

BP EXPLORATION LIBYA LIMITED

(Registered No 05335923)

ANNUAL REPORT AND ACCOUNTS 2012

Board of Directors A J Walker
 A M Sample

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 \$25,034,000 which, when added to the retained deficit brought forward at 1 January 2012 of \$407,350,000, gives a total retained deficit carried forward at 31 December 2012 of \$432,384,000.

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's principal activities during the year were the exploration for petroleum in interests in Libya and the production of petroleum from offshore license interests in the UK

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

	<u>2012</u>	<u>2011</u>	<u>Variance</u>
	\$000	\$000	%
Turnover	38,726	73,781	(48)
Loss on ordinary activities before interest and taxation	(16,264)	(66,213)	75
Loss after taxation	(25,034)	(72,244)	65
Shareholders' funds	247,227	271,778	(10)
	<u>2012</u>	<u>2011</u>	<u>Variance</u>
	%	%	
Quick ratio*	49	55	(6)

*Quick ratio is defined as current assets, excluding stock and debtors receivable after one year, as a percentage of current liabilities

The decrease in turnover was due to significantly lower oil liftings in the UK in 2012. Notwithstanding the reduction in turnover, losses have also declined considerably. This is because there was significantly more expenditure in 2011, including write-offs of capital spend, as a result of the company declaring force majeure due to the civil unrest in Libya. The company resumed normal operations when force majeure was lifted in May 2012. The loss for the year has caused the decrease in the company's shareholders' funds position.



BP EXPLORATION LIBYA LIMITED

REPORT OF THE DIRECTORS

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 at a group level. Monitoring and accountability for the management of these risks occur through quarterly performance reviews at a group level.

We urge you to consider carefully the risks described below. The potential impact of the occurrence or reoccurrence of any of the risks described below could have a material adverse effect on the company's business, financial position, results of operations, competitive position, cash flows, prospects, liquidity, shareholder returns and/or implementation of its strategic agenda.

Company level risks have been categorised against the following areas: strategic and commercial, compliance and control, safety and operational, and financial risk management. In addition, we have also set out a further category of risk for your attention – those resulting from the 2010 Gulf of Mexico oil spill (the Incident).

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 Libya 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.

BP EXPLORATION LIBYA LIMITED

REPORT OF THE DIRECTORS

Principal risks and uncertainties (continued)

Strategic and commercial risks

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 company'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.

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.

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 Libya region could be adversely affected by heightened political and economic environment risks.

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 it fails to control its

BP EXPLORATION LIBYA LIMITED

REPORT OF THE DIRECTORS

Principal risks and uncertainties (continued)

Strategic and commercial risks (continued)

Competition (continued)

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.

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.

Digital infrastructure

The reliability and security of the company's digital infrastructure are critical to maintaining the availability of its business applications, including the reliable operation of technology in its various business operations and the collection and processing of financial and operational data, as well as the confidentiality of certain third-party information. A breach of the company's digital security, either due to intentional actions or due to negligence, could cause serious damage to business operations and, in some circumstances, could result in the loss of data or sensitive information, injury to people, damage to assets, harm to the environment, reputational damage, breaches of regulations, litigation, legal liabilities and reparation costs.

Business continuity and disaster recovery

Contingency plans are required to continue or recover operations following a disruption or incident. Inability to restore or replace critical capacity to an agreed level within an agreed timeframe would prolong the impact of any disruption and could severely affect business and operations.

BP EXPLORATION LIBYA LIMITED

REPORT OF THE DIRECTORS

Principal risks and uncertainties (continued)

Strategic and commercial risks (continued)

Crisis management

Crisis management plans and capability are essential to deal with emergencies at every level of the company's operations. If the company does not respond, or is perceived not to respond, in an appropriate manner to either an external or internal crisis, its business and operations could be severely disrupted.

People and capability

Successful recruitment of new staff, employee training, development and continuing enhancement of skills, in particular technical capabilities such as petroleum engineers and scientists, are key to implementing the company's plans. Inability to develop human capacity and capability, both across the organisation and in specific operating locations, could jeopardise performance delivery. The company relies on recruiting and retaining high-quality employees to execute its strategic plans and to operate its business. The reputational damage suffered by the company as a result of the Incident and any consequent adverse impact on its business could affect employee recruitment and retention.

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.

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

BP EXPLORATION LIBYA LIMITED

REPORT OF THE DIRECTORS

Principal risks and uncertainties (continued)

Compliance and control risks (continued)

Ethical misconduct and non-compliance (continued)

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

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.

