BP EXPLORATION (ALPHA) LIMITED
(Registered No 01021007)

ANNUAL REPORT AND ACCOUNTS 2012

Board of Directors
I J Evans
T W Garlick
D W Goodwill
J W Halliday
P C Home
D J Lynch

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2012

Results and dividends

The loss for the year after taxation was $512,553,000 which, when deducted from the retained profit brought forward at 1 January 2012 of $92,291 000, gives a total retained deficit carried forward at 31 December 2012 of $420,262,000

The company has not declared any dividends during the year (2011 $Nil) The directors do not propose the payment of a dividend

Principal activities and review of the business

The company is engaged in the exploration for and production of oil and natural gas from interests in the UK and overseas

On 30 August 2011, the company acquired 30% stake in 21 oil and gas PSA operations in India from Reliance Industries Limited (RIL) for an aggregate cost of $7bn including expenses The deal was completed in August 2011 on receipt of government approval
KGD6 is the only producing block, the others (NEC25, CYD5, CYD6, CB10 KGD3) are in the exploration phase
As at June 2013, BP Exploration (Alpha) Limited's office in India has applied for relinquishment of 15 Oil & Gas fields in which interests were acquired in 2011

The company has a branch in Australia which is involved in the exploration for oil and gas offshore This branch holds a 5 3755% interest in the Jansz-Io field and a 12 5% interest in the GOM (Geryon, Orthrus and Maenad fields) licence The Jansz-Io field development was sanctioned in 2009 as part of the Greater Gorgon development operated by Chevron The company continues to develop its interests in Australia

The company also has a branch in China which has acquired a 40 82% interest in blocks 42/05 and 43/11 in the South China Sea Both blocks are in the initial exploration stage Furthermore during 2011 the company concluded the divestment of its upstream assets in Pakistan and is in the process of completing the closure of its branch there The branch closure was still in progress during the year

While the company is winding down its operations in the UK Southern North Sea, it is continuing to build up its South Asia exploration business to capture value from the area's substantial gas markets

BP EXPLORATION (ALPHA) LIMITED

REPORT OF THE DIRECTORS

Pnncipal activities and review of the business (continued)

The key financial and other perfonnance mdicators durmg the year were as follows

	2012	2011	Vanance
	$000	$000	%
Turnover	641,549	341,407	88
Opeiatmg (loss) / pi ofit	(47,759)	201,421	(124)
(Loss) / pi ofit after taxation	(512,553)	138,571	(470)
Shareholdei s' funds	3,642,065	4,154,618	(12)

	2012	2011	Vanance
	%	%	
Quick ratio*	49	62	(13)

*Quick iatio is defined as cuirent assets, excludmg stock and debtors ieceivable after one year, as a percentage of cuirent liabilities

The mcrease m turnovei m current year was due to full yeai ievenue fiom sales of gas and crude oil m India as compared to 4 months m year 2011 Owmg to a full yeai of chaige this yeai, the company expenenced a considei able mci ease m amortisation and depreciation cost (2012 $548,955,000 and 2011 $226,231,000) and mterest expense (2012 $359,084,000 and 2011 $129,284,000), and an mcrease m impairment of oil and gas properties recognised (2012 $154,502,000 and 2011 $21,575,000) The decrease m foieign exchange gam (2012 $91,329,000 and 2011 239,375,000) have contnbuted significantly to an mcrease m Admmisti ation expenses

Pi incipal nsks and uncertainties

The company aims to deliver sustainable value by identifymg and respondmg successfully to nsks Risk management is integiated mto the process of planmng and performance management at a gioup level Momtonng and accountability for the management of these nsks occui thiough quarterly performance reviews at a group level

Please considei carefully the nsks descnbed below The potential impact of the occunence or ieoccurrence of any of the nsks desci ibed below could have a material advei se effect on the company's business, financial position, results of opei ations, competitive position, cash flows, pi ospects, liquidity, shai eholder ietums and/oi implementation of its sti ategic agenda

Company level nsks have been categonsed agamst the followmg areas strategic and commei cial, compliance and conti ol, safety and opei ational, and financial nsk management In addition, we have also set out a furthei category of nsk for your attention – those resultmg fiom the 2010 Gulf of Mexico oil spill (the Incident)

Principal risks and uncertainties (continued)

Gulf of Mexico oil spill

The Gulf of Mexico oil spill has had and could continue to have a material adverse impact on BP as a group, and consequently may also have an adverse impact on BP Exploration (Alpha) Limited

Whilst the BP group recognised significant charges in the income statement since the Incident occurred in 2010, there is significant uncertainty regarding the extent and timing of the remaining costs and liabilities relating to the Incident, the potential changes in applicable regulations and the operating environment that may result from the Incident, the impact of the Incident on the reputation of the group and the resulting possible impact on the group's licence to operate including its ability to access new opportunities The amount of claims that become payable by the BP group, the amount of fines ultimately levied on the BP group (including any potential determination of the BP group's negligence or gross negligence), the outcome of litigation, the terms of any further settlements including the amount and timing of any payments thereunder, and any costs arising from any longer-term environmental consequences of the Incident, will also impact upon the ultimate cost for the BP group

Although the provisions recognised represent the current best estimates of expenditures required to settle certain present obligations that can be reasonably estimated at the end of the reporting period, there are future expenditures for which it is not possible to measure the obligations reliably and the total amounts payable by the BP group in relation to all obligations relating to the Incident are subject to significant uncertainty These uncertainties are likely to continue for a significant period, increase the risks to which the group is exposed and may cause costs to increase Thus, the Incident has had, and could continue to have, a material adverse impact on the group's business, competitive position, financial performance, cash flows, prospects, liquidity, shareholder returns and/or implementation of its strategic agenda, particularly in the US The risks associated with the Incident could also heighten the impact of the other risks to which the group is exposed as further described below Further information on the Incident, is included within the BP group Annual Report and Form 20-F for the year ended 31 December 2012

