

EXPLORATION SERVICE COMPANY LIMITED

(Registered No.03947697)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

Board of Directors: T M Thornton
D J Vermeylen

The directors present the strategic report, their report and the audited financial statements for the year ended 31 December 2018.

STRATEGIC REPORT**Results**

The profit for the year after taxation was \$35,047,000 which, when added to the retained profit brought forward at 1 January 2018 of \$159,555,000 and after deducting total paid interim dividends to ordinary shareholders of \$30,000,000, gives a total retained profit carried forward at 31 December 2018 of \$164,602,000.

Principal activity and review of the business

The company holds BP group's investment in Atlas Methanol Company Unlimited, a joint venture in which BP has a 37% interest, with the remaining 63% being held ultimately by Methanex Corporation, a Canadian entity.

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

	2018	2017	Variance
	\$000	\$000	%
Dividend income	36,900	49,446	(25)
Operating profit	35,863	48,832	(27)
Profit for the year	35,047	45,081	(22)
Total equity	203,721	198,674	3

Profit for the year is primarily derived from dividend received from its joint venture, Atlas Methanol Company Unlimited ("ACMU"). The decrease in dividend income earned from ACMU is due to 25 days long production outage in August 2018 which resulted in the company reducing its dividend distribution by 25% (2018 \$100,000,000; 2017 \$134,000,000).

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 for the BP group.

The risks listed below, separately or in combination, could have a material adverse effect on the implementation of the company's strategy, business, financial performance, results of operations, cash flows, liquidity, prospects, shareholder value and returns and reputation. Unless stated otherwise, further details on these risks are included within the risk factors in the strategic report of the BP group Annual Report and Form 20-F for the year ended 31 December 2018.



STRATEGIC REPORT

Strategic and commercial risks

Joint arrangements and contractors

The company may have limited control over the standards, operations and compliance of its partners, contractors and sub-contractors.

The impact of the UK's exit from the EU

Following the referendum in 2016, BP has been assessing the potential impact of Brexit on group companies. BP has been preparing for different scenarios for the UK's exit from the EU but does not believe any of these scenarios will pose a significant risk to the business. The BP board's geopolitical committee discussed this, most recently in January 2019. BP continues to monitor developments in this area in line with group risk management processes and procedures.

Insurance

The BP group's insurance strategy could expose the BP group to material uninsured losses which in turn could adversely affect the company.

Compliance and control risks

Regulation

Changes in the regulatory and legislative environment could increase the cost of compliance.

Ethical misconduct and non-compliance

Ethical misconduct or breaches of applicable laws by the company's businesses or its employees could be damaging to its reputation, and could result in litigation, regulatory action and penalties.

Reporting

Failure to accurately report the company's data could lead to regulatory action, legal liability and reputational damage.

Financial risk management

The company is exposed to a number of different financial risks arising from natural business exposures as well as its use of financial instruments including market risks relating to foreign currency exchange rates and interest rates. Further details on these financial risks are included within Note 29 of the BP group Annual Report and Form 20-F for the year ended 31 December 2018.

Authorized for issue by Order of the Board

Melissa Atkinson

For and on behalf of
Sunbury Secretaries Limited
Company Secretary

August 14, 2019

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

DIRECTORS' REPORT

EXPLORATION SERVICE COMPANY LIMITED

Directors

The present directors are listed on page 1.

There have been no director appointments or resignations since 1 January 2018.

Directors' indemnity

The company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006. Such qualifying third party indemnity provisions for the benefit of the company's directors remain in force at the date of this report.

Dividends

During the year the company has declared and paid dividends of \$30,000,000 (2017 \$Nil). The directors do not propose the payment of a final dividend.

Financial instruments

In accordance with section 414C of the Companies Act 2006 the directors have included information regarding financial instruments as required by Schedule 7 (Part 1.6) of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 in the strategic report under Financial risk management.

Future developments

The directors aim to maintain the management policies which have resulted in the company's stability 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' REPORT

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 the auditor's 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.

