BP MIDDLE EAST LIMITED
(Registered No 00591214)

ANNUAL REPORT AND ACCOUNTS 2012

Board of Directors	B M Puffer J Bertelsen

REPORT OF THE DIRECTORS

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

Results and dividends

The profit for the year after taxation was £1,716,000 which, when added to the retained profit brought forward at 1 January 2012 of £10,040,000 together with exchange adjustments taken directly to reserves of £(519,000), gives a total retained profit carried forward at 31 December 2012 of £11,237,000

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

Principal activity and review of the business

The company is engaged in the purchasing and selling of aviation petroleum products in Bahrain. It also provides services to other group undertakings within the BP group and holds investments in an associated undertaking engaged in similar activities

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

	2012	2011	Variance
	£000	£000	%
Turnover	49,976	50,720	(1)
Profit after taxation	1,716	2,510	(32)
Shareholders' funds	11,337	10,140	12

	2012	2011	Variance
	%	%	%
Quick ratio*	120	124	(3)

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

Turnover has decreased due to lower volumes of sales during the year, partly owing to lower US military volumes from reduced US military activity in Bahrain The company is in a strong liquidity position as at 31 December 2012

BP MIDDLE EAST 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)

The 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 Middle East 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

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

Refining profitability can be volatile, with both periodic over-supply and supply tightness in various regional markets, coupled with fluctuations in demand Sectors of the petrochemicals industry are also subject to fluctuations in supply and demand, with a consequent effect on prices and profitability

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

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

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

Climate change and carbon pricing
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

Principal risks and uncertainties (continued)

Strategic and commercial risks (continued)

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

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

Principal risks and uncertainties (continued)

Strategic and commercial risks (continued)

Joint ventures and other contractual arrangements (continued)
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.

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

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

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

BP MIDDLE EAST LIMITED

REPORT OF THE DIRECTORS

Principal risks and uncertainties (continued)

Compliance and control risks (continued)

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

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

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

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

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

Principal risks and uncertainties (continued)

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

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

Product quality
Supplying customers with on-specification products is critical to maintaining the company's licence to operate and its reputation in the marketplace Failure to meet product quality standards throughout the value chain could lead to harm to people and the environment and loss of customers

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

Principal risks and uncertainties (continued)

Financial risk management (continued)

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

Foreign currency exchange risk
Fluctuations in foreign exchange rates can have significant effects on the company's reported results The company's financial assets and liabilities give rise to transactional currency exposures Such exposures arise from transactions in a currency other than the company's functional currency The management of such risks is performed at BP group level. The 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

BP MIDDLE EAST LIMITED

REPORT OF THE DIRECTORS

Future developments

The directors aim to maintain the management policies which have resulted in the company's growth in recent years They believe that the company is in a good position to take advantage of any opportunities which may arise in the future

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

Directors

The present directors are listed on page 1 There have been no director appointment / resignations since 1 January 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 29

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 MIDDLE EAST 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 confirm 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

17 June 2013

Registered Office

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
England

BP MIDDLE EAST 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 MIDDLE EAST LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BP MIDDLE EAST LIMITED

We have audited the financial statements of BP Middle East 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 17 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

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if in our opinion

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us or
- the financial statements are not in agreement with the accounting records and returns or
- certain disclosures of directors' remuneration specified by law are not made or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

William Testa (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

London

20 June 2013

BP MIDDLE EAST LIMITED

ACCOUNTING POLICIES

Accounting standards

The financial statements of BP Middle East Limited were approved for issue by the Board of Directors on 6 JUNE 2013

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

Accounting convention

The accounts are prepared under the historical cost convention.

Statement of cash flows

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

Revenue recognition

Revenue arising from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer and it can be reliably measured Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes

Foreign currency transactions

Assets and liabilities of foreign currency branches are translated into sterling at rates of exchange ruling at the balance sheet date The profit and loss account is translated into sterling using average rates of exchange Exchange differences arising when the opening net assets and the profits for the year retained by foreign currency branches are translated into sterling are taken directly to reserves and reported in the statement of total recognised gains and losses Exchange gains and losses arising on long-term foreign currency borrowings used to finance the company's foreign currency investments are also dealt with in reserves

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

Interest income

Interest income is recognised on an accruals basis

Dividends payable

Final dividends are recorded in the accounts in the year in which they are approved by the company's shareholders Interim dividends are recorded in the year in which they are approved and paid

BP MIDDLE EAST LIMITED

ACCOUNTING POLICIES

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

Maintenance expenditure

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

Impairment of 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

Impairment of tangible fixed assets (continued)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised If that is the case, the carrying amount of the asset is increased to its recoverable amount That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years Such reversal is recognised in profit or loss After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life

Investments

Fixed asset investments in associates are held at cost The company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable If any such indication of impairment exists, the company makes an estimate of its recoverable amount Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount

Stock valuation

The company's stock predominately consists of jet fuel and plant and insurance spares

Jet fuel is valued at cost to the company, using the first-in first-out method or net realisable value, whichever is the lower

Plant and insurance spares are valued at cost to the company using the weighted average method or net realisable value, whichever is 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 group 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

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 MIDDLE EAST LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 £000	2011 £000
Turnover	1	49,976	50,720
Cost of sales		(47,692)	(47,916)
Gross profit		2,284	2,804
Administration expenses		(615)	(334)
Other operating income		-	2
Profit on ordinary activities before interest and taxation		1,669	2,472
Interest receivable and similar income	4	47	38
Profit on ordinary activities before taxation	2	1,716	2,510
Taxation	5	-	-
Profit for the year		1,716	2,510