Strategic and commercial risks

Access and renewal
Successful execution of the company's strategy depends on implementing activities to renew and reposition its portfolio The challenges to renewal of the company's upstream portfolio are growing due to increasing competition for access to opportunities globally Lack of material positions in new markets could impact the company's future hydrocarbon production

Moreover the Gulf of Mexico oil spill has damaged the BP group's reputation, which may have a long-term impact on the group's ability to access new opportunities, both in the US and elsewhere Adverse public, political and industry sentiment towards the BP group, and towards oil and gas drilling activities generally, could damage or impair the company's existing commercial relationships with counterparties, partners and host governments and could impair access to new investment opportunities exploration properties, operatorships or other essential commercial arrangements with potential partners and host governments particularly in the US In addition responding to the Incident has placed, and will continue to place, a significant burden on cash flow over the next several years, which could also impede the BP group's ability to invest in new opportunities and deliver long-term growth, which in turn may impact the company. More stringent regulation of the oil and gas industry generally, and of the BP group's activities specifically, arising from the Incident, could increase this risk

Principal risks and uncertainties (continued)

Strategic and commercial risks (continued)

Prices and markets

Oil, gas and product prices are subject to international supply and demand Political developments and the outcome of meetings of OPEC can particularly affect world supply and oil prices Previous oil price increases have resulted in increased fiscal take, cost inflation and more onerous terms for access to resources As a result, increased oil prices may not improve margin performance In addition to the adverse effect on revenues, margins and profitability from any fall in oil and natural gas prices, a prolonged period of low prices or other indicators would lead to further reviews for impairment of the group's oil and natural gas properties Such reviews would reflect management's view of long-term oil and natural gas prices and could result in a charge for impairment that could have a significant effect on the company's results of operations in the period in which it occurs Rapid material or sustained change in oil, gas and product prices can impact the validity of the assumptions on which strategic decisions are based and, as a result, the ensuing actions derived from those decisions may no longer be appropriate

Periods of global recession could impact the demand for the company's products, the prices at which they can be sold and affect the viability of the markets in which the company operates

Governments are facing greater pressure on public finances, which may increase their motivation to intervene in the fiscal and regulatory frameworks of the oil and gas industry, including the risk of increased taxation, nationalisation and expropriation.

The global financial and economic situation may have a negative impact on third parties with whom the company does, or may do, business with In particular, on-going instability in or a collapse of the Eurozone could trigger a new wave of financial crises and push the world back into recession, leading to lower demand and lower oil and gas prices.

Price for gas sold in India by BP is fixed at $4 2/mmbtu until 1 April 2014 On the 28 June 2013, the Government of India made a decision on the pricing of domestic gas which we believe will be effective from the 1st of April 2014 The formal notification of the 2013 Gas Pricing Guidelines is expected to be issued by the end of 2013 There remains uncertainty about the timing and specifics of the transition to market price and given the lack of clarity, management's best estimates of the future gas prices, where relevant, has been considered for the preparation of these financial statements

Principal risks and uncertainties (continued)

Strategic and commercial risks (continued)

Competition
The company's strategy depends upon continuous innovation in a highly competitive market

The oil, gas and petrochemicals industries are highly competitive There is strong competition, both within the oil and gas industry and with other industries, in supplying the fuel needs of commerce, industry and the home Competition puts pressure on the terms of access to new opportunities, licence costs and product prices, affects oil products marketing and requires continuous management focus on reducing unit costs and improving efficiency, while ensuring safety and operational risk is not compromised The implementation of the BP group strategy requires continued technological advances and innovation including advances in exploration, production, refining, petrochemicals manufacturing technology and advances in technology related to energy usage The company's performance could be impeded if competitors developed or acquired intellectual property rights to technology that it required or if its innovation lagged the industry, or by its failure to adequately protect the company's brands and trademarks The company's competitive position could be adversely affected if competitors offer superior terms for access rights or licences, if it fails to control its operating costs or manage its margins, or if it fails to sustain, develop and operate efficiently a high quality portfolio of assets

Joint ventures and other contractual arrangements
Many of the company's major projects and operations are conducted through joint ventures or associates and through contracting and sub-contracting arrangements These arrangements often involve complex risk allocation, decision-making process and indemnification arrangements In certain cases, the company may have less control of such activities than it would have if the company had full operational control

Additionally, the company's joint venture partners or associates or contractual counterparties are primarily responsible for the adequacy of the human or technical competencies and capabilities which they bring to bear on the joint project, and in the event these are found to be lacking the company's joint venture partners or associates may not be able to meet their financial or other obligations to their counterparties or to the relevant project, potentially threatening the viability of such projects

Furthermore, should accidents or incidents occur in operations in which the company participates, whether as operator or otherwise, and where it is held that the company's sub-contractors or joint venture partners are legally liable to share any aspects of the cost of responding to such incidents, the financial capacity of these third parties may prove inadequate to fully indemnify the company against the costs it incurs on behalf of the joint venture or contractual arrangement Should a key sub-contractor, such as a lessor of drilling rigs, be no longer able to make these assets available to the company, this could result in serious disruption to its operations Where the company does not have operational control of a venture, the company may nonetheless still be pursued by regulators or claimants in the event of an incident

Principal risks and uncertainties (continued)

Strategic and commercial risks (continued)

Socio-political
The diverse nature of the company's operations around the world exposes it to a wide range of political developments and consequent changes to the operating environment, regulatory environment and law

The company has operations in countries where political, economic and social transition is taking place Some countries have experienced or may experience in the future political instability, changes to the regulatory environment, expropriation or nationalisation of property, civil strife, strikes, acts of war and insurrections Any of these conditions occurring could disrupt or terminate the company's operations, causing its development activities to be curtailed or terminated in these areas or its production to decline, could limit the company's ability to pursue new opportunities, could affect the recoverability of its assets and could cause it to incur additional costs In particular, the company's investments in the other countries could be adversely affected by heightened political and economic environment risks

