

BUNDUQ COMPANY LIMITED

(Registered in England No 985387)

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR 2011

Board of Directors -

Eiji Okuyama (Chairman)
Yasser Saeed Al-Mazrouei
Khalid Said Al-Rumaihi
Jean-Luc Guiziou
Abdulkarim Al Mazmi
Paul Hughes
Philippe Roy
Yuji Shiozawa
Kimiya Nakamura
Shunsuke Ubukata
Massimo de Mauro

FRIDAY



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COMPANIES HOUSE

DIRECTORS' REPORT

The directors submit their report and the financial statements for the year ended 31 December 2011

Principal activity and review of the business: The Company is engaged in the production and export of crude oil from El-Bunduq field. Production was at the rate of approximately 10,394 barrels per day for the year. The average daily production for the year ending on 31 December 2012 is expected to increase to 12,638 barrels per day and the total for 2012 to approximately 4 613 million barrels.

Results and dividends: The profit for the year ended 31 December 2011 amounted to \$6,166 (2010 - \$ 28,144). The profit has been deducted from accumulated losses, which at 31 December 2011 totalled \$ 12,222,843 (2010 - \$ 12,229,009).

The directors do not recommend the payment of a dividend.

Future developments: The directors aim to maintain the management policies which have resulted in the Company's performance in recent years. No significant business developments are expected in the foreseeable future.

Company risks have been identified as follows:

Major project delivery

Poor delivery of any major project that underpins production growth and / or a major programme designed to enhance shareholder value.

Drilling and production risks

Exploration and production require high levels of investment and have particular economic risks and opportunities and may often involve innovative technologies. They are subject to natural hazards and other uncertainties, including those relating to the physical characteristics of an oil or natural gas field. 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.

Security risk

Acts of terrorism that threaten our plants and offices, pipelines, transportation or computer systems would severely disrupt business operations.

Key performance indicators The directors conduct regular review and evaluation of the Company's performance and focus on areas including capital expenditure levels against target, estimates of crude oil reserves and crude oil petroleum reserves. Reserves and production related matters are addressed on a regular basis in meetings of the Company's Technical Committee.

**BUNDUQ COMPANY LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2011**

Directors and their interests The present directors of the Company are listed on page 1. Changes in office since 1 January 2011 are as follows

Resigned

Mohammad Butti Al-Qubaisi (ADNOC) 16 October 2011
Jay Pearson (BP) 16 June 2011

Appointed

Yasser Saeed Al Mazrouei (ADNOC) 16 October 2011
Abdulkarim Al Mazmū (BP) 16 June 2011

There are no changes in the list of board members other than those mentioned above

All other directors served throughout the year

Auditors: Ernst & Young LLP have expressed their willingness to continue in office as auditors and a resolution to re-appoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting

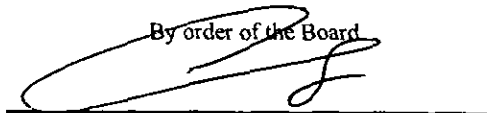
Directors' statements as to the disclosure of information to the auditor:

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 the directors confirms that

(1) 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

(2) each director has taken all 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



Christopher Kuangcheng Gerald Eng
Secretary

Building G
Chertsey Road
Sunbury on Thames
Middlesex TW16 7BP

**For and on behalf of
Sunbury Secretaries Limited
- Company Secretary**

Date 14 June 2012

1. Manual to the
2. Manual to the
3. Manual to the

BUNDUQ COMPANY LIMITED
31 DECEMBER 2011

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE
FINANCIAL STATEMENTS**

The directors are responsible for preparing the report and financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether all applicable accounting standards have been followed, subject to any material departures discussed 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 which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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 financial statements

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BUNDUQ
COMPANY LIMITED**

We have audited the financial statements of Bunduq Company Limited for the year ended 31 December 2011 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 21. 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 3, 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 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 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,
Registered Auditor
London

