

**EXPLORATION SERVICE COMPANY LIMITED**  
(Registered No.3947697)

**ANNUAL REPORT AND ACCOUNTS 2008**

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 2008.

**Results and dividends**

The profit for the year after taxation was \$3,191,813 which, when added to the retained deficit brought forward at 1 January 2008 of \$2,389,000 gives a total retained profit carried forward at 31 December 2008 of \$803,056. The directors do not propose the payment of a final dividend.

**Principal activity and review of the business**

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

**Principal 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.

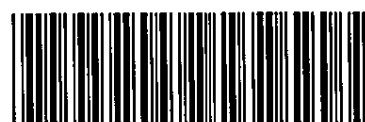
Company level risks have been identified and classified as financial risk management.

**Financial risk management**

The main financial risks faced by the company through its normal business activities are market risk, currency risk, credit risk and liquidity risk. The management of these financial risks is performed at a group (BP p.l.c. Group) level.

**Market risk**

Market risk is the possibility that changes in currency exchange rates, interest rates or oil, natural gas and power prices will adversely affect the value of the group's financial assets, liabilities or expected future cash flows. The management of such risks is performed at BP Group level. The group has developed policies aimed at managing the market risk inherent in its natural business activities and, in accordance with these policies, the group enters into various transactions using derivative financial and commodity instruments (derivatives). Derivatives are contracts whose value is derived from one or more underlying financial instruments, indices or prices that are defined in the contract. The group also trades derivatives in conjunction with these risk management activities.



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## **EXPLORATION SERVICE COMPANY LIMITED**

### **REPORT OF THE DIRECTORS**

#### ***Currency risk***

Fluctuations in exchange rates can have significant effects on the company's reported profit. 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 minimize economic and significant transactional exposures arising from currency movements against the US dollar. The group co-ordinates the handling of foreign exchange risks centrally, by netting off naturally occurring opposite exposures wherever possible to reduce the risks, and then dealing with any material residual foreign exchange risks. Significant residual non-dollar exposures are managed using a range of derivatives.

#### ***Credit risk***

Credit risk is the potential exposure of the company to loss in the event of non-performance by a counterparty. The management of such risks is performed at BP Group level. The group controls the related credit risk through credit approvals, limits, use of netting arrangements and monitoring procedures. 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.

#### ***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.

#### **Future developments**

The directors aim to maintain the management policies which have resulted in the company's performance 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.

#### **Directors**

The present directors are listed on page 1.

There have been no director appointments or resignations since 1 January 2008.

#### **Directors' indemnity**

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

**EXPLORATION SERVICE COMPANY LIMITED**

**REPORT OF THE DIRECTORS**

**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.

**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

*Mehruan Givri*

Secretary

*3 June* 2009

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 and the results for the year. 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; and
- 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 2008 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 2008 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* 2009

# **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.

### **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.

### **Investments**

Fixed asset investments in joint ventures 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.

### **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.

**EXPLORATION SERVICE COMPANY LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

	Note	<u>2008</u> \$000	<u>2007</u> \$000
<b>Dividend income</b>	<b>2</b>	6,088	5,904
Administration expenses / other income		<u>(3)</u>	<u>14</u>
<b>Profit on ordinary activities before interest and tax</b>		6,085	5,918
Interest payable and similar charges	<b>3</b>	<u>(2,284)</u>	<u>(3,554)</u>
<b>Profit before taxation</b>		3,801	2,364
Taxation	<b>4</b>	<u>(609)</u>	<u>(590)</u>
<b>Profit for the year</b>		<u>3,192</u>	<u>1,774</u>

The profit of \$3,191,813 for the year ended 31 December 2008 has derived in its entirety from continuing operations.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 DECEMBER 2008**

There are no recognised gains or losses attributable to the shareholders of the company other than the profit of \$3,191,813 for the year ended 31 December 2008 (2007 profit of \$1,774,000).

