

BP EXPLORATION COMPANY LIMITED

(Registered No. SC000792)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2014

Board of Directors:

J H Bartlett

D A Rider

R Herbert

The directors present the strategic report, their report and the financial statements for the year ended 31 December 2014.

STRATEGIC REPORT

Results

The loss for the year after taxation was \$365,197,000 which, when deducted from the retained profit brought forward at 1 January 2014 of \$106,696,000 together with total paid interim dividends to ordinary shareholders of \$3,000,000,000, gives a total retained loss carried forward at 31 December 2014 of \$3,258,501,000.

Principal activity and review of the business

The company holds investments in subsidiary undertakings engaged in oil and gas production and exploration worldwide. The company had a branch operating in the United Arab Emirates during the year under review.

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

	2014	2013	Variance
	\$000	\$000	%
Dividend income	3,350,032	4,425,000	(24)
(Loss) / profit for the year	(365,197)	4,282,411	(109)
Total equity	29,569,827	16,335,024	81

Profit for the year decreased primarily due to a \$3,630,015,000 impairment provision against the carrying value of investments in subsidiaries as well as a decrease in dividends received from subsidiary undertakings. During the year, 10,448,048,085 ordinary shares of £1 each for a total nominal value of \$16,600,000,000 were allotted to the immediate parent company at par value.

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 2014.



BP EXPLORATION COMPANY LIMITED

STRATEGIC REPORT

Principal risks and uncertainties (continued)

Gulf of Mexico oil spill

On 2 July 2015 BP Exploration & Production Inc. signed agreements in principle to settle all federal and state claims, and claims made by more than 400 local government entities, arising from the oil spill. These agreements are subject to the execution of definitive agreements and court approval of the Consent Decree relating to such settlement. There continues to be uncertainty regarding the extent and timing of the remaining costs and liabilities relating to the 2010 Gulf of Mexico oil spill not covered by the agreements in principle.

Strategic and commercial risks

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 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.

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 interest rates. Further detail on this financial risk is included within Note 27 of the BP group Annual Report and Form 20-F for the year ended 31 December 2014.

BP EXPLORATION COMPANY LIMITED

STRATEGIC REPORT

By Order of the Board

A handwritten signature in black ink, appearing to be 'J. Smith', written over a horizontal line.

For and on behalf of
Sunbury Secretaries Limited
Company Secretary

29/1/

2015

Registered Office:

1 Wellheads Avenue
Dyce
Aberdeen
AB21 7PB
United Kingdom

BP EXPLORATION COMPANY LIMITED

DIRECTORS' REPORT

Directors

The present directors are listed on page 1.

J H Bartlett served as a director throughout the financial year. Changes since 1 January 2014 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
R C Harrington	-	6 October 2014
D A Rider	14 October 2014	-
R Herbert	8 July 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

During the year the company has declared and paid dividends of \$3,000,000,000 (2013: \$4,425,000,000). 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 Companies and Group Regulations 2008 in the strategic report under Financial risk management.

Post balance sheet event

On 3 March 2015, 10,412,938,075 ordinary shares of £1.00 each were allotted to the immediate parent company at par value for a total consideration of \$16,000,000,000.

On 31 March 2015, 1,617,016,623 ordinary shares of £1.00 each were allotted to the immediate parent company at par value for a total consideration of \$2,399,232,000.

On 1 May 2015, 923,939,943 ordinary shares of £1.00 each were allotted to the immediate parent company at par value for a total consideration of \$1,400,000,000.

On 22 September 2015, 1,170,922,101 ordinary shares of £1.00 each were allotted to the immediate parent company at par value for a total consideration of \$1,800,000,000.

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.

