

**BP INTERNATIONAL LIMITED**  
**(Registered No 00542515)**

**ANNUAL REPORT AND ACCOUNTS 2012**

Board of Directors      R C Harrington  
                                    B Gilvary  
                                    D J Bucknall  
                                    J H Bartlett

**REPORT OF THE DIRECTORS**

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

**Results and dividends**

The profit for the year after taxation was \$2.363 million which, when added to the retained profit brought forward at 1 January 2012 of \$2.538 million together with exchange adjustments taken directly to reserves of \$83 million and total paid interim dividends to ordinary shareholders of \$2.850 million, gives a total retained profit carried forward at 31 December 2012 of \$2.134 million

In 2012 the company paid interim ordinary dividends of \$2,850 million (2011 \$4,919 million) The directors do not propose the payment of a final dividend

**Principal activities and review of the business**

The company, which is based in the UK, is engaged internationally in oil, petrochemicals and related financial activities. It also provides services to other group undertakings and holds investments in subsidiary and associated undertakings engaged in similar activities

Refining and Marketing activities include the results of certain international business sectors with head offices in the United Kingdom. These businesses showed an operating loss for the year of \$90 million (2011 profit of \$164 million)

The operating profit from corporate and other activities of \$2.362 million (2011 \$4,582 million) includes dividends from subsidiary and associated undertakings of \$3.193 million (2011 \$4.443 million)

During the year, \$45 million (2011 \$57 million) was provided against the cost of investments. No impairment provisions recorded previously were reversed during the year (2011 \$212 million)

THURSDAY



LD4      26/09/2013      #165  
COMPANIES HOUSE

## **BP INTERNATIONAL LIMITED**

### **REPORT OF THE DIRECTORS**

#### **Principal activities and review of the business (continued)**

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

|                       | <u>2012</u> | <u>2011</u> | <u>Variance</u> |
|-----------------------|-------------|-------------|-----------------|
|                       | \$ million  | \$ million  | %               |
| Turnover              | 94,687      | 87,395      | 8               |
| Operating profit      | 2,272       | 4,746       | (52)            |
| Profit after taxation | 2,363       | 4,626       | (49)            |
| Shareholders' funds   | 39,248      | 39,652      | (1)             |

  

|              | <u>2012</u> | <u>2011</u> | <u>Variance</u> |
|--------------|-------------|-------------|-----------------|
|              | %           | %           | %               |
| Quick ratio* | 73          | 62          | 18              |

\*Quick ratio is defined as current assets, excluding stock and financial assets due after one year, as a percentage of current liabilities

Turnover has increased predominantly due to increases in sales volumes associated with forward oil contracts

Operating profit has decreased largely due to a reduction in dividends from subsidiaries, a lower contribution from oil trading activities, and adverse foreign exchange effects

Shareholders' funds have remained at a similar level to the prior year, despite the profit for the year, since a dividend of \$2,850 million (2011 \$4,919 million) was also paid

#### **Principal risks and uncertainties**

The company aims to deliver sustainable value by identifying and responding successfully to risks. Risk management is integrated into the process of planning and performance management at a group level. Monitoring and accountability for the management of these risks occur through quarterly performance reviews at a group level.

We urge you to consider carefully the risks described below. The potential impact of the occurrence or reoccurrence of any of the risks described below could have a material adverse effect on the company's business, financial position, results of operations, competitive position, cash flows, prospects, liquidity, shareholder returns and/or implementation of its strategic agenda.

Company level risks have been categorised against the following areas: strategic and commercial, compliance and control; safety and operational, and financial risk management. In addition, we have also set out a further category of risk for your attention – those resulting from the 2010 Gulf of Mexico oil spill (the Incident).

## **BP INTERNATIONAL LIMITED**

### **REPORT OF THE DIRECTORS**

#### **Principal risks and uncertainties (continued)**

##### **Gulf of Mexico oil spill**

The Gulf of Mexico oil spill has had and could continue to have a material adverse impact on BP as a group, and consequently may also have an adverse impact on BP International Limited

Whilst the BP group recognised significant charges in the income statement since the Incident occurred in 2010, there is significant uncertainty regarding the extent and timing of the remaining costs and liabilities relating to the Incident, the potential changes in applicable regulations and the operating environment that may result from the Incident, the impact of the Incident on the reputation of the group and the resulting possible impact on the group's licence to operate including its ability to access new opportunities. The amount of claims that become payable by the BP group, the amount of fines ultimately levied on the BP group (including any potential determination of the BP group's negligence or gross negligence), the outcome of litigation, the terms of any further settlements including the amount and timing of any payments thereunder, and any costs arising from any longer-term environmental consequences of the Incident, will also impact upon the ultimate cost for the BP group

Although the provisions recognised represent the current best estimates of expenditures required to settle certain present obligations that can be reasonably estimated at the end of the reporting period, there are future expenditures for which it is not possible to measure the obligations reliably and the total amounts payable by the BP group in relation to all obligations relating to the Incident are subject to significant uncertainty. These uncertainties are likely to continue for a significant period, increase the risks to which the group is exposed and may cause costs to increase. Thus, the Incident has had, and could continue to have, a material adverse impact on the group's business, competitive position, financial performance, cash flows, prospects, liquidity, shareholder returns and/or implementation of its strategic agenda, particularly in the US. The risks associated with the Incident could also heighten the impact of the other risks to which the group is exposed as further described below. Further information on the Incident, is included within the BP group Annual Report and Form 20-F for the year ended 31 December 2012.

#### **Strategic and commercial risks**

##### ***Prices and markets***

Oil, gas and product prices are subject to international supply and demand. Political developments and the outcome of meetings of OPEC can particularly affect world supply and oil prices. Previous oil price increases have resulted in increased fiscal take, cost inflation and more onerous terms for access to resources. As a result, increased oil prices may not improve margin performance. In addition to the adverse effect on revenues, margins and profitability from any fall in oil and natural gas prices, a prolonged period of low prices or other indicators would lead to further reviews for impairment of the company's oil and natural gas properties. Such reviews would reflect management's view of long-term oil and natural gas prices and could result in a charge for impairment that could have a significant effect on the company's results of operations in the period in which it occurs. Rapid material or sustained change in oil, gas and product prices can impact the validity of the assumptions on which strategic decisions are based and, as a result, the ensuing actions derived from those decisions may no longer be appropriate.

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

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

## **BP INTERNATIONAL LIMITED**

### **REPORT OF THE DIRECTORS**

#### **Principal risks and uncertainties (continued)**

##### **Strategic and commercial risks (continued)**

###### ***Prices and markets (continued)***

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

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

###### ***Climate change and carbon pricing***

Compliance with changes in laws, regulations and obligations relating to climate change could result in substantial capital expenditure, taxes, reduced profitability from changes in operating costs, and revenue generation and strategic growth opportunities being impacted. The company's commitment to the transition to a lower-carbon economy may create expectations for its activities, and the level of participation in alternative energies carries reputational, economic and technology risks.

