BP SHIPPING LIMITED
(Registered No 00140132)

ANNUAL REPORT AND ACCOUNTS 2012

Board of Directors D J Bucknall
D J Ridgway
R J Day

REPORT OF THE DIRECTORS

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

Results and dividends

The loss for the year after taxation was $195,495,000 which, when added to the retained deficit brought forward at 1 January 2012 of $352,248,000 gives a total retained deficit carried forward at 31 December 2012 of $547,743,000

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 principal activity of the company is that of shipping and ship management The company charters its own and operated oil tankers and liquified natural gas (LNG) carriers to Group and third party customers and also manages, operates and charters oil tankers and LNG carriers on behalf of the BP Group and third parties It is the intention of the directors that the above business of the company will continue for the foreseeable future

The company experienced a poor freight market, which has resulted in losses since 2009

During 2012, the company maintained its shipping fleet of operated and time chartered vessels to effectively manage the risk of a major oil spill All vessels on BP business are subject to BP's requirements. The BP Shipping Limited fleet consisted of 90 vessels at the end of 2012, compared with 94 vessels at the end of 2011 This fleet contains 50 international vessels and 26 time charter vessels all of which are double hulled, as well as 14 regional and specialist vessels.

In December 2012, BP Shipping Limited signed a contract with STX Offshore and Shipbuilding to build 13 new tankers in Korea The first of these are expected to be delivered in late 2014 In order to fund this new build activity, BP Shipping Limited received a capital injection from its parent company, BP Plc, during the year

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

	2012	2011	Variance %
BP cargoes carried by BPS ships, cargoes greater than 9,000 metric tonnes	19 8%	21 2%	(1)
Number of voyages	949	1023	(7)
Tonnes of cargo carried	56,830,729mt	61,331,086mt	(7)
Utilisation of BPS vessels	69 8%	66 9%	3

BP SHIPPING 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 compliance and control safety and operational, and financial risk management In addition, we have also set out a further category of risk for your attention – those resulting from the 2010 Gulf of Mexico oil spill (the Incident)

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 Shipping 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 paid 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 SHIPPING LIMITED

REPORT OF THE DIRECTORS

Principal risks and uncertainties (continued)

Strategic and commercial risks

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

People and capability
Successful recruitment of new staff, employee training, development and long-term renewal of skills, in particular marine and engineering capabilities, are key to implementing the company's plans Inability to develop human capacity and capability, both across the organisation and in specific operating locations, could jeopardise performance delivery

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

Safety and operational risks

Environmental
If we do not apply our resources to overcome the perceived trade-off between global access to energy and the protection or improvement of the natural environment, we could fail to live up to our aspirations of no or minimal damage to the environment and contributing to human progress

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

Transportation
All modes of transportation of hydrocarbons involve inherent risks An explosion or fire or loss of containment of hydrocarbons or other hazardous material could occur during transportation by sea This is a significant risk due to the potential impact of a release on the environment and people and given the high volumes involved.

Principal risks and uncertainties (continued)

Financial risk management

The main financial risk faced by the company through its normal business activities is market risk, foreign currency exchange risk and credit risk. The management of these financial risks is performed either by BP Shipping Limited or 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, freight rates, interest rates or oil and natural gas 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

Foreign currency exchange risk
Fluctuations in foreign exchange rates can affect 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

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 by BP Shipping Limited and 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 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

REPORT OF THE DIRECTORS

Going concern

The directors consider that, despite the uncertainties deriving from the current economic environment and the loss reported for the year, the company has adequate resources to continue in operational existence for the foreseeable future

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 (2011 3).