Changes in external factors

The company remains exposed to changes in the external environment, such as new laws and regulations (whether imposed by international treaty or by national or local governments in the jurisdictions in which the company operates), changes in tax or royalty regimes, price controls, government actions to cancel or renegotiate contracts, market volatility or other factors. Such factors could reduce the company's profitability from operations in certain jurisdictions, limit its opportunities for new access, require it to divest or write-down certain assets or affect the adequacy of its provisions for pensions, tax, environmental and legal liabilities. Potential changes to pension or financial market regulation could also impact funding requirements of the company.

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.

In addition, inability to provide safe environments for the company's workforce and the public while at the company's facilities or premises could lead to injuries or loss of life and could result in regulatory action, legal liability and damage to the company's reputation.

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

BP EXPLORATION LIBYA LIMITED

REPORT OF THE DIRECTORS

Principal risks and uncertainties (continued)

Safety and operational risks (continued)

Process safety, personal safety and environmental risks (continued)

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

Financial risk management

The main financial risks faced by the company through its normal business activities are market risk, foreign currency exchange risk and credit 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

BP EXPLORATION LIBYA LIMITED

REPORT OF THE DIRECTORS

Principal risks and uncertainties (continued)

Financial risk management (continued)

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 main underlying economic currency of the BP group's cash flows is the US dollar. This is because the BP group's major product, oil, is priced internationally in US dollars. 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.

Credit risk

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the company. It arises from cash and cash equivalents, derivative financial instruments and deposits with financial institutions and principally from credit exposures to customers relating to outstanding receivables. The management of such risks is performed at BP group level. The group has a credit policy, approved by the CFO, which is designed to ensure that consistent processes are in place throughout the group to measure and control credit risk. Credit risk is considered as part of the risk-reward balance of doing business. On entering into any business contract the extent to which the arrangement exposes the group to credit risk is considered. Before trading with a new counterparty can start, its creditworthiness is assessed and a credit rating allocated that indicates the probability of default, along with a credit exposure limit. Creditworthiness continues to be evaluated after transactions have been initiated and a watch list of higher-risk counterparties is maintained.

Commercial credit risk is measured and controlled to determine the company's total credit risk. Inability to determine adequately the company's credit exposure could lead to financial loss. A credit crisis affecting banks and other sectors of the economy could impact the ability of counterparties to meet their financial obligations to the company. It could also affect the company's ability to raise capital to fund growth and to meet its obligations.

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.

Going concern

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.

BP EXPLORATION LIBYA LIMITED

REPORT OF THE DIRECTORS

Directors

The present directors are listed on page 1

A M Semple served as directors throughout the financial year. Changes since 1 January 2012 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
F Posada	-	16 July 2013
A J Walker	16 July 2013	-

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 28

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 LIBYA LIMITED

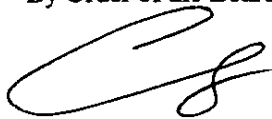
REPORT OF THE DIRECTORS

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

20 September 2013

Registered Office

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

BP EXPLORATION LIBYA 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 LIBYA LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
BP EXPLORATION LIBYA LIMITED

We have audited the financial statements of BP Exploration Libya 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 23. 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 11, 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.

Basis for qualified opinion on financial statements

Due to the political unrest and on-going security situation in Libya, we were not able to observe the physical verification of inventories and were unable to obtain sufficient appropriate audit evidence concerning the inventory balance at 31 December 2012 amounting to \$26,639,000 by using other procedures.

Qualified opinion

Except for the possible effects of the matters described in the Basis for qualified opinion paragraph, 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

In respect solely of the limitation on our work relating to inventory, described above we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

BP EXPLORATION LIBYA LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
BP EXPLORATION LIBYA LIMITED

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

Ernst & Young LLP

William Testa (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

24 September 2013

BP EXPLORATION LIBYA LIMITED

ACCOUNTING POLICIES

Accounting standards

The financial statements of BP Exploration Libya Limited were approved for issue by the Board of Directors on 19 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 plc 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 plc. 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

Basis of preparation

At 31 December 2012 the company's balance sheet had net current liabilities amounting to \$114,878,000

The directors consider it appropriate to prepare the accounts on a going concern basis, despite the uncertainties deriving from the current economic environment; the company is in an overall net assets position and therefore will be able to meet its liabilities as they fall due for the foreseeable future

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 LIBYA LIMITED

ACCOUNTING POLICIES

Foreign currency transactions

Foreign currency transactions are initially recorded in dollars by applying the exchange rate ruling on the date of transaction. Foreign currency monetary assets and liabilities are translated into dollars at the rate of exchange ruling at the balance sheet date. Exchange differences are included in the profit and loss account.

