

BP EXPLORATION COMPANY LIMITED

(Registered No. 792)

ANNUAL REPORT AND ACCOUNTS 1996

Board of Directors:- Dr D C Allen
R F Chase (Chairman)
Dr J E Golden
Dr A B Hayward
R L Olver

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 1996.

Principal activity

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

Results

The profit for the year after taxation of £610,377,000, interim dividend of £576,420,000 and Preference dividend of £5,237,000 when added to the retained profit brought forward at 1 January 1996 of £151,034,000 gives a total retained profit carried forward at 31 December 1996 of £179,754,000.

Directors

Mr R F Chase, Dr B E Grote and Mr R L Olver served as directors of the company throughout the financial year. On 1st July 1997 Dr Grote resigned as a director of the company. Dr D C Allen was appointed on 31 July 1997. On 1 September 1997 Dr A B Hayward and Dr J E Golden were appointed as additional directors.

Directors interests

The interests of the directors holding office at 31 December 1996, other than directors of the ultimate parent undertaking, and their families, in the 25p ordinary shares of The British Petroleum Company p.l.c. were as set out below:

	<u>As at 31 December 1996</u>	<u>As at 1 January 1996</u>
B E Grote	95,388	60,708
R L Olver	50,210	20,084

Dr B E Grote's interests at 1 January 1996 and 31 December 1996 were all held in the form of American Depositary Shares.



BP EXPLORATION COMPANY LIMITED

REPORT OF THE DIRECTORS

Directors' interests (continued)

In addition, rights to subscribe for 25p ordinary shares in The British Petroleum Company plc, were granted to, or exercised by, those directors between 1 January and 31 December 1996 as follows :

	<u>Granted</u>	<u>Exercised</u>
B E Grote	Nil	27,300
R L Olver	Nil	2,823

No director had any interest in the shares or debentures of subsidiary undertakings of The British Petroleum Company p.l.c. at 31 December 1996.

Policy with respect of 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.

Auditors

In accordance with Section 386 of the Companies Act 1985, the company has elected to dispense with the obligation to appoint auditors annually and Ernst & Young continue in office.

By order of the Board



RC Cumming, Assistant Secretary

Registered Office
Burnside Road
Farburn Industrial Estate
Dyce, Aberdeen, AB2 0PB

17 October 1997

BP EXPLORATION COMPANY LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which 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 which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also 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 LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF
BP EXPLORATION COMPANY LIMITED

We have audited the accounts on pages 5 to 12 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards 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 of the state of affairs of the company as at 31 December 1996 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Chartered Accountants
Registered Auditor
London.

17 October 1997

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BP EXPLORATION COMPANY LIMITED

ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable UK accounting standards.

As the ultimate parent undertaking has published a group cash flow statement in compliance with Financial Reporting Standard No 1(Revised), a cash flow statement is not presented in these accounts.

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, The British Petroleum Company p.l.c., a company registered in England and Wales.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Assets and liabilities in currencies other than sterling are translated into sterling at the closing rate of exchange. 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.

Deferred taxation

Deferred taxation is calculated using the liability method. Provision is made or recovery anticipated where timing differences are expected to reverse in the foreseeable future.



BP EXPLORATION COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1996

	<u>Note</u>	<u>1996</u> £000	<u>1995</u> £000
Other Income	1	600,138	568,553
Provisions released		7,458	10,320
Operating profit on ordinary activities before interest and tax		607,596	578,873
Operating Exchange gain		3,991	109
Interest payable and similar charges	2	1,210	13
Profit before taxation		610,377	578,969
Taxation	3	-	-
Retained profit for the year		610,377	578,969

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 1996

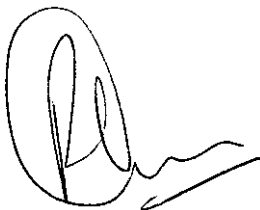
There are no recognised gains or losses, attributable to the shareholders of the company, other than the profit of £610,377,000 for the year ended 31 December 1996 (1995 profit of £578,969,000).

