

BP EXPLORATION COMPANY LIMITED
(Registered No.SC792)

ANNUAL REPORT AND ACCOUNTS 2005

Board of Directors: A G Inglis
W E Armstrong
I R Vann
A B Hayward

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2005.

Principal activity

The company holds investments in subsidiary undertakings engaged in oil and gas production and exploration world-wide.

It is the intention of the directors that the above business of the company will continue for the foreseeable future.

Review of activities and future developments

The company has had a satisfactory year and the directors believe that the trend will continue.

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

Results and dividends

The profit for the year after taxation was £1,521,648,000, before dividends of £800,000,000. The resulting total recognised gains of £721,648,000 when added to the retained loss brought forward at 1 January 2005 of £165,113,000, gives a total retained profit carried forward at 31 December 2005 of £556,535,000.

Directors

The present directors are listed above.

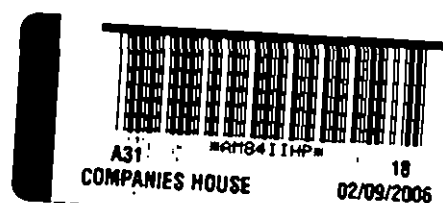
Mr A G Inglis, Mr W E Armstrong, Mr I R Vann, and Mr A B Hayward served as directors throughout the financial year. Changes since 1 January 2005 are as follows:

S D Urban

Appointed

Resigned

31st August 2005



BP EXPLORATION COMPANY LIMITED

REPORT OF THE DIRECTORS

Directors' interests

The interests of the directors holding office at 31 December 2005, (other than directors of the ultimate parent undertaking), and their families, in the US \$0.25 ordinary shares of BP p.l.c., were as set out below:

	<u>31 December 2005</u>	<u>1 January 2005</u>
A G Inglis	138,266	162,479
W Armstrong	131,188	140,906
I R Vann	158,933	151,817

In addition, rights to subscribe for US \$0.25 ordinary shares in BP p.l.c. were granted to, or exercised by, those directors between 1 January 2005 and 31 December 2005 as follows:

	<u>Granted</u>	<u>Exercised</u>
A G Inglis	-	-
W Armstrong	1,498	1,355
I R Vann	-	-

No director had any interest in the shares or debentures of subsidiary undertakings of BP p.l.c. at 31 December 2005.

Policy and practice with respect to payment of suppliers

It is the company's policy to follow the CBI's prompt payment code of practice for all suppliers to the company. A copy of the code of practice may be obtained from the CBI.

The company had no trade creditors at the year end.

Auditors

Ernst & Young LLP will continue in office as the company's auditor in accordance with the elective resolution passed by the company under Section 386 of the Companies Act 1985.

By order of the Board

Secretary

30th August 2006

Registered Office:

Burnside Road
Farburn Industrial Estate
Dyce
Aberdeen, AB21 7PB

BP EXPLORATION COMPANY LTD

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, 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 accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors confirm that they have complied with these requirements, and having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts.

BP EXPLORATION COMPANY LTD

INDEPENDENT AUDITORS REPORT TO THE MEMBERS OF
BP EXPLORATION COMPANY LTD

We have audited the company's accounts for the year ended 31 December 2005 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, accounting policies and the related notes 1 to 14. These accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 December 2005 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Ernst & Young LLP
Registered Auditor
London.

30th AUGUST 2006

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BP EXPLORATION COMPANY LTD

ACCOUNTING POLICIES

Accounting Standards

These accounts are prepared in accordance with applicable UK accounting standards. In preparing the financial statements for the current year, the company has adopted Financial Reporting Standards No. 21 'Events after the Balance Sheet Date' (FRS 21), No. 28 Corresponding Amounts' (FRS28) and presentational requirements of No 25 Financial Instruments: Disclosure and Presentation (FRS 25). The adoption of FRS 21 has resulted in changes in accounting policy for dividends. Dividends proposed or declared on equity instruments after the balance sheet date are now not recognised as a liability at the balance sheet date.