18 June 2012

BUNDUQ COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2011

| | <u>NOTES</u> | <u>2011</u> US \$ | <u>2010</u> US \$ |
|---|--------------|----------------------|----------------------|
| Turnover | 2 | 171,379,966 | 142,465,590 |
| Cost of sales | | <u>171,275,499</u> | <u>142,316,529</u> |
| Gross profit | | 104,467 | 149,061 |
| Administrative expenses | | -148,686 | -131,256 |
| Other operating income | | <u>28,929</u> | <u>29,576</u> |
| Operating (loss)/profit before interest and taxation | 5 | -15,290 | 47,381 |
| Bank interest received | | <u>54,627</u> | <u>876</u> |
| Profit on ordinary activities before taxation | | 39,337 | 48,257 |
| Tax on profit on ordinary activities | 9 | <u>-33,171</u> | <u>-20,113</u> |
| Profit retained for the financial year | 18 | <u><u>6,166</u></u> | <u><u>28,144</u></u> |

All of the Company's activities during the year are in respect of continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
YEAR ENDED 31 DECEMBER 2011

There were no recognised gains or losses other than the profit of \$ 6,166 for the year ended 31 December 2011 (2010 profit of \$ 28,144)

BUNDUQ COMPANY LIMITED
BALANCE SHEET
31 DECEMBER 2011

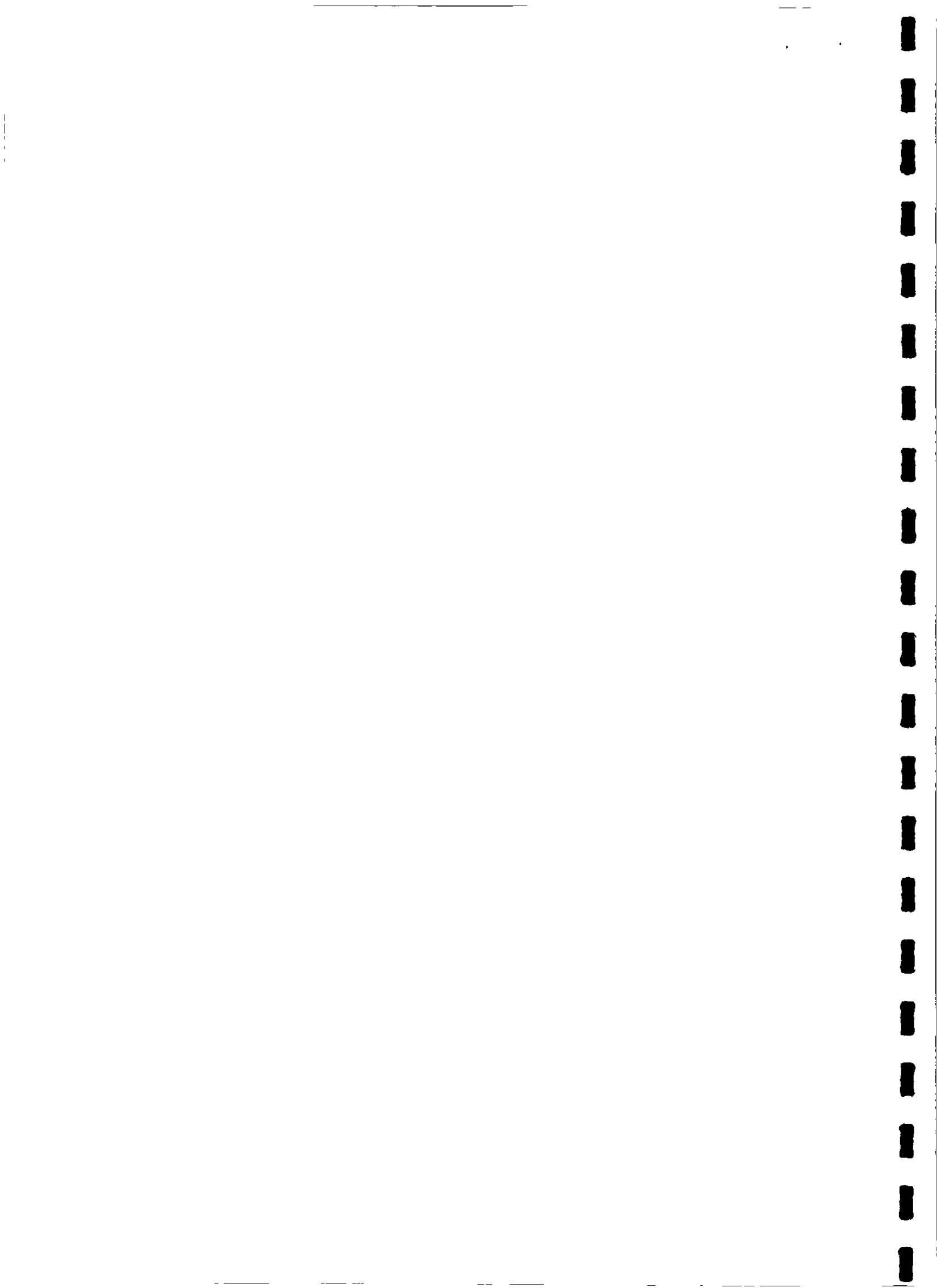
| | <u>NOTES</u> | <u>2011</u> US \$ | <u>2010</u> US \$ |
|--|--------------|-------------------------|-------------------------|
| Fixed assets | | | |
| Tangible assets | 10 | <u>113,576,739</u> | <u>103,269,133</u> |
| Current assets | | | |
| Stocks | 11 | 18,032,767 | 14,273,181 |
| Debtors | 12 | 39,695,078 | 29,352,923 |
| Cash at bank and in hand | 20(C) | <u>12,578,239</u> | <u>7,538,827</u> |
| | | <u>70,306,084</u> | <u>51,164,931</u> |
| Creditors - amounts falling due within one year | 13 | <u>70,740,475</u> | <u>56,314,135</u> |
| Net current liabilities | | <u>-434,391</u> | <u>-5,149,204</u> |
| Total assets less current liabilities | | <u>113,142,348</u> | <u>98,119,929</u> |
| Creditors - amounts falling due after one year | 14 | 108,281,064 | 93,277,374 |
| Provisions for liabilities and charges | 16 | <u>2,766,430</u> | <u>2,753,867</u> |
| Net assets | | <u><u>2,094,854</u></u> | <u><u>2,088,688</u></u> |
| Capital and reserves | | | |
| Called up share capital | 17 | 142,995 | 142,995 |
| Share premium account | 18 | 14,157,649 | 14,157,649 |
| Exchange reserve | 18 | 17,053 | 17,053 |
| Profit and loss account | 18 | <u>-12,222,843</u> | <u>-12,229,009</u> |
| Equity shareholders' funds | | <u><u>2,094,854</u></u> | <u><u>2,088,688</u></u> |