/s/

BP EXPLORATION COMPANY LIMITED

BALANCE SHEET AT 31 DECEMBER 1996

	<u>Note</u>	<u>1996</u> £000	<u>1995</u> £000
Fixed assets			
Investments	6	4,070,889	4,070,889
		<hr/>	<hr/>
Current assets			
Debtors	7	691,289	423,059
Creditors - amounts falling due within one year	8	(4,242,799)	(4,256,682)
		<hr/>	<hr/>
Net current liabilities		(3,551,510)	(3,833,623)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		519,379	237,266
Creditors - amounts falling due after more than one year	8	79,290	85,897
		<hr/>	<hr/>
Shareholders' interest		440,089	151,369
		<hr/> <hr/>	<hr/> <hr/>
Represented by			
Capital and reserves			
Called up share capital	9	260,335	335
Reserves	10	179,754	151,034
		<hr/>	<hr/>
		440,089	151,369
		<hr/> <hr/>	<hr/> <hr/>



R L Olver, Director

17th October, 1997



BP EXPLORATION COMPANY LIMITED

NOTES TO THE ACCOUNTS

1. Other income

	<u>1996</u> £000	<u>1995</u> £000
Income from shares in subsidiary undertakings	600,138	568,553
	<u>600,138</u>	<u>568,553</u>

2. Interest payable and similar charges

	<u>1996</u> £000	<u>1995</u> £000
Interest payable to subsidiary undertakings	1,210	13
	<u>1,210</u>	<u>13</u>

3. Taxation

The company is a member of a group for the purposes of relief under Section 402 of the Income and Corporation Taxes Act 1988. Owing to the availability of group relief, no provision for corporation tax has been made in the accounts of this company. The group's current corporation tax liability has been provided in the accounts of BP International Limited, a fellow subsidiary undertaking (Note 1).

Provision for deferred taxation is not required.

4. Directors

None of the directors received any fees or remuneration from the company during the financial year (1995 £Nil)

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BP EXPLORATION COMPANY LIMITED

NOTES TO THE ACCOUNTS

5. Distribution to shareholders

	<u>1996</u> £000	<u>1995</u> £000
Ordinary - interim	576,420	568,553
Preference	5,237	-
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	581,657	568,553
	<hr/>	<hr/>

6. Fixed assets - investments

	<u>Subsidiary</u> <u>undertakings</u> <u>Shares</u> <u>£000</u>	<u>Associated</u> <u>Undertakings</u> <u>Shares</u> <u>£000</u>	<u>Total</u> <u>£000</u>
Cost			
At 1 January 1996 and 31 December 1996	4,070,568	322	4,070,890
	<hr/>	<hr/>	<hr/>
Amounts provided			
At 1 January 1996 and 31 December 1996	1	-	1
	<hr/>	<hr/>	<hr/>
Net book amount			
At 31 December 1996	4,070,567	322	4,070,889
	<hr/>	<hr/>	<hr/>
At 31 December 1995	4,070,567	322	4,070,889
	<hr/>	<hr/>	<hr/>

The investments in the subsidiary and the associated undertakings are unlisted.

In the opinion of the directors, the value of the shares and the loans in the company's subsidiary and associated undertakings is not less than the amount at which they are shown in the balance sheet.

The more important subsidiary and associated undertakings of the company at 31 December 1996 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. A complete list of investments in subsidiary and associated undertakings will be attached to the parent company's annual return made to the Registrar of Companies.

