

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2017

ARCO BRITISH LIMITED, LLC

001396/10

		2017	2016
	Note	\$000	\$000
Turnover		174,292	118,599
Cost of sales		(195,392)	(77,932)
Gross (loss) / profit		(21,100)	40,667
Distribution and marketing expenses		(30)	(36)
Administrative expenses		(4,463)	(1,664)
Impairment of tangible assets	6	(49,910)	—
Reversal of impairment of tangible assets	6	10,053	108,186
Operating (loss) / profit	2	(65,450)	147,153
Interest receivable and similar income	3	13,932	5,462
Interest payable and similar charges	4	(1,593)	(1,579)
(Loss) / profit before taxation		(53,111)	151,036
Taxation		20,063	(52,507)
(Loss) / profit for the year		(33,048)	98,529

The loss of \$33,048,000 for the year ended 31 December 2017 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

ARCO BRITISH LIMITED, LLC

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

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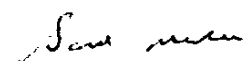
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BALANCE SHEET**AT 31 DECEMBER 2017****ARCO BRITISH LIMITED, LLC****(Registered No.FC005677)**

		<u>2017</u>	<u>2016</u>
	Note	\$000	Restated \$000
Fixed assets			
Intangible assets	5	18,540	21,111
Tangible assets	6	<u>291,321</u>	<u>347,859</u>
		309,861	368,970
Current assets			
Stocks	7	8,560	2,938
Debtors – amounts falling due:			
within one year	8	1,138,763	1,112,994
after one year	8	<u>33,323</u>	<u>33,323</u>
		1,180,646	1,149,255
Creditors: amounts falling due within one year	9	(534,361)	(504,306)
Net current assets		<u>646,285</u>	<u>644,949</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>956,146</u>	<u>1,013,919</u>
Provisions for liabilities and charges			
Deferred tax liability		(11,699)	(43,296)
Other provisions	10	<u>(121,651)</u>	<u>(114,779)</u>
NET ASSETS		<u>822,796</u>	<u>855,844</u>
Capital and reserves			
Called up share capital	11	—	—
Additional paid in capital	12	177,829	177,829
Profit and loss account	12	535,147	568,195
Other reserves		109,820	109,820
TOTAL EQUITY		<u>822,796</u>	<u>855,844</u>

On behalf of the Board



Sandra J MacRae

Director

17 December

2018

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

ARCO BRITISH LIMITED, LLC

	Called up share capital (Note 11)	Additional paid in capital (Note 12)	Profit and loss account (Note 12)	Other reserves	Total
	\$000	\$000	\$000	\$000	\$000
Balance at 1 January 2016 (restated)	—	177,829	469,666	109,820	757,315
Profit for the year, representing total comprehensive income	—	—	98,529	—	98,529
Balance at 31 December 2016	—	177,829	568,195	109,820	855,844
Loss for the year, representing total comprehensive income	—	—	(33,048)	—	(33,048)
Balance at 31 December 2017	—	177,829	535,147	109,820	822,796

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017
ARCO BRITISH LIMITED, LLC

1. Principal activity

The company's principal activities during the year continued to be the exploration for and production of oil and gas from interests in the UK.

2. Operating (loss) / profit

This is stated after charging / (crediting):

	<u>2017</u>	<u>2016</u>
	\$000	\$000
Operating lease payments:		
Plant & machinery	6	12
Net foreign exchange losses / (gains)	17,064	(29,515)
Research and development costs expensed	328	23
Depreciation of tangible assets (Note 6)	128,200	58,017
Impairment of tangible assets (Note 6)	49,910	—
Reversal of impairment of tangible assets (Note 6)	<u>(10,053)</u>	<u>(108,106)</u>

3. Interest receivable and similar income

	<u>2017</u>	<u>2016</u>
	\$000	\$000
Interest income from amounts owed by group undertakings	13,676	5,352
PRT interest	251	110
Other	5	—
Total interest receivable and similar income	<u>13,932</u>	<u>5,462</u>

4. Interest payable and similar charges

	<u>2017</u>	<u>2016</u>
	\$000	\$000
Interest expense on:		
Overdrafts from group undertakings	1,032	757
Other	—	30
Total interest expense	<u>1,032</u>	<u>787</u>
Unwinding of discount on provisions (Note 10)	561	792
Total interest payable and similar charges	<u>1,593</u>	<u>1,579</u>

NOTES TO THE FINANCIAL STATEMENTS

5. Intangible assets

	Exploration Expenditure
Cost	\$000
At 1 January 2017	21,591
Additions	20,212
Transfers	(19,713)
Changes in decommissioning provision	(3,070)
At 31 December 2017	<u>19,020</u>
Amortisation	
At 1 January 2017 and 31 December 2017	<u>(480)</u>
Net book value	
At 31 December 2017	<u>18,540</u>
At 31 December 2016	<u>21,111</u>

6. Tangible assets

	Oil & Gas Properties	Of which AUC*
Cost	\$000	\$000
At 1 January 2017	1,488,359	44,840
Additions	82,027	81,025
Transfers	19,713	(121,768)
Changes in decommissioning provision	9,779	—
At 31 December 2017	<u>1,599,878</u>	<u>4,097</u>
Depreciation and impairment		
At 1 January 2017	(1,140,500)	—
Charge for the year	(128,200)	—
Impairment	(49,910)	—
Reversal of impairment	10,053	—
At 31 December 2017	<u>(1,308,557)</u>	<u>—</u>
Net book value		
At 31 December 2017	<u>291,321</u>	<u>4,097</u>
At 31 December 2016	<u>347,859</u>	<u>44,840</u>

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

Changes in reserves were identified as impairment triggers, the company was required to perform an impairment review of certain fixed assets. The total amount of impairment is \$40 million in 2017 which mainly arose in Arundel field due to reserves write off (\$49 million). The company also recognized a reversal of impairment of \$10 million on Shearwater.