Investment efficiency
The company's organic growth is dependent on creating a portfolio of quality options and investing in the best options Ineffective investment selection and development could lead to loss of value and higher capital expenditure

Reserves progression
Successful execution of the BP group strategy depends critically on sustaining long-term reserves replacement If upstream resources are not progressed in a timely and efficient manner due to commercial, technical or regulatory reasons or otherwise, the company will be unable to sustain long-term replacement of reserves

Major project delivery
Successful execution of the company's plan depends critically on implementing the activities to deliver the major projects over the plan period Poor delivery of any major project that underpins production or production growth, and/or a major programme designed to enhance shareholder value, including maintenance turnaround programmes, could adversely affect the company's financial performance Successful project delivery requires, among other things, adequate engineering and other capabilities and therefore successful recruitment and development of staff is central to the company's plans

Compliance and control risks

Regulatory
Due to the Gulf of Mexico oil spill, it is likely that there will be more stringent regulation of the BP group's oil and gas activities in the US and elsewhere, particularly relating to environmental, health and safety controls and oversight of drilling operations, as well as access to new drilling areas

Regulatory or legislative action may impact the industry as a whole and could be directed specifically towards the BP group New regulations and legislation, the terms of the BP group's settlements with US government authorities and future settlements or litigation outcomes related to the Incident, and/or evolving practices could increase the cost of compliance and may require changes to the company's drilling operations, exploration, development and decommissioning plans, and could impact the company's ability to capitalise on its assets and limit its access to new exploration properties or operatorships In addition, increases in taxes, royalties and other amounts payable to governments or governmental agencies, or restrictions on availability of tax relief, could also be imposed as a response to the Incident

Principal risks and uncertainties (continued)

Compliance and control risks (continued)

In addition. the oil industry in general is subject to regulation and intervention by governments throughout the world in such matters as the award of exploration and production interests, the imposition of specific drilling obligations, environmental health and safety controls, controls over the development and decommissioning of a field (including restrictions on production) and, possibly, nationalisation, expropriation, cancellation or non-renewal of contract rights

Failure to respond to changes in trading regulations could result in regulatory action and damage to the company's reputation The oil industry is also subject to the payment of royalties and taxation, which tend to be high compared with those payable in respect of other commercial activities, and operates in certain tax jurisdictions that have a degree of uncertainty relating to the interpretation of, and changes to, tax law As a result of new laws and regulations or other factors, the company could be required to curtail or cease certain operations. or could incur additional costs

Ethical misconduct and non-compliance
The code of conduct. which applies to all employees. defines the company's commitment to integrity. compliance with all applicable legal requirements, high ethical standards and the behaviours and actions the company expects of its businesses and people wherever it operates The values are intended to guide the way the company and its employees behave and do business Incidents of ethical misconduct or non-compliance with applicable laws and regulations, including non-compliance with anti-bribery, anti-corruption and other applicable laws could be damaging to the company's reputation and shareholder value Multiple events of non-compliance could call into question the integrity of the company's operations

Liabilities and provisions
The BP group's potential liabilities resulting from pending and future claims, lawsuits, settlements and enforcement actions relating to the Gulf of Mexico oil spill. together with the potential cost and burdens of implementing remedies sought in the various proceedings. cannot be fully estimated at this time but they have had, and are expected to continue to have, a material adverse impact on the group's business and consequently may also impact the company's business Further information is included within the BP group Annual Report and Form 20-F for the year ended 31 December 2012

Reporting
External reporting of financial and non-financial data is reliant on the integrity of systems and people Failure to report data accurately and in compliance with external standards could result in regulatory action, legal liability and damage to the company's reputation

Safety and operational risks

Process safety, personal safety and environmental risks
The nature of the company's operations exposes it to a wide range of significant health safety, security and environmental risks The scope of these risks is influenced by the geographic range operational diversity and technical complexity of the company's activities In addition, in many of the company's major projects and operations, risk allocation and management is shared with third parties, such as contractors, sub-contractors, joint venture partners and associates See 'Joint ventures and other contractual arrangements'

There are risks of technical integrity failure as well as risk of natural disasters and other adverse conditions in many of the areas in which the company operates, which could lead to loss of containment of hydrocarbons and other hazardous material, as well as the risk of fires, explosions or other incidents

Principal risks and uncertainties (continued)

Safety and operational risks (continued)

Process safety, personal safety and environmental risks (continued)
The company's operations are often conducted in difficult or environmentally sensitive locations, in which the consequences of a spill, explosion, fire or other incident could be greater than in other locations These operations are subject to various environmental and safety laws, regulations and permits and the consequences of failure to comply with these requirements can include remediation obligations, penalties, loss of operating permits and other sanctions Accordingly, inherent in the company's operations is the risk that if it fails to abide by environmental and safety and protection standards, such failure could lead to damage to the environment and could result in regulatory action, legal liability, material costs and damage to the company's reputation or licence to operate

BP's group-wide operating management system (OMS) intends to address health, safety, security, environmental and operations risks, and to provide a consistent framework within which the group can analyse the performance of its activities and identify and remediate shortfalls There can be no assurance that OMS will adequately identify all process safety, personal safety and environmental risk or provide the correct mitigations, or that all operations will be in conformance with OMS at all times

Security
Security threats require continuous oversight and control Acts of terrorism, piracy, sabotage, cyber-attacks and similar activities directed against the company's operations and offices, pipelines, transportation or computer systems could cause harm to people and could severely disrupt business and operations The company's business activities could also be severely disrupted by, amongst other things, conflict, civil strife or political unrest in areas where the company operates

