BP PRUDHOE BAY ROYALTY TRUST
Form 10-Q
May 09, 2007

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2007

OR

o **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 1-10243

BP PRUDHOE BAY ROYALTY TRUST

(Exact Name of Registrant as Specified in Its Charter)

Delaware	13-6943724
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
The Bank of New York, 101 Barclay Street, New York, NY	10286
(Address of Principal Executive Offices)	(Zip Code)

Registrant s Telephone Number, Including Area Code: (212) 815-6908

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 þ No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer þ Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act) Yes o No þ

As of May 9, 2007, 21,400,000 Units of Beneficial Interest were outstanding.

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PART I
FINANCIAL INFORMATION

Item 1. Financial Statements

BP Prudhoe Bay Royalty Trust
Statement of Assets, Liabilities and Trust Corpus
(Prepared on a modified basis of cash receipts and disbursements)
(Unaudited)
(In thousands, except unit data)

	March 31, 2007	December 31, 2006
Assets		
Royalty Interest, net (Notes 1, 2 and 3)	$ 7,532	$ 8,034
Cash and cash equivalents (Note 2)	1,008	1,010
Total Assets	$ 8,540	$ 9,044
Liabilities and Trust Corpus		
Accrued expenses	$ 412	$ 191
Trust Corpus (40,000,000 units of beneficial interest authorized, 21,400,000 units issued and outstanding)	8,128	8,853
Total Liabilities and Trust Corpus	$ 8,540	$ 9,044

See accompanying notes to financial statements (unaudited).

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BP Prudhoe Bay Royalty Trust
Statements of Cash Earnings and Distributions
(Prepared on a modified basis of cash receipts and disbursements)
(Unaudited)
(In thousands, except unit data)

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
Royalty revenues	$ 43,206	$ 45,383
Interest income	20	14
Less: Trust administrative expenses	(169)	(157)
Cash earnings	$ 43,057	$ 45,240
Cash distributions	$ 43,059	$ 45,246
Cash distributions per unit	$ 2.0121	$ 2.1143
Units outstanding	21,400,000	21,400,000

See accompanying notes to financial statements (unaudited).

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BP Prudhoe Bay Royalty Trust
Statements of Changes in Trust Corpus
(Prepared on a modified basis of cash receipts and disbursements)
(Unaudited)
(In thousands)

	Three Months Ended March 31,	
	2007	**2006**
Trust Corpus at beginning of period	$ 8,853	$ 10,876
Cash earnings	43,057	45,240
Increase in accrued expenses	(221)	(138)
Cash distributions	(43,059)	(45,246)
Amortization of Royalty Interest	(502)	(502)
Trust Corpus at end of period	$ 8,128	$ 10,230

See accompanying notes to financial statements (unaudited).

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BP Prudhoe Bay Royalty Trust
Notes to Financial Statements (Unaudited)
(Prepared on a Modified Basis of Cash Receipts and Disbursements)
March 31, 2007

(1) Formation of the Trust and Organization

BP Prudhoe Bay Royalty Trust (the Trust), a grantor trust, was created as a Delaware business trust pursuant to a Trust Agreement dated February 28, 1989 (the Trust Agreement) among The Standard Oil Company (Standard Oil), BP Exploration (Alaska) Inc. (BP Alaska), The Bank of New York (the Trustee) and The Bank of New York (Delaware), as co-trustee. Standard Oil and BP Alaska are indirect wholly-owned subsidiaries of BP p.l.c. (BP).

On February 28, 1989, Standard Oil conveyed an overriding royalty interest (the Royalty Interest) to the Trust. The Trust was formed for the sole purpose of owning and administering the Royalty Interest. The Royalty Interest represents the right to receive a per barrel royalty (the Per Barrel Royalty) of 16.4246% on the lesser of (a) the first 90,000 barrels of the average actual daily net production of oil and condensate per quarter or (b) the average actual daily net production of oil and condensate per quarter from BP Alaska s working interest as of February 28, 1989 in the Prudhoe Bay Field situated on the North Slope of Alaska (the BP Working Interests). Trust Unit holders are subject to the risk that production will be interrupted or discontinued or fall, on average, below 90,000 barrels per day in any quarter. BP has guaranteed the performance of BP Alaska of its payment obligations with respect to the Royalty Interest.

The trustees of the Trust are The Bank of New York, a New York banking corporation, and The Bank of New York (Delaware), a Delaware banking corporation. The Bank of New York (Delaware) serves as co-trustee in order to satisfy certain requirements of the Delaware Statutory Trust Act. The Bank of New York alone is able to exercise the rights and powers granted to the Trustee in the Trust Agreement.

The Per Barrel Royalty in effect for any day is equal to the price of West Texas Intermediate crude oil (the WTI Price) for that day less scheduled Chargeable Costs (adjusted for inflation) and Production Taxes (based on statutory rates then in effect). See Note 5 for information concerning a change in Alaska oil and gas production taxes which affects the calculation of the Per Barrel Royalty.

The Trust is passive, with the Trustee having only such powers as are necessary for the collection and distribution of revenues, the payment of Trust liabilities, and the protection of the Royalty Interest. The Trustee, subject to certain conditions, is obligated to establish cash reserves and borrow funds to pay liabilities of the Trust when they become due. The Trustee may sell Trust properties only (a) as authorized by a vote of the Trust Unit holders, (b) when necessary to provide for the payment of specific liabilities of the Trust then due (subject to certain conditions) or (c) upon termination of the Trust. Each Trust Unit issued and outstanding represents an equal undivided share of beneficial interest in the Trust. Royalty payments are received by the Trust and distributed to Trust Unit holders, net of Trust

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BP Prudhoe Bay Royalty Trust
Notes to Financial Statements (Unaudited)
(Prepared on a Modified Basis of Cash Receipts and Disbursements)
March 31, 2007

expenses, in the month succeeding the end of each calendar quarter. The Trust will terminate upon the first to occur of the following events:

a. On or prior to December 31, 2010: upon a vote of holders of not less than 70% of the outstanding Trust Units.

b. After December 31, 2010: (i) upon a vote of holders of not less than 60% of the outstanding Trust Units, or (ii) at such time the net revenues from the Royalty Interest for two successive years commencing after 2010 are less than $1,000,000 per year (unless the net revenues during such period are materially and adversely affected by certain events).

In order to ensure the Trust has the ability to pay future expenses, the Trust established a cash reserve account which the Trustee believes is sufficient to pay approximately one year s current and expected liabilities and expenses of the Trust.

(2) Basis of Accounting

The financial statements of the Trust are prepared on a modified cash basis and reflect the Trust s assets, liabilities, Corpus, earnings, and distributions, as follows:

a. Revenues are recorded when received (generally within 15 days of the end of the preceding quarter) and distributions to Trust Unit holders are recorded when paid.

b. Trust expenses (which include accounting, engineering, legal, and other professional fees, trustees fees, and out-of-pocket expenses) are recorded on an accrual basis.

c. Cash reserves may be established by the Trustee for certain contingencies that would not be recorded under generally accepted accounting principles.

d. Amortization of the Royalty Interest is calculated based on the units of production method. Such amortization is charged directly to the Trust Corpus, and does not affect cash earnings. The daily rate for amortization per net equivalent barrel of oil for the three months ended March 31, 2007 and 2006 was $0.38 during each period. The Trust evaluates impairment of the Royalty Interest by comparing the undiscounted cash flows expected to be realized from the Royalty Interest to the carrying value, pursuant to Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets.* If the expected future undiscounted cash flows are less than the carrying value, the Trust recognizes an impairment loss for the difference between the carrying value and the estimated fair value of the Royalty Interest.

While these statements differ from financial statements prepared in accordance with accounting principles generally accepted in the United States of America, the modified cash basis of reporting revenues and distributions is considered to be the most meaningful because

BP Prudhoe Bay Royalty Trust
Notes to Financial Statements (Unaudited)
(Prepared on a Modified Basis of Cash Receipts and Disbursements)
March 31, 2007

quarterly distributions to the Trust Unit holders are based on net cash receipts. The accompanying modified cash basis financial statements contain all adjustments necessary to present fairly the assets, liabilities and Corpus of the Trust as of March 31, 2007 and 2006, and the modified cash earning and distributions and changes in Trust Corpus for the three-month periods ended March 31, 2007 and 2006. The adjustments are of a normal recurring nature and are, in the opinion of the Trustee, necessary to fairly present the results of operations.