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

Directors

The present directors are listed on page 1

There have been no director appointments or resignations since 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

BP SHIPPING 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 June 2013

Registered Office

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

BP SHIPPING 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 SHIPPING LIMITED

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

We have audited the financial statements of BP Shipping 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 22 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 loss 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
24 June 2013

BP SHIPPING LIMITED

ACCOUNTING POLICIES

Accounting standards

The financial statements of BP Shipping Limited were approved for issue by the Board of Directors on 19 JUNE 2013

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

Accounting convention

The accounts are prepared under the historical cost convention

Statement of cash flows

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

Revenue recognition

Revenue is recognised in accordance with the accruals principle. Income is recognised for voyages in progress on the basis of the proportion of the voyage that is completed Provisions for anticipated losses are made in full in the period they become known

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

Capitalisation of finance costs and interest

Interest costs are not capitalised and are charged in the profit and loss account in the year in which it is incurred

Interest income

Interest income is recognised on an accruals basis

BP SHIPPING LIMITED

ACCOUNTING POLICIES

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 purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset

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

Maintenance expenditure

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the company, the expenditure is capitalised Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. All other maintenance costs are expensed as incurred

Government grants

Grants related to expenditure on tangible assets are credited to profit at the same rate as the depreciation on the assets to which the grants relate The amounts shown in the balance sheet in respect of grants consist of the total grants receivable to date, less the amounts so far credited to profit

Impairment of 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 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

ACCOUNTING POLICIES

Investments

Fixed asset investment in the associate is 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

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.

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.

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

BP SHIPPING LIMITED

ACCOUNTING POLICIES

Leases

Assets held under leases are classified as finance or operating leases according to whether substantially all risks and rewards incidental to ownership of the leased item have been transferred to the company

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

Use of estimates

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

BP SHIPPING LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 $000	2011 $000
Turnover	1	1,277,814	1,315,121
Cost of sales		(1,173,610)	(1,269,357)
Gross profit		104,204	45,764
Administration expenses		(123,234)	(96,605)
Operating loss	2	(19,030)	(50,841)
Exceptional items	4	(156,818)	(95,045)
Loss on ordinary activities before investment income, interest and taxation		(175,848)	(145,886)
Income from shares in group undertakings		69	26
Interest payable and similar charges	5	(19,821)	(21,636)
Interest receivable and similar income	6	105	122
Loss before taxation		(195,495)	(167,374)
Taxation	7	-	(244)
Loss for the year		(195,495)	(167,618)

The loss of $195,495,000 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

There are no recognised gains or losses attributable to the shareholders of the company other than the loss of $195,495,000 for the year ended 31 December 2012 (2011 loss of $167,618,000)

BP SHIPPING LIMITED
(Registered No 00140132)

BALANCE SHEET AT 31 DECEMBER 2012

	Note	2012 $000	2011 $000
Fixed assets			
Tangible assets	9	347,087	117,018
Investments	10	4	4
		347,091	117,022
Current assets			
Stocks	11	45,776	47,692
Debtors	12	1,579,836	785,545
Cash at bank and in hand		-	35
		1,625,612	833,272
Creditors: amounts falling due within one year	13	(270,315)	(152,673)
Provisions for liabilities and charges due within one year	15	(116,512)	(82,679)
Net current assets		1,238,785	597,920
TOTAL ASSETS LESS CURRENT LIABILITIES		1,585,876	714,942
Creditors: amounts falling due after more than one year	13	(46,658)	(45,148)
Provisions for liabilities and charges due after more than one year	15	(56,492)	(48,180)
NET ASSETS		1,482,726	621,614
Represented by			
Capital and reserves			
Called up share capital	16	2,030,469	973,862
Profit and loss account	17	(547,743)	(352,248)
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		1,482,726	621,614

On behalf of the Board

D J Ridgway
Director

21 June 2013

BP SHIPPING LIMITED

NOTES TO THE ACCOUNTS

1. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and BP Group Companies, located globally

Turnover is derived from shipping and ship management activities

2. Operating loss

This is stated after charging / (crediting)

	2012	2011
	$000	$000
Hire charges under operating leases:		
Tanker charters	407,451	466,995
Government grant	(121)	(121)
Depreciation of owned fixed assets	29,233	43,712

