

EXPLORATION SERVICE COMPANY LIMITED
(Registered No 3947697)

ANNUAL REPORT AND ACCOUNTS 2007

Board of Directors K S Goodman
 F W M Starkie

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2007

Principal activity

The company holds the BP Group investment in Atlas Methanol Company Unlimited.

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

The company is in a good position to take advantage of any opportunities which may arise in the future

Results

The profit for the year after taxation was \$1,774,000, when added to the retained deficit brought forward at 1 January 2007 of \$4,163,000, gives a total retained deficit carried forward at 31 December 2007 of \$2,389,000. The directors do not propose the payment of a final dividend.

Directors

The present directors are listed above

There have been no director appointments or resignations since 1 January 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 (effective for the period up to 30 September 2007) and section 232 of the Companies Act, 2006 (effective for the period from 01 October 2007).

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EXPLORATION SERVICE COMPANY LIMITED

REPORT OF THE DIRECTORS

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 as financial risks.

Financial Risk Management

The main financial risk faced by the company through its normal business activities is liquidity risk. The management of this financial risk is performed at a group (BP p l c Group) level.

Liquidity risk

Liquidity risk is the risk that 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. The group has long-term debt ratings of Aa1 and AA+, assigned respectively by Moody's and Standard & Poor's.

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.

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.

EXPLORATION SERVICE COMPANY LIMITED

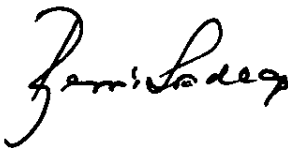
REPORT OF THE DIRECTORS

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 inquiries 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



Assistant Secretary

3 June 2008

Registered Office

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP

EXPLORATION SERVICE COMPANY 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

EXPLORATION SERVICE COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
EXPLORATION SERVICE COMPANY LIMITED

We have audited the company's accounts for the year ended 31 December 2007 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 13. 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 the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 2007 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

5 June

2008

EXPLORATION SERVICE COMPANY LIMITED

ACCOUNTING POLICIES

Accounting Standards

These accounts are prepared in accordance with applicable UK accounting standards.

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.

Group accounts

Group accounts are not submitted as the company is exempt from the obligation to prepare group accounts under Section 228(1) of the Companies Act 1985. The results of subsidiary and associated undertakings are dealt with in the consolidated accounts of the ultimate parent undertaking, BP p.l.c., a company registered in England and Wales. The accounts present information about the company as an individual undertaking and not about the group.

Dividend income

Dividend income from investments is recognised when the shareholders' right to receive the payment is established.

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.

Interest

Interest is charged against income in the year in which it is incurred.

Fixed asset investments

Fixed asset investments in joint ventures are included in the accounts 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.

EXPLORATION SERVICE COMPANY LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	<u>2007</u>	<u>2006</u>
		\$000	\$000
Dividend income	1	5,904	4,335
Administration expenses		14	(5)
Profit on ordinary activities before interest and tax		<u>5,918</u>	<u>4,330</u>
Interest payable and similar charges	3	(3,554)	(3,551)
Profit before taxation		<u>2,364</u>	<u>779</u>
Taxation	4	(590)	(433)
Profit for the year		<u>1,774</u>	<u>346</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2007

There are no recognised gains or losses attributable to the shareholders of the company other than the profit of \$1,774,000 for the year ended 31 December 2007 (2006 profit of \$346,000).

EXPLORATION SERVICE COMPANY LIMITED

BALANCE SHEET AT 31 DECEMBER 2007

	Note	<u>2007</u> \$000	<u>2006</u> \$000
Fixed assets			
Investments	6	<u>69,647</u>	<u>69,647</u>
Creditors: amounts falling due within one year	7	<u>(65,636)</u>	<u>(67,410)</u>
Net current liabilities		<u>(65,636)</u>	<u>(67,410)</u>
NET ASSETS		<u>4,011</u>	<u>2,237</u>
Represented by			
Capital and reserves			
Called up share capital	8	6,400	6,400
Profit and loss account	9	<u>(2,389)</u>	<u>(4,163)</u>
SHAREHOLDERS' FUNDS – EQUITY INTERESTS	10	<u>4,011</u>	<u>2,237</u>

On behalf of the Board


Director

3 June 2008

EXPLORATION SERVICE COMPANY LIMITED

NOTES TO THE ACCOUNTS

1. Dividend income

	<u>2007</u>	<u>2006</u>
	\$'000	\$'000
Dividend income from shares in associated undertakings	<u>5,904</u>	<u>4,335</u>

2. Auditor's remuneration

	<u>2007</u>	<u>2006</u>
	\$000	\$000
Fees for the audit of the company	<u>11</u>	<u>5</u>

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 Exploration Service Company Limited's ultimate parent, BP p l.c., are required to disclose non-audit fees on a consolidated basis.

