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**BP International Limited**  
**ANNUAL REPORT AND ACCOUNTS 2010**

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**BP INTERNATIONAL LIMITED**

**(Registered No 00542515)**

**ANNUAL REPORT AND ACCOUNTS 2010**

Board of Directors	B E Grote
	R C Harrington
	D Sanyal

**REPORT OF THE DIRECTORS**

The directors present their report and accounts for the year ended 31 December 2010

**Results and dividends**

The profit for the year after taxation was £2,186 million which, when added to the retained profit brought forward at 1 January 2010 of £2,390 million together with a movement in the mark to market of cash flow hedges of £5 million and an unrealised loss on investments of £4 million taken directly to reserves, and total paid interim dividend to ordinary shareholders of £2,962 million, gives a total retained profit carried forward at 31 December 2010 of £1,615 million

During the year the company has declared and paid dividends of £2,962 million (2009 £7,933 million) The directors do not propose the payment of a final dividend

**Principal activities and review of the business**

Refining and marketing activities include the results of certain international business sectors with head offices in the United Kingdom These businesses showed an operating loss for the year of £109 million (2009 profit of £319 million)

The operating profit from Corporate and other activities of £1,552 million (2009 profit of £7,552 million) includes dividends from subsidiary and associated undertakings of £1,524 million (2009 £7,031 million)

During the year £100 million was provided against the cost of investments A further £70 million of prior year investment provisions were written back in the year In addition an £87 million provision was made against BP group debtor funding balances

In December 2010 19,000 million ordinary shares of £1 each for a total nominal value of £19,000 million were allotted to BP p l c At the same time the investment in BP Caplux SA was increased by £18,530 million

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

## **BP INTERNATIONAL LIMITED**

### **REPORT OF THE DIRECTORS**

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

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

	2010	2009	Variance
	£ million	£ million	%
Turnover	48,198	37,337	29
Operating profit	1,443	7,871	(82)
Profit after taxation	2,186	7,981	(73)
Shareholders' funds	23,783	5,558	328

	2010	2009	Variance
	%	%	
Current assets as % of current liabilities (quick ratio)	61	36	25

Turnover has increased due to higher crude oil prices in 2010. The average dated Brent price for the year increased to \$79.50 per barrel, an increase of 29% over the \$61.67 per barrel average seen in 2009.

Operating profit declined due to the decrease in receipt of dividends from subsidiaries of £1,524 million (2009 £7,031 million). Shareholders' funds have increased due to the issuance of £19 million share capital during the year.

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

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

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

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

## **BP INTERNATIONAL LIMITED**

### **REPORT OF THE DIRECTORS**

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

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

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

There is significant uncertainty in the extent and timing of costs and liabilities relating to the Incident, the impact of the Incident on the reputation of the BP group and the resulting possible impact on the company's ability to access new opportunities. There is also significant uncertainty regarding potential changes in applicable regulations and the operating environment that may result from the Incident. These increase the risks to which the group and therefore the company are exposed to. These uncertainties are likely to continue for a significant period. Thus, the Incident has had, and could continue to have, a material adverse impact on the group's business, competitive position, financial performance, cash flows, prospects, liquidity, shareholder returns and/or implementation of its strategic agenda, particularly in the US.

The BP group income statement for the year ended 31 December 2010 includes a pre-tax charge of \$40.9 billion in relation to the Gulf of Mexico oil spill. The total amounts that will ultimately be paid by the BP group in relation to all obligations relating to the Incident are subject to significant uncertainty and the ultimate exposure and cost to the BP group will be dependent on many factors. The risks associated with the Incident could also heighten the impact of the other risks to which the company 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 2010.

##### **General macroeconomic outlook**

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

In the continuing uncertain financial and economic environment, certain risks may gain more prominence either individually or when taken together. Oil and gas prices can be very volatile, with average prices and margins influenced by changes in supply and demand. This is likely to exacerbate competition in all businesses, which may impact costs and margins. At the same time, governments are facing greater pressure on public finances, which may increase their motivation to intervene in the fiscal and regulatory frameworks of the oil and gas industry, including the risk of increased taxation, nationalisation and expropriation. The global financial and economic situation may have a negative impact on third parties with whom we do, or may do, business. Any of these factors may affect the company's results of operations, financial condition, business prospects and liquidity.

