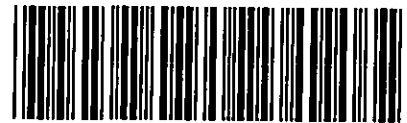


BP International Limited
ANNUAL REPORT AND ACCOUNTS 2011

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BP INTERNATIONAL LIMITED
(Registered No 00542515)

ANNUAL REPORT AND ACCOUNTS 2011

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 2011

Results and dividends

The profit for the year after taxation was \$4,626 million which, when added to the retained profit brought forward at 1 January 2011 of \$2,794 million together with movement in the mark to market of cash flow hedges of \$1 million, exchange adjustments taken directly to reserves of \$36 million and total paid interim dividends to ordinary shareholders of \$4,919 million, gives a total retained profit carried forward at 31 December 2011 of \$2,538 million

In 2011 the company paid interim ordinary dividends of \$4,919 million (2010 \$4,576 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 profit for the year of \$164 million (2010 loss of \$168 million)

The operating profit from Corporate and other activities of \$4,582 million (2010 \$2,397 million) includes dividends from subsidiary and associated undertakings of \$4,443 million (2010 \$2,354 million)

During the year \$57 million was provided against the cost of investments and \$212 million of impairment provisions recorded in prior years were reversed

In December 2011, 1,919,385,796 ordinary shares of £1 each for a total nominal value of £1,919 million (\$3,000 million) were allotted to BP plc

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

	2011	2010	Variance
	\$ million	\$ million	%
Turnover	87,395	74,436	17
Operating profit	4,746	2,229	113
Profit after taxation	4,626	3,376	37
Shareholders' funds	39,652	36,908	7

	2011	2010	Variance
	%	%	
Current assets as % of current liabilities (quick ratio)	49	61	(12)

Turnover has increased due to higher crude oil prices in 2011. The average Brent price for the year increased to \$113.30 per barrel or by 43% over the \$79.50 per barrel average seen in 2010. The price variance between 2010 and 2011 is mostly due to the economic climate.

Operating profit has increased due to the increase in dividends from subsidiaries (2011 \$4,443 million, 2010 \$2,354 million). Shareholders' funds' have increased mainly due to the issuance of \$3,000 million of share capital during the year.

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.

Consider carefully the risks described below and the potential impact of their occurrence on the business, financial condition and results of operations for the company.

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

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

There is significant uncertainty in the extent and timing of costs and liabilities relating to the Incident, the impact of the Incident on the reputation of the BP group and the resulting possible impact on the company's ability to access new opportunities. There is also significant uncertainty regarding potential changes in applicable regulations and the operating environment that may result from the Incident. These increase the risks to which the group and therefore the company are exposed to. These uncertainties are likely to continue for a significant period. 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 BP Group recognized charges totalling \$40.9 billion in 2010 and a credit of \$3.7 billion in 2011 as a result of the Incident. The total amounts that will ultimately be paid by BP in relation to all obligations relating to the Incident are subject to significant uncertainty and the ultimate exposure and cost to BP will be dependent on many factors. Furthermore, the amount of claims that become payable by BP, the amount of fines ultimately levied on BP (including any potential determination of BP's negligence or gross negligence), the outcome of litigation, and any costs arising from any longer-term environmental consequences of the oil spill, will also impact upon the ultimate cost for BP. Although the provision recognized is the current best estimate of expenditures required to settle certain present obligations at the end of the reporting period, there are future expenditures for which it is not possible to measure the obligation reliably. 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 2011.

General macroeconomic outlook

The general macroeconomic outlook can affect BP group results, and consequently may affect BP International Limited, given the nature of the company's business.

In the continuing uncertain financial and economic environment, certain risks may gain more prominence either individually or when taken together. Oil and gas prices can be very volatile, with average prices and margins influenced by changes in supply and demand. This is likely to exacerbate competition in all businesses, which may impact costs and margins. At the same time, 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 we do, or may do, business.

The exit of one or more countries from the Eurozone could exacerbate any recession, leading to lower demand and lower oil prices. Any of these factors may affect the company's results of operations, financial condition, business prospects and liquidity.

