BP EXPLORATION (ANGOLA) LIMITED

(Registered No 00615393)

ANNUAL REPORT AND ACCOUNTS 2010

Board of Directors	J S Blythe
	A P Martin
	M Morris

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2010

Results and dividends

The profit for the year after taxation was $1,033,313,000 (2009 $1,058,873,000) which, when added to the retained profit brought forward at 1 January 2010 of $1,796,082,000 (2009 $1,287,209,000) together with total paid interim dividend to ordinary shareholders of $1,400,000,000, gives a total retained profit carried forward at 31 December 2010 of $1,429,395,000 (2009 $1,796 082,000)

During the year the company has declared and paid dividends of $1,400,000,000 (2009 $550,000 000) The directors do not propose the payment of a final dividend

Principal activity and review of the business

The company's principal activities are the exploration, exploitation and production of petroleum The company is 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

The company also has a 13 6% equity holding in the Angola liquefied natural gas (Angola LNG) project The project involves the gas supply, gas sales and re-gasification of liquid natural gas The LNG plant in Soyo, south of the Congo River, in the Zaire Province of Angola is currently under construction

In Block 17 (BP 16 667%, operated by Total), the CLOV (Cravo-Lirio-Orquidea-Violeta) project was sanctioned for development in February 2010 The Cravo and Lirio fields will be produced via a single production rig and Orquidea and Violeta will be linked to a new FPSO via hybrid dual flowlines/ring system Both Block 17 and Block 15 (BP 26 667%, operated by Exxon Mobil) have been producing throughout the year

The key financial and other performance indicators during the year were as follows

	2010	2009	Variance
	$000	$000	%
Turnover	2,451 947	3,278,482	(25)
Operating profit	1 814,527	1,859,606	(2)
Profit after taxation	1,033,313	1,058,873	(2)
Shareholders funds	4 298 030	4,664,717	(8)

	2010	2009	Variance
	%	%	
Current assets as % of current liabilities (quick ratio)	54	55	(1)

Principal activity and review of the business (continued)

The decrease in turnover during the year was substantially due to lower production across all fields (annual variance of 38 mbd) This has mainly been caused by negative PSA impacts with decreased profit tranches on mature fields Higher oil prices in 2010 than 2009 also contributed to lower turnover via lower cost oil barrels entitlement

During 2010 the company paid an interim dividend of $1,400,000,000 to its shareholders which, net of the profit after taxation for the year, resulted in an overall decrease in shareholders funds

Principal risks and uncertainties

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

Consider carefully the risks described below, the potential impact of their occurrence on the business, financial condition and results of operations on the company

Company level risks have been categorised against the following areas strategic, compliance and control, safety and operational, and financial risk management In addition, we have also set out two further categories of risk for your attention – those resulting from the Gulf of Mexico oil spill (the Incident) and those related to the general macroeconomic outlook

Gulf of Mexico oil spill

The Gulf of Mexico oil spill has had and could continue to have a material adverse impact on BP as a group, and consequently may also have an adverse impact on BP Exploration (Angola) Limited

There is significant uncertainty in the extent and timing of costs and liabilities relating to the Incident, the impact of the Incident on the reputation of the BP group and the resulting possible impact on the company's ability to access new opportunities There is also significant uncertainty regarding potential changes in applicable regulations and the operating environment that may result from the Incident These increase the risks to which the group and therefore the company are exposed to These uncertainties are likely to continue for a significant period Thus, the Incident has had, and could continue to have, a material adverse impact on the group's business, competitive position, financial performance, cash flows, prospects, liquidity, shareholder returns and/or implementation of its strategic agenda, particularly in the US

The BP group income statement for the year ended 31 December 2010 includes a pre-tax charge of $40 9 billion in relation to the Gulf of Mexico oil spill The total amounts that will ultimately be paid by the BP group in relation to all obligations relating to the Incident are subject to significant uncertainty and the ultimate exposure and cost to the BP group will be dependent on many factors The risks associated with the Incident could also heighten the impact of the other risks to which the company is exposed as further described below Further information on the Incident, is included within the BP group Annual Report and Form 20-F for the year ended 31 December 2010

BP EXPLORATION (ANGOLA) LIMITED

REPORT OF THE DIRECTORS

Principal risks and uncertainties (continued)

General macroeconomic outlook

The general macroeconomic outlook can affect BP group results, and consequently may affect BP Exploration (Angola) Limited, given the nature of the company's business

In the continuing uncertain financial and economic environment, certain risks may gain more prominence either individually or when taken together Oil and gas prices can be very volatile, with average prices and margins influenced by changes in supply and demand This is likely to exacerbate competition in all businesses, which may impact costs and margins At the same time, governments are facing greater pressure on public finances, which may increase their motivation to intervene in the fiscal and regulatory frameworks of the oil and gas industry, including the risk of increased taxation nationalisation and expropriation The global financial and economic situation may have a negative impact on third parties with whom we do, or may do, business Any of these factors may affect the company's results of operations, financial condition, business prospects and liquidity

Capital markets have regained some confidence after the banking crisis of 2008 but are still subject to volatility and if there are extended periods of constraints in these markets, or if we are unable to access the markets, at a time when cash flows from its business operations may be under pressure, its ability to maintain its long-term investment programme may be impacted with a consequent effect on its growth rate, and may impact shareholder returns, including dividends and share buybacks, or share price

