholders' interest to accord with US GAAP are summarized below.

Increase (decrease) in caption heading	Years ended December 31
--	-------------------------

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	2002	2001
		(\$ million)
Profit (loss) on sale of fixed assets and businesses or termination of operations.....	--	242
Replacement cost of sales.....	27	--
Taxation.....	(9)	85
Profit for the year.....	(18)	157
	=====	=====

	At December
	2002
	(\$ million)
Intangible assets.....	167
Accounts payable and accrued liabilities.....	(52)
Deferred taxation.....	77
BP shareholders' interest.....	142
	=====

(k) Ordinary shares held for future awards to employees

Under UK GAAP, Company shares held by an Employee Share Ownership Plan to meet future requirements of employee share schemes are recorded in the balance sheet as Fixed assets -- investments. Under US GAAP, such shares are recorded in the balance sheet as a reduction of shareholders' interest.

The adjustment to BP shareholders' interest to accord with US GAAP is shown below.

	At December
	2002
	(\$ million)
Increase (decrease) in caption heading	
Fixed assets - Investments.....	(159)
BP shareholders' interest.....	(159)
	=====

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(1) Dividends

Under UK GAAP, dividends are recorded in the year in respect of which they are announced or declared by the board of directors to the shareholders. Under US GAAP, dividends are recorded in the period in which dividends are declared.

The adjustment to BP shareholders' interest to accord with US GAAP is shown below.

	At December 31,	
	-----	-----
Increase (decrease) in caption heading	2002	2001
	-----	-----
	(\$ million)	
Other accounts payable and accrued liabilities.....	(1,398)	(1,288)
BP shareholders' interest.....	1,398	1,288
	=====	=====

(m) Investments

Under UK GAAP certain of the Group's equity investments are reported as either fixed asset or current asset investments and carried on the balance sheet at cost subject to review for impairment. For US GAAP these investments are classified as available-for-sale securities. Consequently they are reported at fair value, with unrealized holding gains and losses, net of tax, reported in accumulated other comprehensive income. If a decline in fair value below cost is 'other than temporary' the unrealized loss is accounted for as a realized loss and charged against income.

The adjustment to BP shareholders' interest to accord with US GAAP is shown below.

	At December 31,	
	-----	-----
Increase (decrease) in caption heading	2002	2001
	-----	-----
	(\$ million)	
Fixed assets - investments.....	52	(3)
Deferred taxation.....	18	(1)
BP shareholders' interest.....	34	(2)
	=====	=====

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Note 50 -- US generally accepted accounting principles (continued)

(n) Additional minimum pension liability

Where a pension plan has an unfunded accumulated benefit obligation, US GAAP requires such amount to be recognized as a liability in the balance sheet. The adjustment resulting from the recognition of any such minimum liability, including the elimination of amounts previously recognized as a prepaid benefit cost, is reported as an intangible asset to the extent of unrecognized prior service cost with the remaining amount reported in comprehensive income.

The adjustments to accumulated other comprehensive income (BP shareholders' interest) to accord with US GAAP are summarized below.

	At December 31	
	2002	2001
	(\$ million)	
Increase (decrease) in caption heading		
Intangible assets.....	137	1
Other receivables falling due after more than one year.....	(1,211)	(1,0
Noncurrent liabilities -- accounts payable and accrued liabilities.....	2,459	5
Deferred taxation.....	(1,247)	(5
BP shareholders' interest.....	(2,286)	(9
	=====	=====

(o) Balance sheet

Under USGAAP Trade and Other receivables due after one year of \$6,245 million at December 31, 2002 (\$4,681 million at December 31, 2001), included within current assets, would have been classified as noncurrent assets. Borrowing under US Industrial Revenue/Municipal Bonds of \$1,881 million (\$1,768 million at December 31, 2001) included within Current Liabilities -- falling due within one year would, under US GAAP, have been classified as noncurrent liabilities. The provision for deferred taxation is primarily in respect of noncurrent items.

Note 50 -- US generally accepted accounting principles (continued)

The following is a summary of the adjustments to profit for the year and to BP shareholders' interest which would be required if generally accepted accounting principles in the United States (US GAAP) had been applied instead of those generally accepted in the United Kingdom (UK GAAP).

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These results are stated using the first-in first-out method of inventory valuation.

Profit for the year

	Years ended Dec	
	2002	2001
	(\$ million per share am	
Profit as reported in the consolidated statement of income.....	6,845	6,556
Deferred taxation/business combinations (d).....	(315)	(815)
Provisions (e).....	8	(182)
Impairment (f).....	--	(911)
Sale and leaseback (g).....	24	(36)
Goodwill and intangible assets (h).....	1,302	60
Derivative financial instruments (i).....	540	(313)
Gain arising on asset exchange (j).....	(18)	157
Other.....	11	10
Profit for the year before cumulative effect of accounting change as adjusted to accord with US GAAP.....	8,397	4,526
Cumulative effect of accounting change: Derivative financial instruments (i).....	--	(362)
Profit for the year as adjusted to accord with US GAAP.....	8,397	4,164
Dividend requirements on preference shares.....	2	2
Profit for the year applicable to ordinary shares as adjusted to accord with US GAAP.....	8,395	4,162
Profit for the year as adjusted: Per ordinary share-- cents		
Basic-- before cumulative effect of accounting change.....	37.48	20.16
Cumulative effect of accounting change.....	--	(1.61)
	37.48	18.55
Diluted-- before cumulative effect of accounting change.....	37.30	20.04
Cumulative effect of accounting change.....	--	(1.60)
	37.30	18.44
Per American Depositary Share - cents (ii)		
Basic-- before cumulative effect of accounting change.....	224.88	120.96
Cumulative effect of accounting change.....	--	(9.66)
	224.88	111.30
Diluted-- before cumulative effect of accounting change.....	223.80	120.24
Cumulative effect of accounting change.....	--	(9.60)
	223.80	110.64

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 50 -- US generally accepted accounting principles (continued)

BP shareholders' interest

	December	
	2002	

	(\$ million)	
BP shareholders' interest as reported in the consolidated balance sheet.....	69,409	6
Deferred taxation/business combinations (d).....	(78)	
Provisions (e).....	(1,088)	(
Sale and leaseback (g).....	(106)	
Goodwill and intangible assets (h).....	(84)	(
Derivative financial instruments (i).....	(135)	
Gain arising on asset exchange (j).....	142	
Ordinary shares held for future awards to employees (k).....	(159)	
Dividends (l).....	1,398	
Investments (m).....	34	
Additional minimum pension liability (n).....	(2,286)	
Other.....	(48)	

BP shareholders' interest as adjusted to accord with US GAAP.....	66,999	6
	=====	=

(i) The profit reported under UK GAAP for years ended December 31, 2001 and 2000 has been restated to reflect the adoption of FRS19. Consequently certain of the adjustments in the UK/US GAAP reconciliation have also been restated. Profit and BP Shareholders' interest, as adjusted to accord with US GAAP, are unaffected by the adoption of FRS 19.

(ii) One American Depositary Share is equivalent to six ordinary shares.

Comprehensive income

The components of comprehensive income, net of related tax are as follows:

	Years ended Dec	
	2002	2001
	-----	-----
	(\$ million)	
Profit for the period as adjusted to accord with US GAAP.....	8,397	4,164
Currency translation differences.....	3,333	(828)
Net unrealized gain (loss) on investments.....	36	110
Additional minimum pension liability.....	(1,344)	(797)
	-----	-----

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Comprehensive income..... 10,422
 =====

2,649
 =====

Accumulated other comprehensive income at December 31, 2002 comprised currency translation losses of \$1,377 million (losses \$4,710 million at December 31, 2001), pension liability adjustments of \$2,286 million (\$942 million at December 31, 2001) and net unrealized gains on investments of \$34 million gain (\$2 million loss at December 31, 2001).

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 50 -- US generally accepted accounting principles (continued)

Consolidated statement of cash flows

The Group's financial statements include a consolidated statement of cash flows in accordance with the revised UK Financial Reporting Standard No. 1 (FRS1). The statement prepared under FRS1 presents substantially the same information as that required under FASB Statement of Financial Accounting Standards No. 95 'Statement of Cash Flows' (SFAS 95).

Under FRS1 cash flows are presented for (i) operating activities; (ii) dividends from joint ventures; (iii) dividends from associated undertakings; (iv) servicing of finance and returns on investments; (v) taxation; (vi) capital expenditure and financial investment; (vii) acquisitions and disposals; (viii) dividends; (ix) financing; and (x) management of liquid resources. SFAS 95 only requires presentation of cash flows from operating, investing and financing activities.