Authorized for issue by Order of the Board

Melissa Atkinson

For and on behalf of
Sunbury Secretaries Limited
Company Secretary

August 14, 2019

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT
OF THE FINANCIAL STATEMENTS**

EXPLORATION SERVICE COMPANY LIMITED

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable UK 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) including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 financial statements, 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 adequate 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 at least the next 12 months from the date these financial statements were approved, continue to adopt the going concern basis in preparing the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF EXPLORATION SERVICE COMPANY LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Exploration Service Company Limited (the company):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 14.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorized for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

INDEPENDENT AUDITOR'S REPORT

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

We have nothing to report in respect of these matters.

Use of our report

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 auditor's 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.

Giles Murphy

Giles Murphy (Senior Statutory Auditor)
for and on behalf of Deloitte LLP Statutory Auditor
London, United Kingdom
August 15, 2019

PROFIT AND LOSS ACCOUNT**FOR THE YEAR ENDED 31 DECEMBER 2018****EXPLORATION SERVICE COMPANY LIMITED**

	Note	2018 \$000	2017 \$000
Dividend income		36,900	49,446
Administrative expenses		(1,037)	(614)
Operating profit	3	35,863	48,832
Interest receivable and similar income	5	2,874	1,200
Profit before taxation		38,737	50,032
Tax on profit	6	(3,690)	(4,951)
Profit for the year		<u>35,047</u>	<u>45,081</u>

The profit of \$35,047,000 for the year ended 31 December 2018 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME**FOR THE YEAR ENDED 31 DECEMBER 2018**

There is no comprehensive income attributable to the shareholders of the company other than the profit for the year.

BALANCE SHEET**AS AT 31 DECEMBER 2018****EXPLORATION SERVICE COMPANY LIMITED****(Registered No.03947697)**

	Note	2018 \$000	2017 \$000
Fixed assets			
Investments	8	69,647	69,647
Current assets			
Debtors: amounts falling due within one year	9	134,189	129,159
Creditors: amounts falling due within one year	10	(115)	(132)
Net current assets		134,074	129,027
NET ASSETS		<u>203,721</u>	<u>198,674</u>
Capital and reserves			
Called up share capital	11	39,119	39,119
Profit and loss account	12	164,602	159,555
TOTAL EQUITY		<u>203,721</u>	<u>198,674</u>

Authorized for issue on behalf of the Board



T M Thornton
Director
August 14, 2019

STATEMENT OF CHANGES IN EQUITY**FOR THE YEAR ENDED 31 DECEMBER 2018****EXPLORATION SERVICE COMPANY LIMITED**

	Called-up share capital (Note 11)	Profit and loss account (Note 12)	Total
	\$000	\$000	\$000
Balance at 1 January 2017	39,119	114,474	153,593
Profit for the year, representing total comprehensive income	—	45,081	45,081
Balance at 31 December 2017	39,119	159,555	198,674
Profit for the year, representing total comprehensive income	—	35,047	35,047
Dividends paid	—	(30,000)	(30,000)
Balance at 31 December 2018	<u>39,119</u>	<u>164,602</u>	<u>203,721</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

EXPLORATION SERVICE COMPANY LIMITED

1. Authorization of financial statements and statement of compliance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101)

The financial statements of Exploration Service Company Limited for the year ended 31 December 2018 were approved by the board of directors on 14th August 2019 and the balance sheet was signed on the board's behalf by T M Thornton. Exploration Service Company Limited is a private company, limited by shares incorporated, domiciled and registered in England and Wales (registered number 03947697). The company's registered office is at Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP. These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the provisions of the Companies Act 2006.

2. Significant accounting policies, judgements, estimates and assumptions

The significant accounting policies and critical accounting judgements, estimates and assumptions of the company are set out below.

Basis of preparation

These financial statements have been prepared in accordance with FRS 101. The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The accounting policies that follow have been consistently applied to all years presented, except where otherwise indicated.