Drilling and production
Exploration and production require high levels of investment and are subject to natural hazards and other uncertainties, including those relating to the physical characteristics of an oil or natural gas field. The company's exploration and production activities are often conducted in extremely challenging environments, which heighten the risks of technical integrity failure and natural disasters discussed above The cost of drilling, completing or operating wells is often uncertain The company may be required to curtail, delay or cancel drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions and compliance with governmental requirements

In addition, exploration expenditure may not yield adequate returns, for example in the case of unproductive wells or discoveries that prove uneconomic to develop The Gulf of Mexico incident illustrates the risks the company faces in its drilling and production activities

Transportation
All modes of transportation of hydrocarbons involve inherent risks An explosion or fire or loss of containment of hydrocarbons or other hazardous material could occur during transportation by road, rail, sea or pipeline This is a significant risk due to the potential impact of a release on people and the environment and given the high volumes involved

Principal risks and uncertainties (continued)

Financial risk management

The main financial risks faced by the company through its normal business activities are market risk, foreign currency exchange risk and interest rate risk The management of these financial risks is performed at BP group level The company seeks to maintain a financial framework to ensure that it is able to maintain an appropriate level of liquidity and financial capacity This framework constrains the level of assessed capital at risk for the purposes of positions taken in financial instruments Failure to accurately forecast or maintain sufficient liquidity and credit to meet these needs could impact the company's ability to operate and result in a financial loss

Market risk

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of a business This includes the possibility that changes in foreign currency exchange rates, interest rates or oil, natural gas and power prices will adversely affect the value of the company's financial assets, liabilities or expected future cash flows The management of such risks is performed at BP group level The group has developed a control framework aimed at managing the volatility inherent in certain of its natural business exposures In accordance with this control framework the group enters into various transactions using derivatives for risk management purposes

Foreign currency exchange risk

Fluctuations in foreign exchange rates can have significant effects on the company's reported results The company's financial assets and liabilities give rise to transactional currency exposures Such exposures arise from transactions in a currency other than the company's functional currency The management of such risks is performed at BP group level The BP group's foreign exchange management policy is to minimise economic and significant transactional exposures arising from currency movements against the US dollar The group co-ordinates the handling of foreign exchange risks centrally, by netting off naturally occurring opposite exposures wherever possible and then dealing with any material residual foreign exchange risks For highly probable forecast capital expenditures the group locks in the US dollar cost of non US dollar supplies by using currency forwards and futures

Crude oil prices are generally set in US dollars, while sales of refined products may be in a variety of currencies Fluctuations in exchange rates can therefore give rise to foreign exchange exposures, with a consequent impact on underlying costs and revenues

Interest rate risk

The company is exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows or the fair values of its financial instruments, principally finance debt

Post balance sheet events

On 28 June 2013, the Government of India made a decision on the pricing of domestic gas which we believe will be effective from the 1 April 2014 There remains uncertainty about the timing and specifics of the transition to market price as we believe it has been referred to the Kelkar Committee, whose report is not expected to be issued until late 2013 Specific 2013 Gas Pricing Guidelines were not yet issued at the time of signing the financial statements Given the timing of the decision and lack of clarity on the specifics, the company was not able to assess the specific implications of the changes to the pricing of domestic gas in India on these financial statements

BP EXPLORATION (ALPHA) LIMITED

REPORT OF THE DIRECTORS

Directors

The present directors are listed on page 1

T W Garlick, D W Goodwill, J W Halliday, P C Home and D J Lynch served as directors throughout the financial year Changes since 1 January 2012 are as follows

	Appointed	Resigned
I J Evans	1 February 2012	-
D G Dalton	-	1 February 2012
J C Skipper	-	14 December 2012

Directors' indemnity

The company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006

Policy and practice on payment of creditors

It is the company's policy to follow the CBI's prompt payment code of practice for all suppliers to the company with payments made in accordance with the relevant contractual payment terms A copy of the code of practice may be obtained from the CBI

The number of days' purchases represented by trade creditors at the year-end was 14

Auditor

In the absence of a notice proposing that the appointment be terminated, Ernst & Young LLP will be deemed to be re-appointed as the company's auditor for the next year

BP EXPLORATION (ALPHA) LIMITED

REPORT OF THE DIRECTORS

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

19 September 2013

Registered Office

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

BP EXPLORATION (ALPHA) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law) 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 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 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 accounts

BP EXPLORATION (ALPHA) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BP EXPLORATION (ALPHA) LIMITED

We have audited the financial statements of BP Exploration (Alpha) Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the accounting policies and the related notes 1 to 27 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)

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 12 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) These 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 Accounts to identify material inconsistencies with the audited financial statements 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 2012 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 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

Daniel Trotman (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

London
24 September 2013

BP EXPLORATION (ALPHA) LIMITED

ACCOUNTING POLICIES

Accounting standards

The financial statements of BP Exploration (Alpha) Limited were approved for issue by the Board of Directors on 17 September 2013

These accounts are prepared on a going concern basis and in accordance with the Companies Act 2006 and applicable UK accounting standards

In addition to the requirements of accounting standards, the accounting for exploration and production activities is governed by the Statement of Recommended Practice ('SORP') 'Accounting for Oil and Gas Exploration. Development, Production and Decommissioning Activities' issued by the UK Oil Industry Accounting Committee on 7 June 2001

These accounts have been prepared in accordance with the provisions of the SORP with the exception of the following

(i) The SORP recommends that oil and gas reserve quantities be disclosed The company is a wholly owned subsidiary of BP p l c and, as such, the oil and gas reserve quantities of the company are included in the consolidated oil and gas reserve quantities disclosed in the Annual Report and Accounts of BP p l c Consequently the directors have elected not to publish this information for the company,

(ii) The SORP contains rules around the estimation of future oil and gas reserves The company, as part of the BP group, estimates and calculates its reserves in accordance with the US Securities and Exchange Commission (SEC) rules The main differences relate to the SEC requirement to use a twelve-month average price to assess future reserves, being the unweighted average of the price on the first day of the month for the past twelve months This is the basis applied in the BP group reporting and is comparable with other oil majors. It is not possible for the company to quantify the impact of this departure as SORP estimates of reserves are no longer maintained