###### ***Socio-political***

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

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

###### ***Competition***

The company's strategy depends upon continuous innovation in a highly competitive market

The oil, gas and petrochemicals industries are highly competitive. There is strong competition, both within the oil and gas industry and with other industries, in supplying the fuel needs of commerce, industry and the home. Competition puts pressure on the terms of access to new opportunities, licence costs and product prices, affects oil products marketing and requires continuous management focus on reducing unit costs and improving efficiency, while ensuring safety and operational risk is not compromised. The implementation of the BP group strategy requires continued technological advances and innovation including advances in exploration, production, refining, petrochemicals manufacturing technology and advances in technology related to energy usage. The company's performance could be impeded if competitors developed or acquired intellectual property rights to technology that it required or if its innovation lagged the industry, or by its failure to adequately protect the company's brands and trademarks. The company's competitive position could be adversely affected if it fails to control its operating costs or manage its margins, or if it fails to sustain, develop and operate efficiently a high quality portfolio of assets

## **BP INTERNATIONAL LIMITED**

### **REPORT OF THE DIRECTORS**

#### **Principal risks and uncertainties (continued)**

##### **Strategic and commercial risks (continued)**

###### ***Joint ventures and other contractual arrangements***

Many of the company's major projects and operations are conducted through joint ventures or associates and through contracting and sub-contracting arrangements. These arrangements often involve complex risk allocation, decision-making process and indemnification arrangements. In certain cases, the company may have less control of such activities than it would have if the company had full operational control.

The company's partners may have economic or business interests or objectives that are inconsistent with, or opposed to, those of the company's and may exercise veto rights to block certain key decisions or actions that the company believes are in its or the joint venture's or associate's best interest, or approve such matters without the company's consent.

Additionally, the company's joint venture partners or associates or contractual counterparties are primarily responsible for the adequacy of the human or technical competencies and capabilities which they bring to bear on the joint project, and in the event these are found to be lacking the company's joint venture partners or associates may not be able to meet their financial or other obligations to their counterparties or to the relevant project, potentially threatening the viability of such projects.

Furthermore, should accidents or incidents occur in operations in which the company participates, whether as operator or otherwise, and where it is held that the company's sub-contractors or joint venture partners are legally liable to share any aspects of the cost of responding to such incidents, the financial capacity of these third parties may prove inadequate to fully indemnify the company against the costs it incurs on behalf of the joint venture or contractual arrangement. Should a key sub-contractor, such as a lessor of drilling rigs, be no longer able to make these assets available to the company, this could result in serious disruption to its operations. Where the company does not have operational control of a venture, the company may nonetheless still be pursued by regulators or claimants in the event of an incident.

###### ***Investment efficiency***

The company's organic growth is dependent on creating a portfolio of quality options and investing in the best options. Ineffective investment selection and development could lead to loss of value and higher capital expenditure.

###### ***Digital infrastructure***

The reliability and security of the company's digital infrastructure are critical to maintaining the availability of its business applications, including the reliable operation of technology in its various business operations and the collection and processing of financial and operational data, as well as the confidentiality of certain third-party information. A breach of the company's digital security, either due to intentional actions or due to negligence, could cause serious damage to business operations and, in some circumstances, could result in the loss of data or sensitive information, injury to people, damage to assets, harm to the environment, reputational damage, breaches of regulations, litigation, legal liabilities and reparation costs.

###### ***Business continuity and disaster recovery***

Contingency plans are required to continue or recover operations following a disruption or incident. Inability to restore or replace critical capacity to an agreed level within an agreed timeframe would prolong the impact of any disruption and could severely affect business and operations.

## **BP INTERNATIONAL LIMITED**

### **REPORT OF THE DIRECTORS**

#### **Principal risks and uncertainties (continued)**

##### **Strategic and commercial risks (continued)**

###### ***Crisis management***

Crisis management plans and capability are essential to deal with emergencies at every level of the company's operations. If the company does not respond, or is perceived not to respond, in an appropriate manner to either an external or internal crisis, its business and operations could be severely disrupted.

###### ***People and capability***

Successful recruitment of new staff, employee training, development and continuing enhancement of skills, in particular technical capabilities such as petroleum engineers and scientists, are key to implementing the company's plans. Inability to develop human capacity and capability, both across the organisation and in specific operating locations, could jeopardise performance delivery. The company relies on recruiting and retaining high-quality employees to execute its strategic plans and to operate its business. The reputational damage suffered by the company as a result of the Incident and any consequent adverse impact on its business could affect employee recruitment and retention.

##### **Compliance and control risks**

###### ***Regulatory***

Due to the Gulf of Mexico oil spill, it is likely that there will be more stringent regulation of the BP group's oil and gas activities in the US and elsewhere, particularly relating to environmental, health and safety controls and oversight of drilling operations, as well as access to new drilling areas.

Regulatory or legislative action may impact the industry as a whole and could be directed specifically towards the BP group. New regulations and legislation, the terms of the BP group's settlements with US government authorities and future settlements or litigation outcomes related to the Incident, and/or evolving practices could increase the cost of compliance and may require changes to the company's drilling operations, exploration, development and decommissioning plans, and could impact the company's ability to capitalise on its assets and limit its access to new exploration properties or operatorships. In addition, increases in taxes, royalties and other amounts payable to governments or governmental agencies, or restrictions on availability of tax relief, could also be imposed as a response to the Incident.

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

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

## **BP INTERNATIONAL LIMITED**

### **REPORT OF THE DIRECTORS**

#### **Principal risks and uncertainties (continued)**

##### **Compliance and control risks (continued)**

###### ***Ethical misconduct and non-compliance***

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

###### ***Liabilities and provisions***

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

###### ***Reporting***

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

###### ***Treasury and trading activities***

In the normal course of business, the company is subject to operational risk around its treasury and trading activities. Control of these activities is highly dependent on the company's ability to process, manage and monitor a large number of complex transactions across many markets and currencies. Shortcomings or failures in the company's systems, risk management methodology, internal control processes or people could lead to disruption of its business, financial loss, regulatory intervention or damage to its reputation.

Following the Gulf of Mexico oil spill, Moody's Investors Service, Standard and Poor's and Fitch Ratings downgraded the group's long-term credit ratings. Since that time, the group's credit ratings have improved somewhat but are still lower than they were immediately before the Gulf of Mexico oil spill. The impact that a significant operational incident can have on the group's credit ratings, taken together with the reputational consequences of any such incident, the ratings and assessments published by analysts and investors' concerns about the group's costs arising from any such incident, on-going contingencies, liquidity, financial performance and volatile credit spreads, could increase the group's financing costs and limit the group's, and consequently also the company's, access to financing.

## **BP INTERNATIONAL LIMITED**

### **REPORT OF THE DIRECTORS**

#### **Principal risks and uncertainties (continued)**

##### **Compliance and control risks (continued)**

##### ***Treasury and trading activities (continued)***

The BP group's ability to engage in its trading activities could also be impacted due to counterparty concerns about the BP group's financial and business risk profile in such circumstances. Such counterparties could require that the group provide collateral or other forms of financial security for its obligations, particularly if the group's credit ratings are downgraded. Certain counterparties for the group's non-trading businesses could also require that the group provide collateral for certain of its contractual obligations, particularly if the group's credit ratings were downgraded below investment grade or where a counterparty had concerns about the group's financial and business risk profile following a significant operational incident. In addition, the BP group may be unable to make a drawdown under certain of its committed borrowing facilities in the event that the BP group is aware that there are pending or threatened legal, arbitration or administrative proceedings which, if determined adversely, might reasonably be expected to have a material adverse effect on its ability to meet the payment obligations under any of these facilities. Credit rating downgrades could trigger a requirement for the company to review its funding arrangements with the BP pension trustees. Extended constraints on the group's ability to obtain financing and to engage in its trading activities on acceptable terms (or at all) would put pressure on the group's liquidity. In addition, this could occur at a time when cash flows from business operations would be constrained following a significant operational incident, and the group could be required to reduce planned capital expenditures and/or increase asset disposals in order to provide additional liquidity, as the group did following the Gulf of Mexico oil spill. This in turn could also have adverse effects for the company's own financing requirements.