BP EXPLORATION COMPANY LIMITED

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

29/9/

2015

Registered Office:

1 Wellheads Avenue
Dyce
Aberdeen
AB21 7PB
United Kingdom

BP EXPLORATION COMPANY LIMITED

**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 COMPANY LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
BP EXPLORATION COMPANY LIMITED

We have audited the financial statements of BP Exploration Company Limited for the year ended 31 December 2014 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 20. 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 2014 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

30 September 2015

BP EXPLORATION COMPANY LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 \$000	2013 \$000
Dividend income		3,350,032	4,425,000
Administrative expenses		(28)	(13)
Loss on disposal of fixed assets	5	-	(36)
Amounts provided against fixed assets	5	(3,630,015)	(12,799)
Operating (loss) / profit	3	(280,011)	4,412,152
Interest receivable and similar income	6	1,390	867
Interest payable and similar charges	7	(86,576)	(130,608)
(Loss) / profit before taxation		(365,197)	4,282,411
Taxation	8	-	-
(Loss) / profit for the year		(365,197)	4,282,411

The loss of \$365,197,000 for the year ended 31 December 2014 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

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

BP EXPLORATION COMPANY LIMITED

(Registered No. SC000792)

BALANCE SHEET AT 31 DECEMBER 2014

	Note	<u>2014</u> \$000	<u>2013</u> \$000	<u>2012</u> \$000
Fixed assets				
Investments	10	<u>45,689,825</u>	<u>32,719,840</u>	<u>23,167,675</u>
Current assets				
Debtors – amounts falling due:				
within one year	11	5,913	5,913	6,131
after one year	11	<u>302,981</u>	<u>304,972</u>	<u>305,025</u>
		308,894	310,885	311,156
Creditors: amounts falling due				
within one year	12	<u>(16,428,892)</u>	<u>(8,167,974)</u>	<u>(8,023,491)</u>
Net current liabilities		<u>(16,119,998)</u>	<u>(7,857,089)</u>	<u>(7,712,335)</u>
TOTAL ASSETS LESS				
CURRENT LIABILITIES		29,569,827	24,862,751	15,455,340
Creditors: amounts falling due				
after more than one year	12	<u>-</u>	<u>(8,527,727)</u>	<u>(8,527,727)</u>
NET ASSETS		<u>29,569,827</u>	<u>16,335,024</u>	<u>6,927,613</u>
Capital and reserves				
Called up share capital	13	32,828,328	16,228,328	6,678,328
Profit and loss account	14	<u>(3,258,501)</u>	<u>106,696</u>	<u>249,285</u>
TOTAL EQUITY		<u>29,569,827</u>	<u>16,335,024</u>	<u>6,927,613</u>

On behalf of the Board

D A Rider
Director

29/9/ 2015

BP EXPLORATION COMPANY LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Called up share capital (Note 13)	Profit and loss account (Note 14)	Total
	\$000	\$000	\$000
Balance at 1 January 2013	6,678,328	249,285	6,927,613
Profit for the year, representing total comprehensive income	-	4,282,411	4,282,411
Issue of share capital	9,550,000	-	9,550,000
Dividends paid	-	(4,425,000)	(4,425,000)
Balance at 31 December 2013	16,228,328	106,696	16,335,024
Loss for the year, representing total comprehensive loss	-	(365,197)	(365,197)
Issue of share capital	16,600,000	-	16,600,000
Dividends paid	-	(3,000,000)	(3,000,000)
Balance at 31 December 2014	<u>32,828,328</u>	<u>(3,258,501)</u>	<u>29,569,827</u>

BP EXPLORATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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 Company Limited for the year ended 31 December 2014 were approved by the board of directors on 29/09/ 2015 and the balance sheet was signed on the board's behalf by D A Rider. BP Exploration Company Limited is a limited company incorporated in England and Wales. The company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2014 the company has changed its accounting framework from previously extant United Kingdom Generally Accepted Accounting Practice (UK GAAP) to FRS 101 as issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 and the provisions of the Companies Act 2006. A qualifying entity may apply FRS 101 for accounting periods beginning on or after 1 January 2015, however early application is permitted by the standard and as such BP Exploration Company Limited has elected to apply FRS 101 early.

There were no measurement or recognition adjustments on the adoption of FRS 101.

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.