Interest income

Interest income is recognised on an accruals basis.

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 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.

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.

BP EXPLORATION LIBYA LIMITED

ACCOUNTING POLICIES

Exploration expenditure (continued)

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.

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.

Impairment of intangible 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

BP EXPLORATION LIBYA LIMITED

ACCOUNTING POLICIES

Impairment of intangible and tangible fixed assets (continued)

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

Proportional consolidation

The company holds an interest in a joint agreement that is not an entity ('JANE') As a result, it accounts for its proportionate share of the costs, revenues, assets and liabilities in the JANE.

Stock valuation

Stocks are valued at cost to the company, using the first-in first-out method or net realisable value, whichever is the lower Stores are valued at cost to the company mainly using the average method or net realisable value, whichever is the lower

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, and 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

BP EXPLORATION LIBYA LIMITED

ACCOUNTING POLICIES

Decommissioning (continued)

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.

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.

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

Assets held under leases which transfer to the company substantially all risks and rewards incidental to ownership of the leased item are classified as finance leases, and are capitalised at inception of the lease at the fair value of the leased property or, if significantly lower, at the estimated present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability. The total finance charge is charged over the lease term so as to achieve a constant rate of interest on the remaining balance of the liability.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

All other lease arrangements are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

Employee benefits

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the company. Deferred bonus arrangements that have a vesting date more than 12 months after the period end are valued on an actuarial basis using the projected unit credit method and amortised on a straight line basis over the service period until the award vests.

BP EXPLORATION LIBYA 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 LIBYA LIMITED**PROFIT AND LOSS ACCOUNT**
FOR THE YEAR ENDED 31 DECEMBER 2012

		<u>2012</u>	<u>2011</u>
	Note	\$000	\$000
Turnover	1	38,726	73,781
Cost of sales		<u>(21,414)</u>	<u>(17,947)</u>
Gross profit		17,312	55,834
Exploration expenses		(15,055)	(71,222)
Administration expenses		<u>(18,521)</u>	<u>(50,825)</u>
Loss on ordinary activities before interest and taxation	2	(16,264)	(66,213)
Interest payable and similar charges	4	(8,880)	(6,115)
Interest receivable and similar income	5	<u>110</u>	<u>84</u>
Loss before taxation		<u>(25,034)</u>	<u>(72,244)</u>
Taxation	6	<u>-</u>	<u>-</u>
Loss for the year		<u>(25,034)</u>	<u>(72,244)</u>

The loss of \$25,034,000 for the year ended 31 December 2012 was derived in its entirety from continuing operations

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

BP EXPLORATION LIBYA LIMITED

(Registered No 05335923)

BALANCE SHEET AT 31 DECEMBER 2012

	Note	2012 \$000	2011 \$000
Fixed assets			
Intangible assets	8	350,450	332,549
Tangible assets	9	80,294	83,319
		<u>430,744</u>	<u>415,868</u>
Current assets			
Stocks	10	26,639	28,003
Debtors – amounts falling due			
within one year	11	177,762	176,570
after one year	11	45,012	45,012
Cash at bank and in hand		348	2,035
		<u>249,761</u>	<u>251,620</u>
Creditors: amounts falling due within one year	12	<u>(364,639)</u>	<u>(323,333)</u>
Net current liabilities		<u>(114,878)</u>	<u>(71,713)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>315,866</u>	<u>344,155</u>
Provisions for liabilities and charges			
Other provisions	14	(68,639)	(72,377)
		<u>247,227</u>	<u>271,778</u>
NET ASSETS		<u>247,227</u>	<u>271,778</u>
Represented by			
Capital and reserves			
Called up share capital	15	675,000	675,000
Other reserves	16	4,611	4,128
Profit and loss account	16	(432,384)	(407,350)
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		<u>247,227</u>	<u>271,778</u>

On behalf of the Board


A M Semple
Director

20 September 2013

BP EXPLORATION LIBYA LIMITED**NOTES TO THE ACCOUNTS****1. Turnover**

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

Turnover is attributable to one continuing activity, the production and selling of petroleum products in the UK geographic area.