Accounting convention

The accounts are prepared under the historical cost convention.

Statement of cash flows

The Group financial statements of the ultimate parent undertaking contain a consolidated cash flow statement. The Company has taken advantage of the exemption granted by the Financial Reporting Standard No. 1 (Revised), whereby it is not required to publish its own cash flow statement.

Group accounts

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

Foreign currency transactions

Foreign currency transactions in currencies other than sterling are recorded at the exchange rate ruling on the date of transaction. Foreign currency monetary assets and liabilities in currencies other than sterling are translated into sterling at rates of exchange ruling at the balance sheet date. All exchange gains and losses on settlement or translation at closing rates of exchange of monetary assets and liabilities are included in the determination of profit for the year.

Fixed Asset investments

Fixed asset investments in subsidiaries, joint ventures and associates are included in the financial statements at cost less provisions for impairment.

BP EXPLORATION COMPANY LTD

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2005

		<u>2005</u>	<u>2004</u>
	Note	£'000	£'000
Dividend income	1	1,745,244	-
Administration expenses		(9,893)	(104,092)
Other income	3	-	1,483
Profit/(loss) on ordinary activities before interest and tax	2	1,735,351	(102,609)
Interest payable and similar charges	4	(213,703)	(197,340)
Profit/(loss) before taxation		1,521,648	(299,949)
Taxation	5	-	-
Profit/(loss) for the year		<u>1,521,648</u>	<u>(299,949)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2005

	<u>2005</u>	<u>2004</u>
	£'000	£'000
Profit/(loss) for the year	1,521,648	(299,949)
Dividends per ordinary shares – final paid	(800,000)	-
Total recognised gains and losses for the year	<u>721,648</u>	<u>(299,949)</u>

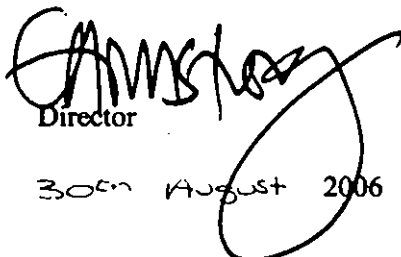
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BP EXPLORATION COMPANY LTD

BALANCE SHEET AT 31 DECEMBER 2005

	Note	<u>2005</u> <u>£'000</u>	<u>2004</u> <u>£'000</u>
Fixed assets			
Investments	7	<u>4,562,447</u>	<u>4,566,692</u>
Current assets			
Debtors - amounts falling due:			
Within one year	8	4	-
After more than one year	8	<u>908,868</u>	<u>252,183</u>
Creditors: amounts falling due within one year	9	<u>(44,449)</u>	<u>(1,113,653)</u>
Net current assets/(liabilities)		<u>864,423</u>	<u>(861,470)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,426,870	3,705,222
Creditors: amounts falling due after more than one year	9	<u>(4,090,000)</u>	<u>(3,090,000)</u>
NET ASSETS		<u>1,336,870</u>	<u>615,222</u>
Represented by			
Capital and reserves			
Called up share capital	10	780,335	780,335
Profit and loss account	11	<u>556,535</u>	<u>(165,113)</u>
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		<u>1,336,870</u>	<u>615,222</u>

By order of the Board


 Director
 30th August 2006

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BP EXPLORATION COMPANY LTD

NOTES TO THE ACCOUNTS

1. Dividend income

	<u>2005</u>	<u>2004</u>
	£'000	£'000
Dividend income from shares in subsidiary undertakings	1,745,244	-

2. Profit/(loss) on ordinary activities before interest and tax

This is stated after charging / (crediting):

	<u>2005</u>	<u>2004</u>
	£'000	£'000
Exchange (gain)/loss on foreign currency borrowings less deposits	(20,147)	9,761
Impairment loss on BP Exploration Mexico Ltd	-	11,034
Impairment loss on BP Exploration Orinoco Ltd	-	75,820
Impairment loss on BP (CHP) UK Ltd	1,600	23,862
Auditors' remuneration:		
Audit fees – current year		
UK	9	-

In 2004, auditors' remuneration was dealt with in the accounts of the parent undertaking.
No fees were paid to the auditors for other services.

