

BP CAPITAL MARKETS P.L.C.

(Registered No 01290444)

ANNUAL REPORT AND ACCOUNTS 2012

Board of Directors	N M H Bamfield
	D J Bucknall
	B Gilvary
	R C Harrington

REPORT OF THE DIRECTORS

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

Results and dividends

The profit for the year after taxation was \$2 million which, when deducted from the retained deficit brought forward at 1 January 2012 of \$166 million, gives a total retained deficit carried forward at 31 December 2012 of \$164 million. The company has not declared any dividends during the year (2011 \$nil). The directors do not propose the payment of a dividend.

Principal activity and review of the business

The company acts as a finance company issuing debt security and commercial paper. The development of the company is largely determined by the financing requirements of BP group companies in the UK and abroad.

To meet the additional cash funding requirements of the group, BP Capital Markets plc has issued in the year new bonds with a total nominal value of \$10.9 billion, whilst existing bonds reaching maturity have been repaid with a total nominal value of \$3.7 billion. There has been a net repayment of commercial paper in the year with a nominal value of \$0.6 billion and foreign exchange movement of \$0.3 billion. These events have increased the total debt balance to \$41.7 billion.

Net profit before tax for the year was \$2 million, compared with a loss of \$6 million a year ago, due mainly to interest on Commercial Paper ("CP") which has arisen due to a mismatch on terms with the offset related deposit of funds to another BP group company.

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

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BP CAPITAL MARKETS P.L.C.

REPORT OF THE DIRECTORS

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: compliance and control 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).

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 Capital Markets plc.

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.

BP CAPITAL MARKETS P.L.C.

REPORT OF THE DIRECTORS

Principal risks and uncertainties (continued)

Compliance and control risks

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.

Changes in external factors

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 the company operates), changes in tax regimes, government actions to cancel or renegotiate contracts, market volatility or other factors. Such factors could reduce the company's profitability from operations, limit its opportunities for new access, require it to divest or write-down certain assets or affect the adequacy of its provisions for tax, environmental and legal liabilities. Potential changes to financial market regulation could also impact funding requirements of the company.

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 CAPITAL MARKETS P.L.C.

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.

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 foreign currency exchange risk, interest rate 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.

The financial risk management objectives and policies of the company are shown in note 8 of the financial statements.

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 CAPITAL MARKETS P.L.C.

REPORT OF THE DIRECTORS

Going Concern

The directors consider that, despite the uncertainties deriving from the current economic environment and the net current liabilities position as at the balance sheet date, the company has adequate resources to continue in operational existence for the foreseeable future

Directors

The present directors are listed on page 1

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

	<u>Appointed</u>	<u>Resigned</u>
D Sanyal		1 January 2012
B E Grote		1 January 2012
D J Bucknall	1 January 2012	
B Gilvary	1 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 nil

Auditors

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 CAPITAL MARKETS P.L.C.

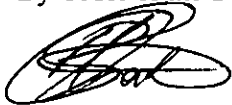
REPORT OF THE DIRECTORS

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

25 April 2013

Registered Office

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

BP CAPITAL MARKETS P.L.C.

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 CAPITAL MARKETS P.L.C.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
BP CAPITAL MARKETS P.L.C.

We have audited the financial statements of BP Capital Markets p l c 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 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

26/4/ 2013

BP CAPITAL MARKETS P.L.C.

ACCOUNTING POLICIES

Accounting standards

The financial statements of BP Capital Markets p l c were approved for issue by the Board of Directors on 24 April 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

Basis of preparation

At 31 December 2012 the company's balance sheet had net current liabilities amounting to \$310 million

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

Statement of cash flows

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

Foreign currency transactions

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

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 p l c , which include the disclosures on a group basis that comply with this standard

All financial instruments are recognised on the balance sheet of the company as soon as the company becomes a party to the contractual provisions of the instrument

Loans and receivables are measured at amortised cost using the effective interest rate method The effective interest rate is the rate that exactly discounts the expected stream of future cash payments, including all fees and discount paid or premium received, over the period to maturity to the instrument's net carrying amount

The company's debtors are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, do not qualify as trading assets, and have not been designated as either fair value through profit and loss or available-for-sale

Interest Income/Expense

Interest is recognised on an accruals basis using the effective interest rate method

BP CAPITAL MARKETS P.L.C.

PROFIT AND LOSS
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 \$m	2011 \$m
Interest receivable	3	1,340	1,207
Interest payable and similar charges	2	(1,338)	(1,213)
Profit / (loss) before taxation		2	(6)
Taxation	4	-	-
Profit / (loss) for the year		2	(6)

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

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

There are no recognised gains or losses attributable to the shareholders of the company other than the profit of \$2 million for the year ended 31 December 2012 (2011 loss of \$6 million)

BP CAPITAL MARKETS P.L.C.
(Registered No.01290444)

BALANCE SHEET AS AT 31 DECEMBER 2012

	Note	<u>2012</u> \$m	<u>2011</u> \$m
Current Assets			
Debtors – amount falling due within one year	6	9,243	7,397
after one year	6	33,860	28,615
Creditors: amounts falling due within one year	7	<u>(9,553)</u>	<u>(7,690)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		33,550	28,322
Creditors: amounts falling due after more than one year	7	<u>(32,813)</u>	<u>(27,587)</u>
NET ASSETS		<u>737</u>	<u>735</u>
Represented by			
Capital and reserves			
Called up share capital	9	678	678
Share premium account	10	223	223
Profit and loss account	10	<u>(164)</u>	<u>(166)</u>
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		<u>737</u>	<u>735</u>

On behalf of the Board



N M H Bamfield
Director

25 Apr 1

2013

BP CAPITAL MARKETS P.L.C.