Accounting convention

The accounts are prepared under the historical cost convention

Statement of cash flows

The group accounts 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

Revenue recognition

Revenues associated with the sale of oil, natural gas liquids, liquefied natural gas, petroleum and chemical products and all other items are recognised when title passes to the customer Generally, revenues from the production of natural gas and oil properties in which the company has an interest with other producers are recognised on the basis of the company's working interests in those properties (the entitlement method) Differences between the production sold and the company's share of production (under / over lifts) are included as an adjustment to cost of sales

BP EXPLORATION (ALPHA) LIMITED

ACCOUNTING POLICIES

Foreign currency transactions

Assets and liabilities of foreign currency branches are translated into dollars at rates of exchange ruling at the balance sheet date The profit and loss account is translated into 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 dollars are taken directly to reserves and reported in the statement of total recognised gains and losses 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 profit or loss for the year

Capitalisation of finance costs and interest

Interest is capitalised gross of related tax relief during the period of construction where it relates either to the financing of major projects with long periods of development or to dedicated financing of other projects All other interest is charged against income in the year in which it is incurred

Interest income

Interest income is recognised on an accruals basis

Goodwill

Goodwill on acquisition is initially measured at cost, being the excess of the purchase consideration of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities acquired Goodwill is amortised over its estimated useful economic life, which is limited to a maximum period of twenty years, and is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable

Intangible assets

Intangible assets include expenditure on the exploration for and evaluation of oil and natural gas resources, computer software, patents, licences, trademarks and product development costs Product development costs are capitalised as intangible assets when a project has obtained sanction and the future recoverability of such costs can reasonably be regarded as assured

Intangible assets other than goodwill and computer software are not depreciated The indefinite life of intangible assets is reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively

The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value 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 asset is written down to its recoverable amount The value in use is determined from estimated discounted future net cash flows

Oil and natural gas exploration and development expenditure

Oil and natural gas exploration and development expenditure is accounted for using the successful efforts method of accounting

BP EXPLORATION (ALPHA) LIMITED

ACCOUNTING POLICIES

Licence and property acquisition costs

Exploration licence and property leasehold acquisition costs are initially capitalised within intangible fixed assets Upon determination of economically recoverable reserves ('proved reserves' or 'commercial reserves'), the costs are aggregated with exploration expenditure and held on a field-by-field basis as proved properties awaiting approval within intangible assets When development is sanctioned, the relevant expenditure is transferred to tangible production assets

Each property is reviewed on an annual basis to confirm that drilling activity is planned and the property is not impaired If no future activity is planned, the remaining balance of the licence and property acquisition costs is written off

Exploration expenditure

Geological and geophysical exploration costs are charged against income 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 hydrocarbons are not found, the exploration expenditure is written off as a dry hole If hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells, are likely to be capable of commercial development, the costs continue to be carried as an asset All such carried costs are subject to regular technical, commercial and management review to confirm the continued intent to develop or otherwise extract value from the discovery When this is no longer the case the costs are written off When proved reserves of oil and natural gas are determined and development is sanctioned, the relevant expenditure is transferred to tangible production assets

Development expenditure

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within tangible production assets

Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset The capitalised value of a finance lease is also included within tangible fixed assets

Oil and natural gas properties are depreciated using a unit-of-production method The cost of producing wells is depreciated over proved developed reserves Licence acquisition, decommissioning and field development costs are depreciated over total proved reserves The unit-of-production rate for the depreciation of field development costs takes into account expenditures incurred to date, together with future development expenditure required to access the total proved reserves

Other tangible assets, with the exception of freehold land and assets under construction, are depreciated on the straight line method over their estimated useful lives

BP EXPLORATION (ALPHA) LIMITED

ACCOUNTING POLICIES

Changes in unit-of-production factors

Changes in factors which affect unit-of-production calculations are dealt with prospectively, not by immediate adjustment of prior years' amounts

Maintenance expenditure

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the company, the expenditure is capitalised. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection All other maintenance costs are expensed as incurred.

Impairment of intangible assets and tangible fixed assets

The company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets If any such indication of impairment exists or when annual impairment testing for an asset group is required, the company makes an estimate of its recoverable amount An asset group's recoverable amount is the higher of its net realisable value and its value in use Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised If that is the case, the carrying amount of the asset is increased to its recoverable amount That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years

Such reversal is recognised in profit or loss After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life

Stock valuation

The company's stock consists predominantly of plant and insurance spares which are valued at cost to the company mainly using the weighted average method or net realisable value whichever is lower

Inventory of crude oil and condensate gas are stated at the lower of cost and net realisable value Cost is determined on quarterly average basis and comprises of cost of production and overheads Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale

ACCOUNTING POLICIES

Trade and other debtors

Trade and other debtors are carried at the original invoice amount, less allowances made for doubtful receivables Provision is made when there is objective evidence that the company will be unable to recover balances in full Balances are written off when the probability of recovery is assessed as being remote

Trade and other creditors

Trade and other creditors are carried at payment or settlement amounts If the effect of the time value of money is material, trade and other creditors are determined by discounting the expected future cash flows at a pre-tax rate

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain The expense relating to any provision is presented in the profit and loss account net of any reimbursement If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable

Decommissioning

Provision for decommissioning costs is recognised when the company has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that provision can be made. Where an obligation exists for a new facility, such as oil and natural gas production or transportation facilities, this will be on construction or installation. An obligation for decommissioning may also crystallise during the period of operation of a facility through a change in legislation or through a decision to terminate operations The amount recognised is the present value of the estimated future expenditure determined in accordance with the local conditions and requirements A corresponding tangible fixed asset of an amount equivalent to the provision is also recognised This is subsequently depreciated as part of the capital costs of the production and transportation facilities

Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset

Environmental liabilities

Environmental expenditures that relate to current or future revenues are expensed or capitalised as appropriate Expenditures that relate to an existing condition caused by past operations and that do not contribute to current or future earnings are expensed.

