

**BP EXPLORATION MEXICO LIMITED**  
**(Registered No.119961)**

**ANNUAL REPORT AND ACCOUNTS 2003**

Board of Directors:   W E Armstrong  
                              J H Bartlett  
                              J E Lynch, Jr

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**REPORT OF THE DIRECTORS**

The directors present their report and accounts for the year ended 31 December 2003.

**Principal activity**

The company provides exploration services and training in Mexico.

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

**Review of activities and future developments**

The company is in a good position to take advantage of any opportunities which may arise in the future.

**Results and dividends**

The loss for the year after taxation was \$4,117,720, when added to the retained deficit brought forward at 1 January 2003 of \$14,509,240, together with exchange adjustments taken directly to reserves of \$1,212,118, gives a total retained deficit carried forward at 31 December 2003 of \$17,414,842. The directors do not propose the payment of a dividend.

**Directors**

The present directors are listed above.

W E Armstrong, and J H Bartlett served as directors throughout the financial year. Changes since 1 January 2003 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
R D Morris	-	3 February 2003
J E Lynch, Jr	1 March 2003	-



BP EXPLORATION MEXICO LIMITED

REPORT OF THE DIRECTORS

**Directors' interests**

The interests of the directors holding office at 31 December 2003, and their families, in the US \$0.25 ordinary shares of BP p.l.c., were as set out below:

	<u>31 December 2003</u>	<u>1 January 2003</u> (or date of appointment)
W E Armstrong	90,464	103,018
J H Bartlett	69,709	64,392
J E Lynch, Jr	Nil	Nil

In addition, rights to subscribe for US \$0.25 ordinary shares in BP p.l.c. were granted to, or exercised by, those directors between 1 January 2003 (or date of appointment) and 31 December 2003 as follows:

	<u>Granted</u>	<u>Exercised</u>
W E Armstrong	107,000	Nil
J H Bartlett	29,646	10,156
J E Lynch, Jr	Nil	Nil

No director had any interest in the shares or debentures of subsidiary undertakings of BP p.l.c. at 31 December 2003.

**Policy and practice with respect to 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 CBI.

The number of days' purchases represented by trade creditors at the year-end was Nil.

**Post balance sheet events**


On 25 February 2004, the authorised share capital of the company was increased to £22,500,000.


On 17 March 2004, 11,034,483 ordinary shares of £1 each, were issued fully paid at par.

**Auditors**

Ernst & Young LLP will continue in office as the company's auditor in accordance with the elective resolution passed by the company under Section 386 of the Companies Act 1985.

By order of the Board

  
Secretary

 28 January 2005  
Registered Office:  
Chertsey Road  
Sunbury on Thames  
Middlesex, TW16 7BP

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

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which 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

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

We have audited the company's accounts for the year ended 31 December 2003 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, accounting policies and the related notes 1 to 15. These accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors**

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

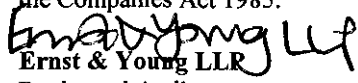
**Basis of audit opinion**

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 2003 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young LLP  
Registered Auditor  
London.

28 January 2005

## BP EXPLORATION MEXICO LIMITED

### ACCOUNTING POLICIES

#### **Accounting Standards**

These accounts are prepared in accordance with applicable UK accounting standards.

#### **Accounting convention**

The accounts are prepared under the historical cost convention.

#### **Statement of cash flows**

The Group financial statements of the ultimate parent undertaking contain a consolidated cash flow statement. The Company has taken advantage of the exemption granted by the Financial Reporting Standard No. 1 (Revised), whereby it is not required to publish its own cash flow statement.

#### **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 of foreign currency branches are translated into dollars at closing rates of exchange. Income statements are translated at average rates of exchange. Exchange differences resulting from the retranslation of net investments in foreign currency branches at closing rates, together with differences between income statements translated at average rates and at closing rates of exchange, are dealt with in reserves. Exchange gains and losses arising on long-term foreign currency borrowings used to finance the company's foreign currency investments are also dealt with in reserves.

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

#### **Depreciation**

Tangible and intangible assets, other than freehold land, are depreciated on the straight line method over their estimated useful lives. The company undertakes a review for impairment of a fixed asset or goodwill if events or changes in circumstances indicate that the carrying amount of the fixed asset or goodwill may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, that is, the higher of net realisable value and value in use, the fixed asset or goodwill is written down to its recoverable amount. The value in use is determined from estimated discounted future net cash flows.

#### **Pensions**

The Company does not directly employ any staff and therefore does not directly bear any pension charge.

