BP RUSSIAN INVESTMENTS LIMITED
(Registered No 02565511)

ANNUAL REPORT AND ACCOUNTS 2012

Board of Directors	R C Harrington
	J S Blythe
	R Norris
	M E Townshend

REPORT OF THE DIRECTORS

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

Results and dividends

The profit for the year after taxation was $1,027,042,000 which, when added to the retained profit brought forward at 1 January 2012 of $1,679,224,000 together with actuarial losses taken directly to reserves of $527,000, total paid interim dividend to ordinary shareholders of $2,100,000,000, listed equity investment marked to market of $44,040,000 and cash flow hedges marked to market of $1,410 097,000 gives a total retained profit carried forward at 31 December 2012 of $2,059,876,000

During the year the company has declared and paid dividends of $2,100,000,000 (2011. $2,800,000,000). The directors do not propose the payment of a final dividend

Principal activity and review of the business

The company's principal activity has been that of holding the BP Group's investments in the TNK-BP joint venture, which is accounted for as an associate of the company After the balance sheet date, the company completed an agreement for the sale of its investment in TNK-BP and an investment in Rosneft Accordingly, post balance sheet date, the company's principal activity has changed to holding the BP Group's investment in Rosneft

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

	2012	2011	Variance
	$000	$000	%
Profit for the year	1,027,042	3,691,754	(72)
Shareholders' funds	11,072,676	10,692,024	4

The profit for the year has decreased significantly due to higher administrative expenses, which relate mainly to costs associated with the sale of TNK-BP and investment in Rosneft, and a decrease in dividend income in 2012

On the 22 November 2012, the BP Group announced that it Rosneft and Roneftegaz – the Russian state-owned parent company of Rosneft – had signed definitive and binding sale and purchase agreements for the sale of BP's 50% interest in TNK-BP to Rosneft and for BP Russian Investments Limited's investment in Rosneft On completion, on 22 March 2013, the overall effect of the transaction was that BP Russian Investments Limited received $12 48 billion net in cash and acquired an 18 5% stake in Rosneft for its stake in TNK-BP Combined with the existing 1 25% shareholding this will result in BP Russian Investments Limited owning 19 75% of Rosneft

BP RUSSIAN INVESTMENTS LIMITED

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. strategic and commercial, 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 Russian Investments Limited.

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

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

Principal risks and uncertainties (continued)

Strategic and commercial risks

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

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

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

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.

BP RUSSIAN INVESTMENTS LIMITED

REPORT OF THE DIRECTORS

Principal risks and uncertainties (continued)

Financial risk management

The main financial risks faced by the company through its normal business activities, as well as its use of financial instruments, are foreign currency exchange 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.

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

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

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

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

Future developments

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

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

Directors

The present directors are listed on page 1

R C Harrington, R Norris and J S Blythe served as directors throughout the financial year Changes since 1 January 2012 are as follows

	Appointed	Resigned
J Huck	-	1 May 2012
R S Sloan	-	1 June 2013
M E Townshend	1 June 2013	-

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

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 RUSSIAN INVESTMENTS 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

24 September 2013

Registered Office

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

BP RUSSIAN INVESTMENTS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with these requirements and, having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts

BP RUSSIAN INVESTMENTS LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BP RUSSIAN INVESTMENTS LIMITED

We have audited the financial statements of BP Russian Investments Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the accounting policies and the related notes 1 to 17 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 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements·

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

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

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

London
25 September 2013

BP RUSSIAN INVESTMENTS LIMITED

ACCOUNTING POLICIES

Accounting standards

The financial statements of BP Russian Investments Limited were approved for issue by the Board of Directors on 23 September 2013

These accounts are prepared in accordance with applicable UK accounting standards. In preparing the accounts in the current year the company has adopted Financial Reporting Standard 25 'Financial Instruments: Disclosure and Presentation' (FRS 25), Financial Reporting Standard 26 'Financial Instruments Measurement' (FRS 26) and Financial Reporting Standard 23 'The Effects of Changes in Foreign Exchange Rates' (FRS 23)

Accounting convention

The accounts are prepared under the historical cost convention with the exception of certain financial instruments measured at fair value.

