

BP SHAFAG-ASIMAN LIMITED
(Registered No.07599899)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2016

Board of Directors: J Freeman
B M Puffer
R G Jones

The directors present the strategic report, their report and the financial statements for the year ended 31 December 2016.

STRATEGIC REPORT

Results

The loss for the year after taxation was \$3,726,981 which, when added to the accumulated loss brought forward at 1 January 2016 of \$41,936,780, gives a total accumulated loss carried forward at 31 December 2016 of \$45,663,761.

Principal activities and review of the business

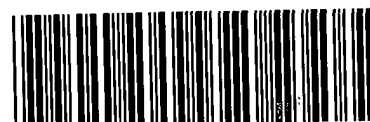
The State Oil Company of the Azerbaijan Republic ("SOCAR") and BP have executed an Exploration, Development and Production Sharing Agreement ("EDPSA") for the Shafag-Asiman offshore block in the Azerbaijan Sector of the Caspian Sea dated 7 October 2010, and which became effective on 1 July 2011. A bonus of \$20,000,000 was paid by BP to SOCAR within 30 days of the effective date. The annual acreage fee is \$2,000 per square kilometre of the contract area of 1,059 square kilometres, paid annually in arrears during exploration and additional exploration periods.

The exploration period commenced on 1 July 2011 for a period of 4 years, with a possibility to extend this period if reservoir pressures are greater than 1,000 atmospheres, or in case of unavailability of a drilling rig required to fulfil the minimum work obligations during the exploration period. Since then the exploration period has been extended two times, with the latest extension valid until 1 July 2017. Currently BP is in the process of engagement with SOCAR to agree on a further extension of the exploration period due to the continued unavailability of a suitable drilling rig. Subject to fulfilment of the minimum work obligations during the exploration period, BP may, with SOCAR's approval, elect to proceed to the additional exploration period, which is 3 years from the end of the exploration period or such approval by SOCAR.

The EDPSA was originally executed by BP Exploration (Azerbaijan) Limited. BP Shafag-Asiman Limited was incorporated on 11 April 2011 and assumed the entire participating interest, together with all rights, obligations and liabilities, of BP Exploration (Azerbaijan) Limited with regard to the EDPSA with effect from the effective date of the EDPSA (1 July 2011). As a contractor party, the company has a 50% participating interest under the EDPSA. The remaining 50% participating interest is held by SOCAR Oil Affiliate ("SOA"), a company to be formed, owned and controlled by SOCAR. Pending formation of SOA, all rights and obligations of SOA are performed by SOCAR.

According to the EDPSA, BP Shafag-Asiman Limited has an obligation to carry all petroleum costs attributable to the participating interest of SOA during the exploration period and the additional exploration period (if any). SOA's share of the cost carried by BP Shafag-Asiman Limited will be reimbursed by SOA upon commencement of commercial production. Costs borne on behalf of SOA are capitalised or expensed in accordance with the company's normal accounting policy.

THURSDAY



L6FYA3PF

LD3

28/09/2017

#9

COMPANIES HOUSE

BP SHAFAG-ASIMAN LIMITED

STRATEGIC REPORT

Principal activities and review of the business (continued)

According to the EDPSA, BP has committed to the following work obligation during the exploration period: shoot, process and interpret a minimum of 1,059 square kilometres of three dimensional (3D) seismic in the contract area and carry out an upper section site survey in the contract area to select a safe and environmentally sound site for drilling; drill two exploration wells; and conduct the necessary environmental protection study. If the first exploration well to be drilled does not encounter commercial hydrocarbons, then upon consultation with SOCAR, BP may elect not to drill the second exploration well. During the additional exploration period (if any), BP has to drill at least two exploration wells.

During the exploration period, BP contracted Caspian Geophysical to obtain 3D seismic data for the contract area. The process of seismic acquisition was completed in January 2012 with the total coverage of approximately 1,446 square kilometres. The 3D processing project with Caspian Geophysical was completed in December 2013. Interpretation took place throughout 2014 and was completed in December 2014. In 2015 the focus was on delivering subsurface prospect description, issuing a well initiation document and endorsing the results through a technical assurance review. The 2016 work consisted of further well planning including finalizing well objective, initial well design, agreeing surface location to allow well specific shallow hazards assessment work to commence, and other related activities.

BP's commercial and legal teams are working to execute a joint operating agreement ("JOA") with SOA, which will provide for joint venture governance details and structure as well as precise definition of rights and responsibilities of the contractor parties to the EDPSA. According to the EDPSA, BP or its affiliate shall act as the operating company during the exploration period, the additional exploration period (if any), and before the commencement of the development and production period. BP Exploration (Shafag-Asiman) Limited ("BPXSA") has been incorporated with the purpose of becoming the operator under the EDPSA during the exploration period and any additional exploration period, and will be appointed as such upon execution of the JOA to which BPXSA will also be a party.