Capital markets have regained some confidence after the banking crisis of 2008 but are still subject to volatility and if there are extended periods of constraints in these markets, or if we are unable to access the markets, at a time when cash flows from its business operations may be under pressure, its ability to maintain its long-term investment programme may be impacted with a consequent effect on its growth rate, and may impact shareholder returns, including dividends and share buybacks, or share price.

## **BP INTERNATIONAL LIMITED**

### **REPORT OF THE DIRECTORS**

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

##### **Strategic risks**

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

Oil, gas and product prices are subject to international supply and demand. Political developments and the outcome of meetings of OPEC can particularly affect world supply and oil prices. Previous oil price increases have resulted in increased fiscal take, cost inflation and more onerous terms for access to resources. As a result, increased oil prices may not improve margin performance. In addition to the adverse effect on revenues, margins and profitability from any fall in oil and natural gas prices, a prolonged period of low prices or other indicators would lead to further reviews for impairment of the company's oil and natural gas properties. Such reviews would reflect management's view of long-term oil and natural gas prices and could result in a charge for impairment that could have a significant effect on the company's results of operations in the period in which it occurs. Periods of global recession could impact the demand for the company's products, the prices at which they can be sold and affect the viability of the markets in which the company operates.

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

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

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

Compliance with changes in laws, regulations and obligations relating to climate change could result in substantial capital expenditure, taxes, reduced profitability from changes in operating costs, and revenue generation and strategic growth opportunities being impacted.

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

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

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

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

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

The oil, gas and petrochemicals industries are highly competitive. There is strong competition, both within the oil and gas industry and with other industries, in supplying the fuel needs of commerce, industry and the home. Competition puts pressure on product prices, affects oil products marketing and requires continuous management focus on reducing unit costs and improving efficiency, while ensuring safety and operational risk is not compromised. The implementation of the BP group strategy requires continued technological advances and innovation including advances in exploration, production, refining, petrochemicals manufacturing technology and advances in technology related to energy usage. The company's performance could be impeded if competitors developed or acquired intellectual property rights to technology that it required or if its innovation lagged the industry.

## **BP INTERNATIONAL LIMITED**

### **REPORT OF THE DIRECTORS**

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

##### **Strategic risks (continued)**

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

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

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

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

The oil industry is subject to regulation and intervention by governments throughout the world in such matters as the award of exploration and production interests, the imposition of specific drilling obligations, environmental, health and safety controls, controls over the development and decommissioning of a field (including restrictions on production) and, possibly, nationalisation, expropriation, cancellation or non-renewal of contract rights. The company buys, sells and trades oil and gas products in certain regulated commodity markets. Failure to respond to changes in trading regulations could result in regulatory action and damage to the company's reputation. The oil industry is also subject to the payment of royalties and taxation, which tend to be high compared with those payable in respect of other commercial activities, and operates in certain tax jurisdictions that have a degree of uncertainty relating to the interpretation of, and changes to, tax law. As a result of new laws and regulations or other factors, the company could be required to curtail or cease certain operations, or it could incur additional costs.

The Gulf of Mexico oil spill is likely to result in more stringent regulation of oil and gas activities in the US and elsewhere, particularly relating to environmental, health and safety controls and oversight of drilling operations, as well as access to new drilling areas. Regulatory or legislative action may impact the industry as a whole and could be directed specifically towards the BP group. New regulations and legislation, as well as evolving practices, could increase the cost of compliance and may require changes to the company's drilling operations, exploration, development and decommissioning plans, and could impact its ability to capitalise on its assets and limit its access to new exploration properties or operatorship's. In addition, increases in taxes, royalties and other amounts payable to governments or governmental agencies, or restrictions on availability of tax relief, could also be imposed as a response to the Incident.

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

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

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

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

## **BP INTERNATIONAL LIMITED**

### **REPORT OF THE DIRECTORS**

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

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

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

The nature of the company's operations exposes it to a wide range of significant health, safety, security and environmental risks. The scope of these risks is influenced by the geographic range, operational diversity and technical complexity of the company's activities. There are risks of technical integrity failure as well as risks of natural disasters and other adverse conditions in many of the areas in which the company operates, which could lead to loss of containment of hydrocarbons and other hazardous material, as well as the risk of fires, explosions or other incidents.