3. Other income

	<u>2005</u>	<u>2004</u>
	£'000	£'000
Interest income from parent and fellow subsidiary undertakings	-	1,483
	<u>-</u>	<u>1,483</u>

4. Interest payable and similar charges

	<u>2005</u>	<u>2004</u>
	£'000	£'000
Interest expense on:		
Loans from fellow subsidiary undertakings	213,703	197,340
Total charged against profit	<u>213,703</u>	<u>197,340</u>

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BP EXPLORATION COMPANY LTD

NOTES TO THE ACCOUNTS

5. Taxation

The Company is a member of a group for the purposes of relief under Section 402 of the Income & Corporation Taxes Act 1988. No corporation tax has been provided because another group company, BP International Limited, has undertaken to procure the claim or surrender of group relief to the extent it is required and to provide for any current or deferred tax that arises without charge.

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

	<u>2005</u>	<u>2004</u>
	£'000	£'000
Profit/(loss) before taxation	1,521,648	(299,949)
Current taxation	0	0
Effective current tax rate	0%	0%
	<u>2005</u>	<u>2004</u>
	%	%
UK statutory corporation tax rate:	30	30
Increase / (decrease) resulting from:		
Non deductible expenditure / non taxed income	(34)	(11)
Group relief	4	(19)
Effective current tax rate	<u>0</u>	<u>0</u>

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 (2004 £nil).

(b) Employee costs

The company does not directly employ any staff (2004 nil).

BP EXPLORATION COMPANY LTD

NOTES TO THE ACCOUNTS

7. Fixed assets - investments

	Subsidiary Undertakings Shares £'000	Associated Undertakings shares £'000	Total £'000
Cost			
At 1 January 2005	4,673,102	8,546	4,681,648
Additions	1,600	-	1,600
Deletions	(10)	(4,245)	(4,255)
At 31 December 2005	<u>4,674,692</u>	<u>4,301</u>	<u>4,678,993</u>
Amounts provided			
At 1 January 2005	111,339	3,617	114,956
Provided in the year	1,600	-	1,600
Deletions	(10)	-	(10)
At 31 December 2005	<u>112,929</u>	<u>3,617</u>	<u>116,546</u>
Net book amount			
At 31 December 2005	4,561,763	684	4,562,447
At 31 December 2004	4,561,763	4,929	4,566,692

The investments in the subsidiary and associated undertakings are unlisted.

The most important subsidiary and associated undertakings, of the company at 31 December 2005 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.

On 26 September 2005 the company acquired an additional 1,600,000 £1 ordinary shares in BP (CHP) UK Limited for £1,600,000. This investment was fully impaired at the date of acquisition.

The company held a £10,000 investment in BP Norway Limited. The investment was fully impaired at 31 December 2004. On 28 February 2005, BP Norway Limited was dissolved.

The company holds a £25,000 investment in Kuwait Oil Company Limited. The deletion in investments in associated undertakings realigns this investment to its proper value at 31 December 2005.

