

BP EXPLORATION MEXICO LIMITED

(Registered No.00119961)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2016

Board of Directors: S J MacRae

The directors present the strategic report, their report and the financial statements for the year ended 31 December 2016.

STRATEGIC REPORT**Results**

The loss for the year after taxation was \$517,134 which, when added to the accumulated loss brought forward at 1 January 2016 of \$74,699,219 together with exchange adjustments taken directly to reserves of \$149,424, gives a total accumulated loss carried forward at 31 December 2016 of \$73,776,461.

Principal activity and review of the business

The company provides exploration services and training in Mexico. The company now primarily acts as a representative of the BP Group in Mexico and has a branch operating in Mexico.

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

	2016	2015	Variance
	\$	\$	%
Operating loss	(508,027)	(8,172,806)	(94)
Loss for the year	(517,134)	(8,174,583)	(94)
Total equity / (deficiency in equity)	6,676,864	(4,245,894)	257

	2016	2015	Variance
	%	%	
Quick ratio	9,591	2	9,589

The significant fluctuation in operating loss for the year was mainly attributable to the decrease in administrative expenses incurred during the year. The substantial increase in total equity was a result of capital injection that had taken place during the year, where 7,573,749 ordinary shares of £1 each for a total nominal value of £7,573,749 were allotted to the 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 2016.

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STRATEGIC REPORT

Principal risks and uncertainties (continued)

Strategic and commercial risks

Geopolitical

The company is exposed to a range of political developments and consequent changes to the operating and regulatory environment.

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

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 as well as its use of financial instruments including market risks relating to foreign currency exchange rates and interest rates. Further details on these financial risks are included within Note 28 of the BP group Annual Report and Form 20-F for the year ended 31 December 2016.

By Order of the Board



For and on behalf of
Sunbury Secretaries Limited
Company Secretary

21 September 2017

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

DIRECTORS' REPORT

BP EXPLORATION MEXICO LIMITED

Directors

The present directors are listed on page 1.

There have been no director appointments or resignations since 1 January 2016.

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

The company has not declared any dividends during the year (2015: \$Nil). The directors do not propose the payment of a 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-sized Companies and Groups (Accounts and Reports) Regulations 2008 in the strategic report under Financial risk management.

Future developments

The directors consider that, despite the uncertainties deriving from the current economic environment and the loss reported for the year, the company has adequate resources to continue in operational existence for the foreseeable future.

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


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

21 September 2017

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT
OF THE FINANCIAL STATEMENTS**

BP EXPLORATION MEXICO LIMITED

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable UK 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BP EXPLORATION MEXICO LIMITED

We have audited the financial statements of BP Exploration Mexico Limited for the year ended 31 December 2016 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 14. 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 5, 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 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; 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, based on the work undertaken in the course of the audit:

- 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.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

22 September 2017

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2016
BP EXPLORATION MEXICO LIMITED

		<u>2016</u>	<u>2015</u>
	Note	\$	\$
Exploration expenses		(113,014)	(711,564)
Administrative expenses		(395,013)	(7,461,242)
Operating loss	3	<u>(508,027)</u>	<u>(8,172,806)</u>
Interest receivable and similar income	5	7,981	—
Interest payable and similar charges	6	(17,088)	(1,777)
Loss before taxation		<u>(517,134)</u>	<u>(8,174,583)</u>
Taxation	7	—	—
Loss for the year		<u><u>(517,134)</u></u>	<u><u>(8,174,583)</u></u>

The loss of \$517,134 for the year ended 31 December 2016 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

	<u>2016</u>	<u>2015</u>
	\$	\$
Loss for the year	(517,134)	(8,174,583)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	(149,424)	122,405
Total comprehensive income for the year	<u><u>(666,558)</u></u>	<u><u>(8,052,178)</u></u>

BALANCE SHEET


AT 31 DECEMBER 2016

BP EXPLORATION MEXICO LIMITED

(Registered No.00119961)