As of March 31, 2007 and December 31, 2006, cash equivalents which represent the cash reserve consist of US treasury bills with an initial term of less than three months.

Estimates and assumptions are required to be made regarding assets, liabilities and changes in Trust Corpus resulting from operations when financial statements are prepared. Changes in the economic environment, financial markets and any other parameters used in determining these estimates could cause actual results to differ, and the differences could be material.

The financial statements should be read in conjunction with the financial statements and related notes in the Trust s Annual Report on Form 10-K for the fiscal year ended December 31, 2006. The cash earnings and distributions for the interim period presented are not necessarily indicative of the results to be expected for the full year.

(3) Royalty Interest

The Royalty Interest is comprised of the following at March 31, 2007 and December 31, 2006 (in thousands):

	March 31, 2007	December 31, 2006
Royalty Interest (at inception)	$ 535,000	$ 535,000
Less: Accumulated amortization	(353,950)	(353,448)
Impairment write-down	(173,518)	(173,518)
Balance, end of period	$ 7,532	$ 8,034

(4) Income Taxes

The Trust files its federal tax return as a grantor trust subject to the provisions of subpart E of Part I of Subchapter J of the Internal Revenue Code of 1986, as amended, rather than as an association taxable as a corporation. The Trust Unit holders are treated as the owners of Trust income and Corpus, and the entire taxable income of the Trust will be reported by the Trust Unit holders on their respective tax returns.

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BP Prudhoe Bay Royalty Trust
Notes to Financial Statements (Unaudited)
(Prepared on a Modified Basis of Cash Receipts and Disbursements)
March 31, 2007

If the Trust were determined to be an association taxable as a corporation, it would be treated as an entity taxable as a corporation on the taxable income from the Royalty Interest, the Trust Unit holders would be treated as shareholders, and distributions to Trust Unit holders would not be deductible in computing the Trust s tax liability as an association.

(5) Alaska Oil and Gas Production Tax

On August 20, 2006 a new Alaska oil and gas production tax (the New Tax) became effective. The New Tax replaced an oil production tax levied at the flat rate of 15% of the gross value at the point of production of taxable oil produced from a producer s leases or properties in the State of Alaska and is retroactive to April 1, 2006.

Under the New Tax, producers are taxed on the production tax value of taxable oil (gross value at the point of production for the calendar year less the producer s direct costs of exploring for, developing, or producing oil or gas deposits located within the producer s leases or properties in Alaska for the year) at a rate equal to the sum of 22.5% plus a progressivity rate determined by the average monthly production tax value of the oil produced. The progressivity portion of the New Tax is equal to 0.25% times the amount by which the simple average for each calendar month of the daily taxable values per barrel of the oil produced during the month exceeds $40 per barrel.

The Trustee and BP Alaska entered into a letter agreement (the Letter Agreement) to resolve the major issues associated with the New Tax. The Letter Agreement modified the calculation of Production Taxes in the daily Per Barrel Royalty calculation effective as of August 20, 2006.

(6) Royalty Revenue Adjustment

In January 2007, the Trust received a payment of $43,206,000 from BP Alaska. This payment consisted of $41,470,000, representing the royalty payment due with respect to the Royalty Interest for the quarter ended December 31, 2006, plus $1,736,000, representing the amount of an underpayment by BP Alaska, including interest on the underpayment, of the royalty payment due with respect to the quarter ended September 30, 2006. The royalty payment of $36,145,000 with respect to the third quarter of 2006, which the Trust received in October 2006, was calculated based on estimated average net production of crude oil and condensate during the third quarter of 2006 of approximately 59,300 barrels per day. Actual average net production of crude oil and condensate during the quarter was approximately 62,100 barrels per day. On the basis of the actual production data, the royalty payment owed by BP Alaska with respect to the quarter ended September 30, 2006 was $37,881,000.

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Item 2. Trustee s Discussion and Analysis of Financial Condition and Results of Operations.

Cautionary Statement

This report contains forward looking statements (that is, statements anticipating future events or conditions and not statements of historical fact). Words such as anticipate, expect, believe, intend, plan or project, and should, could, potentially, possibly or may, and other words that convey uncertainty of future events or outcomes are intend to identify forward-looking statements. Forward-looking statements in this report are subject to a number of risks and uncertainties beyond the control of the Trustee. These risks and uncertainties include such matters as future changes in oil prices, oil production levels, economic activity, domestic and international political events and developments, legislation and regulation, and certain changes in expenses of the Trust.

The actual results, performance and prospects of the Trust could differ materially from those expressed or implied by forward-looking statements. Descriptions of some of the risks that could affect the future performance of the Trust appear in Item 1A, Risk Factors, of the Trust s Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (the 2006 Annual Report) and in Item 1A of Part II this report. There may be additional risks of which the Trustee is unaware or which are currently deemed immaterial.

In the light of these risks, uncertainties and assumptions, you should not rely unduly on any forward-looking statements. Forward-looking events and outcomes discussed in the 2006 Annual Report and in this report may not occur or may transpire differently. The Trustee undertakes no obligation to update forward-looking statements after the date of this report, except as required by law, and all such forward-looking statements in this report are qualified in their entirety by the preceding cautionary statements.

Liquidity and Capital Resources

The Trust is a passive entity. The Trustee s activities are limited to collecting and distributing the revenues from the Royalty Interest and paying liabilities and expenses of the Trust. Generally, the Trust has no source of liquidity and no capital resources other than the revenue attributable to the Royalty Interest that it receives from time to time. See the discussion under THE ROYALTY INTEREST in Part I, Item 1 of the 2006 Annual Report for a description of the calculation of the Per Barrel Royalty, and the discussion under THE PRUDHOE BAY UNIT AND FIELD - Reserve Estimates and INDEPENDENT OIL AND GAS CONSULTANTS REPORT in Part I, Item 1 of the 2006 Annual Report for information concerning the estimated future net revenues of the Trust. However, the Trustee has a limited power to borrow, establish a cash reserve, or dispose of all or part of the Trust Estate, under limited circumstances pursuant to the terms of the Trust Agreement. See the discussion under THE TRUST in Part I, Item 1 of the 2006 Annual Report.

In 1999, due to declines in oil prices during the fourth quarter of 1998 and the first quarter of 1999, which resulted in the Trust not receiving cash distributions for two quarters, the Trustee established a $1,000,000 cash reserve to provide liquidity to the Trust during any future periods in which the Trust does not receive a distribution. The Trustee will draw funds from the cash reserve account during any quarter in which the quarterly distribution received by the Trust does not exceed the liabilities and expenses of the Trust, and will replenish the reserve from future quarterly distributions, if any. The Trustee anticipates that it will keep this cash reserve program in place until termination of the Trust.

Amounts set aside for the cash reserve are invested by the Trustee in U.S. government or agency securities secured by the full faith and credit of the United States. Interest income received by the Trust from the investment of the reserve fund is added to the distributions received from BP Alaska and paid to the holders of Units on each Quarterly Record Date.

As discussed under CERTAIN TAX CONSIDERATIONS in Part I, Item 1 of the 2006 Annual Report, amounts received by the Trust as quarterly distributions are income to the holders of the Units, (as are any earnings on investment of the cash reserve) and must be reported by the holders of the Units, even if such amounts are used to repay borrowings or replenish the cash reserve and are not received by the holders of the Units.

Results of Operations

Relatively modest changes in oil prices significantly affect the Trust s revenues and results of operations. Crude oil prices are subject to significant changes in response to fluctuations in the domestic and world supply and demand and other market conditions as well as the world political situation as it affects OPEC and other producing countries. The effect of changing economic conditions on the demand for and supply of energy throughout the world and future prices of oil cannot be accurately projected.

Under the terms of the Conveyance of the Royalty Interest to the Trust, the Per Barrel Royalty for any day is the WTI Price for the day less the sum of (i) Chargeable Costs multiplied by the Cost Adjustment Factor and (ii) Production Taxes. The narrative under the captions THE TRUST Trust Property and THE ROYALTY INTEREST in the 2006 Annual Report explains the meanings of the terms Conveyance, Royalty Interest, Per Barrel Royalty, WTI Price, Chargeable Costs and Cost Adjustment Factor and should be read in conjunction with this report.

Royalty revenues are generally received on the fifteenth day of the month following the end of the calendar quarter in which the related Royalty Production occurred (the Quarterly Record Date). The Trustee, to the extent possible, pays all accrued expenses of the Trust on the Quarterly Record Date on which the revenues for the quarter are received. For the statement of cash earnings and distributions, revenues and Trust expenses are recorded on a modified cash basis and, as a result, royalties paid to the Trust and distributions to Unit holders in the quarters ended March 31, 2007 and 2006, respectively, are attributable to BP Alaska s operations during the quarters ended December 31, 2006 and 2005, respectively.