BP INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

Principal risks and uncertainties (continued)

General macroeconomic outlook (continued)

Capital markets are subject to volatility amid concerns over the European sovereign debt crisis and the slow-down of the global economy. If there are extended periods of constraints in these markets, or if we are unable to access the markets, at a time when cash flows from our business operations may be under pressure, our ability to maintain our long-term investment programme may be impacted with a consequent effect on our growth rate, and may impact shareholder returns, including dividends and share buybacks, or share price.

Strategic 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 group'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. 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.

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.

Climate change and carbon pricing

Climate change and carbon pricing policies could result in higher costs and reduction in future revenue and strategic growth opportunities.

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.

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 in countries where political, economic and social transition is taking place. Some countries have experienced political instability, changes to the regulatory environment, expropriation or nationalisation of property, civil strife, strikes, acts of war and insurrections. Any of these conditions could disrupt or terminate the company's operations, causing its development activities to be curtailed or terminated, or its production to decline, and could cause it to incur additional costs. In particular, the company's investments in the US, Russia, Thailand and other countries could be adversely affected by heightened political and economic environment risks.

BP INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

Principal risks and uncertainties (continued)

Strategic risks (continued)

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 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.

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.

Compliance and control risks

Regulatory

The oil industry in general, and in particular the US industry following the Gulf of Mexico oil spill, faces increased regulation that could increase the cost of regulatory compliance and limit the company's access to new exploration properties.

After the Gulf of Mexico oil spill, it is likely that there will be more stringent regulation of 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 BP group. New regulations and legislation, as well as 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 its 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 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, nationalization, expropriation, cancellation or non-renewal of contract rights. The company buys, sells and trades oil and gas products in certain regulated commodity markets. 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, we could be required to curtail or cease certain operations, or we could incur additional costs.

BP INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

Principal risks and uncertainties (continued)

Compliance and control risks (continued)

Liabilities and provisions

The company remains exposed to changes in the external environment, such as new laws and regulations (whether imposed by international treaty or by national or local governments in the jurisdictions in which we operate), changes in tax or royalty regimes, price controls, government actions to cancel or renegotiate contracts, market volatility or other factors. Such factors could reduce the company's profitability from operations in certain jurisdictions, limit its opportunities for new access, require it to divest or write-down certain assets or affect the adequacy of its provisions for pensions, tax, environmental and legal liabilities. Potential changes to pension or financial market regulation could also impact funding requirements of the company.

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.

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 risks 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 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 civil strife and political unrest in areas where we operate.

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.

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 injury to people, damage to assets, harm to the environment, breaches of regulations, litigation, legal liabilities and repatriation costs.

BP INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

Principal risks and uncertainties (continued)

Safety and operational risks (continued)

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.

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.

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 BP group's long-term credit ratings. Since that time, the BP 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 BP 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 BP group's costs arising from any such incident, ongoing contingencies, liquidity, financial performance and volatile credit spreads, could increase the BP group's financing costs and limit the BP group's access to financing. The company's ability to engage in its trading activities could also be impacted due to counterparty concerns about the 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 BP group's credit ratings are downgraded. 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 2011.

BP INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

Principal risks and uncertainties (continued)

Safety and operational risks (continued)

Joint ventures and other contractual arrangements

The company's major projects and operations may be 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.

Additionally, 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.

Financial risk management

The main financial risks faced by the company through its normal business activities are market risk, commodity price risk, foreign currency exchange risk, interest rate risk and credit 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.

BP INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

Principal risks and uncertainties (continued)

Financial risk management (continued)

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. BP'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.

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.

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 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 that is designed to ensure that consistent processes are in place throughout the group to measure and control credit risk. Credit risk is considered 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, its creditworthiness is assessed and a credit rating allocated that indicates the probability of default, along with a credit exposure limit. Creditworthiness continues to be evaluated after transactions have been initiated and a watchlist of higher-risk counterparties is maintained.

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.

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.