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

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

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

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

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

The reliability and security of the company's digital infrastructure are critical to maintaining the availability of its business applications. A breach of the company's digital security could cause serious damage to business operations and, in some circumstances, could result in injury to people, damage to assets, harm to the environment and breaches of regulations.

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

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

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

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

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

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

## **BP INTERNATIONAL LIMITED**

### **REPORT OF THE DIRECTORS**

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

##### **Safety and operational risks (continued)**

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

Following the Gulf of Mexico oil spill, Moody's Investors Service, Standard and Poor's and Fitch Ratings downgraded the BP group's long-term credit ratings. Since that time, the BP group's credit ratings have improved somewhat but are still lower than they were immediately before the Gulf of Mexico oil spill. The impact that a significant operational incident can have on the BP group's credit ratings, taken together with the reputational consequences of any such incident, the ratings and assessments published by analysts and investors' concerns about the BP group's costs arising from any such incident, ongoing contingencies, liquidity, financial performance and volatile credit spreads, could increase the BP group's financing costs and limit the BP group's access to financing and thus have a similar effect on the company. The company's ability to engage in its trading activities could also be impacted due to counterparty concerns about the company's financial and business risk profile in such circumstances. Such counterparties could require that the company provide collateral or other forms of financial security for its obligations, particularly if the BP group's credit ratings are downgraded. Further information on the risks of Treasury and Trading activities are included within the BP group Annual Report and Form 20-F for the year ended 31 December 2010.

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

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

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

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

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

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



## **BP INTERNATIONAL LIMITED**

### **REPORT OF THE DIRECTORS**

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

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

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

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

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

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

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

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

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

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

## **BP INTERNATIONAL LIMITED**

### **REPORT OF THE DIRECTORS**

#### **Future developments**

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

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

#### **Directors**

The present directors are listed on page 1.

B E Grote, R C Harrington and D Sanyal served as directors throughout the financial year. Changes since 1 January 2010 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
A B Hayward	-	30 November 2010

#### **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 36.

#### **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 INTERNATIONAL LIMITED**

**REPORT OF THE DIRECTORS**

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

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

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditor is unaware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information

By Order of the Board



Pritul Shah  
For and on behalf of  
Sunbury Secretaries Limited  
Company Secretary

26 SEPTEMBER

2011

Registered Office

Chertsey Road  
Sunbury on Thames  
Middlesex  
TW16 7BP  
United Kingdom

## **BP INTERNATIONAL LIMITED**

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

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

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

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

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

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

**BP INTERNATIONAL LIMITED**

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

We have audited the financial statements of BP International Limited for the year ended 31 December 2010 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 29. 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 auditors' 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 auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 11, 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.

**Opinion on the 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 2010 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 by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company 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

*27 September* 2011

## **BP INTERNATIONAL LIMITED**

### **ACCOUNTING POLICIES**

#### **Accounting standards**

These accounts are prepared in accordance with applicable UK accounting standards

#### **Accounting convention**

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

#### **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 plc, a company registered in England and Wales. These accounts present information about the company as an individual undertaking and not about the group

#### **Revenue recognition**

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

#### **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 sterling by applying the exchange rate ruling on the date of transaction. Foreign currency monetary assets and liabilities are translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange differences are included in the profit and loss account.

## **BP INTERNATIONAL LIMITED**

### **ACCOUNTING POLICIES**

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

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

The company uses derivative financial instruments (derivatives) to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates, and to manage some of its margin exposure from changes in oil, natural gas and power prices. Additionally, the company has a well-established entrepreneurial trading operation that is undertaken in conjunction with these activities using a similar range of contracts.

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

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

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

#### **Research**

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

#### **Interest**

Interest is charged against / credited to income in the year in which it is incurred / earned.

#### **Dividends payable**

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

#### **Goodwill**

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

## **BP INTERNATIONAL LIMITED**

### **ACCOUNTING POLICIES**

#### **Intangible assets**

Intangible assets include expenditure on computer software, patents, licences, trademarks and product development costs. Product development costs are capitalised as intangible assets when a project has obtained sanction and the future recoverability of such costs can reasonably be regarded as assured.