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 in are shown in Note 19 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 10(d), 10(f), 39(c) 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 paragraph 79(a)(iv) of IAS 1;
- (d) the requirements of paragraphs 134(d)-134(f) and 135c-135e of IAS 36, Impairment of Assets;
- (e) the requirements of IAS 7 Statement of Cash Flows;
- (f) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement;
- (g) 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;
- (h) the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and

BP EXPLORATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

Basis of preparation (continued)

- (i) 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 19.

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

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:

Interests in other entities

Judgement is required in assessing the level of control obtained in a transaction to acquire an interest in another entity: depending upon the facts and circumstances in each case, the company may obtain control, joint control or significant influence over the entity or arrangement. Transactions which give the company control of a business are business combinations. If the company obtains joint control of an arrangement, judgement is also required to assess whether the arrangement is a joint operation or a joint venture. If the company has neither control nor joint control, it may be in a position to exercise significant influence over the entity, which is then accounted for as an associate held at cost.

Going concern

The directors consider it appropriate to prepare the accounts on a going concern basis as, despite the uncertainties deriving from the current economic environment, the company is in an overall net assets position and therefore will be able to meet its liabilities as they fall due for the foreseeable future.

BP EXPLORATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

Foreign currency

The functional and presentation currency of the financial statements is US dollar. 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 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.

Investments

Fixed asset investments in subsidiaries, joint ventures and associates 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 investments 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 of 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.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The company recognises, on a line-by-line basis its share of the assets, liabilities and expenses of these joint operations incurred jointly with the other partners, along with the company's income from the sale of its share of the output and any liabilities and expenses that the company has incurred in relation to the joint operation.

Interests in associates

An associate is an entity over which the company has significant influence, through the power to participate in the financial and operating policy decisions of the investee, but which is not a subsidiary or a joint arrangement.

BP EXPLORATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Non-equity shares are held as a liability and the dividend paid is included within the interest charge for the year. Equity instruments issued by the company are recorded at the proceeds, net of direct issue costs.

Financial assets

Financial assets are classified as loans and receivables. Financial assets may include 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.

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.

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 may 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:

BP EXPLORATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

Financial liabilities (continued)

Financial liabilities measured at amortised cost

All 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 and other income and finance costs. 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.

Dividend income

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

Interest income

Interest income is recognised as the interest accrues (using the effective interest rate that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset).

Finance costs

All finance costs are recognised in the profit and loss account in the period in which they are incurred.

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.

Exceptional items

The company presents as exceptional items those material items impacting the profit and loss account which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

BP EXPLORATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

3. Operating profit

This is stated after charging:

	2014	2013
	\$000	\$000
Net foreign exchange losses	4	-

4. Auditor's remuneration

	2014	2013
	\$000	\$000
Fees for the audit of the company	13	11

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 Company Limited's ultimate parent, BP p.l.c., are required to disclose non-audit fees on a consolidated basis.

5. Exceptional items

Exceptional items comprise the loss on disposal of fixed assets and amounts provided against fixed assets as follows:

	2014	2013
	\$000	\$000
Loss on disposal of fixed assets	-	36
Amounts provided against fixed assets	3,630,015	12,799
Exceptional items	3,630,015	12,835
Taxation	-	-
Exceptional items (net of tax)	3,630,015	12,835

The loss on disposal of fixed assets of \$Nil (2013: \$36,000) arose due to write off of an investment in a joint venture. An amount of \$3,630,015,000 (2013: \$12,799,000) was provided in respect of investments in subsidiaries. There is no tax effect on this loss on disposal of fixed assets and amount provided against fixed assets.

6. Interest receivable and similar income

	2014	2013
	\$000	\$000
Interest income from amounts owed by group undertakings	1,390	867

7. Interest payable and similar charges

	2014	2013
	\$000	\$000
Interest expense on:		
Amount owed to group undertakings	86,576	130,608

BP EXPLORATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

8. Taxation

The company is a member of a group for the purposes of relief within Part 5, Corporation Tax Act 2010. In the prior year, no UK corporation tax had been provided because another group company, BP International Limited, had undertaken to procure the claim or surrender of group relief to the extent it was required and to provide for any current or deferred UK tax that arose without charge. During the period that agreement was terminated and as a result for 2014 UK corporation tax has been provided in this company.

