BP KAPUAS III LIMITED
(Registered No. 07322059)

ANNUAL REPORT AND ACCOUNTS 2013

Board of Directors: J H Bartlett
J S Blythe
A P Martin

The directors present the strategic report, their report and the accounts for the year ended 31 December 2013.

STRATEGIC REPORT

Results

The profit for the year after taxation was $879 which, when added to the retained deficit brought forward at 1 January 2013 of $9,751,324, gives a total retained deficit carried forward at 31 December 2013 of $9,750,445.

Principal activity and review of the business

On 1 April 2011, BP and co-owner PT Sugico Graha ("Sugico") were jointly awarded the Kapuas III CBM Production Sharing Contract ("PSC") through a direct offer from the Government of Indonesia. BP held a 45 per cent participating interest in the PSC with Sugico holding the remaining 55 per cent.

In 2012, BP management decided to exit the Kapuas III CBM PSC. In June 2013, BP Kapuas III Limited completed the transfer of all of its participating interests in the Kapuas III CBM PSC to PT Sugico Graha.

On 8 April 2013 and 13 June 2013, 3,700,000 ordinary shares of $1 each for a total nominal value of $3,700,000 and 6,052,000 ordinary shares of $1 each for a total nominal value of $6,052,000 respectively were allotted to the immediate parent company at par value.

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

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 area: compliance and control. In addition, we have set out one separate risk for your attention – the risk resulting from the 2010 Gulf of Mexico oil spill.

Principal risks and uncertainties (continued)

Gulf of Mexico oil spill

The Gulf of Mexico oil spill (the Incident) 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 Kapuas III Limited.

There is significant uncertainty regarding the extent and timing of the remaining costs and liabilities relating to 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, fines and penalties that become payable by the BP group (including as a result 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.

These uncertainties are likely to continue for a significant period, increase the risks to which the group is exposed and may cause BP group's costs to increase materially. 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, and subsequently the company, 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 2013.

Compliance and control risks

Liabilities and provisions
The BP group's potential liabilities resulting from pending and future claims, lawsuits, settlements and enforcement actions relating to the Incident, together with the potential cost and burdens of implementing remedies sought in the various proceedings, 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 2013.

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.

By Order of the Board

J Taylor

For and on behalf of
Sunbury Secretaries Limited
Company Secretary

10 JULY 2014

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

BP KAPUAS III LIMITED

DIRECTORS' REPORT

Directors

The present directors are listed on page 1.

J H Bartlett, J S Blythe, M R Illingworth, W W L Lin and A P Martin served as directors throughout the financial year.
Changes since 1 January 2014 are as follows:

	Appointed	Resigned
M R Illingworth	-	31 January 2014
W W L Lin	-	31 January 2014

Directors' indemnity

The company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006. Such qualifying third party indemnity provisions for the benefit of the company's directors remain in force at the date of this report.

Dividends

The company has not declared any dividends during the year (2012:$Nil). The directors do not propose the payment of a dividend.

Future developments

In 2012, BP management decided to exit the Kapuas III CBM PSC. In June 2013, BP Kapuas III Limited completed the transfer of all of its participating interests in the Kapuas III CBM PSC to PT Sugico Graha.

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 KAPUAS III LIMITED

DIRECTORS' REPORT

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

J Tayle

For and on behalf of
Sunbury Secretaries Limited
Company Secretary

10 JULY 2014

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

BP KAPUAS III LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss for that period. In preparing these accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with these requirements and, having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts.

BP KAPUAS III LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BP KAPUAS III LIMITED

We have audited the financial statements of BP Kapuas III Limited for the year ended 31 December 2013 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 15. 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 6, 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and 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
15 July 2014

BP KAPUAS III LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013	2012
		$	$
Exploration expenses		3,239	(2,924,040)
Administration expenses		(2,360)	(22,428)
Operating profit / (loss)	**2**	879	(2,946,468)
Loss on termination of operations	**4**	-	(6,074,999)
Profit / (loss) before taxation		879	(9,021,467)
Taxation	**5**	-	-
Profit / (loss) for the year		879	(9,021,467)

The profit of $879 for the year ended 31 December 2013 was derived in its entirety from discontinued operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2013

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

BP KAPUAS III LIMITED
(Registered No. 07322059)

BALANCE SHEET AT 31 DECEMBER 2013

	Note	2013 $	2012 $
Fixed assets			
Intangible assets	7	-	-
Current assets			
Debtors	8	54,586	37,243
Cash at bank and in hand		-	219,252
		54,586	256,495
Creditors: amounts falling due within one year	9	(53,026)	(10,007,814)
Net current assets / (liabilities)		1,560	(9,751,319)
TOTAL ASSETS LESS CURRENT LIABILITIES		1,560	(9,751,319)
NET ASSETS / (LIABILITIES)		1,560	(9,751,319)
Represented by			
Capital and reserves			
Called up share capital	10	9,752,005	5
Profit and loss account	11	(9,750,445)	(9,751,324)
SHAREHOLDERS' FUNDS / (DEFICIT) – EQUITY INTERESTS		1,560	(9,751,319)

The financial statements of BP Kapuas III Limited were approved for issue by the Board of Directors on 10 July 2014 and were signed on its behalf by:

J S Blythe
Director

10 July 2014

1. Accounting policies

Accounting standards

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

The principal accounting policies are set out below and have been applied consistently throughout the year.