The following tables show the factors which were employed to compute the Per Barrel Royalty payments received by the Trust during the first quarter of 2007 and the first quarter of 2006 (see Note 1 of Notes to Financial Statements in Part I, Item 1). The information in the table has been furnished by BP Alaska.

	Average WTI Price	Chargeable Costs	Cost Adjustment Factor	Adjusted Chargeable Costs	Production Taxes (1)	Average Per Barrel Royalty (2)
2006:						
4th Quarter	$60.17	$12.50	1.552	$19.39	$ 9.31	$31.46
2005:						
4th Quarter	$60.01	$12.25	1.521	$18.63	$ 8.01	$33.37

(1) Production Taxes for the fourth quarter of 2006 reflect the new Alaska oil and gas production tax and the application of the Consensus Principles described below.

(2) Average per barrel royalty for the fourth quarter of 2006 is calculated on the basis of 87,221 barrels (estimated) average daily net production of oil and condensate from the BP Working Interests; average per barrel royalty for the fourth quarter of 2005 is calculated on the basis of 90,000 barrels of average daily net production.

Royalty Production for each day in a calendar quarter is 16.4246 percent of the first 90,000 barrels of the actual average daily net production of oil and condensate for the quarter from the BP Working Interests. As long as BP Alaska s average daily net production from the BP Working Interests exceeds 90,000 barrels, the principal factors affecting the Trust s revenues and distributions to Unit holders are changes in WTI Prices, scheduled annual increases in Chargeable Costs, changes in the Consumer Price Index and changes in Production Taxes. BP Alaska has advised the Trustee that, as a consequence of a program of field wide infrastructure renewal, pipeline replacement and well mechanical improvements, it anticipates that net production of oil and condensate from the BP Working Interests will be below 90,000 barrels per day on an annual average basis beginning in 2007. However, BP Alaska reported that average daily net production from the BP Working Interests during the quarter ended March 31, 2007 exceeded 90,000 barrels per day.

On August 20, 2006 a new Alaska oil and gas production tax (the New Tax) became effective. The New Tax replaced an oil production tax levied at the flat rate of 15% of the gross value at the point of production of taxable oil produced from a producer s leases or properties in the State of Alaska (the Old Tax) and is retroactive to April 1, 2006. Under the New Tax, producers are taxed on the production tax value of taxable oil (gross value at the point of production for the calendar year less the producer s direct costs of exploring for, developing, or producing oil or gas deposits located within the producer s leases or properties in Alaska (Lease Expenditures) for the year) at a rate equal to the sum of 22.5% plus a progressivity rate determined by the average monthly production tax value of the oil produced. The progressivity portion of the New Tax is equal to 0.25% times the amount by which the simple average for each calendar month of the daily taxable values per barrel of the oil produced during the month exceeds $40 per barrel.

The Conveyance provides that Production Taxes are the sum of any severance taxes, excise taxes (including windfall profit tax, if any), sales taxes, value added taxes or other similar or direct taxes imposed upon the reserves or production, delivery or sale of Royalty Production, computed at defined statutory rates. In the case of taxes based upon wellhead or field value, the

Conveyance provides that the WTI Price less the product of $4.50 and the Cost Adjustment factor will be deemed to be the wellhead or field value.

In order to resolve uncertainties in the interpretation of the Conveyance resulting from the New Tax, the Trustee entered into a letter agreement with BP Alaska (the Letter Agreement) which is incorporated as Exhibit 4.5 to this report. The Letter Agreement sets forth consensus principles agreed by the parties to resolve issues presented by the New Tax. The Consensus Principles provide that the amount of New Tax chargeable against the Royalty Interest under the Conveyance is determined as follows:

a) The taxable value per barrel equals the WTI Price minus the Chargeable Costs as adjusted by the Cost Adjustment Factor.

b) The tax rate for the progressivity portion of the New Tax equals 0.25 percentage points times the amount by which the simple average for each calendar month of the daily taxable values per barrel under a) above exceeds $40 per barrel. If that average taxable value per barrel is $40 or less, the progressivity rate is zero. The $40 figure is not subject to adjustment over time.

c) The amount of New Tax chargeable against the Royalty Interest equals the taxable value per barrel under a) above times the Royalty Production under the Conveyance, times a rate equal to the sum of 22.5% plus the progressivity rate determined under b) above.

BP Alaska estimates Royalty Production from the BP Working Interests for purposes of calculating quarterly royalty payments to the Trust because complete actual field production data for the preceding calendar quarter generally is not available by the Quarterly Record Date. To the extent that average net production from the BP Working Interests is below 90,000 barrels per day in 2007 and future years, calculation by BP Alaska of actual Royalty Production data may result in revisions of prior Royalty Production estimates. Revisions by BP Alaska of its Royalty Production calculations may result in quarterly royalty payments by BP Alaska which reflect adjustments for overpayments or underpayments of royalties with respect to prior quarters. Such adjustments, if material, may adversely affect certain Unit holders who buy or sell Units between the Quarterly Record Dates for the Quarterly Distributions affected.

The Quarterly Distribution received by the Trust from BP Alaska in April 2007 was reduced by $47,414 to reimburse BP Alaska for the amount of an overpayment (including interest on the overpayment) by BP Alaska of the royalty payment due in January 2007 with respect to the quarter ended December 31, 2006. Because the statement of cash earnings and distributions of the Trust is prepared on a modified cash basis, royalty revenues for the quarter ended March 31, 2007 include the amount of the January 2007 overpayment.

Quarter Ended March 31, 2007 Compared to
Quarter Ended March 31, 2006

As explained above, Trust royalty revenues received during the first quarter of the fiscal year are based on Royalty Production during the fourth quarter of the preceding fiscal year. Royalty revenues received by the Trust in the quarter ended March 31, 2007 decreased 4.8% from the revenues received in the corresponding quarter of 2006, in spite of a 0.3% period-to-period increase in the Average WTI Price from $60.01 per barrel during the quarter ended December 31, 2005 to $60.17 per barrel during the quarter ended December 31, 2006. The decrease in royalty revenues would have been 8.6%, if $1,736,000 paid by BP Alaska in January 2007 to compensate for its royalty underpayment in the fourth quarter of 2006 had been excluded (see Note 6 of the Notes to Financial Statements (Unaudited) in Item 1 of Part I). A 7.7% period-to-period increase in total deductible costs from $26.94 per barrel to $28.70 per Barrel was due principally to a 16.2% increase in Production Taxes chargeable with respect to the quarter ended December 31, 2005.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Trust is a passive entity and except for the Trust s ability to borrow money as necessary to pay liabilities of the Trust that cannot be paid out of cash on hand, the Trust is prohibited from engaging in borrowing transactions. The Trust periodically holds short-term investments acquired with funds held by the Trust pending distribution to Unit holders and funds held in reserve for the payment of Trust expenses and liabilities. Because of the short-term nature of these investments and limitations on the types of investments which may be held by the Trust, the Trust is not subject to any material interest rate risk. The Trust does not engage in transactions in foreign currencies which could expose the Trust or Unit holders to any foreign currency related market risk or invest in derivative financial instruments. It has no foreign operations and holds no long-term debt instruments.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

The Trustee has disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) under the Exchange Act) that are designed to ensure that information required to be disclosed by the Trust in the reports that it files or submits under the Securities Exchange Act of 1934, as amended (the Exchange Act) is recorded, processed, summarized and reported, within the time periods specified in the SEC s rules and forms. These controls and procedures include but are not limited to controls and procedures designed to ensure that information required to be disclosed by the Trust in the reports that it files or submits under the Exchange Act is accumulated and communicated to the responsible trust officers of the Trustee to allow timely decisions regarding required disclosure.

Under the terms of the Trust Agreement and the Conveyance, BP Alaska has significant disclosure and reporting obligations to the Trust. BP Alaska is required to provide the Trust such information concerning the Royalty Interest as the Trustee may need and to which BP Alaska has access to permit the Trust to comply with any reporting or disclosure obligations of the Trust pursuant to applicable law and the requirements of any stock exchange on which the Units are listed. These reporting obligations include furnishing the Trust a report by February 28 of each year containing all information of a nature, of a standard and in a form consistent with the requirements of the SEC respecting the inclusion of reserve and reserve valuation information in filings under the Exchange Act and with applicable accounting rules. The report is required to set forth, among other things, BP Alaska s estimates of future net cash flows from proved reserves attributable to the Royalty Interest, the discounted present value of such proved reserves, the assumptions utilized in arriving at the estimates contained in the report, and the estimate of the quantities of proved reserves (including reductions of proved reserves as a result of modification of BP Alaska s estimates of proved reserves from prior years) added during the preceding year to the total proved reserves allocated to the BP Working Interests as of December 31, 1987.