(a) Reconciliation of the effective tax rate

The tax assessed on the loss for the year is lower than the standard rate of corporation tax in the UK of 21% for the year ended 31 December 2014 (2013: 23%). The differences are reconciled below:

	<u>2014</u>	<u>2013</u>
	\$000	\$000
(Loss) / profit before taxation	(365,197)	4,282,411
Taxation	-	-
Effective tax rate	0%	0%
	<u>2014</u>	<u>2013</u>
	%	%
UK statutory corporation tax rate:	21	23
Decrease resulting from:		
Non-deductible expenditure / (non-taxable income)	(209)	-
Dividends not subject to UK tax	193	(24)
Free group relief	(5)	1
Effective tax rate	<u>0</u>	<u>0</u>

Change in corporation tax rate

The UK corporation tax rate was reduced from 23% to 21% effective 1 April 2014 and will reduce to 20% from 1 April 2015.

BP EXPLORATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

9. 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 (2013: \$Nil).

(b) Employee costs

The company had no employees during the year (2013: None).

10. Investments

	Investment in subsidiaries	Investment in associates	Investment in joint ventures	Total
Cost	\$000	\$000	\$000	\$000
At 1 January 2013	23,474,471	5,776	469	23,480,716
Additions	9,565,000	-	-	9,565,000
Disposal	-	-	(36)	(36)
At 31 December 2013	<u>33,039,471</u>	<u>5,776</u>	<u>433</u>	<u>33,045,680</u>
At 1 January 2014	33,039,471	5,776	433	33,045,680
Additions	16,600,000	-	-	16,600,000
At 31 December 2014	<u>49,639,471</u>	<u>5,776</u>	<u>433</u>	<u>49,645,680</u>
Impairment losses				
At 1 January 2013	307,781	5,260	-	313,041
Charge for the year	12,799	-	-	12,799
At 31 December 2013	<u>320,580</u>	<u>5,260</u>	<u>-</u>	<u>325,840</u>
At 1 January 2014	320,580	5,260	-	325,840
Charge for the year	3,630,015	-	-	3,630,015
At 31 December 2014	<u>3,950,595</u>	<u>5,260</u>	<u>-</u>	<u>3,955,855</u>
Net book amount				
At 31 December 2014	<u>45,688,876</u>	<u>516</u>	<u>433</u>	<u>45,689,825</u>
At 31 December 2013	<u>32,718,891</u>	<u>516</u>	<u>433</u>	<u>32,719,840</u>
At 31 December 2012	<u>23,166,690</u>	<u>516</u>	<u>469</u>	<u>23,167,675</u>

The investments in subsidiaries are all stated at cost less provision for impairment.

The investments in the subsidiary and associated undertakings are unlisted.

During the year, the company made capital injections of \$16,600,000,000 in BP Exploration Operating Company Limited.

BP EXPLORATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

10. Investments (continued)

A joint venture of the company, Kuwait Oil Company Limited went into liquidation in current year. The investment was written off in 2013.

The subsidiary undertakings, associated undertakings and joint ventures of the company at 31 December 2014 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.

Subsidiary undertakings	Class of share held	%	Country of incorporation	Principal activity
BP Petroleo y Gas, S.A.	BS 1,000	100	Venezuela	Exploration and production
BP (Abu Dhabi) Limited	Ordinary	100	England and Wales	Exploration and production
BP Exploration Company (Middle East) Limited	Ordinary	100	England and Wales	Exploration and production
BP Exploration (Finance) Limited	Ordinary	100	England and Wales	Exploration and production
BP Exploration Mexico Limited	Ordinary	100	England and Wales	Exploration and production
BP Exploration Operating Company Limited	Ordinary	100	England and Wales	Exploration and production
BP Exploration Orinoco Limited	Ordinary	100	England and Wales	Exploration and production
BP Services International Limited	Ordinary	100	England and Wales	Exploration and production
Associated undertakings	Class of share held	%	Country of incorporation	Principal activity
Bunduq Company Limited	"A"	33.35	England	Crude oil production
Abu Dhabi Marine Operating Company	Ordinary	14.70	United Arab Emirates	Exploration and production
Joint venture	Class of share held	%	Principal place of business	Principal activity
BP-Japan Oil Development Company Limited	Ordinary "A" and Deferred Ordinary "A"	50	Abu Dhabi	Refining and marketing

For a full list of significant holdings, see note 20.