Strategic risks

Access and renewal
Successful execution of the company's strategy depends on implementing activities to renew and reposition its portfolio The challenges to renewal of the company's upstream portfolio are growing due to increasing competition for access to opportunities globally and heightened political and economic risks in certain countries where significant hydrocarbon bases are located Lack of material positions in new markets could impact the company's future hydrocarbon production

Moreover, the Gulf of Mexico oil spill has damaged BP's reputation, which may have a long-term impact on the company's ability to access new opportunities Adverse public, political and industry sentiment towards BP Companies, and towards oil and gas drilling activities generally, could damage or impair the company's existing commercial relationships and could impair the company's access to new investment opportunities In addition, responding to the Incident has placed, and will continue to place, a significant burden on the BP group's cash flow over the next several years, which could also impede BP group's ability to invest in new opportunities and deliver long-term growth, which in turn may impact the company More stringent regulation of the oil and gas industry, could increase this risk

Principal risks and uncertainties (continued)

Strategic risks (continued)

Prices and markets
Oil, gas and product prices are subject to international supply and demand Political developments and the outcome of meetings of OPEC can particularly affect world supply and oil prices Previous oil price increases have resulted in increased fiscal take, cost inflation and more onerous terms for access to resources As a result, increased oil prices may not improve margin performance In addition to the adverse effect on revenues, margins and profitability from any fall in oil and natural gas prices, a prolonged period of low prices or other indicators would lead to further reviews for impairment of the company s oil and natural gas properties Such reviews would reflect management s view of long-term oil and natural gas prices and could result in a charge for impairment that could have a significant effect on the company's results of operations in the period in which it occurs Periods of global recession could impact the demand for the company's products, the prices at which they can be sold and affect the viability of the markets in which the company operates

Climate change and carbon pricing
Climate change and carbon pricing policies could result in higher costs and reduction in future revenue and strategic growth opportunities

Compliance with changes in laws, regulations and obligations relating to climate change could result in substantial capital expenditure, taxes, reduced profitability from changes in operating costs, and revenue generation and strategic growth opportunities being impacted

Socio-political
The diverse nature of the company's operations around the world exposes it to a wide range of political developments and consequent changes to the operating environment, regulatory environment and law

The company has operations in countries where political, economic and social transition is taking place Some countries have experienced political instability, changes to the regulatory environment, expropriation or nationalisation of property, civil strife, strikes, acts of war and insurrections Any of these conditions could disrupt or terminate the company's operations, causing its development activities to be curtailed or terminated, or its production to decline, and could cause it to incur additional costs

Competition
The company's strategy depends upon continuous innovation in a highly competitive market

The oil gas and petrochemicals industries are highly competitive There is strong competition, both within the oil and gas industry and with other industries, in supplying the fuel needs of commerce, industry and the home Competition puts pressure on product prices, affects oil products marketing and requires continuous management focus on reducing unit costs and improving efficiency, while ensuring safety and operational risk is not compromised The implementation of the BP group strategy requires continued technological advances and innovation including advances in exploration, production, refining, petrochemicals manufacturing technology and advances in technology related to energy usage The company's performance could be impeded if competitors developed or acquired intellectual property rights to technology that it required or if its innovation lagged the industry

Principal risks and uncertainties (continued)

Strategic risks (continued)

Investment efficiency
The company's organic growth is dependent on creating a portfolio of quality options and investing in the best options Ineffective investment selection and development could lead to loss of value and higher capital expenditure

Reserves replacement
Successful execution of the BP group strategy depends critically on sustaining long-term reserves replacement If upstream resources are not progressed in a timely and efficient manner, the company will be unable to sustain long-term replacement of reserves

Compliance and control risks

Regulatory
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, health and safety controls, controls over the development and decommissioning of a field (including restrictions on production) and, possibly, nationalisation, expropriation, cancellation or non-renewal of contract rights The company buys, sells and trades oil and gas products in certain regulated commodity markets Failure to respond to changes in trading regulations could result in regulatory action and damage to the company's reputation 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, the company could be required to curtail or cease certain operations, or it could incur additional costs

The Gulf of Mexico oil spill is likely to result in more stringent regulation of oil and gas activities in the US and elsewhere, particularly relating to environmental, health and safety controls and oversight of drilling operations, as well as access to new drilling areas Regulatory or legislative action may impact the industry as a whole and could be directed specifically towards the BP group New regulations and legislation, as well as evolving practices, could increase the cost of compliance and may require changes to the company's drilling operations, exploration, development and decommissioning plans, and could impact its ability to capitalise on its assets and limit its access to new exploration properties or operatorship's In addition, increases in taxes, royalties and other amounts payable to governments or governmental agencies, or restrictions on availability of tax relief, could also be imposed as a response to the Incident

Ethical misconduct and non-compliance
The code of conduct, which applies to all employees, defines the company's commitment to integrity, compliance with all applicable legal requirements, high ethical standards and the behaviours and actions the company expects of its businesses and people wherever it operates Incidents of ethical misconduct or non-compliance with applicable laws and regulations, including non-compliance with anti-bribery, anti-corruption and other applicable laws could be damaging to the company's reputation and shareholder value Multiple events of non-compliance could call into question the integrity of the company's operations

Principal risks and uncertainties (continued)

Compliance and control risks (continued)