The financial statements were approved by the Board of Directors on 14 June 2012 and signed on their behalf by

奥山英治 E. Okuyama, Chairman

BUNDUQ COMPANY LIMITED
CASH FLOW STATEMENT
31 DECEMBER 2011

| | <u>NOTES</u> | <u>2011</u> US \$ | <u>2010</u> US \$ |
|---|--------------|----------------------|----------------------|
| Net cash (used in)/from from operating activities | 20(A) | -2,905,570 | 4,374,732 |
| Returns on investment & servicing of finance : | | | |
| Interest received | | 54,627 | 876 |
| Capital Expenditure | | | |
| Acquisition of tangible assets | | | |
| Production & development assets | 10 | -37,159,755 | -12,453,221 |
| Other assets | 10 | -50,874 | -104,880 |
| Receipts from sale of tangible assets | | 984 | 19,061 |
| Net cash used in investing activities | | -37,209,645 | -12,539,040 |
| Net cash used in before financing activities | | -40,060,588 | -8,163,432 |
| Financing activities | | | |
| Shareholders' advances received | 15 | 45,100,000 | 5,100,000 |
| Increase/(decrease) in cash in the year | 20(B) | 5,039,412 | -3,063,432 |



BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2011

1. Accounting policies

The principal accounting policies of the Company are set out below. The policies are consistent with those adopted in previous years.

(a) Basis of preparation

These financial statements are prepared under the historical cost convention and 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 financial statements have been prepared in accordance with the provisions of the SORP.

The directors consider it appropriate to prepare the financial statements on a going concern basis, since the shareholders have agreed to provide sufficient finance as is necessary to enable the Company to meet its liabilities as they fall due for the foreseeable future.

(b) Tangible Assets :

(i) Production assets

The accumulated capital costs of production facilities including the cost of development drilling are depreciated on the unit of production basis. Depreciation is calculated using the ratio of production during the year to the sum of the estimated quantity of commercially producible reserves at the end of the year. Depreciation is calculated taking into account future development costs.

(ii) Exploration expenditure

The Company follows the 'successful efforts' method in accounting for exploration costs. As a result, exploration costs are initially included in intangible assets pending determination of commercial reserves. Should the efforts be determined unsuccessful, the costs are then charged to income.

(iii) Other assets

Furniture and fittings are depreciated on a straight line basis over their expected useful lives, estimated to be 10 years.