In addition, the Conveyance gives the Trust and its independent accountants certain rights to inspect the books and records of BP Alaska and discuss the affairs, finances and accounts of BP Alaska relating to the BP Working Interests with representatives of BP Alaska; it also requires BP Alaska to provide the Trust with such other information as the Trustee may reasonably request from time to time and to which BP Alaska has access.

The Trustee s disclosure controls and procedures include ensuring that the Trust receives the information and reports that BP Alaska is required to furnish to the Trust on a timely basis, that the appropriate responsible personnel of the Trustee examine such information and reports, and that information requested from and provided by BP Alaska is included in the reports that the Trust files or submits under the Exchange Act.

As of the end of the period covered by this report, the trust officers of the Trustee responsible for the administration of the Trust conducted an evaluation of the Trust s disclosure controls and procedures. Their evaluation considered, among other things, that the Trust Agreement and the Conveyance impose enforceable legal obligations on BP Alaska, and that BP Alaska has provided the information required by those agreements and other information requested by the Trustee from time to time on a timely basis. The officers concluded that the Trust s disclosure controls and procedures are effective.

Internal Control Over Financial Reporting

There has not been any change in the Trust s internal control over financial reporting identified in connection with the evaluation required by paragraph (d) of Rule 13a-15 or Rule 15d-15 under the Exchange Act that occurred during the Trust s last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Trust s internal control over financial reporting.

Item 4T. Controls and Procedures.

Not applicable.

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PART II
OTHER INFORMATION

Item 1. Legal Proceedings.

Michael Goldman v. BP P.L.C., et al.

Item 3 in Part I of the Trust s 2006 Annual Report contains information concerning a complaint filed on November 7, 2006, in the United States District Court for the District of Alaska (case number 3:06-CV-00260 TMB), purportedly as a class action by the plaintiff, Michael Goldman, on behalf of the public holders of Units in the Trust, against BP, the Trust, BP Alaska, Standard Oil and other unnamed defendants.

On April 26, 2007 the plaintiff filed a notice with the Court of the voluntary dismissal, without prejudice, of the Trust from the suit. The action continues against the defendants BP, BP Alaska and Standard Oil.

Item 1A. Risk Factors

There are no material changes from the risk factors previously disclosed in Item 1A of Part I of the Trust s 2006 Annual Report.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

(a) On April 16, 2007 the Trust received a cash distribution of $39,249,777 from BP Alaska with respect to the quarter ended March 31, 2007 (net of a deduction of $47,414 to reimburse BP Alaska for an overpayment in January 2007). On April 19, 2007, after adding interest income received from investment of the cash reserve and deducting Trust administrative expenses, the Trustee distributed $38,879,174 (approximately $1.817 per Unit) to Unit holders of record on April 17, 2006 (Form 8-K, Item 8.01).

(b) Not applicable.

Item 6. Exhibits.

4.1 BP Prudhoe Bay Royalty Trust Agreement dated February 28, 1989 among The Standard Oil Company, BP Exploration (Alaska) Inc., The Bank of New York, Trustee, and F. James Hutchinson, Co-Trustee.

4.2 Overriding Royalty Conveyance dated February 27, 1989 between BP Exploration (Alaska) Inc. and The Standard Oil Company.

4.3 Trust Conveyance dated February 28, 1989 between The Standard Oil Company and BP Prudhoe Bay Royalty Trust.

4.4 Support Agreement dated as of February 28, 1989 among The British Petroleum Company p.l.c., BP Exploration (Alaska) Inc., The Standard Oil Company and BP Prudhoe Bay Royalty Trust.

4.5 Letter agreement dated October 13, 2006 between BP Exploration (Alaska) Inc. and The Bank of New York, as Trustee.

31 Rule 13a-14(a)/15d-14(a) Certification.

32 Section 1350 Certification.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BP PRUDHOE BAY ROYALTY TRUST

By: THE BANK OF NEW YORK,
as Trustee

By: /s/ Remo Reale
Remo Reale
Vice President

Date: May 9, 2007

The registrant is a trust and has no officers or persons performing similar functions. No additional signatures are available and none have been provided.

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INDEX TO EXHIBITS

Exhibit No.	Exhibit Description
*4.1	BP Prudhoe Bay Royalty Trust Agreement dated February 28, 1989 among The Standard Oil Company, BP Exploration (Alaska) Inc., The Bank of New York, Trustee, and F. James Hutchinson, Co-Trustee.
*4.2	Overriding Royalty Conveyance dated February 27, 1989 between BP Exploration (Alaska) Inc. and The Standard Oil Company.
*4.3	Trust Conveyance dated February 28, 1989 between The Standard Oil Company and BP Prudhoe Bay Royalty Trust.
*4.4	Support Agreement dated as of February 28, 1989 among The British Petroleum Company p.l.c., BP Exploration (Alaska) Inc., The Standard Oil Company and BP Prudhoe Bay Royalty Trust.
**4.5	Letter agreement dated October 13, 2006 between BP Exploration (Alaska) Inc. and The Bank of New York, as Trustee.
31.	Rule 13a-14(a)/15d-14(a) Certification.
32	Section 1350 Certification.

* Incorporated by reference to the correspondingly numbered exhibit to the registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 2006 (Commission File No. 1-10243).

** Incorporated by reference to the correspondingly numbered exhibit to the registrant s Quarterly Report on Form 10-Q for the quarter

ended
September 30,
2006
(Commission
File No.
1-10243).

11%">

Scheduled revenues	3,632.0 3,257.3
Ancillary revenues	1,037.6 961.9
Total operating revenues - continuing operations	4,669.6 4,219.2
Operating expenses	
Fuel and oil	1,623.4 1,656.3
Airport and handling charges	573.4 502.0
Route charges	438.4 427.8
Staff costs	380.6 363.7
Depreciation	287.7 267.7
Marketing, distribution and other	180.5 147.4
Maintenance, materials and repairs	

	95.6	82.8
Aircraft rentals	85.0	77.3
Total operating expenses	3,664.6	3,525.0
Operating profit - continuing operations	1,005.0	694.2
Other income/(expense)		
Finance expense	(57.7)	(63.5)
Finance income	14.9	14.2
Foreign exchange (loss)	(0.4)	(1.3)
Total other expense	(43.2)	(50.6)
Profit before tax	961.8	643.6
Tax expense on profit on ordinary activities 4	(117.9)	(76.9)
Profit for the nine months - all attributable to equity holders of parent	843.9	566.7
Earnings per ordinary share (in € cent)		

Basic	
	10
	60.95
	39.79
Diluted	
	10
	60.84
	39.67
Weighted average no. of ordinary shares (in Ms)	
Basic	
	10
	1,384.6
	1,424.1
Diluted	
	10
	1,387.4
	1,428.7

Ryanair Holdings plc and Subsidiaries
Condensed Consolidated Interim Income Statement for the quarter ended December 31, 2014 (unaudited)

		Note	Quarter Ended Dec 31, 2014 €M	Quarter Ended Dec 31, 2013 €M
Operating revenues				
	Scheduled revenues		835.9	715.2
	Ancillary revenues		296.3	249.2
Total operating revenues - continuing operations			1,132.2	964.4
Operating expenses				
	Fuel and oil		451.9	455.0
	Airport and handling charges		165.8	135.0
	Route charges		123.0	109.3
	Staff costs		115.6	105.1
	Depreciation		92.6	85.4
	Marketing, distribution and other		56.6	44.0
	Maintenance, materials and repairs		30.7	28.9
	Aircraft rentals		24.4	24.7
Total operating expenses			1,060.6	987.4
Operating profit - continuing operations			71.6	(23.0)
Other income/(expenses)				
	Finance expense		(19.9)	(20.8)
	Finance income		2.1	2.4
	Foreign exchange gain/(loss)		0.5	(0.4)
Total other expense			(17.3)	(18.8)