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

BP SHAFAG-ASIMAN LIMITED

STRATEGIC REPORT

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 for the group.

The risks listed below, separately or in combination, could have a material adverse effect on the implementation of the company's strategy, business, financial performance, results of operations, cash flows, liquidity, prospects, shareholder value and returns and reputation. Unless stated otherwise, further details on these risks are included within the risk factors in the strategic report of the BP group Annual Report and Form 20-F for the year ended 31 December 2016.

Strategic and commercial risks

Prices and markets

The company's financial performance is subject to fluctuating prices of oil, gas, refined products, technological change, exchange rate fluctuations and the general macroeconomic outlook.

Access, renewal and reserves progression

The company's inability to access, renew and progress upstream resources in a timely manner could adversely affect its long-term replacement of reserves.

Geopolitical

The company is exposed to a range of political developments and consequent changes to the operating and regulatory environment.

Joint arrangements and contractors

The company may have limited control over the standards, operations and compliance of its partners, contractors and sub-contractors.

Digital infrastructure and cybersecurity

Breach of the company's digital security or failure of its digital infrastructure could damage its operations and reputation.

Climate change and carbon pricing

Public policies could increase costs and reduce future turnover and strategic growth opportunities.

Competition

Inability to remain efficient, innovate and retain an appropriately skilled workforce could negatively impact delivery of the company's strategy in a highly competitive market.

Crisis management and business continuity

Potential disruption to the company's business and operations could occur if it does not address an incident effectively.

Insurance

The BP group's insurance strategy could expose the BP group to material uninsured losses which in turn could adversely affect the company.

BP SHAFAG-ASIMAN LIMITED

STRATEGIC REPORT

Principal risks and uncertainties (continued)

Safety and operational risks

Process safety, personal safety and environmental risks

The company is exposed to a wide range of health, safety, security and environmental risks that could result in regulatory action, legal liability, increased costs, damage to its reputation and potentially denial of its licence to operate.

Security

Hostile acts against the company's staff and activities could cause harm to people and disrupt its operations.

Compliance and control risks

Regulation

Changes in the regulatory and legislative environment could increase the cost of compliance, affect the company's provisions and limit its access to new exploration opportunities.

Ethical misconduct and non-compliance

Ethical misconduct or breaches of applicable laws by the company's businesses or its employees could be damaging to its reputation and could result in litigation, regulatory action and penalties.

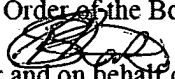
Reporting

Failure to accurately report the company's data could lead to regulatory action, legal liability and reputational damage.

Financial risk management

The company is exposed to a number of different financial risks arising from natural business exposures as well as its use of financial instruments including market risks relating to foreign currency exchange rates and interest rates. Further details on these financial risks are included within Note 28 of the BP group Annual Report and Form 20-F for the year ended 31 December 2016.

By Order of the Board


For and on behalf of
Sunbury Secretaries Limited
Company Secretary

27 September 2017

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

BP SHAFAG-ASIMAN LIMITED

DIRECTORS' REPORT

Directors

The present directors are listed on page 1.

J Freeman, B M Puffer and G Y Birrell served as directors throughout the financial year. Changes since 1 January 2016 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
G Y Birrell	-	2 April 2017
R G Jones	2 April 2017	-

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 (2015: \$Nil). The directors do not propose the payment of a dividend.

Financial instruments

In accordance with section 414C of the Companies Act 2006 the directors have included information regarding financial instruments as required by Schedule 7 (Part 1.6) of the Large and Medium-sized Companies and Group Regulations 2008 in the strategic report under Financial risk management.

Future developments

The directors consider that, despite the uncertainties deriving from the current economic environment and the loss reported for the year, the company has adequate resources to continue in operational existence for the foreseeable future.

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

BP SHAFAG-ASIMAN 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



For and on behalf of
Sunbury Secretaries Limited
Company Secretary

27 September 2017

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

BP SHAFAG-ASIMAN LIMITED

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

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable UK 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) including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 financial statements, 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 financial statements.

