

BP EXPLORATION MEXICO LIMITED

(Registered Number 119961)

ANNUAL REPORT AND ACCOUNTS 1996

Board of Directors: Dr D C Allen
Mr R D Morris
Mr R T Nunn

REPORT OF THE DIRECTORS

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

Principal activity

The company provides technical and other services relating to hydrocarbon exploration and production in Mexico.

Results

The loss for the year after taxation of \$1,260,570 when added to the deficit brought forward at 1 January 1996 of \$2,488,647, together with exchange adjustments taken directly to reserves of \$100,709, gives a total retained deficit carried forward at 31 December 1996 of \$3,648,508.

Fixed assets

Details of the company's fixed assets are shown in note 5 of the accounts.

Directors

Dr B E Grote, Mr R D Morris and Mr H Streeter served as directors of the company throughout the financial year.

Mr Streeter ceased to be a director on 3 April 1997 and Mr R T Nunn was appointed as a director of the company on 4 April 1997. Dr Grote ceased to be a director on 1 July 1997. Dr D C Allen was appointed as a director of the company on 1 September 1997

Directors interests

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

	<u>31 December 1996</u>	<u>1 January 1996</u> <u>or date of appointment</u>
B E Grote *	95,388	60,708
R D Morris	9,488	8,687
H Streeter	8,491	4,764

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



BP EXPLORATION MEXICO LIMITED

REPORT OF THE DIRECTORS

Directors interests (continued)

In addition, rights to subscribe for 25p ordinary shares in The British Petroleum Company p.l.c. 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 D Morris	Nil	Nil
H Streeter	Nil	2,566

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



R C Cumming, Secretary

Registered Office
Britannic House,
1 Finsbury Circus,
London EC2M 7BA

17 October 1997

BP EXPLORATION MEXICO 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 a going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are 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 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 MEXICO LIMITED

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

We have audited the accounts on pages 5 to 11 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 the loss of the company 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 MEXICO LIMITED

ACCOUNTING POLICIES

Accounting convention

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

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

Foreign currencies

The company maintains its accounting records in Mexican nuevo pesos as this is its functional currency. These accounts have been prepared by translating those accounting records into US dollars as follows:-

Assets and liabilities, other than called up share capital, are translated to dollars at closing rates of exchange. Income statements translated at average rates of exchange.

Exchange differences resulting from retranslation of net investments in foreign currency branches at closing rates, together with the difference between income statements translated at average rates and at closing rates of exchange, are dealt with in reserves.

All other exchange gains or losses on settlement or translation at the closing rate of exchange of monetary assets and liabilities are included in the determination of profit/loss for the year.

Depreciation

Tangible assets, other than freehold land, are depreciated on the straight line method over their estimated useful lives.

Leases

Rentals under operating leases are charged against income as incurred.

Deferred taxation

Deferred taxation is calculated, using the liability method, in respect of timing differences arising primarily from the different accounting and tax treatment of depreciation. Provision is made or recovery anticipated where timing differences are expected to reverse in the foreseeable future.

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BP EXPLORATION MEXICO LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1996

	<u>Note</u>	<u>1996</u> \$	<u>1995</u> \$
Turnover	1	1,521,450	724,405
Operating expenses		(1,678,462)	(1,720,030)
Gross (loss)/profit		<u>(157,012)</u>	<u>(995,625)</u>
Administration expenses		(1,110,226)	(1,443,891)
Other income	3	23,841	42,710
(Loss)/profit before taxation	2	<u>(1,243,397)</u>	<u>(2,396,806)</u>
Overseas taxation	4	<u>(17,173)</u>	<u>-</u>
(Loss)/profit for the year		<u><u>(1,260,570)</u></u>	<u><u>(2,396,806)</u></u>

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

	<u>1996</u> \$	<u>1995</u> \$
Retained (loss)/profit for the year	(1,260,570)	(2,396,806)
Currency translation differences	100,709	103,156
Total recognised gains and losses for the year	<u><u>(1,159,861)</u></u>	<u><u>(2,293,650)</u></u>

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BP EXPLORATION MEXICO LIMITED

BALANCE SHEET AT 31 DECEMBER 1996

	<u>Note</u>	<u>1996</u> \$	<u>1995</u> \$
Fixed assets			
Tangible assets	6	234,326	197,293
Current assets			
Debtors	7	1,141,230	1,350,486
Cash at bank and in hand		257,281	200,694
		<hr/>	<hr/>
		1,398,511	1,551,180
Creditors - amounts falling due within one year	8	(4,135,963)	(3,091,738)
Net current (liabilities) / assets		<hr/> (2,737,452) <hr/>	<hr/> (1,540,558) <hr/>
SHAREHOLDERS' INTEREST		(2,503,126)	(1,343,265)
		<hr/>	<hr/>
Represented by			
Capital and reserves			
Called up share capital	10	1,145,382	1,145,382
Reserves	11	(3,648,508)	(2,488,647)
SHAREHOLDERS' FUNDS - EQUITY INTERESTS	11	<hr/> (2,503,126) <hr/>	<hr/> (1,343,265) <hr/>

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D C Allen, Director

17th October, 1997

BP EXPLORATION MEXICO LIMITED

NOTES TO THE ACCOUNTS

1. Turnover

Turnover comprises income for services provided in Mexico.