Liabilities and provisions
The company remains exposed to changes in the external environment such as new laws and regulations (whether imposed by international treaty or by national or local governments in the jurisdictions in which it operates), changes in tax or royalty regimes, price controls, government actions to cancel or renegotiate contracts, market volatility or other factors Such factors could reduce the company's profitability from operations in certain jurisdictions, limit its opportunities to access new opportunities, require it to divest or write-down certain assets or affect the adequacy of its provisions for pensions, tax, environmental and legal liabilities Potential changes to pension or financial market regulation could also impact funding requirements of the company

Reporting
External reporting of financial and non-financial data is reliant on the integrity of systems and people Failure to report data accurately and in compliance with external standards could result in regulatory action, legal liability and damage to the company's reputation

Safety and operational risks

Process safety, personal safety and environmental risks
The nature of the company's operations exposes it to a wide range of significant health, safety, security and environmental risks The scope of these risks is influenced by the geographic range, operational diversity and technical complexity of the company's activities In addition, in many of the company's major projects and operations, risk allocation and management is shared with third parties, such as contractors, sub-contractors, joint venture partners and associates See 'Joint ventures and other contractual arrangements' There are risks of technical integrity failure as well as risks of natural disasters and other adverse conditions in many of the areas in which the company operates, which could lead to loss of containment of hydrocarbons and other hazardous material, as well as the risk of fires, explosions or other incidents

In addition, inability to provide safe environments for the company's workforce and the public could lead to injuries or loss of life and could result in regulatory action, legal liability and damage to the company's reputation

The company's operations are often conducted in difficult or environmentally sensitive locations, in which the consequences of a spill, explosion, fire or other incident could be greater than in other locations These operations are subject to various environmental laws, regulations and permits and the consequences of failure to comply with these requirements can include remediation obligations, penalties, loss of operating permits and other sanctions Accordingly, inherent in the company's operations is the risk that if it fails to abide by environmental and safety and protection standards, such failure could lead to damage to the environment and could result in regulatory action, legal liability, material costs and damage to the company s reputation or licence to operate

To help address health, safety, security, environmental and operations risks, and to provide a consistent framework within which the BP group can analyse the performance of its activities and identify and remediate shortfalls, BP implemented a group-wide operating management system (OMS) The embedding of OMS continues and following the Gulf of Mexico oil spill a separate Safety and Operational Risk (S&OR) function is being established, reporting directly to the BP group chief executive There can be no assurance that OMS will adequately identify all process safety, personal safety and environmental risks or provide the correct mitigations, or that all operations will be in compliance with OMS at all times

BP EXPLORATION (ANGOLA) LIMITED

REPORT OF THE DIRECTORS

Principal risks and uncertainties (continued)

Safety and operational risks (continued)

Security

Security threats require continuous oversight and control Acts of terrorism, piracy, sabotage and similar activities directed against the company's operations and offices, pipelines, transportation or computer systems could cause harm to people and could severely disrupt business and operations The company's business activities could also be severely disrupted by civil strife and political unrest in areas where we operate

Product quality

Supplying customers with on-specification products is critical to maintaining the company's licence to operate and its reputation in the marketplace Failure to meet product quality standards throughout the value chain could lead to harm to people and the environment and loss of customers

Drilling and production

Exploration and production require high levels of investment and are subject to natural hazards and other uncertainties, including those relating to the physical characteristics of an oil or natural gas field The company's exploration and production activities are often conducted in extremely challenging environments, which heighten the risks of technical integrity failure and natural disasters discussed above 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

In addition, exploration expenditure may not yield adequate returns, for example in the case of unproductive wells or discoveries that prove uneconomic to develop The Gulf of Mexico incident illustrates the risks the company faces in its drilling and production activities

Transportation

All modes of transportation of hydrocarbons involve inherent risks An explosion or fire or loss of containment of hydrocarbons or other hazardous material could occur during transportation by road, rail, sea or pipeline This is a significant risk due to the potential impact of a release on the environment and people and given the high volumes involved

Major project delivery

Successful execution of the company's plan depends critically on implementing the activities to deliver the major projects over the plan period Poor delivery of any major project that underpins production or production growth, including maintenance turnaround programmes, and/or a major programme designed to enhance shareholder value could adversely affect the company's financial performance Successful project delivery requires, among other things, adequate engineering and other capabilities and therefore successful recruitment and development of staff is central to the company's plans

Digital infrastructure

The reliability and security of the company's digital infrastructure are critical to maintaining the availability of its business applications A breach of the company's digital security could cause serious damage to business operations and, in some circumstances, could result in injury to people, damage to assets, harm to the environment and breaches of regulations

Principal risks and uncertainties (continued)

Safety and operational risks (continued)

Business continuity and disaster recovery
Contingency plans are required to continue or recover operations following a disruption or incident Inability to restore or replace critical capacity to an agreed level within an agreed timeframe would prolong the impact of any disruption and could severely affect business and operations

Crisis management
Crisis management plans and capability are essential to deal with emergencies at every level of the company's operations If the company does not respond, or is perceived not to respond, in an appropriate manner to either an external or internal crisis, its business and operations could be severely disrupted

People and capability
Successful recruitment of new staff, employee training, development and long-term renewal of skills, in particular technical capabilities such as petroleum engineers and scientists, are key to implementing the company s plans Inability to develop human capacity and capability, both across the organisation and in specific operating locations, could jeopardise performance delivery