BP SHAFAG-ASIMAN LIMITED

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

We have audited the financial statements of BP Shafag-Asiman Limited for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 14. 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) including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 7, 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). Those 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 Financial Statements 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 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework'; 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, based on the work undertaken in the course of the audit:

- 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.
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

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

28 September 2017

BP SHAFAG-ASIMAN LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2016

		<u>2016</u>	<u>2015</u>
	Note	\$	\$
Exploration expenses		(3,670,207)	(5,359,859)
Administrative expenses		(56,774)	(102,603)
Loss before taxation		<u>(3,726,981)</u>	<u>(5,462,462)</u>
Taxation	5	-	-
Loss for the year		<u>(3,726,981)</u>	<u>(5,462,462)</u>

The loss of \$3,726,981 for the year ended 31 December 2016 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016

There is no comprehensive income attributable to the shareholders of the company other than the loss for the year.

BP SHAFAG-ASIMAN LIMITED

(Registered No.07599899)

BALANCE SHEET AT 31 DECEMBER 2016

	Note	2016 \$	2015 \$
Fixed assets			
Intangible assets	7	20,000,000	20,000,000
Investment	8	1	1
		<u>20,000,001</u>	<u>20,000,001</u>
Current assets			
Debtors	9	49,752	121,673
Creditors: amounts falling due within one year	10	(11,613,514)	(17,958,454)
Net current liabilities		<u>(11,563,762)</u>	<u>(17,836,781)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>8,436,239</u>	<u>2,163,220</u>
NET ASSETS		<u>8,436,239</u>	<u>2,163,220</u>
Capital and reserves			
Called up share capital	11	54,000,100	44,000,100
Share premium account	12	99,900	99,900
Profit and loss account	12	(45,663,761)	(41,936,780)
TOTAL EQUITY		<u>8,436,239</u>	<u>2,163,220</u>

On behalf of the Board



J Freeman

Director

27 September 2017

BP SHAFAG-ASIMAN LIMITED**STATEMENT OF CHANGES IN EQUITY**
FOR THE YEAR ENDED 31 DECEMBER 2016

	Called up share capital (Note 11) \$	Share premium account (Note 12) \$	Profit and loss account (Note 12) \$	Total \$
Balance at 1 January 2015	44,000,100	99,900	(36,474,318)	7,625,682
Loss for the year, representing total comprehensive income	-	-	(5,462,462)	(5,462,462)
Balance at 31 December 2015	44,000,100	99,900	(41,936,780)	2,163,220
Loss for the year, representing total comprehensive income	-	-	(3,726,981)	(3,726,981)
Issue of share capital	10,000,000	-	-	10,000,000
Balance at 31 December 2016	54,000,100	99,900	(45,663,761)	8,436,239

BP SHAFAG-ASIMAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

1. Authorisation of financial statements and statement of compliance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101)

The financial statements of BP Shafag-Asiman Limited for the year ended 31 December 2016 were approved by the board of directors on 27 September 2017 and the balance sheet was signed on the board's behalf by J Freeman. BP Shafag-Asiman Limited is a limited company incorporated and registered in England and Wales. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the provisions of the Companies Act 2006.

2. Significant accounting policies, judgements, estimates and assumptions

The significant accounting policies and critical accounting judgements, estimates and assumptions of the company are set out below.

Basis of preparation

These financial statements have been prepared in accordance with FRS 101. The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The accounting policies that follow have been consistently applied to all years presented.

These financial statements are separate financial statements. The company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare consolidated financial statements, because it is included in the group financial statements of BP p.l.c. Details of the parent in whose consolidated financial statements the company is included are shown in Note 14 to the financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (b) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement;
- (c) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- (d) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1; and
 - (ii) paragraph 118(e) of IAS 38 Intangible Assets;
- (e) the requirements of IAS 7 Statement of Cash Flows;
- (f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective;
- (g) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures; and
- (h) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

Where required, equivalent disclosures are given in the group financial statements of BP p.l.c. The group financial statements of BP p.l.c. are available to the public and can be obtained as set out in Note 14.

The financial statements are presented in US dollars and all values are rounded to the nearest whole number in dollars (\$).

BP SHAFAG-ASIMAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies, judgements, estimates and assumptions (continued)

Critical accounting policies: use of judgements, estimates and assumptions

Inherent in the application of many of the accounting policies used in preparing the financial statements is the need for management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual outcomes could differ from the estimates and assumptions used. The critical judgements and estimates that could have a significant impact on the results of the company are set out below and should be read in conjunction with the information provided in the Notes to the financial statements:

Deferred tax

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the net effect of future tax planning strategies.

Significant accounting policies

Going concern

At 31 December 2016 the company's balance sheet had net current liabilities amounting to \$11,563,762.

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

Foreign currency

The functional and presentation currency of the financial statements is US dollars. The functional currency is the currency of the primary economic environment in which an entity operates and is normally the currency in which the entity primarily generates and expends cash.

