

BP IRAN LIMITED
(Registered No. 3502262)

ANNUAL REPORT AND ACCOUNTS 2008

Board of Directors: J H Bartlett
 M E Townshend

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2008.

Results and dividends

The loss for the year after taxation was £395,755 which, when added to the retained deficit brought forward at 1 January 2008 of £3,841,531 together with exchange adjustments taken directly to reserves of £136,976, gives a total retained deficit carried forward at 31 December 2008 of £4,100,310. The directors do not propose the payment of a final dividend.

Principal activity and review of the business

The company acts as a representative of the BP Group in Iran and has a branch operating in Iran.

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

	2008 £	2007 £	Variance %
Loss after taxation	(395,755)	(297,274)	33
Shareholders' funds	360,168	618,947	(42)
Current assets as % of current liabilities	347	1,203	(71)

Principal risks

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.

Company level risks have been identified and classified in two categories: financial risk management and operations.

Financial risk management

The main financial risks faced by the company through its normal business activities are market risk, currency risk, credit risk and liquidity risk. The management of these financial risks is performed at a group (BP p.l.c. Group) level.



BP IRAN LIMITED

REPORT OF THE DIRECTORS

Market risk

Market risk is the possibility that changes in currency exchange rates, interest rates or oil, natural gas and power prices will adversely affect the value of the group's financial assets, liabilities or expected future cash flows. The management of such risks is performed at BP Group level. The group has developed policies aimed at managing the market risk inherent in its natural business activities and, in accordance with these policies, the group enters into various transactions using derivative financial and commodity instruments (derivatives). Derivatives are contracts whose value is derived from one or more underlying financial instruments, indices or prices that are defined in the contract. The group also trades derivatives in conjunction with these risk management activities.

Currency risk

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

BP's foreign exchange management policy is to minimize economic and significant transactional exposures arising from currency movements against the US dollar. The group co-ordinates the handling of foreign exchange risks centrally, by netting off naturally occurring opposite exposures wherever possible to reduce the risks, and then dealing with any material residual foreign exchange risks. Significant residual non-dollar exposures are managed using a range of derivatives.

Credit risk

Credit risk is the potential exposure of the company to loss in the event of non-performance by a counterparty. The management of such risks is performed at BP Group level. The group controls the related credit risk through credit approvals, limits, use of netting arrangements and monitoring procedures. Before trading with a new counterparty, its creditworthiness is assessed and a credit rating allocated that indicates the probability of default, along with a credit exposure limit. Creditworthiness continues to be evaluated after transactions have been initiated and a watchlist of higher-risk counterparties is maintained.

Liquidity risk

Liquidity risk is the risk that sources of funding for the company's business activities may not be available. This risk is managed by the BP Group on the company's behalf and as such the company has access to the resources of the group. The group has long-term debt ratings of Aa1 and AA, assigned respectively by Moody's and Standard & Poor's.

Operations – enterprise systems, security and continuity

Security

Security threats require continual oversight and control. Acts of terrorism that threaten our plants, offices, pipelines, transportation or computer systems would severely disrupt business and operations and could cause harm to people.

Future developments

The directors aim to maintain the management policies of the company.

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

BP IRAN LIMITED
REPORT OF THE DIRECTORS

Directors

The present directors are listed on page 1.

Mr J H Bartlett and Mr M E Townshend served as directors throughout the financial year.

There have been no director appointments or resignations since 1 January 2008.

Directors' indemnity

The company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006.

Auditors

Ernst & Young LLP will continue in office as the company's auditor in accordance with the elective resolution passed by the company under Section 386 of the Companies Act 1985.

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



Secretary

2 September 2009

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP

BP IRAN LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the accounts in accordance with applicable United Kingdom law and United Kingdom generally accepted accounting practice.

Company law requires the directors to prepare accounts for each financial year that give a true and fair view of the state of affairs of the company and the loss for the year. In preparing these accounts, the directors are required:

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts 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 accounts.

BP IRAN LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
BP IRAN LIMITED

We have audited the company's accounts for the year ended 31 December 2008 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 12. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the accounts.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its loss for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the accounts.

Ernst & Young LLP

Ernst & Young LLP

Registered auditor

London

7 September 2009

BP IRAN LIMITED
ACCOUNTING POLICIES

Accounting standards

These accounts are prepared in accordance with applicable UK accounting standards.

Accounting convention

The accounts are prepared under the historical cost convention.

Statement of cash flows

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

Foreign currency transactions

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

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

Interest

All interest is charged against income in the year in which it is incurred.

Trade and other debtors

Trade and other debtors are carried at the original invoice amount, less allowances made for doubtful receivables. Provision is made when there is objective evidence that the group will be unable to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Trade and other creditors

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

BP IRAN LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008

		<u>2008</u>	<u>2007</u>
	Note	£	£
Administration expenses		(422,017)	(304,120)
Loss on ordinary activities before interest and tax	1	(422,017)	(304,120)
Interest receivable and similar income	2	26,262	6,846
Loss before taxation	3	(395,755)	(297,274)
Taxation		-	-
Loss for the year		(395,755)	(297,274)

The loss of £395,755 for the year ended 31 December 2008 has derived in its entirety from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2008

	<u>2008</u>	<u>2007</u>
	£	£
Loss for the year	(395,755)	(297,274)
Currency translation differences	136,976	(89,251)
Total recognised gains and losses for the year	(258,779)	(386,525)