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

#### **Tangible fixed assets**

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

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

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

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

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

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



## **BP INTERNATIONAL LIMITED**

### **ACCOUNTING POLICIES**

#### **Investments**

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

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

#### **Stock valuation**

Stocks other than stock held for trading purposes are stated at the lower of cost or net realisable value. Cost is determined by the first-in first-out method, net realisable value is determined by reference to prices existing at the balance sheet date.

Stocks held for trading purposes (excluding liquefied natural gas (LNG)) are included in the balance sheet at fair value less costs to sell in accordance with established industry practice. Fair value is based generally on market prices or broker quotations. To the extent that prices are not readily available, fair value is based either on internal valuation models or management's estimate of amounts that could be realised under current market conditions. LNG is valued at cost using the company's average method or net realisable value, whichever is lower.

Any changes in net realisable value are recognised in profit and loss rather than the statement of total recognised gains and losses. The directors consider that the nature of the group's trading activity is such that, in order for the accounts to show a true and fair view of the state of affairs of the group and the results for the year, it is necessary to depart from the requirements of Schedule 1 of the large and medium-sized companies and groups (accounts and reports) regulations 2008.

#### **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.

## **BP INTERNATIONAL LIMITED**

### **ACCOUNTING POLICIES**

#### **Provisions**

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

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

#### **Deferred tax**

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

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

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

## **BP INTERNATIONAL LIMITED**

### **ACCOUNTING POLICIES**

#### **Leases**

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

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

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

#### **Use of estimates**

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

**BP INTERNATIONAL LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

		<u>2010</u>	<u>2009</u>
	Note	£ million	£ million
<b>Turnover</b>	<b>1</b>	48,198	37,337
Cost of sales		<u>(47,566)</u>	<u>(35,746)</u>
<b>Gross profit</b>		632	1,591
Distribution and administration expenses		(794)	(827)
Other operating income	<b>4</b>	<u>1,605</u>	<u>7,107</u>
<b>Operating profit</b>	<b>1, 2</b>	1,443	7,871
Interest payable and similar charges	<b>5</b>	(771)	(600)
Interest receivable and similar income	<b>6</b>	<u>1,588</u>	<u>1,181</u>
<b>Profit before taxation</b>		2,260	8,452
Taxation	<b>7</b>	<u>(74)</u>	<u>(471)</u>
<b>Profit for the year</b>		<u>2,186</u>	<u>7,981</u>

The profit of £2,186,000,000 for the year ended 31 December 2010 has derived in its entirety from continuing operations.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

	<u>2010</u>	<u>2009</u>
	£ million	£ million
<b>Profit for the year</b>	2,186	7,981
Deferred gains on swap terminations	-	24
Movement in the mark to market of cash flow hedges	5	-
Unrealised (loss) / gain on investment	<u>(4)</u>	<u>4</u>
<b>Total recognised gains and losses for the year</b>	<u>2,187</u>	<u>8,009</u>

**BP INTERNATIONAL LIMITED**  
**(Registered No 00542515)**  
**BALANCE SHEET AT 31 DECEMBER 2010**

	Note	2010 £ million	2009 £ million
<b>Fixed assets</b>			
Intangible assets	9	138	154
Tangible assets	10	544	587
Investments	11	30,153	10,866
		<u>30,835</u>	<u>11,607</u>
<b>Current assets</b>			
Stocks	12	1,237	1,547
Debtors – amounts falling due	13		
within one year		25,251	14,806
after one year		37,187	41,824
Derivatives and other financial instruments due	17		
within one year		569	490
after one year		685	552
Cash at bank and in hand		<u>10,365</u>	<u>3,495</u>
		<u>75,294</u>	<u>62,714</u>
<b>Creditors: amounts falling due within one year</b>			
Creditors	14	(58,612)	(51,076)
Finance debt	15	(66)	(16)
Derivatives and other financial instruments	17	(328)	(632)
<b>Net current assets</b>		<u>16,288</u>	<u>10,990</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>47,123</u>	<u>22,597</u>
<b>Creditors: amounts falling due after more than one year</b>			
Creditors	14	(22,290)	(15,925)
Finance debt	15	(357)	(534)
Derivatives and other financial instruments	17	(205)	(154)
<b>Provisions for liabilities and charges</b>			
Deferred taxation	7	(436)	(298)
Other provisions	18	(52)	(128)
<b>NET ASSETS</b>		<u>23,783</u>	<u>5,558</u>
<b>Represented by</b>			
<b>Capital and reserves</b>			
Called up share capital	19	22,168	3,168
Profit and loss account	20	1,615	2,390
<b>SHAREHOLDERS' FUNDS – EQUITY INTERESTS</b>		<u>23,783</u>	<u>5,558</u>