BP EXPLORATION COMPANY LTD

NOTES TO THE ACCOUNTS

7. Fixed assets – investments (continued)

Subsidiary Undertakings	%	Country of incorporation	Principal activity	
BP Exploration Company (Middle East) Ltd	100	England and Wales	Exploration and production	
BP Exploration Operating Company Ltd	100	England and Wales	Exploration and production	
BP (Abu Dhabi) Ltd	100	England and Wales	Exploration and production	
BP Exploration Mexico Ltd	100	England and Wales	Exploration and production	
BP Exploration Orinoco Ltd	100	England and Wales	Exploration and production	
BP Exploration (Finance) Ltd	100	England and Wales	Exploration and production	
BP CHP (UK) Limited	100	England and Wales	Exploration and production	
Associated Undertakings	%	Country of incorporation	Issued Share capital	Principal activity
BP-Japan Oil Development Company Ltd	50	Scotland	50,000 ordinary shares of £1 each. 272,500 deferred ordinary shares of £1 each	Refining and marketing
Bunduq Company Ltd	33.33	Abu Dhabi	25,000 'A' Shares of £1 each	Crude oil production
Kuwait Oil Company Ltd	50	England and Wales	25,000 'A' Shares of £1 each	Exploration and production

8. Debtors

	2005 Within 1 year £'000	2005 After 1 year £'000	2004 Within 1 year £'000	2004 After 1 year £'000
Parent and fellow subsidiary undertakings	-	806,360	-	116,487
Associated undertakings	-	102,508	-	135,690
Other	4	-	-	6
	<u>4</u>	<u>908,868</u>	<u>-</u>	<u>252,183</u>

BP EXPLORATION COMPANY LTD

NOTES TO THE ACCOUNTS

9. Creditors

	<u>2005</u>	<u>2005</u>	<u>2004</u>	<u>2004</u>
	Within	After	Within	After
	1 year	1 year	1 year	1 year
	£'000	£'000	£'000	£'000
Parent and fellow subsidiary undertakings	40,562	4,090,000	1,109,961	3,090,000
Associated undertakings	2,527	-	2,527	-
Other	1,360	-	1,165	-
	<u>44,449</u>	<u>4,090,000</u>	<u>1,113,653</u>	<u>3,090,000</u>

10. Called up share capital

	<u>2005</u>	<u>2004</u>
	£'000	£'000
Authorised, allotted, called up and fully paid: 260,335,000 Ordinary shares of £1 each	260,335	260,335

Preference Share Capital

Authorised :		
5,400,000 redeemable cumulative preference shares of £100 each	540,000	540,000
	<u> </u>	<u> </u>
Allotted, called up and fully paid:		
5,200,000 redeemable cumulative preference shares of £100 each	520,000	520,000
	<u> </u>	<u> </u>

The redeemable cumulative preference shares are redeemable on four days' notice and are entitled to a fixed cumulative preference dividend, but carry no right to vote. The preference shareholders waived their rights to a dividend.

11. Reconciliation of shareholders' funds and movements on reserves

	<u>Equity share capital</u>	<u>Profit & loss account</u>	<u>Total</u>
	£'000	£'000	£'000
At 1 January 2005	780,335	(165,113)	615,222
Profit for the year	-	1,521,648	1,521,648
Dividends per ordinary share – final paid	-	(800,000)	(800,000)
At 31 December 2005	<u>780,335</u>	<u>556,535</u>	<u>1,336,870</u>

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BP EXPLORATION COMPANY LTD

NOTES TO THE ACCOUNTS

12. Reconciliation of movements in shareholders' interest

	<u>2005</u>	<u>2004</u>
	<u>£'000</u>	<u>£'000</u>
Profit/(loss) for the year as previously reported	1,521,648	(299,949)
Dividends per ordinary shares – final paid	<u>(800,000)</u>	<u>-</u>
Net increase/ (decrease) in shareholders' interests	721,648	(299,949)
Shareholders' interest at 1 January	615,222	915,171
Shareholders' interest at 31 December	<u>1,336,870</u>	<u>615,222</u>

13. Related party transactions

The company has taken advantage of the exemption contained within Financial Reporting Standard No 8 "Related Party Disclosures", and has not disclosed transactions with group companies. There were no other related party transactions in the year.

14. Ultimate parent undertaking

The ultimate parent undertaking of the group of undertakings for which group accounts are drawn up, and of which the company is a member, is BP p.l.c., a company registered in England and Wales. Copies of BP p.l.c.'s accounts can be obtained from 1 St James's Square, London, SW1Y 4PD.

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