BP EXPLORATION (ANGOLA) LIMITED
(Registered No 615393)

ANNUAL REPORT AND ACCOUNTS 2006

Board of Directors	R C Fearnley
	M L Shafer-Malicki

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2006

Principal Activity

The company's principal activities are the exploration, exploitation and production of petroleum The company is a participant in Production Sharing Agreements (PSA's) for Blocks 15, 17 and 31 of offshore Angola and holds an interest in the Kimmeridge onshore oilfield in the UK It is the intention of the directors that the above business of the company will continue for the foreseeable future

Review of activities and future developments

In Block 15 (BP 26 667%, operated by Exxon Mobil), development of Kizomba C (Mondo & Saxi Batuque) commenced in the first quarter of 2006 with production planned for Mondo in 2Q 2008 and Saxi Batuque in 3Q 2008 Marimba, also currently under development, is expected to commence production in 4Q 2007

In Block 17 (BP 16 667%, operated by Total), production from the Dalia project commenced in December 2006 Development on the Rosa project, a tie back to Girassol hub, continued with the first production planned for mid 2007 The Pazflor project is expected to be sanctioned for development towards the end of 2007

In Block 31 (BP 26 667% and operator), four discoveries were made in 2005 and a further discovery was announced in 2006 To date there have been a total of fourteen discoveries that are at various stages of assessment of commercial viability

Results

The profit for the year after taxation was $1,085,506,000, when added to the retained profit brought forward at 1 January 2006 of $360,653,000, (together with an interim dividend paid taken directly to reserves of $1,100,000,000), gives a total retained profit carried forward at 31 December 2006 of $346,159,000 The directors do not propose the payment of a final dividend

Directors

The present directors are listed above

A C Little served as a director throughout the financial year Changes since 1 January 2006 are as follows

	Appointed	Resigned
W G Schrader	-	01-Nov-2006
J H Dupree	01-Nov-2006	01-May-2007
J E Lynch Jnr	-	01-Aug-2006
A C Little		01-Aug-2007
M L Shafer-Malicki	15-May-2007	
R C Fearnley	01-Aug-2007	

Directors' indemnity

The company indemnifies the directors in its Articles of Association to the extent allowed under section 309 of the Companies Act, 1985

Risks

The company aims to deliver sustainable value by identifying and responding successfully to risks Risk management is integrated into the process of planning and performance management at a Group level Monitoring and accountability for the management of these risks occur through quarterly performance reviews at a group level

Company level risks have been identified and classified in four categories delivery, inherent, enduring and financial

Delivery risks

Delivery risks are those specific to implementing activities contained in the company plan Successful execution of this plan depends critically on implementing the set of activities described. The most significant risks affecting the company include

Major project delivery

Poor delivery of any major project that underpins production growth and / or a major programme designed to enhance shareholder value

Inherent risks

There are a number of risks that arise as a result of the business climate, which are not directly controllable

Regulatory risk

The oil industry is 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, controls over the development and decommissioning of a field (including restrictions on production) and, possibly, nationalization, expropriation, cancellation or non-renewal 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, and operates in certain tax jurisdictions that have a degree of uncertainty relating to the interpretation of, and changes to, tax law As a result of new laws and regulations or other factors, we could be required to curtail or cease certain operations, causing our production to decrease, or we could incur additional costs

Developing country risk
The company has operations in developing countries where political, economic and social transition is taking place Some countries have experienced political instability, expropriation or nationalization of property, civil strife, strikes, acts of war and insurrections Any of these conditions occurring could disrupt or terminate our operations, causing our development activities to be curtailed or terminated in these areas or our production to decline and could cause us to incur additional costs

Enduring risks

The company sets high standards of corporate citizenship and aspires to contribute to a better quality of life through the products and services it provides This may create risks to reputation if it is perceived that actions are not aligned to these standards and aspirations

Social responsibility risk

Risk could arise if it is perceived that the company is not respecting or advancing the economic and social progress of the communities in which it operates

Environmental risk
The company seeks to conduct its activities in such a manner that there is no or minimal damage to the environment. Risk could arise if the company does not apply its resources to overcome the perceived trade-off between global access to energy and the protection or improvement of the natural environment.