Treasury and trading activities
In the normal course of business, the company is subject to operational risk around its treasury and trading activities Control of these activities is highly dependent on the company's ability to process, manage and monitor a large number of complex transactions across many markets and currencies Shortcomings or failures in the company's systems, risk management methodology, internal control processes or people could lead to disruption of its business, financial loss, regulatory intervention or damage to its reputation

Following the Gulf of Mexico oil spill, Moody's Investors Service, Standard and Poor s and Fitch Ratings downgraded the BP group's long-term credit ratings Since that time, the BP group's credit ratings have improved somewhat but are still lower than they were immediately before the Gulf of Mexico oil spill The impact that a significant operational incident can have on the BP group's credit ratings, taken together with the reputational consequences of any such incident, the ratings and assessments published by analysts and investors' concerns about the BP group's costs arising from any such incident, ongoing contingencies, liquidity, financial performance and volatile credit spreads, could increase the BP group's financing costs and limit the BP group's access to financing and thus have a similar effect on the company The company's ability to engage in its trading activities could also be impacted due to counterparty concerns about the company's financial and business risk profile in such circumstances Such counterparties could require that the company provide collateral or other forms of financial security for its obligations, particularly if the BP group s credit ratings are downgraded Further information on the risks of Treasury and Trading activities are included within the BP group Annual Report and Form 20-F for the year ended 31 December 2010

Principal risks and uncertainties (continued)

Safety and operational risks (continued)

Joint ventures and other contractual arrangements

Many of the company's major projects and operations are conducted through joint ventures or associates and through contracting and sub-contracting arrangements These arrangements often involve complex risk allocation, decision-making process and indemnification arrangements In certain cases, the company may have less control of such activities than it would have if the company had full operational control Additionally, the company's joint venture partners or associates or contractual counterparties are primarily responsible for the adequacy of the human or technical competencies and capabilities which they bring to bear on the joint project, and in the event these are found to be lacking the company's joint venture partners or associates may not be able to meet their financial or other obligations to their counterparties or to the relevant project, potentially threatening the viability of such projects Furthermore, should accidents or incidents occur in operations in which the company participates, whether as operator or otherwise, and where it is held that the company s sub-contractors or joint venture partners are legally liable to share any aspects of the cost of responding to such incidents, the financial capacity of these third parties may prove inadequate to fully indemnify the company against the costs it incurs on behalf of the joint venture or contractual arrangement Should a key sub-contractor, such as a lessor of drilling rigs, be no longer able to make these assets available to the company, this could result in serious disruption to its operations Where the company does not have operational control of a venture, the company may nonetheless still be pursued by regulators or claimants in the event of an incident

Financial risk management

The main financial risks faced by the company through its normal business activities are market risk, foreign currency exchange risk, interest rate risk, credit risk and liquidity risk The management of these financial risks is performed at BP group level The company seeks to maintain a financial framework to ensure that it is able to maintain an appropriate level of liquidity and financial capacity This framework constrains the level of assessed capital at risk for the purposes of positions taken in financial instruments Failure to accurately forecast or maintain sufficient liquidity and credit to meet these needs could impact the company s ability to operate and result in a financial loss

Market risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of a business This includes the possibility that changes in foreign currency exchange rates, interest rates or oil, natural gas and power prices will adversely affect the value of the company s financial assets, liabilities or expected future cash flows The management of such risks is performed at BP group level The group has developed a control framework aimed at managing the volatility inherent in certain of its natural business exposures In accordance with this control framework the group enters into various transactions using derivatives for risk management purposes

Principal risks and uncertainties (continued)

Financial risk management (continued)

Foreign currency exchange risk
Fluctuations in foreign exchange rates can have significant effects on the company's reported results The company's financial assets and liabilities give rise to transactional currency exposures Such exposures arise from transactions in a currency other than the company's functional currency The management of such risks is performed at BP group level BP's foreign exchange management policy is to minimise economic and significant transactional exposures arising from currency movements against the US dollar The group co-ordinates the handling of foreign exchange risks centrally, by netting off naturally occurring opposite exposures wherever possible and then dealing with any material residual foreign exchange risks For highly probable forecast capital expenditures the group locks in the US dollar cost of non US dollar supplies by using currency forwards and futures

Crude oil prices are generally set in US dollars, while sales of refined products may be in a variety of currencies Fluctuations in exchange rates can therefore give rise to foreign exchange exposures, with a consequent impact on underlying costs and revenues

Interest rate risk
The company is exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows or the fair values of its financial instruments, principally finance debt

Where the company enters into money market contracts for entrepreneurial trading purposes, the activity is controlled at BP group level using value-at-risk techniques

Credit risk
Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the company It arises from cash and cash equivalents, derivative financial instruments and principally from credit exposures to customers relating to outstanding receivables The management of such risks is performed at BP group level The group has a credit policy that is designed to ensure that consistent processes are in place throughout the group to measure and control credit risk Credit risk is considered part of the risk-reward balance of doing business On entering into any business contract, the extent to which the arrangement exposes the group to credit risk is considered Before trading with a new counterparty, its creditworthiness is assessed and a credit rating allocated that indicates the probability of default, along with a credit exposure limit Creditworthiness continues to be evaluated after transactions have been initiated and a watchlist of higher-risk counterparties is maintained