BUNDUQ COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****31 DECEMBER 2011****(c) Foreign currencies**

Expenditure in currencies other than US Dollars is recorded in US Dollars at the exchange rate ruling at the date the expenditure is incurred. Assets and liabilities in currencies other than US Dollars have been translated at the rate of exchange ruling at the reporting date. All exchange differences are taken to the profit and loss account.

(d) Stocks

Stocks are stated at the lower of cost and net realisable value. Stocks of crude oil are valued at the average cost of production. Stocks of drilling materials, equipment and spare parts are valued on a basis which approximates to value based on the first in first out method, after making due allowance for any obsolete or slow moving items.

(e) Oil reserves

Proved developed and undeveloped reserves are estimated quantities of commercially producible oil which existing geological, geophysical and engineering data show to be recoverable in future years from known reservoirs.

(f) Effect of changes in estimates

The effect of revisions of previous estimates of proved developed and undeveloped oil reserves is taken up prospectively in unit of production calculations.

(g) End of service benefits

Provision is made in accordance with Company's personnel policy for the cost of employees' end of service benefits to cover liabilities under the United Arab Emirates Labour Law for locally engaged employees of non UAE nationality for services up to the reporting date.

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2011

2. Turnover

Turnover is attributable to one continuing activity, sales of crude oil effected in Abu Dhabi

All of the Company's turnover is receivable from United Petroleum Development Co Ltd and BP Exploration Company Ltd as shareholders in Bunduq Company Ltd. Prices and terms of settlement for these transactions are in accordance with an agreement between the shareholders dated 18th December, 1970

3. Segmental information

The operations of the Company constitute one continuing class of business, the exploration for and production of oil, offshore in the Middle East

4. Royalty

Royalty is calculated at 12.5% (2010: 12.5%) of gross sales at posted prices, the royalty amount of \$ 55,294,656 (2010: \$ 50,568,271) is included in cost of sales

5. Operating (loss) / profit before interest and taxation

This is stated after charging

| | <u>2011</u> US \$ | <u>2010</u> US \$ |
|---|----------------------|----------------------|
| Depreciation of owned tangible assets (note 10) | 26,902,039 | 32,197,311 |
| Auditors' remuneration (note 6) | 67,350 | 57,522 |

6. Auditors' remuneration

| | <u>2011</u> US \$ | <u>2010</u> US \$ |
|-------------------------------|----------------------|----------------------|
| Audit services | 62,095 | 47,684 |
| Tax & cost agreement services | 5,255 | 9,838 |
| | <u>67,350</u> | <u>57,522</u> |

7. Directors' emoluments

Two directors received fees totaling £ 22,500 (\$ 36,880) (2010 - two directors £ 22,500 (\$ 34,115))

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2011

| 8. Employees | <u>2011</u> | <u>2010</u> |
|--|--------------------------|--------------------------|
| | US \$ | US \$ |
| (a) Employee costs | | |
| Wages and salaries | 11,496,201 | 10,280,548 |
| Social security costs | 330,471 | 231,668 |
| Employees end of service benefits | 397,507 | 498,897 |
| | <hr/> | <hr/> |
| | <u>12,224,179</u> | <u>11,011,113</u> |
| (b) Average number of employees (non UK) | <u>2011</u> | <u>2010</u> |
| Administration | 34 | 30 |
| Development | 16 | 13 |
| Production | 74 | 76 |
| Health, safety and environment (HSE) | 7 | 6 |
| Trainees | 6 | 5 |
| | <hr/> | <hr/> |
| | <u>137</u> | <u>130</u> |

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2011

9. Taxation

Tax on profits on Ordinary activities

| | <u>2011</u> US \$ | <u>2010</u> US \$ |
|--|----------------------|----------------------|
| Current tax | | |
| UK corporation tax on profit of the year | 33,171 | 20,113 |
| Tax on profit on ordinary activities | <u>33,171</u> | <u>20,113</u> |

The potential amount of deferred taxation at 31 December 2011 is \$ Nil (2010 \$ Nil)

Factors affecting tax charge for the years:

The tax assessed for the year is higher than the standard rate of corporation tax in the UK
The differences are explained below

| | <u>2011</u> US \$ | <u>2010</u> US \$ |
|--|----------------------|----------------------|
| Profit on ordinary activities before tax | <u>39,337</u> | <u>48,257</u> |
| Profit on ordinary activities multiplied by standard rate in the UK (26%) (2010 28%) | 10,228 | 13,512 |
| Effects of | | |
| Mark-up on costs | - | - |
| Expenses not deductible for tax purposes | - | - |
| Other income | 22,943 | 6,601 |
| | <u>33,171</u> | <u>20,113</u> |

Factors affecting future tax charges

On 22 March 2011, the UK Chancellor announced a 2% reduction in the main rate of UK corporation tax from 28% to 26% effective from 1 April 2011, along with subsequent reductions of 1% each year to a final rate of 23% effective from 1 April 2014. At the balance sheet date of 31 December 2011, the rate of 25% had been substantively enacted, effective from 1 April 2012.

On 21 March 2012, it was announced by the Chancellor that the corporation tax rate will be further reduced to 24% from 1 April 2012. This reduction was substantively enacted on 26 March 2012.

The Chancellor also announced that there are to be further corporation tax rate reductions of 1% each year to a final rate of 22% effective from 1 April 2014. These further reductions are yet to be substantively enacted.

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2011

10. Tangible assets

| <u>Cost:</u> | <u>Furniture & Fittings</u> US \$ | <u>Production Facilities Completed & Under Construction</u> US \$ | <u>Total</u> US \$ |
|----------------------------|--|--|-----------------------|
| At 1 January 2011 | 1,471,591 | 808,794,137 | 810,265,728 |
| Additions | 50,874 | 37,159,755 | 37,210,629 |
| Disposals | - | -1,103,881 | -1,103,881 |
| At 31 December 2011 | 1,522,465 | 844,850,011 | 846,372,476 |
| <u>Depreciation:</u> | | | |
| At 1 January 2011 | 1,111,803 | 705,884,792 | 706,996,595 |
| Provided during the year | 66,249 | 26,835,790 | 26,902,039 |
| Disposals | - | -1,102,897 | -1,102,897 |
| At 31 December 2011 | 1,178,052 | 731,617,685 | 732,795,737 |
| <u>Net book value:</u> | | | |
| At 31 December 2011 | 344,413 | 113,232,326 | 113,576,739 |
| At 31 December 2010 | 359,788 | 102,909,345 | 103,269,133 |

11. Stocks

| | <u>2011</u> US \$ | <u>2010</u> US \$ |
|--|----------------------|----------------------|
| Crude oil | 3,446,375 | 1,249,177 |
| Drilling materials, equipment & spare parts, net of provisions | 14,586,392 | 13,024,004 |
| | 18,032,767 | 14,273,181 |

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2011

| | <u>2011</u> | <u>2010</u> |
|--------------------|--------------------------|--------------------------|
| | US \$ | US \$ |
| 12. Debtors | | |
| Trade debtors | 36,924,921 | 26,805,022 |
| Other debtors | 842,653 | 785,378 |
| Prepayments | <u>1,927,504</u> | <u>1,762,523</u> |
| | <u><u>39,695,078</u></u> | <u><u>29,352,923</u></u> |

13. Creditors - amounts falling due within one year

| | <u>2011</u> | <u>2010</u> |
|--|--------------------------|--------------------------|
| | US \$ | US \$ |
| Shareholders' advances (note 15) | 32,791,432 | 29,249,407 |
| Trade creditors | 22,949,246 | 17,970,040 |
| Royalties due to Governments of Abu Dhabi & Qatar | 13,811,114 | 7,723,982 |
| Taxation | 33,171 | 20,113 |
| Other creditors | 921,976 | 1,161,494 |
| Accruals and provisions | <u>233,536</u> | <u>189,099</u> |
| | <u><u>70,740,475</u></u> | <u><u>56,314,135</u></u> |

14. Creditors - amounts falling due after one year

| | <u>2011</u> | <u>2010</u> |
|----------------------------------|---------------------------|--------------------------|
| | US \$ | US \$ |
| Shareholders' advances (note 15) | <u><u>108,281,064</u></u> | <u><u>93,277,374</u></u> |