Further information on the risks of Treasury and Trading activities are included within the BP group Annual Report and Form 20-F for the year ended 31 December 2012.

##### **Safety and operational risks**

##### ***Process safety, personal safety and environmental risks***

The nature of the company's operations exposes it to a wide range of significant health, safety, security and environmental risks. The scope of these risks is influenced by the geographic range, operational diversity and technical complexity of the company's activities.

There are risks of technical integrity failure as well as risk of natural disasters and other adverse conditions in many of the areas in which the company operates, which could lead to loss of containment of hydrocarbons and other hazardous material, as well as the risk of fires, explosions or other incidents.

##### ***Security***

Security threats require continuous oversight and control. Acts of terrorism, piracy, sabotage, cyber-attacks and similar activities directed against the company's operations and offices, pipelines, transportation or computer systems could cause harm to people and could severely disrupt business and operations. The company's business activities could also be severely disrupted by, amongst other things, conflict, civil strife or political unrest in areas where the company operates.

##### ***Product quality***

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



## **BP INTERNATIONAL LIMITED**

### **REPORT OF THE DIRECTORS**

#### **Principal risks and uncertainties (continued)**

##### **Financial risk management**

The main financial risks faced by the company through its normal business activities, as well as its use of financial instruments, are market risk, commodity price risk, foreign currency exchange risk, interest rate risk, credit risk and liquidity risk. The management of these financial risks is performed at BP group level. The company seeks to maintain a financial framework to ensure that it is able to maintain an appropriate level of liquidity and financial capacity. This framework constrains the level of assessed capital at risk for the purposes of positions taken in financial instruments. Failure to accurately forecast or maintain sufficient liquidity and credit to meet these needs could impact the company's ability to operate and result in a financial loss.

##### ***Market risk***

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

##### ***Commodity price risk***

The group's integrated supply and trading function uses conventional financial and commodity instruments and physical cargoes available in the related commodity markets. Oil and natural gas swaps, options and futures are used to mitigate price risk. Power trading is undertaken using a combination of over-the-counter forward contracts and other derivative contracts, including options and futures. This activity is on both a standalone basis and in conjunction with gas derivatives in relation to gas-generated power margin.

##### ***Foreign currency exchange risk***

Fluctuations in foreign exchange rates can have significant effects on the company's reported results. The company's financial assets and liabilities give rise to transactional currency exposures. Such exposures arise from transactions in a currency other than the company's functional currency. The management of such risks is performed at BP group level. The main underlying economic currency of the BP group's cash flows is the US dollar. This is because the BP group's major product, oil, is priced internationally in US dollars. The BP group's foreign exchange management policy is to minimise economic and significant transactional exposures arising from currency movements against the US dollar. The group co-ordinates the handling of foreign exchange risks centrally, by netting off naturally occurring opposite exposures wherever possible and then dealing with any material residual foreign exchange risks. For highly probable forecast capital expenditures the group locks in the US dollar cost of non US dollar supplies by using currency forwards and futures.

Crude oil prices are generally set in US dollars, while sales of refined products may be in a variety of currencies. Fluctuations in exchange rates can therefore give rise to foreign exchange exposures, with a consequent impact on underlying costs and revenues.

## **BP INTERNATIONAL LIMITED**

### **REPORT OF THE DIRECTORS**

#### **Principal risks and uncertainties (continued)**

##### **Financial risk management (continued)**

###### ***Interest rate risk***

The company is exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows or the fair values of its financial instruments, principally finance debt

Where the company enters into money market contracts for entrepreneurial trading purposes, the activity is controlled at BP group level using value-at-risk techniques

###### ***Credit risk***

Credit risk is the risk that a customer or counterparty to a financial instrument will fail to perform or fail to pay amounts due causing financial loss to the company. It arises from cash and cash equivalents, derivative financial instruments and deposits with financial institutions and principally from credit exposures to customers relating to outstanding receivables. The management of such risks is performed at BP group level. The group has a credit policy, approved by the CFO, which is designed to ensure that consistent processes are in place throughout the group to measure and control credit risk. Credit risk is considered as part of the risk-reward balance of doing business. On entering into any business contract the extent to which the arrangement exposes the group to credit risk is considered. Before trading with a new counterparty can start, its creditworthiness is assessed and a credit rating allocated that indicates the probability of default, along with a credit exposure limit. Creditworthiness continues to be evaluated after transactions have been initiated and a watch list of higher-risk counterparties is maintained.

Commercial credit risk is measured and controlled to determine the company's total credit risk. Inability to determine adequately the company's credit exposure could lead to financial loss. A credit crisis affecting banks and other sectors of the economy could impact the ability of counterparties to meet their financial obligations to the company. It could also affect the company's ability to raise capital to fund growth and to meet its obligations.

###### ***Liquidity risk***

Liquidity risk is the risk that suitable 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 A2 (stable outlook) assigned by Moody's consistently throughout the year and A (positive outlook) assigned by Standard & Poor's since July 2012, strengthened from A (stable outlook) in force at the start of the year.

## **BP INTERNATIONAL LIMITED**

### **REPORT OF THE DIRECTORS**

#### **Future developments**

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

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

#### **Directors**

The present directors are listed on page 1.

R C Harrington, B Gilvary and D J Bucknall served as directors throughout the financial year. Changes since 1 January 2012 are as follows:

|              | <u>Appointed</u> | <u>Resigned</u> |
|--------------|------------------|-----------------|
| J H Bartlett | 27 February 2012 | -               |

#### **Directors' indemnity**

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

#### **Policy and practice on payment of creditors**

It is the company's policy to follow the CBI's prompt payment code of practice for all suppliers to the company with payments made in accordance with the relevant contractual payment terms. A copy of the code of practice may be obtained from the CBI.

The number of days' purchases represented by trade creditors at the year-end was 28.

#### **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 INTERNATIONAL LIMITED**

**REPORT OF THE DIRECTORS**

**Directors' statement as to the disclosure of information to the auditor**

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditor, each of these directors 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

*20 September* 2013

**Registered Office**

Chertsey Road  
Sunbury on Thames  
Middlesex  
TW16 7BP  
United Kingdom

## **BP INTERNATIONAL LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

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

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

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

The directors are responsible for keeping 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 INTERNATIONAL LIMITED**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
**BP INTERNATIONAL LIMITED**

We have audited the financial statements of BP International Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the accounting policies and the related notes 1 to 28. 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 13, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies, we consider the implications for our report.

**Opinion on financial statements**

In our opinion, the financial statements:

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

**Opinion on other matter prescribed by the Companies Act 2006**

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

**Matters on which we are required to report by exception**

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

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

*Ernst + Young LLP*

Paul Wallek (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

*25 September 2013*

## **BP INTERNATIONAL LIMITED**

### **ACCOUNTING POLICIES**

#### **Accounting standards**

The financial statements of BP International Limited were approved for issue by the Board of Directors on 18<sup>th</sup> September 2013

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

#### **Accounting convention**

The accounts are prepared under the historical cost convention, except for certain financial instruments which are accounted for at fair value (see accounting policy on derivative financial instruments below)

#### **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.

#### **Group accounts**

Group accounts are not submitted as the company is exempt from the obligation to prepare group accounts under Section 400 (1) of the Companies Act 2006. The results of subsidiary and associated undertakings are dealt with in the consolidated accounts of the ultimate parent undertaking, BP p l.c., a company registered in England and Wales. These accounts present information about the company as an individual undertaking and not about the group.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes.