BP IRAN LIMITED**BALANCE SHEET AT 31 DECEMBER 2008**

	Note	<u>2008</u> £	<u>2007</u> £
Current assets			
Debtors	5	283,721	703,555
Cash at bank and in hand		<u>222,550</u>	<u>5,133</u>
		506,271	708,688
Creditors: amounts falling due within one year	6	<u>(146,103)</u>	<u>(58,934)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		360,168	649,754
Provisions for liabilities and charges			
Other provisions	7	<u>-</u>	<u>(30,807)</u>
NET ASSETS		<u>360,168</u>	<u>618,947</u>
Represented by			
Capital and reserves			
Called up share capital	8	4,460,478	4,460,478
Profit and loss account	9	<u>(4,100,310)</u>	<u>(3,841,531)</u>
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		<u>360,168</u>	<u>618,947</u>

On behalf of the Board


Director

2 September 2009

BP IRAN LIMITED

NOTES TO THE ACCOUNTS

1. Auditor's remuneration

	<u>2008</u>	<u>2007</u>
	£	£
Fees for the audit of the company	<u>10,938</u>	<u>12,412</u>

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

2. Interest receivable and similar income

	<u>2008</u>	<u>2007</u>
	£	£
Interest income from group undertakings	<u>26,262</u>	<u>6,846</u>

3. Taxation

The Company is a member of a group for the purposes of relief under Section 402 of the Income & Corporation Taxes Act 1988. No corporation tax has been provided because another group company, BP International Limited, has undertaken to procure the claim or surrender of group relief to the extent it is required and to provide for any current or deferred UK tax that arises without charge.

The tax charge is made up as follows:

	<u>2008</u>	<u>2007</u>
<u>Current tax</u>	£	£
Overseas tax on income for the year	-	-
Total current tax	<u>-</u>	<u>-</u>

BP IRAN LIMITED**NOTES TO THE ACCOUNTS****3. Taxation (continued)****(a) Factors affecting the current tax charge**

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 28.5% for the year ended 31 December 2008 (2007 – 30%). The differences are reconciled below:

	<u>2008</u>	<u>2008</u>	<u>2007</u>	<u>2007</u>
	UK	Overseas	UK	Overseas
	£	£	£	£
Profit on ordinary activities before tax	(395,755)	(395,755)	(297,274)	(297,274)
Current taxation	-	-	-	-
Effective current tax rate	0%	0%	0%	0%
	<u>2008</u>	<u>2008</u>	<u>2007</u>	<u>2007</u>
	UK	Overseas	UK	Overseas
	%	%	%	%
UK corporation tax rate:	28	28	30	30
Increase / (decrease) resulting from:				
Permanent differences	-	-	(3)	-
Other timing differences	-	(28)	(3)	(30)
Losses available for relief in future periods	(28)	-	(24)	-
Effective current tax rate	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

4. 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 (2008: £Nil).

(b) Employee costs

	<u>2008</u>	<u>2007</u>
	£	£
Wages and salaries	25,913	270,743
Social security costs	-	1,980
	<u>25,913</u>	<u>272,723</u>

(c) The average monthly number of employees during the year was 1 (2007: 2)

BP IRAN LIMITED

NOTES TO THE ACCOUNTS

5. Debtors

	<u>2008</u>	<u>2007</u>
	Within	Within
	1 year	1 year
	£	£
Amounts owed by group undertakings	261,271	698,583
Other debtors	<u>22,450</u>	<u>4,972</u>
	<u>283,721</u>	<u>703,555</u>

6. Creditors

	<u>2008</u>	<u>2007</u>
	Within	Within
	1 year	1 year
	£	£
Amounts owed to group undertakings	126,327	26,356
Other creditors	-	1,655
Other taxes and social security costs	-	2,638
Accruals and deferred income	<u>19,776</u>	<u>28,285</u>
	<u>146,103</u>	<u>58,934</u>

7. Other provisions

	<u>Other</u>	<u>Total</u>
	£	£
At 1 January 2008	30,807	30,807
Utilised during the year	<u>(30,807)</u>	<u>(30,807)</u>
At 31 December 2008	<u>-</u>	<u>-</u>

In line with the Iranian Labour Act and regulations, in case of termination of employment the employer is required to pay departing employees compensation equivalent to at least one month latest salary for each year of service. However the Branch policy is to take into account such compensation equivalent to at least two months latest salary for each year of service upon payment.

All provisions were fully utilised in the year therefore no provision was required as at 31 December 2008.

8. Called up share capital

	<u>2008</u>	<u>2007</u>
	£	£
Authorised share capital:		
100,000,000 Ordinary shares of £1 each	<u>100,000,000</u>	<u>100,000,000</u>
	<u>2008</u>	<u>2007</u>
	£	£
Allotted, called up and fully paid:		
4,460,478 Ordinary shares of £1 each	<u>4,460,478</u>	<u>4,460,478</u>

BP IRAN LIMITED

NOTES TO THE ACCOUNTS

9. Capital and reserves

	Equity share capital	Profit and loss account	Total
	£	£	£
At 1 January 2008	4,460,478	(3,841,531)	618,947
Currency translation differences	-	136,976	136,976
Loss for the year	-	(395,755)	(395,755)
At 31 December 2008	4,460,478	(4,100,310)	360,168

10. Reconciliation of movements in shareholders' funds

	2008	2007
	£	£
Loss for the year	(395,755)	(297,274)
Currency translation differences	136,976	(89,251)
Issue of ordinary share capital	-	1,800,000
Net (decrease) / increase in shareholders' interests	(258,779)	1,413,475
Shareholders' interest at 1 January	618,947	(794,528)
Shareholders' interest at 31 December	360,168	618,947

11. Related party transactions

The company has taken advantage of the exemption contained within Financial Reporting Standard No 8 "Related Party Disclosures", and has not disclosed transactions with group companies. There were no other related party transactions in the year.

12. Immediate and ultimate parent undertaking

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