BP EXPLORATION MEXICO LIMITED  
PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 31 DECEMBER 2003

		<u>2003</u> \$	<u>2002</u> \$
	<i>Note</i>		
Cost of sales		<u>(1,086,939)</u>	<u>(1,583,719)</u>
<b>Gross loss</b>		(1,086,939)	(1,583,719)
Administration expenses		<u>(2,467,177)</u>	<u>(2,793,905)</u>
		(3,554,116)	(4,377,624)
Other income	2	<u>64,935</u>	<u>304,536</u>
<b>Operating loss</b>	1	(3,489,181)	(4,073,088)
Profit on disposal of fixed assets	3	<u>31,424</u>	<u>-</u>
<b>Loss on ordinary activities before interest and tax</b>		(3,457,757)	(4,073,088)
Interest payable and similar charges	4	<u>(659,963)</u>	<u>(484,907)</u>
<b>Loss before taxation</b>		(4,117,720)	(4,557,995)
Taxation	5	<u>-</u>	<u>(1,569)</u>
<b>Retained loss for the year</b>		<u>(4,117,720)</u>	<u>(4,559,564)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES  
FOR THE YEAR ENDED 31 DECEMBER 2003

	<u>2003</u> \$	<u>2002</u> \$
<b>Loss for the year</b>	(4,117,720)	(4,559,564)
Currency translation differences	<u>1,212,118</u>	<u>1,546,505</u>
<b>Total recognised gains and losses for the year</b>	<u>(2,905,602)</u>	<u>(3,013,059)</u>

BP EXPLORATION MEXICO LIMITED

BALANCE SHEET AT 31 DECEMBER 2003

	<u>Note</u>	<u>2003</u> <u>\$</u>	<u>2002</u> <u>\$</u>
<b>Fixed assets</b>			
Tangible assets	7	-	-
<b>Current assets</b>			
Debtors	8	1,454,218	1,331,312
Cash at bank and in hand		<u>356,418</u>	<u>597,328</u>
		1,810,636	1,928,640
<b>Creditors – amounts falling due within one year</b>	9	<u>(18,080,096)</u>	<u>(15,292,498)</u>
<b>Net current liabilities</b>		(16,269,460)	(13,363,858)
<b>NET LIABILITIES</b>		<u>(16,269,460)</u>	<u>(13,363,858)</u>
<b>Represented by</b>			
<b>Capital and reserves</b>			
Called up share capital	10	1,145,382	1,145,382
Profit and Loss account	11	<u>(17,414,842)</u>	<u>(14,509,240)</u>
<b>SHAREHOLDERS' FUNDS – EQUITY INTERESTS</b>		<u>(16,269,460)</u>	<u>(13,363,858)</u>



Director

28 January 2005

BP EXPLORATION MEXICO LIMITED

NOTES TO THE ACCOUNTS

**1. Operating loss**

This is stated after charging:

	<u>2003</u> \$	<u>2002</u> \$
Exchange loss on foreign currency borrowings less deposits	1,086,939	1,583,719
Depreciation of owned fixed assets	<u>-</u>	<u>6,281</u>

Auditors' remuneration is dealt with in the accounts of the parent undertaking. No fees were paid to the auditors for other services.

**2. Other income**

	<u>2003</u> \$	<u>2002</u> \$
Other interest and miscellaneous income	30,794	18,909
Other	<u>34,141</u>	<u>285,627</u>
	<u>64,935</u>	<u>304,536</u>

**3. Exceptional items**

	<u>2003</u> \$	<u>2002</u> \$
Profit on disposal of fixed assets	<u>31,424</u>	<u>-</u>

The profit on disposal of fixed assets, relates to the sale of motor vehicles sold to Administracion de Servicios Energeticos, S.A. de C.v. (related party) during the year.

**4. Interest payable and similar charges**

	<u>2003</u> \$	<u>2002</u> \$
Interest expense on:		
Loans from fellow subsidiary undertakings	<u>659,963</u>	<u>484,907</u>



BP EXPLORATION MEXICO LIMITED

NOTES TO THE ACCOUNTS

**5. Taxation**

**UK Taxation**

The Company is a member of a group for the purposes of relief under Section 402 of the Income & Corporation Taxes Act 1988. No corporation tax has been provided because another group company, BP International Limited, has undertaken to procure the claim or surrender of group relief to the extent it is required and to provide for any current or deferred UK tax that arises without charge.

**Overseas Taxation**

**(a) Tax on profit on ordinary activities**

The tax charge is made up as follows:

	<u>2003</u>	<u>2002</u>
	\$	\$
<u>Current tax:</u>		
Overseas tax on income for the period	-	1,569
Total current tax	-	1,569

**BP EXPLORATION MEXICO LIMITED**

**NOTES TO THE ACCOUNTS**

**5. Taxation (continued)**

**(b) Factors affecting the current tax charge**

The tax assessed on the profit on ordinary activities for the year is higher/lower than the standard rate of corporation tax in the UK of 30% (2002 – 30%). The differences are reconciled below:

	<u>2003</u> UK \$	<u>2003</u> O'seas \$	<u>2002</u> UK \$	<u>2002</u> O'seas \$
Loss before taxation	(4,117,720)	(4,117,720)	(4,557,995)	(4,557,995)
Current taxation	-	-	-	1,569
Effective current tax rate	0%	0%	0%	0%
	<u>2003</u> UK %	<u>2003</u> O'seas %	<u>2002</u> UK %	<u>2002</u> O'seas %
UK statutory corporation tax rate:	30	30	30	30
Increase/(decrease) resulting from:				
Higher taxes on overseas earnings	-	4	-	4
Non deductible expenditure/Non taxed income	(8)	-	(10)	-
Timing differences	(1)	(34)	-	(34)
Group relief	<u>(21)</u>	<u>-</u>	<u>(20)</u>	<u>-</u>
Effective current tax rate	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**6. 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 (2002 \$Nil).