Where the company acts as agent on behalf of a third party to procure or market energy commodities, any associated fee income is recognised but no purchase or sale is recorded. Additionally, where forward sale and purchase contracts for oil, natural gas or power have been determined to be for trading purposes, the associated sales and purchases are reported net within sales and other operating revenues whether or not physical delivery has occurred.

#### **Dividend income**

Dividend income from investments is recognised when the shareholders' right to receive the payment is established.

## **BP INTERNATIONAL LIMITED**

### **ACCOUNTING POLICIES**

#### **Foreign currency transactions**

Functional currency is the primary economic environment in which an entity or an operation of an entity operates and is normally the currency in which the entity primarily generates and expends cash.

Foreign currency transactions are initially recorded in the functional currency of the operation by applying the exchange rate ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are re-translated 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, except for those which arise on long-term foreign currency borrowings used to finance the company's non US dollar investment in foreign operations which are recorded within equity. Non-monetary assets and liabilities, other than those measured at fair value, are not retranslated subsequent to initial recognition.

Assets and liabilities of foreign operations, which have a functional currency other than US dollars, are translated into US dollars, the presentational currency, at rates of exchange ruling at the balance sheet date. The profit and loss account is translated into US dollars using average rates of exchange. Exchange differences arising when the opening net assets and the profits for the year retained by foreign operations are translated into US dollars are taken directly to reserves and reported in the statement of total recognised gains and losses.

#### **Derivative and other financial instruments**

The company is exempt from the disclosure requirements of FRS 29. The company is included in the consolidated accounts of the ultimate parent undertaking, BP plc, which include the disclosures on a group basis that comply with this standard.

Financial assets are measured initially and subsequently at amortised cost. Financial liabilities are measured initially at the amount of the net proceeds. Financial liabilities and equity are classified according to the substance of the financial instrument's contractual obligations, rather than the financial instrument's legal form.

The company uses derivative financial instruments (derivatives) to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates, to manage some of its margin exposure from changes in oil, natural gas and power prices, and for entrepreneurial trading purposes.

All derivatives which are held for trading purposes and all oil price and natural gas price derivatives held for risk management purposes are held on the balance sheet at fair value ('marked to market') with changes in that value recognised in earnings for the year.

Interest rate swap agreements, options and futures contracts are used to manage interest rate exposures. Amounts payable or receivable in respect of these derivatives are recognised as adjustments to interest expense over the period of the contracts.

As part of exchange rate risk management, foreign currency swap agreements and forward contracts are used to convert non-US dollar borrowings into US dollars. Gains and losses on those derivatives are deferred and recognised on maturity of the underlying debt, together with the matching loss or gain on the debt. Foreign currency forward contracts and options are used to hedge significant non-US dollar firm commitments for fair-value hedges or highly probable anticipated transactions. Gains and losses on these contracts and option premia paid are also deferred and recognised in the profit and loss account or as adjustments to carrying amounts, as appropriate, when the hedged transaction occurs.



## **BP INTERNATIONAL LIMITED**

### **ACCOUNTING POLICIES**

#### **Research**

Expenditure on research is written off in the year in which it is incurred

#### **Interest expense**

Interest is charged against income in the year in which it is incurred.

#### **Interest income**

Interest income is recognised on an accruals basis.

#### **Dividends payable**

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

#### **Goodwill**

Goodwill on acquisition is initially measured at cost, being the excess of the purchase consideration of the business combination over the acquirer's interest in the net fair value of the identifiable assets and liabilities acquired. Goodwill is amortised over its estimated useful economic life, which is limited to a maximum period of twenty years, and is reviewed for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

#### **Intangible assets**

Intangible assets include expenditure on 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 stated at cost, less accumulated depreciation and accumulated impairment losses. Intangible assets with a finite life are depreciated on a straight-line basis over their expected useful lives. The expected useful lives of the assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within tangible fixed assets.

Tangible assets, with the exception of freehold land and assets under construction, are depreciated on the straight line method over their estimated useful lives.

## **BP INTERNATIONAL LIMITED**

### **ACCOUNTING POLICIES**

#### **Impairment of intangible and tangible fixed assets**

The company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. If any such indication of impairment exists or when annual impairment testing for an asset group is required, the company makes an estimate of its recoverable amount. An asset group's recoverable amount is the higher of its net realisable value and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

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

#### **Investments**

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

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

All other fixed asset investments are stated in the accounts at cost less provisions for permanent diminution in value.

#### **Stock valuation**

Stocks are valued at cost to the company, using the first-in first-out method or net realisable value, whichever is the lower. Stores are valued at cost to the company mainly using the average method or net realisable value, whichever is the lower.

#### **Trade and other debtors**

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

## **BP INTERNATIONAL LIMITED**

### **ACCOUNTING POLICIES**

#### **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.

#### **Provisions**

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

#### **Deferred tax**

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, tax in the future. In particular:

- Provision is made for tax on gains arising on disposals of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the replacement assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable, and
- Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the average tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

## **BP INTERNATIONAL LIMITED**

### **ACCOUNTING POLICIES**

#### **Leases**

Assets held under leases which transfer to the company substantially all risks and rewards incidental to ownership of the leased item are classified as finance leases, and are capitalised at inception of the lease at the fair value of the leased property or, if significantly lower, at the estimated present value of the minimum lease payments. Lease payments are apportioned between the finance charges and the reduction of the lease liability. The total finance charge is charged over the lease term so as to achieve a constant rate of interest on the remaining balance of the liability

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term

All other lease arrangements are classified as operating leases. Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term.

#### **Use of estimates**

The preparation of accounts in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

**BP INTERNATIONAL LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

|  |      | <u>2012</u>     | <u>2011</u>     |
|--|------|-----------------|-----------------|
|  | Note | \$ million      | \$ million      |
| Turnover                                 | 1    | 94,687          | 87,395          |
| Cost of sales                            |      | <u>(94,634)</u> | <u>(86,603)</u> |
| Gross profit                             |      | 53              | 792             |
| Distribution and administration expenses |      | (1,135)         | (674)           |
| Other operating income                   | 4    | <u>3,354</u>    | <u>4,628</u>    |
| Operating profit                         | 1, 2 | 2,272           | 4,746           |
| Interest payable and similar charges     | 5    | (2,061)         | (1,503)         |
| Interest receivable and similar income   | 6    | <u>2,018</u>    | <u>1 373</u>    |
| Profit before taxation                   |      | 2,229           | 4,616           |
| Taxation                                 | 7    | <u>134</u>      | <u>10</u>       |
| Profit for the year                      |      | <u>2,363</u>    | <u>4 626</u>    |

The profit of \$2,363 million for the year ended 31 December 2012 has derived in its entirety from continuing operations

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

|  | <u>2012</u>  | <u>2011</u>  |
|--|--------------|--------------|
|  | \$ million   | \$ million   |
| Profit for the year                                | 2,363        | 4,626        |
| Currency translation                               | 83           | 36           |
| Movement in the mark to market of cash flow hedges | -            | 1            |
| Total recognised gains and losses for the year     | <u>2,446</u> | <u>4,663</u> |

**BP INTERNATIONAL LIMITED**

(Registered No.00542515)

