

ARCO BRITISH LIMITED, LLC

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PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	2016 \$000	2015 \$000
Turnover		118,599	125,133
Cost of sales		(77,932)	(81,166)
Gross profit		40,667	43,967
Distribution and marketing expenses		(36)	(9)
Administrative expenses		(1,664)	(1,293)
Loss on disposal of fixed assets		-	(728)
Reversal of amounts provided against fixed assets	5	108,186	69,493
Operating profit	2	147,153	111,430
Interest receivable and similar income	3	5,462	1,551
Interest payable and similar charges	4	(1,579)	(2,015)
Profit before taxation		151,036	110,966
Taxation		(52,507)	(253,596)
Profit / (loss) for the year		98,529	(142,630)

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

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

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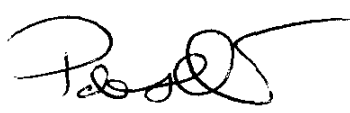
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ARCO BRITISH LIMITED, LLC
(Registered No.FC005677)

BALANCE SHEET AT 31 DECEMBER 2016

		2016	2015
	Note	\$000	Restated \$000
Fixed assets			
Intangible assets	6	21,111	8,188
Tangible assets	7	347,859	244,868
		<u>368,970</u>	<u>253,056</u>
Current assets			
Stocks	8	2,938	3,505
Debtors: amounts falling due within one year	9	36,030	35,007
Debtors: amounts falling due after more than one year	9	1,110,287	1,105,991
Deferred tax assets		-	7,092
		<u>1,149,255</u>	<u>1,151,595</u>
Creditors: amounts falling due within one year	10	<u>(504,306)</u>	<u>(521,989)</u>
Net current assets		<u>644,949</u>	<u>629,606</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,013,919	882,662
Provisions for liabilities and charges			
Deferred tax liability		(43,296)	-
Other provisions	11	(114,779)	(125,347)
NET ASSETS		<u>855,844</u>	<u>757,315</u>
Represented by			
Capital and reserves			
Called up share capital	12	-	-
Additional paid-in capital	13	177,829	177,829
Profit and loss account	13	568,195	469,666
Other reserves		109,820	109,820
TOTAL EQUITY		<u>855,844</u>	<u>757,315</u>

The financial statements of ARCO British Limited, LLC, were approved for issue by its sole member, 1 Exploration Operating Company Limited, on 9 October 2017 (where the company is member managed) and were signed by a director of BP Exploration Operating Company Limited on behalf of the Board as the sole member of ARCO British Limited, LLC:



Peter Mather
Director of BP Exploration Operating Company Limited
Dated: 9 October 2017

ARCO BRITISH LIMITED, LLC

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital (note 12) \$000	Additional paid-in capital (note 13) \$000	Profit and loss account (note 13) \$000	Other reserves \$000	Total \$000
Balance at 1 January 2016 (restated)	-	177,829	469,666	109,820	757,315
Profit for the year	-	-	98,529	-	98,529
Balance at 31 December 2016	-	177,829	568,195	109,820	855,844

ARCO BRITISH LIMITED, LLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1 Principle 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 Profit on ordinary activities before interest and taxation

This is stated after charging / (crediting):

	<u>2016</u>	<u>2015</u>
	\$000	\$000
Hire charges under operating leases:		
Plant & machinery	12	22
Net foreign exchange gains	(29,515)	(7,916)
Research and development	23	83
Depreciation of tangible fixed assets (Note 7)	58,017	25,248
Reversal of past impairment losses (Note 7)	(108,186)	(69,493)
Profit on disposal of fixed assets	<u>-</u>	<u>(728)</u>

3 Interest receivable and similar income

	<u>2016</u>	<u>2015</u>
	\$000	\$000
Interest income from group undertakings	5,352	1,504
PRT interest	110	46
Other interest	<u>-</u>	<u>1</u>
	<u>5,462</u>	<u>1,551</u>

4 Interest payable and similar charges

	<u>2016</u>	<u>2015</u>
	\$000	\$000
Interest expense on:		
Loans from group undertakings	757	906
Other	<u>30</u>	<u>35</u>
	787	941
Unwinding of discount on provisions	<u>792</u>	<u>1,074</u>
	<u>1,579</u>	<u>2,015</u>

ARCO BRITISH LIMITED, LLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

5 Reversal of amounts provided against fixed assets

	<u>2016</u>	<u>2015</u>
	\$000	\$000
Reversal provided against fixed assets	<u>(108,186)</u>	<u>69,493</u>

The total amount of reversal provided against fixed assets is \$108,186,000 in 2016 representing Shearwater (\$43,958,000), Arundel (\$55,219,000) and V-fields (\$9,009,000). The reversals mainly arose as a result of decreases in cost estimates and a reduction in the discount rate applied.