Profit/(loss) before tax			54.3	(41.8)
	Tax (expense)/credit on profit/(loss) on ordinary activities	4	(5.4)	6.6
Profit/(loss) for the quarter - all attributable to equity holders of parent			48.9	(35.2)
	Earnings per ordinary share (in € cent)			
	Basic	10	3.53	(2.50)
	Diluted	10	3.52	(2.50)
	Weighted average no. of ordinary shares (in Ms)			
	Basic	10	1,385.9	1,407.3
	Diluted	10	1,389.1	1,407.3

Ryanair Holdings plc and Subsidiaries
Condensed Consolidated Interim Statement of Comprehensive Income for the nine months ended December 31, 2014 (unaudited)

	Nine months Ended Dec 31, 2014 €M	Nine months Ended Dec 31, 2013 €M
Profit for the nine months	843.9	566.7
Other comprehensive income:		
Items that will never be reclassified to profit or loss:		
Net actuarial loss from retirement benefit plan	-	(2.4)
Items that may or will be reclassified to profit or loss in subsequent period:		
Cash flow hedge reserve movements:		
Net movement in cash flow hedge reserve	(183.6)	(51.6)
Available for sale financial asset:		
Net increase/(decrease) in fair value of available for sale financial asset	90.9	(17.1)
Other comprehensive loss for the nine months, net of income tax	(92.7)	(71.1)
Total comprehensive income for the nine months - all attributable to equity holders of parent	751.2	495.6

Ryanair Holdings plc and Subsidiaries
Condensed Consolidated Interim Statement of Comprehensive Income for the quarter ended December 31, 2014 (unaudited)

	Quarter Ended Dec 31, 2014 €M	Quarter Ended Dec 31, 2013 €M
Profit/(loss) for the quarter	48.9	(35.2)
Other comprehensive income:		
Items that may or will be reclassified to profit or loss in subsequent period:		
Cash flow hedge reserve movements:		
Net movement in cash flow hedge reserve	(358.6)	27.6
Available for sale financial asset:		
Net increase/(decrease) in fair value of available for sale financial asset	125.1	(37.9)
Other comprehensive loss for the quarter, net of income tax	(233.5)	(10.3)
Total comprehensive loss for the quarter - all attributable to equity holders of parent	(184.6)	(45.5)

Ryanair Holdings plc and Subsidiaries

Condensed Consolidated Interim Statement of Cash Flows for the nine months ended December 31, 2014 (unaudited)

	Note	Nine months Ended Dec 31, 2014 €M	Nine months Ended Dec 31, 2013 €M
Operating activities			
Profit after tax		843.9	566.7
Adjustments to reconcile profit before tax to net cash provided by operating activities			
Depreciation		287.7	267.7
Decrease in inventories		0.5	0.5
Tax expense on profit on ordinary activities		117.9	76.9
Decrease in trade receivables		3.6	2.3
Decrease/(increase) in other current assets		4.6	(15.3)
(Decrease) in trade payables		(12.7)	(11.0)
(Decrease) in accrued expenses		(415.0)	(516.5)
(Decrease) in other creditors		(26.0)	(28.1)
Increase/(decrease) in provisions		25.1	(9.2)
Increase in finance expense		12.2	2.2
(Increase)/decrease in finance income		(0.8)	0.5
Retirement costs		-	(1.4)

Share based payments		(0.2)	1.5
Income tax paid		(18.3)	(14.4)
Net cash provided by operating activities		822.5	322.4
Investing activities			
Capital expenditure (purchase of property, plant and equipment)		(507.7)	(366.7)
Decrease in restricted cash		5.9	9.1
(Increase)/decrease in financial assets: cash > 3months		(1,660.7)	368.3
Net cash (used in)/provided by investing activities		(2,162.5)	10.7
Financing activities			
Net proceeds from shares issued		12.1	8.7
Bond proceeds	14	845.9	-
Repayments of long term borrowings		(293.6)	(284.6)
Shares purchased under share buy-back programme	13	-	(413.9)
Net cash provided by/(used in) financing activities		564.4	(689.8)
(Decrease) in cash and cash equivalents		(775.6)	(356.7)
Cash and cash equivalents at beginning of the period		1,730.1	1,240.9
Cash and cash equivalents at end of the period		954.5	884.2

Ryanair Holdings plc and Subsidiaries

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity for the nine months ended December 31, 2014 (unaudited)

					Other Reserves			
	Ordinary Shares	Issued Share Capital	Share Premium Account	Retained Earnings	Capital Redemption Reserve	Hedging	Other Reserves	Total
	M	€M	€M	€M	€M	€M	€M	€M
Balance at March 31, 2013	1,447.1	9.2	687.8	2,418.6	0.8	0.5	155.7	3,272.6
Profit for the nine months				566.7				566.7
Other comprehensive income								
Revaluation of retirement benefits plan	-	-	-	(2.4)	-	-	-	(2.4)
Net movements into cash flow reserve	-	-	-	--		(51.6)	-	(51.6)
Net change in fair value of available for sale financial asset	-	-	-	-	-	-	(17.1)	(17.1)
Total other comprehensive income	-	-	-	(2.4)	-	(51.6)	(17.1)	(71.1)
Total comprehensive income	-	-	-	564.3	-	(51.6)	(17.1)	495.6
Transactions with owners of the Company recognised directly in equity								

Issue of ordinary equity shares	2.8	-	8.7	-	-	-	-	8.7
Repurchase of ordinary equity shares	-	-	-	(413.9)	-	-	-	(413.9)
Cancellation of repurchased ordinary shares	(59.6)	(0.4)	-	-	0.4	-	-	-
Share-based payments	-	-	-	-	-	-	1.5	1.5
Transfer of exercised and expired share based awards	-	-	-	3.8	-	-	(3.8)	-
Balance at December 31, 2013	1,390.3	8.8	696.5	2,572.8	1.2	(51.1)	136.3	3,364.5
Profit for the period	-	-	-	(43.9)	-	-	-	(43.9)
Other comprehensive income								
Net actuarial losses from retirement benefit plans	-	-	-	0.8	-	-	-	0.8
Net movements in cash flow reserve	-	-	-	-	-	(32.1)	-	(32.1)
Net change in fair value of available for sale financial asset	-	-	-	-	-	-	56.2	56.2
Total other comprehensive income	-	-	-	0.8	-	(32.1)	56.2	24.9
Total comprehensive income/(expense)	-	-	-	(43.1)	-	(32.1)	56.2	(19.0)
Transactions with owners of the Company recognised directly in equity								
Issue of ordinary equity shares	2.9	-	7.7	-	-	-	-	7.7
Share-based payments	-	-	-	-	-	-	0.4	0.4
Repurchase of ordinary equity shares	-	-	-	(67.8)	-	-	-	(67.8)
Cancellation of repurchased ordinary shares	(9.9)	-	-	-	-	-	-	-
Transfer of exercised and expired share based awards	-	-	-	3.2	-	-	(3.2)	-
Balance at March 31, 2014	1,383.3	8.8	704.2	2,465.1	1.2	(83.2)	189.7	3,285.8

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity for the nine months ended December 31, 2014 (unaudited) (contd)

					Other Reserves			
	Ordinary Shares	Issued Share Capital	Share Premium Account	Retained Earnings	Capital Redemption Reserve	Hedging	Other Reserves	Total
	M	€M	€M	€M	€M	€M	€M	€M
Balance at March 31, 2014	1,383.3	8.8	704.2	2,465.1	1.2	(83.2)	189.7	3,285.8
Profit for the period				843.9				843.9
Other comprehensive income								
Net movements in cash flow reserve	-	-	-	-	-	(183.6)	-	(183.6)
Net change in fair value of available for sale financial asset	-	-	-	-	-	-	90.9	90.9

Total other comprehensive income	-	-	-	-	-	(183.6)	90.9	(92.7)
Total comprehensive income/(expense)	-	-	-	843.9	-	(183.6)	90.9	751.2
Transactions with owners of the Company recognised directly in equity								
Issue of ordinary equity shares	4.1	-	12.1	-	-	-	-	12.1
Share-based payments	-	-	-	-	-	-	0.2	0.2
Transfer of exercised and expired share based awards	-	-	-	6.0	-	-	(6.0)	-
Balance at December 31, 2014	1,387.4	8.8	716.3	3,315.0	1.2	(266.8)	274.8	4,049.3

Ryanair Holdings plc and Subsidiaries
Operating and Financial Overview

Detailed Discussion and Analysis for the nine months ended December 31, 2014

Profit after tax increased by 49% to €843.9m primarily due to a 4% increase in average fares and a stronger load factor (up 4 points to 88%), partially offset by a 4% increase in total operating expenses. Total operating revenues increased by 11% to €4,669.6m, primarily due to a 12% increase in scheduled revenues to €3,632.0m, driven by the 4% increase in average fare, aided by the timing of Easter in the first quarter and its absence in the prior year comparative, along with a 4 percentage point increase in load factor. Ancillary revenues rose by 8%, ahead of the growth in passenger numbers, to €1,037.6m. Fuel, which represents 44% of total operating costs in the current period and 47% in the comparative period, decreased by 2% to €1,623.4m due to a lower euro price per gallon paid. Unit costs excluding fuel rose by 2%, however, including fuel unit costs fell by 3%. Operating margin, as a result of the above, increased by 5 points to 22% whilst operating profit increased by 45% to €1,005.0m.