Commercial credit risk is measured and controlled to determine the company's total credit risk Inability to determine adequately the company's credit exposure could lead to financial loss A credit crisis affecting banks and other sectors of the economy could impact the ability of counterparties to meet their financial obligations to the company It could also affect the company's ability to raise capital to fund growth and to meet its obligations

Principal risks and uncertainties (continued)

Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the company's business activities may not be available This risk is managed by the BP group on the company's behalf and as such the company has access to the resources of the group In June 2010, Moody's Investors Service and Standard & Poor's (S&P) downgraded the group's long-term credit ratings from Aa1 (stable outlook) and AA (stable outlook) respectively, to A2 (negative watch) and A (negative watch) respectively Moody's and S&P have subsequently removed the group from ratings watch, and have currently placed the group's rating on A2 (stable outlook) and A (negative outlook), respectively

Future developments

The directors aim to maintain the management policies which have resulted in the company's growth in recent years They believe that the company is in a good position to take advantage of any opportunities which may arise in the future

It is the intention of the directors that the business of the company will continue for the foreseeable future

Events since the balance sheet date

On 17 May 2011, BP announced an agreement to sell its interest in Kimmeridge This formed part of an overall agreement to sell the BP Group's interest in the Wytch Farm Wareham, Beacon and Kimmeridge fields to Perenco UK Limited (Perenco) for up to $610 million in cash The price includes $55 million contingent on Perenco's future development of the Beacon field and on oil prices in 2011-2013 An immediate payment of $500 million, relating to the total transaction, has been made A further $55 million will be paid on completion which is expected at the end of 2011 with the remaining $55m contingent on submission of the Beacon field development plan and oil price Completion of the sale is subject to partner pre-emption rights and a number of third party and regulatory approvals

BP EXPLORATION (ANGOLA) LIMITED

REPORT OF THE DIRECTORS

Directors

The present directors are listed on page 1

R C Fearnley and R T Fryar served as directors throughout the financial year Changes since 1 January 2010 are as follows

	Appointed	Resigned
M Morris	01 November 2010	-
J S Blythe	04 May 2011	-
R C Fearnley	-	04 May 2011
A P Martin	18 May 2011	-
R T Fryar	-	18 May 2011

Directors' indemnity

The company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006

Policy and practice on payment of creditors

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

Auditors

In the absence of a notice proposing that the appointment be terminated, Ernst & Young LLP will be deemed to be re-appointed as the company's auditor for the next year

BP EXPLORATION (ANGOLA) LIMITED

REPORT OF THE DIRECTORS

Directors' statement as to the 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 confirms that

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report 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

K C G Eng
For and on behalf of
Sunbury Secretaries Limited
Company Secretary

26 SEPTEMBER 2011

Registered Office

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

BP EXPLORATION (ANGOLA) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law) Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss for that period In preparing these accounts, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements 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 are sufficient to show and explain the company s transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 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 EXPLORATION (ANGOLA) LIMITED

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

We have audited the financial statements of BP Exploration (Angola) Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet the accounting policies and the related notes 1 to 26 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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
As explained more fully in the Statement of Directors' Responsibilities set out on page 14, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements

Opinion on the financial statements
In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

London
27 September 2011

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 with the exception of the following

(i) 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,

(ii) The SORP contains rules around the estimation of future oil and gas reserves The company, as part of the BP group, estimates and calculates its reserves in accordance with the US Securities and Exchange Commission (SEC) rules The main differences relate to the SEC requirement to use a twelve-month average price to assess future reserves, being the unweighted average of the price on the first day of the month for the past twelve months This is the basis applied in the BP group reporting and is comparable with other oil majors It is not possible for the company to quantify the impact of this departure as SORP estimates of reserves are no longer maintained

Accounting convention

The accounts are prepared under the historical cost convention

Basis of preparation

At 31 December 2010 the company s balance sheet had net current liabilities amounting to $1,510,417,000

The directors consider it appropriate to prepare the accounts on a going concern basis, since the parent undertaking agreed to provide sufficient finance, whether directly or through one of its subsidiaries to enable the company to meet its liabilities as they fall due for the foreseeable future

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

BP EXPLORATION (ANGOLA) LIMITED

ACCOUNTING POLICIES

Foreign currency transactions

Foreign currency transactions are initially recorded in dollars by applying the exchange rate ruling on the date of transaction Foreign currency monetary assets and liabilities are translated into dollars at the rate of exchange ruling at the balance sheet date Exchange differences are included in the profit and loss account

Research

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

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 include expenditure on the exploration for and evaluation of oil and natural gas resources, computer software, patents, licences, trademarks and product development costs Product development costs are capitalised as intangible assets when a project has obtained sanction and the future recoverability of such costs can reasonably be regarded as assured The expected useful lives of the assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively

Intangible assets are not depreciated The indefinite 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

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

Licence and property acquisition costs (continued)

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 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 tangible fixed assets

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 and assets under construction, are depreciated on the straight line method over their estimated useful lives

Changes in unit-of-production factors

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

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 Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection All other maintenance costs are expensed as incurred

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

Investments

Fixed asset investments in joint ventures and associates are held at cost The company assesses 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

Interests in joint ventures

The company's activities are conducted through a joint operating company where the company and its joint venture partner have a direct ownership interest in, and jointly control the assets of the venture The company recognises on a line by line basis, its share of the assets, liabilities and expenses of these jointly controlled assets, along with its income from the sale of its share of the output and any liabilities and expenses incurred in relation to the venture