**BALANCE SHEET AT 31 DECEMBER 2012**

|  | Note | 2012<br>\$ million | 2011<br>\$ million |
|--|------|--------------------|--------------------|
| <b>Fixed assets</b>  |      |                    |                    |
| Intangible assets  | 9    | 208                | 181                |
| Tangible assets  | 10   | 1,010              | 993                |
| Investments  | 11   | 63,057             | 55,288             |
|  |      | <u>64,275</u>      | <u>56,462</u>      |
| <b>Current assets</b>  |      |                    |                    |
| Stocks   | 12   | 2,723              | 2,614              |
| Debtors – amounts falling due                                  | 13   |                    |                    |
| <i>within one year</i>   |      | 59,044             | 51,827             |
| <i>after one year</i>  |      | 63,360             | 67,015             |
| Derivatives and other financial instruments - due              | 17   |                    |                    |
| <i>within one year</i>   |      | 800                | 541                |
| <i>after one year</i>  |      | 1,721              | 1,567              |
| Cash at bank and in hand                                       |      | 16,696             | 11,301             |
|  |      | <u>144,344</u>     | <u>134,865</u>     |
| <b>Creditors: amounts falling due within one year</b>          |      |                    |                    |
| Creditors  | 14   | (103,963)          | (102,246)          |
| Finance debt   | 15   | (47)               | (374)              |
| Derivatives and other financial instruments                    | 17   | (316)              | (458)              |
| <b>Net current assets</b>                                      |      | <u>40,018</u>      | <u>31,787</u>      |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>                   |      | <u>104,293</u>     | <u>88,249</u>      |
| <b>Creditors: amounts falling due after more than one year</b> |      |                    |                    |
| Creditors  | 14   | (62,642)           | (46,304)           |
| Finance debt   | 15   | (1,348)            | (968)              |
| Derivatives and other financial instruments                    | 17   | (424)              | (497)              |
| <b>Provisions for liabilities and charges</b>                  |      |                    |                    |
| Deferred tax   | 7    | (523)              | (662)              |
| Other provisions   | 18   | (108)              | (166)              |
| <b>NET ASSETS</b>  |      | <u>39,248</u>      | <u>39,652</u>      |
| <b>Represented by</b>  |      |                    |                    |
| <b>Capital and reserves</b>                                    |      |                    |                    |
| Called up share capital  | 19   | 37,114             | 37,114             |
| Profit and loss account  | 20   | 2,134              | 2,538              |
| <b>SHAREHOLDERS' FUNDS – EQUITY INTERESTS</b>                  |      | <u>39,248</u>      | <u>39,652</u>      |

On behalf of the Board

David Bucknall

20 September 2013

**BP INTERNATIONAL LIMITED****NOTES TO THE ACCOUNTS****1. Turnover**

Turnover, which is stated net of value added tax, customs duties and sales taxes, represents amounts invoiced to third parties and other group companies. The country of origin and destination is substantially the UK geographic area and also includes the UK based international oil and gas activities.

| Activity analysis              | Turnover      |               | Operating profit / (loss) |              |
|--------------------------------|---------------|---------------|---------------------------|--------------|
|                                | 2012          | 2011          | 2012                      | 2011         |
|                                | \$ million    | \$ million    | \$ million                | \$ million   |
| Refining and marketing         | 95,082        | 87,557        | (90)                      | 164          |
| Other businesses and corporate | 225           | 227           | 2,362                     | 4,582        |
| Sales between businesses       | (620)         | (389)         | -                         | -            |
|                                | <u>94,687</u> | <u>87,395</u> | <u>2,272</u>              | <u>4,746</u> |

The refining and marketing segment includes oil supply and trading, petrochemicals and aromatic and acetyls operations.

The other business and corporate segment includes management and financial activities.

**2. Operating profit**

This is stated after charging / (crediting)

|  | 2012       | 2011       |
|--|------------|------------|
|  | \$ million | \$ million |
| Hire charges under operating leases  |            |            |
| Land & buildings   | 28         | 27         |
| Plant & machinery  | 72         | 65         |
| Currency exchange losses   | 600        | 105        |
| Expenditure on research  | 62         | 46         |
| Depreciation of owned fixed assets (including amortisation of intangibles) | 200        | 212        |
| Depreciation of assets held under finance leases                           | 5          | 9          |
| Investment impairment reversals  | -          | (212)      |
| Amounts provided against investments                                       | <u>45</u>  | <u>57</u>  |

**BP INTERNATIONAL LIMITED****NOTES TO THE ACCOUNTS****3. Auditor's remuneration**

|                                   | <u>2012</u>  | <u>2011</u>  |
|-----------------------------------|--------------|--------------|
|                                   | \$000        | \$000        |
| Fees for the audit of the company | <u>1,758</u> | <u>1,726</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 International Limited's ultimate parent, BP plc, are required to disclose non-audit fees on a consolidated basis

**4. Other operating income**

|  | <u>2012</u>  | <u>2011</u>  |
|--|--------------|--------------|
|  | \$ million   | \$ million   |
| Income from subsidiary and associated undertakings |              |              |
| Dividends  | 3,193        | 4,443        |
| Miscellaneous income                               | <u>161</u>   | <u>185</u>   |
|  | <u>3,354</u> | <u>4,628</u> |

**5. Interest payable and similar charges**

|                               | <u>2012</u>  | <u>2011</u>  |
|-------------------------------|--------------|--------------|
|                               | \$ million   | \$ million   |
| Interest expense on           |              |              |
| Loans from group undertakings | 2,061        | 1,500        |
| Finance leases                | <u>-</u>     | <u>3</u>     |
|                               | <u>2,061</u> | <u>1,503</u> |

**6. Interest receivable and similar income**

|   | <u>2012</u>  | <u>2011</u>  |
|---|--------------|--------------|
|   | \$ million   | \$ million   |
| Interest income from group undertakings | 1,450        | 876          |
| Other interest                          | <u>568</u>   | <u>497</u>   |
|   | <u>2,018</u> | <u>1,373</u> |



**BP INTERNATIONAL LIMITED****NOTES TO THE ACCOUNTS****7. Taxation**

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

In respect of the 'ORF' activities (Outside the Ring Fence, meaning other than oil extraction activities in the UK and UK Continental Shelf) of other group members, BP International Limited has undertaken to procure the claim or surrender of free group relief to the extent it is required or to otherwise indemnify and provide for any current or deferred UK tax that arises. Details of that provision are shown below.

The tax charge is made up as follows

|  | <u>2012</u>  | <u>2011</u> |
|--|--------------|-------------|
|  | \$ million   | \$ million  |
| <u>Current tax</u>                                   |              |             |
| UK corporation tax on income for the year            | 2,683        | 3,447       |
| Overseas taxation relief                             | (2,683)      | (3,447)     |
| UK tax underprovided / (overprovided) in prior years | 6            | (3)         |
|  | <u>6</u>     | <u>(3)</u>  |
| Overseas taxation on income for the year             | 1            | 2           |
| Total current tax charged / (credited)               | <u>7</u>     | <u>(1)</u>  |
| <u>Deferred tax</u>                                  |              |             |
| Origination and reversal of timing differences       | 137          | -           |
| Adjustments in prior year timing differences         | (76)         | (9)         |
| Change in tax rate                                   | (202)        | -           |
| Total deferred tax credited                          | <u>(141)</u> | <u>(9)</u>  |
| Tax credited on profit on ordinary activities        | <u>(134)</u> | <u>(10)</u> |

**(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 24% for the year ended 31 December 2012 (2011: 26%). The differences are reconciled below.

|  | <u>2012</u> | <u>2011</u> |
|--|-------------|-------------|
|  | UK          | UK          |
|  | \$ million  | \$ million  |
| Profit on ordinary activities before tax | 2,229       | 4,616       |
| Current taxation                         | 7           | (1)         |
| Effective current tax rate               | 0%          | 0%          |