Total operating revenues increased by 11% to €4,669.6m primarily due to (i) a 4% increase in average fare, (ii) a 7% increase in traffic to 72.1m and strong load factor (88%), (iii) the timing of Easter in the first quarter and its absence in the prior year comparative and (iv) the strength of sterling to the euro. Ancillary revenues increased by 8%, ahead of the 7% increase in passenger numbers.

Total revenue per passenger rose by 3%, primarily due to the strong growth in scheduled revenues.

Scheduled passenger revenues increased by 12% to €3,632.0m due to a 4% rise in average fares, partially due to the timing of Easter and its absence in the prior year comparative, along with strong load factors and the strength of sterling to the euro. Load factor rose by 4 points to 88%.

Ancillary revenues increased by 8% to €1,037.6m, ahead of the 7% increase in passenger numbers.

Total operating expenses increased by 4% to €3,664.6m due to the increased costs associated with the growth of the airline offset by a 2% reduction in fuel costs.

Fuel & oil costs decreased by 2% to €1,623.4m due to a lower euro fuel price per gallon in the period.

Airport & handling charges increased by 14%, as expected, to €573.4m, due to the mix of new routes and bases launched at primary airports, a 7% increase in passenger numbers and the strengthening of sterling against the euro.

Route charges increased by 2% to €438.4m in line with the increase in sectors flown.

Staff costs increased by 5% to €380.6m due to the increased level of activity, the impact of a 2% pay increase granted in April 2014, and the strength of sterling to the euro.

Depreciation increased by 7% to €287.7m due to 5 aircraft deliveries, the purchase of 10 spare engines in the period, and the higher level of maintenance activity during the period.

Marketing, distribution & other costs, which include ancillary costs, increased by 22% to €180.5m, mainly due to higher marketing spend to support Ryanair's "Always Getting Better" customer programme and the launch of new routes and bases.

Maintenance costs increased by 15% to €95.6m, primarily due to the inclusion in the prior year comparative of a one off credit of €3.7m arising from the renegotiation of certain maintenance contracts. The remainder of the increase is due to line maintenance costs resulting from the launch of new bases and unscheduled maintenance costs.

Aircraft rental costs increased by 10% to €85.0m, reflecting short term leases over the summer, offset by a lower number of leased aircraft in the period (Dec 31, 2014: 51) compared to the prior year (Dec 31, 2013: 53).

Operating margin increased by 5 points to 22% due to the reasons outlined above and operating profits have increased by 45% to €1,005.0m.

Finance expense decreased by 9% to €57.7m due to lower interest rates.

Finance income increased by 5% to €14.9m primarily due to higher cash.

Balance sheet

Gross cash increased by €879.2m since March 31, 2014 to €4,120.9m and Gross debt rose by €590.4m to €3,674.0m. The Group generated €822.5m cash from operating activities and approximately €846.0m from its debut Eurobond issuance in June 2014 (see note 14). This funded net capital expenditure of €507.7m and debt repayments of €293.6m. As a result the Group's Net cash position was €446.9m at the period end (March 31, 2014: €158.1m).

Shareholders' equity increased by €763.5m to €4,049.3m in the period due to the net profit after tax of €843.9m and the impact of IFRS accounting treatment for derivatives and changes in unrealised gains on available for sale financial assets.

Detailed Discussion and Analysis for the quarter ended December 31, 2014

The Group had a Profit after tax of €48.9m compared to a loss after tax of €35.2m in the comparative period, primarily due to a stronger load factor (up 6 points to 88%) and a 2% increase in average fares, partially offset by a 7% increase in total operating expenses. Total operating revenues increased by 17% to €1,132.2m, primarily due to a 17% increase in scheduled revenues to €835.9m, driven by a strong load factor and a 2% increase in average fare. Ancillary revenue was up 19%, ahead of the growth in traffic, to €296.3m. Fuel, which represents 43% of total operating costs in the current quarter and 46% in the comparative quarter, decreased by 1% to €451.9m due to a lower euro price per gallon paid. Unit costs excluding fuel remained flat, however, including fuel unit costs fell by 6%. As a result of the above, there was an operating profit of €71.6m compared to an operation loss of €23.0m in the comparative quarter.

Total operating revenues increased by 17% to €1,132.2m primarily due to a 14% increase in traffic to 20.8m, a 2% increase in average fare and the stronger sterling against the euro. Ancillary revenues grew by 19%, ahead of the 14% increase in passenger numbers.

Total revenue per passenger rose by 3%, due to the strong growth in both scheduled and ancillary revenues.

Scheduled passenger revenues increased by 17% to €835.9m due to a 2% rise in average fares, strong load factors and the strength of sterling to the euro. Load factor rose by 6 points to 88%.

Ancillary revenues increased by 19% to €296.3m, faster than the 14% increase in passenger numbers, due to a combination of an improved product mix, the roll out of reserved seating across the network, the early release of the 2015 summer schedule which increased administration and credit card fees and the strength of sterling to the euro.

Total operating expenses increased by 7% to €1,060.6m due to the increased costs associated with the growth of the airline offset by a 1% reduction in fuel costs.

Fuel & oil costs decreased by 1% to €451.9m due to a lower euro fuel price per gallon in the quarter.

Airport & handling charges increased by 23%, as expected, to €165.8m due to the mix of new routes and bases launched at primary airports as part of the expanded winter schedule, a 14% increase in passenger numbers and the strengthening of sterling against the euro.

Route charges increased by €13.7m to €123.0m as the number of sectors flown increased, and sterling strengthened against the euro.

Staff costs increased by 10% to €115.6m due to the increased level of activity, a 2% pay increase granted in April 2014 and the strengthening of the sterling against the euro.

Depreciation increased by 8% to €92.6m due to the delivery of 3 new aircraft in the period and the higher level of maintenance activity during the quarter.

Marketing, distribution & other costs, which include ancillary costs, increased by 29% to €56.6m, due to higher marketing spend to support Ryanair's "Always Getting Better" customer programme and the launch of new routes and bases.

Maintenance costs increased by 6% to €30.7m in line with the increase in the flight hours.

Aircraft rental costs decreased by 1% to €24.4m due to a lower number of leased aircraft (Dec 31, 2014: 51) compared to the prior year (Dec 31, 2013: 53).

Due to the reasons outlined above operating profits are €71.6m compared to an operating loss of €23.0m in the comparative quarter.

Finance expense decreased by 4% to €19.9m due to lower interest rates.

Finance income remained relatively flat at €2.1m due to the higher cash balance offset by lower interest rates.

Ryanair Holdings plc
Interim Management Report

Introduction

This financial report for the nine months ended December 31, 2014 meets the reporting requirements pursuant to the Transparency (Directive 2004/109/EC) Regulations 2007 and Transparency Rules of the Republic of Ireland's Financial Regulator and the Disclosure and Transparency Rules of the United Kingdom's Financial Services

Authority.

This interim management report includes the following:

- Principal risks and uncertainties relating to the remaining three months of the year;
- Related party transactions; and
- Post balance sheet events.

Results of operations for the nine month period ended December 31, 2014 compared to the nine month period ended December 31, 2013, including important events that occurred during the nine months, are set forth above in the Operating and Financial Overview.

Principal risks and uncertainties

Among the factors that are subject to change and could significantly impact Ryanair's expected results for the remainder of the year are the airline pricing environment, fuel costs, competition from new and existing carriers, costs associated with environmental, safety and security measures, actions of the Irish, UK, European Union ("EU") and other governments and their respective regulatory agencies, fluctuations in currency exchange rates and interest rates, airport access and charges, labour relations, the economic environment of the airline industry, the general economic environment in Ireland, the UK, and Continental Europe, the general willingness of passengers to travel, other economic, social and political factors and flight interruptions caused by volcanic ash emissions or other atmospheric disruptions.