BP EXPLORATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

11. Debtors

Amounts falling due within one year:

	2014	2013	2012
	\$000	\$000	\$000
Amounts owed by group undertaking	5,913	5,913	6,131

Amounts falling due after one year:

	2014	2013	2012
	\$000	\$000	\$000
Amounts owed by associate	3,852	5,843	5,896
Amounts owed by joint venture	299,129	299,129	299,129
	302,981	304,972	305,025
 Total debtors	 308,894	 310,885	 311,156

12. Creditors

Amounts falling due within one year:

	2014	2013	2012
	\$000	\$000	\$000
Amounts owed to group undertaking	16,422,555	8,161,640	8,017,206
Other creditors	6,331	6,328	6,279
Accruals and deferred income	6	6	6
	16,428,892	8,167,974	8,023,491

Amounts falling due after one year:

	2014	2013	2012
	\$000	\$000	\$000
Loans from group undertakings	-	8,527,727	8,527,727
 Total creditors	 16,428,892	 16,695,701	 16,551,218

BP EXPLORATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

13. Called up share capital

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	\$000	\$000	\$000
Issued and fully paid:			
20,321,623,267 (2013: 9,873,575,182) Ordinary shares of £1 each for a total nominal value of £20,321,623,267 (2013: £9,873,575,182)	32,078,076	15,478,076	5,928,076
5,200,000 redeemable cumulative preference shares of £100 each for a total nominal value of £520,000,000	750,252	750,252	750,252
	<u>32,828,328</u>	<u>16,228,328</u>	<u>6,678,328</u>

The redeemable cumulative preference shares are redeemable in 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.

On 04 September 2014, 825,763,831 ordinary shares of £1 each for a total nominal value of \$1,350,000,000, were allotted to the immediate parent company at par value.

On 23 September 2014, 914,550,498 ordinary shares of £1 each for a total nominal value of \$1,500,000,000, were allotted to the immediate parent company at par value.

On 22 October 2014, 777,798,519 ordinary shares of £1 each for a total nominal value of \$1,250,000,000, were allotted to the immediate parent company at par value.

On 27 October 2014, 930,030,691 ordinary shares of £1 each for a total nominal value of \$1,500,000,000, were allotted to the immediate parent company at par value.

On 12 December 2014, 6,999,904,546 ordinary shares of £1 each for a total nominal value of \$11,000,000,000, were allotted to the immediate parent company at par value.

14. Reserves

Called up share capital

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

Profit and loss account

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

In 2014 the company paid interim ordinary dividends of \$3,000,000,000 (2013: \$4,425,000,000). The dividend per share was \$0.15 (2013 dividend per share: \$0.45).

15. Guarantees and other financial commitments

The company has provided guarantees with maximum exposure of \$176,800,000 to the Ministry of Energy and Energy Affairs of Trinidad and Tobago in respect of the liabilities arising under the minimum Work Program set out in the Production Sharing Contracts entered into by its subsidiary undertaking. No material losses are likely to arise from these guarantees.

BP EXPLORATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

16. 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	Amounts owed from related party <hr/> \$000
BP-Japan Oil Development Company Limited	
Joint venture	
Refining and marketing	
2014	299,129
2013	299,129
Bunduq Company Limited	
Associate	
Crude oil production	
2014	3,852
2013	5,844

17. Post balance sheet event

On 3 March 2015, 10,412,938,075 ordinary shares of £1.00 each were allotted to the immediate parent company at par value for a total consideration of \$16,000,000,000.

On 31 March 2015, 1,617,016,623 ordinary shares of £1.00 each were allotted to the immediate parent company at par value for a total consideration of \$2,399,232,000.

On 1 May 2015, 923,939,943 ordinary shares of £1.00 each were allotted to the immediate parent company at par value for a total consideration of \$1,400,000,000.