BP INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

Directors

The present directors are listed on page 1

R C Harrington served as a director throughout the financial year Changes since 1 January 2011 are as follows

	<u>Appointed</u>	<u>Resigned</u>
B Gilvary	01 January 2012	-
D J Bucknall	01 January 2012	-
J H Bartlett	27 February 2012	-
B E Grote	-	01 January 2012
D Sanyal	-	01 January 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 31

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

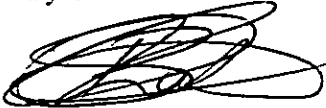
REPORT OF THE DIRECTORS

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

31 October 2012

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 proper 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 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the accounting policies and the related notes 1 to 27. 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 12, 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 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

Paul Wallek (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

London
31 October 2012

BP INTERNATIONAL LIMITED

ACCOUNTING POLICIES

Accounting standards

The financial statements of BP International Limited were approved for issue by the Board of Directors on 31 October 2012.

These accounts are prepared in accordance with 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

Revenues associated with the sale of oil, natural gas liquids, liquefied natural gas, petroleum and chemical products, oil and natural gas forward sales/purchase contracts and sales/purchases of trading inventory are included on a net basis in turnover and other operating income.

Dividend income

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

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.

BP INTERNATIONAL LIMITED

ACCOUNTING POLICIES

Foreign currency transactions (continued)

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.

Following the acquisition of BP Russian Investments Limited in 2011, and other recent changes to the underlying transactions, events and conditions of the company, a review of the functional currency used for accounting purposes was performed. As a result of the review, the functional currency has been changed with effect from 1 January 2011. Prior to this date a UK sterling functional currency was used. From 1 January 2011 onwards it has been determined that BPI contains certain foreign operations, as defined in FRS 23. Each foreign operation has its own functional currency which for some operations is the US dollar and for others is UK sterling or other currencies. In addition, it has been decided that the US dollar is the most appropriate presentational currency for the financial statements.

The UK sterling balances at 1 January 2011 were converted to US dollars using the following foreign exchange rate: 1 USD 0.6498 GBP. Comparatives for 2010 have also been presented in the new presentation currency of US dollars. The comparatives apply the average US dollar to UK sterling foreign exchange rate for 2010 of 1 USD 0.6240 GBP to the profit and loss account and the closing US dollar to UK sterling rate of 1 USD 0.6498 GBP to the balance sheet. The resulting average rate to closing rate foreign exchange difference on translation is presented in the statement of total recognised gains and losses.

Derivative and other financial instruments

The company is exempt from the disclosure requirements of section 2D (a) of FRS 29. The company is included in the consolidated accounts of the ultimate parent undertaking, BP p.l.c., which include the disclosures on a group basis that comply with this standard.

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

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 premiums 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 assets 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 are 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, 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 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

Operating lease payments are recognised as an expense in the profit and loss account on a straight-line basis over the lease term

Comparative figures

The comparative figures for 2010 in US dollar have been presented using an average rate for the profit and loss account and the 31 December 2010 year end rate for the balance sheet. The foreign currency translation difference of \$315 million resulting from the conversion of the 2010 comparative figures has been taken to the statement of total recognised gains and losses

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 2011

		<u>2011</u>	<u>2010</u>
	Note	\$ million	\$ million
Turnover	1	87,395	74,436
Cost of sales		<u>(86,603)</u>	<u>(73,460)</u>
Gross profit		792	976
Distribution and administration expenses		(674)	(1,226)
Other operating income	4	<u>4,628</u>	<u>2,479</u>
Operating profit	1, 2	4,746	2,229
Interest payable and similar charges	5	(1,503)	(1,191)
Interest receivable and similar income	6	<u>1,373</u>	<u>2,452</u>
Profit before taxation		4,616	3,490
Taxation	7	<u>10</u>	<u>(114)</u>
Profit for the year		<u>4,626</u>	<u>3,376</u>

The profit of \$4,626 million for the year ended 31 December 2011 has derived in its entirety from continuing operations

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

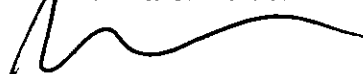
	<u>2011</u>	<u>2010</u>
	\$ million	\$ million
Profit for the year	4,626	3,376
Currency translation	36	315
Movement in the mark to market of cash flow hedges	1	8
Unrealised loss on investment	-	(7)
Total recognised gains and losses for the year	<u>4,663</u>	<u>3,692</u>

BP INTERNATIONAL LIMITED
(Registered No.00542515)