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2011

| 15. Shareholders' advances | United Petroleum Development Co Ltd (Japan) | BP Exploration Company Ltd | Total |
|---|--|---|---------------------------|
| | US \$ | US \$ | US \$ |
| At 1 January 2011 | 118,786,729 | 3,740,052 | 122,526,781 |
| Advances | 43,747,000 | 1,353,000 | 45,100,000 |
| Reduction in shareholders' advances through offset against oil sales debtors | <u>-25,750,483</u> | <u>-803,802</u> | <u>-26,554,285</u> |
| At 31 December 2011 | <u>136,783,246</u> | <u>4,289,250</u> | <u>141,072,496</u> |
| Analysed as follows | | <u>2011</u> | <u>2010</u> |
| | | US \$ | US \$ |
| Due in one year or less (note 13) | | 32,791,432 | 29,249,407 |
| Due in more than one year but not more than two years | | 33,371,641 | 37,713,676 |
| Due in more than two years but not more than five years | | <u>74,909,423</u> | <u>55,563,698</u> |
| | | <u>141,072,496</u> | <u>122,526,781</u> |

The advances, on which no interest is payable, are called in accordance with the Company's requirements and repaid according to an agreement between the shareholders dated 18 December 1970

The amount due in one year or less represents the estimated balance of the shareholders' advances which will be settled by way of offset against the receivable arising from the proportion of the turnover which represents the depreciation charge for the following year. No cash transaction arises as a result of the settlement of this balance

| 16. Provisions for liabilities and charges | <u>2011</u> | <u>2010</u> |
|---|-------------------------|-------------------------|
| | US \$ | US \$ |
| Employees end of service benefits | | |
| At 1 January | 2,753,867 | 2,726,577 |
| Provided during the year | 397,507 | 498,897 |
| Paid | <u>-384,944</u> | <u>-471,607</u> |
| At 31 December | <u>2,766,430</u> | <u>2,753,867</u> |

Provision is made in accordance with Company's personnel policy for the cost of employees' end of service benefits to cover liabilities under the United Arab Emirates Labor Law for locally engaged employees of non UAE nationality for services up to the reporting date

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2011

17. Share capital

| Authorised, allotted, called up and fully paid | £ | <u>2011</u> US \$ | <u>2010</u> US \$ |
|--|---------------|----------------------|----------------------|
| 50,000 'A' shares of £ 1 each | 50,000 | 95,330 | 95,330 |
| 25,000 'B' shares of £ 1 each | <u>25,000</u> | <u>47,665</u> | <u>47,665</u> |
| | <u>75,000</u> | <u>142,995</u> | <u>142,995</u> |

Except in so far as the holders of the "A" and "B" shares constitute separate groups of shareholders, the "A" and "B" shares rank pari passu in all respects.

18. Movement on reserves and reconciliation of movements in shareholders' funds

| | <u>2011</u> | | | | |
|---------------------|---|---|--|---|-----------------------|
| | <u>Share</u> <u>Capital</u> US \$ | <u>Share</u> <u>Premium</u> US \$ | <u>Exchange</u> <u>Reserve</u> US \$ | <u>Profit & Loss</u> <u>account</u> US \$ | <u>Total</u> US \$ |
| At 1 January 2011 | 142,995 | 14,157,649 | 17,053 | -12,229,009 | 2,088,688 |
| Profit for the year | - | - | - | 6,166 | 6,166 |
| At 31 December 2011 | <u>142,995</u> | <u>14,157,649</u> | <u>17,053</u> | <u>-12,222,843</u> | <u>2,094,854</u> |

The exchange reserve arises from the restatement of balances from Sterling to US Dollars at 31 December 1976 and is not distributable

19. Financial commitments

The estimated amount of future capital expenditure contracted but not provided for is \$68,133,616 (2010 \$68,289,734)

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2011

20. NOTES TO THE CASH FLOW STATEMENT

**(A) RECONCILIATION OF OPERATING (LOSS) PROFIT TO NET
CASH (USED IN) FROM OPERATING ACTIVITIES**

| | <u>2011</u> US \$ | <u>2010</u> US \$ |
|--|----------------------|----------------------|
| Operating (loss)/profit before interest and taxation | -15,290 | 47,381 |
| Depreciation | 26,902,039 | 32,197,311 |
| Loss on sale of tangible assets | - | 9,913 |
| Adjustment | | |
| (Increase)/Decrease in stocks | -3,759,586 | 2,363,055 |
| (Increase)/Decrease in debtors | -10,342,155 | 1,013,351 |
| Increase in creditors | 10,851,144 | 1,157,087 |
| Reduction in shareholders advances through offset against oil sales debtors | -26,554,285 | -32,440,656 |
| Increase in provisions for liabilities and charges | <u>12,563</u> | <u>27,290</u> |
| NET CASH (USED IN) FROM OPERATING ACTIVITIES | <u>-2,905,570</u> | <u>4,374,732</u> |