The hire charges under operating leases are partially offset by the utilisation of other provisions (see note 15)

3. Auditor's remuneration

	2012	2011
	$000	$000
Fees for the audit of the company	124	117

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

4. Exceptional items

Exceptional items comprise the provision for onerous contracts and impairment losses as follows

	2012	2011
	$000	$000
Provision for onerous bareboat and charter contracts	128,302	63,223
Impairment losses on fixed assets	28,516	31,822
Exceptional items	156,818	95,045

The taxation credit on exceptional items is $37,636,000 (2011 $24,712,000) However, no corporation tax has been recorded for reasons outlined in Note 7

5. Interest payable and similar charges

	2012	2011
	$000	$000
Interest expense on		
Loans from group undertakings	19,821	21,636
	19,821	21,636

6. Interest receivable and similar income

	2012	2011
	$000	$000
Interest income from group undertakings	105	122

7. 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 tax charge is made up as follows

	2012	2011
Current tax	$000	$000
Overseas tax underprovided in prior years	-	244

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 24% for the year ended 31 December 2012 (2011 – 26%) The differences are reconciled below

	2012	2011
	UK	UK
	$000	$000
Loss on ordinary activities before tax	195,495	167,374
Current taxation	-	244
Effective current tax rate	0%	0%

7. Taxation (continued)

	2012	2011
	UK	UK
	%	%
UK corporation tax rate	24	26
Overseas corporation tax rate	-	-
Increase / (decrease) resulting from		
Non-deductible expenditure / non-taxable income	1	
Fixed asset timing differences	(1)	77
Free group relief	(24)	(103)
Effective current tax rate	-	-

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

8. Directors and employees

(a) Remuneration of directors

The total remuneration for all serving directors for their period of directorship to the company amounted to $991,000 (2011 $877,000). A number of directors are senior executives of the BP Plc Group and received no remuneration for services to this company or its subsidiary undertakings

Two directors were members of the defined benefit section of the BP Pension Fund at 31 December 2012 (2011 Two)

The highest paid director received $552,000 (2011 $498,000) The accrued pension of the highest paid director at 31 December 2012 was $179,000 (2011 $300,000) The highest paid director exercised share options over BP p l c shares during the year

One director exercised share options over BP p l c shares during the year (2011 none)

(b) Employee costs

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

BP SHIPPING LIMITED

NOTES TO THE ACCOUNTS

9. Tangible assets

	Vessels (including Capitalised Drydocks)	Other equipments	Total	Of which AUC*
Cost	$000	$000	$000	$000
At 1 January 2012	425,722	60,377	486,099	-
Additions	287,473	345	287,818	208,889
At 31 December 2012	713 195	60,722	773 917	208,889
Depreciation and impairment				
At 1 January 2012	311,127	57,954	369,081	-
Charge for the year	28,868	365	29,233	-
Impairment	28,516	-	28,516	-
At 31 December 2012	368,511	58,319	426,830	-
Net book value				
At 31 December 2012	344,684	2,403	347,087	208,889
At 31 December 2011	114,595	2,423	117,018	-

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

Principal rates of depreciation are as follows:

Oil tankers (leasehold improvements)	- up to 15 years – 6 7%
Gas carriers (leasehold improvements)	- up to 15 years – 6 7%
Owned barges (owned)	- up to 20 years – 5%
Owned gas barges (owned)	- up to 30 years – 3 3%
Capitalised drydock costs	- up to 2 5 years – 40%
Furniture	- up to 3 years – 33 3%
Computer equipment	- up to 3 years – 33 3%

An impairment has been recorded for all assets associated with vessels leased under bareboat and charter contracts for which onerous lease provisions have been recorded as per Note 4.