**BP INTERNATIONAL LIMITED****NOTES TO THE ACCOUNTS****7. Taxation (continued)****(a) Factors affecting the current tax charge (continued)**

|   | 2012  | 2011 |
|---|-------|------|
|   | UK    | UK   |
|   | %     | %    |
| UK corporation tax rate                                   | 24    | 26   |
| Overseas corporation tax rate                             | -     | -    |
| Increase / (decrease) resulting from                      |       |      |
| Accelerated capital allowances                            | (1)   | -    |
| Dividends not subject to tax                              | (34)  | (25) |
| Non-deductible expenditure / non-taxable income           | 3     | (1)  |
| Tax provided on behalf of other group companies           | 120   | 75   |
| Overseas taxation relief claimed by other group companies | (120) | (75) |
| Free group relief   | 7     | -    |
| Adjustments to tax charge in respect of previous years    | 1     | -    |
| Effective current tax rate                                | -     | -    |

The permanent and timing difference shown in the current tax rate reconciliation above are those that arise for UK corporation tax purposes, rather than overseas tax purposes

**(b) Factors that may affect future tax charges**

The group has made elections to roll over ORF gains arising on the disposal of a number of assets by reinvesting the proceeds. In the event that these replacement assets are disposed of, additional tax would become payable. The company has provided for the deferred tax liability of \$104.8 million (2011: \$66.9 million) arising in respect of these claims.

The group has ORF held over gains carried forward at 31 December 2012 of \$168.6 million (2011: \$165 million) for which a deferred tax liability has been recognised. This is offset by an equal deferred tax asset recognised in respect of unrestricted ORF capital losses available.

Deferred tax assets have not been recognised on additional unrestricted capital losses of \$181 million (2011: \$245 million) and restricted capital losses of \$482 million (2011: \$439 million).

Other timing differences which give rise to a potential deferred tax asset of \$943.3 million (2011: \$919.6 million) have not been recognised as they are not expected to give rise to any future tax benefit.

There are tax credits arising in overseas branches of UK companies amounting to \$16 billion (2011: \$12.7 billion) for which a deferred tax asset has not been recognised.

**BP INTERNATIONAL LIMITED**

**NOTES TO THE ACCOUNTS**

**7. Taxation (continued)**

**(c) Provision for deferred tax**

The deferred tax included in the balance sheet is as follows

|  | <u>2012</u> | <u>2011</u> |
|--|-------------|-------------|
|  | \$ million  | \$ million  |
| Fixed assets timing differences            | 1,008       | 1,361       |
| Decommissioning and other provisions       | (587)       | (472)       |
| Deferred double taxation relief            | (118)       | (227)       |
| Other timing differences                   | 220         | -           |
| Provision for deferred tax                 | <u>523</u>  | <u>662</u>  |
|  |             |             |
| Analysis of movements during the year      |             |             |
| At 1 January 2012                          | 662         |             |
| Charge for the year on ordinary activities | (141)       |             |
| Exchange adjustments                       | 2           |             |
| At 31 December 2012                        | <u>523</u>  |             |

**8. Directors and employees**

**(a) Remuneration of directors**

None of the directors received any fees or remuneration for services as directors of the company during the financial year

B Gilvary is a director of BP p.l.c., the ultimate parent undertaking, in whose accounts information required by the Companies Act 2006 as regards to emoluments is given. The remaining directors are senior executives of, and are remunerated by, BP p.l.c. and received no remuneration for services to this company or its subsidiary undertakings

**(b) Employee costs**

The company had no employees during the year (2011 nil).

**BP INTERNATIONAL LIMITED****NOTES TO THE ACCOUNTS****9. Intangible assets**

|  | Software &<br>other | Goodwill   | Total      |
|--|---------------------|------------|------------|
| Cost                                       | \$ million          | \$ million | \$ million |
| At 1 January 2012                          | 644                 | 42         | 686        |
| Exchange adjustments                       | 18                  | -          | 18         |
| Additions                                  | 88                  | -          | 88         |
| Disposals                                  | (8)                 | -          | (8)        |
| At 31 December 2012                        | <u>742</u>          | <u>42</u>  | <u>784</u> |
| <b>Amortisation</b>                        |                     |            |            |
| At 1 January 2012                          | 463                 | 42         | 505        |
| Exchange adjustments                       | 12                  | -          | 12         |
| Charge for the year                        | 60                  | -          | 60         |
| Disposals                                  | (1)                 | -          | (1)        |
| At 31 December 2012                        | <u>534</u>          | <u>42</u>  | <u>576</u> |
| <b>Net book value</b>                      |                     |            |            |
| At 31 December 2012                        | <u>208</u>          | <u>-</u>   | <u>208</u> |
| At 31 December 2011                        | <u>181</u>          | <u>-</u>   | <u>181</u> |
| <b>Principal rates of<br/>amortisation</b> | 20%                 | -          |            |

**BP INTERNATIONAL LIMITED**

**NOTES TO THE ACCOUNTS**

**10. Tangible assets**

|  | Refining &<br>marketing | Corporate &<br>other | Total      | Of which<br>AUC* |
|--|-------------------------|----------------------|------------|------------------|
|  | \$ million              | \$ million           | \$ million | \$ million       |
| <b>Cost</b>                                |                         |                      |            |                  |
| At 1 January 2012                          | 955                     | 1,159                | 2,114      | 144              |
| Exchange adjustments                       | 32                      | 58                   | 90         | 6                |
| Additions                                  | 28                      | 105                  | 133        | 15               |
| Disposals                                  | (5)                     | (12)                 | (17)       | (31)             |
| At 31 December 2012                        | 1,010                   | 1,310                | 2,320      | 134              |
| <b>Depreciation and<br/>impairment</b>     |                         |                      |            |                  |
| At 1 January 2012                          | 526                     | 595                  | 1,121      | -                |
| Exchange adjustments                       | 16                      | 32                   | 48         | -                |
| Charge for the year                        | 47                      | 98                   | 145        | -                |
| Disposals                                  | (2)                     | (2)                  | (4)        | -                |
| At 31 December 2012                        | 587                     | 723                  | 1,310      | -                |
| <b>Net book value</b>                      |                         |                      |            |                  |
| At 31 December 2012                        | 423                     | 587                  | 1,010      | 134              |
| At 31 December 2011                        | 429                     | 564                  | 993        | 144              |
| <b>Principal rates of<br/>depreciation</b> | 10%-25%                 | 3%-25%               |            |                  |

\*AUC = assets under construction Assets under construction are not depreciated

The net book value of freehold land at 31 December 2012 is \$15 million (2011 \$15 million)

Assets held under finance leases and included above, are

|  | Cost       | Depreciation | Net book<br>value |
|--|------------|--------------|-------------------|
|  | \$ million | \$ million   | \$ million        |
| <b>Leased assets – Plant and machinery</b> |            |              |                   |
| At 31 December 2012                        | -          | -            | -                 |
| At 31 December 2011                        | 308        | 254          | 54                |