Cash flows under FRS1 in respect of dividends from joint ventures and associated undertakings, taxation and servicing of finance and returns on investments are included within operating activities under SFAS 95. Interest paid includes payments in respect of capitalized interest, which under SFAS 95 are included in capital expenditure under investing activities. Cash flows under FRS1 in respect of capital expenditure and acquisitions and disposals are included in investing activities under SFAS 95. Dividends paid are included within financing activities. All short-term investments are regarded as liquid resources for FRS1. Under SFAS 95 short-term investments with original maturities of three months or less are classified as cash equivalents and aggregated with cash in the cash flow statement. Cash flows in respect of short-term investments with original maturities exceeding three months are included in operating activities.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

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Note 50 -- US generally accepted accounting principles (continued)

The statement of consolidated cash flows presented in accordance with SFAS 95 is as follows:

	Years ended Dec	
	2002	2001

	(\$ milli	
Operating activities		
Profit after taxation.....	6,922	6,617
Adjustments to reconcile profit after tax to net cash provided by operating activities		
Depreciation and amounts provided.....	10,401	8,858
Exploration expenditure written off.....	385	238
Share of profits of joint ventures and associated undertakings less dividends received.....	3	(60)
(Profit) loss on sale of businesses and fixed assets.....	(1,166)	(537)
Working capital movement (a).....	(1,416)	1,319
Deferred taxation.....	1,194	1,244
Other.....	(280)	(111)
	-----	-----
Net cash provided by operating activities.....	16,043	17,568
	-----	-----
Investing activities		
Capital expenditures.....	(12,216)	(12,295)
Acquisitions, net of cash acquired.....	(4,324)	(1,210)
Investment in associated undertakings.....	(971)	(586)
Net investment in joint ventures.....	(354)	(497)
Proceeds from disposal of assets.....	6,782	2,903
	-----	-----
Net cash used in investing activities.....	(11,083)	(11,685)
	-----	-----
Financing activities		
Proceeds from shares issued (repurchased).....	(555)	(1,100)
Proceeds from long-term financing.....	3,707	1,296
Repayments of long-term financing.....	(2,369)	(2,602)
Net (decrease) increase in short-term debt.....	(602)	1,434
Dividends paid -- BP shareholders.....	(5,264)	(4,827)
-- Minority shareholders.....	(40)	(54)
	-----	-----
Net cash used in financing activities.....	(5,123)	(5,853)
	-----	-----
Currency translation differences relating to cash and cash equivalents.....	90	(53)
	-----	-----
Increase (decrease) in cash and cash equivalents.....	(73)	(23)
Cash and cash equivalents at beginning of year.....	1,808	1,831
	-----	-----
Cash and cash equivalents at end of year.....	1,735	1,808
	=====	=====

(a) Working capital:		
Inventories (increase) decrease.....	(1,521)	1,490
Receivables (increase) decrease.....	(2,750)	1,905
Current liabilities -- excluding finance debt increase (decrease).....	2,855	(2,076)

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 50 -- US generally accepted accounting principles (continued)

Impact of new US accounting standards

New US accounting standards adopted: The Group has adopted Statement of Financial Accounting Standards No. 141 'Business Combinations' (SFAS 141) for US GAAP reporting with effect from January 1, 2002. Under SFAS 141, the pooling of interest method of accounting is no longer permitted. Also on January 1, 2002 the Group adopted Statement of Financial Accounting Standards No. 144 'Accounting for the Impairment or Disposal of Long-Lived Assets' (SFAS 144). SFAS 144 retains the requirement to recognize an impairment loss only where the carrying value of a long-lived asset is not recoverable from its undiscounted cash flows and to measure such loss as the difference between the carrying amount and fair value of the asset. SFAS 144, among other things, changes the criteria that have to be met in order to classify an asset as held-for-sale and requires that operating losses from discontinued operations be recognized in the period that the losses are incurred rather than as of the measurement date.

The adoption of SFAS 141 and SFAS 144 had no impact on profit, as adjusted to accord with US GAAP, for the year ended December 31, 2002 or on BP shareholders' interest, as adjusted to accord with US GAAP, at December 31, 2002.

Asset retirement obligations: In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 143 'Accounting for Asset Retirement Obligations' (SFAS 143). SFAS 143 requires companies to record liabilities equal to the fair value of their asset retirement obligations when they are incurred (typically when the asset is installed at the production location). When the liability is initially recorded, companies capitalize an equivalent amount as part of the cost of the asset. Over time the liability is accreted for the change in its present value each period, and the initial capitalized cost is depreciated over the useful life of the related asset. SFAS 143 is effective for accounting periods beginning after June 15, 2002.

The cumulative effect of adopting SFAS 143 at January 1, 2003 will result in an after tax credit to income, as adjusted to accord with US GAAP, of approximately \$1,700 million. The effect of adoption also included an increase in total assets, as adjusted to accord with US GAAP, of approximately \$660 million and a reduction in total liabilities, as adjusted to accord with US GAAP, of approximately \$1,040 million. It is expected that there will be an additional charge to profit, adjusted to accord with US GAAP, in the range of \$200 to \$250 million in future periods.

Costs associated with exit or disposal activities: In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146 'Accounting for Costs Associated with Exit or Disposal Activities' (SFAS 146). SFAS 146 requires that a liability for costs associated with an exit or disposal activity be recognized only when the liability is incurred, rather than at the date of an entity's

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commitment to an exit plan. SFAS 146 requires that the liability be initially measured at fair value. SFAS 146 is effective for exit or disposal activities that are initiated after December 31, 2002.

Contracts involved in energy trading activities: In October 2002, the FASB Emerging Issues Task Force (EITF) reached a consensus which rescinded EITF Issue No. 98-10, 'Accounting for Contracts Involved in Energy Trading and Risk Management Activities' (EITF 98-10). As a result of this consensus, all energy-related, non-derivative contracts (such as transportation, storage, tolling, and requirements contracts that do not meet the definition of a derivative) and trading inventories that are accounted for at fair value pursuant to EITF 98-10 will no longer be accounted for at fair value upon application of the consensus. Rather, such contracts will be accounted for as executory contracts on an accruals basis.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 50 -- US generally accepted accounting principles (continued)

The consensus is applicable for all contracts executed after October 25, 2002. Application of the consensus to contracts existing prior to October 26, 2002 is required to be accounted for as a cumulative effect of a change in accounting principle effective for periods beginning after December 15, 2002.

For BP's reporting under UK GAAP, energy-related non-derivative contracts associated with trading activities are marked to market with gains and losses recognized in the income statement.

The cumulative effect of adopting the consensus at January 1, 2003 will result in an after tax credit to income, as adjusted to accord with US GAAP, of approximately \$50 million.

Stock-based compensation: In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148 'Accounting for Stock-Based Compensation - Transition and Disclosure' (SFAS 148). SFAS 148 amends SFAS 123 to permit alternative methods of transition for adopting a fair value based method of accounting for stock-based employee compensation. Under UK GAAP, the Group uses the intrinsic value method to account for stock-based employee compensation.

Guarantees: In November 2002, the FASB issued FASB Interpretation No. 45 'Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others' (Interpretation 45). Interpretation 45 elaborates on existing disclosure requirements for guarantees and clarifies that a guarantor is required to recognize, at the inception of a guarantee, a liability for the fair value of the obligation undertaken in issuing the guarantee. The initial recognition and measurement provisions of Interpretation 45 apply on a prospective basis to guarantees issued or modified after December 31, 2002.

Consolidation: In January 2003, the FASB issued FASB Interpretation No. 46 'Consolidation of Variable Interest Entities' (Interpretation 46). Interpretation 46 clarifies the application of existing consolidation requirements to entities where a controlling financial interest is achieved through arrangements that do not involve voting interests. Under Interpretation 46, a variable interest entity is consolidated if a company is subject to a majority of the risk of loss from the variable interest entity's activities or entitled to receive a majority of the entity's residual returns. Interpretation

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46 applies to variable interest entities created or acquired after January 31, 2003. For variable interest entities existing at January 31, 2003, Interpretation 46 is effective for accounting periods beginning after June 15, 2003.

The Company is currently carrying out the analysis necessary to adopt Interpretation 46 in the third quarter of 2003 for existing entities. The Company does not expect that the adoption of Interpretation 46 will have a significant effect on profit, as adjusted to accord with US GAAP, or BP shareholders' interest, as adjusted to accord with US GAAP.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 50 -- US generally accepted accounting principles (concluded)

Impact of new UK Accounting Standards

Retirement benefits: In December 2000, the UK Accounting Standards Board issued Financial Reporting Standard No. 17 'Retirement Benefits' (FRS 17). This standard was to be fully effective for accounting periods ending on or after June 22, 2003 with certain of the disclosure requirements effective for periods prior to 2003. However, in November 2002, the UK Accounting Standards Board issued an amendment to FRS 17, which defers full adoption until January 1, 2005 although the disclosure requirements apply to periods prior to 2005. FRS 17 requires that financial statements reflect at fair value the assets and liabilities arising from an employer's retirement benefit obligations and any related funding. The operating costs of providing retirement benefits are recognized in the period in which they are earned together with any related finance costs and changes in the value of related assets and liabilities.