BP EXPLORATION (ANGOLA) LIMITED

ACCOUNTING POLICIES

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

Trade and other debtors

Trade and other debtors are carried at the original invoice amount, less allowances made for doubtful receivables Provision is made when there is objective evidence that the company will be unable to recover balances in full Balances are written off when the probability of recovery is assessed as being remote

Trade and other creditors

Trade and other creditors are carried at payment or settlement amounts If the effect of the time value of money is material, trade and other creditors are determined by discounting the expected future cash flows at a pre-tax rate

Provisions

Provisions are recognised when the company 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 a 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 is 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

BP EXPLORATION (ANGOLA) LIMITED

ACCOUNTING POLICIES

Environmental liabilities

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

Liabilities for environmental costs are recognised when environmental assessments or clean-ups are probable and the associated costs can be reasonably estimated Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites The amount recognised is the best estimate of the expenditure required Where the time value of money is material, the amount recognised is the present value of the estimated future expenditure

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, and
- 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 average tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Discounting

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

Leases

Assets held under leases which transfer to the company 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

Leases (continued)

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

BP EXPLORATION (ANGOLA) LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2010

	Note	2010	2009
		$000	$000
Turnover	1	2,451,947	3,278,482
Cost of sales		(601,749)	(1,372,742)
Gross profit		1,850,198	1,905,740
Exploration expenses		(33,648)	(27,826)
Administration expenses		(2,023)	(18,308)
Profit on ordinary activities before investment income, interest and taxation	2	1,814,527	1,859,606
Interest payable and similar charges	4	(54,669)	(29,637)
Interest receivable and similar income	5	893	504
Profit before taxation		1,760,751	1,830,473
Taxation	6	(727,438)	(771 600)
Profit for the year		1,033,313	1,058,873

The profit of $1,033,313,000 for the year ended 31 December 2010 has derived in its entirety from continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2010

There are no recognised gains or losses attributable to the shareholders of the company other than the profit of $1,033,313,000 for the year ended 31 December 2010 (2009 profit of $1,058,873,000)

BP EXPLORATION (ANGOLA) LIMITED
(Registered No 00615393)

BALANCE SHEET AT 31 DECEMBER 2010

	Note	2010 $000	2009 $000
Fixed assets			
Intangible assets	**8**	659,272	725,189
Tangible assets	**9**	6,513,941	5,386,407
Investments	**10**	961,839	719,468
		8,135,052	6,831,064
Current assets			
Stocks	**11**	72,361	48,715
Debtors – amounts falling due			
within one year	**12**	1,609,871	1,281,557
after one year	**12**	97,673	-
Cash at bank and in hand		14,230	29,670
		1,794,135	1,359,942
Creditors. amounts falling due within one year	**13**	(3,304,552)	(2,472,942)
Net current assets / liabilities		(1,510,417)	(1,113,000)
TOTAL ASSETS LESS CURRENT LIABILITIES		6,624,635	5,718,064
Creditors. amounts falling due after more than one year	**13**	(1,005,096)	(89,487)
Provisions for liabilities and charges			
Deferred tax	**6**	(795,481)	(485,671)
Other provisions	**16**	(526,028)	(478,189)
NET ASSETS / LIABILITIES		4,298,030	4,664,717
Represented by			
Capital and reserves			
Called up share capital	**17**	2,868,635	2,868,635
Profit and loss account	**18**	1,429,395	1,796,082
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		4,298,030	4,664,717

On behalf of the Board

J S Blythe
Director

26 SEPTEMBER 2011

BP EXPLORATION (ANGOLA) LIMITED

NOTES TO THE ACCOUNTS

1. Turnover

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

An analysis of turnover by geographical market is given below

	2010	2009
	$000	$000
By geographical area		
UK	-	-
Rest of Europe	79,707	346,843
USA	586,760	908,284
Rest of World	1,785,480	2,023,355
Total	2,451,947	3,278,482

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

2. Profit on ordinary activities before investment income, interest and taxation

This is stated after charging / (crediting)

	2010	2009
	$000	$000
Hire charges under operating leases		
Plant & machinery	23,067	42,574
Tanker charters	4,780	57,351
Exchange gain on foreign currency borrowings less deposits	(7,064)	5,436
Depreciation of owned fixed assets (including amortisation of intangibles)	646,986	690,681
Depreciation of assets held under finance leases	12,174	12,174
Impairment	30,650	-

3. Auditor's remuneration

	2010	2009
	$000	$000
Fees for the audit of the company	41	66

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 ultimate parent, BP p l c , are required to disclose non-audit fees on a consolidated basis

4. Interest payable and similar charges

	2010	2009
	$000	$000
Interest expense on		
Bank loans and overdrafts	13,502	-
Loans from group undertakings	23,491	4,696
Other interest	9,050	7,906
Unwinding of discount on provisions	8,626	17,035
	54,669	29,637

5. Interest receivable and similar income

	2010	2009
	$000	$000
Interest income from group undertakings	193	1
Other interest	700	503
	893	504

6. Taxation

The Company is a member of a group for the purposes of relief within Part 5, Corporation Tax Act 2010

No corporation tax has been provided in respect of the company s oil extraction activities in the UK and UK Continental Shelf because another group company, BP Exploration Operating Company Limited, has undertaken to provide for any current or deferred tax that arises

