BP EXPLORATION (SOUTH ATLANTIC) LIMITED
(Registered No. 08140815)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2015

Board of Directors: S J MacRae
S Howe
E Ismayilov

The directors present the strategic report, their report and the financial statements for the year ended 31 December 2015.

STRATEGIC REPORT

Results

The loss for the year after taxation was $6,484,944 which, when added to the accumulated loss brought forward at 1 January 2015 of $149,461,693, gives a total accumulated loss carried forward at 31 December 2015 of $155,946,637.

Principal activity and review of the business

The company is engaged in the exploration and exploitation of hydrocarbons in Uruguay. The company has a branch office operating in Uruguay.

The company participated in Production Sharing Contracts ("PSC") with Adminstracion Nacional de Combustibles, Alcohol y Portland ("ANCAP"), the oil and gas regulatory authority in Uruguay to operate deepwater blocks. Under these agreements, the company has a maximum of 30 years to operate the blocks. The PSC gives the company the right to exclusively carry out the works corresponding to the Exploration and possible Exploitation of Hydrocarbons in the deepwater blocks. During the committed first three year term, the company is required to perform seismic studies which are sub-contracted out to PGS and Spectrum.

The company applied for relinquishment of its interest in the three deepwater blocks subsequent to the completion of the first three years term of the exploration period in December 2015. The company also applied for deregistration of its branch in Uruguay subsequent to the decision to relinquish the deepwater blocks.

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

	2015	2014	Variance
	$	$	%
Loss for the year	(6,484,944)	(35,515,097)	(82)
Total equity	4,053,364	10,538,308	(62)

	2015	2014	Variance
	%	%	
Quick ratio*	562	342	220

*Quick ratio is defined as current assets, excluding stock, as a percentage of current liabilities.

The loss for the year has decreased substantially as compared to 2014 as majority of the committed costs for seismic studies were incurred in 2013 and 2014 and the company has fulfilled its commitments to perform the seismic studies.

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 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 2015.

Gulf of Mexico oil spill

On 2 July 2015 agreements in principle to settle all federal and state claims and claims made by more than 400 local government entities were signed. See BP Annual Report and Form 20-F 2015 for further information on these agreements. The agreements became effective on 4 April 2016.

The agreements described above significantly reduce the uncertainties faced by BP following the Gulf of Mexico oil spill in 2010. There continues to be uncertainty regarding the outcome or resolution of current or future litigation and the extent and timing of costs relating to the incident not covered by the agreements. The total amounts that will ultimately be paid by BP in relation to the incident will be dependent on many factors, including in relation to any new information or future developments. These uncertainties could have a material impact on the BP group's consolidated financial position, results and cash flows.

Strategic and commercial risks

Geopolitical
The company is exposed to a range of political developments and consequent changes to the operating and regulatory environment.

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

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

US government settlements
The BP group's settlements with legal and regulatory bodies in the US announced in November 2012 in respect of certain charges related to the Gulf of Mexico oil spill may expose the BP group to further penalties, liabilities and private litigation, which in turn could have adverse impacts on the company or could result in suspension or debarment of the company.

Regulation
Changes in the regulatory and legislative environment could increase the cost of compliance, affect the company's provisions and limit its access to new exploration opportunities.

Principal risks and uncertainties (continued)

Compliance and control risks (continued)

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 including market risk relating to foreign currency exchange rates and interest rates. Further details on these financial risks are included within Note 28 of the BP group Annual Report and Form 20-F for the year ended 31 December 2015.

By Order of the Board

For and on behalf of
Sunbury Secretaries Limited
Company Secretary

28 June 2016

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

DIRECTORS' REPORT

Directors

The present directors are listed on page 1.

There have been no director appointments or resignations since 1 January 2015.

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

The company has not declared any dividends during the year (2014: $Nil). The directors do not propose the payment of a 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 Group Regulations 2008 in the strategic report under Financial risk management.

Future developments

The directors consider that, despite the uncertainties deriving from the current economic environment and the loss reported for the year, the company has adequate resources to continue in operational existence for the foreseeable 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 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

For and on behalf of
Sunbury Secretaries Limited
Company Secretary

28 June 2016

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice). 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 the foreseeable future, continue to adopt the going concern basis in preparing the financial statements.