2. Operating loss

This is stated after charging:

	<u>1996</u>	<u>1995</u>
	\$	\$
Operating lease rentals: office building	171,561	129,062
Depreciation	51,147	39,995
Auditors' remuneration		
Audit fees - current year	7,354	11,366
Fees for other services	4,941	28,259
	<u> </u>	<u> </u>

3. Other income

	<u>1996</u>	<u>1995</u>
	\$	\$
Interest earned	19,888	42,710
Other	3,953	0
	<u>23,841</u>	<u>42,710</u>

4. Taxation

	<u>1996</u>	<u>1995</u>
	\$	\$
UK Corporation Tax @ 33% (1995 33%)	2,129	-
Overseas taxation relief	(2,129)	-
	<u> </u>	<u> </u>
	-	-
	<u> </u>	<u> </u>
Overseas tax	17,173	0
	<u> </u>	<u> </u>

United Kingdom 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. Corporation tax has been provided at 33% (1995 33%) on the taxable profits for the year and is fully covered by double tax relief.

Provision for deferred taxation is not required.

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BP EXPLORATION MEXICO LIMITED**NOTES TO THE ACCOUNTS****5. Directors and employees****a) Remuneration of directors**

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

	<u>1996</u>	<u>1995</u>
	\$	\$
b) Employee costs		
Salaries	85,950	92,351
Social security costs	13,303	14,378
	<u>99,253</u>	<u>106,729</u>

c) Average number of employees during the year

	<u>1996</u>	<u>1995</u>
	(Non-UK)	(Non-UK)
Administration	8	10
	<u>8</u>	<u>10</u>

6. Tangible assets

	<u>Motor Vehicles</u>	<u>Office Furniture & Equipment</u>	<u>Total</u>
Cost	\$	\$	\$
At 1 January 1996	8,260	255,365	263,625
Additions	65,855	28,018	93,873
Disposals	(8,044)	0	(8,044)
Exchange adjustment	(215)	(6,636)	(6,851)
At 31 December 1996	<u>65,856</u>	<u>276,747</u>	<u>342,603</u>
Depreciation			
At 1 January 1996	4,543	61,789	66,332
Charge for the year	4,857	44,711	49,568
Disposals	(5,899)	0	(5,899)
Exchange adjustment	(118)	(1,606)	(1,724)
At 31 December 1996	<u>3,383</u>	<u>104,894</u>	<u>108,277</u>
Net book amount			
At 31 December 1996	<u>62,474</u>	<u>171,853</u>	<u>234,326</u>
At 31 December 1995	<u>3,717</u>	<u>193,576</u>	<u>197,293</u>

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BP EXPLORATION MEXICO LIMITED

NOTES TO THE ACCOUNTS

7. Debtors

	<u>1996</u>	<u>1995</u>
	\$	\$
Trade debtors	-	96,835
Parent and fellow subsidiary undertakings	1,035,132	967,756
Fellow subsidiary undertakings	421	148,668
Taxation	16,098	64,093
Prepayments	33,130	31,592
Other	56,449	41,542
	<u>1,141,230</u>	<u>1,350,486</u>

8. Creditors

	<u>1996</u>	<u>1995</u>
	\$	\$
Trade	137,861	27,499
Fellow subsidiary undertakings	3,894,696	2,997,297
Taxation	77,368	47,904
Other	26,038	19,038
	<u>4,135,963</u>	<u>3,091,738</u>

9. Operating lease commitments

At 31 December the company had annual commitments under non-cancellable operating leases as set out below:

	<u>1996</u>	<u>1995</u>
	\$	\$
Expiring between 1 to 3 years	<u>199,052</u>	<u>158,765</u>

10. Called up share capital

	<u>1996</u>	<u>1995</u>
	\$	\$
Authorised share capital: 2,500,000 ordinary shares of £1 each		
Issued and fully paid: 612,504 ordinary shares of £1 each	<u>1,145,382</u>	<u>1,145,382</u>

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BP EXPLORATION MEXICO LIMITED

NOTES TO THE ACCOUNTS

11. Reconciliation of shareholders' funds and movements on reserves

	<u>Equity</u> <u>Share</u> <u>Capital</u>	<u>Profit and</u> <u>loss account</u>	<u>Total</u>
	\$	\$	\$
At 1 January 1995	1,145,382	(194,997)	950,385
Loss for the year	-	(2,396,806)	(2,396,806)
Currency translation differences	-	103,156	103,156
	<hr/>	<hr/>	<hr/>
At 1 January 1996	1,145,382	(2,488,647)	(1,343,265)
Loss for the year	-	(1,260,570)	(1,260,570)
Currency translation differences	-	100,709	100,709
	<hr/>	<hr/>	<hr/>
At 31 December 1996	<u>1,145,382</u>	<u>(3,648,508)</u>	<u>(2,503,126)</u>

12. Related party transactions

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

13. 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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