(B) RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

| | <u>2011</u> US \$ | <u>2010</u> US \$ |
|---|----------------------|----------------------|
| Increase/(Decrease) in cash in the year | 5,039,412 | -3,063,432 |
| Increase in shareholders' advances | <u>-45,100,000</u> | <u>-5,100,000</u> |
| Changes in net debt resulting from cash flows | -40,060,588 | -8,163,432 |
| Other changes in debt | <u>26,554,285</u> | <u>32,440,656</u> |
| Movement in net debt | -13,506,303 | 24,277,224 |
| Net debt at 1 January | <u>-114,987,954</u> | <u>-139,265,178</u> |
| Net debt at 31 December | <u>-128,494,257</u> | <u>-114,987,954</u> |

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2011

20. NOTES TO THE CASH FLOW STATEMENT (continued)

(C) ANALYSIS OF CHANGES IN NET DEBT

| | At 1 January 2011 US \$ | Cash flows US \$ | Other changes US \$ | At 31 December 2011 US \$ |
|----------------------------------|--|-----------------------------|------------------------------------|--|
| Cash at bank and in hand | 7,538,827 | 5,039,412 | | 12,578,239 |
| Debt due within 1 year (note 13) | -29,249,407 | | -3,542,025 | -32,791,432 |
| Debt due after 1 year (note 14) | -93,277,374 | -45,100,000 | 30,096,310 | -108,281,064 |
| Total | <u>-114,987,954</u> | <u>-40,060,588</u> | <u>26,554,285</u> | <u>-128,494,257</u> |

(D) Debt comprises Shareholders' advances (note 15)

(E) Other changes in debt comprise the reduction in shareholders' advances through the offset against oil sales debtors

BUNDUQ COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)
31 DECEMBER 2011

21. RELATED PARTIES

Details of the related party transactions during 2011 and outstanding balances at 31 December 2011 are set out below

| | TOTAL | United Petroleum Development Co. Ltd (Japan) | BP Exploration Company Ltd | BP Abu Dhabi | BP Exploration (Middle East) Ltd |
|---|--------------|---|---|-------------------------|---|
| | US \$ | US \$ | US \$ | US \$ | US \$ |
| A TRANSACTIONS DURING THE YEAR | | | | | |
| Turnover (a) | 171,379,966 | 166,238,570 | - | 2,570,698 | 2,570,698 |
| Cost of sales (b) | 4,220,435 | 4,220,435 | - | - | - |
| B AMOUNTS DUE FROM/(TO) | | | | | |
| Trade debtors - oil sales (a) | 36,924,921 | 35,817,183 | - | 553,869 | 553,869 |
| Trade creditors (b) | -1,276,927 | -1,243,427 | -33,500 | - | - |
| Shareholders' advances (c) | -141,072,496 | -136,783,246 | -4,289,250 | - | - |

- a) The Company's turnover is entirely derived from the sales of crude oil to its shareholders or their wholly owned subsidiary companies. The invoiced sales are in proportion to the quantity of crude oil lifted. The oil sales to United Petroleum Development Co. Ltd (Japan) ("UPD") are split equally between the Qatar and Abu Dhabi branch.
- b) UPD, through its Head Office in Tokyo, second staff and provide technical support to the Company. The related costs are included in cost of sales.
- c) The shareholders' advances are used to fund the Company's operations - refer note 15.

BUNDUQ COMPANY LIMITED
SUPPLEMENTARY INFORMATION
31 DECEMBER 2011

**ESTIMATED NET PROVED DEVELOPED AND UNDEVELOPED
RESERVES OF CRUDE OIL**

| | <u>2011</u> <u>mml barrels</u> | <u>2010</u> <u>mml barrels</u> |
|------------------------------------|-----------------------------------|-----------------------------------|
| At the beginning of the year | 35 5 | 38 9 |
| Change in the year attributable to | | |
| revision of estimate | (1.5) | 1 3 |
| production | <u>(3 8)</u> | <u>(4.7)</u> |
| Total change | <u>(5 3)</u> | <u>(3 4)</u> |
| At the end of the year | <u>30 2</u> | <u>35 5</u> |

The associated gas reserves are not disclosed because they are not owned by the Company