Compliance risk

Incidents of non-compliance with applicable laws and regulation or ethical misconduct could be damaging to the company's reputation Inherent in the company's operations are hazards that require continual oversight and control If operational risks materialized, loss of life, damage to the environment or loss of production could result

Drilling and production risk

Exploration and production require high levels of investment and have particular economic risks and opportunities and may often involve innovative technologies They are subject to natural hazards and other uncertainties, including those relating to the physical characteristics of an oil or natural gas field The cost of drilling, completing or operating wells is often uncertain The company may be required to curtail, delay or cancel drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions and compliance with governmental requirements

Technical integrity risk

There is a risk of loss of containment of hydrocarbons and other hazardous material at operating sites, pipelines or during transportation by road, rail or sea.

Key performance indicators

The Companies Act requires directors to disclose the company's Key Performance Indicators (KPIs) BP manages its KPIs at a segment and geographical level As a result the directors have taken the decision not to disclose KPIs in individual subsidiary accounts The BP Group KPIs are included within the accounts of the ultimate parent undertaking BP p l c

Policy and practice with respect to payment of suppliers

It is the company's policy to follow the CBI's prompt payment code of practice for all suppliers to the company with payments made in accordance with the relevant contractual payment terms A copy of the code of practice may be obtained from the CBI

The number of days' purchases represented by trade creditors at the year-end was nil

Disabled employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate

Employee Involvement

During the year, the BP group continued its policy of providing employees with information on matters of concern to them In particular, information relating to group performance and group policies has been readily available to employees through the 'BP World' intranet web-site A worldwide People Assurance Survey was undertaken to measure employee satisfaction levels with group leadership Employees were invited to participate in BP share schemes

Post Balance Sheet Events

In June 2007 the company entered into two lease arrangements for drilling rigs

Under the first lease, the rig will not be available for use until 2011 and the initial term of the lease will be for a minimum of 5 years The total expected commitment under this is $889 5m

The second lease is an extension of an existing arrangement. The rig will now be available until 2009 The total additional expected commitment under this lease is $181 3m

Auditors

Ernst & Young LLP will continue in office as the company's auditor in accordance with the elective resolution passed by the company under Section 386 of the Companies Act 1985

BP EXPLORATION (ANGOLA) LIMITED

REPORT OF THE DIRECTORS

Directors' statement as to disclosure of information to the auditor

The directors who were members of the board at the time of approving the directors' report are listed on page 1 Having made enquiries of fellow directors and of the company's auditor, each of these directors confirm that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their repor of which the company's auditor is unaware, and

- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information

By order of the Board

Secretary

28 August 2007

Registered Office
Chertsey Road
Sunbury on Thames
Middlesex
TW16 7LN

BP EXPLORATION (ANGOLA) LIMITED

STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the accounts in accordance with applicable United Kingdom law and United Kingdom generally accepted accounting practice

Company law requires the directors to prepare accounts for each financial year that give a true and fair view of the state of affairs of the company In preparing these accounts, the directors are required

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

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

BP EXPOLORATION (ANGOLA) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BP EXPLORATION (ANGOLA) LIMITED

We have audited the company's accounts for the year ended 31 December 2006 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Total Recognised Gains and Losses, the accounting policies and the related notes 1 to 24 These accounts have been prepared under the accounting policies set out therein

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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985 We also report to you whether in our opinion the information given in the directors' report is consistent with the accounts

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed

We read other information contained in the Annual Report, and consider whether it is consistent with the audited accounts This other information comprises only the directors' report We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts Our responsibilities do not extend to any other information

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

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

Opinion

In our opinion

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its profit for the year then ended,
- the accounts have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the accounts

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
London

30 August 2007

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BP EXPLORATION (ANGOLA) LIMITED

ACCOUNTING POLICIES

Accounting Standards

These accounts are prepared in accordance with applicable UK accounting standards