Fees are borne by another group company

3. Interest payable and similar charges

	<u>2007</u>	<u>2006</u>
	\$000	\$000
Guarantee fee due to fellow subsidiary undertakings	-	69
Interest expense on loans from fellow subsidiary undertakings	<u>3,554</u>	<u>3,482</u>
	<u>3,554</u>	<u>3,551</u>

4. 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 tax that arises without charge.

EXPLORATION SERVICE COMPANY LIMITED

NOTES TO THE ACCOUNTS

4. Taxation (continued)

The following table provides a reconciliation of the UK statutory corporation tax rate to the effective current tax rate on profit before taxation.

	<u>2007</u>	<u>2006</u>
	\$000	\$000
Profit / (loss) before taxation	2,364	779
Foreign withholding tax	590	433
Current taxation	-	-
Effective current tax rate	25%	56%

	<u>2007</u>	<u>2006</u>
UK statutory corporation tax rate	30%	30%
Increase / (decrease) resulting from Group relief	5	26
Effective current tax rate	<u>25</u>	<u>56</u>

5. Directors and employees

(a) Remuneration of directors

None of the directors received any fees or remuneration for services as a director of the company during the financial year (2006 \$Nil)

(b) Employee costs

The company had no employees during the year (2006: nil)

6. Fixed assets – investments

	Joint venture shares	Total
Cost	\$000	\$000
At 1 January 2007 and at 31 December 2007	<u>69,647</u>	<u>69,647</u>
Net book amount		
At 31 December 2007	<u>69,647</u>	<u>69,647</u>
At 31 December 2006	<u>69,647</u>	<u>69,647</u>

EXPLORATION SERVICE COMPANY LIMITED

NOTES TO THE ACCOUNTS

6. Fixed assets – investments (continued)

The investment in the joint venture is unlisted.

The joint venture of the company at 31 December 2007 and the percentage of equity capital held is set out below. The principal country of operation is indicated by the company's country of incorporation or by its name.

Joint Venture	%	Principal place of business	Principal activities
Atlas Methanol Company Unlimited	37%	Trinidad & Tobago	Gas Production

7. Creditors

	2007	2006
	Within 1 year	Within 1 year
	\$000	\$000
Trade creditors	-	-
Parent and fellow subsidiary undertakings	65,636	67,410
	65,636	67,410

8. Called up share capital

	2007	2006
	£000	£000
Authorised share capital		
10,000,000 ordinary shares of £1 each	£10,000	£10,000
	\$000	\$000
Allotted, called up and fully paid		
3,623,191 ordinary shares of £1 each	6,400	6,400

9. Capital and reserves

	Equity share capital	Profit and loss account	Total
	\$000	\$000	\$000
At 1 January 2007	6,400	(4,163)	2,237
Profit for the year	-	1,774	1,774
At 31 December 2007	6,400	(2,389)	4,011

EXPLORATION SERVICE COMPANY LIMITED

NOTES TO THE ACCOUNTS

10. Reconciliation of movements in shareholders' funds

	<u>2007</u>	<u>2006</u>
	<u>\$000</u>	<u>\$000</u>
Profit for the year	1,774	346
Net increase in shareholders' interests	1,774	346
Shareholders' interest at 1 January	2,237	1,891
Shareholders' interest at 31 December	<u>4,011</u>	<u>2,237</u>

11. 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. There were no other related party transactions in the year.

12. Pensions

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

13. Immediate and ultimate parent undertaking

The immediate parent undertaking of this company is BP Global Investments 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 plc, a company registered in England and Wales. Copies of BP plc's accounts can be obtained from 1 St James's Square, London, SW1Y 4PD.