Transactions in foreign currencies are initially recorded in the functional currency by applying the rate of exchange ruling at the date of the transaction, where this is not practical and exchange rates do not fluctuate materially the average rate has been used. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are included in the profit and loss account. Non-monetary assets and liabilities, other than those measured at fair value, are not retranslated subsequent to initial recognition.

Investments

Fixed asset investments in subsidiaries are held at cost. The company assesses investments for an impairment indicator annually. If any such indication of possible impairment exists, the company makes an estimate of the investment's 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.

Where these circumstances have reversed, the impairment previously made is reversed to the extent of the original cost of the investment.

BP SHAFAG-ASIMAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies, judgements, estimates and assumptions (continued)

Significant accounting policies (continued)

Intangible assets

Intangible assets, other than goodwill, are stated at the amount initially recognised, less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. An intangible asset acquired as part of a business combination is measured at fair value at the date of acquisition and is recognised separately from goodwill if the asset is separable or arises from contractual or other legal rights.

Intangible assets with a finite life are amortised on a straight-line basis over their expected useful lives. For patents, licences and trademarks, expected useful life is the shorter of the duration of the legal agreement and economic useful life, and can range from three to fifteen years. Computer software costs generally have a useful life of three to five years.

The expected useful lives of assets are 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 whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Oil and natural gas exploration, appraisal and development expenditure

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

Licence and property acquisition costs

Exploration licence and leasehold property acquisition costs are initially capitalised within intangible assets and are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned or that it has been determined, or work is under way to determine, that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing. If no future activity is planned, the remaining balance of the licence and property acquisition costs is written off. Upon recognition of proved reserves and internal approval for development, the relevant expenditure is transferred to tangible assets.

Exploration and appraisal expenditure

Geological and geophysical exploration costs are charged to the profit and loss account 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 potentially commercial quantities of hydrocarbons are not found, the exploration well is written off as a dry hole. If hydrocarbons are found and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continue to be carried as an asset.

Costs directly associated with appraisal activity, undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalised as an intangible

BP SHAFAG-ASIMAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies, judgements, estimates and assumptions (continued)

Significant accounting policies (continued)

Exploration and appraisal expenditure (continued)

asset. When proved reserves of oil and natural gas are determined and development is approved by management, the relevant expenditure is transferred to tangible assets.

Impairment of intangible and tangible 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, for example, changes in the company's business plans, changes in commodity prices leading to sustained unprofitable performance, low plant utilisation, evidence of physical damage or, for oil and gas assets, significant downward revisions of estimated reserves or increases in estimated future development expenditure. If any such indication of impairment exists, the company makes an estimate of the asset's recoverable amount. 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. An asset group's recoverable amount is the higher of its fair value less costs to sell 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. Fair value less costs to sell is identified as the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general.

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 an 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.

Financial assets

Financial assets within the scope of IAS 39 are classified as loans and receivables; financial assets at fair value through profit or loss; derivatives designated as hedging instruments in an effective hedge; held-to-maturity financial assets; or as available-for-sale financial assets, as appropriate. Financial assets may include cash and cash equivalents, trade receivables, other receivables, loans, other investments, and derivative financial instruments. The company determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The subsequent measurement of financial assets is as follows:

BP SHAFAG-ASIMAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies, judgements, estimates and assumptions (continued)

Significant accounting policies (continued)

Financial assets (continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process. This category of financial assets includes trade and other receivables. Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value and have a maturity of three months or less from the date of acquisition.

Impairment of financial assets

The company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Loans and receivables

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognised in the profit and loss account.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss; derivatives designated as hedging instruments in an effective hedge; or as financial liabilities measured at amortised cost, as appropriate. Financial liabilities may include trade and other payables, accruals, most items of finance debt and derivative financial instruments. The company determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities is as follows:

Financial liabilities measured at amortised cost

All financial liabilities are initially recognised at fair value. For interest-bearing loans and borrowings this is the fair value of the proceeds received net of issue costs associated with the borrowing.

After initial recognition, these financial liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in interest receivable and similar income and interest payable and similar charges. This category of financial liabilities includes trade and other payables and finance debt.

Offsetting of financial assets and liabilities

Financial assets and liabilities are presented gross in the balance sheet unless both of the following criteria are met: the company currently has a legally enforceable right to set off the recognised amounts; and the company intends to either settle on a net basis or realise the asset and settle the liability simultaneously. If both of the criteria are met, the amounts are set off and presented net.

BP SHAFAG-ASIMAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

2. Significant accounting policies, judgements, estimates and assumptions (continued)

Significant accounting policies (continued)

Taxation

Taxation expense represents the sum of current tax and deferred tax. Taxation is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case the related tax is recognised in other comprehensive income or directly in equity.