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

These accounts have been prepared in accordance with the provisions of the SORP except that the SORP recommends that oil and gas reserve quantities be disclosed The company is a wholly owned subsidiary of BP p l c and, as such, the oil and gas reserve quantities of the company are included in the consolidated oil and gas reserve quantities disclosed in the Annual Report and Accounts of BP p l c Consequently the directors have elected not to publish this information for the Company

Accounting convention

The accounts are prepared under the historical cost convention

Statement of cash flows

The Group accounts of the ultimate parent undertaking contain a consolidated cash flow statement. The Company has taken advantage of the exemption granted by the Financial Reporting Standard No 1 (Revised), whereby it is not required to publish its own cash flow statement.

Revenue recognition

Revenues associated with the sale of oil, natural gas liquids, liquefied natural gas, petroleum and chemical products and all other items are recognised when title passes to the customer Generally, revenues from the production of natural gas and oil properties in which the company has an interest with other producers are recognised on the basis of the company's working interests in those properties (the entitlement method) Differences between the production sold and the company's share of production (under / over lifts) are included as an adjustment to cost of sales

Foreign currency transactions

Transactions in foreign currencies are initially recorded in dollars by applying the rate of exchange ruling at the date of the transaction Monetary assets and liabilities denominated in foreign currencies are translated into dollars at the rate of exchange ruling at the balance sheet date Any resulting exchange differences are included in the profit and loss account.

Interest

Interest is capitalised gross of related tax relief 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 in the year in which it is incurred

Dividends payable

Final dividends are recorded in the accounts in the year in which they are approved by the company's shareholders Interim dividends are recorded in the year in which they are approved and paid

Intangible assets

Intangible assets are not depreciated The infinite life of intangible assets is reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively

The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable To the extent that the carrying amount exceeds the recoverable amount, that is, the higher of net realisable value and value in use, the asset is written down to its recoverable amount The value in use is determined from estimated discounted future net cash flows

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BP EXPLORATION (ANGOLA) LIMITED

ACCOUNTING POLICIES

Oil and natural gas exploration and development expenditure

Oil and natural gas exploration and development expenditure is accounted for using the successful efforts method of accounting

Licence and property acquisition costs

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

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

Exploration expenditure

Geological and geophysical exploration costs are charged against income as incurred Costs directly associated with an exploration well are capitalised as an intangible asset until the drilling of the well is complete and the results have been evaluated These costs include employee remuneration, materials and fuel used, rig costs, delay rentals and payments made to contractors If hydrocarbons are not found, the exploration expenditure is written off as a dry hole If hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells, are likely to be capable of commercial development, the costs continue to be carried as an asset. All such carried costs are subject to regular technical, commercial and management review to confirm the continued intent to develop or otherwise extract value from the discovery When this is no longer the case, the costs are written off When proved reserves of oil and natural gas are determined and development is sanctioned, the relevant expenditure is transferred to tangible production assets

Development expenditure

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within tangible production assets

Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within property, plant and equipment

Oil and natural gas properties are depreciated using a unit-of- production method The cost of producing wells is depreciated over proved developed reserves Licence acquisition, decommissioning and field development costs are depreciated over total proved reserves The unit-of-production rate for the depreciation of field development costs takes into account expenditures incurred to date, together with future development expenditure required to access the total proved reserves

Other tangible assets, with the exception of freehold land, are depreciated on the straight line method over their estimated useful lives

Maintenance expenditure

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the company, the expenditure is capitalised Overhaul costs for major maintenance programmes are expensed as incurred All other maintenance costs are expensed as incurred.