The pro forma impact of adopting this standard on pensions and postretirement benefits is shown in Notes 40 and 41 of Notes to Financial Statements.

Impact of International Accounting Standards

In June 2002, the European Union Council of Ministers adopted a Regulation which will require the Group to prepare its primary consolidated financial statements in accordance with International Accounting Standards (IAS) beginning January 1, 2005, with restatement of prior periods presented. IAS differ in several respects from UK and US GAAP. In addition, significant revisions to IAS are currently being contemplated and other revisions may be adopted prior to January 1, 2005. The Group has not determined the effects of adopting IAS.

Note 51 -- Condensed consolidating information on certain US Subsidiaries

BP p.l.c. fully and unconditionally guarantees the payment obligations of its 100% owned subsidiary BP Exploration (Alaska) Inc. under the BP Prudhoe Bay Royalty Trust. The following financial information for BP p.l.c., and BP Exploration (Alaska) Inc. and all other subsidiaries on a condensed consolidating basis is intended to provide investors with meaningful and comparable financial information about BP p.l.c. and its subsidiary issuers of debt securities and is provided pursuant to Rule 3-10 of Regulation S-X in lieu of the separate financial statements of each subsidiary issuer of public debt securities. Investments include the investments in subsidiaries recorded under

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the equity method for the purposes of the condensed consolidating financial information. Equity income of subsidiaries is the Group's share of replacement cost operating profit related to such investments. The eliminations and reclassifications column includes the necessary amounts to eliminate the intercompany balances and transactions between BP p.l.c., BP Exploration (Alaska) Inc. and other subsidiaries.

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 51 -- Condensed consolidating information on certain US Subsidiaries (continued)

Income statement

	Issuer ----- BP Exploration (Alaska) Inc -----	Guarantor ----- BP p.l.c. -----	Other subsidiaries ----- (\$ million)	Elimi reclassifi -----
Year ended December 31, 2002				
Turnover.....	2,356	--	180,122	
Less: Joint ventures.....	--	--	1,465	
	-----	-----	-----	
Group turnover.....	2,356	--	178,657	
Replacement cost of sales.....	1,459	--	156,516	
Production taxes.....	199	--	1,075	
	-----	-----	-----	
Gross profit.....	698	--	21,066	
Distribution and administration expenses.....	12	997	11,623	
Exploration expense.....	18	--	610	
	-----	-----	-----	
Other income.....	668	(997)	8,833	
	31	752	446	
	-----	-----	-----	
Group replacement cost operating profit.....	699	(245)	9,279	
Share of profits of joint ventures.....	--	--	346	
Share of profits of associated undertakings.....	--	--	616	
Equity-accounted income of subsidiaries.....	283	10,847	--	
	-----	-----	-----	
Total replacement cost operating profit.....	982	10,602	10,241	
Profit (loss) on sale of businesses or termination of operations.....	--	2,686	2,606	
Profit (loss) on sale of fixed assets.....	(4)	(601)	(622)	
	-----	-----	-----	
Replacement cost profit before interest and tax.....	978	12,687	12,225	

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Inventory holding gains (losses).....	9	1,129	1,129
	-----	-----	-----
Historical cost profit			
before interest and tax.....	987	13,816	13,354
Interest expense.....	93	1,712	1,602
	-----	-----	-----
Profit before taxation.....	894	12,104	11,752
Taxation.....	344	4,342	4,065
	-----	-----	-----
Profit after taxation.....	550	7,762	7,687
Minority shareholders' interest.....	--	--	77
	-----	-----	-----
Profit for the year.....	550	7,762	7,610
	=====	=====	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 51 -- Condensed consolidating information on certain US Subsidiaries (continued)

Income statement (continued)

The following is a summary of the adjustments to the profit for the period which would be required if generally accepted accounting principles in the United States (US GAAP) had been applied instead of those generally accepted in the United Kingdom.

	Issuer	Guarantor		Elimi
	-----	-----		-----
	BP		Other	
	Exploration	BP p.l.c.	subsidiaries	reclassifi
	(Alaska) Inc			
	-----	-----	-----	-----
			(\$ million)	
Year ended December 31, 2002				
Profit as reported.....	550	7,762	7,610	
Adjustments:				
Deferred taxation/business				
combinations.....	(129)	(315)	(232)	
Provisions.....	(1)	8	9	
Sale and leaseback.....	--	24	24	
Goodwill.....	--	1,302	1,302	
Derivative financial instruments.....	(50)	540	540	
Gain arising on asset exchange.....	--	(18)	(18)	
Other.....	--	11	11	
	-----	-----	-----	
Profit for the year as adjusted to				
accord with US GAAP.....	370	9,314	9,246	
	=====	=====	=====	

BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 51 -- Condensed consolidating information on certain US Subsidiaries
(continued)

Income statement (continued)

	Issuer ----- BP Exploration (Alaska) Inc -----	Guarantor ----- BP p.l.c. -----	Other subsidiaries ----- (\$ million)	Elimi reclassifi -----
Year ended December 31, 2001				
Turnover.....	1,919	--	175,389	
Less: Joint ventures.....	--	--	1,171	
	-----	-----	-----	
Group turnover.....	1,919	--	174,218	
Replacement cost of sales.....	971	--	148,077	
Production taxes.....	192	--	1,497	
	-----	-----	-----	
Gross profit.....	756	--	24,644	
Distribution and administration expenses.....	5	846	10,067	
Exploration expense.....	55	--	425	
	-----	-----	-----	
Other income.....	696	(846)	14,152	
	1	1,365	668	
	-----	-----	-----	
Group replacement cost operating profit.....	697	519	14,820	
Share of profits of joint ventures.....	--	--	443	
Share of profits of associated undertakings.....	--	--	760	
Equity-accounted income of subsidiaries.....	552	16,665	--	
	-----	-----	-----	
Total replacement cost operating profit.....	1,249	17,184	16,023	
Profit (loss) on sale of businesses or termination of operations.....	--	(68)	--	
Profit (loss) on sale of fixed assets.....	1	601	758	
	-----	-----	-----	
Replacement cost profit before interest and tax.....	1,250	17,717	16,781	
Inventory holding gains (losses).....	(11)	(1,900)	(1,900)	
	-----	-----	-----	
Historical cost profit before interest and tax.....	1,239	15,817	14,881	

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Interest expense.....	101	2,886	2,901
	-----	-----	-----
Profit before taxation.....	1,138	12,931	11,980
Taxation.....	478	6,375	6,285
	-----	-----	-----
Profit after taxation.....	660	6,556	5,695
Minority shareholders' interest.....	--	--	61
	-----	-----	-----
Profit for the year.....	660	6,556	5,634
	=====	=====	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (continued)

Note 51 -- Condensed consolidating information on certain US Subsidiaries (continued)

Income statement (continued)

The following is a summary of the adjustments to the profit for the period which would be required if generally accepted accounting principles in the United States (US GAAP) had been applied instead of those generally accepted in the United Kingdom.

	Issuer ----- BP Exploration (Alaska) Inc -----	Guarantor ----- BP p.l.c. -----	Other subsidaries ----- (\$ million)	Elimi reclassifi -----
Year ended December 31, 2001				
Profit as reported.....	660	6,556	5,634	
Adjustments:				
Deferred taxation/business combinations.....	(60)	(815)	(850)	
Provisions.....	(5)	(182)	(179)	
Impairment.....	--	(911)	(911)	
Sale and leaseback.....	--	(36)	(36)	
Goodwill.....	--	60	60	
Derivative financial instruments.....	--	(313)	(313)	
Gain arising on asset exchange.....	--	157	157	
Other.....	--	10	10	
	-----	-----	-----	
Profit for the year before cumulative effect of accounting change as adjusted to accord with US GAAP.....	595	4,526	3,572	
Cumulative effect of accounting change:				
Derivative financial instruments.....	--	(362)	(362)	
	-----	-----	-----	

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Profit for the year as adjusted to accord with US GAAP.....	595	4,164	3,210
	=====	=====	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Continued)

Note 51 -- Condensed consolidating information on certain US Subsidiaries
(continued)

Income statement (continued)