Board of directors

Details of the members of our Board of Directors are set forth on pages 106 and 107 of our 2014 annual report. In addition, Michael Cawley joined the board on August 07, 2014.

Related party transactions

Please see note 15.

Post balance sheet events

Please see note 16.

Ryanair Holdings plc
Notes forming Part of the Condensed Consolidated
Interim Financial Statements

1. Basis of preparation and significant accounting policies

Ryanair Holdings plc (the "Company") is a company domiciled in Ireland. The unaudited condensed consolidated interim financial statements of the Company for the nine months ended December 31, 2014 comprise the Company and its subsidiaries (together referred to as the "Group").

These unaudited condensed consolidated interim financial statements ("the interim financial statements"), which should be read in conjunction with our 2014 Annual Report for the year, ended March 31, 2014, have been prepared in accordance with International Accounting Standard No. 34 "Interim Financial Reporting" as adopted by the EU ("IAS

34"). They do not include all of the information required for full annual financial statements, and should be read in conjunction with the most recent published consolidated financial statements of the Group. The consolidated financial statements of the Group as at and for the year ended March 31, 2014, are available at www.ryanair.com.

The comparative figures included for the year ended March 31, 2014 do not constitute statutory financial statements of the Group within the meaning of Regulation 40 of the European Communities (Companies, Group Accounts) Regulations, 1992. The consolidated financial statements of the Group for the year ended March 31, 2014, together with the independent auditor's report thereon, have been filed with the Irish Registrar of Companies following the Company's Annual General Meeting and are also available on the Company's Website. The auditor's report on those financial statements was unqualified.

The Audit Committee, upon delegation of authority by the Board of Directors, approved the interim financial statements for the nine month period ended December 31, 2014 on January 30, 2015.

Except as stated otherwise below, this period's financial information has been prepared in accordance with the accounting policies set out in the Group's most recent published consolidated financial statements, which were prepared in accordance with IFRS as adopted by the EU and also in compliance with IFRS as issued by the International Accounting Standards Board.

The following new and amended standards, that have been issued by the International Accounting Standards Board (IASB), and are effective under those standards for the first time for the financial year beginning on or after January 1, 2014, and have also been endorsed by the EU, have been applied by the Group for the first time in these interim consolidated financial statements;

- IAS 32 (amendment) "Offsetting Financial Assets and Financial Liabilities" (effective for fiscal periods beginning on or after January 1, 2014).

- IAS 39 (amendment) "Novation of Derivatives and Continuation of Hedge Accounting" (effective for fiscal periods beginning on or after January 1, 2014).

- IFRIC 21 "Levies" (effective for fiscal periods beginning on or after January 1, 2014).

- IAS 36 (amendment) "Recoverable Amount Disclosures for Non-Financial Assets" (effective for fiscal period beginning on or after January 1, 2014).

The adoption of these new or amended standards did not have a material impact on our financial position or results from operations in the period ended December 31, 2014.

The following new or revised IFRS standards and IFRIC interpretations which have not yet been endorsed by the EU will be adopted for purposes of the preparation of future financial statements, where applicable. We do not anticipate that the adoption of these new or revised standards and interpretations will have a material impact on our financial position or results from operations.

- Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) (effective for fiscal periods beginning on or after July 1, 2014).

- IFRS 9, "Financial Instruments" (2014) (effective for fiscal periods beginning on or after January 1, 2018).

- "Annual Improvements to IFRSs". 2010-2012 Cycle (effective for fiscal periods beginning on or after July 1, 2014).

- "Annual Improvements to IFRSs". 2011-2013 Cycle (effective for fiscal periods beginning on or after July 1, 2014).

- "Annual Improvements to IFRSs". 2012-2014 Cycle (effective for fiscal periods beginning on or after July 1, 2016).

- Amendments to IFRS 10/IAS 28 - Sales or contributions of assets between an investor and its associate/joint venture (effective for fiscal periods beginning on or after January 1, 2016).

- Amendments to IFRS 11: "Accounting for Acquisitions of Interests in Joint Operations" (effective for fiscal periods beginning on or after January 1, 2016).

- IFRS 14, "Regulators Deferral Accounts" (effective for fiscal periods beginning on or after January 1, 2016).

- Amendments to IAS 16 and IAS 38: "Clarification of Acceptable Methods of Depreciation and Amortisation" (effective for fiscal periods beginning on or after January 1, 2016).

- IAS 15, "Revenue from Contracts with Customers" (effective for fiscal periods beginning on or after January 1, 2017).

2. Estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing these consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied in the most recent published consolidated financial statements.

3. Seasonality of operations

The Group's results of operations have varied significantly from quarter to quarter, and management expects these variations to continue. Among the factors causing these variations are the airline industry's sensitivity to general economic conditions and the seasonal nature of air travel. Accordingly the first half-year typically results in higher revenues and results.

4. Income tax expense

The Group's consolidated effective tax rate in respect of operations for the period ended December 31, 2014 was 12.3% (December 31, 2013: 11.9%). The tax charge for the period ended December 31, 2014 of €117.9m (December 31, 2013: €76.9m) comprises a deferred tax charge relating to the temporary differences for property, plant and equipment recognised in the income statement.

5. Share based payments

The terms and conditions of the share option programme are disclosed in the most recent, published, consolidated financial statements.

The Company granted options over 15 million shares in the period, under the terms of the 2013 Share Option Scheme approved by the Shareholders at the AGM on September 20, 2013 ("Option Plan 2013"). The fair value of these options is being recognised within the income statement in accordance with employee services rendered.

6. Contingencies

The Group is engaged in litigation arising in the ordinary course of its business. The Group does not believe that any such litigation will individually or in aggregate have a material adverse effect on the financial condition of the Group. Should the Group be unsuccessful in these litigation actions, management believes the possible liabilities then arising cannot be determined but are not expected to materially adversely affect the Group's results of operations or financial position.

7. Capital commitments

At December 31, 2014 Ryanair had an operating fleet of 302 (2013: 298) Boeing 737-800NG aircraft. The Group has agreed to purchase 180 new Boeing 737 800NG aircraft during the periods Fiscal 2015 to Fiscal 2019 of which 5 aircraft were delivered in the period ended December 31, 2014.

In September 2014, the Group agreed to purchase up to 200 (100 firm and 100 options purchases) Boeing 737 Max 200 aircraft from The Boeing Corporation during the period Fiscal 2019 to Fiscal 2024. This agreement was approved at an EGM on November 28, 2014.

8. Available for sale financial assets (Aer Lingus)

The movement on the available for sale financial asset from €260.3m at March 31, 2014 to €351.2m at December 31, 2014 is comprised of a unrealised gain of €90.9m, recognised through other comprehensive income, reflecting the increase in the Aer Lingus share price from approximately €1.64 per share at March 31, 2014 to approximately €2.21 per share at December 31, 2014.

9. Analysis of operating segment

The Company is managed as a single business unit that provides low fares airline-related activities, including scheduled services, car hire, internet income and related sales to third parties. The Company operates a single fleet of aircraft that is deployed through a single route scheduling system.

The Company determines and presents operating segments based on the information that internally is provided to the CEO, who is the Company's Chief Operating Decision Maker (CODM). When making resource allocation decisions the CODM evaluates route revenue and yield data, however resource allocation decisions are made based on the entire route network and the deployment of the entire aircraft fleet, which are uniform in type. The objective in making resource allocation decisions is to maximise consolidated financial results, rather than individual routes within the network.

The CODM assesses the performance of the business based on the consolidated profit/(loss) after tax of the Company for the period.

All segment revenue is derived wholly from external customers and as the Company has a single reportable segment, intersegment revenue is zero.

The Company's major revenue-generating asset comprises its aircraft fleet, which is flexibly employed across the Company's integrated route network and is directly attributable to its reportable segment operations. In addition, as the Company is managed as a single business unit, all other assets and liabilities have been allocated to the Company's single reportable segment.