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.

Cash flow statement and related party disclosures

The group accounts of the ultimate parent undertaking, which are publicly available, contain a consolidated cash flow statement. Consequently the company has taken advantage of the exemption from preparing a cash flow statement under the terms of FRS 1 "Cash Flow Statements" (Revised 1996). The company is also exempt under the terms of FRS 8 "Related Party Disclosures" from disclosing related party transactions with entities that are wholly-owned members of the BP group. For details of other related party transactions see note 13.

Foreign currency transactions

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

Intangible assets

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

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

The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, that is, the higher of net realisable value and value in use, the asset is written down to its recoverable amount. The value in use is determined from estimated discounted future net cash flows.

1. Accounting policies (continued)

Oil and natural gas exploration and development expenditure

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

Licence and property acquisition costs

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

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

Exploration expenditure

Geological and geophysical exploration costs are charged against income as incurred. Costs directly associated with an exploration well are capitalised as an intangible asset until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. If hydrocarbons are not found, the exploration expenditure is written off as a dry hole. If hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells, are likely to be capable of commercial development, the costs continue to be carried as an asset. All such carried costs are subject to regular technical, commercial and management review to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proved reserves of oil and natural gas are determined and development is sanctioned, the relevant expenditure is transferred to tangible production assets.

Other debtors

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.

Other creditors

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

2. Operating profit / (loss)

This is stated after charging:

	2013	2012
	$	$
Currency exchange losses	1,330	1,369

3. Auditor's remuneration

	2013	2012
	$	$
Fees for the audit of the company	8,485	8,663

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

The fees were borne by another group company

4. Exceptional items

Exceptional items comprise the loss on termination of operations as follows:

	2013	2012
	$	$
Loss on termination of operations	-	6,074,999

The loss on termination of operations of $6,074,999 arose due to the company's decision to exit from the Kapuas III CBM PSC.

5. Taxation

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

	2013	2012
	$	$
Profit / (loss) before taxation	879	(9,021,467)
Current taxation	-	-
Effective current tax rate	0%	0%

	2013	2012
	%	%
UK statutory corporation tax rate:	23	24
Decrease resulting from:		
Fixed asset timing differences	-	(3)
Non-taxable income / non-deductible expenditure	(23)	(21)
Effective current tax rate	-	-

6. 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 year (2012: $Nil).

(b) Employee costs

The company had no employees during the year (2012: Nil).

7. Intangible assets

	Licences
	$
Cost	
At 1 January 2013	1,200,000
Disposals	(1,200,000)
At 31 December 2013	-
Impairment	
At 1 January 2013	(1,200,000)
Disposals	1,200,000
At 31 December 2013	-
Net book value	
At 31 December 2013	-
At 31 December 2012	-

8. Debtors

	2013 Within 1 year	2012 Within 1 year
	$	$
Amounts owed by group undertakings	54,586	164
Other debtors	-	37,079
	54,586	37,243

9. Creditors

	2013 Within 1 year	2012 Within 1 year
	$	$
Amounts owed to group undertakings	31,146	5,403,626
Termination fee	-	4,333,000
Other creditors	-	90,157
Accruals and deferred income	21,880	181,031
	53,026	10,007,814

10. Called up share capital

	2013	2012
	$	$
Allotted, called up and fully paid:		
2 Ordinary shares of £1 each for a total nominal value of £2	4	4
9,752,001 Ordinary shares of $1 each for a total nominal value of $9,752,001	9,752,001	1
	9,752,005	5

On 8 April 2013 and 13 June 2013, 3,700,000 ordinary shares of $1 each for a total nominal value of $3,700,000 and 6,052,000 ordinary shares of $1 each for a total nominal value of $6,052,000 respectively were allotted to the immediate parent company at par value.

11. Capital and reserves

	Called up share capital	Profit and loss account	Total
	$	$	$
At 1 January 2013	5	(9,751,324)	(9,751,319)
Issue of ordinary share capital	9,752,000	-	9,752,000
Profit for the year	-	879	879
At 31 December 2013	9,752,005	(9,750,445)	1,560

12. Reconciliation of movements in shareholders' funds

	2013	2012
	$	$
Profit / (loss) for the year	879	(9,021,467)
Issue of ordinary share capital	9,752,000	-
Net increase / (decrease) in shareholders' funds	9,752,879	(9,021,467)
Shareholders' deficit at 1 January	(9,751,319)	(729,852)
Shareholders' funds / (deficit) at 31 December	1,560	(9,751,319)

13. Related party transactions

The company has taken advantage of the exemption contained within FRS 8 "Related Party Disclosures", and has not disclosed transactions entered into with wholly-owned group companies. There were no other related party transactions in the year.

14. Pensions

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

15. Immediate and ultimate controlling parent undertaking

The immediate parent undertaking is BP Exploration Operating Company Limited, a company registered in England and Wales. The ultimate controlling parent undertaking is BP p.l.c., a company registered in England and Wales, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of BP p.l.c. can be obtained from 1 St James's Square, London, SW1Y 4PD.