BP EXPLORATION (SHAFAG-ASIMAN) LIMITED
(Registered No 07731386)

ANNUAL REPORT AND ACCOUNTS 2011

Board of Directors	S J MacRae B M Puffer R J O Javanshir

REPORT OF THE DIRECTORS

The directors present their report and accounts for the period ended 31 December 2011

Results and dividends

The company incurs costs on an agency basis on behalf of the parties to the Shafag-Asiman Production Sharing Agreement ("PSA") and accordingly makes neither a profit nor a loss and so no profit and loss account has been prepared The company has not declared any dividends during the period The directors do not propose the payment of a dividend.

Principal activities and review of the business

SOCAR and BP executed the Exploration, Development and Production Sharing Agreement ("EDPSA") for the Shafag-Asiman ("SA") offshore block in the Azerbaijan Sector of the Caspian Sea on 7 October 2010 which became effective on 1 July 2011

BP commercial and legal teams are working to execute the Joint Operating Agreement (JOA) which will provide for governance details and structure as well as precise definition of rights and responsibilities of the parties set in the SA EDPSA According to the SA EDPSA, BP or its affiliate shall act as the operating company during the exploration period and before the commencement of the development and production period BP Exploration (Shafag-Asiman) Limited was incorporated on 5 August 2011 for the purpose of being the Operator under the SA EDPSA, and will be appointed as such upon execution of the JOA to which BP Exploration (Shafag-Asiman) Limited will also be a party

The exploration period commenced on 1 July 2011 and will continue for four years with possible extensions if there are reservoir pressures greater than one thousand atmospheres or if there is unavailability of rig(s) required to fulfil the minimum work obligations during exploration period

Since commencement of the exploration period BP as Operator has contracted Caspian Geophysical to obtain three dimensional seismic data for the contract area The process of seismic acquisition was completed on 4 January 2012 Results of the seismic acquisition will be processed and interpreted during the course of 2012 and completed in 2013 Total payment for the data acquisition services in the amount of circa $19,000,000 (including the mobilisation fee of $5,500,000) was remitted or accrued to be paid to Caspian Geophysical over the second half of 2011 and in early 2012

No key financial and other performance indicators have been identified for this company

BP EXPLORATION (SHAFAG-ASIMAN) 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

Consider carefully the risks described below and the potential impact of their occurrence on the business, financial condition and results of operations for the company

Company level risks have been categorised against the following areas strategic, compliance and control, and safety and operational In addition, we have also set out a further category of risk for your attention – that 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 (Shafag-Asiman) Limited

There is significant uncertainty in the extent and timing of costs and liabilities relating to the Incident, the impact of the Incident on the reputation of the BP group and the resulting possible impact on the company's ability to access new opportunities. There is also significant uncertainty regarding potential changes in applicable regulations and the operating environment that may result from the Incident These increase the risks to which the group and therefore the company are exposed to These uncertainties are likely to continue for a significant period 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 BP Group recognized charges totalling $40.9 billion in 2010 and a credit of $3 7 billion in 2011 as a result of the Incident The total amounts that will ultimately be paid by BP in relation to all obligations relating to the Incident are subject to significant uncertainty and the ultimate exposure and cost to BP will be dependent on many factors Furthermore, the amount of claims that become payable by BP, the amount of fines ultimately levied on BP (including any potential determination of BP's negligence or gross negligence), the outcome of litigation, and any costs arising from any longer-term environmental consequences of the oil spill, will also impact upon the ultimate cost for BP. Although the provision recognized is the current best estimate of expenditures required to settle certain present obligations at the end of the reporting period, there are future expenditures for which it is not possible to measure the obligation reliably 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 2011

BP EXPLORATION (SHAFAG-ASIMAN) LIMITED

REPORT OF THE DIRECTORS

Principal risks and uncertainties (continued)

Strategic 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 and heightened political and economic risks in certain countries where significant hydrocarbon bases are located Lack of material positions in new markets could impact the company's future hydrocarbon production

Moreover, the Gulf of Mexico oil spill has damaged BP's reputation, which may have a long-term impact on the company's ability to access new opportunities Adverse public, political and industry sentiment towards BP Companies, and towards oil and gas drilling activities generally, could damage or impair the company's existing commercial relationships and could impair the company's access to new investment opportunities In addition, responding to the Incident has placed, and will continue to place, a significant burden on the BP group's cash flow over the next several years, which could also impede 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, could increase this risk

Climate change and carbon pricing
Climate change and carbon pricing policies could result in higher costs and reduction in future revenue and strategic growth opportunities

Compliance with changes in laws, regulations and obligations relating to climate change could result in substantial capital expenditure, taxes, reduced profitability from changes in operating costs, and revenue generation and strategic growth opportunities being impacted

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 political instability, changes to the regulatory environment, expropriation or nationalisation of property, civil strife, strikes, acts of war and insurrections Any of these conditions could disrupt or terminate the company's operations, causing its development activities to be curtailed or terminated, or its production to decline, and could cause it to incur additional costs

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 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

BP EXPLORATION (SHAFAG-ASIMAN) LIMITED

REPORT OF THE DIRECTORS

Principal risks and uncertainties (continued)

Compliance and control risks

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 renewed values, which were launched in 2011, 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 our operations.