These financial statements are separate financial statements. The company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare consolidated financial statements, because it is included in the group financial statements of BP p.l.c. Details of the parent in whose consolidated financial statements the company is included are shown in Note 14 to the financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures
- (b) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement
- (c) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements
- (d) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1
- (e) the requirements of IAS 7 Statement of Cash Flows
- (f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective
- (g) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- (h) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member

Where required, equivalent disclosures are given in the group financial statements of BP p.l.c. The group financial statements of BP p.l.c. are available to the public and can be obtained as set out in Note 14.

The financial statements are presented in US dollars and all values are rounded to the nearest thousand dollars (\$000), except where otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies, judgements, estimates and assumptions (continued)

Critical accounting policies: use of judgements, estimates and assumptions

Inherent in the application of many of the accounting policies used in preparing the financial statements is the need for management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual outcomes could differ from the estimates and assumptions used. The critical judgements and estimates that could have a significant impact on the results of the company are set out below and should be read in conjunction with the information provided in the Notes to the financial statements.

Significant judgements and estimates: impairment of investments

Determination as to whether, and how much, an investment is impaired involves management estimates on highly uncertain matters such as the effects of inflation and deflation on operating expenses, discount rates, production profiles, reserves and resources, and future commodity prices, including the outlook for global or regional market supply-and-demand conditions for crude oil, natural gas and refined products.

Management judgement is required to determine whether an indicator of potential impairment exists in relation to the company's investments. No such indicators have been identified during the current year and therefore no impairment test has needed to be performed. Accordingly, the recoverable amount of the investment has not needed to be estimated, nor any assumptions made, and no sensitivity analysis has been required. Details of the carrying value of the investments are provided in Note 8.

Significant accounting policies

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least the next 12 months from the date these financial statements were approved and the financial statements have therefore been prepared under the going concern basis.

Foreign currency

The functional and presentation currency of the financial statements is US dollars. The functional currency is the currency of the primary economic environment in which an entity operates and is normally the currency in which the entity primarily generates and expends cash.

As the company is considered to be an intermediate holding company, and therefore an extension of its parent company, its functional currency is the same as its parent company.

Transactions in foreign currencies are initially recorded in the functional currency by applying the rate of exchange ruling at the date of the transaction. Where this is not practical and exchange rates do not fluctuate materially the average rate has been used. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot exchange on the balance sheet date. Any resulting exchange differences are included in the profit and loss account, unless hedge accounting is applied. Non-monetary assets and liabilities, other than those measured at fair value, are not retranslated subsequent to initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies, judgements, estimates and assumptions (continued)

Investments

Fixed asset investments in joint ventures are held at cost. The company assesses investments for an impairment indicator annually. If any such indication of possible impairment exists, the company makes an estimate of the investment's 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.

Where these circumstances have reversed, the impairment previously made is reversed to the extent of the original cost of the investment.

Interests in joint arrangements

A joint arrangement is an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Financial assets

Financial assets are recognized initially at fair value, normally being the transaction price. In the case of financial assets not at fair value through profit or loss, directly attributable transaction costs are also included.

The subsequent measurement of financial assets depends on their classification, as set out below. The company derecognizes financial assets when the contractual rights to the cash flows expire or the financial asset is transferred to a third party. This includes the derecognition of receivables for which discounting arrangements are entered into.

From 1 January 2018, the company classifies its financial assets as measured at amortized cost or fair value through profit or loss. The classification depends on the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost

Financial assets are classified as measured at amortized cost when they are held in a business model the objective of which is to collect contractual cash flows and the contractual cash flows represent solely payments of principal and interest. Such assets are carried at amortized cost. This category of financial assets includes trade and other receivables.

Impairment of financial assets measured at amortized cost

The company assesses on a forward looking basis the expected credit losses associated with financial assets classified as measured at amortized cost at each balance sheet date. Expected credit losses are measured based on the maximum contractual period over which the company is exposed to credit risk. Since this is typically less than 12 months, there is no significant difference between the measurement of 12-month and lifetime expected credit losses for the company's in-scope financial assets. The measurement of expected credit losses is a function of the probability of default, loss given default and exposure at default. The expected credit loss is estimated as the difference between the asset's carrying amount and the present value of the future cash flows the company expects to receive, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is adjusted, with the amount of the impairment gain or loss recognized in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies, judgements, estimates and assumptions (continued)

Impairment of financial assets measured at amortized cost (continued)

A financial asset or group of financial assets classified as measured at amortized cost is considered to be credit-impaired if there is reasonable and supportable evidence that one or more events that have a detrimental impact on the estimated future cash flows of the financial asset (or group of financial assets) have occurred. Financial assets are written off where the company has no reasonable expectation of recovering amounts due.