BALANCE SHEET AT 31 DECEMBER 2011

	Note	2011 \$ million	2010 \$ million
Fixed assets			
Intangible assets	9	181	229
Tangible assets	10	993	865
Investments	11	55,288	46,672
		<u>56,462</u>	<u>47,766</u>
Current assets			
Stocks	12	2,614	1,902
Debtors – <i>amounts falling due</i>	13		
<i>within one year</i>		34,130	38,860
<i>after one year</i>		67,015	57,229
Derivatives and other financial instruments - <i>due</i>	17		
<i>within one year</i>		541	876
<i>after one year</i>		1,567	1,055
Cash at bank and in hand		11,301	15,951
		<u>117,168</u>	<u>115,873</u>
Creditors: amounts falling due within one year			
Creditors	14	(92,483)	(90,205)
Finance debt	15	(374)	(101)
Derivatives and other financial instruments	17	(458)	(504)
Net current assets		<u>23,853</u>	<u>25,063</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>80,315</u>	<u>72,829</u>
Creditors: amounts falling due after more than one year			
Creditors	14	(38,370)	(34,304)
Finance debt	15	(968)	(549)
Derivatives and other financial instruments	17	(497)	(316)
Provisions for liabilities and charges			
Deferred tax	7	(662)	(671)
Other provisions	18	(166)	(81)
NET ASSETS		<u>39,652</u>	<u>36,908</u>
Represented by			
Capital and reserves			
Called up share capital	19	37,114	34,114
Profit and loss account	20	2,538	2,794
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		<u>39,652</u>	<u>36,908</u>

On behalf of the Board



David Bucknall
31 October 2012

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)	
	2011	2010	2011	2010
	\$ million	\$ million	\$ million	\$ million
Refining and marketing	87,557	74,520	164	(168)
Other businesses and corporate	227	192	4,582	2,397
Sales between businesses	(389)	(276)	-	-
	<u>87,395</u>	<u>74,436</u>	<u>4,746</u>	<u>2,229</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)

	2011	2010
	\$ million	\$ million
Hire charges under operating leases		
Land & buildings	92	30
Currency exchange loss / (gains)	105	(170)
Expenditure on research	46	69
Depreciation of owned fixed assets (including amortisation of intangibles)	221	232
Depreciation of assets held under finance leases	9	8
Impairment reversals	(212)	(108)
Profit on disposal of investments	(78)	(95)
Amounts provided against investments	<u>57</u>	<u>154</u>

3. Auditor's remuneration

	2011	2010
	\$000	\$000
Fees for the audit of the company	<u>1,077</u>	<u>976</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.

BP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

4. Other operating income

	<u>2011</u>	<u>2010</u>
	<u>\$ million</u>	<u>\$ million</u>
Income from subsidiary and associated undertakings		
Dividends	4,443	2,354
Miscellaneous income	185	125
	<u>4,628</u>	<u>2,479</u>

5. Interest payable and similar charges

	<u>2011</u>	<u>2010</u>
	<u>\$ million</u>	<u>\$ million</u>
Interest expense on		
Loans from group undertakings	1,500	1,186
Finance leases	3	5
	<u>1,503</u>	<u>1,191</u>

6. Interest receivable and similar income

	<u>2011</u>	<u>2010</u>
	<u>\$ million</u>	<u>\$ million</u>
Interest income from group undertakings	876	2,029
Other interest	497	423
	<u>1,373</u>	<u>2,452</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 activities (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

	2011	2010
	\$ million	\$ million
<u>Current tax</u>		
UK corporation tax on income for the period	3,447	2,693
Overseas taxation relief	(3,447)	(2,693)
Prior year UK corporation tax on income adjustment	(3)	(77)
	(3)	(77)
Overseas taxation on income for the period	2	6
Total current tax	(1)	(71)
<u>Deferred tax</u>		
Current year timing differences	-	105
Adjustment to prior year timing differences	(9)	80
Total deferred tax	(9)	185
Tax (credited) / charged on profit on ordinary activities	(10)	114

BP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

7. Taxation (continued)

(a) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 26% for the year ended 31 December 2011 (2010 – 28%). The differences are reconciled below