**BP INTERNATIONAL LIMITED**

**NOTES TO THE ACCOUNTS**

**11. Investments**

|                          | Subsidiary<br>shares | Investment<br>in<br>associate<br>shares | Loans<br>to<br>associates | Other      | Total      |
|--------------------------|----------------------|---|---------------------------|------------|------------|
| Cost                     | \$ million           | \$ million                              | \$ million                | \$ million | \$ million |
| At 1 January 2012        | 55,786               | 17                                      | 4                         | 274        | 56,081     |
| Exchange adjustments     | 1                    | 1                                       | -                         | -          | 2          |
| Additions                | 7,888                | 7                                       | -                         | 20         | 7,915      |
| Disposals                | -                    | -                                       | -                         | (101)      | (101)      |
| Repayment                | -                    | -                                       | (2)                       | -          | (2)        |
| At 31 December 2012      | 63,675               | 25                                      | 2                         | 193        | 63,895     |
| <b>Impairment losses</b> |                      |   |                           |            |            |
| At 1 January 2012        | 772                  | -                                       | -                         | 21         | 793        |
| Charge for the year      | 44                   | -                                       | -                         | 1          | 45         |
| At 31 December 2012      | 816                  | -                                       | -                         | 22         | 838        |
| <b>Net book amount</b>   |                      |   |                           |            |            |
| At 31 December 2012      | 62,859               | 25                                      | 2                         | 171        | 63,057     |
| At 31 December 2011      | 55,014               | 17                                      | 4                         | 253        | 55,288     |

The investments in the subsidiary and associated undertakings are unlisted

During the year, the company invested \$7,390 million into BP Australia Swaps Management Limited, a new company set up to restructure the funding to the Australian group from the International Finance Centre in Belgium

The subsidiary undertakings, associated undertakings and joint ventures of the company at 31 December 2012 and the percentage of equity capital held set out below are the investments which principally affected the profits or net assets of the company. To avoid a statement of excessive length, details of investments which are not significant have been omitted. The principal country of operation is generally indicated by the company's country of incorporation or by its name

| Subsidiary<br>undertakings            | Class of<br>share<br>held | %   | Country of<br>incorporation | Principal activity         |
|---------------------------------------|---------------------------|-----|-----------------------------|----------------------------|
| BP Australia Swaps Management Limited | Ordinary                  | 100 | England & Wales             | Finance                    |
| BP Capital Markets p l c              | Ordinary                  | 100 | England & Wales             | Finance                    |
| BP Caplux S.A                         | Ordinary                  | 100 | Luxembourg                  | Holding company            |
| BP Exploration Company Limited        | Ordinary                  | 100 | Scotland                    | Exploration and production |
| BP Finance p l c                      | Ordinary                  | 100 | England & Wales             | Finance                    |
| BP Oil UK Limited                     | Ordinary                  | 100 | England & Wales             | Refining and marketing     |
| BP Russian Investments Limited        | Ordinary                  | 100 | England & Wales             | Holding company            |
| BP Singapore Pte Limited              | Ordinary                  | 100 | Singapore                   | Refining and marketing     |
| BP Sutton Limited                     | Ordinary                  | 100 | England & Wales             | Finance                    |

**BP INTERNATIONAL LIMITED****NOTES TO THE ACCOUNTS****12. Stocks**

|                                 | 2012         | 2011         |
|---------------------------------|--------------|--------------|
|                                 | \$ million   | \$ million   |
| Stock held for trading purposes | 2,697        | 2,585        |
| Stock held not for trading      | 26           | 29           |
|                                 | <u>2,723</u> | <u>2,614</u> |

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

**13. Debtors**

|                                    | 2012          | 2012          | 2011          | 2011          |
|------------------------------------|---------------|---------------|---------------|---------------|
|                                    | Within        | After         | Within        | After         |
|                                    | 1 year        | 1 year        | 1 year        | 1 year        |
|                                    | \$ million    | \$ million    | \$ million    | \$ million    |
| Trade debtors                      | 3,357         | -             | 4,383         | -             |
| Amounts owed by group undertakings | 55,025        | 63,250        | 46,657        | 66,837        |
| Amounts owed by associates         | 105           | 102           | 88            | 159           |
| Other debtors                      | 418           | 4             | 450           | 11            |
| Corporation tax                    | -             | -             | 134           | -             |
| Prepayments and accrued income     | 139           | 4             | 115           | 8             |
|                                    | <u>59,044</u> | <u>63,360</u> | <u>51,827</u> | <u>67,015</u> |

**14. Creditors**

|                                    | 2012           | 2012          | 2011           | 2011          |
|------------------------------------|----------------|---------------|----------------|---------------|
|                                    | Within         | After         | Within         | After         |
|                                    | 1 year         | 1 year        | 1 year         | 1 year        |
|                                    | \$ million     | \$ million    | \$ million     | \$ million    |
| Trade creditors                    | 7,204          | -             | 7,445          | -             |
| Amounts owed to group undertakings | 94,401         | 62,620        | 93,464         | 46,277        |
| Amounts owed to associates         | 88             | -             | 89             | -             |
| Other creditors                    | 1,609          | -             | 543            | 1             |
| Corporation tax                    | 5              | -             | -              | -             |
| Accruals and deferred income       | 656            | 22            | 705            | 26            |
|                                    | <u>103,963</u> | <u>62,642</u> | <u>102,246</u> | <u>46,304</u> |

**BP INTERNATIONAL LIMITED****NOTES TO THE ACCOUNTS****15. Finance debt**

Loans repayable, included within creditors, are analysed as follows

|                                  | <u>2012</u> | <u>2012</u>  | <u>2011</u> | <u>2011</u> |
|----------------------------------|-------------|--------------|-------------|-------------|
|                                  | Within      | After        | Within      | After       |
|                                  | 1 year      | 1 year       | 1 year      | 1 year      |
|                                  | \$ million  | \$ million   | \$ million  | \$ million  |
| Bank loans and overdrafts        | 47          | 1,348        | 88          | 968         |
| Amounts due under finance leases | -           | -            | 286         | -           |
|                                  | <u>47</u>   | <u>1,348</u> | <u>374</u>  | <u>968</u>  |

There were no bank loans and overdrafts repayable after 5 years

At 31 December 2012 the company had access to the Group's undrawn borrowing facilities available amounting to \$6.800 million (2011 \$6.900 million), which were covered by formal commitments

**16. Obligations under leases**

Amounts due under finance leases are as follows

|                      | <u>2012</u> | <u>2011</u> |
|----------------------|-------------|-------------|
|                      | \$ million  | \$ million  |
| Amounts payable.     |             |             |
| Within 1 year        | -           | 370         |
| Between 2 to 5 years | -           | -           |
| Thereafter           | -           | -           |
|                      | <u>-</u>    | <u>370</u>  |
| Less finance charges | -           | (84)        |
| Net obligations      | <u>-</u>    | <u>286</u>  |

Annual commitments under non-cancellable operating leases are set out below:

|                               | <u>2012</u> | <u>2011</u> |
|-------------------------------|-------------|-------------|
|                               | \$ million  | \$ million  |
| Operating leases which expire |             |             |
| Within 1 year                 | 72          | 63          |
| Between 2 to 5 years          | 123         | 78          |
| Thereafter                    | <u>42</u>   | <u>39</u>   |



# **BP INTERNATIONAL LIMITED**

## **NOTES TO THE ACCOUNTS**

### **17. Derivatives and other financial instruments**

In the normal course of business the company enters into derivative financial instruments (derivatives), to manage its normal business exposures in relation to commodity prices, foreign currency exchange rates and interest rates, including management of the balance between floating rate and fixed rate debt consistent with risk management policies and objectives

#### *Derivatives held for trading*

The company maintains active trading positions in a variety of derivatives. The contracts may be entered into for risk management purposes, to satisfy supply requirements or for entrepreneurial trading. Certain contracts are classified as held for trading, regardless of their original business objective, and are recognised at fair value with changes in fair value recognised in the profit and loss account. Trading activities are undertaken by using a range of contract types in combination to create incremental gains by arbitraging process between markets, locations and time period. The net of these exposures is monitored using market value-at-risk techniques.