On behalf of the Board

Byron Grote  
Director

26 SEPTEMBER 2011

**BP INTERNATIONAL LIMITED**

**NOTES TO THE ACCOUNTS**

**1. Turnover**

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

Activity analysis	Turnover		Operating profit / (loss)	
	2010	2009	2010	2009
	£ million	£ million	£ million	£ million
Refining and marketing	48,252	37,298	(109)	319
Other businesses and corporate	124	187	1,552	7,552
Sales between businesses	(178)	(148)	-	-
	<u>48,198</u>	<u>37,337</u>	<u>1,443</u>	<u>7,871</u>

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

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

**2. Operating profit**

This is stated after charging / (crediting)

	2010	2009
	£ million	£ million
Hire charges under operating leases:		
Land & buildings	17	21
Exchange gain on foreign currency borrowings less deposits	(110)	(696)
Expenditure on research	45	63
Depreciation of owned fixed assets (including amortisation of intangibles)	150	162
Depreciation of assets held under finance leases included above	5	5
Impairment reversals	(70)	(10)
Amounts provided against investments	<u>100</u>	<u>222</u>

**BP INTERNATIONAL LIMITED**

**NOTES TO THE ACCOUNTS**

**3. Auditor's remuneration**

	<u>2010</u>	<u>2009</u>
	<u>£ 000</u>	<u>£ 000</u>
Fees for the audit of the company	<u>632</u>	<u>760</u>

Fees paid to the company's auditor, Ernst & Young LLP, and its associates for services other than the statutory audit of the company are not disclosed in these accounts since the consolidated accounts of BP International Limited's ultimate parent, BP plc, are required to disclose non-audit fees on a consolidated basis

**4. Other operating income**

	<u>2010</u>	<u>2009</u>
	<u>£ million</u>	<u>£ million</u>
Income from subsidiary and associated undertakings		
Dividends	1,524	7,031
Miscellaneous income	<u>81</u>	<u>76</u>
	<u>1,605</u>	<u>7,107</u>

**5. Interest payable and similar charges**

	<u>2010</u>	<u>2009</u>
	<u>£ million</u>	<u>£ million</u>
Interest expense on		
Loans from group undertakings	768	596
Finance leases	<u>3</u>	<u>4</u>
	<u>771</u>	<u>600</u>

**6. Interest receivable and similar income**

	<u>2010</u>	<u>2009</u>
	<u>£ million</u>	<u>£ million</u>
Interest income from group undertakings	1,314	1,154
Other interest	<u>274</u>	<u>27</u>
	<u>1,588</u>	<u>1,181</u>

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

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

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

**(a) Tax on profit on ordinary activities**

	2010	2009
	£ million	£ million
Current tax.		
UK corporation tax on income for the period	1,744	3,695
Overseas taxation relief	(1,744)	(3,641)
Prior year UK corporation tax on income adjustment	(50)	-
	(50)	54
Overseas taxation on income for the period	4	6
Total current tax	(46)	60
Deferred tax		
Current year timing differences	68	543
Adjustment to prior year timing differences	52	(132)
Total deferred tax	120	411
Tax on profit on ordinary activities	74	471



**BP INTERNATIONAL LIMITED**

**NOTES TO THE ACCOUNTS**

**7. Taxation (continued)**

**(b) Factors affecting the current tax charge**

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

	<u>2010</u>	<u>2009</u>
	£ million	£ million
Profit before taxation	2,260	8,452
Current tax	(46)	60
Effective tax rate	(2)%	1%

  

	<u>2010</u>	<u>2009</u>
	%	%
UK statutory corporation tax rate	28	28
Increase / (decrease) resulting from		
UK dividends not subject to tax	(19)	(23)
Prior year tax provision written back	(2)	-
Accelerated capital allowances	6	(1)
Non deductible expenditure / Non taxed income	2	1
Free group relief	(17)	-
Losses utilised	-	(4)
Effective current tax rate	<u>(2)</u>	<u>1</u>

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

The group has made elections to roll over gains arising on the disposal of a number of assets by reinvesting the proceeds. In the event that these replacement assets are disposed of, additional tax would become payable. The company has not provided for the deferred tax liability of £47 million arising in respect of these claims, as there is no current intention to sell the related assets.