	<u>2011</u>	<u>2010</u>
	UK	UK
	\$ million	\$ million
Profit on ordinary activities before tax	4,616	3,490
Current taxation	(1)	(71)
Effective current tax rate	-	(2)%

	<u>2011</u>	<u>2010</u>
	UK	UK
	%	%
UK corporation tax rate	26	28
Overseas corporation tax rate	-	-
Increase / (decrease) resulting from:		
Dividends not subject to tax	(25)	(19)
Prior year tax provision written back	-	(2)
Non-deductible expenditure / non-taxable income	(1)	2
Accelerated capital allowances	-	6
Tax provided on behalf of other group companies	75	77
Overseas taxation relief claimed by other group companies	(75)	(77)
Free group relief	-	(17)
Effective current tax rate	<u>-</u>	<u>(2)</u>

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 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 \$66.9 million arising in respect of these claims.

The group has ORF held over gains carried forward at 31 December 2011 of \$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 \$245 million and restricted capital losses of \$439 million.

BP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

7. Taxation (continued)

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

Other timing differences which give rise to a potential deferred tax asset of \$919.6 million (2010 \$893.2 million) have not been recognised as they are not expected to give rise to any future tax benefit

(c) Provision for deferred tax

The deferred tax included in the balance sheet is as follows

	2011	2010
	\$ million	\$ million
Fixed assets timing differences	2,082	1,414
Decommissioning and other provisions	(293)	(452)
Deferred double taxation relief	(1,127)	(318)
Other timing differences	-	27
Provision for deferred tax	<u>662</u>	<u>671</u>

Analysis of movements during the year
At 1 January 2011
Charge for the year on ordinary activities
At 31 December 2011

671
<u>(9)</u>
<u>662</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 E Grote and B Gilvary are directors of BP plc (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 plc and received no remuneration for services to this company or its subsidiary undertakings.

(b) Employee costs

The company had no employees during the year (2010 Nil).

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

	Software & other	Goodwill	Total
	\$ million	\$ million	\$ million
Cost			
At 1 January 2011	630	42	672
Additions	47	-	47
Disposals	(18)	-	(18)
Transfers	(15)	-	(15)
At 31 December 2011	644	42	686
Amortisation			
At 1 January 2011	401	42	443
Disposals	(18)	-	(18)
Exchange adjustments	(2)	-	(2)
Charge for the year	82	-	82
At 31 December 2011	463	42	505
Net book value			
At 31 December 2011	181	-	181
At 31 December 2010	229	-	229
Principal rates of amortisation	20%	-	



BP INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS****10. Tangible assets**

	Refining & marketing	Corporate & other	Total	Of which AUC*
Cost	\$ million	\$ million	\$ million	\$ million
At 1 January 2011	1,401	981	2,382	179
Additions	38	80	118	46
Exchange adjustments	19	(7)	12	-
Disposals	(503)	(120)	(623)	(81)
Transfers	-	225	225	-
At 31 December 2011	955	1,159	2,114	144
Depreciation and impairment				
At 1 January 2011	964	553	1,517	-
Charge for the year	46	93	139	-
Exchange adjustments	19	-	19	-
Disposals	(503)	(120)	(623)	-
Transfers	-	69	69	-
At 31 December 2011	526	595	1,121	-
Net book value				
At 31 December 2011	429	564	993	144
At 31 December 2010	437	428	865	179
Principal rates of depreciation	10%-25%	3%-25%		

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

The net book value of freehold land at 31 December 2011 is \$15 million (2010: \$15 million)

Assets held under finance leases and included above, are

	Cost	Depreciation	Net book value
Leased assets – Plant machinery and equipment	\$ million	\$ million	\$ million
At 31 December 2011	308	254	54
At 31 December 2010	308	245	63