BP EXPLORATION (SOUTH ATLANTIC) LIMITED

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

We have audited the financial statements of BP Exploration (South Atlantic) Limited for the year ended 31 December 2015 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 15. 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) including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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.

Respective responsibilities of directors and auditor
As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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). Those 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. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on 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 2015 and of its loss 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 Strategic Report and 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, 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.

Ernst & Young LLP

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

London
1 July 2016

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PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2015

	Note	2015	2014
		$	$
Exploration expenses		(3,049,913)	(30,339,228)
Administrative expenses		(3,005,629)	(5,175,869)
Loss on disposal of fixed assets		(429,402)	-
Loss before taxation	3	(6,484,944)	(35,515,097)
Taxation	5	-	-
Loss for the year		(6,484,944)	(35,515,097)

The loss of $6,484,944 for the year ended 31 December 2015 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

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

BP EXPLORATION (SOUTH ATLANTIC) LIMITED
(Registered No. 08140815)

BALANCE SHEET AT 31 DECEMBER 2015

	Note	2015 $	2014 $
Fixed assets			
Intangible assets	**7**	**-**	**356,800**
Tangible assets	**8**	**-**	**243,206**
		-	**600,006**
Current assets			
Debtors	**9**	**4,931,367**	**13,733,867**
Cash at bank and in hand		**-**	**308,872**
		4,931,367	**14,042,739**
Creditors: amounts falling due within one year	**10**	**(878,003)**	**(4,104,437)**
Net current assets		**4,053,364**	**9,938,302**
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,053,364**	**10,538,308**
NET ASSETS		**4,053,364**	**10,538,308**
Capital and reserves			
Called up share capital	12	160,000,001	160,000,001
Profit and loss account	13	(155,946,637)	(149,461,693)
TOTAL EQUITY		4,053,364	10,538,308

On behalf of the Board

S J MacRae
Director

28 June 2016

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BP EXPLORATION (SOUTH ATLANTIC) LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital (Note 12)	Profit and loss account (Note 13)	Total
	$	$	$
Balance at 1 January 2014	140,000,001	(113,946,596)	26,053,405
Loss for the year, representing total comprehensive loss	-	(35,515,097)	(35,515,097)
Issue of share capital	20,000,000	-	20,000,000
Balance at 31 December 2014	160,000,001	(149,461,693)	10,538,308
Loss for the year, representing total comprehensive loss	-	(6,484,944)	(6,484,944)
Balance at 31 December 2015	160,000,001	(155,946,637)	4,053,364

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

The financial statements of BP Exploration (South Atlantic) Limited for the year ended 31 December 2015 were approved by the board of directors on 28 June 2016 and the balance sheet was signed on the board's behalf by S J MacRae. BP Exploration (South Atlantic) Limited is a limited company incorporated in England and Wales. 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.

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 10(d), 10(f), 40(a), 111 and 134-136 of IAS 1 Presentation of Financial Statements;
(c) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
   (i) paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
   (ii) paragraph 118(e) of IAS 38 Intangible Assets.
(d) the requirements of IAS 7 Statement of Cash Flows;
(e) 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;
(f) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures; and
(g) 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 15.

The financial statements are presented in US dollars and all values are rounded to the nearest whole number in dollars ($).

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:

Deferred tax
Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the net effect of future tax planning strategies.

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future 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.

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 rate of exchange ruling at the balance sheet date. Any resulting exchange differences are included in the profit and loss account. Non-monetary assets and liabilities, other than those measured at fair value, are not retranslated subsequent to initial recognition.

Intangible assets

Intangible assets include expenditure on the exploration for and evaluation of oil and natural gas resources and computer software and are stated at the amount initially recognised, less accumulated amortisation and accumulated impairment losses. For information on accounting for expenditures on the exploration for and evaluation of oil and natural gas resources, see the accounting policy for oil and natural gas exploration, appraisal and development expenditure below.

Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. An intangible asset acquired as part of a business combination is measured at fair value at the date of acquisition and is recognised separately from goodwill if the asset is separable or arises from contractual or other legal rights.

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

Intangible assets (continued)

Intangible assets with a finite life are amortised on a straight-line basis over their expected useful lives. Computer software costs generally have a useful life of three to five years.

The expected useful lives of assets are 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 whenever events or changes in circumstances indicate the carrying value may not be recoverable.

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

Exploration and appraisal expenditure
Geological and geophysical exploration costs are charged to the profit and loss account 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 potentially commercial quantities of hydrocarbons are not found, the exploration well is written off as a dry hole. If hydrocarbons are found and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continue to be carried as an asset.

Costs directly associated with appraisal activity, undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalised as an intangible asset. When proved reserves of oil and natural gas are determined and development is approved by management, the relevant expenditure is transferred to tangible assets.

Tangible assets

Tangible 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 the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of any decommissioning obligation, if any, and, for assets that necessarily take a substantial period of time to get ready for their intended use, 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 assets.

Exchanges of assets are measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. The cost of the acquired asset is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. Where fair value is not used, the cost of the acquired asset is measured at the carrying amount of the asset given up. The gain or loss on derecognition of the asset given up is recognised in profit or loss.

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

Tangible assets (continued)

Tangible assets are depreciated on a straight-line basis over their expected useful lives. The typical useful lives of the company's tangible assets are as follows:
Fixtures and fittings 2 to 5 years

The expected useful lives of tangible assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

The carrying amounts of tangible assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

An item of tangible assets is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit and loss account in the period in which the item is derecognised.

Impairment of intangible and tangible 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. If any such indication of impairment exists, the company makes an estimate of the asset's recoverable amount. 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. An asset group's recoverable amount is the higher of its fair value less costs to sell 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. Fair value less costs to sell is identified as the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general.

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 an 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.

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

Leases

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the profit and loss account on a straight line basis over the lease term. Contingent rents are recognised in the profit and loss account in the period in which they are incurred.

Financial assets

Financial assets within the scope of IAS 39 are classified as loans and receivables; financial assets at fair value through profit or loss; derivatives designated as hedging instruments in an effective hedge; held-to-maturity financial assets; or as available-for-sale financial assets, as appropriate. Financial assets may include cash and cash equivalents, trade receivables, other receivables, loans, other investments, and derivative financial instruments. The company determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The subsequent measurement of financial assets depends on their classification, as follows:

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process. This category of financial assets includes trade and other receivables. Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value and have a maturity of three months or less from the date of acquisition.

Impairment of financial assets

The company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Loans and receivables
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognised in the profit and loss account.

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

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss; derivatives designated as hedging instruments in an effective hedge; or as financial liabilities measured at amortised cost, as appropriate. Financial liabilities include trade and other payables, accruals, most items of finance debt and derivative financial instruments. The company determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities depends on their classification, as follows:

Financial liabilities measured at amortised cost

Financial liabilities are initially recognised at fair value. For interest-bearing loans and borrowings this is the fair value of the proceeds received net of issue costs associated with the borrowing.

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in interest receivable and similar income and interest payable and similar charges. 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 recognised amounts; and the company intends to either settle on a net basis or realise the asset and settle the liability simultaneously. If both of the criteria are met, the amounts are set off and presented net.

Employee benefits

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the company. Deferred bonus arrangements that have a vesting date more than 12 months after the period end are valued on an actuarial basis using the projected unit credit method and amortised on a straight-line basis over the service period until the award vests.

Deferred tax

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises on the initial recognition of goodwill or on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit or loss nor taxable profit or loss.

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

Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off taxation assets against taxation liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

3. Loss before taxation

This is stated after charging / (crediting):

	2015	2014
	$	$
Operating lease payments:		
Land & buildings	71,892	93,628
Net foreign exchange (gains) / losses	(10,936)	29,238
Amortisation of intangible assets		
- Other *	37,167	89,200
Depreciation of tangible assets	68,586	153,372
Loss on disposal of intangible assets	319,633	-
Loss on disposal of tangible assets	109,769	-

* Amount is included in Administrative expenses.