Current tax is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the profit and loss account because it is determined in accordance with the rules established by the applicable taxation authorities. It therefore excludes items of income or expense that are taxable or deductible in other periods as well as items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises on the initial recognition of goodwill or on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit or loss nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off taxation assets against taxation liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

3. Operating loss

This is stated after charging:

	<u>2016</u>	<u>2015</u>
	\$	\$
Net foreign exchange loss	<u>-</u>	<u>146</u>

BP SHAFAG-ASIMAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

4. Auditor's remuneration

	2016	2015
	\$	\$
Fees for the audit of the company	56,774	19,588

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 financial statements since the consolidated financial statements of BP Shafag-Asiman Limited's ultimate parent, BP p.l.c., are required to disclose non-audit fees on a consolidated basis.

5. Taxation

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

(a) Reconciliation of the effective tax rate

The tax assessed on the loss for the year is lower than the standard rate of corporation tax in the UK of 20% for the year ended 31 December 2016 (2015: 20%). The differences are reconciled below:

	2016	2015
	\$	\$
Loss before taxation	(3,726,981)	(5,462,462)
Tax charge	-	-
Effective tax rate	0%	0%

	2016	2015
	%	%
UK statutory corporation tax rate:	20	20
Decrease resulting from:		
Movements in unrecognised deferred tax	(20)	(20)
Effective tax rate	-	-

Change in corporation tax rate

The UK corporation tax rate reduced to 19% with effect from 1 April 2017, and will further reduce to 17% from 1 April 2020. Deferred tax has been measured using these rates, which have been substantively enacted at 31 December 2016.

(b) Provision for deferred tax

Deferred tax has not been recognised on deductible temporary differences of \$45,663,761 (2015: \$41,936,780) relating to pre-trading expenditure with a fixed expiry date; these amounts are expected to expire in the period 2018-2023 and are not expected to give rise to any future tax benefit.

BP SHAFAG-ASIMAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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 (2015: \$Nil).

(b) Employee costs

The company had no employees during the year (2015: None).

7. Intangible assets

	Exploration expenditure
Cost	\$
At 1 January 2016 and 31 December 2016	<u>20,000,000</u>
Net book value	
At 31 December 2015 and December 2016	<u>20,000,000</u>

8. Investment

	Investment in subsidiary
Cost	\$
At 1 January 2016 and 31 December 2016	<u>1</u>
Net book amount	
At 31 December 2015 and December 2016	<u>1</u>

The subsidiary and other undertaking of the company at 31 December 2016 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.

Subsidiary undertaking

Company name	Class of share held	%	Registered address	Principal activity
BP Exploration (Shafag-Asiman) Limited	Ordinary shares	100	Chertsey Road Sunbury on Thames Middlesex TW16 7BP United Kingdom	Operator of the Shafag-Asiman EDPSA

BP SHAFAG-ASIMAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

9. Debtors

Amounts falling due within one year:

	<u>2016</u>	<u>2015</u>
	\$	\$
Other debtors	-	81,320
Prepayments and accrued income	49,752	40,353
Total debtors	<u>49,752</u>	<u>121,673</u>

10. Creditors

Amounts falling due within one year:

	<u>2016</u>	<u>2015</u>
	\$	\$
Amounts owed to group undertakings	10,548,460	16,858,540
Accruals and deferred income	1,065,054	1,099,914
Total creditors	<u>11,613,514</u>	<u>17,958,454</u>

11. Called up share capital

	<u>2016</u>	<u>2015</u>
	\$	\$
Issued and fully paid:		
54,000,100 ordinary shares of \$1 each for a total nominal value of \$54,000,100	54,000,100	44,000,100
	<u>54,000,100</u>	<u>44,000,100</u>

On 21 December 2016, 10,000,000 ordinary shares of \$1 each for a total nominal value of \$10,000,000 were allotted to the parent company at par value.

12. Reserves

Called up share capital

The balance on the called up share capital account represents the aggregate nominal value of all ordinary shares in issue.

Share premium account

The balance on the share premium account represents the amounts received in excess of the nominal value of the ordinary shares.

Profit and loss account

The balance held on this reserve is the accumulated losses of the company.

13. Related party transactions

The company has taken advantage of the exemption contained within paragraphs 8(k) and (j) of FRS 101, and has not disclosed transactions entered into with wholly-owned group companies or key management personnel. There were no other related party transactions in the year.

BP SHAFAG-ASIMAN LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

14. 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 its registered address: 1 St James's Square, London, SW1Y 4PD.