BP INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS****11. Investments**

	Subsidiary shares	Investment in associate shares	Loans to associates	Other	Total
Cost	\$ million	\$ million	\$ million	\$ million	\$ million
At 1 January 2011	48,164	14	4	29	48,211
Additions	14,308	3	-	245	14,556
Disposals	(6,686)	-	-	-	(6,686)
At 31 December 2011	<u>55,786</u>	<u>17</u>	<u>4</u>	<u>274</u>	<u>56,081</u>
Amounts provided					
At 1 January 2011	1,518	-	-	21	1,539
Charge for the year	57	-	-	-	57
Disposals	(591)	-	-	-	(591)
Written back in the year	(212)	-	-	-	(212)
At 31 December 2011	<u>772</u>	<u>-</u>	<u>-</u>	<u>21</u>	<u>793</u>
Net book amount					
At 31 December 2011	<u>55,014</u>	<u>17</u>	<u>4</u>	<u>253</u>	<u>55,288</u>
At 31 December 2010	<u>46,646</u>	<u>14</u>	<u>4</u>	<u>8</u>	<u>46,672</u>

The investments in the subsidiary and associated undertakings are unlisted.

In October 2011 the company made an additional capital injection to BP Exploration Company Limited for a consideration of \$5,231 million

In December 2011, the company paid a consideration of \$8,907 million to acquire 100% of BP Russian Investments Limited, the company also transferred its subsidiary BP Asia Pacific Holdings Limited to another group company for a consideration of \$4,465 million.

The subsidiary undertakings of the company at 31 December 2011 and the percentage of equity capital held are set out below. The principal country of operation is generally indicated by the company's country of incorporation or by its name.

A complete list of investments in subsidiary and associated undertakings has been attached to the parent company's annual return made to the Registrar of Companies.

BP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

11. Investments (continued)

Subsidiary undertakings	Class of share held	%	Country of incorporation	Principal activity
BP Capital Markets p l c	Ordinary	100	England & Wales	Finance
BP Caplux SA	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

12. Stocks

	<u>2011</u>	<u>2010</u>
	<u>\$ million</u>	<u>\$ million</u>
Stock held for trading purposes	2,585	1,878
Stock held not for trading	29	24
	<u>2,614</u>	<u>1,902</u>

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

13. Debtors

	<u>2011</u>	<u>2011</u>	<u>2010</u>	<u>2010</u>
	<u>Within</u>	<u>After</u>	<u>Within</u>	<u>After</u>
	<u>1 year</u>	<u>1 year</u>	<u>1 year</u>	<u>1 year</u>
	<u>\$ million</u>	<u>\$ million</u>	<u>\$ million</u>	<u>\$ million</u>
Trade debtors	4,383	-	3,221	11
Amounts owed by group undertakings	28,960	66,837	34,963	56,899
Amounts owed by associates	88	159	71	299
Other debtors	450	11	372	20
Corporation tax	134	-	71	-
Prepayments and accrued income	115	8	162	-
	<u>34,130</u>	<u>67,015</u>	<u>38,860</u>	<u>57,229</u>

BP INTERNATIONAL LIMITED**NOTES TO THE ACCOUNTS****14. Creditors**

	<u>2011</u>	<u>2011</u>	<u>2010</u>	<u>2010</u>
	Within	After	Within	After
	1 year	1 year	1 year	1 year
	\$ million	\$ million	\$ million	\$ million
Trade creditors	7,445	-	7,254	-
Amounts owed to group undertakings	83,701	38,343	81,138	34,270
Amounts owed to associates	89	-	275	-
Other creditors	543	1	942	-
Accruals and deferred income	705	26	596	34
	<u>92,483</u>	<u>38,370</u>	<u>90,205</u>	<u>34,304</u>

15. Finance debt

Loans repayable, included within creditors, are analysed as follows

	<u>2011</u>	<u>2011</u>	<u>2010</u>	<u>2010</u>
	Within	After	Within	After
	1 year	1 year	1 year	1 year
	\$ million	\$ million	\$ million	\$ million
Bank loans and overdrafts	88	968	78	271
Amounts due under finance leases	286	-	23	278
	<u>374</u>	<u>968</u>	<u>101</u>	<u>549</u>

16. Obligations under leases

Amounts due under finance leases are as follows

	<u>2011</u>	<u>2010</u>
	\$ million	\$ million
Amounts payable		
Within 1 year	370	23
Between 2 to 5 years	-	300
Thereafter	-	-
	<u>370</u>	<u>323</u>
Less finance charges	(84)	(22)
Net obligations	<u>286</u>	<u>301</u>