	Issuer	Guarantor		Elimi
	-----	-----		-----
	BP		Other	
	Exploration	BP p.l.c.	subsidiaries	reclassifi
	(Alaska) Inc			
	-----	-----	-----	-----
			(\$ million)	
Year ended December 31, 2000				
Turnover.....	2,665	--	161,826	
Less: Joint ventures.....	--	--	13,764	
	-----	-----	-----	
Group turnover.....	2,665	--	148,062	
Replacement cost of sales.....	1,126	--	122,443	
Production taxes.....	276	--	1,785	
	-----	-----	-----	
Gross profit.....	1,263	--	23,834	
Distribution and administration expenses.....	25	603	8,703	
Exploration expense.....	26	--	573	
	-----	-----	-----	
Other income.....	1,212	(603)	14,558	
	(12)	545	811	
	-----	-----	-----	
Group replacement cost operating profit.....	1,200	(58)	15,369	
Share of profits of joint ventures.....	--	--	808	
Share of profits of associated undertakings.....	--	--	792	
Equity-accounted income of subsidiaries.....	282	18,081	--	
	-----	-----	-----	
Total replacement cost operating profit.....	1,482	18,023	16,969	
Profit (loss) on sale of businesses or termination of operations.....	--	26,049	(90)	
Profit (loss) on sale of fixed assets.....	(1)	88	92	
	-----	-----	-----	
Replacement cost profit before interest and tax.....	1,481	44,160	16,971	
Inventory holding gains (losses).....	(6)	728	728	
	-----	-----	-----	

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Historical cost profit			
before interest and tax.....	1,475	44,888	17,699
Interest expense.....	22	2,203	2,217
	-----	-----	-----
Profit before taxation.....	1,453	42,685	15,482
Taxation.....	659	6,648	6,220
	-----	-----	-----
Profit after taxation.....	794	36,037	9,262
Minority shareholders' interest.....	--	--	89
	-----	-----	-----
Profit for the year.....	794	36,037	9,173
	=====	=====	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (continued)

Note 51 -- Condensed consolidating information on certain US Subsidiaries (continued)

Income statement (concluded)

The following is a summary of the adjustments to the profit for the period which would be required if generally accepted accounting principles in the United States (US GAAP) had been applied instead of those generally accepted in the United Kingdom.

	Issuer	Guarantor		Elimi
	-----	-----		-----
	BP		Other	
	Exploration	BP p.l.c.	subsidiaries	reclassifi
	(Alaska) Inc			
	-----	-----	-----	-----
			(\$ million)	
Year ended December 31, 2000				
Profit as reported.....	794	36,037	9,173	
Adjustments:				
Deferred taxation/business combinations.....	60	71	100	
Provisions.....	(18)	(68)	(50)	
Sale and leaseback.....	--	(34)	(34)	
Goodwill.....	--	43	43	
Other.....	--	51	51	
	-----	-----	-----	
Profit for the year as adjusted to accord with US GAAP.....	836	36,100	9,283	
	=====	=====	=====	

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (continued)

Note 51 -- Condensed consolidating information on certain US Subsidiaries
(continued)

Balance sheet

	Issuer ----- BP Exploration (Alaska) Inc -----	Guarantor ----- BP p.l.c. -----	Other subsidaries ----- (\$ million)	Elimi reclassifi -----
At December 31, 2002				
Fixed assets				
Intangible assets.....	427	--	15,139	
Tangible assets.....	6,405	--	81,277	
Investments				
Joint ventures.....	--	--	4,031	
Associated undertakings.....	--	3	4,623	
Other.....	--	159	1,995	
Subsidiaries - equity accounted basis.....	2,561	91,939	--	
	----- 2,561	----- 92,101	----- 10,649	
Total fixed assets.....	----- 9,393	----- 92,101	----- 107,065	
Current assets				
Inventories.....	102	--	10,079	
Receivables - amounts falling due:				
Within one year.....	215	1,892	36,700	
After more than one year.....	17,954	11,689	14,322	
Investments.....	--	--	215	
Cash at bank and in hand.....	(11)	1	1,530	
	----- 18,260	----- 13,582	----- 62,846	
Current liabilities - amounts falling due within one year				
Finance debt.....	1,768	--	10,031	
Other payables.....	1,129	9,906	35,369	
	----- 15,363	----- 3,676	----- 17,446	
Net current assets (liabilities).....	----- 15,363	----- 3,676	----- 17,446	
Total assets less current liabilities.....	----- 24,756	----- 95,777	----- 124,511	
Noncurrent liabilities				
Finance debt.....	--	--	11,922	
Other payables.....	10,586	98	30,491	
Provisions for liabilities and charges				
Deferred taxation.....	1,686	--	11,828	
Other.....	489	142	13,255	
	----- 11,995	----- 95,537	----- 57,015	
Net assets.....	----- 11,995	----- 95,537	----- 57,015	

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Minority shareholders' interest - equity.....	--	--	638
	-----	-----	-----
BP Shareholders' interest.....	11,995	95,537	56,377
	=====	=====	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (continued)

Note 51 -- Condensed consolidating information on certain US Subsidiaries (continued)

Balance sheet (continued)

	Issuer ----- BP Exploration (Alaska) Inc -----	Guarantor ----- BP p.l.c. -----	Other subsidiaries -----	Elimi reclassifi -----
			(\$ million)	
At December 31, 2002				
Capital and reserves				
Capital shares.....	1,903	5,616	--	
Paid in surplus.....	3,145	4,243	--	
Merger reserve.....	--	26,336	697	
Other reserves.....	--	173	--	
Retained earnings.....	6,947	59,169	55,680	
	-----	-----	-----	
	11,995	95,537	56,377	
	=====	=====	=====	

The following is a summary of the adjustments to BP shareholders' interest which would be required if generally accepted accounting principles in the United States (US GAAP) had been applied instead of those generally accepted in the United Kingdom.

	Issuer ----- BP Exploration (Alaska) Inc -----	Guarantor ----- BP p.l.c. -----	Other subsidiaries -----	Elimi reclassifi -----
			(\$ million)	
BP Shareholders' interest as reported.....	11,995	95,537	56,377	
Adjustments:				
Deferred taxation/ business combinations.....	74	(78)	(152)	

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Provisions.....	(190)	(1,088)	(902)
Sale and leaseback.....	--	(106)	(106)
Goodwill.....	--	(84)	(84)
Derivative financial instruments.....	50	(135)	(135)
Gain arising on asset exchange.....	--	142	142
Ordinary shares held for future awards to employees.....	--	(159)	--
Dividends.....	--	1,398	--
Investments.....	--	34	34
Additional minimum pension liability.....	--	(2,286)	(2,286)
Other.....	--	(48)	(48)
	-----	-----	-----
BP Shareholders' interest as adjusted to accord with US GAAP.....	11,929	93,127	52,840
	=====	=====	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (continued)

Note 51 -- Condensed consolidating information on certain US Subsidiaries
(continued)

Balance sheet (continued)

	Issuer ----- BP Exploration (Alaska) Inc -----	Guarantor ----- BP p.l.c. -----	Other subsidiaries ----- (\$ million)	Elimi reclassifi -----
At December 31, 2001				
Fixed assets				
Intangible assets.....	489	--	16,000	
Tangible assets.....	6,418	--	70,992	
Investments				
Joint ventures.....	--	--	3,861	
Associated undertakings.....	--	3	5,430	
Other.....	--	266	2,403	
Subsidiaries - equity accounted basis.....	1,846	76,877	--	
	----- 1,846	----- 77,146	----- 11,694	
Total fixed assets.....	----- 8,753	----- 77,146	----- 98,686	
Current assets				
Inventories.....	92	--	7,539	
Receivables - amounts falling due:				
Within one year.....	132	2,700	26,378	
After more than one year.....	15,201	18,572	15,480	

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Investments.....	--	--	450
Cash at bank and in hand.....	(29)	3	1,384
	-----	-----	-----
	15,396	21,275	51,231
	-----	-----	-----
Current liabilities - amounts falling due within one year			
Finance debt.....	406	--	9,035
Other payables.....	260	7,642	27,797
	-----	-----	-----
Net current assets (liabilities).....	14,730	13,633	14,399
	-----	-----	-----
Total assets less current liabilities.....	23,483	90,779	113,085
Noncurrent liabilities			
Finance debt.....	--	--	12,327
Other payables.....	10,795	191	36,433
Provisions for liabilities and charges			
Deferred taxation.....	1,668	--	11,702
Other.....	392	216	10,879
	-----	-----	-----
Net assets.....	10,628	90,372	41,744
Minority shareholders' interest - equity.....	--	--	598
	-----	-----	-----
BP Shareholders' interest.....	10,628	90,372	41,146
	=====	=====	=====

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (continued)

Note 51 -- Condensed consolidating information on certain US Subsidiaries
(continued)

Balance sheet (concluded)

	Issuer	Guarantor		Elimi
	-----	-----		-----
	BP		Other	
	Exploration	BP p.l.c.	subsidiaries	reclassifi
	(Alaska) Inc	-----	-----	-----

			(\$ million)	
At December 31, 2001				
Capital and reserves				
Capital shares.....	1,050	5,629	--	
Paid in surplus.....	3,145	4,014	--	
Merger reserve.....	--	26,286	697	
Other reserves.....	--	223	--	
Retained earnings.....	6,433	54,220	40,449	
	-----	-----	-----	

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10,628 90,372 41,146
 ===== ===== =====

The following is a summary of the adjustments to BP shareholders' interest which would be required if generally accepted accounting principles in the United States (US GAAP) had been applied instead of those generally accepted in the United Kingdom.