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

Dividend income

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

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

Finance costs and interest

Interest costs are charged in the profit and loss account in the year in which it is incurred

BP RUSSIAN INVESTMENTS LIMITED

ACCOUNTING POLICIES

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.

Investments

Associates

Fixed asset investments in associates are held at cost The company assesses the 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.

Available-for-sale financial assets

Available-for-sale financial assets are those non-derivative financial assets that are not classified as loans and receivables or financial assets at fair value through profit or loss After initial recognition, available-for-sale financial assets are measured at fair value, with gains or losses recognised in the statement of total recognised gains and losses Accumulated changes in fair value are recorded as a separate component of equity until the investment is derecognised or impaired.

The fair value of quoted investments is determined by reference to bid prices at the close of business on the balance sheet date Where there is no active market, fair value is determined using valuation techniques Where fair value cannot be reliably measured, assets are carried at cost

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

Other creditors

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

BP RUSSIAN INVESTMENTS LIMITED

ACCOUNTING POLICIES

Derivative and other financial instruments

Derivative financial instruments are initially recognised at the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives relating to unquoted equity instruments are carried at cost where it is not possible to reliable measure their fair value subsequent to initial recognition. Derivatives are carried as asserts when the fair value is positive and as liabilities when the fair value is negative

Contracts to buy or sell equity investments, including investments in associates, are financial instruments

Gains or losses arising from changes in the fair value of derivatives that are not designated as effective hedging instruments are recognised in the profit and loss account.

Hedges are classified as cash flow hedges when hedging exposure to variability in the cash flows that is either attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction

Hedge relationships are formally designated and documented at inception, together with the risk management objective and strategy for undertaking the hedge The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the entity will assess the hedging instrument cash flows attributable to the hedged item. Such hedges are expected at inception to be highly effective in achieving offsetting cash flows

Cash flow hedges

The effective portion of the gain or loss on the hedging instrument is recognised within the statement of total recognised gains and losses while the ineffective portion is recognised in profit and loss Amounts taken to the statement of total recognised gains and losses are transferred to the profit and loss account when the hedged transaction affects profit and loss.

Where the hedged item is an equity investment, such as an investment in an associate, the amounts are recognised in the statement of total recognised gains and losses remain in the separate component of equity until the investment is sold or impaired.

Pensions

For defined benefit pension and other post-retirement benefit schemes, scheme assets are measured at fair value and scheme liabilities are measured on an actuarial basis using the projected unit method and discounted at an interest rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the scheme liabilities Full actuarial valuations are obtained at least every three years and are updated at each balance sheet date The resulting surplus or deficit, net of taxation thereon, is presented separately above the total for net assets on the face of the balance sheet

The service cost of providing pension and other post-retirement benefits to employees for the year is charged to the profit and loss account The cost of making improvements to pension and other post-retirement benefits is recognised in the profit and loss account on a straight-line basis over the period during which the increase in benefits vests To the extent that the improvements in benefits vest immediately, the cost is recognised immediately These costs are recognised as an operating expense

A charge representing the unwinding of the discount on the scheme liabilities during the year is included within other finance expense

ACCOUNTING POLICIES

Pensions (continued)

A credit representing the expected return on the scheme assets during the year is included within other finance expense. This credit is based on the market value of the scheme assets, and expected rates of return, at the beginning of the year

Actuarial gains and losses may result from. differences between the expected return and actual return on scheme assets; differences between actuarial assumptions underlying the scheme liabilities and actual experience during the year, or changes in the actuarial assumptions used in the valuation of the scheme liabilities Actuarial gains and losses, and taxation thereon, are recognised in 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 RUSSIAN INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012	2011
		$000	$000
Dividend income		1,414,134	3,746,500
Administration expenses		(390,371)	(58,461)
Profit on ordinary activities before interest and taxation	1	1,023,763	3,688,039
Interest payable and similar charges	3	(205)	(193)
Interest receivable and similar income	4	3,484	3,908
Profit before taxation		1,027,042	3,691,754
Taxation	5	-	-
Profit for the year		1,027,042	3,691,754