6 Intangible assets

	<u>Exploration expenditure</u>
	\$000
Cost	
At 1 January 2016	8,668
Changes in decommissioning provision	12,578
Additions	345
At 31 December 2016	<u>21,591</u>
Amortisation	
At 1 January 2016 and 31 December 2016	<u>480</u>
Net book value	
At 31 December 2016	<u>21,111</u>
At 31 December 2015	<u>8,188</u>

ARCO BRITISH LIMITED, LLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

7 Tangible assets

	Oil & gas properties \$000	Of which AUC \$000
Cost		
At 1 January 2016	1,435,537	-
Changes in decommissioning provision	(18,033)	-
Additions	70,855	44,840
At 31 December 2016	<u>1,488,359</u>	<u>44,840</u>
Depreciation and impairment		
At 1 January 2016	1,190,669	-
Reversal of impairment	(108,186)	-
Charge for the year	58,017	-
At 31 December 2016	<u>1,140,500</u>	<u>-</u>
Net book value		
At 31 December 2016	<u>347,859</u>	<u>44,840</u>
At 31 December 2015	<u>244,868</u>	<u>-</u>

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

Capitalised interest included above:

	Cost	Depreciation and impairment	Net book value
At 31 December 2016	<u>89,378</u>	<u>80,172</u>	<u>9,206</u>
At 31 December 2015	<u>89,378</u>	<u>80,462</u>	<u>8,916</u>

8 Stock

	2016 \$000	2015 \$000
Raw materials and consumables	<u>2,938</u>	<u>3,505</u>

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

ARCO BRITISH LIMITED, LLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

9 Debtors

	<u>2016</u>	<u>2016</u>	<u>2015</u>	<u>2015</u>
	Within	After	Within	After
	1 year	1 year	1 year	1 year
	\$000	\$000	\$000	\$000
Trade debtors	149	-	6,532	-
Amounts owed by group undertakings	27,122	1,101,600	16,025	1,090,294
Corporation tax	3,857	-	5,976	-
Other debtors	1,809	-	1,855	-
Prepayments and accrued income	3	8,687	5	8,687
Petroleum revenue tax	3,090	-	4,614	7,010
	<u>36,030</u>	<u>1,110,287</u>	<u>35,007</u>	<u>1,105,991</u>

10 Creditors

	<u>2016</u>	<u>2015</u>
	Within	Restated
	1 year	Within
	\$000	1 year
	\$000	\$000
Trade creditors	18,485	37,099
Amounts owed to group undertakings	465,540	470,011
Other creditors	10	1
Accruals and deferred income	20,139	14,735
Bank overdraft	132	143
	<u>504,306</u>	<u>521,989</u>

ARCO BRITISH LIMITED, LLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

11 Provisions

	Decommissi- oning \$000
At 1 January 2016	125,347
Change in provision - recognised within tangible and intangible asset:	
Cost estimate adjustment	13,479
Exchange adjustment	(21,303)
Change in discount rate	2,369
Unwinding of discount	792
Utilised during the year	(5,905)
At 31 December 2016	<u>114,779</u>
At 31 December 2016	
Current	5,035
Non-current	<u>109,744</u>
	<u>114,779</u>
At 31 December 2015	
Current	9,162
Non-current	<u>116,185</u>
	<u>125,347</u>

The company makes full provision for the future cost of decommissioning oil and natural gas production facilities and related pipelines on a discounted basis on the installation of those facilities. At 31 December 2016, the provision for the costs of decommissioning these production facilities and pipelines at the end of their economic lives was \$114,779,000 (2015: \$125,347,000). The provision has been estimated using existing technology, at current prices and discounted using a real discount rate of 0.5% (2015: 0.75%). These costs are expected to be incurred over the next 10 to 15 years. While the provision is based on the best estimate of future costs and the economic lives of the facilities and pipelines, there is uncertainty regarding both the amount and timing of incurring these costs.

ARCO BRITISH LIMITED, LLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

12 Called up share capital

	<u>2016</u>	<u>2015</u>
	\$	\$
Issued and fully paid:		
100 Ordinary shares of \$1 each for a total nominal value of \$100	<u>100</u>	<u>100</u>

The company has not declared any dividends during the year (2015: nil).

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

13 Reserves

Called up share capital

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

Additional paid-in capital

The additional paid-in capital balance \$177,829 represents the difference in capital converted into called up share capital and paid-in capital at the time when 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.

14 Prior year adjustment

During the year, the company reviewed the historic intercompany balances in the BP North Sea companies. Differences were identified mainly relating to historic disposals as amounts were left as intercompany balances rather than being transferred to gain on disposal of fixed assets. The prior year adjustment of \$35,166,107 now recognises this through the profit and loss account.

The adjustment impacts the retained earnings, net assets and notes to the company's financial statements. The adjustment has no tax effect or impact on other companies in the group.

The following table summarises the impact of the above changes on the company's balance sheet and profit and loss account.

	As previously reported \$000	Intercompany adjustment \$000	As restated \$000
Balance sheet			
Creditors	486,823	35,166	521,989
Profit and loss account	<u>504,832</u>	<u>(35,166)</u>	<u>469,666</u>

ARCO BRITISH LIMITED, LLC

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

15 Immediate and ultimate controlling parent undertaking

The immediate parent undertaking is BP Exploration Operating Company Limited, a company registered in England and Wales. The ultimate controlling parent undertaking is BP p.l.c., a company registered in England and Wales, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of BP p.l.c. can be obtained from 1 St James's Square, London, SW1Y 4PD.