	Note	2016 \$	2015 \$
Current assets			
Debtors	9	6,709,873	—
Cash at bank and in hand		37,338	92,392
		6,747,211	92,392
Creditors: amounts falling due within one year	10	(70,347)	(4,338,286)
Net current assets / (liabilities)		6,676,864	(4,245,894)
NET ASSETS / (LIABILITIES)		<u>6,676,864</u>	<u>(4,245,894)</u>
Capital and reserves			
Called up share capital	11	80,453,325	70,453,325
Foreign currency translation reserve	12	116,962	266,386
Profit and loss account	12	(73,893,423)	(74,965,605)
TOTAL EQUITY / (DEFICIENCY IN EQUITY)		<u>6,676,864</u>	<u>(4,245,894)</u>

On behalf of the Board



S J MacRae

Director

21 September 2017

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016
BP EXPLORATION MEXICO LIMITED

	Called up share capital (Note 11)	Foreign currency translation reserve (Note 12)	Profit and loss account (Note 12)	Total
	\$	\$	\$	\$
Balance at 1 January 2015	70,453,325	143,981	(66,791,022)	3,806,284
Loss for the year	—	—	(8,174,583)	(8,174,583)
Other comprehensive income for the year	—	122,405	—	122,405
Balance at 31 December 2015	70,453,325	266,386	(74,965,605)	(4,245,894)
Loss for the year	—	—	(517,134)	(517,134)
Other comprehensive income for the year	—	(149,424)	—	(149,424)
Total comprehensive income for the year	—	(149,424)	(517,134)	(666,558)
Issue of share capital	10,000,000	—	—	10,000,000
Capital contribution from immediate parent undertaking	—	—	1,589,316	1,589,316
Balance at 31 December 2016	<u>80,453,325</u>	<u>116,962</u>	<u>(73,893,423)</u>	<u>6,676,864</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

BP EXPLORATION MEXICO LIMITED

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 Mexico Limited for the year ended 31 December 2016 were approved by the board of directors on 21 September 2017 and the balance sheet was signed on the board's behalf by S J MacRae. BP Exploration Mexico Limited is a limited company incorporated and registered in England and Wales. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the provisions of the Companies Act 2006.

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.

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 91 – 99 of IFRS 13 Fair Value Measurement;
- (c) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- (d) 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;
- (e) the requirements of IAS 7 Statement of Cash Flows;
- (f) 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;
- (g) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures; and
- (h) 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 14.

The financial statements are presented in US dollars and all values are rounded to the nearest whole number in dollars (\$), except where otherwise indicated.

NOTES TO THE FINANCIAL STATEMENTS

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

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.

Deferred tax

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the net effect of future tax planning strategies.

Significant accounting policies

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and the financial statements have therefore been prepared under the going concern basis.

Foreign currency

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

Assets and liabilities of foreign currency branches are translated into US dollars at rates of exchange ruling at the balance sheet date. The profit and loss account is translated into US dollars using average rates of exchange. Exchange differences arising when the opening net assets and the profits for the year retained by foreign currency branches are translated into US dollars are taken directly to reserves and reported in other comprehensive income. When a foreign currency branch is disposed of the cumulative amount of foreign currency differences included in other comprehensive income is reclassified to the profit and loss account.

Intangible assets

Exploration and appraisal expenditure

Geological and geophysical exploration costs are charged to the profit and loss account as incurred. Costs directly associated with an exploration well are capitalised as an intangible asset until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. If potentially commercial quantities of hydrocarbons are not found, the exploration well is written off as a dry hole. If hydrocarbons are found and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continue to be carried as an asset.

Costs directly associated with appraisal activity, undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalised as an intangible asset. When proved reserves of oil and natural gas are determined and development is approved by management, the relevant expenditure is transferred to tangible assets.

NOTES TO THE FINANCIAL STATEMENTS

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

Financial assets

Financial assets within the scope of IAS 39 are classified as loans and receivables; financial assets at fair value through profit or loss; derivatives designated as hedging instruments in an effective hedge; held-to-maturity financial assets; or as available-for-sale financial assets, as appropriate. Financial assets may include cash and cash equivalents, 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 is 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. Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value and have a maturity of three months or less from the date of acquisition.