BP EXPLORATION (ALPHA) LIMITED

ACCOUNTING POLICIES

Environmental liabilities (continued)

Liabilities for environmental costs are recognised when environmental assessments or clean-ups are probable and the associated costs can be reasonably estimated Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites The amount recognised is the best estimate of the expenditure required Where the time value of money is material, the amount recognised is the present value of the estimated future expenditure

Deferred tax

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, tax in the future. In particular

- Provision is made for tax on gains arising on disposals of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the replacement assets concerned However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable, and
- Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted

Deferred tax is measured on an undiscounted basis at the average tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date

Petroleum revenue tax

The estimation of the Petroleum Revenue Tax (PRT) charge is on a Unit of Production (UOP) basis The PRT charge will be charged / credited to the profit and loss account on the basis of the current year's production compared to the remaining reserves as a proportion of the estimated total PRT liability of the field

Discounting

The unwinding of the discount on provisions is included within interest expense Any change in the amount recognised for environmental and other provisions arising through changes in discount rates is included within interest expense, apart from decommissioning provisions where the change is adjusted against the decommissioning asset

Leases

Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term

BP EXPLORATION (ALPHA) LIMITED

ACCOUNTING POLICIES

Use of estimates

The preparation of accounts in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period Actual outcomes could differ from those estimates

BP EXPLORATION (ALPHA) LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012	2011
		$000	$000
Turnover	1	641,549	341,407
Cost of sales		(684,688)	(293,781)
Gross (loss)/profit		(43,139)	47,626
Exploration expenses		(34,123)	(64,563)
Administration expenses		6,805	218,202
Other operating income	4	22,698	156
Operating (loss) / profit:			
Continuing	2	(47,759)	203,057
Discontinuing		-	(1 636)
		(47,759)	201,421
Profit on sale of operations	5	-	88,002
Amounts provided against fixed assets	5	(154,502)	(21,575)
(Loss) / profit on ordinary activities before interest and taxation		(202,261)	267 848
Interest payable and similar charges	6	(359,084)	(129 284)
Interest receivable and similar income	7	11,536	1,856
(Loss) / profit before taxation		(549,809)	140,420
Taxation	8	37,256	(1,849)
(Loss) / profit for the year		(512,553)	138,571

The loss of $512,553,000 for the year ended 31 December 2012 was derived in its entirety from continuing operations (2011 Profit of $138,571 000 of which profit of $86,366,000 relates to discontinued operations in Pakistan)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2012

There are no recognised gains or losses attributable to the shareholders of the company other than the loss for the year

	2012	2011
	$000	$000
(Loss) / profit for the year	(512 553)	138,571
Currency translation differences	-	1,214
Total recognised (losses) / profit for the year	(512,553)	139,785

BP EXPLORATION (ALPHA) LIMITED
(Registered No 01021007)

BALANCE SHEET AT 31 DECEMBER 2012

	Note	2012 $000	2011 $000
Fixed assets			
Intangible assets	10	4,800,435	5,291,621
Tangible assets	11	1,993,948	1,999,017
		6,794,383	7,290,638
Current assets			
Stocks	12	64 248	57,304
Debtors – amounts falling due			
within one year	13	616,888	1,223,339
after one year	13	899,447	989,773
Cash at bank and in hand		9,026	32,083
		1,589,609	2,302,499
Creditors: amounts falling due within one year	14	(1,278,528)	(2,022,806)
Net current assets		311,081	279,693
TOTAL ASSETS LESS CURRENT LIABILITIES		7,105 464	7,570 331
Creditors: amounts falling due after more than one year	14	(2.879,210)	(2,965,889)
Provisions for liabilities and charges			
Other provisions	17	(584,189)	(449,824)
NET ASSETS		3,642,065	4,154,618
Represented by			
Capital and reserves			
Called up share capital	18	4,062 327	4,062,327
Profit and loss account	19	(420 262)	92,291
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		3 642,065	4,154,618

On behalf of the Board

J W Halliday
Director
19 September 2013

NOTES TO THE ACCOUNTS

1. Turnover

Turnover, which is stated net of value added tax and sales taxes represents amounts invoiced to third parties and group companies

An analysis of turnover by geographical market is given below

	2012	2011
	$000	$000
By geographical area		
UK	54,058	73,729
Rest of World	587,491	267 678
Total	641,549	341,407

Turnover is attributable to one continuing activity, the production and selling of petroleum products

2. Operating (loss) / profit

This is stated after charging / (crediting)

	2012	2011
	$000	$000
Hire charges under operating leases		
Plant & machinery	34,681	12,695
Land & buildings	4,748	1,265
Currency exchange gains	(91,329)	(239,375)
Depreciation of owned fixed assets	400,983	177,126
Amortisation of intangible assets	147,972	49,105

3. Auditor's remuneration

	2012	2011
	$000	$000
Fees for the audit of the company	191	75

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 accounts since the consolidated accounts of BP Exploration (Alpha) Limited's ultimate parent, BP p l c , are required to disclose non-audit fees on a consolidated basis

4. Other operating income

	2012	2011
	$000	$000
Miscellaneous income	22.698	156

The income in 2012 relates to BP's share of income generated from joint operation venture with Reliance Industries Limited (RIL), an insurance settlement, liquidity damages and penalties received from vendors

5. Exceptional items

Exceptional items comprise the profit on sale of operations as follows

	2012	2011
	$000	$000
Profit on sale of operations	-	88,002
Taxation charge	-	(20.100)
Exceptional items (net of tax)	-	67 902

In 2011, the profit on sale of operations of $88,002.000 arose due to the company's decision to exit from the Pakistan business and the sale of its upstream assets in Pakistan