BP EXPLORATION (ANGOLA) LIMITED

ACCOUNTING POLICIES

Impairment of intangible assets and tangible fixed assets

The company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets If any such indication of impairment exists or when annual impairment testing for an asset group is required, the company makes an estimate of its recoverable amount An asset group's recoverable amount is the higher of its net realisable value and its value in use Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money

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

Fixed Asset Investments

Fixed asset investments in joint ventures are included in the accounts at cost. The company assess investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable If any such indication of impairment exists, the company makes an estimate of its recoverable amount Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

Stock valuation

Stocks are valued at cost to the company, using the first-in first-out method or at net realisable value, whichever is the lower Stores are valued at cost to the company mainly using the average method or net realisable value, whichever is the lower

Provisions

Provisions are recognised when the group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as separate asset, but only when the reimbursement is virtually certain The expense relating to any provision is presented in the profit and loss account net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable

Decommissioning

Provision for decommissioning costs are recognised when the company has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that provision can be made Where an obligation exists for a new facility, such as oil and natural gas production or transportation facilities, this will be on construction or installation An obligation for decommissioning may also crystallise during the period of operation of a facility through a change in legislation or through a decision to terminate operations The amount recognised is the present value of the estimated future expenditure determined in accordance with the 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 EXPLORATION (ANGOLA) LIMITED

ACCOUNTING POLICIES

Deferred tax

Deferred tax is recognised in respect of 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 on disposals 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, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable,

- Deferred tax assets are recognised 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 years in which timing differences

Discounting

The unwinding of the discount on provisions is included within interest expense Any change in the amount recognised for

Leases

Assets held under leases which transfer to the company receiving substantially all risks and rewards incidental to ownership of the leased item, are capitalised at inception of the lease at the fair value of the leased property or, if significantly lower, at the estimated present value of the minimum lease payments Lease payments are apportioned between the finance charges and the reduction of the lease liability The total finance charge is charged over the lease terms so as to achieve a constant rate of interest on the remaining balance of the liability

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term

Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term

Use of estimates

The preparation of accounts requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period Actual outcomes could differ from those estimates

BP EXPLORATION (ANGOLA) LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2006

	Note	2006	2005
		$'000	$'000
Turnover	2	3,016,026	2,311,566
Cost of sales		(847,030)	(549,290)
Gross profit		2,168,996	1,762,276
Exploration expense		(18,408)	(17,697)
Administration expenses		(17,435)	(28,365)
		2,133,153	1,716,214
Other income	5	52,171	3,120
Operating profit	3	2,185,324	1,719,334
Interest payable and similar charges	6	(12,453)	(7,076)
Profit before taxation		2,172,871	1,712,258
Taxation	7	(1,087,365)	(686,147)
Profit for the year		1,085,506	1,026,111

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2006

There are no recognised gains or losses attributable to the shareholders of the company other than the profit of $1,085,506,000 for the year ended 31 December 2006 (2005 profit of $1,026,111,000)

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BP EXPLORATION (ANGOLA) LIMITED
BALANCE SHEET AT 31 DECEMBER 2006

	Note	2006 $'000	2005 $'000
Fixed assets			
Intangible assets	8	508,168	337,945
Tangible assets	9	3,174,654	2,942,123
Investments	10	9,048	-
		3,691,870	3,280,068
Current assets			
Stocks	11	28,118	14,330
Debtors - amounts falling due			
Within one year	12	712,231	882,680
Cash at bank and in hand		4,052	5,864
		744,401	902,874
Creditors amounts falling due within one year	13	(493,729)	(367,933)
Net current assets		250,672	534,941
TOTAL ASSETS LESS CURRENT LIABILITIES		3,942,542	3,815,009
Provisions for liabilities and charges			
Deferred tax	7	(404,456)	(339,987)
Other provisions	14	(323,293)	(245,734)
NET ASSETS		3,214,794	3,229,288
Capital and reserves			
Called up share capital	15	2,868,635	2,868,635
Profit and Loss account	16	346,159	360,653
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		3,214,794	3,229,288

On behalf of the Board

Director

28 August 2007

Ex9

1 Oil and natural gas reserves estimates

At the end of 2006, the Company adopted the US Securities and Exchange Commission (SEC) rules for estimating oil and natural gas reserves for all accounting and reporting purposes instead of the UK accounting rules contained in the Statement of Recommended Practice Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities' (UK SORP)