	Issuer ----- BP Exploration (Alaska) Inc -----	Guarantor ----- BP p.l.c. -----	Other subsidiaries ----- (\$ million)	Elimi reclassifi -----
BP shareholders' interest as reported.....	10,628	90,372	41,146	
Adjustments:				
Deferred taxation/				
business combinations.....	203	243	86	
Provisions.....	(186)	(1,054)	(869)	
Sale and leaseback.....	--	(134)	(134)	
Goodwill.....	--	(1,414)	(1,414)	
Derivative financial instruments.....	--	(675)	(675)	
Gain arising on asset exchange.....	--	157	157	
Ordinary shares held for future				
awards to employees.....	--	(266)	--	
Dividends.....	--	1,288	--	
Investments.....	--	(2)	(2)	
Additional minimum pension				
liability.....	--	(942)	(942)	
Other.....	--	(40)	(40)	
BP shareholders' interest as				
adjusted to accord with US GAAP.....	10,645	87,533	37,313	
	=====	=====	=====	

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (continued)

Note 51 -- Condensed consolidating information on certain US Subsidiaries (continued)

Cash flow statement

Issuer ----- BP	Guarantor -----	Elimi
-----------------------	--------------------	-------

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	Exploration (Alaska) Inc -----	BP p.l.c. -----	Other subsidiaries ----- (\$ million)	reclassifi -----
Year ended December 31, 2002				
Net cash inflow (outflow) from				
operating activities.....	1,357	9,108	13,308	
Dividends from joint ventures.....	--	--	198	
Dividends from associated				
undertakings.....	--	--	368	
Dividends from subsidiaries.....	26	761	--	
Net cash inflow (outflow) from servicing				
of finance and returns on investments.....	(28)	235	(1,118)	
Tax paid.....	(75)	(2)	(3,017)	
Net cash inflow (outflow) for capital				
expenditure and financial investment.....	(1,097)	151	(8,700)	
Net cash outflow for acquisitions				
and disposals.....	--	(4,431)	(1,337)	
Equity dividends paid.....	--	(5,264)	(787)	
	-----	-----	-----	
Net cash inflow (outflow).....	183	558	(1,085)	
	=====	=====	=====	
Financing.....	165	560	(906)	
Management of liquid resources.....	--	--	(220)	
Increase (decrease) in cash.....	18	(2)	41	
	-----	-----	-----	
	183	558	(1,085)	
	=====	=====	=====	

The consolidated statement of cash flows presented in accordance with SFAS 95 is as follows

	Issuer -----	Guarantor -----		Elimi -----
	BP Exploration (Alaska) Inc -----	BP p.l.c. -----	Other subsidiaries ----- (\$ million)	reclassifi -----
Net cash provided by (used in)				
operating activities.....	1,307	10,102	9,753	
Net cash provided by (used in)				
investing activities.....	(1,097)	(4,279)	(10,052)	
Net cash provided by (used in)				
financing activities.....	(192)	(5,825)	120	
Currency translation differences relating				
to cash and cash equivalents.....	--	--	90	
	-----	-----	-----	
Increase (decrease) in cash and				
cash equivalents.....	18	(2)	(89)	
Cash and cash equivalents				
at beginning of year.....	(29)	3	1,834	
	-----	-----	-----	
Cash and cash equivalents				
at end of year.....	(11)	1	1,745	
	=====	=====	=====	

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (continued)

Note 51 -- Condensed consolidating information on certain US Subsidiaries
(continued)

Cash flow statement (continued)

	Issuer -----	Guarantor -----		Elimi -----
	BP Exploration (Alaska) Inc -----	BP p.l.c. -----	Other subsidiaries -----	reclassifi -----
			(\$ million)	
Year ended December 31, 2001				
Net cash inflow (outflow) from				
operating activities.....	956	6,199	18,249	
Dividends from joint ventures.....	--	--	104	
Dividends from associated				
undertakings.....	--	--	528	
Dividends from subsidiaries.....	--	1,537	--	
Net cash inflow (outflow) from servicing				
of finance and returns on investments.....	--	1,218	(2,166)	
Tax paid.....	(345)	(1)	(4,314)	
Net cash inflow (outflow) for capital				
expenditure and financial investment.....	(1,870)	(33)	(7,946)	
Net cash outflow for acquisitions				
and disposals.....	--	(2,995)	(1,755)	
Equity dividends paid.....	--	(4,827)	(1,537)	
	-----	-----	-----	
Net cash inflow (outflow).....	(1,259)	1,098	1,163	
	=====	=====	=====	
Financing.....	(1,262)	1,097	1,137	
Management of liquid resources.....	--	--	(211)	
Increase in cash.....	3	1	237	
	-----	-----	-----	
	(1,259)	1,098	1,163	
	=====	=====	=====	

The consolidated statement of cash flows presented in accordance with SFAS 95 is as follows

	Issuer -----	Guarantor -----		Elimi -----
	BP Exploration		Other	

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	(Alaska) Inc -----	BP p.l.c. -----	subsidiaries -----	reclassifi -----
			(\$ million)	
Net cash provided by (used in)				
operating activities.....	611	8,953	12,401	
Net cash provided by (used in)				
investing activities.....	(1,870)	(3,028)	(9,701)	
Net cash provided by (used in)				
financing activities.....	1,262	(5,924)	(2,674)	
Currency translation differences relating				
to cash and cash equivalents.....	--	--	(53)	
	-----	-----	-----	
Increase (decrease) in cash and				
cash equivalents.....	3	1	(27)	
Cash and cash equivalents				
at beginning of year.....	(32)	2	1,861	
	-----	-----	-----	
Cash and cash equivalents				
at end of year.....	(29)	3	1,834	
	=====	=====	=====	

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BP p.l.c. AND SUBSIDIARIES

NOTES TO FINANCIAL STATEMENTS (Concluded)

Note 51 -- Condensed consolidating information on certain US Subsidiaries (concluded)

Cash flow statement (concluded)

	Issuer -----	Guarantor -----		Elimi -----
	BP Exploration (Alaska) Inc -----	BP p.l.c. -----	Other subsidiaries -----	reclassifi -----
			(\$ million)	
Year ended December 31, 2000				
Net cash inflow (outflow) from				
operating activities.....	1,683	(12,830)	7,958	
Dividends from joint ventures.....	--	--	645	
Dividends from associated				
undertakings.....	--	--	394	
Dividends from subsidiaries.....	--	793	--	
Net cash inflow (outflow) from servicing				
of finance and returns on investments.....	(1)	431	(1,322)	
Tax paid.....	(754)	5	(5,449)	
Net cash inflow (outflow) for capital				
expenditure and financial investment.....	(552)	(64)	(6,456)	
Net cash outflow for acquisitions				

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and disposals.....	45	18,118	6,307
Equity dividends paid.....	--	(4,415)	(793)
	-----	-----	-----
Net cash inflow (outflow).....	421	2,038	1,284
	=====	=====	=====
Financing.....	435	2,039	939
Management of liquid resources.....	--	--	452
Decrease in cash.....	(14)	(1)	(107)
	-----	-----	-----
	421	2,038	1,284
	=====	=====	=====

The consolidated statement of cash flows presented in accordance with SFAS 95 is as follows

	Issuer	Guarantor		Elimi
	-----	-----		-----
	BP		Other	reclassifi
	Exploration	BP p.l.c.	subsidiaries	-----
	(Alaska) Inc	-----	-----	-----
	-----		(\$ million)	
Net cash provided by (used in)				
operating activities.....	928	(11,601)	2,322	
Net cash provided by (used in)				
investing activities.....	(507)	18,054	(149)	
Net cash provided by (used in)				
financing activities.....	(435)	(6,454)	(1,732)	
Currency translation differences relating				
to cash and cash equivalents.....	--	--	(50)	
	-----	-----	-----	
Increase (decrease) in cash and				
cash equivalents.....	(14)	(1)	391	
Cash and cash equivalents				
at beginning of year.....	(18)	3	1,470	
	-----	-----	-----	
Cash and cash equivalents				
at end of year.....	(32)	2	1,861	
	=====	=====	=====	

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BP p.l.c. AND SUBSIDIARIES

SUPPLEMENTARY OIL AND GAS INFORMATION
(Unaudited)

The following tables show estimates of the Group's net proved reserves of crude oil and natural gas at December 31, 2002, 2001 and 2000.