In addition, exceptional items include impairment of tangible assets of $154,502,000 (2011 $21.575,000) which relates to the V-fields (North Valiant, Vampire, Vanguard and Vulcan) and the Miller field in the North Sea In both years this was triggered by revisions to the decommissioning cost estimates

6. Interest payable and similar charges

	2012	2011
	$000	$000
Interest expense on		
Loans from group undertakings	356,414	116,718
Other interest	1,056	10,322
	357,470	127.040
Unwinding of discount on provisions – See note 17	1,614	2,244
	359.084	129.284

7. Interest receivable and similar income

	2012	2011
	$000	$000
Interest income from group undertakings	1,040	1,413
Other interest	10,496	443
	11.536	1 856

8. Taxation

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

Details of the corporation tax that has been provided in respect of the company's oil extraction activity in the UK and UK Continental Shelf are shown below

In respect of the company's other activities, no UK 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 that it is required and to provide for any current or deferred UK tax that arises without charge

The tax charge is made up as follows

	2012	2011
Current tax	$000	$000
UK corporation tax on income for the year	4,674	7,113
UK tax underprovided in prior years	4,950	987
	9,624	8,100
Overseas tax on income for the year	3,838	20,100
Total current tax	13,462	28,200
Deferred tax		
Current year timing differences	(72,640)	(9,638)
Adjustments in prior year timing differences	1,365	(650)
Change in tax rate	20,557	(16,063)
Total deferred tax	(50,718)	(26 351)
Tax (credited) / charged on profit on ordinary activities	(37,256)	1 849

8. Taxation (continued)

(a) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 24% for the year ended 31 December 2012 (2011 – 26%) The differences are reconciled below

	2012	2011
	UK	UK
	$000	$000
(Loss) / profit on ordinary activities before tax	(549,809)	140,420
Current taxation	13,462	28,200
Effective current tax rate	(2%)	20%

	2012	2011
	UK	UK
	%	%
UK corporation tax rate.	24	26
Decrease resulting from		
Non-deductible expenditure / non-taxable income	(4)	11
Fixed asset timing differences	(2)	(67)
Other timing differences	-	(2)
Transfer pricing adjustment	-	(2)
Double tax relief	-	(9)
Current overseas tax	(1)	14
UK Supplementary tax at 32% on North Sea profits	(2)	3
Free group relief	(16)	45
Adjustments to tax charge in respect of previous years	(1)	1
Effective current tax rate	(2)	20

(b) Deferred tax asset

The deferred tax asset included in the balance sheet is as follows

	2012	2011
	$000	$000
Decelerated capital allowances	(11,512)	(3,553)
Petroleum revenue tax	23,200	17,201
Decommissioning and other provisions	(155,688)	(106,930)
Deferred tax asset	(144 000)	(93 282)

	2012
	$000
At 1 January 2012	(93,282)
Deferred tax credited in the profit and loss account	(50,718)
At 31 December 2012	(144,000)

BP EXPLORATION (ALPHA) LIMITED

NOTES TO THE ACCOUNTS

8. Taxation (continued)

(c) Factors that may affect future overseas tax charges

Timing differences which give rise to a potential overseas deferred tax asset of $212 million (2011 $24 million) have not been recognised due to uncertainty that the company will earn sufficient future taxable profits against which this asset could be recovered

9. Directors and employees

(a) Remuneration of directors

T W Garlick, D W Goodwill, J W Halliday and D J Lynch are directors of BP Exploration Operating Company Limited in whose accounts information required by the Companies Act 2006 as regards to emoluments is given The remaining directors are senior executives of the BP Plc Group and received no remuneration for services to this company

(b) Employee costs

The company had no employees during the year (2011 Nil)

10. Intangible assets

	Goodwill	Exploration expenditure	Other intangibles	Total
Cost	$000	$000	$000	$000
At 1 January 2012	2,406,135	2,934,591	-	5,340,726
Additions	-	32,005	3,667	35,672
Disposal/Write Off	-	(2,166)	-	(2,166)
Transfer	-	(376,720)	-	(376,720)
At 31 December 2012	2,406,135	2,587 710	3,667	4,997,512
Amortisation				
At 1 January 2012	49,105	-	-	49 105
Charge for the year	147,314	-	572	147,886
Transfer	-	-	86	86
At 31 December 2012	196 419	-	658	197,077
Net book value				
At 31 December 2012	2,209,716	2,587,710	3,009	4,800,435
At 31 December 2011	2 357,030	2,934 591	-	5,291,621
Principal rates of amortisation	6%	-	25%	

BP EXPLORATION (ALPHA) LIMITED

NOTES TO THE ACCOUNTS

11. Tangible assets

	Land & buildings	Fixtures & fittings	Oil & gas properties	Plant & machinery	Total	Of which AUC*
Cost	$000	$000	$000	$000	$000	$000
At 1 January 2012	-	-	4,520.354	3,712	4,524,066	2,300
Additions	-	545	173,151	-	173.696	6.768
Transfers	1,300	2,412	376,720	(3.712)	376.720	(2.300)
At 31 December 2012	1.300	2.957	5,070,225	-	5,074.482	6,768
Depreciation and impairment						
At 1 January 2012	-	-	2,524,963	86	2,525,049	-
Charge for the year	305	571	400,193	-	401.069	-
Impairment	-	-	154 502	-	154,502	-
Transfers	-	-	-	(86)	(86)	-
At 31 December 2012	305	571	3,079.658	-	3.080 534	-
Net book value						
At 31 December 2012	995	2 386	1,990 567	-	1.993.948	6.768
At 31 December 2011	-	-	1,995 391	3 626	1,999,017	2.300
Principal rates of depreciation	25%	25%	7%-20%	2%-20%		