NOTES TO THE FINANCIAL STATEMENTS

Capitalized interest included above:

	Net book value
	<u>\$000</u>
At 31 December 2017	<u>6,852</u>
At 31 December 2016	<u>9,206</u>

7. Stocks

	2017	2016
	<u>\$000</u>	<u>\$000</u>
Raw materials and consumables	<u>8,560</u>	<u>2,938</u>

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

8. Debtors

Amounts falling due within one year:

	2017	2016
	<u>\$000</u>	Restated <u>\$000</u>
Trade debtors	4,058	149
Amounts owed from parent undertakings	1,106,934	1,096,134
Amounts owed from fellow subsidiaries	23,922	7,952
Other debtors	1,808	1,809
Prepayments and accrued income	3	3
Taxation	—	3,857
Petroleum Revenue Tax	2,038	3,090
	<u>1,138,763</u>	<u>1,112,994</u>

Amounts falling due after one year:

	2017	2016
	<u>\$000</u>	<u>\$000</u>
Amounts owed from fellow subsidiaries	24,636	24,636
Prepayments and accrued income	8,687	8,687
	<u>33,323</u>	<u>33,323</u>
Total debtors	<u>1,172,086</u>	<u>1,146,317</u>

A reclassification of previously reported amounts for 2016 has been made from amounts owed from fellow subsidiaries falling due after one year, to amounts owed from fellow subsidiaries falling due within one year. This had no effect on the company's profit for the year ended 31 December 2016 or the company's net assets as at 31 December 2016. Please see Note 13.

NOTES TO THE FINANCIAL STATEMENTS

9. Creditors

Amounts falling due within one year:

	2017	2016
	\$000	\$000
Trade creditors	34,711	18,485
Amounts owed to parent undertakings	462,722	454,214
Amounts owed to fellow subsidiaries	2,659	11,326
Other creditors	234	10
Taxation	9,637	—
Accruals and deferred income	24,219	20,139
Bank overdraft	179	132
Total creditors	<u>534,361</u>	<u>504,306</u>

10. Other provisions

	Decommissioning
	\$000
At 1 January 2017	114,779
Change in provision - recognized within tangible / intangible assets	6,709
Unwinding of discount	561
Utilisation	(398)
At 31 December 2017	<u>121,651</u>
At 31 December 2017	
Current	17,183
Non-current	104,468
	<u>121,651</u>
At 31 December 2016	
Current	5,035
Non-current	109,744
	<u>114,779</u>

Decommissioning provision cost estimates are reviewed regularly and the latest review has been undertaken after the balance sheet date in the second quarter of 2018. The timing and amount of estimated future expenditures has been re-assessed and discounted to determine the present value. The present value of the decommissioning provision has been determined by discounting the estimated cash flows expressed in expected future prices, i.e. taking account of expected inflation, at a nominal discount rate (2.5%). In previous reviews, the company estimated future cash flows in real terms i.e. at current prices and discounted them using a real discount rate (0.5% as at 31 December 2017).

The decommissioning provision as at 31 December 2017 has been updated to reflect the impact of the latest review performed in the second quarter of 2018. The impact was a reduction in the provision of \$10 million, with a similar reduction in the carrying amount of property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS

11. Called up share capital

	2017	2016
	\$	\$
Issued and fully paid:		
100 ordinary shares of \$1 each for a total nominal value of \$100	100	100

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.

Additional paid in capital

The additional paid in capital balance \$177,829,000 represents the difference in capital converted into called up share capital and paid-in capital at the time when the company was converted to a Limited Liability Company registered in Delaware USA.

Profit and loss account

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

In 2017, the company paid interim ordinary dividends of \$Nil (2016: \$Nil).

13. Comparative figures

Certain prior year figures have been re-presented to enable meaningful comparison within the 2017 financial statements. This had no impact on the profit and loss for the year or net assets. As a result, certain line items have been amended in the balance sheet and the related notes in the financial statements. Please see Note 8.

In 2017, the company reviewed its Internal Finance Account (IFA) agreements with BP International Ltd. As a result of this review IFAs were determined to be contractually repayable on demand, consequently they have been classified as amounts falling due within one year. The comparative figures in these financial statements have been re-presented to reflect this. The following table summarizes the impact of the re-presentation on the company's balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

Amounts falling due within one year:

	2016	2016	2016
	\$000	\$000	\$000
	As previously reported	Re-presentation	As restated
Trade debtors	149	—	149
Amounts owed from parent undertakings	19,170	1,076,964	1,076,983
Amounts owed from fellow subsidiaries	7,952	—	7,952
Other debtors	1,809	—	1,809
Prepayments and accrued income	3	—	3
Taxation	3,857	—	3,857
Petroleum Revenue Tax	3,090	—	3,090
	<u>36,030</u>	<u>1,076,964</u>	<u>1,077,000</u>

Amounts falling due after one year:

	2016	2016	2016
	\$000	\$000	\$000
	As previously reported	Re-presentation	As restated
Amounts owed from fellow subsidiaries	1,101,600	(1,076,964)	(1,075,862)
Prepayments and accrued income	8,687	—	8,687
	<u>1,110,287</u>	<u>(1,076,964)</u>	<u>(1,075,853)</u>
Total debtors	<u>1,146,317</u>	<u>—</u>	<u>1,146,317</u>

14. 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 its registered address: 1 St James's Square, London, SW1Y 4PD.