Movements in estimated net proved reserves of crude oil (a)

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	UK	Rest of Europe	USA	Rest of World
	-----	-----	-----	-----
		(millions of barrels)		
2002				
Subsidiary undertakings				
At January 1				
Developed.....	1,008	269	2,195	836
Undeveloped.....	317	112	1,394	1,086
	-----	-----	-----	-----
	1,325	381	3,589	1,922
	-----	-----	-----	-----
Changes attributable to:				
Revisions of previous estimates.....	(58)	--	(33)	62
Purchases of reserves-in-place.....	8	2	--	217
Extensions, discoveries and other additions.....	9	--	199	649
Improved recovery.....	19	4	60	49
Production.....	(168)	(38)	(254)	(159)
Sales of reserves-in-place.....	(8)	--	--	(15)
	-----	-----	-----	-----
	(198)	(32)	(28)	803
	-----	-----	-----	-----
At December 31				
Developed.....	858	250	2,225	1,002
Undeveloped.....	269	99	1,336	1,723
	-----	-----	-----	-----
	1,127	349	3,561	2,725
	=====	=====	=====	=====
Equity-accounted entities (BP share)				
At January 1				
Developed.....	5	--	--	977
Undeveloped.....	--	--	--	177
	-----	-----	-----	-----
	5	--	--	1,154
	-----	-----	-----	-----
Changes attributable to:				
Revisions of previous estimates.....	--	--	--	76
Purchases of reserves-in-place.....	--	--	--	203
Extensions, discoveries and other additions.....	--	--	--	7
Improved recovery.....	--	--	--	55
Production.....	--	--	--	(92)
Sales of reserves-in-place.....	(5)	--	--	--
	-----	-----	-----	-----
	(5)	--	--	249
	-----	-----	-----	-----
At December 31				
Developed.....	--	--	--	1,178
Undeveloped.....	--	--	--	225
	-----	-----	-----	-----
	--	--	--	1,403
	=====	=====	=====	=====
Total Group and BP share of equity-accounted entities.....	1,127	349	3,561	4,128
	=====	=====	=====	=====

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BP p.l.c. AND SUBSIDIARIES

SUPPLEMENTARY OIL AND GAS INFORMATION (Continued)
(Unaudited)

Movements in estimated net proved reserves of crude oil (a) (continued)

	UK	Rest of Europe	USA	Rest of World
	-----	-----	-----	-----
	(millions of barrels)			
2001				
Subsidiary undertakings				
At January 1				
Developed.....	1,138	213	2,150	817
Undeveloped.....	254	160	1,043	733
	-----	-----	-----	-----
	1,392	373	3,193	1,550
	-----	-----	-----	-----
Changes in year attributable to:				
Revisions of previous estimates.....	(16)	16	(39)	(58)
Purchases of reserves-in-place.....	9	--	--	11
Extensions, discoveries and other additions.....	94	--	641	552
Improved recovery.....	24	29	48	12
Production.....	(177)	(37)	(243)	(144)
Sales of reserves-in-place.....	(1)	--	(11)	(1)
	-----	-----	-----	-----
	(67)	8	396	372
	-----	-----	-----	-----
At December 31				
Developed.....	1,008	269	2,195	836
Undeveloped.....	317	112	1,394	1,086
	-----	-----	-----	-----
	1,325	381	3,589 (b)	1,922
	=====	=====	=====	=====
Equity-accounted entities (BP share)				
At January 1				
Developed.....	--	--	--	986
Undeveloped.....	5	--	--	144
	-----	-----	-----	-----
	5	--	--	1,130
	-----	-----	-----	-----
Changes attributable to:				
Revisions of previous estimates.....	--	--	--	55
Extensions, discoveries and other additions.....	--	--	--	24
Improved recovery.....	--	--	--	21
Production.....	--	--	--	(76)
	-----	-----	-----	-----
	--	--	--	24
	-----	-----	-----	-----
At December 31				
Developed.....	5	--	--	977
Undeveloped.....	--	--	--	177

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	-----	-----	-----	-----
	5	--	--	1,154
	=====	=====	=====	=====
Total Group and BP share of equity-accounted entities.....	1,330	381	3,589	3,076
	=====	=====	=====	=====

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BP p.l.c. AND SUBSIDIARIES

SUPPLEMENTARY OIL AND GAS INFORMATION (Continued)
(Unaudited)

Movements in estimated net proved reserves of crude oil (a) (continued)

	UK	Rest of Europe	USA	Rest of World
	-----	-----	-----	-----
	(millions of barrels)			
2000				
Subsidiary undertakings				
At January 1				
Developed.....	1,158	190	2,930	550
Undeveloped.....	183	95	932	497
	-----	-----	-----	-----
	1,341	285	3,862 (c)	1,047
	-----	-----	-----	-----
Changes in year attributable to:				
Revisions of previous estimates.....	17	50	40	5
Purchases of reserves-in-place.....	146	--	554	441
Extensions, discoveries and other additions.....	1	--	255	201
Improved recovery.....	131	71	105	22
Production.....	(195)	(33)	(251)	(143)
Sales of reserves-in-place.....	(49)	--	(1,372) (c)	(23)
	-----	-----	-----	-----
	51	88	(669)	503
	-----	-----	-----	-----
At December 31				
Developed.....	1,138	213	2,150	817
Undeveloped.....	254	160	1,043	733
	-----	-----	-----	-----
	1,392	373	3,193 (b)	1,550
	=====	=====	=====	=====
Equity-accounted entities (BP share)				
At January 1				
Developed.....	--	--	--	974
Undeveloped.....	5	--	--	58
	-----	-----	-----	-----
	5	--	--	1,032
	-----	-----	-----	-----

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Changes attributable to:				
Revisions of previous estimates.....	--	--	--	24
Purchases of reserves-in-place.....	--	--	--	73
Extensions, discoveries and other additions.....	--	--	--	48
Improved recovery.....	--	--	--	23
Production.....	--	--	--	(68)
Sales of reserves-in-place.....	--	--	--	(2)
	-----	-----	-----	-----
	--	--	--	98
	-----	-----	-----	-----
At December 31				
Developed.....	--	--	--	986
Undeveloped.....	5	--	--	144
	-----	-----	-----	-----
	5	--	--	1,130
	=====	=====	=====	=====
Total Group and BP share of equity-accounted entities.....	1,397	373	3,193	2,680
	=====	=====	=====	=====

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BP p.l.c. AND SUBSIDIARIES

SUPPLEMENTARY OIL AND GAS INFORMATION (Continued)
(Unaudited)

Movements in estimated net proved reserves of crude oil (a) (concluded)

- (a) Crude oil includes natural gas liquids and condensate. Net proved reserves of crude oil exclude production royalties due to others.
- (b) Proved reserves in the Prudhoe Bay field in Alaska include an estimated 86 million barrels (43 million barrels at December 31, 2001 and 91 million barrels at December 31, 2000) upon which a net profits royalty will be payable over the life of the field under the terms of the BP Prudhoe Bay Royalty Trust.
- (c) The Group's common interest in Altura Energy was sold in 2000. The minority interest in Altura Energy included 309 million barrels at December 31, 1999.
- (d) Minority interest in Trinidad and Tobago LLC included 17 million barrels (20 million barrels at December 31, 2001 and 23 million barrels at December 31, 2000).

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BP p.l.c. AND SUBSIDIARIES

SUPPLEMENTARY OIL AND GAS INFORMATION (Continued)
(Unaudited)

Movements in estimated net proved reserves of natural gas (a)

	UK	Rest of Europe	USA	Rest of World
	-----	-----	-----	-----
	(billions of cubic feet)			
2002				
Subsidiary undertakings				
At January 1				
Developed.....	3,212	265	12,232	8,040
Undeveloped.....	1,160	43	2,535	15,472
	-----	-----	-----	-----
	4,372	308	14,767	23,512
	-----	-----	-----	-----
Changes in year attributable to:				
Revisions of previous estimates.....	(137)	3	(149)	1,175
Purchases of reserves-in-place.....	77	3	1	56
Extensions, discoveries and other additions.....	126	--	340	2,702
Improved recovery.....	64	--	738	1,263
Production.....	(566)	(54)	(1,334) (b)	(1,147)
Sales of reserves-in-place.....	(70)	--	(2)	(204)
	-----	-----	-----	-----
	(506)	(48)	(406)	3,845
	-----	-----	-----	-----
At December 31				
Developed.....	3,215	216	12,102	8,240
Undeveloped.....	651	44	2,259	19,117
	-----	-----	-----	-----
	3,866	260	14,361	27,357
	=====	=====	=====	=====
Equity-accounted entities (BP share)				
At January 1				
Developed.....	24	--	--	1,508
Undeveloped.....	--	--	--	1,684
	-----	-----	-----	-----
	24	--	--	3,192
	-----	-----	-----	-----
Changes attributable to:				
Revisions of previous estimates.....	--	--	--	(157)
Purchases of reserves-in-place.....	--	--	--	20
Extensions, discoveries and other additions.....	--	--	--	27
Improved recovery.....	--	--	--	1
Production.....	(2)	--	--	(138)
Sales of reserves-in-place.....	(22)	--	--	--
	-----	-----	-----	-----
	(24)	--	--	(247)
	-----	-----	-----	-----
At December 31				
Developed.....	--	--	--	1,506
Undeveloped.....	--	--	--	1,439
	-----	-----	-----	-----
	--	--	--	2,945