NOTES TO THE ACCOUNTS

1. Auditor's remuneration

	<u>2012</u>	<u>2011</u>
	<u>\$000</u>	<u>\$000</u>
Fees for the audit of the company	<u>13</u>	<u>15</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 Capital Markets plc's ultimate parent, BP plc, are required to disclose non-audit fees on a consolidated basis

2. Interest payable and similar charges

	<u>2012</u>	<u>2011</u>
	<u>\$m</u>	<u>\$m</u>
Interest expense on other loans	1,258	1,100
Guarantee fees	<u>80</u>	<u>113</u>
	<u>1,338</u>	<u>1,213</u>

3. Interest receivable

	<u>2012</u>	<u>2011</u>
	<u>\$m</u>	<u>\$m</u>
Interest income from group undertakings	<u>1,340</u>	<u>1,207</u>

The sole class of business of the company during the year was issuing debt security and commercial paper. These debt proceeds are deposited with BP International Ltd whereby the company generates interest receivable. The geographical segment from which the company's income is generated is the United Kingdom.

BP CAPITAL MARKETS P.L.C.

NOTES TO THE ACCOUNTS

4. Taxation

The company is a member of a group for the purposes of relief within Part 5, Corporation Tax Act 2010. No UK corporation tax has been provided because another group company, BP International Limited, has undertaken to procure the claim or surrender of group relief to the extent it is required and to provide for any current or deferred UK tax that arises without charge.

The following table provides a reconciliation of the UK statutory corporation tax rate to the effective current tax rate on profit before taxation.

	<u>2012</u>	<u>2011</u>
	\$m	\$m
Profit / (loss) before taxation	2	(6)
Current taxation	-	-
Effective current tax rate	0%	0%
	<u>2012</u>	<u>2011</u>
	%	%
UK statutory corporation tax rate	24	26
Decrease resulting from		
Free group relief	<u>(24)</u>	<u>(26)</u>
Effective current tax rate	<u>-</u>	<u>-</u>

5. Directors and employees

(a) Remuneration of directors

Director B Gilvary is a director 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 the BP plc Group and received no remuneration for services to this company.

None of the directors received any fees or remuneration for services as a director of the company during the financial year (2011: \$Nil).

(b) Employee costs

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

BP CAPITAL MARKETS P.L.C.**NOTES TO THE ACCOUNTS****6. Debtors**

	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
	Within	After	Within	After
	1 year	1 year	1 year	1 year
	\$m	\$m	\$m	\$m
Amounts owed by group undertakings	<u>9,243</u>	<u>33,860</u>	<u>7,397</u>	<u>28,615</u>

7. Creditors

	<u>2012</u>	<u>2012</u>	<u>2011</u>	<u>2011</u>
	Within	After	Within	After
	1 year	1 year	1 year	1 year
	\$m	\$m	\$m	\$m
Accruals and deferred income	451	-	412	-
Financial liabilities	<u>9,102</u>	<u>32,813</u>	<u>7,278</u>	<u>27,587</u>
	<u>9,553</u>	<u>32,813</u>	<u>7,690</u>	<u>27,587</u>

(i) Analysis of financial liabilities by year of repayment:

	<u>2012</u>	<u>2011</u>
	\$m	\$m
Amount repayable		
Within 1 year or on demand	9,102	7,278
Between 1 and 2 years	5,296	5,946
Between 2 and 5 years	16,160	13,297
Thereafter	<u>11,357</u>	<u>8,344</u>
Total	<u>41,915</u>	<u>34,865</u>

8. Financial instruments

The main financial risks faced by the company through its normal business activities are foreign currency exchange risk, liquidity risk and interest rate risk. The management of these financial risks is performed at BP group level.

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.

BP CAPITAL MARKETS P.L.C.

NOTES TO THE ACCOUNTS

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.

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.

All long-term fixed rate borrowings are offset by deposits with BP International Limited, a fellow subsidiary of the parent undertaking, on matching terms which reduces any material fair value interest rate risk on these items.

Funds raised from short-term borrowing, which comprise commercial paper, are placed on deposit with BP International Limited. These deposits earn interest at various floating rates which are set with respect to LIBOR.

The interest rate, currency and maturity profiles of the financial liabilities of the company at 31 December 2012 are set out below.

Material accounting policies for financial instruments

The effective interest rate stated includes the effect of any premium or discount.