Reportable segment information is presented as follows:

	Nine Months Ended Dec 31, 2014 €M	Nine Months Ended Dec 31, 2013 €'M
External revenues	4,669.6	4,219.2
Reportable segment profit after income tax	843.9	566.7

	At Dec 31, 2013 €M	At Mar 31, 2014 €M
Reportable segment assets (excludes the available for sale financial asset)	10,155.2	8,551.8

10. Earnings per share

	Nine months Ended Dec-31 2014	Nine Months Ended Dec-31 2013	Quarter Ended Dec-31 2014	Quarter Ended Dec-31 2013
Basic earnings/(losses) per ordinary share euro cent	60.95	39.79	3.53	(2.50)
Diluted earnings/(losses) per ordinary share euro cent	60.84	39.67	3.52	(2.50)
Weighted average number of ordinary shares (in M's) - basic	1,384.6	1,424.1	1,385.9	1,407.3
Weighted average number of ordinary shares (in M's) - diluted	1,387.4	1,428.7	1,389.1	1,407.3

Diluted earnings per share takes account solely of the potential future exercises of share options granted under the Company's share option schemes and the weighted average number of shares includes weighted average share options assumed to be converted of 2.8m (2013: 4.6m).

11. Property, plant and equipment

Acquisitions and disposals
Capital expenditure in the period to December, 2014 amounted to €507.7m and primarily relates to aircraft pre delivery payments, 5 aircraft deliveries and 10 new spare engines.

12. Financial instruments and financial risk management

We are exposed to various financial risks arising in the normal course of business. Our financial risk exposures are predominantly related to commodity price, foreign exchange and interest rate risks. The Company uses financial instruments to manage exposures arising from these risks.

These preliminary financial statements do not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the 2014 Annual Report. There have been no changes in our risk management policies in the year.

Fair value hierarchy

Financial instruments measured at fair value in the balance sheet are categorised by the type of valuation method used. The different valuation levels are defined as follows:
· Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
· Level 2: inputs other than quoted prices included within Level 1 that are observable for that asset or liability, either directly or indirectly.
· Level 3: unobservable inputs for the asset or liability.

Fair value estimation

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. The following methods and assumptions were used to estimate the fair value of each material class of the Company's financial instruments:

Financial instruments measured at fair value

· Available for sale: The fair value of available for sale financial assets is their quoted market bid price at the balance sheet date. (Level 1)
· Derivatives - interest rate swaps: Discounted cash-flow analyses have been used to determine the fair value, taking into account current market inputs and rates. (Level 2)
· Derivatives - currency forwards, aircraft fuel contracts and carbon swaps: A comparison of the contracted rate to the market rate for contracts providing a similar risk profile at December 31, 2014 has been used to establish fair value. (Level 2)

The Group policy is to recognise any transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer occurred. During the period to December 31, 2014, there were no reclassifications of financial instruments and no transfers between levels of the fair value hierarchy used in measuring the fair value of financial instruments.

Financial instruments disclosed at fair value

- Fixed-rate long-term debt: The repayments which Ryanair is committed to make have been discounted at the relevant market rates of interest applicable (including credit spreads) at December 31, 2014 to arrive at a fair value representing the amount payable to a third party to assume the obligations.

There were no significant changes in the business or economic circumstances during the period to December 31, 2014 that affect the fair value of our financial assets and financial liabilities.

12. Financial instruments and financial risk management (continued)

The fair value of financial assets and financial liabilities, together with the carrying amounts in the condensed consolidated financial balance sheet, are as follows:

	At Dec 31, 2014 Carrying amount €M	At Dec 31, 2014 Fair value €M	At Mar 31, 2014 Carrying amount €M	At Mar 31, 2014 Fair Value €M
Non-current financial assets				
Derivative financial instruments:-				
- U.S. dollar currency forward contracts	217.8	217.8	-	-
- Jet fuel derivative contracts	-	-	0.4	0.4
	217.8	217.8	0.4	0.4
- Available-for-sale financial assets	351.2	351.2	260.3	260.3
	569.0	569.0	260.7	260.7
Current financial assets				
Derivative financial instruments:-				
- U.S. dollar currency forward contracts	312.5	312.5	-	-
- Jet fuel derivative contracts	-	-	16.7	16.7
	312.5	312.5	16.7	16.7
Trade receivables	54.5	54.5	58.1	58.1
Cash and cash equivalents	954.5	954.5	1,730.1	1,730.1
Financial asset: cash > 3 months	3,159.0	3,159.0	1,498.3	1,498.3
Restricted cash	7.4	7.4	13.3	13.3
Other assets	3.4	3.4	2.6	2.6
	4,491.3	4,491.3	3,319.1	3,319.1
Total financial assets	5,060.3	5,060.3	3,579.8	3,579.8

	At Dec 31, 2014 Carrying amount €M	At Dec 31, 2014 Fair value €M	At Mar 31, 2014 Carrying a mount €M	At Mar 31, 2014 Fair Value €M
Non-current financial liabilities				
Derivative financial instruments:-				
- Interest rate swaps	18.6	18.6	41.4	41.4
- U.S. dollar currency forward contracts	136.0	136.0	1.8	1.8
	154.6	154.6	43.2	43.2
Long-term debt	3,217.8	3,306.8	2,615.7	2,660.9
	3,372.4	3,461.4	2,658.9	2,704.1
Current financial liabilities				
Derivative financial instruments:-				
- Interest rate swaps	21.2	21.2	31.0	31.0
- U.S. dollar currency forward contracts	-	-	64.4	64.4
- Jet fuel derivative contracts	641.9	641.9	-	-
	663.1	663.1	95.4	95.4
Long-term debt	456.2	456.2	467.9	467.9
Trade payables	137.3	137.3	150.0	150.0
Accrued expenses	1,149.5	1,149.5	1,554.5	1,554.5
	2,406.1	2,406.1	2,267.8	2,267.8

Total financial liabilities	5,778.5	5,867.5	4,926.7	4,971.7

13. Share buy-back

There were no share buy-backs in the period. In the period ended December 30, 2013, the Company bought back 59.6m ordinary shares at a total cost of €413.9m. This was equivalent to approximately 4.2% of the Company's issued share capital. All ordinary shares repurchased were cancelled. Accordingly, share capital decreased by 59.6m ordinary shares with a nominal value of €0.4m and the capital redemption reserve increased by a corresponding €0.4m. The capital redemption reserve is required to be created under Irish law to preserve permanent capital in the Parent Company.

14. Eurobond

In June 2014, Ryanair issued a 7 year unsecured eurobond, under its EMTN (Euro Medium Term Note) programme, with a fixed coupon of 1.875% per annum and a notional principal of €850.0m. The issue price on the bond was 99.52%.

15. Related party transactions

We have related party relationships with our subsidiaries, directors and senior key management personnel. All transactions with subsidiaries eliminate on consolidation and are not disclosed.

There were no related party transactions in the period ended December 31, 2014 that materially affected the financial position or the performance of the Company during that period and there were no changes in the related party transactions described in the 2014 Annual Report that could have a material effect on the financial position or performance of the Company in the same period.

In October 2014, Michael O'Leary (Chief Executive Officer) signed a new 5 year contract which commits him to the Company until September 2019. This new contract replaces a rolling 12 month arrangement under which Mr O'Leary has worked as Chief Executive of the airline since Ryanair Holdings Plc first floated in 1997.

16. Post balance sheet events

None.

Ryanair Holdings plc
Responsibility Statement

Statement of the directors in respect of the interim financial report

Each of the directors, whose names and functions are listed in our 2014 Annual Report, and Michael Cawley confirm that, to the best of each person's knowledge and belief:

1) The unaudited condensed consolidated interim financial statements for the nine months ended December 31, 2014, comprising the condensed consolidated interim balance sheet, the condensed consolidated interim income statement, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of cash flows and the condensed consolidated interim statement of changes in shareholders' equity and the related notes thereto, have been prepared in accordance with IAS 34 as adopted by the European Union, being the international accounting standard applicable.

2) The interim management report includes a fair review of the information required by:

(i) Regulation 8(2) of the Transparency (Directive 2004/109/EC) Regulations 2007, being an indication of important events that have occurred during the nine months ended December 31, 2014 and their impact on the condensed consolidated interim financial statements; and a description of the principal risks and uncertainties for the three months ending March 31, 2015; and

(ii) Regulation 8(3) of the Transparency (Directive 2004/109/EC) Regulations 2007, being related party transactions that have taken place in the nine months ended December 31, 2014 and that have materially affected the financial position or performance of the Company during that period; and any changes in the related party transactions described in the 2014 Annual Report that could do so.

On behalf of the Board

David Bonderman	Michael O'Leary
Chairman	Chief Executive
January 30, 2015	

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, hereunto duly authorized.

RYANAIR HOLDINGS PLC

Date: 02 February 2015

By:___/s/ Juliusz Komorek____

Juliusz Komorek
Company Secretary