**(b) Employee costs**

There were no employees during the year (2002 Nil).

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BP EXPLORATION MEXICO LIMITED

NOTES TO THE ACCOUNTS

**7. Tangible assets**

	Motor Vehicles \$	Office Furniture & Equipment \$	Total \$
<b>Cost</b>			
At 1 January 2003	32,184	219,143	251,327
Exchange adjustments	-	18,168	18,168
Disposals	<u>(32,184)</u>	<u>-</u>	<u>(32,184)</u>
At 31 December 2003	<u>-</u>	<u>237,311</u>	<u>237,311</u>
<b>Depreciation</b>			
At 1 January 2003	32,184	219,143	251,327
Exchange adjustments	-	18,168	18,168
Disposals	<u>(32,184)</u>	<u>-</u>	<u>(32,184)</u>
At 31 December 2003	<u>-</u>	<u>237,311</u>	<u>237,311</u>
<b>Net book amount</b>			
At 31 December 2003	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2002	<u>-</u>	<u>-</u>	<u>-</u>

**8. Debtors**

	<u>2003</u> \$	<u>2002</u> \$
Parent and fellow subsidiary undertakings	912,631	982,518
Taxation recoverable	541,587	335,009
Other	<u>-</u>	<u>13,785</u>
	<u>1,454,218</u>	<u>1,331,312</u>

**9. Creditors**

	<u>2003</u> \$	<u>2002</u> \$
Subsidiary undertakings	17,367,407	14,985,292
Taxation on profits	-	15,393
Other	<u>712,689</u>	<u>291,813</u>
	<u>18,080,096</u>	<u>15,292,498</u>

BP EXPLORATION MEXICO LIMITED

NOTES TO THE ACCOUNTS

**10. Called up share capital**

	<u>2003</u>	<u>2002</u>
	£	£
Authorised share capital:		
2,500,000 Ordinary shares of £1 each	2,500,000	2,500,000
	<u>2003</u>	<u>2002</u>
	\$	\$
Allotted, called up and fully paid:		
612,504 ordinary shares of £1 each translated at the historic rate of 1.87	<u>1,145,382</u>	<u>1,145,382</u>

On 25 February 2004, the authorised share capital of the company was increased to £22,500,000.

On 17 March 2004, 11,034,483 ordinary shares of £1 each, were issued fully paid at par.

**11. Reconciliation of shareholders' funds and movements on reserves**

	<u>Equity share</u>	<u>Profit and</u>	<u>Total</u>
	<u>capital</u>	<u>Loss</u>	
	\$	<u>account</u>	\$
		\$	
At 1 January 2003	1,145,382	(14,509,240)	(13,363,858)
Loss for the year	-	(4,117,720)	(4,117,720)
Currency translation differences	-	1,212,118	1,212,118
	<u>1,145,382</u>	<u>(17,414,842)</u>	<u>(16,269,460)</u>

**12. Reconciliation of movements in shareholders' interest**

	<u>2003</u>	<u>2002</u>
	\$	\$
Loss for the year	(4,117,720)	(4,559,564)
Currency translation differences	<u>1,212,118</u>	<u>1,546,505</u>
Net decrease in shareholders' interests	<u>(2,905,602)</u>	<u>(3,013,059)</u>
Shareholders' interest at 1 January	(13,363,858)	(10,350,799)
Shareholders' interest at 31 December	<u>(16,269,460)</u>	<u>(13,363,858)</u>

BP EXPLORATION MEXICO LIMITED

NOTES TO THE ACCOUNTS

**13. Related party transactions**

The company has taken advantage of the exemption contained within Financial Reporting Standard No 8 "Related Party Disclosures", and has not disclosed transactions with group companies.

During the year the company sold motor vehicles to Administracion de Servicios Energeticos, S.A. de C.v. for a profit of \$31,424.

**14. Post balance sheet event**

On 25 February 2004, the authorised share capital of the company was increased to £22,500,000.

On 17 March 2004, 11,034,483 ordinary shares of £1 each, were issued fully paid at par.

**15. 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 BP p.l.c, a company registered in England and Wales. Copies of BP p.l.c.'s accounts can be obtained from 1 St James's Square, London, SW1Y 4PD.