In respect of the company's other activities, 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 that it is required and to provide for any current or deferred UK tax that arises without charge

The tax charge is made up as follows

	2010	2009
Current tax	$000	$000
Overseas tax on income for the year	417 628	778,151
Overseas tax (overprovided) / underprovided in prior years	-	-
Total current tax	417,628	778 151
Deferred tax		
Origination and reversal of timing differences	309,810	(6,551)
Total deferred tax	309,810	(6,551)
Tax charged on profit on ordinary activities	727,438	771,600

6. **Taxation (continued)**

(a) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28% for the year ended 31 December 2010 (2009 – 28%) The differences are reconciled below

	2010	2009
	$000	$000
Profit on ordinary activities before tax	1,760,751	1,830,473
Current taxation	417,628	778,151
Effective current tax rate	24%	43%

	2010	2009
	%	%
UK corporation tax rate	28	28
Increase / (decrease) resulting from		
Fixed asset timing differences	11	11
Double tax relief	(39)	(39)
Current overseas tax	24	43
Effective current tax rate	24	43

(b) Provision for deferred tax

The deferred tax included in the balance sheet is as follows

	2010	2009
	$000	$000
Accelerated capital allowances	1,019,074	920,055
Decommissioning and other provisions	(232,198)	(217,701)
Tax credits and losses carried forward		
Other timing differences	8 605	(216,683)
Provision for deferred tax	795,481	485,671

	2010
	$000
At 1 January 2010	485,671
Deferred tax charged in the profit and loss account	309,810
At 31 December 2010	795,481

NOTES TO THE ACCOUNTS

7. Directors and employees

(a) Remuneration of directors

The total remuneration for all serving directors for their period of directorship to the company amounted to $298,000 A number of directors are senior executives of the BP Plc Group and received no remuneration for services to this company or its subsidiary undertakings

One director was a member of the defined benefit section of the BP Pension Fund at 31 December 2010

(b) Employee costs

The company had no employees during the year (2009 Nil)

8. Intangible assets

	Exploration expenditure
Cost	$000
At 1 January 2010	780,299
Additions	35,129
Disposals	(24,223)
Transfers	(76,823)
At 31 December 2010	714,382
Amortisation	
At 1 January 2010	(55,110)
At 31 December 2010	(55,110)
Net book value	
At 31 December 2010	659,272
At 31 December 2009	725,189

9. **Tangible assets**

	Land & buildings	Fixtures & fittings	Oil & gas properties	Development expenditure	Motor Vehicles	Total	Of which AUC*
Cost	$000	$000	$000	$000	$000	$000	$000
At 1 January 2010	23,826	18,275	6,585,323	2,465,639	913	9,093,976	2,390,307
Additions	602	214	223,990	1,515,589	125	1,740,520	1,556,020
Transfers	(2,970)	2,970		76,823		76,823	54,468
At 31 December 2010	21,458	21,459	6,809,313	4,058,051	1,038	10,911,319	4,000,795
Depreciation and impairment							
At 1 January 2010	(376)	(17,725)	(3,689 284)		(184)	(3,707,569)	
Charge for the year	(850)	(1,489)	(656,622)		(198)	(659,159)	
Impairment			(30,650)			(30,650)	
At 31 December 2010	(1,226)	(19,214)	(4,376,556)	-	(382)	(4,397,378)	
Net book value							
At 31 December 2010	20,232	2,245	2,432,757	4,058,051	656	6,513,941	4,000,795
At 31 December 2009	23,450	550	2,896,039	2,465,639	729	5,386,407	2,390,307

*AUC = assets under construction Assets under construction are not depreciated

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9. Tangible assets (continued)

The net book value of land and buildings comprises

	2010	2009
	$000	$000
Long leasehold	20,232	23,450
	20,232	23,450

Assets held under finance leases and capitalised interest included above, are

	Cost	Depreciation	Net book value
Leased assets	$000	$000	$000
At 31 December 2010	182,609	(33,305)	149,304
At 31 December 2009	182,609	(21,131)	161,478

10. Investments

	Joint ventures shares
Cost	$000
At 1 January 2010	719,468
Additions	242,371
At 31 December 2010	961,839
Amounts provided	-
Net book amount	
At 31 December 2010	961,839
At 31 December 2009	719,468

The joint ventures of the company at 31 December 2010 and the percentage of equity capital held are set out below The principal country of operation is generally indicated by the company's country of incorporation or by its name

Joint ventures	Class of share held	%	Principal place of business	Principal activities
Angola LNG Limited	Ordinary	13 6	Angola	LNG Liquefaction Plant

11. Stocks

	2010 $000	2009 $000
Petroleum	39,303	27,881
Stores	33,058	20,834
	72,361	48 715

The difference between the carrying value of stocks and their replacement cost is not material

12 Debtors

	2010 Within 1 year $000	2010 After 1 year $000	2009 Within 1 year $000	2009 After 1 year $000
Trade debtors	146,209	-	46,395	-
Amounts owed by group undertakings	505,490	-	648,550	-
Amounts owed by associates	-	-	151	-
Other debtors	739 687	97,673	492,210	-
Prepayments and accrued income	99,453	-	94,251	-
Taxation	119,032	-	-	-
	1,609,871	97,673	1,281,557	-