The profit of $1,027,042,000 for the year ended 31 December 2012 has derived in its entirety from continuing operations

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

	2012	2011
	$000	$000
Profit for the year	1,027,042	3,691,754
Actuarial losses relating to pensions (net of tax)	(527)	(606)
Cash flow hedges marked to market	1,410,097	-
Listed equity investment marked to market	44,040	-
Total recognised gains and losses for the year	2,480,652	3 691,148

BP RUSSIAN INVESTMENTS LIMITED
(Registered No 02565511)

BALANCE SHEET AT 31 DECEMBER 2012

	Note	2012 $000	2011 $000
Fixed assets			
Investments	7	8,852,902	7,673,431
Current assets			
Debtors	8	980,173	3,059,284
Derivative asset	10	1,410,097	-
		2,390,270	3,059,284
Creditors: amounts falling due within one year	9	(162,285)	(33,232)
Net current assets		2,227,985	3,026,052
TOTAL ASSETS LESS CURRENT LIABILITIES		11,080,887	10,699,483
Creditors: amounts falling due after more than one year	9	(3,046)	(2,634)
Defined benefit pension liability	16	(5,165)	(4,825)
NET ASSETS		11,072,676	10,692,024
Represented by			
Capital and reserves			
Called up share capital	11	9,011,815	9,011 815
Share premium account	12	985	985
Profit and loss account	12	2,059,876	1,679,224
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		11,072,676	10,692,024

On behalf of the Board

R Norris
Director
24 September 2013

BP RUSSIAN INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

1. Profit on ordinary activities before interest and taxation

This is stated after charging:

	2012 $000	2011 $000
Currency exchange losses	72	26

2. Auditor's remuneration

	2012 $000	2011 $000
Fees for the audit of the company	22	15

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

3. Interest payable and similar charges

	2012 $000	2011 $000
Unwinding of discount on pension plan liabilities – See note 16	205	193

4. Interest receivable and similar income

	2012 $000	2011 $000
Interest income from group undertakings	3,484	3,908

5. Taxation

The Company is a member of a group for the purposes of relief within Part 5, Corporation Tax Act 2010. No corporation tax has been provided because another group company, BP International Limited, has undertaken to procure the claim or surrender of group relief to the extent it is required and to provide for any current or deferred 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.

	2012	2011
	$000	$000
Profit before taxation	1,027,042	3,691,754
Current taxation	-	-
Effective current tax rate	0%	0%

	2012	2011
	%	%
UK statutory corporation tax rate:	24	26
Increase / (decrease) resulting from.		
Free group relief	(3)	-
Taxable gain on cash flow hedge	12	-
Dividends not subject to UK tax	(33)	-
Non-taxable income	-	(26)
Effective current tax rate	-	-

6. Directors and employees

(a) Remuneration of directors

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

(b) Employee costs

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

7. Investments

	Listed equity investment $000	Investment in associates shares $000	Total $000
Cost			
At 1 January 2012	-	7,673,431	7,673,431
Addition	1,135,431	-	1,135,431
Change in fair value	44,040	-	44,040
At 31 December 2012	1,179,471	7,673,431	8,852,902
Net book amount			
At 31 December 2012	1,179,471	7,673,431	8,852,902
At 31 December 2011	-	7,673,431	7,673,431
Of which.			
- Current	-	7,673,431	7,673,431
- Non-current	1,179,471	-	1 179,471
	1,179,471	7,673 431	8,852,902

The investment in the associated undertaking is unlisted and was disposed of after year end, refer to note 15 for further details.

On 19 December 2012, the company acquired 1 25% shares in Rosneft from another BP Group company This listed equity investment is accounted for according to the FRS 26 category of 'available for sale'

The associated undertaking of the company at 31 December 2012 and the percentage of equity capital held are set out below

Associated undertaking	Class of share held	%	Country of incorporation	Issued share capital	Principal activity
TNK-BP Limited	Ordinary	50	British Virgin Islands	50,000 shares of US$1 00 par value	Integrated Oil Operations

Listed equity investment	Class of share held	%	Country of incorporation	Issued share capital	Principal activity
Open Joint Stock Company Rosneft Oil Company	Ordinary	1 25	Russia	132,450,300 shares of RUB 0 01 par value	Integrated Oil Operations