2. Loss on ordinary activities before interest and taxation

This is stated after charging

	<u>2012</u>	<u>2011</u>
	\$000	\$000
Hire charges under operating leases		
Plant & machinery	6,452	7,214
Land & buildings	912	-
Currency exchange losses	73	663
Depreciation of owned fixed assets (including write-off of intangibles in 2011)	<u>7,027</u>	<u>52,412</u>

3. Auditor's remuneration

	<u>2012</u>	<u>2011</u>
	\$000	\$000
Fees for the audit of the company	<u>36</u>	<u>34</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 accounts since the consolidated accounts of BP Exploration Libya's ultimate parent, BP plc, are required to disclose non-audit fees on a consolidated basis

4. Interest payable and similar charges

	<u>2012</u>	<u>2011</u>
	\$000	\$000
Interest expense on		
Overdrafts from group undertakings	8,626	5,937
Unwinding of discount on provisions – See note 14	254	178
	<u>8,880</u>	<u>6,115</u>

5. Interest receivable and similar income

	<u>2012</u>	<u>2011</u>
	\$000	\$000
Interest income from group undertakings	<u>110</u>	<u>84</u>

BP EXPLORATION LIBYA LIMITED**NOTES TO THE ACCOUNTS****6. Taxation**

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

No corporation tax has been provided in respect of the company's oil extraction activity in the UK and UK Continental Shelf because another group company, BP International Limited, has undertaken to provide for any current or deferred tax that arises

In respect of the company's other activities, 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 tax that arises without charge

The rate of Supplementary Charge in respect of relief for decommissioning costs has been restricted to 20% by the Finance Act 2012, this change has not been reflected in the Company's financial statements as at 31 December 2012, in accordance with UK accounting standards

The following table provides a reconciliation of the UK statutory corporation tax rate to the effective current tax rate on loss before taxation

	<u>2012</u>	<u>2011</u>
	\$000	\$000
Loss before taxation	(25,034)	(72,244)
Current taxation	-	-
Effective current tax rate	0%	0%
	<u>2012</u>	<u>2011</u>
	%	%
UK statutory corporation tax rate	24	26
Increase / (decrease) resulting from		
Fixed asset timing differences	36	(7)
Other timing differences	2	1
Non-deductible expenditure / non-taxable income	-	(1)
IRF tax provided in BP Exploration Operating Company Limited	45	52
UK supplementary tax at 32% on North Sea Profits	(24)	(26)
Free group relief	(71)	(42)
Transfer pricing adjustment	(8)	-
IRF tax rate differences (IRF less ORF)	(4)	(3)
Effective current tax rate	<u>-</u>	<u>-</u>

BP EXPLORATION LIBYA LIMITED**NOTES TO THE ACCOUNTS****7. Directors and employees****(a) Remuneration of directors**

The total remuneration for all serving directors for their period of directorship to the company amounted to \$380 000 (2011 \$366,000). A number of directors are senior executives of the BP Plc Group and received no remuneration for services to this company or its subsidiary undertakings.

One director was a member of the defined benefit section of the BP Pension Fund at 31 December 2012 (2011 one).

The highest paid director received \$341,000 (2011 \$334,000). The accrued pension of the highest paid director at 31 December 2012 was \$Nil (2010 \$Nil).

None of the directors exercised share options over BP plc shares during the year.

(b) Employee costs

	<u>2012</u>	<u>2011</u>
	\$000	\$000
Wages and salaries	3,598	4,438
Social security costs	419	603
Share based payment charge	483	1,415
	<u>4,500</u>	<u>6,456</u>

(c) The average monthly number of employees during the year was 84 (2011 88)

	<u>2012</u>	<u>2011</u>
	No	No
Non-UK	<u>84</u>	<u>88</u>

8. Intangible assets

	<u>Exploration expenditure</u>
	\$000
Cost	
At 1 January 2012	332,549
Additions	17,901
At 31 December 2012	<u>350,450</u>
Net book value	
At 31 December 2012	<u>350,450</u>
At 31 December 2011	<u>332,549</u>

BP EXPLORATION LIBYA LIMITED

NOTES TO THE ACCOUNTS

9. Tangible assets

	Fixtures & fittings	Oil & gas properties	Plant & machinery	Total	Of which AUC*
Cost	\$000	\$000	\$000	\$000	\$000
At 1 January 2012	2,582	112,542	1,987	117,111	1,699
Additions	-	4,002	-	4,002	5,294
At 31 December 2012	<u>2,582</u>	<u>116,544</u>	<u>1,987</u>	<u>121,113</u>	<u>6,993</u>
Depreciation and impairment					
At 1 January 2012	(2,582)	(29,223)	(1,987)	(33,792)	-
Charge for the year	-	(7,027)	-	(7,027)	-
At 31 December 2012	<u>(2,582)</u>	<u>(36,250)</u>	<u>(1,987)</u>	<u>(40,819)</u>	<u>-</u>
Net book value					
At 31 December 2012	<u>-</u>	<u>80,294</u>	<u>-</u>	<u>80,294</u>	<u>6,993</u>
At 31 December 2011	<u>-</u>	<u>83,319</u>	<u>-</u>	<u>83,319</u>	<u>1,699</u>
Principal rates of depreciation	-	Unit of production	-		