The main differences relate to the SEC requirement to use year-end prices, the application of SEC interpretations of SEC regulations relating to the use of technology (mainly seismic) to estimate reserves in the reservoir away from wellbores and the reporting of fuel gas (i e gas used for fuel in operations) within proved reserves Consequently, reserves quantities under SEC rules differ from those that would be reported under application of the UK SORP The change to SEC reserves will align the UK statutory accounts with the BP group accounts The change to SEC reserves in the group accounts represents a simplification of the group's reserves reporting as in future only one set of reserves estimates will be disclosed in the group accounts, as well as making the group results more comparable with those of our major competitors

This change in accounting estimate has a direct impact on the amount of depreciation, depletion and amortization (DD&A) charged in the profit and loss account in the year in respect of oil and natural gas properties which are depreciated on a unit-of-production basis The change in estimate is applied prospectively, with no restatement of prior years' results The company's actual DD&A charge for the year is $612,560,000, whereas the charged based on UK SORP reserves would have been $42,786,000 lower Over the life of field this change will have no overall effect on DD&A.

2 Turnover

Turnover, which is stated net of value added tax, customs duties and sales taxes represent amounts invoiced to third parties

Turnover is attributable to one continuing activity, the purchasing and selling of petroleum products

An analysis of turnover by geographical market is given below

	2006	2005
	$'000	$'000
By geographical area		
UK	2,050	48
Rest of World	3,013,976	2,311,518
Total	3,016,026	2,311,566

	2006	2005
	$'000	$'000
By class of business		
Exploration and Production	3,016,026	2,311,566

3 Operating Profit

This is stated after charging / (crediting)

	2006 $'000	2005 $'000
Hire charges under operating leases		
Plant & machinery	11,582	11,582
Exchange loss/ (gain) on foreign currency borrowings less deposits	-	-
Exploration Expense – Dry Hole Written Off	9,149	6,510
Exploration Expense – Geological & Geophysical	9,259	11,187
Depreciation of owned fixed assets	612,560	406,363

4 Auditors Remuneration

	2006 $'000	2005 $'000
Fees for the audit of the company	85	62

Fees paid to the company's auditor, Ernst & Young LLP, and its associates for services other than the statutory audit of the company are not disclosed in these accounts since the consolidated accounts of BP Exploration (Angola) Limited's parent, BP p l c , are required to disclose non-audit fees on a consolidated basis

5 Other Income

	2006 $'000	2005 $'000
Interest income from parent and subsidiary undertakings	52,109	3,120
Other	62	-
	52,171	3,120

6 Interest Payable & Similar Charges

	2006 $'000	2005 $'000
Interest expense·		
Other Interest	987	499
Unwinding of discount on provisions	11,466	6,577
Total charged against profit	12,453	7,076

7 Taxation

UK Taxation

The Company is a member of a group for the purposes of relief under Section 402 of the Income & Corporation Taxes Act 1988. No corporation tax has been provided because another group company, BP International Limited, has undertaken to procure the claim or surrender of group relief to the extent it is required and to provide for any current or deferred UK tax that arises without charge

BP EXPLORATION (ANGOLA) LIMITED

NOTES TO THE ACCOUNTS

Overseas Taxation

(a) Tax on Profit on Ordinary Activities

	2006	2005
Current tax	$'000	$'000
Overseas tax on income for the year	1,022,896	462,616
Total current tax	1,022,896	462,616
Deferred tax		
Origination and reversal of timing differences	64,469	223,531
Total deferred tax	64,469	223,531
Tax on profit on ordinary activities	1,087,365	686,147

(b) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2005 – 30%) The differences are reconciled below

	2006	2006	2005	2005
	UK	Overseas	UK	Overseas
	$'000	$'000	$'000	$'000
Profit on ordinary activities before tax	2,172,871	2,172,871	1,716,461	1,716,461
Current taxation	-	1,022,896	-	462,616
Effective current tax rate	0%	47%	0%	27%