**EXPLORATION SERVICE COMPANY LIMITED**

**BALANCE SHEET AS AT 31 DECEMBER 2008**

	Note	<u>2008</u> \$000	<u>2007</u> \$000
<b>Fixed assets</b>			
Investments	6	<u>69,647</u>	<u>69,647</u>
<b>Creditors: amounts falling due within one year</b>	7	<u>(62,444)</u>	<u>(65,636)</u>
<b>Net current liabilities</b>		<u>(62,444)</u>	<u>(65,636)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>7,203</u>	<u>4,011</u>
<b>NET ASSETS</b>		<u>7,203</u>	<u>4,011</u>
<b>Represented by :</b>			
<b>Capital and reserves</b>			
Called up share capital	8	6,400	6,400
Profit and loss account	9	803	(2,389)
<b>SHAREHOLDERS' FUNDS – EQUITY INTERESTS</b>	10	<u>7,203</u>	<u>4,011</u>

On behalf of the Board

Director

3 June 2009



**EXPLORATION SERVICE COMPANY LIMITED**

**NOTES TO THE ACCOUNTS**

**1. Auditor's remuneration**

	<u>2008</u>	<u>2007</u>
	\$000	\$000
Fees for the audit of the company	<u>3</u>	<u>11</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.

**2. Dividend income**

	<u>2008</u>	<u>2007</u>
	\$000	\$000
Dividend income from shares in associated undertakings	<u>6,088</u>	<u>5,904</u>

**3. Interest payable and similar charges**

	<u>2008</u>	<u>2007</u>
	\$000	\$000
Interest expense on:		
Loans from non group undertakings	8	-
Loans from group undertakings	<u>2,276</u>	<u>3,554</u>
	<u>2,284</u>	<u>3,554</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 UK tax that arises without charge.

**EXPLORATION SERVICE COMPANY LIMITED**

**NOTES TO THE ACCOUNTS**

**4. Taxation (continued)**

The tax charge is made up as follows:

	<u>2008</u>	<u>2007</u>
	\$000	\$000
Profit before taxation	3,801	2,364
Current taxation	-	-
Foreign withholding tax	609	590
Effective current tax rate	16%	25%
	<u>2008</u>	<u>2007</u>
UK statutory corporation tax rate:	28%	30%
(Decrease) resulting from:		
Group relief	(12%)	(5)%
Effective current tax rate	<u>16%</u>	<u>25%</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 (2007: \$nil).

The company had no employees during the year (2007 \$nil).

# EXPLORATION SERVICE COMPANY LIMITED

## NOTES TO THE ACCOUNTS

### 6. Fixed assets – investments

	Joint ventures shares	Total
Cost	\$000	\$000
At 1 January 2008 and at 31 December 2008	<u>69,647</u>	<u>69,647</u>
<b>Net book amount</b>		
At 31 December 2008	<u>69,647</u>	<u>69,647</u>
At 31 December 2007	<u>69,647</u>	<u>69,647</u>

The investments in the subsidiary and associated undertakings are unlisted.

The joint ventures of the company at 31 December 2008 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	%	Principal place of business	Principal activities
Atlas Methanol Company Unlimited	37%	Trinidad and Tobago	Gas Production

### 7. Creditors

	2008	2007
	Within 1 year \$000	Within 1 year \$000
Amounts owed to group undertakings	<u>62,444</u>	<u>65,636</u>

### 8. Called up share capital

	2008	2007
	£000	£000
Authorised share capital:		
10,000,000 Ordinary shares of £1 each	<u>10,000</u>	<u>10,000</u>
	2008	2007
	\$000	\$000
Allotted, called up and fully paid:		
3,623,191 Ordinary shares of £1 each	<u>6,400</u>	<u>6,400</u>

# **EXPLORATION SERVICE COMPANY LIMITED**

## **NOTES TO THE ACCOUNTS**

### **9. Capital and reserves**

	Equity share capital	Profit and loss account	Total
	\$000	\$000	\$000
At 1 January 2008	6,400	(2,389)	4,011
Profit for the year	-	3,192	3,192
At 31 December 2008	6,400	803	7,203

### **10. Reconciliation of movements in shareholders' funds**

	2008	2007
	\$000	\$000
Profit for the year	3,192	1,774
Net increase in shareholders' interests	3,192	1,774
Shareholders' interest at 1 January 2008	4,011	2,237
Shareholders' interest at 31 December 2008	7,203	4,011

### **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 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.