The fair values of derivative financial instruments at 31 December are set out below

|  | 2012         | 2012         | 2011         | 2011         |
|--|--------------|--------------|--------------|--------------|
|  | Fair value   | Fair value   | Fair value   | Fair value   |
|  | asset        | liability    | asset        | liability    |
|  | \$ million   | \$ million   | \$ million   | \$ million   |
| Cash flow hedges                           |              |              |              |              |
| - Currency forwards, futures and cylinders | 1            | -            | -            | -            |
| Fair value hedges                          |              |              |              |              |
| - Currency forwards, futures and swaps     | 874          | (245)        | 842          | (400)        |
| - Interest rate swaps                      | 981          | -            | 606          | -            |
| Derivatives held for trading               |              |              |              |              |
| - Currency derivatives                     | 161          | (192)        | 192          | (267)        |
| - Oil price derivatives                    | 336          | (144)        | 294          | (148)        |
| - Interest rate contracts                  | 168          | (159)        | 174          | (140)        |
|  | <u>2,521</u> | <u>(740)</u> | <u>2,108</u> | <u>(955)</u> |
| Of which                                   |              |              |              |              |
| - current                                  | 800          | (316)        | 541          | (458)        |
| - non-current                              | 1,721        | (424)        | 1,567        | (497)        |
|  | <u>2,521</u> | <u>(740)</u> | <u>2,108</u> | <u>(955)</u> |

**BP INTERNATIONAL LIMITED****NOTES TO THE ACCOUNTS****18. Other provisions**

|                                 | <u>Other</u><br><u>\$ million</u> |
|---------------------------------|-----------------------------------|
| At 1 January 2012               | 166                               |
| Exchange adjustments            | 1                                 |
| New or increased provisions     | 15                                |
| Write-back of unused provisions | (10)                              |
| Utilisation                     | (64)                              |
| At 31 December 2012             | <u>108</u>                        |

Other provisions include amounts in respect of overseas indirect tax exposures, third party debt guarantee contracts and a number of other items. The majority of other provisions are expected to be settled within one to three years. Where the impact of discounting is significant other provisions are discounted using a real discount rate of 0.5% (2011: 0.5%).

**19. Called up share capital**

|   | <u>2012</u><br><u>\$ million</u> | <u>2011</u><br><u>\$ million</u> |
|---|----------------------------------|----------------------------------|
| Allotted, called up and fully paid<br>24,086,946,910 Ordinary shares of £1 each for a total nominal value<br>of £24,086,946,910 | <u>37,114</u>                    | <u>37,114</u>                    |

**20. Capital and reserves**

|                                       | <u>Called up<br/>share<br/>capital</u><br><u>\$ million</u> | <u>Profit and<br/>loss<br/>account</u><br><u>\$ million</u> | <u>Total</u><br><u>\$ million</u> |
|---------------------------------------|---|---|-----------------------------------|
| At 1 January 2012                     | 37,114  | 2,538   | 39,652                            |
| Profit for the year                   | -   | 2,363   | 2,363                             |
| Currency translation                  | -   | 83  | 83                                |
| Dividends – current year interim paid | -   | (2,850)   | (2,850)                           |
| At 31 December 2012                   | <u>37,114</u>   | <u>2,134</u>  | <u>39,248</u>                     |

In 2012 the company paid interim ordinary dividends of \$2.850 million (2011: \$4.919 million). The dividend per share was \$0.12 (2011 dividend per share: \$0.20).

**BP INTERNATIONAL LIMITED**

**NOTES TO THE ACCOUNTS**

**21. Reconciliation of movements in shareholders' funds**

|  | <u>2012</u>   | <u>2011</u>   |
|--|---------------|---------------|
|  | \$ million    | \$ million    |
| Profit for the year                                | 2,363         | 4,626         |
| Issue of ordinary share capital                    | -             | 3,000         |
| Dividends – current year interim paid              | (2,850)       | (4,919)       |
| Currency translation                               | 83            | 36            |
| Movement in the mark to market of cash flow hedges | -             | 1             |
| Net (decrease) / increase in shareholders' funds   | (404)         | 2,744         |
| Shareholders' funds at 1 January                   | 39,652        | 36,908        |
| Shareholders' funds at 31 December                 | <u>39,248</u> | <u>39,652</u> |

**22. Capital commitments**

Authorised and contracted future capital expenditure by the company for which contracts had been placed but not provided in the accounts at 31 December 2012 is estimated at \$62 million (2011 \$68 million)

**23. Guarantees and other financial commitments**

The company has issued guarantees under which amounts outstanding at 31 December 2012 were \$21,002 million (2011 \$14,459 million) There are contingent liabilities in respect of guarantees and indemnities entered into as part of, and claims arising from, the ordinary course of the company's business, including borrowing by its subsidiary undertakings upon which no material losses are expected to arise

**24. Related party transactions**

The company has taken advantage of the exemption contained within Financial Reporting Standard No 8 "Related Party Disclosures", and has not disclosed transactions entered into with group companies.

During the year the company entered into transactions, in the ordinary course of business, with other related parties Transactions entered into, and trading balances outstanding at 31 December, are as follows

# **BP INTERNATIONAL LIMITED**

## **NOTES TO THE ACCOUNTS**

### **24. Related party transactions (continued)**

| Related party<br>(Relationship)                            | Description                      | Sales             | Purchases         | Amounts<br>owed by<br>related<br>party | Amounts<br>owed to<br>related<br>party |
|--|----------------------------------|-------------------|-------------------|--|--|
|  |                                  | <u>\$ million</u> | <u>\$ million</u> | <u>\$ million</u>                      | <u>\$ million</u>                      |
| TNK-BP Limited<br>(Affiliate)                              | Refining and<br>Marketing        |                   |                   |  |  |
| 2012   |                                  | -                 | 3,156             | -                                      | -                                      |
| 2011   |                                  | -                 | 1,934             | -                                      | -                                      |
| BP Southern Africa<br>(Proprietary) Limited<br>(Affiliate) | Refining and<br>Marketing        |                   |                   |  |  |
| 2012   |                                  | 3,013             | -                 | 378                                    | -                                      |
| 2011   |                                  | 2,460             | -                 | 355                                    | -                                      |
| BP Trinidad and Tobago<br>LLC<br>(Affiliate)               | Exploration<br>and<br>production |                   |                   |  |  |
| 2012   |                                  | -                 | -                 | -                                      | 223                                    |
| 2011   |                                  | -                 | -                 | -                                      | 251                                    |

### **25. Off-balance sheet arrangements**

The company enters into operating lease arrangements for the hire of buildings and plant and equipment as these arrangements are a cost efficient way of obtaining the short-term benefits of these assets. The hire charges for the year are disclosed in note 2 and the annual commitments under these arrangements are disclosed in note 16. There are no other material off-balance sheet arrangements.

### **26. Pensions**

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

### **27. Comparative figures**

The amounts included in the balance sheet as at 31 December 2011 for debtors and creditors were understated by \$17,697m because certain balances with other BP group companies had been incorrectly netted. The comparatives in these financial statements have been amended to correct for this. Amounts owed by group undertakings, included within debtors due within one year, have been increased by \$17,697m. Amounts owed to group undertakings, included within creditors due within one year and creditors due after one year, have been increased by \$9,763m and \$7,934m respectively.

### **28. Immediate and ultimate controlling parent undertaking**

The immediate parent undertaking is BP plc, a company registered in England and Wales. The ultimate controlling parent undertaking is BP plc, 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 plc can be obtained from 1 St James's Square, London, SW1Y 4PD.