	2006	2006	2005	2005
	UK	Overseas	UK	Overseas
UK statutory corporation tax rate	%	%	%	%
	30	30	30	30
Increase / (decrease) resulting from				
Higher taxes on overseas earnings	-	20	-	20
Non deductible expenditure / non taxed income	-	-	-	(10)
Tax losses unused / (utilised)	-	-	-	-
Rollover relief on profit on disposal of property	-	-	-	-
Other timing differences	(2)	(3)	-	(13)
Double Tax Relief	(28)	-	(28)	-
Adjustments to tax charge in respect of previous years	-	-	(2)	-
Effective current tax rate	-	47	-	27

(c) Provision for deferred tax

The deferred tax in the balance sheet is as follows

	2006	2005
	$'000	$'000
Fixed Asset Timing Differences	404,456	339,987
Provision for deferred tax	404,456	339,987

	2006
	$'000
At 1 January 2006	339,987
Deferred tax charged in the profit and loss account	64,469
At 31 December 2006	404,456

8 Intangible Assets

	Exploration Expenditure	Total
Cost	$'000	$'000
At 1 January 2006	393,055	393,055
Additions	171,648	171,648
Transfers	7,724	7,724
Deletions	(9,149)	(9,149)
At 31 December 2006	563,278	563,278
Depreciation		
At 1 January 2006 and at 31 December 2006	55,110	55,110
Net book value		
At 31 December 2006	508,168	508,168
At 31 December 2005	337,945	337,945

9 Tangible Assets

	Oil & gas Properties	Development Expenditure	Land & Buildings	Fixtures & Fittings	Motor Vehicles	Total	of which Assets under Construction
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost							
At 1 January 2006	2,907,541	738,660	6,978	16,068	258	3,669,505	738,660
Additions	488,477	358,234	4,628	1,376	100	852,815	358,234
Transfers	463,026	(470,750)		-	-	(7,724)	(470,750)
At 31 December 2006	3,859,045	626,143	11,606	17,444	358	4,514,596	626,143
Depreciation							
At 1 January 2006	713,491	-	-	13,814	77	727,382	-
Charge for the year	611,801	-	-	707	52	612,560	-
At 31 December 2006	1,325,292	-	-	14,521	129	1,339,942	-
Net book amount							
At 31 December 2006	2,533,753	626,143	11,606	2,923	229	3,174,654	626,143
At 31 December 2005	2,194,050	738,660	6,978	2,254	181	2,942,123	738,660

Included in Tangible Assets is Capitalised Interest of $17 6m at 31 December 2006 (2005 $17 6m)

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10 Investments

	Joint ventures shares	Total
Cost	$'000	$'000
At 1 January 2006	-	-
Additions	9,048	9,048
At 31 December 2006	9,048	9,048
Net book amount		
At 31 December 2006	9,048	9,048
At 31 December 2005	-	-

The investments in the joint venture undertaking is unlisted

The joint venture undertaking of the company at 31 December 2006 and the percentage of equity capital held are set out below

Joint Ventures	**%**	**Principal place of business**	**Principal activities**
Angola LNG Limited	13 6	Angola	LNG Liquefaction Plant

11 Stocks

	2006	2005
	$'000	$'000
Petroleum	15,359	9,895
Stores	12,759	4,435
	28,118	14,330

12 Debtors

	2006 Within 1 year $'000	2005 Within 1 year $'000
Trade debtors	-	1,434
Parent and fellow subsidiary undertakings	582,843	707,913
Prepayments and accrued income	11,094	44,723
Other	118,294	128,610
	712,231	882,680

13 Creditors

	2006 Within 1 year $'000	2005 Within 1 year $'000
Parent and fellow subsidiary undertakings	63,102	41,649
Taxation on profits	104,878	71,479
Accruals and deferred income	297,190	231,022
Other	28,559	23,783
	493,729	367,933

BM

14 Provisions for liabilities & charges

	Decom-missioning	Deferred Tax	Other	Total
	$'000	$'000	$'000	$'000
At 1 January 2006	205,248	339,987	40,486	585,721
Charge for the year	63,872	64,469	2,221	130,562
Unwinding of discount	11,466	-	-	11,466
At 31 December 2006	280,586	404,456	42,707	727,749