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

	<u>2011</u>	<u>2010</u>
	\$ million	\$ million
Operating leases which expire		
Within 1 year	63	23
Between 2 to 5 years	78	53
Thereafter	<u>39</u>	<u>42</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 value of derivative financial instruments at 31 December are set out below

	<u>2011</u>	<u>2011</u>	<u>2010</u>	<u>2010</u>
	Fair value asset	Fair value liability	Fair value asset	Fair value liability
	\$ million	\$ million	\$ million	\$ million
Cash flow hedges				
- Currency forwards, futures and cylinders	-	-	102	(2)
Fair value hedges				
- Currency forwards, futures and swaps	842	(400)	769	(80)
- Interest rate swaps	606	-	194	(74)
Derivatives held for trading				
- Currency derivatives	192	(267)	248	(294)
- Oil price derivatives	294	(148)	549	(322)
- Interest rate contracts	174	(140)	69	(48)
	<u>2,108</u>	<u>(955)</u>	<u>1,931</u>	<u>(820)</u>
Of which				
- current	541	(458)	876	(504)
- non-current	1,567	(497)	1,055	(316)
	<u>2,108</u>	<u>(955)</u>	<u>1,931</u>	<u>(820)</u>

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

	<u>Other</u> \$ million
At 1 January 2011	81
Exchange adjustments	3
New or increased provisions	133
Utilisation	<u>(51)</u>
At 31 December 2011	<u>166</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% (2010: 1.50%).

19. Called up share capital

	<u>2011</u> \$ million	<u>2010</u> \$ million
Allotted, called up and fully paid		
24,086,946,910 Ordinary shares of £1 each for a total nominal value of £24,086,946,910	37,114	34,114

On 30 November 2011, 1,919,385,796 ordinary shares of £1 each for a total nominal value of £1,919 million (\$3,000 million) were allotted to the immediate parent company at par value.

20. Capital and reserves

	<u>Called up share capital</u> \$ million	<u>Profit and loss account</u> \$ million	<u>Total</u> \$ million
At 1 January 2011	34,114	2,794	36,908
Issue of ordinary share capital	3,000	-	3,000
Profit for the year	-	4,626	4,626
Movement in the mark to market of cash flow hedges	-	1	1
Currency translation	-	36	36
Dividends – current year interim paid	-	(4,919)	(4,919)
At 31 December 2011	<u>37,114</u>	<u>2,538</u>	<u>39,652</u>

In 2011 the company paid interim ordinary dividends of \$4,919 million (2010: \$4,576 million). The dividend per share was \$0.20 (2010 dividend per share: \$1.44).

BP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

21. Reconciliation of movements in shareholders' funds

	<u>2011</u>	<u>2010</u>
	\$ million	\$ million
Profit for the year	4,626	3,376
Issue of ordinary share capital	3,000	29,343
Dividends – current year interim paid	(4,919)	(4,576)
Currency translation	36	315
Movement in the mark to market of cash flow hedges	1	8
Unrealised loss on investment	-	(7)
Net increase in shareholders' funds	<u>2,744</u>	<u>28,459</u>
Shareholders' funds at 1 January	36,908	8,449
Shareholders' funds at 31 December	<u>39,652</u>	<u>36,908</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 2011 is estimated at \$68 million (2010 \$48 million)

23. Guarantees and other financial commitments

The company has issued guarantees under which amounts outstanding at 31 December 2011 were \$14,459 million (2010 \$15,657 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 (Relationship)	Description	Sales	Purchases	Amounts owed by related party	Amounts owed to related party
		<u>\$ million</u>	<u>\$ million</u>	<u>\$ million</u>	<u>\$ million</u>
TNK-BP Limited (Affiliate)	Refining and Marketing				
2011		-	1,934	-	-
2010		2	220	-	152
Nigermed Petroleum S A (Joint venture)	Refining and Marketing				
2011		-	-	-	-
2010		1,587	1,817	334	-
BP Southern Africa (Proprietary) Limited (Affiliate)	Refining and Marketing				
2011		2,460	-	355	-
2010		2,274	-	446	-
BP Trinidad and Tobago LLC (Affiliate)	Exploration and production				
2011		-	-	-	251
2010		-	-	-	419

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.

BP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

26. Pensions

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

27. Immediate and ultimate controlling parent undertaking

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