Financial liabilities

The measurement of financial liabilities is as follows:

Financial liabilities measured at amortized cost

Financial liabilities are initially recognized at fair value, net of directly attributable transaction costs. For interest-bearing loans and borrowings this is typically equivalent to the fair value of the proceeds received net of issue costs associated with the borrowing.

After initial recognition, these financial liabilities are subsequently measured at amortized cost. This category of financial liabilities includes trade and other payables and finance debt.

Offsetting of financial assets and liabilities

Financial assets and liabilities are presented gross in the balance sheet unless both of the following criteria are met: the company currently has a legally enforceable right to set off the recognized amounts; and the company intends to either settle on a net basis or realize the asset and settle the liability simultaneously. If both of the criteria are met, the amounts are set off and presented net. A right of set off is the company's legal right to settle an amount payable to a creditor by applying against it an amount receivable from the same counterparty. The relevant legal jurisdiction and laws applicable to the relationships between the parties are considered when assessing whether a current legally enforceable right to set off exists.

Taxation

Income tax is recognized in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the related tax is recognized in other comprehensive income or directly in equity.

Current tax is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the profit and loss account because it is determined in accordance with the rules established by the applicable taxation authorities. It therefore excludes items of income or expense that are taxable or deductible in other periods as well as items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Where tax treatments are uncertain, if it is considered probable that a taxation authority will accept the company's proposed tax treatment, income taxes are recognized consistent with the company's income tax filings. If it is not considered probable, the uncertainty is reflected using either the most likely amount or an expected value, depending on which method better predicts the resolution of the uncertainty.

Interest income

Interest income is recognized as the interest accrues.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies, judgements, estimates and assumptions (continued)

Dividend income

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

Dividends payable

Final dividends are recorded in the financial statements 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.

Impact of new International Financial Reporting Standards

The company adopted two new accounting standards issued by the IASB with effect from 1 January 2018, IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers'. There are no other new or amended standards or interpretations adopted during the year that have a significant impact on the financial statements.

The adoption of IFRS 9 and IFRS 15 has had no material impact on the company's financial statements.

3. Operating profit

This is stated after charging:

	2018	2017
	\$000	\$000
Foreign exchange loss	<u>7</u>	<u>6</u>

4. Auditor's remuneration

	2018	2017
	\$000	\$000
Fees for the audit of the company	<u>12</u>	<u>13</u>

Fees paid to the company's auditor, Deloitte LLP (2017 Ernst & Young LLP), and its associates for services other than the statutory audit of the company are not disclosed in these financial statements since the consolidated financial statements of Exploration Service Company Limited's ultimate parent, BP p.l.c., are required to disclose non-audit fees on a consolidated basis.

5. Interest receivable and similar income

	2018	2017
	\$000	\$000
Interest income from amounts owed by group undertakings	2,874	1,138
Interest income from joint ventures	—	62
	<u>2,874</u>	<u>1,200</u>

NOTES TO THE FINANCIAL STATEMENTS**6. Taxation**

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

The taxation charge in the profit and loss account is made up as follows:

	2018	2017
<u>Current tax</u>	\$000	\$000
Overseas tax on income for the year	3,690	4,951
Total current tax charged	<u>3,690</u>	<u>4,951</u>

Reconciliation of the effective tax rate

The tax assessed on the profit for the year is lower than the standard rate of corporation tax in the UK of 19% for the year ended 31 December 2018 (2017 19.25%). The differences are reconciled below:

	2018	2017
	\$000	\$000
Profit before tax	38,737	50,032
Tax charge	3,690	4,951
Effective tax rate	10%	9.90%
	<u>2018</u>	<u>2017</u>
	%	%
UK corporation tax rate:	19	19.25
Increase / (decrease) resulting from:		
Non-deductible expenditure	—	0.03
Overseas tax	10	9.90
Free group relief	(1)	(0.25)
Dividends not subject to UK tax	(18)	(19.03)
Effective tax rate	<u>10</u>	<u>9.90</u>

The reconciling items shown above are those that arise for UK corporation tax purposes, rather than overseas tax purposes.