The group makes full provision for the future cost of decommissioning oil and natural gas production facilities and related pipelines on a discounted basis on the installation of those facilities At 31 December 2006, the provision for the costs of decommissioning these production facilities (and pipelines) at the end of their economic lives was £280,586,000 (2005 £205,248,000) The provision has been estimated using existing technology, at current prices and discounted using a real discount rate of 2 0% (2005 2 0%) These costs are expected to be incurred over the next 20 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

15 Called up Share Capital

	2006	2005
	$'000	$'000
Authorised, allotted, called up and fully paid		
3,000,000 Ordinary Shares of £1 each		
(2005 3,000,000 Ordinary Shares of £1 each)	5,068,620	5,068,620

	2006	2005
	$'000	$'000
Allotted, called up & fully paid		
1,705,555,250 Ordinary Shares of £1 each	2,868,635	2,868,635
(2005 1,705,555,250 Ordinary Shares of £1 each)		

On 31 December 1991, 35,000 ordinary shares of £1 each were issued fully paid at par (translated at 31 December 1991 rate of USD 1 87/£1)

On 30 July 2001 599,965,000 ordinary shares of £1 each were issued fully paid at par (translated at 30 July 2001 rate of USD 1 4277/£1)

On 22 June 2005 1,105,555,250 ordinary shares of £1 each were issued fully paid at par (translated at 22 June 2005 rate of USD 1 8199/£1)

16 Capital & Reserves

	Equity share capital	Profit and loss account	Total
	$'000	$'000	$'000
At 1 January 2006	2,868,635	360,653	3,229,288
Profit for the year	-	1,085,506	1,085,506
Dividends per ordinary share – current year interim	-	(1,100,000)	(1,100,000)
At 31 December 2006	2,868,635	346,159	3,214,794

17 Reconciliation of movement in shareholders funds

	2006	2005
	$'000	$'000
Profit for the year	1,085,506	1,026,111
Dividends per ordinary share – interim	(1,100,000)	(1,000,000)
Issue of ordinary share capital	-	2,012,000
Net increase/ (decrease) in shareholders' interests	(14,494)	2,038,111
Shareholders' interest at 1 January	3,229,288	1,191,177
Shareholders' interest at 31 December	3,214,794	3,229,288

18 Operating Lease Commitments

	2006	2005
	Other	Other
	$'000	$'000
Expiring		
Within 1 year	209,357	20,000
Between 2 to 5 years	428,010	127,605
Thereafter	597,137	-
	1,234,504	147,605

19 Capital Commitments

Authorised and contracted future capital expenditure by the company for which contracts had been placed but not provided in the accounts at 31 December 2006 is estimated at £1,388 6m (2005 £839 9m)

The capital commitment in respect of Block 31 ($377 8) represents amounts committed net of partner recovery BP's share in Block 31 is 26 667%

20 Contingent Liabilities

There were contingent liabilities at 31 December 2006 in respect of guarantees and indemnities entered into as part of the ordinary course of the company's business No material losses are likely to arise from such contingent liabilities

21 Related Party Transactions

The company has taken advantage of the exemption contained within Financial Reporting Standard No 8 "Related Party Disclosures", and has not disclosed transactions with group companies

22 Post Balance Sheet Events

In June 2007 the company entered into two lease arrangements for drilling rigs

Under the first lease, the rig will not be available for use until 2011 and the initial term of the lease will be for a minimum of 5 years The total expected commitment under this is $889 5m

The second lease is an extension of an existing arrangement The rig will now be available until 2009 The total additional expected commitment under this lease is $181 3m

23 Pensions

The company does not directly employ any staff and therefore does not directly bear any pension charge

24 Immediate and ultimate parent undertaking

The immediate parent undertaking of this company is BP Exploration Operating Company Limited,a company registered in England and Wales The ultimate parent undertaking of the group of undertakings for which group accounts are drawn up, and of which the company is a member, is BP p l c , a company registered in England and Wales Copies of BP p l c 's accounts can be obtained from 1 St James's Square, London, SW1Y 4PD