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Total Group and BP share of equity-accounted entities.....	3,866	260	14,361	30,302
--	-------	-----	--------	--------

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BP p.l.c. AND SUBSIDIARIES

SUPPLEMENTARY OIL AND GAS INFORMATION (Continued)
(Unaudited)

Movements in estimated net proved reserves of natural gas (a) (continued)

	UK	Rest of Europe	USA	Rest of World
	-----	-----	-----	-----
	(billions of cubic feet)			
2001				
Subsidiary undertakings				
At January 1				
Developed.....	3,898	275	12,111	7,985
Undeveloped.....	1,058	71	2,400	13,302
	4,956	346	14,511	21,287
Changes in year attributable to:				
Revisions of previous estimates.....	(25)	(10)	16	(707)
Purchases of reserves-in-place.....	14	--	2	102
Extensions, discoveries and other additions.....	70	15	620	3,748
Improved recovery.....	136	11	988	132
Production.....	(625)	(54)	(1,358) (b)	(1,050)
Sales of reserves-in-place.....	(154)	--	(12)	--
	(584)	(38)	256	2,225
At December 31				
Developed.....	3,212	265	12,232	8,040
Undeveloped.....	1,160	43	2,535	15,472
	4,372	308	14,767	23,512
Equity-accounted entities (BP share)				
At January 1				
Developed.....	--	--	--	1,268
Undeveloped.....	25	--	--	1,525
	25	--	--	2,793
Changes attributable to:				
Revisions of previous estimates.....	(1)	--	--	93

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Purchases of reserves-in-place.....	--	--	--	--
Extensions, discoveries and other additions.....	--	--	--	360
Improved recovery.....	--	--	--	71
Production.....	--	--	--	(125)
	-----	-----	-----	-----
	(1)	--	--	399
	-----	-----	-----	-----
At December 31				
Developed.....	24	--	--	1,508
Undeveloped.....	--	--	--	1,684
	-----	-----	-----	-----
	24	--	--	3,192
	=====	=====	=====	=====
Total Group and BP share of equity-accounted entities.....	4,396	308	14,767	26,704
	=====	=====	=====	=====

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BP p.l.c. AND SUBSIDIARIES

SUPPLEMENTARY OIL AND GAS INFORMATION (Continued)
(Unaudited)

Movements in estimated net proved reserves of natural gas (a) (continued)

	UK	Rest of Europe	USA	Rest of World
	-----	-----	-----	-----
	(billions of cubic feet)			
2000				
Subsidiary undertakings				
At January 1				
Developed.....	3,354	282	10,439	6,423
Undeveloped.....	919	63	1,552	10,770
	-----	-----	-----	-----
	4,273	345	11,991 (c)	17,193
	-----	-----	-----	-----
Changes in year attributable to:				
Revisions of previous estimates.....	(17)	23	150	331
Purchases of reserves-in-place.....	1,099	--	3,034	2,313
Extensions, discoveries and other additions.....	253	--	923	2,343
Improved recovery.....	29	28	980	91
Production.....	(605)	(50)	(1,174) (b)	(916)
Sales of reserves-in-place.....	(76)	--	(1,393) (c)	(68)
	-----	-----	-----	-----
	683	1	2,520	4,094
	-----	-----	-----	-----
At December 31				
Developed.....	3,898	275	12,111	7,985
Undeveloped.....	1,058	71	2,400	13,302
	-----	-----	-----	-----

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	4,956 =====	346 =====	14,511 =====	21,287 =====
Equity-accounted entities (BP share)				
At January 1				
Developed.....	--	--	--	783
Undeveloped.....	26	--	--	915
	-----	-----	-----	-----
	26	--	--	1,698
	-----	-----	-----	-----
Changes attributable to:				
Revisions of previous estimates.....	(1)	--	--	167
Purchases of reserves-in-place.....	--	--	--	763
Extensions, discoveries and other additions.....	--	--	--	176
Improved recovery.....	--	--	--	85
Production.....	--	--	--	(96)
	-----	-----	-----	-----
	(1)	--	--	1,095
	-----	-----	-----	-----
At December 31				
Developed.....	--	--	--	1,268
Undeveloped.....	25	--	--	1,525
	-----	-----	-----	-----
	25	--	--	2,793
	=====	=====	=====	=====
Total Group and BP share of equity-accounted entities.....	4,981	346	14,511	24,080
	=====	=====	=====	=====

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BP p.l.c. AND SUBSIDIARIES

SUPPLEMENTARY OIL AND GAS INFORMATION (Continued)
(Unaudited)

Movements in estimated net proved reserves of natural gas (a) (concluded)

- (a) Net proved reserves of natural gas exclude production royalties due to others.
- (b) Includes 63 billion cubic feet of natural gas consumed in Alaskan operations (2001, 61 billion cubic feet and 2000, 55 billion cubic feet).
- (c) The Group's common interest in Altura Energy was sold in 2000. The minority interest in Altura Energy included 155 billion cubic feet of natural gas at December 31, 1999.
- (d) Minority interest in Trinidad and Tobago LLC included 1,185 billion cubic feet of natural gas (1,258 billion cubic feet at December 31, 2001 and 1,605 billion cubic feet at December 31, 2000).

BP p.l.c. AND SUBSIDIARIES

SUPPLEMENTARY OIL AND GAS INFORMATION (Continued)
(Unaudited)

Standardized measure of discounted future net cash flows and changes therein relating to proved oil and gas reserves

The following tables set out the standardized measures of discounted future net cash flows, and changes therein, relating to crude oil and natural gas production from the Group's estimated proved reserves. This information is prepared in compliance with the requirements of FASB Statement of Financial Accounting Standards No. 69 -- 'Disclosures about Oil and Gas Producing Activities'.

Future net cash flows have been prepared on the basis of certain assumptions which may or may not be realized. These include the timing of future production, the estimation of crude oil and natural gas reserves and the application of year end crude oil and natural gas prices and exchange rates. Furthermore, both reserve estimates and production forecasts are subject to revision as further technical information becomes available and economic conditions change. BP cautions against relying on the information presented because of the highly arbitrary nature of assumptions on which it is based and its lack of comparability with the historical cost information presented in the financial statements.

	UK	Rest of Europe	USA	Rest World
	-----	-----	-----	-----
	(\$ million)			
At December 31, 2002				
Future cash inflows (a).....	44,300	11,600	146,100	136,900
Future production and development costs (b).....	18,400	3,900	39,000	42,700
Future taxation (c).....	9,800	5,300	38,500	34,400
	-----	-----	-----	-----
Future net cash flows.....	16,100	2,400	68,600	59,800
10% annual discount (d).....	4,800	800	33,100	31,700
	-----	-----	-----	-----
Standardized measure of discounted future net cash flows.....	11,300	1,600	35,500	28,100
	=====	=====	=====	=====
At December 31, 2001				
Future cash inflows (a).....	40,600	8,000	83,700	81,400
Future production and development costs (b).....	18,800	3,500	33,700	30,600
Future taxation (c).....	5,700	3,000	16,900	18,900
	-----	-----	-----	-----
Future net cash flows.....	16,100	1,500	33,100	31,900
10% annual discount (d).....	5,300	400	16,600	15,800
	-----	-----	-----	-----
Standardized measure of discounted future net cash flows.....	10,800	1,100	16,500	16,100

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	=====	=====	=====	=====
At December 31, 2000				
Future cash inflows (a).....	43,800	9,400	187,200	94,100
Future production and development costs (b).....	19,000	2,800	38,400	27,300
Future taxation (c).....	7,100	4,700	45,600	27,100
	-----	-----	-----	-----
Future net cash flows.....	17,700	1,900	103,200	39,700
10% annual discount (d).....	5,000	700	49,200	18,000
	-----	-----	-----	-----
Standardized measure of discounted future net cash flows.....	12,700	1,200	54,000	21,700
	=====	=====	=====	=====

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BP p.l.c. AND SUBSIDIARIES

SUPPLEMENTARY OIL AND GAS INFORMATION (Continued)
(Unaudited)

Standardized measure of discounted future net cash flows and changes therein relating to proved oil and gas reserves (concluded)

The following are the principal sources of change in the standardized measure of discounted future net cash flows during the years ended December 31, 2002, 2001 and 2000:

	Years ended December	
	2002	2001
	-----	-----
	(\$ million)	
Sales and transfers of oil and gas produced, net of production costs.....	(22,400)	(17,500)
Development costs incurred during the year.....	7,200	6,800
Extensions, discoveries and improved recovery, less related costs....	9,700	9,200
Net changes in prices and production costs (e).....	51,600	(74,100)
Revisions of previous reserve estimates.....	2,500	(1,300)
Net change in taxation.....	(16,700)	26,300
Future development costs.....	(5,100)	(3,200)
Net change in purchase and sales of reserves-in-place.....	800	(200)
Addition of 10% annual discount.....	4,400	8,900
	-----	-----
Total change in the standardized measure during the year.....	32,000	(45,100)
	=====	=====

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- (a) Future cash inflows are computed by applying year-end oil and natural gas prices and exchange rates to future annual production levels estimated by the Group's petroleum engineers.
- (b) Production costs (which include petroleum revenue tax in the UK) and development costs relating to future production of proved reserves are based on year-end cost levels and assume continuation of existing economic conditions. Future decommissioning costs are included.
- (c) Taxation is computed using appropriate year-end corporate income tax rates.
- (d) Future net cash flows from oil and natural gas production are discounted at 10% regardless of the Group assessment of the risk associated with its producing activities.
- (e) Net changes in prices and production costs includes the effect of exchange movements.