BP CAPITAL MARKETS P.L.C.

NOTES TO THE ACCOUNTS

8. Financial Instruments (continued)

Interest rate and currency of financial liabilities:

The interest rate and currency profile of the financial liabilities, at 31 December is set out below

	2012			2011		
	Weighted average interest rate %	Fixed rate Weighted average time rate fixed Years	Amount \$m	Weighted average interest rate %	Fixed rate Weighted average time rate fixed Years	Amount \$m
Sterling	4	4	2,014	4	5	1,919
US dollar	3	4	23,476	4	4	18,946
Other currencies	3	4	10,876	4	4	7,984
			<u>36,366</u>			<u>28,849</u>

	2012		2011	
	Floating rate Weighted average interest rate %	Amount \$m	Floating rate Weighted average interest rate %	Amount \$m
Sterling	3	5	1	8
US dollar	1	4,848	1	5,067
Other currencies	1	696	1	941
		<u>5,549</u>		<u>6,016</u>
Total		<u>41,915</u>		<u>34,865</u>

BP CAPITAL MARKETS P.L.C.

NOTES TO THE ACCOUNTS

8. Financial Instruments (continued)

Interest rate and currency of financial assets

The interest rate and currency profiles of the financial assets of the company are as follows

	2012			2011		
	Weighted average interest rate %	Fixed rate Weighted average time rate fixed Years	Amount \$m	Weighted average interest rate %	Fixed rate Weighted average time rate fixed Years	Amount \$m
Sterling	4	4	2,019	4	5	1,924
US dollar	3	4	23,525	4	4	18,976
Other currencies	3	4	10,899	4	4	8,002
			<u>36,443</u>			<u>28,902</u>

	2012			2011		
		Floating rate Weighted average interest rate %	Amount \$m		Floating rate Weighted average interest rate %	Amount \$m
Sterling		0	3		1	6
US dollar		1	5,795		1	6,068
Other currencies		0	862		1	1,036
			<u>6,660</u>			<u>7,110</u>
Total			<u>43,103</u>			<u>36,012</u>

BP CAPITAL MARKETS P.L.C.

NOTES TO THE ACCOUNTS

8. Financial Instruments (continued)

Fair value of financial assets and liabilities

The estimated fair value of the financial instruments is shown in the table below. The table also shows the "net carrying amount" of the financial assets and liabilities. This amount represents the net book value.

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

			2012	
	Fair value asset	Net carrying amount	Fair value liability	Net carrying amount
	\$m	\$m	\$m	\$m
Primary financial instruments				
Current assets				
Debtors – amounts falling due within one year and after one year	45,512	43,103		
Financial liabilities				
Borrowings – amounts falling due within one year and after one year			(44,324)	(41,915)

			2011	
	Fair value asset	Net carrying amount	Fair value liability	Net carrying amount
	\$m	\$m	\$m	\$m
Primary financial instruments				
Current assets				
Debtors – amounts falling due within one year and after one year	37,621	36,012		
Financial liabilities				
Borrowings – amounts falling due within one year and after one year			(36,474)	(34,865)

The following methods and assumptions were used to estimate the above fair value disclosures.

Current assets – The carrying amounts of the company's current assets comprise deposits with BP International Limited and current accounts in various currencies. The fair value of fixed rate current assets carried at amortised cost are estimated based on discounted cash flows using prevailing market interest rates for debts with similar credit risk and maturity. For current assets that are liquid or having short term maturity (less than one year), it is assumed that the carrying amounts approximate to their fair value.

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NOTES TO THE ACCOUNTS

8. Financial Instruments (continued)

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

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

Financial liabilities – The carrying amount of the company's short term borrowings, which comprise commercial paper, approximates their fair value. The fair value of the company's long term borrowings is estimated using quoted prices or, where these are not available, discounted cash flow analysis, based on the company's current incremental borrowing rates for similar types and maturities of borrowings.

9. Called up share capital

	<u>2012</u>	<u>2011</u>
	\$m	\$m
Allotted, called up and fully paid		
99,999,990 Ordinary shares of £1 each for a total nominal value of £99,999,990	178	178
500,000,000 Ordinary shares of \$1 each for a total nominal value of \$500,000,000	500	500
	<u>678</u>	<u>678</u>

10. Capital and reserves

	Called up share capital	Share premium account	Profit and loss account	Total
	\$m	\$m	\$m	\$m
At 1 January 2012	678	223	(166)	735
Profit for the year	-	-	2	2
At 31 December 2012	<u>678</u>	<u>223</u>	<u>(164)</u>	<u>737</u>

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11. Reconciliation of movements in shareholders' funds

	<u>2012</u>	<u>2011</u>
	\$m	\$m
Profit /(loss) for the year	<u>2</u>	<u>(6)</u>
Net increase / (decrease) in shareholders' funds	2	(6)
Shareholders' funds at 1 January	735	741
Shareholders' funds at 31 December	<u>737</u>	<u>735</u>

12. Related party transactions

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

13. Immediate and ultimate controlling parent undertaking

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