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 is as follows:

Financial liabilities measured at amortised cost

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, these 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 receivable and similar income and interest payable and similar charges. This category of financial liabilities includes trade and other payables and finance debt.

NOTES TO THE FINANCIAL STATEMENTS

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

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.

Taxation

Taxation expense represents the sum of current tax and deferred tax. Taxation is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is recognised in other comprehensive income or directly in equity.

Current tax is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the profit and loss account because it is determined in accordance with the rules established by the applicable taxation authorities. It therefore excludes items of income or expense that are taxable or deductible in other periods as well as items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises on the initial recognition of goodwill or on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit or loss nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off taxation assets against taxation liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

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.

NOTES TO THE FINANCIAL STATEMENTS

3. Operating loss

This is stated after crediting:

	2016	2015
	\$	\$
Net foreign exchange gains	<u>(14,944)</u>	<u>(58,479)</u>

4. Auditor's remuneration

	2016	2015
	\$	\$
Fees for the audit of the company	<u>10,029</u>	<u>26,946</u>

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

The fees were borne by another group company.

5. Interest receivable and similar income

	2016	2015
	\$	\$
Interest income from amounts owed by group undertaking	<u>7,981</u>	<u>—</u>

6. Interest payable and similar charges

	2016	2015
	\$	\$
Interest expense on:		
Loans from group undertaking	<u>17,088</u>	<u>1,777</u>

7. Taxation

The company is a member of a group for the purposes of relief within Part 5, Corporation Tax Act 2010.

(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 20% for the year ended 31 December 2016 (2015: 20%). The differences are reconciled below:

	2016	2015
	\$	\$
Loss before taxation	(517,134)	(8,174,583)
Tax charge / (credit)	—	—
Effective tax rate	—%	—%

NOTES TO THE FINANCIAL STATEMENTS

7. Taxation (continued)

(a) Reconciliation of the effective tax rate (continued)

	2016	2015
	%	%
UK statutory corporation tax rate:	20	20
Increase / (decrease) resulting from:		
Non-deductible expenditure	(4)	—
Free group relief	1	—
Transfer pricing adjustment	(1)	—
Movements in unrecognised deferred tax	(16)	(20)
Effective tax rate	<u>—</u>	<u>—</u>

Change in corporation tax rate

The UK corporation tax rate reduced to 19% with effect from 1 April 2017, and will further reduce to 17% from 1 April 2020. Deferred tax has been measured using these rates, which have been substantively enacted at 31 December 2016.

(b) Factors that may effect future tax charges

Deferred tax has not been recognised on deductible temporary differences relating to fixed assets of \$244,182 (2015: \$244,182) and tax losses of \$36,532,645 (2015: \$40,140,710) with a fixed expiry date; unused amounts expire in the period 2017 - 2023.

8. 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 (2015: \$Nil).

(b) Employee costs

The company had no employees during the year (2015: None).

9. Debtors

Amounts falling due within one year:

	2016	2015
	\$	\$
Amounts owed by group undertakings	<u>6,709,873</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS

10. Creditors

Amounts falling due within one year:

	2016	2015
	\$	\$
Amounts owed to group undertakings	2,566	2,336,909
Other creditors	67,781	208,719
Accruals and deferred income	—	1,792,658
	<u>70,347</u>	<u>4,338,286</u>

11. Called up share capital

	2016	2015
	\$	\$
Issued and fully paid:		
48,365,866 (2015: 40,792,117) ordinary shares of £1 each for a total nominal value of £48,365,866 (2015: £40,792,117)	<u>80,453,325</u>	<u>70,453,325</u>

On 14 September 2016, 7,573,749 ordinary shares of £1 each for a total nominal value of £7,573,749, were allotted to the parent company at par value.

12. 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.

Foreign currency translation reserve

The foreign currency translation reserve is used to record the currency fluctuations in relation to the foreign currency branch.

Profit and loss account

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

13. 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. There were no other related party transactions in the year.

14. Immediate and ultimate controlling parent undertaking

The immediate parent undertaking is BP Exploration Company Limited, a company registered in Scotland. 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 its registered address: 1 St James's Square, London, SW1Y 4PD.