Equity-accounted entities

In addition, at December 31, 2002 the Group's share of the standardized measure of discounted future net cash flows of equity-accounted entities amounted to \$4,300 million (\$3,400 million at December 31, 2001 and \$3,100 million at December 31, 2000).

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BP p.l.c. AND SUBSIDIARIES

SUPPLEMENTARY OIL AND GAS INFORMATION (Continued)
(Unaudited)

Operational and statistical information

The following tables present operational and statistical information related to production, drilling, productive wells and acreage.

Crude oil and natural gas production

The following table shows crude oil and natural gas production for the years ended December 31, 2002, 2001 and 2000.

	UK	Rest of Europe	USA	Rest of World
	-----	-----	-----	-----
	(thousand barrels per day)			
Production for the year (a)				
Crude oil (b) (d)				
2002.....	462	104	765	687

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2001.....	485	100	744	602
2000.....	534	90	729	575
			(million cubic feet per day)	
Natural gas (c) (e)				
2002.....	1,555	147	3,483	3,522
2001.....	1,713	147	3,554	3,218
2000.....	1,652	136	3,054	2,767

- (a) All volumes are net of royalty.
- (b) Crude oil includes natural gas liquid and condensate.
- (c) Natural gas production excludes gas consumed in operations.
- (d) Includes amounts produced for the Group by equity-accounted entities of 252,000 b/d in 2002 (2001, 208,000 b/d and 2000, 185,000 b/d).
- (e) Includes amounts produced for the Group by equity-accounted entities of 383 mmcf/d in 2002 (2001, 345 mmcf/d and 2000, 263 mmcf/d).

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BP p.l.c. AND SUBSIDIARIES

SUPPLEMENTARY OIL AND GAS INFORMATION (Continued)
(Unaudited)

Operational and statistical information (continued)

Productive oil and gas wells and acreage

The following tables show the number of gross and net productive oil and natural gas wells and total gross and net developed and undeveloped oil and natural gas acreage in which the Group and its equity-accounted entities had interests as of December 31, 2002. A 'gross' well or acre is one in which a whole or fractional working interest is owned, while the number of 'net' wells or acres is the sum of the whole or fractional working interests in gross wells or acres. Productive wells are producing wells and wells capable of production. Developed acreage is the acreage within the boundary of a field, on which development wells have been drilled, which could produce the reserves; while undeveloped acres are those on which wells have not been drilled or completed to a point that would permit the production of commercial quantities, whether or not such acres contain proved reserves.

	UK	Rest of Europe	USA	Rest of World
	-----	-----	-----	-----

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Number of productive wells
at December 31, 2002

Oil wells (a)	-- gross.....	465	74	6,901	13,453
	-- net.....	231	24.9	3,999.8	4,405.8
Gas wells (b)	-- gross.....	477	39	19,989	2,963
	-- net.....	219	13.4	12,036.0	1,658.6

- (a) Includes approximately 1,905 gross (882.20 net) multiple completion wells (more than one formation producing into the same well bore).
- (b) Includes approximately 2,074 gross (1,238.0 net) multiple completion wells. If one of the multiple completions in a well is an oil completion, the well is classified as an oil well.

	UK	Rest of Europe	USA	Rest of World	
	-----	-----	-----	-----	-----
	(thousands of acres)				
Oil and natural gas acreage					
at December 31, 2002					
Developed					
-- gross.....	753.3	138.6	15,153.3	7,170.8	23
-- net.....	353.4	46.3	7,010.5	2,656.8	10
Undeveloped (a)					
-- gross.....	3,716.6	4,089.5	7,620.0	93,107.1	108
-- net.....	1,972.9	1,411.4	4,187.9	38,702.6	46

- (a) Undeveloped acreage includes leases and concessions.

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BP p.l.c. AND SUBSIDIARIES

SUPPLEMENTARY OIL AND GAS INFORMATION (Concluded)
(Unaudited)

Operational and statistical information (concluded)

Net oil and gas wells completed or abandoned

The following table shows the number of net productive and dry exploratory and development oil and natural gas wells completed or abandoned in the years

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indicated by the Group and its equity-accounted entities. Productive wells include wells in which hydrocarbons were encountered and the drilling or completion of which, in the case of exploratory wells, has been suspended pending further drilling or evaluation. A dry well is one found to be incapable of producing hydrocarbons in sufficient quantities to justify completion.

	UK -----	Rest of Europe -----	USA -----	Rest of World -----
2002				
Exploratory				
-- productive.....	0.8	0.4	2.1	17.3
-- dry.....	--	0.5	1.0	19.5
Development				
-- productive.....	17.3	1.5	384.2	212.9
-- dry.....	2.8	--	19.7	28.2
2001				
Exploratory				
-- productive.....	3.2	0.9	5.7	18.7
-- dry.....	1.2	0.7	3.8	2.5
Development				
-- productive.....	13.5	4.2	705.3	325.2
-- dry.....	1.6	--	25.7	33.5
2000				
Exploratory				
-- productive.....	2.4	0.4	21.5	19.9
-- dry.....	--	1.3	12.4	7.2
Development				
-- productive.....	12.6	2.5	398.4	425.2
-- dry.....	1.9	--	45.7	23.4

Drilling and production activities in progress

The following table shows the number of exploratory and development oil and natural gas wells in the process of being drilled by the Group and its equity-accounted entities as of December 31, 2002. Suspended development wells and long-term suspended exploratory wells are also included in the table.

	UK -----	Rest of Europe -----	USA -----	Rest of World -----
At December 31, 2002				
Exploratory				
-- gross.....	--	--	9	17
-- net.....	--	--	3.1	7.2
Development				
-- gross.....	10	2	73	99
-- net.....	3.5	0.8	46.7	25.6

SCHEDULE II

BP p.l.c. AND SUBSIDIARIES
VALUATION AND QUALIFYING ACCOUNTS

	Balance at January 1, -----	Additions		Transfer Deductio -----
		Charged to costs and expenses -----	Charged to other accounts (a) ----- (\$ million)	
2002				
Fixed assets -- Investments (b).....	632	13	37	
Doubtful debts (b).....	290	179	49	(
Decommissioning provisions.....	3,304	308	689	(1
2001				
Fixed assets -- Investments (b).....	505	68	(4)	
Doubtful debts (b).....	357	131	17	(2
Decommissioning provisions.....	3,001	156	353	(2
2000				
Fixed assets -- Investments (b).....	309	252	(6)	(
Doubtful debts (b).....	117	99	117	
Decommissioning provisions.....	2,785	139	(23)	1

(a) Principally currency transactions. For decommissioning provisions this also includes unwinding of discount and the effect of any change in discount rate.

(b) Deducted in the balance sheet from the assets to which they apply.

(c) Includes \$484 million additional provisions in respect of acquisitions.

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BP p.l.c. AND SUBSIDIARIES

SIGNATURES

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

BP p.l.c.
(Registrant)

/s/ D. J. PEARL
.....
D. J. Pearl
Deputy Company Secretary

Dated: March 24, 2003

BP p.l.c. AND SUBSIDIARIES

CERTIFICATION

I, The Lord Browne of Madingley, certify that:

1. I have reviewed this annual report on Form 20-F of BP p.l.c.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for

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establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

- a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the 'Evaluation Date'); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 24, 2003

/s/ THE LORD BROWNE OF MADINGLEY

The Lord Browne of Madingley
Group Chief Executive

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BP p.l.c. AND SUBSIDIARIES

CERTIFICATION

I, Byron Grote, certify that:

1. I have reviewed this annual report on Form 20-F of BP p.l.c.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by

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this annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the 'Evaluation Date'); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officers and I have indicated in this annual report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 24, 2003

/s/ BYRON E. GROTE

Byron E. Grote
Chief Financial Officer