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BP EXPLORATION COMPANY LIMITED

NOTES TO ACCOUNTS

6. Fixed assets - investments (continued)

<u>Subsidiary undertakings</u>	<u>%</u>	<u>Country of incorporation</u>	<u>Principal activity</u>
BP Exploration (Finance) Ltd	100	England and Wales	Investment company
BP Exploration (Kangean) Ltd		England and Wales	Exploration and production
BP Exploration Company (Colombia) Ltd	100	England and Wales	Exploration and production
BP Exploration Company (Middle East) Ltd	100	England and Wales	Holding company
BP Exploration Operating Company Ltd	100	England and Wales	Exploration and production
BP Kuwait Ltd	100	England and Wales	Provider of technical services
BP Norway Ltd	100	England and Wales	Exploration and production
BP Petroleum Development (Kutubu) Ltd	100	England and Wales	Exploration and production
Britoil (Beta) Ltd	100	England and Wales	Exploration and production
Britoil (Exploration) Ltd	100	England and Wales	Exploration and production
Britoil plc	100	Scotland	Exploration and production

<u>Associated undertakings</u>	<u>%</u>	<u>Country of incorporation</u>	<u>Principal activity</u>	<u>Issued share capital</u>
Abu Dhabi Marine Operating Company	14.67	Abu Dhabi	Refining and marketing	10,000 ordinary shares of DH100 each
BP Japan Oil Development Company Limited	50	Scotland	Refining and marketing	50,000 ordinary shares of £1 each 272,500 deferred ordinary shares of £1 each

7. Debtors

	<u>1996</u>	<u>1995</u>
	<u>£000</u>	<u>£000</u>
Parent and fellow subsidiary undertakings	624,545	364,672
Associated undertakings	65,435	58,387
Other	1,309	-
	<u>691,289</u>	<u>423,059</u>

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BP EXPLORATION COMPANY LIMITED

NOTES TO ACCOUNTS

8. Creditors

	<u>1996</u>		<u>1995</u>	
	<u>Within</u>	<u>After</u>	<u>Within</u>	<u>After</u>
	<u>1 year</u>	<u>1 year</u>	<u>1 year</u>	<u>1 year</u>
	£000	£000	£000	£000
Parent and fellow subsidiary undertakings	4,241,490	79,290	4,256,682	85,897
Advance corporation tax	1,309	-	-	-
	<u>4,242,799</u>	<u>79,290</u>	<u>4,256,682</u>	<u>85,897</u>

9. Called up share capital

	<u>1996</u>	<u>1995</u>
	£000	£000
Authorised, issued and fully paid:		
260,335,000 ordinary shares of £1 each	<u>260,335</u>	<u>335</u>

During the year 2,600,000 redeemable cumulative preference shares of £100 each were issued, fully paid at par, to provide additional finance for group purposes. On 30th December 1996 260,000,000 ordinary shares of £1 each were created and issued fully paid at par to finance the redemption at par, of the redeemable cumulative preference shares. The redeemable cumulative preference shares were redeemed at par on 30th December 1996.

10. Reconciliation of shareholders funds and movements on reserves

	<u>Share Capital</u>	<u>Reserves</u>	<u>Total</u>
	£000	£000	£000
At 1 January 1995	335	140,618	140,953
Profit for the year	-	578,969	578,969
Distribution to shareholders		(568,553)	(568,553)
	<u>-</u>	<u>-</u>	<u>-</u>
At 1 January 1996	335	151,034	151,369
Profit for the year	-	610,377	610,377
Shares Issued	260,000	-	260,000
Distribution to shareholders	-		
Ordinary Dividend		(576,420)	(576,420)
Preference Dividend		(5,237)	(5,237)
	<u>260,335</u>	<u>179,754</u>	<u>440,089</u>

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BP EXPLORATION COMPANY LIMITED

NOTES TO ACCOUNTS

11. Related party transactions

The company has taken advantage of the exemptions contained within FRS 8, and does not disclose transactions with group companies.

12. 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 The British Petroleum Company p.l.c., a company registered in England and Wales. Copies of The British Petroleum Company p.l.c.'s accounts can be obtained from Britannic House, 1 Finsbury Circus, London EC2M 7BA.

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