10. Investments

	Investment in associate's shares
	$000
Cost	
At 1 January 2012 / 31 December 2012	4

The investment in the associated undertaking is unlisted

The associated undertaking of the company at 31 December 2012 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

Associated undertaking	**Class of share held**	**%**	**Country of incorporation**	**Issued share capital**	**Principal activity**
China LNG Shipping (International) Company Limited	Ordinary	40	Hong Kong	10,000	Shipping services

11. Stocks

	2012	2011
	$000	$000
Stocks	45,776	47,692

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

12. Debtors

	2012 Within 1 year	2012 After 1 year	2011 Within 1 year	2011 After 1 year
	$000	$000	$000	$000
Trade debtors	24,527	-	17,403	-
Amounts owed by group undertakings	1,472,568	-	701,227	-
Amounts owed by associates	281	-	135	-
Other debtors	1,003	500	1,796	1,500
Prepayments and accrued income	80,957	-	63,484	-
	1,579,336	500	784,045	1,500

13. Creditors

	2012 Within 1 year $000	2012 After 1 year $000	2011 Within 1 year $000	2011 After 1 year $000
Trade creditors	-	-	11,010	-
Bank overdraft	100	-	-	-
Amounts owed to group undertakings	11,006	-	18,034	-
Accruals and deferred income	259,209	46,658	123,629	45,148
	270,315	46,658	152,673	45,148

14. Obligations under leases

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

	2012 Vessels $000	2011 Vessels $000
Operating leases which expire:		
Within 1 year	80,405	84,638
Between 2 to 5 years	195,441	229,880
Thereafter	174 076	179,607
	449,922	494,125

15. Provisions for liabilities and charges

	Litigation and claims $000	Other Provisions $000	Total $000
At 1 January 2012	3,717	127,142	130,859
New or increased provisions	1,056	136,195	137,251
Write-back of unused provisions	(951)	(106)	(1,057)
Utilisation	(453)	(93,596)	(94,049)
At 31 December 2012	3,369	169,635	173,004
Of which amounts due within one year	3,369	113,143	116,512
Of which amounts due after one year	-	56,492	56,492
	3,369	169,635	173,004

Other provisions include the provision for onerous bareboat and charter contracts, as per note 4

BP SHIPPING LIMITED

NOTES TO THE ACCOUNTS

16. Called up share capital

	2012	2011
	$000	$000
Allotted, called up and fully paid. 1,276,000,000 Ordinary shares of £1 (2011 626,000,000) each for a total nominal value of £1,276,000,000 (2011 £626,000,000)	2,030,469	973,862

On 18 December 2012, 650,000,000 ordinary shares of £1 each for a total nominal value of £650,000,000 were allotted to the immediate parent company at par value

17. Capital and reserves

	Called up share capital	Profit and loss account	Total
	$000	$000	$000
At 1 January 2012	973,862	(352,248)	621,614
Issue of ordinary share capital	1,056,607	-	1,056,607
Loss for the year	-	(195,495)	(195,495)
At 31 December 2012	2,030,469	(547,743)	1,482,726

18. Reconciliation of movements in shareholders' funds

	2012	2011
	$000	$000
Loss for the year	(195,495)	(167,618)
Issue of ordinary share capital	1,056,607	706 388
Net increase in shareholders' funds	861,112	538,770
Shareholders' funds at 1 January	621,614	82,844
Shareholders' funds at 31 December	1,482,726	621,614

19. Capital commitments

Authorised and contracted future capital expenditure by the company for which contracts had been placed but not provided in the accounts at 31 December 2012 is estimated at $704m (2011 $1m).

20. 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 outstanding at 31 December, are as follows

Related party	Relationship	Description	Sales to related party
			$000
BP South Africa (Proprietary) Limited	Fellow subsidiary	Shipping	
2012			9,489
2011			11,157

21. Pensions

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

22. Immediate and ultimate controlling parent undertaking

The immediate and ultimate 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 BP p l c 's accounts can be obtained from 1 St James's Square, London, SW1Y 4PD