13. Creditors

	2010 Within 1 year $000	2010 After 1 year $000	2009 Within 1 year $000	2009 After 1 year $000
Trade creditors	(131,459)	-	(415,546)	-
Amounts owed to group undertakings	(1,892,307)	-	(1,062,986)	-
Other creditors	(583,239)	-	(406,350)	-
Taxation	(33,919)	-	(41,070)	-
Accruals and deferred income	(501,147)	(10,333)	(507,982)	(8,533)
Loans (see note 14)	(121,158)	(955,139)	-	-
Obligations under leases (see note 15)	(41,323)	(39,624)	(39,008)	(80,954)
	(3,304,552)	(1,005,096)	(2,472,942)	(89,487)

14. Loans

Loans repayable, included within creditors, are analysed as follows

	2010 Within 5 years $000	2010 After 5 years $000	2009 Within 5 years $000	2009 After 5 years $000
Wholly repayable	(1,076,297)	-	-	-
Not wholly repayable				
	(1,076,297)	-	-	-

On 30 July 2010, BP Exploration (Angola) Limited, BP Exploration Beta Limited and BP Angola (Block 18) BV entered into a $2 5bn term loan facility agreement securitised against forecast future net cash flows from Blocks 15, 17 and 18 The facility was drawn down in full Under the agreement the companies have joint and several liability to the lenders The loan is structured so that the loan repayments have a lower priority than Angolan taxes and expenditure

15. Obligations under leases

Amounts due under finance leases are as follows

	2010	2009
Amounts payable	$000	$000
Within 1 year	44,701	44,708
Between 2 to 5 years	31,019	71,281
Thereafter	15,770	20,209
	91,490	136,198
Less finance charges	(10,543)	(16,236)
Net obligations	80,947	119,962

Annual commitments under non-cancellable operating leases are set out below

	2010 Other $000	2009 Other $000
Operating leases which expire		
Within 1 year	225	5,013
Between 2 to 5 years	29,323	8,451
Thereafter	116,364	128,072

16. Other provisions

	Decom-missioning	Other	Total
	$000	$000	$000
At 1 January 2010	426,862	51,327	478,189
New or increased provisions	31 763	10,304	42,067
Unwinding of discount	8,626	-	8,626
Change in discount rate	8,854	-	8,854
Utilisation	(11,708)	-	(11,708)
At 31 December 2010	464,397	61,631	526,028

The company 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 2010, the provision for the costs of decommissioning these production facilities and pipelines at the end of their economic lives was $464,397,000 (2009 $426,862,000) The provision has been estimated using existing technology, at current prices and discounted using a real discount rate of 1 50% (2009 1 75%) These costs are expected to be incurred over the next 22 years While the provision is based on the best estimate of future costs and the economic lives of the facilities and pipelines, there is uncertainty regarding both the amount and timing of incurring these costs

The other provision balance relates to Angola Withholding taxes

17. Called up share capital

	2010	2009
	$000	$000
Allotted, called up and fully paid		
1,705,555,250 Ordinary shares of £1 each for a total nominal value of £1,705,555,250	2,868,635	2,868,635
	2,868,635	2,868,635

18 Capital and reserves

	Equity share capital	Profit and loss account	Total
	$000	$000	$000
At 1 January 2010 as previously reported	2,868,635	1,796 082	4,664,717
Profit for the year	-	1,033,313	1,033,313
Dividends – current year interim paid	-	(1,400,000)	(1,400,000)
At 31 December 2010	2,868,635	1,429,395	4,298,030

In 2010 the company has paid interim ordinary dividends for $1,400,000,000 The dividend per share was $0 82 (2009 dividend per share $0 32)

19. Reconciliation of movements in shareholders' funds

	2010	2009
	$000	$000
Profit for the year	1,033,313	1,058,873
Dividends – current year interim paid	(1,400,000)	(550,000)
Net (decrease) / increase in shareholders' funds	(366,687)	508,873
Shareholders' funds at 1 January	4,664,717	4,155,844
Shareholders' funds at 31 December	4,298,030	4,664,717

20. 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 2010 is estimated at $2,837m (2009 $3,164 8m)

21. Guarantees and other financial commitments

On 30 July 2010, BP Exploration (Angola) Limited, BP Exploration Beta Limited and BP Angola (Block 18) BV entered into a $2 5bn term loan facility agreement Under the agreement the companies have joint and several liability to lenders

The loan is structured so that the loan repayments have a lower priority than Angolan taxes and expenditure

22. 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 entered into with group companies There were no other related party transactions in the year

23. Post balance sheet event

On 17 May 2011, BP announced an agreement to sell its interest in Kimmeridge This formed part of an overall agreement to sell the BP Group's interest in the Wytch Farm, Wareham, Beacon and Kimmeridge fields to Perenco UK Limited (Perenco) for up to $610 million in cash The price includes $55 million contingent on Perenco's future development of the Beacon field and on oil prices in 2011-2013 An immediate payment of $500 million, relating to the total transaction, has been made A further $55 million will be paid on completion which is expected at the end of 2011 with the remaining $55m contingent on submission of the Beacon field development plan and oil price Completion of the sale is subject to partner pre-emption rights and a number of third party and regulatory approvals

24. Pensions

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

25. Comparative figures

Certain prior year figures have been reclassified to conform with the 2010 presentation This had no impact on the profit and loss for the year or net assets

26. 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