On 22 September 2015, 1,170,922,101 ordinary shares of £1.00 each were allotted to the immediate parent company at par value for a total consideration of \$1,800,000,000.

BP EXPLORATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

18. Explanation of transition to FRS 101

For all periods up to and including the year ended 31 December 2013, the company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2014, are the first the company has prepared in accordance with FRS 101.

Accordingly, the company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2013 and the significant accounting policies meeting those requirements are described in the relevant notes.

On transition to FRS 101, the company has applied the requirements of paragraphs 6 – 33 of IFRS 1 'First time adoption of International Financial Reporting Standards'.

Exemption applied

IFRS 1 allows first time adopters certain exemptions from the general requirements to apply IFRSs as effective for December 2014 year ends retrospectively. The company has taken advantage of the following exemption:

(a) business combinations (paragraphs C1 – C5)

There were no measurement or recognition adjustments on adoption of FRS 101.

19. Immediate and ultimate controlling parent undertaking

The immediate parent undertaking is BP International 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.

BP EXPLORATION COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
FOR THE YEAR ENDED 31 DECEMBER 2014**20. Significant holdings**

Related undertaking	Country Name	Holding	Principal activity
Abu Dhabi Marine Areas Limited	England and Wales	33%	Exploration / production
Abu Dhabi Petroleum Company Limited	England and Wales	24%	Exploration / production
Amoco (Fiddich) Limited	England and Wales	100%	Exploration / production
Amoco (U.K.) Exploration Company, LLC	United States	100%	Exploration / production
Amoco Angola B.V.	Netherlands	100%	Exploration / production
Amoco U.K. Petroleum Limited	England and Wales	100%	Exploration / production
ARCO British Limited, LLC	United States	100%	Exploration / production
ARCO El-Djazair LLC	United States	49%	Holding company
Atlantic 2/3 Holdings LLC	United States	43%	Holding company
Atlantic 2/3 UK Holdings Limited	England and Wales	100%	Exploration / production
Atlantic LNG 2/3 Company of Trinidad and Tobago Unlimited	Trinidad and Tobago	43%	Exploration / production
Azerbaijan Gas Supply Company Limited	Cayman Islands	23%	Natural Gas
Azerbaijan International Operating Company	Cayman Islands	40%	Exploration / production
Black Hill Industrial Estate Limited	Scotland	49%	Property
BP Amoco Exploration (Faroes) Limited	England and Wales	100%	Exploration / production
BP Amoco Exploration (In Amenas) Limited	Scotland	100%	Exploration / production
BP Angola (Block 18) B.V.	Netherlands	100%	Exploration / production
BP Brasil Limitada	Brazil	99%	Exploration / production
BP Brazil Tracking L.L.C.	United States	100%	Exploration / production