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

10. Stocks

	2012	2011
	\$000	\$000
Stores	<u>26,639</u>	<u>28,003</u>

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

11. Debtors

	2012	2012	2011	2011
	Within	After	Within	After
	1 year	1 year	1 year	1 year
	\$000	\$000	\$000	\$000
Trade debtors	1,243	-	2,565	-
Amounts owed by group undertakings	147,150	-	154,740	-
Other debtors	29,369	45,012	19,265	45,012
	<u>177,762</u>	<u>45,012</u>	<u>176,570</u>	<u>45,012</u>

BP EXPLORATION LIBYA LIMITED**NOTES TO THE ACCOUNTS****12. Creditors**

	<u>2012</u>	<u>2011</u>
	Within	Within
	1 year	1 year
	\$000	\$000
Trade creditors	1,660	2,961
Amounts owed to group undertakings	357,174	302,827
Other creditors	128	219
Other taxes and social security costs	136	3,829
Accruals and deferred income	5,541	13,497
	<u>364,639</u>	<u>323,333</u>

13. Obligations under leases

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

	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
	Land &	Other	Land &	Other
	buildings		buildings	
	\$000	\$000	\$000	\$000
Operating leases which expire:				
Within 1 year	-	1,172	596	-
Between 2 to 5 years	182	5,947	316	5,233
	<u>182</u>	<u>5,947</u>	<u>316</u>	<u>5,233</u>

14. Other provisions

	<u>Decommissioning</u>	<u>Other</u>	<u>Total</u>
	\$000	\$000	\$000
At 1 January 2012	37,309	35,068	72,377
Exchange adjustments	1,043	-	1,043
Unwinding of discount	193	61	254
Utilisation	(2,295)	(2,740)	(5,035)
At 31 December 2012	<u>36,250</u>	<u>32,389</u>	<u>68,639</u>

The company makes full provision for the future cost of decommissioning oil and natural gas production facilities and related pipelines on a discounted basis on the installation of those facilities. At 31 December 2012, the provision for the costs of decommissioning these production facilities and pipelines at the end of their economic lives was \$36,250,000 (2011: \$37,309,000). 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 12 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 is substantially made up of an amount provided against an educational and training commitment under the Exploration and Production Share Agreement (EPSA), which BP Exploration Libya entered in 2007. The total financial commitment is \$50,000,000 over the exploration program. At 31 December 2012, the provision for the educational and training commitment was \$32,389,000 (2011: \$35,068,000). These costs are expected to be incurred over the next 3 years.

BP EXPLORATION LIBYA LIMITED**NOTES TO THE ACCOUNTS****15. Called up share capital**

	<u>2012</u>	<u>2011</u>
	\$000	\$000
Allotted, called up and fully paid 675,000,001 Ordinary shares of \$1 each for a total nominal value of \$675,000,001	<u>675,000</u>	<u>675,000</u>

16. Capital and reserves

	Called up share capital	Other reserves	Profit and loss account	Total
	\$000	\$000	\$000	\$000
At 1 January 2012	675,000	4,128	(407,350)	271,778
Loss for the year	-	-	(25,034)	(25,034)
Share based payment	-	483	-	483
At 31 December 2012	<u>675,000</u>	<u>4,611</u>	<u>(432,384)</u>	<u>247,227</u>

17. Reconciliation of movements in shareholders' funds

	<u>2012</u>	<u>2011</u>
	\$000	\$000
Loss for the year	(25,034)	(72,244)
Share based payment	483	1,333
Net decrease in shareholders' funds	<u>(24,551)</u>	<u>(70,911)</u>
Shareholders' funds at 1 January	271,778	342,689
Shareholders' funds at 31 December	<u>247,227</u>	<u>271,778</u>

18. 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 \$14,904,500 (2011 \$13,960,000)

19. 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.

20. Pensions

The company directly employs staff however does not directly bear any pension charge in relation to these employees.

21. 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.

BP EXPLORATION LIBYA LIMITED

NOTES TO THE ACCOUNTS

22 Contingent liability – Noble Homer Ferrington

The company is in arbitration with Exxon Mobil and Noble Drilling in connection with the termination by the company of a contract for assignment of the Noble Homer Ferrington semi-submersible drilling rig. The contract was terminated on the basis that the rig did not meet the health and safety requirements set out in the contract. The arbitration commenced in early 2013 and is likely to continue into 2014. The arbitration is being robustly defended, as such no provision was recognised at 31 December 2012.

23. 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.