Change in corporation tax rate

The UK corporation tax rate reduced to 19% with effect from 1 April 2017, and will further reduce to 17% from 1 April 2020.

7. Directors and employees**(a) Remuneration of directors**

None of the directors received any fees or remuneration for qualifying services as a director of the company during the financial year (2017 \$Nil).

(b) Employee costs

The company had no employees during the year (2017 None).

NOTES TO THE FINANCIAL STATEMENTS**8. Investments**

	Investment in joint ventures
Cost	\$000
At 1 January 2017	69,647
At 31 December 2017	69,647
At 1 January 2018	69,647
At 31 December 2018	69,647
Net book amount	
At 31 December 2018	69,647
At 31 December 2017	69,647

The investment in joint venture is stated at cost less provision for impairment.

The investment in the joint venture is unlisted.

The joint venture of the company at 31 December 2018 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.

All voting rights are equal to percentage of share capital owned unless otherwise noted below.

Company name	Class of share held	%	Registered address	Principal activity
Atlas Methanol Company Unlimited	Ordinary shares	37	Maracaibo Drive, Point Lisas Industrial Estate, Couva, Trinidad, W.I	Gas Production

The company received dividends, net of withholding tax, of \$33,210,000 from Atlas Methanol Company Unlimited in 2018 (2017 \$44,501,400).

The Board of Inland Revenue (BIR) of Trinidad and Tobago issued assessments against Atlas Methanol Company Unlimited ("Atlas") in respect of the 2005, 2006, 2007, 2008, 2009, 2010, 2011 and 2012 financial years. All subsequent tax years remain open to assessment. The assessments relate to the pricing arrangements of certain long-term fixed-price sales contracts related to methanol produced by Atlas that extend to 2014 and 2019.

Atlas has lodged objections to the assessments. Based on the merits of the case and legal interpretation, management believes its position should be sustained.

9. Debtors

Amounts falling due within one year:

	2018	2017
	\$000	\$000
Amounts owed from fellow subsidiaries	134,189	129,159

NOTES TO THE FINANCIAL STATEMENTS

10. Creditors

Amounts falling due within one year:

	2018	2017
	\$000	\$000
Amounts owed to fellow subsidiaries	115	132

11. Called up share capital

	2018	2017
	\$000	\$000
Issued and fully paid:		
24,329,401 ordinary shares of £1 each for a total nominal value of £24,329,401	39,119	39,119

12. Reserves*Called up share capital*

The balance on the called up share capital account represents the aggregate nominal value of all ordinary shares in issue.

Profit and loss account

The balance held on this reserve is the retained profits of the company.

In 2018, the company paid interim ordinary dividends of \$30,000,000 (2017 \$Nil). The dividend per share was \$1.23 (2017 \$Nil).

13. Related party transactions

The company has taken advantage of the exemption contained within paragraphs 8(k) and (j) of FRS 101, and has not disclosed transactions entered into with wholly-owned group companies or key management personnel.

During the year the company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 December, are as follows:

Related party	Dividend income from related party	Interest from related party
	\$000	\$000
Atlas Methanol Company Unlimited		
Joint Venture		
Methanol		
2018	36,900	—
2017	49,446	62

NOTES TO THE FINANCIAL STATEMENTS

14. Immediate and ultimate controlling parent undertaking

The immediate parent undertaking is BP Global Investments Limited, a company registered in England and Wales. The ultimate controlling parent undertaking is BP p.l.c., a company registered in England and Wales, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of BP p.l.c. can be obtained from its registered address: 1 St James's Square, London, SW1Y 4PD.

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