4. Auditor's remuneration

	2015	2014
	$	$
Fees for the audit of the company	26,567	28,397

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 financial statements since the consolidated financial statements of BP Exploration (South Atlantic) Limited's ultimate parent, BP p.l.c., are required to disclose non-audit fees on a consolidated basis.

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5. Taxation

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

Reconciliation of the effective tax rate

The tax assessed on the loss on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 20% for the year ended 31 December 2015 (2014: 21%). The differences are reconciled below:

	2015	2014
	$	$
Loss before taxation	(6,484,944)	(35,515,097)
Tax charge / (credit)	-	-
Effective tax rate	0%	0%

	2015	2014
	%	%
UK statutory corporation tax rate:	20	21
Decrease resulting from:		
Movements in unrecognised deferred tax	(20)	(21)
Effective tax rate	-	-

Deferred tax has not been recognised on deductible temporary differences of $154,946,590 (2014: $157,509,314) relating to pre-trading expenditure with a fixed expiry date; these amounts are expected to expire in the period 2019 – 2022.

Change in corporation tax rate
The UK corporation tax rate was reduced from 21% to 20% with effect from 1 April 2015, and will further reduce to 19% from 1 April 2017 and to 18% from 1 April 2020. Deferred tax has been measured using the rates substantively enacted at 31 December 2015.

6. 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 (2014: $Nil).

EY

6. **Directors and employees (continued)**

(b) Employee costs

	2015	2014
	$	$
Wages and salaries	531,596	1,219,658
Social security costs	12,777	69,693
Share-based payment charge	-	5,359
	544,373	1,294,710

(c) The number of employees as at 31 December 2015 was nil (2014: 4).

7. **Intangible assets**

	Other intangibles
Cost	$
At 1 January 2015	446,000
Disposal	(446,000)
At 31 December 2015	-
Amortisation	
At 1 January 2015	89,200
Disposal	(126,367)
Charge for the year	37,167
At 31 December 2015	-
Net book value	
At 31 December 2015	-
At 31 December 2014	356,800

EY

8. Tangible assets

	Fixtures & fittings
	$
Cost	
At 1 January 2015	396,578
Disposals	(396,578)
At 31 December 2015	-
Depreciation	
At 1 January 2015	153,372
Charge for the year	68,586
Disposals	(221,958)
At 31 December 2015	-
Net book value	
At 31 December 2015	-
At 31 December 2014	243,206

9. Debtors

Amounts falling due within one year:

	2015	2014
	$	$
Amounts owed by group undertaking	4,764,539	13,406,281
Other debtors	7,012	315,801
Prepayments and accrued income	159,816	11,785
Total debtors	4,931,367	13,733,867

10. Creditors

Amounts falling due within one year:

	2015	2014
	$	$
Trade creditors	5,531	25,754
Amounts owed to group undertakings	408,651	2,209,238
Other creditors	-	111,383
Accruals and deferred income	463,821	1,758,062
Total creditors	878,003	4,104,437

EY

11. Obligations under leases

Operating lease

Operating lease payments represent rentals payable by the company for its land and building. Lease is negotiated for an average term of three years and rentals are fixed for an average of three years with an option to extend for a further two years at the then prevailing market rate. Lease of land and building is typically subject to rent reviews at specified intervals and provides for the lessee to pay all insurance, maintenance and repair costs.

In previous year, the company had outstanding commitments for future minimum lease payments under non-cancellable operating lease, which fall due as follow:

	2015	2014
	Land & building	Land & building
	$	$
Operating lease:		
Within 1 year	-	74,513
Between 2 to 5 years	-	18,853

12. Called up share capital

	2015	2014
	$	$
Issued and fully paid:		
160,000,001 Ordinary shares of $1 each for a total nominal value of $160,000,001	160,000,001	160,000,001

13. 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 accumulated losses of the company.

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

EY

15. Immediate and ultimate controlling parent undertaking

The immediate parent undertaking is BP Exploration Operating Company 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 1 St James's Square, London, SW1Y 4PD.

EY