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

Capitalised interest included above

	Cost	Depreciation	Net book value
	$000	$000	$000
Capitalised interest			
At 31 December 2012	173.452	173.185	267
At 31 December 2011	173.452	172.571	881

The $154 502 000 impairment charge relates to the V-fields (North Valiant, Vampire, Vanguard and Vulcan) and the Miller field in the North Sea

BP EXPLORATION (ALPHA) LIMITED

NOTES TO THE ACCOUNTS

12. Stocks

	2012	2011
	$000	$000
Raw materials and consumables	62 844	55,120
Trading stocks	1,404	2,184
	64,248	57,304

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

13. Debtors

	2012	2012	2011	2011
	Within 1 year	After 1 year	Within 1 year	After 1 year
	$000	$000	$000	$000
Trade debtors	27,424	-	51,037	-
Amounts owed by group undertakings	436,159	847,162	1,035 336	958,343
Other debtors	5,640	14,866	18,800	3 687
Prepayments and accrued income	3,665	-	24 884	-
Deferred tax asset	144,000	-	93,282	-
Petroleum revenue tax	-	37,419	-	27 743
	616 888	899,447	1,223 339	989,773

14. Creditors

	2012	2012	2011	2011
	Within 1 year	After 1 year	Within 1 year	After 1 year
	$000	$000	$000	$000
Trade creditors	25,966	-	25,058	-
Amounts owed to group undertakings	1,084,080	2,879,210	1,801,084	2,965,889
Other creditors	24,911	-	23 069	-
Taxation	25,796	-	16,565	-
Petroleum revenue tax	1,241	-	2,382	-
Accruals and deferred income	114,695	-	151,479	-
Bank overdraft	17	-	21	-
Production tax	1,822	-	3,148	-
	1,278,528	2,879 210	2,022,806	2,965,889

15. Loans

Loans repayable, included within amounts owed to group undertakings, are analysed as follows

	2012	2012	2011	2011
	Within 5 years $000	After 5 years $000	Within 5 years $000	After 5 years $000
Loan	-	2,879,210	-	2,768,165

Interest rates on borrowings repayable wholly more than five years from 31 December 2012 are based on MIBOR (Mumbai Inter-Bank Offer Rate) plus 3%

16. Obligations under leases

Annual commitments under non-cancellable operating leases are set out below

	2012	2012	2011	2011
	Land & Buildings $000	Plant & machinery $000	Land & Buildings $000	Plant & machinery $000
Operating leases which expire				
Within 1 year	10,717	1,330	86	1,903
Between 2 to 5 years	2,868	55,720	2,874	55,993
Thereafter	-	32,286	-	32,375

17. Other provisions

	Decommissioning	Other	Total
	$000	$000	$000
At 1 January 2012	311,605	138,219	449,824
New or increased provisions	124 830	29,038	153,868
Exchange adjustments	9,053	(1,686)	7,367
Change in estimate	(7,918)	-	(7,918)
Unwinding of discount	1,614	-	1 614
Utilisation	-	(20,566)	(20,566)
At 31 December 2012	439,184	145,005	584 189

17. Other provision (continued)

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 2012, the provision for the costs of decommissioning these production facilities and pipelines at the end of their economic lives was $439 184,000 (2011 $311,605,000) The provision has been estimated using existing technology, at current prices and discounted using a real discount rate of 0 5% (2011 0 5%) These costs are expected to be incurred over the next 5 to 14 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

Other provisions primarily represent provisions at fair value taken over at the time of the Reliance acquisition, including provisions for $94,404,000 in relation to government penalties for not fulfilling work commitments and Indian contingent tax liabilities of $46,674,000 Also included is a $3,125,000 provision for government charges relating to the closure of the coal bed methane project in India At present, it is uncertain when the company will incur these cash outflows

18. Called up share capital

	2012	2011
	$000	$000
Allotted, called up and fully paid·		
2,566,295,837 Ordinary shares of £1 each for a total nominal value of £2,566,295 837	4,062,327	4,062,327

19. Capital and reserves

	Called up share capital	Profit and loss account	Total
	$000	$000	$000
At 1 January 2012	4,062,327	92,291	4,154,618
Loss for the year	-	(512,553)	(512,553)
At 31 December 2012	4,062,327	(420,262)	3,642,065

20. Reconciliation of movements in shareholders' funds

	2012	2011
	$000	$000
(Loss)/ profit for the year	(512,553)	138,571
Currency translation differences	-	1 214
Issue of ordinary share capital	-	3 988,100
Net (decrease) / increase in shareholders' funds	(512 553)	4,127,885
Shareholders' funds at 1 January	4,154,618	26,733
Shareholders' funds at 31 December	3,642,065	4,154 618

BP EXPLORATION (ALPHA) LIMITED

NOTES TO THE ACCOUNTS

21. Capital commitments

Authorised and contracted future capital expenditure by the company for which contracts had been placed but not provided in the accounts at 31 December 2012 is estimated at $190,385,000 (2011 $138 000,000)

22. Guarantees and other financial commitments

The company has issued guarantees under which amounts outstanding at 31 December 2012 were $119,900,000 (2011 $88,500,000) in respect of liabilities of other third parties No material losses are expected to arise from these guarantees

23. 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 entered into with group companies There were no other related party transactions in the year

24. Post balance sheet events

On 28 June 2013, the Government of India made a decision on the pricing of domestic gas which we believe will be effective from the 1 April 2014 There remains uncertainty about the timing and specifics of the transition to market price as we believe it has been referred to the Kelkar Committee, whose report is not expected to be issued until late 2013 Specific 2013 Gas Pricing Guidelines were not yet issued at the time of signing the financial statements Given the timing of the decision and lack of clarity on the specifics, the company was not able to assess the specific implications of the changes to the pricing of domestic gas in India on these financial statements

25. Pensions

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

26. Comparative figures

Certain prior year figures have been reclassified to conform to the 2012 presentation This had no impact on the profit and loss for the year or net assets

27. 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