Liabilities and provisions
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 it 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 to access new opportunities, 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

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 risks 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

Security
Security threats require continuous oversight and control Acts of terrorism, piracy, sabotage 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 civil strife and political unrest in areas where we operate

Principal risks and uncertainties (continued)

Safety and operational risks (continued)

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 injury to people, damage to assets, harm to the environment, breaches of regulations, litigation, legal liabilities and repatriation 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

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

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

BP EXPLORATION (SHAFAG-ASIMAN) LIMITED

REPORT OF THE DIRECTORS

Events since the balance sheet date

According to the Mobilisation Fee Sharing Agreement with Caspian Geophysical, BP Exploration (Shafag-Asiman) Limited was entitled to a discount of $35,000 per day on the Mobilisation fee, if its seismic vessel would be used for acquisition of another seismic survey (excluding other surveys for SOCAR) during the last 120 days from the last usage on the Shafag-Asiman PSA

The contract between Azerbaijan International Operating Company and Caspian Geophysical for provisions of seismic acquisition services over East Azeri was signed on 6 January 2012. BP Exploration (Shafag-Asiman) Limited has received a credit note of $695,625 for actual usage of its vessel for seismic acquisitions in the East Azeri field, which will be passed on to the parties to the Shafag-Asiman PSA

Directors

The present directors are listed on page 1

B M Puffer and R J O Javanshir served as directors throughout the financial period Changes since 5 August 2011 are as follows

	Appointed	Resigned
J H Bartlett	-	27 February 2012
S J MacRae	27 February 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 nil

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 (SHAFAG-ASIMAN) 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

26 September 2012

Registered Office.

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

BP EXPLORATION (SHAFAG-ASIMAN) 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 proper 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 (SHAFAG-ASIMAN) LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BP EXPLORATION (SHAFAG-ASIMAN) LIMITED

We have audited the financial statements of BP Exploration (Shafag-Asiman) Limited for the period ended 31 December 2011 which comprise the Balance Sheet, the accounting policies and the related notes 1 to 12 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 8, 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 2011,
- 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

Jacqueline Ann Geary (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

London
27 September 2012

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BP EXPLORATION (SHAFAG-ASIMAN) LIMITED

ACCOUNTING POLICIES

Accounting standards

The financial statements of BP Exploration (Shafag-Asiman) Limited were approved for issue by the Board of Directors on 26th September 2012.

These accounts are prepared in accordance with 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

Accounting convention

The accounts are prepared under the historical cost convention

The company incurs costs on an agency basis on behalf of the SA EDPSA participants and accordingly makes neither profit nor loss No profit and loss account has therefore been prepared.

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

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

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BP EXPLORATION (SHAFAG-ASIMAN) LIMITED
(Registered No 07731386)

BALANCE SHEET AT 31 DECEMBER 2011

	Note	2011
		$
Current assets		
Debtors	4	8,999,138
Creditors: amounts falling due within one year	5	8,999,137
NET ASSETS		1
Represented by		
Capital and reserves		
Called up share capital	6	1
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		1

On behalf of the Board

B M Puffer
Director
26 September 2012

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BP EXPLORATION (SHAFAG-ASIMAN) LIMITED

NOTES TO THE ACCOUNTS

1. Auditor's remuneration

	2011
	$
Fees for the audit of the company	11,000

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 (Shafag-Asiman) Limited's ultimate parent, BP p l c , are required to disclose non-audit fees on a consolidated basis

2. 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 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 Company is an operating company under Article 6 of the PSA An operating company may only act upon instructions from the Shafag-Asiman PSA Participants, owns no assets or equipment, is not entitled to any share of Petroleum produced, and makes neither a gain nor loss An operating company is not subject to Azeri Profits Tax, which liability is the obligation of the relevant Participant. No Azeri Deferred Tax has therefore been provided

3. Directors and employees

(a) Remuneration of directors

None of the directors received any fees or remuneration for services as a director of the company during the financial period

(b) Employee costs

The company had no employees during the period

4. Debtors

	2011
	Within 1 year
	$
Amounts owed by group undertakings	8,999,138
	8,999,138

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5. Creditors

	2011 Within 1 year
	$
Amounts owed to group undertakings	277,879
Trade creditors	111,618
Accruals and deferred income	8,609,640
	8,999,137

6. Called up share capital

	2011
	$
Allotted, called up and fully paid	
1 Ordinary share of $1 each for a total nominal value of $1	1

On 5 August 2011, 1 ordinary share of $1 for a total nominal value of $1 was allotted to the immediate parent company at par value

7. Capital and reserves

	Called up share capital
	$
At 5 August 2011 and 31 December 2011	1

8. Reconciliation of movements in shareholders' funds

	2011
	$
Shareholders' funds at 5 August and 31 December	1

9. 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.

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10. Post balance sheet event

According to Mobilisation Fee Sharing Agreement with Caspian Geophysical, BP Exploration (Shafag-Asiman) Limited was entitled to a discount of $35,000 per day on the Mobilisation fee, if its seismic vessel would be used for acquisition of another seismic survey (excluding other surveys for SOCAR) during the last 120 days from the last usage on Shafag-Asiman PSA

The contract between Azerbaijan International Operating Company and Caspian Geophysical for provisions of seismic acquisition services over East Azeri was signed on 6 January 2012 BP Exploration (Shafag-Asiman) Limited has received credit note of $695,625 for actual usage of its vessel for seismic acquisitions in East Azeri field, which will be passed on to the parties to the Shafag-Asiman PSA

11. Pensions

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

12. Immediate and ultimate controlling parent undertaking

The immediate parent undertaking of this company is BP Shafag-Asiman Limited, a company registered in England and Wales The ultimate controlling parent undertaking of the group of undertakings for which group accounts are drawn up, and of which the company is a member, is BP p l c , a company registered in England and Wales Copies of BP p l c 's accounts can be obtained from 1 St James's Square, London, SW1Y 4PD

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