The profit 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

	2012 £000	2011 £000
Profit for the year	1,716	2,510
Currency translation differences	(519)	210
Total recognised gains and losses for the year	1,197	2,720

BP MIDDLE EAST LIMITED
(Registered No. 00591214)

BALANCE SHEET AT 31 DECEMBER 2012

	Note	2012 £000	2011 £000
Fixed assets			
Tangible assets	7	579	655
Investments	8	53	56
		632	711
Current assets			
Stocks	9	807	877
Debtors - amounts falling due within one year	10	59,359	43,476
Cash at bank and in hand		78	67
		60,244	44,420
Creditors: amounts falling due within one year	11	(49,539)	(34,991)
Net current assets		10,705	9,429
TOTAL ASSETS LESS CURRENT LIABILITIES		11,337	10,140
NET ASSETS		11,337	10,140
Represented by			
Capital and reserves			
Called up share capital	12	100	100
Profit and loss account	13	11,237	10,040
SHAREHOLDERS' FUNDS - EQUITY INTERESTS		11,337	10,140

On behalf of the Board

Jens Bertelsen

Jens Bertelsen
Director

17 June 2013

BP MIDDLE EAST LIMITED

NOTES TO THE ACCOUNTS

1 Turnover

Turnover, which is stated net of duties and levies payable, represents amounts invoiced to third parties, all of which falls within Bahrain. Turnover is attributable to one continuing activity, the purchasing and selling of petroleum products

2 Profit on ordinary activities before interest and taxation

This is stated after charging / (crediting)

	2012 £000	2011 £000
Currency exchange (gains) / losses	(2)	10
Depreciation of owned fixed assets	53	48

3 Auditor's remuneration

	2012 £000	2011 £000
Fees for the audit of the company	8	11

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

4 Interest receivable and similar income

	2012 £000	2011 £000
Interest income from group undertakings	47	38

5 Taxation

The Company is a member of a group for the purposes of relief within Part 5, Corporation Tax Act 2011 No UK corporation tax has been provided because another group company, BP International Limited, has undertaken to procure the claim or surrender of group relief to the extent it is required and to provide for any current or deferred UK tax that arises without charge

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

	2012 £000	2011 £000
Profit before taxation	1,716	2,510
Current taxation	-	-
Effective current tax rate	0%	0%

	2012 %	2011 %
UK statutory corporation tax rate	24	26
Decrease resulting from.		
Free group relief	(24)	(26)
Effective current tax rate	-	-

6 Directors and employees

(a) Remuneration of directors

None of the directors received any fees or remuneration for services as directors of the company during the financial year (2011 £Nil)

(b) Employee costs

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

7 Tangible assets

	Land & buildings £000	Plant & machinery £000	Assets under construction* £000	Total £000
Cost				
At 1 January 2012	610	1,860	4	2,474
Exchange adjustments	(28)	(89)	(2)	(119)
Additions	-	-	9	9
At 31 December 2012	582	1,771	11	2,364
Depreciation				
At 1 January 2012	406	1,413	-	1,819
Exchange adjustments	(19)	(68)	-	(87)
Charge for the year	15	38	-	53
At 31 December 2012	402	1,383	-	1,785
Net book value				
At 31 December 2012	180	388	11	579
At 31 December 2011	204	447	4	655
Principal rates of depreciation	5% - 10%	2 5% - 25%		

* Assets under construction are not depreciated

The net book value of land and buildings comprises

	2012 £000	2011 £000
Long leasehold	180	204
	180	204

8 Fixed assets - Investments

	Investment in associate shares £000
Cost	
At 1 January 2012	56
Exchange adjustments	(3)
At 31 December 2012	53
Net book amount	
At 31 December 2012	53
At 31 December 2011	56

The investment in the associated undertaking is unlisted

The associated undertaking of the company at 31 December 2012 and the percentage of equity capital held are set out below The principal country of operation is generally indicated by the company's country of incorporation or by its name

Associated undertaking	**%**	**Country of incorporation**	**Principal activity**
Bahrain Aviation Fuelling Company B S C	13	Bahrain	Aviation fuelling services

The company also holds legal title to 49% of the issued share capital of Sharjah Pipeline Company LLC These shares are held by the company as a nominee and no beneficial interest is attributable to the company in respect of these shares

9 Stocks

	2012 £000	2011 £000
Trading stocks	807	877

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

10 Debtors

	2012 £000	2011 £000
Trade debtors	2,596	2,233
Amounts owed by group undertakings	56,583	40,867
Other debtors	180	376
	59,359	43,476

11 Creditors

	2012 £000	2011 £000
Trade creditors	3,737	4,461
Amounts owed to group undertakings	45,802	30,530
	49,539	34,991

12 Called up share capital

	2012 £000	2011 £000
Allotted, called up and fully paid		
100,000 Ordinary shares of £1 each for a total nominal value of £100,000	100	100

13 Capital and reserves

	Called up share capital £000	Profit and loss account £000	Total £000
At 1 January 2012	100	10,040	10,140
Currency translation differences	-	(519)	(519)
Profit for the year	-	1,716	1,716
At 31 December 2012	100	11,237	11,337

14 Reconciliation of movements in shareholders' funds

	2012 £000	2011 £000
Profit for the year	1,716	2,510
Currency translation differences	(519)	210
Net increase in shareholders' funds	1,197	2,720
Shareholders' funds at 1 January	10,140	7,420
Shareholders' funds at 31 December	11,337	10,140

15 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

16 Pensions

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

17 Immediate and ultimate parent undertaking

The immediate parent undertaking is BP p l c , 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