8. Debtors

	2012 Within 1 year $000	2011 Within 1 year $000
Trade debtors	95	-
Amounts owed by group undertakings	955,498	3,058,876
Other debtors	15,134	-
Prepayments and accrued income	8,973	44
Taxation	473	364
	980,173	3,059,284

9. Creditors

	2012 Within 1 year $000	2012 After 1 year $000	2011 Within 1 year $000	2011 After 1 year $000
Amounts owed to group undertakings	16,346	-	14,954	-
Accruals	145,939	-	18,278	-
Other creditors	-	3,046	-	2,634
	162,285	3,046	33,232	2,634

10. Derivative and other financial instruments

At 31 December 2012, BP Russian Investments Limited was party to certain equity price derivatives arising in connection with the anticipated completion of the transaction with Rosneft

The carrying amounts of derivative financial instruments at 31 December are set out below:

	2012 Asset $000	2012 Liability $000	2011 Asset $000	2011 Liability $000
Derivatives held for trading				
Equity price derivatives	70,649	-	-	-
Cash flow hedges				
Equity price derivatives	1 339 448	-	-	-
	1 410,097	-	-	-
Of which				
- Current	1,410 097	-	-	-
- Non-current	-	-	-	-

Derivatives held for trading
The company maintains active trading in equity price derivatives The contracts are entered into for risk management purposes

BP RUSSIAN INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

10. Derivative and other financial instruments (continued)

Cash flow hedges

The anticipated transaction whereby BP Russian Investments Limited expected to sell its 50% interest in TNK-BP and acquire 18 50% of Rosneft, as described in the directors report, comprised three agreements which, during the period from signing until completion, represent derivative financial instruments that are required to be measured at fair value. BP Russian Investments Limited has designated two of the agreements, for the acquisition of a 5 66% shareholding in Rosneft from Rosneftegaz, and for the acquisition for a 9 80% shareholding from Rosneft, as hedging instruments in a cash flow hedge, and so changes in the fair value of these agreements are recognised in the Statement of Total Recognised Gains and Losses The third agreement, in which BP Russian Investments Limited expected to sell its 50% interest in TNK-BP in exchange for cash and a 3 04% shareholding in Rosneft, is also a derivative financial instrument, but its fair value could not be reliably measured. An asset of $1,410 million related to these agreements was recognised on the balance sheet at 31 December 2012, of which $1,339 million relates to the fair value of the cash flow hedge derivatives The derivatives measured at fair value at 31 December 2012 are estimated using inputs that include the quoted Rosneft share price A credit of $1,410 million recognised in the Statement of Total Recognised Gains and Losses would be recycled to the profit and loss account only if the investment in Rosneft is sold or impaired.

11. Called up share capital

	2012	2011
	$000	$000
Allotted, called up and fully paid		
325,000,000 Ordinary shares of £1 each for a total nominal value of £325,000,000	624,400	624,400
8,387,415,283 Ordinary shares of $1 each for a total nominal value of $8,387,415,283	8 387,415	8,387,415
	9,011,815	9 011,815

12. Capital and reserves

	Called up share capital	Share premium account	Profit and loss account	Total
	$000	$000	$000	$000
At 1 January 2012	9,011 815	985	1,679,224	10,692,024
Profit for the year	-	-	1 027,042	1,027 042
Cash flow hedges marked to market	-	-	1,410,097	1,410,097
Listed equity investment marked to market	-	-	44,040	44,040
Dividends – current year interim paid	-	-	(2 100,000)	(2,100,000)
Actuarial losses	-	-	(527)	(527)
At 31 December 2012	9 011,815	985	2 059,876	11 072 676

In 2012 the company has declared and paid interim ordinary dividends of $2,100,000,000 (2011 $2 800,000 000) The dividend per share was $0 24 (2011 dividend per share $0 32)

13. Reconciliation of movements in shareholders' funds

	2012	2011
	$000	$000
Profit for the year	1,027,042	3,691,754
Cash flow hedges marked to market	1,410,097	-
Listed equity investment marked to market	44,040	-
Dividends – current year interim paid	(2,100,000)	(2,800,000)
Actuarial losses	(527)	(606)
Net increase / (decrease) in shareholders' funds	380,652	891,148
Shareholders' funds at 1 January	10,692,024	9,800,876
Shareholders' funds at 31 December	11,072,676	10,692,024

14. 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 received dividends from associated undertakings of $1,399,000,000 (2011 $3,746,500,000) from TNK-BP Limited, and $15,134,000 (2011 $Nil) from Rosneft.