BP EXPLORATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

20. Significant holdings (continued)

Related undertaking	Country Name	Holding	Principal activity
BP Containment Response Limited	England and Wales	100%	Support activities
BP East Kalimantan CBM Limited	England and Wales	100%	Exploration / production
BP Energy Colombia Limited	England and Wales	100%	Support activities
BP Energy do Brasil Limitada.	Brazil	100%	Exploration / production
BP Exploration (Algeria) Limited	England and Wales	100%	Exploration / production
BP Exploration (Alpha) Limited	England and Wales	100%	Exploration / production
BP Exploration (Angola) Limited	England and Wales	100%	Exploration / production
BP Exploration (Azerbaijan) Limited	England and Wales	100%	Exploration / production
BP Exploration (Canada) Limited	England and Wales	100%	Exploration / production
BP Exploration (Caspian Sea) Limited	England and Wales	100%	Exploration / production
BP Exploration (Delta) Limited	England and Wales	100%	Exploration / production
BP Exploration (El Djazair) Limited	Bahamas	49%	Exploration / production
BP Exploration (Epsilon) Limited	England and Wales	100%	Exploration / production
BP Exploration (Greenland) Limited	England and Wales	100%	Exploration / production
BP Exploration (Morocco) Limited	England and Wales	100%	Exploration / production
BP Exploration (Namibia) Limited	England and Wales	100%	Exploration / production
BP Exploration (Nigeria Finance) Limited	England and Wales	100%	Dormant
BP Exploration (Nigeria) Limited	Nigeria	100%	Exploration / production
BP Exploration (Shafag-Asiman) Limited	England and Wales	100%	Support activities
BP Exploration (Shah Deniz) Limited	England and Wales	100%	Exploration / production
BP Exploration (South Atlantic) Limited	England and Wales	100%	Exploration / production
BP Exploration (Vietnam) Limited	England and Wales	100%	Exploration / production
BP Exploration (Xazar) PTE. Limited.	Singapore	100%	Support activities
BP Exploration Angola (Kwanza Benguela) Limited	England and Wales	100%	Exploration / production
BP Exploration Beta Limited	England and Wales	100%	Exploration / production
BP Exploration China Limited	England and Wales	100%	Support activities
BP Exploration do Brasil Limitada	Brazil	100%	Exploration / production
BP Exploration Indonesia Limited	England and Wales	100%	Exploration / production
BP Exploration Libya Limited	England and Wales	100%	Exploration / production
BP Exploration North Africa Limited	England and Wales	100%	Exploration / production
BP Gas Marketing Limited	England and Wales	100%	Energy trading
BP Iran Limited	England and Wales	100%	Support activities
BP Iraq N.V.	Belgium	100%	Exploration / production

BP EXPLORATION COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

20. Significant holdings (continued)

Related undertaking	Country Name	Holding	Principal activity
BP Kapuas I Limited	England and Wales	100%	Exploration / production
BP Kapuas II Limited	England and Wales	100%	Exploration / production
BP Kapuas III Limited	England and Wales	100%	Exploration / production
BP Kuwait Limited	England and Wales	100%	Exploration / production
BP Pipelines (TANAP) Limited	England and Wales	100%	Exploration / production
BP Shafag-Asiman Limited	England and Wales	100%	Exploration / production
BP Sharjah Limited (In Liquidation)	England and Wales	100%	In liquidation
BP Subsea Well Response (Brazil) Limited	England and Wales	100%	Support activities
BP Subsea Well Response Limited	England and Wales	100%	Support activities
BP Tanjung IV Limited	England and Wales	100%	Exploration / production
BP Train 2/3 Holding SRL	Barbados	100%	Holding company
BP West Aru I Limited	England and Wales	100%	Exploration / production
BP West Aru II Limited	England and Wales	100%	Exploration / production
BP West Papua I Limited	England and Wales	100%	Exploration / production
BP West Papua III Limited	England and Wales	100%	Exploration / production
Britoil Limited	Scotland	100%	Exploration / production
Castrol Brasil Limitada	Brazil	55%	Lubricants
Castrol Servicos Limitada	Brazil	55%	Lubricants
CATS North Sea Limited	England and Wales	100%	Exploration / production
Energy Caspian Corporation	British Virgin Islands	100%	Holding company
Exploration (Luderitz Basin) Limited	England and Wales	100%	Exploration / production
Georgian Pipeline Company	Cayman Islands	40%	Pipeline operator
Grangemouth Holdings Limited	England and Wales	100%	Holding company
Grangemouth Properties Limited	England and Wales	100%	Property
Iraq Petroleum Company Limited	England and Wales	24%	Provision of services to crude oil transport company
North Ghara Petroleum Company	Egypt	30%	Exploration / production
Petro Shadwan Petroleum Company	Egypt	25%	Exploration / production
Phoenix Petroleum Services LLC	Iraq	100%	Support activities
Rahamat Petroleum Company	Egypt	50%	Exploration / production
The Sullom Voe Association Limited	Scotland	33%	Support activities
Trans Adriatic Pipeline AG	Switzerland	20%	Pipeline operator
VIC CBM Limited	England and Wales	50%	Exploration / production
Virginia Indonesia Co. CBM Limited	England and Wales	50%	Exploration / production
West Morgan Petroleum Company	Egypt	50%	Exploration / production