15. Post balance sheet event

On 22 March 2013, the company announced the completion of its sale agreement with Rosneft in which, the company sold its former joint venture in Russia, 50% share of TNK-BP and then acquired a stake of 18 50% in Rosneft, as well as receiving $12 48 billion net in cash

The transaction to sell BP Russian Investment Limited's investment in TNK-BP and acquire an investment in Rosneft consisted of three tranches under which BP would receive $25 4 billion (including a $0 7 billion dividend received from TNK-BP in December 2012) and Rosneft shares representing a 3 04% stake in Rosneft, BP Russian Investments Limited would then use $4 8 billion of the cash to acquire a further 5 66% in Rosneft from Rosneftegaz and $8 3 billion to acquire a further 9 8% stake in Rosneft from a Rosneft subsidiary On completion, the transactions between BP Russian Investments Limited, Rosneft and the Rosneft subsidiary were instead settled in a net basis, so that BP Russian Investments Limited received the 9 8% stake in Rosneft directly rather than receiving and immediately paying $8 3 billion in cash The net result was the same

Between 1 January and 22 March 2013 the quoted Rosneft share price fell from $8 91 to $7 60, and consequently the fair value of the cash flow hedge derivatives fell from an asset of $1,410 million to a liability of $726 million There was no impact on profit or loss or cash flows

BP RUSSIAN INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

16. Pensions

While BP Russian Investments Limited has no employees, the company does provide pension benefits to BP U S heritage staff for the period that they were employed by TNK-BP

Accruals for the company's pension scheme are based on the advice of independent actuaries The pension scheme is reviewed annually by independent actuaries. The date of the latest actuarial valuation for the scheme was 31 December 2012. The pension scheme is unfunded, pension benefits are paid out of general corporate assets

Principal assumptions are set out below. The assumptions used to evaluate accrued pension benefits at 31 December are used to determine pension expense for the following year, that is, the assumptions at 31 December 2012 are used to determine the pension liabilities at that date and the pension cost for the year ended 31 December 2013

	2012	2011
	% per annum	% per annum
Rate of increase in salaries	4 20	3.70
Discount rate for scheme liabilities	3 20	4.30
Inflation assumption	2 40	1.90

Analysis of the amount charged to operating profit

	2012	2011
	$000	$000
Current service cost	290	298
Past service cost	-	69
Total charge to operating profit	290	367

Analysis of the amount charged to interest payable and similar charges

	2012	2011
	$000	$000
Unwinding of discount on pension scheme liabilities	205	193
Total charge	205	193

Analysis of the amount recognised in the statement of total recognised gains and losses

	2012	2011
	$000	$000
Experience losses arising on scheme liabilities	(15)	(436)
Change in assumptions underlying the present value of scheme liabilities	(512)	(170)
Actuarial loss recognised in the statement of total recognised gains and losses	(527)	(606)

16. Pensions (continued)

Movement in deficit during the year

	2012	2011
	$000	$000
Deficit at 1 January	(4,825)	(4,044)
Movement in year		
Current service cost	(290)	(298)
Plan amendments	0	(69)
Benefits paid	682	385
Interest payable and similar charges	(205)	(193)
Actuarial loss	(527)	(606)
Deficit at 31 December	(5,165)	(4,825)

History of experience gains and losses

	2012	2011
	$000	$000
Experience losses on scheme liabilities		
Amount ($000)	(15)	(436)
Percentage of the present value of scheme liabilities	0 29%	9 04%
Total amount recognised in the statement of total recognised gains and losses		
Amount ($000)	(527)	(606)
Percentage of the present value of scheme liabilities	10 20%	12 56%

17. 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