The group has capital losses carried forward at 31 December 2010 of £32 million (2009 £220 million). No deferred tax asset has been recognised in respect of these losses on the grounds that there is insufficient evidence that the losses will be utilised in the near future.

Other timing differences which give rise to a potential deferred tax asset of £580 million (2009 £300 million) have not been recognised as they are not expected to give rise to any future tax benefit.

**BP INTERNATIONAL LIMITED**

**NOTES TO THE ACCOUNTS**

**7. Taxation (continued)**

**(d) Provision for deferred tax**

	<u>2010</u>	<u>2009</u>
	£ million	£ million
Analysis of provision		
Fixed assets timing differences	919	759
Decommissioning and other provisions	(294)	(190)
Other timing differences	<u>(189)</u>	<u>(271)</u>
	<u>436</u>	<u>298</u>
 Analysis of movements during the year		
At 1 January 2010	298	
Charge for the year on ordinary activities	120	
Exchange adjustment	<u>18</u>	
At 31 December 2010	<u>436</u>	

**8. 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 (2009 £Nil)

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

**(b) Employee costs**

BP International does not directly employ any staff (2009 Nil)

# **BP INTERNATIONAL LIMITED**

## **NOTES TO THE ACCOUNTS**

### **9. Intangible assets**

	Software & other	Goodwill	Total
Cost	£ million	£ million	£ million
At 1 January 2010	349	24	373
Additions	60	-	60
Disposals	(26)	-	(26)
At 31 December 2010	383	24	407
<b>Amortisation</b>			
At 1 January 2010	195	24	219
Disposals	(11)	-	(11)
Charge for the year	61	-	61
At 31 December 2010	245	24	269
<b>Net book value</b>			
At 31 December 2010	138	-	138
At 31 December 2009	154	-	154
Principal rates of amortisation	20%		

### **10. Tangible assets**

	Refining & marketing	Corporate & other	Total	Of which AUC*
Cost	£ million	£ million	£ million	£ million
At 1 January 2010	860	621	1,481	89
Additions	29	27	56	45
Disposals	(13)	(11)	(24)	(18)
At 31 December 2010	876	637	1,513	116
<b>Depreciation and impairment</b>				
At 1 January 2010	591	303	894	-
Charge for the year	32	57	89	-
Disposals	(12)	(2)	(14)	-
At 31 December 2010	611	358	969	-
<b>Net book value</b>				
At 31 December 2010	265	279	544	116
At 31 December 2009	269	318	587	89
Principal rates of depreciation	10%-25%	3%-25%		

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

# **BP INTERNATIONAL LIMITED**

## **NOTES TO THE ACCOUNTS**

### **10. Tangible assets (continued)**

The net book value of freehold land at 31 December 2010 is £10 million (2009 £10 million)

Assets held under finance leases included above, are:

	<u>Cost</u>	<u>Depreciation</u>	<u>Net book value</u>
	£ million	£ million	£ million
<b>Leased assets</b>			
At 31 December 2010	201	160	41
At 31 December 2009	201	154	47

### **11. Investments**

	<u>Subsidiary shares</u>	<u>Investment in associate's shares</u>	<u>Loans</u>	<u>Other</u>	<u>Total</u>
	£ million	£ million	£ million	£ million	£ million
<b>Cost</b>					
At 1 January 2010	11,802	69	3	19	11,893
Additions	19,322	3	1	-	19,326
Disposals	(2)	(62)	(2)	-	(66)
At 31 December 2010	<u>31,122</u>	<u>10</u>	<u>2</u>	<u>19</u>	<u>31,153</u>
<b>Amounts provided</b>					
At 1 January 2010	956	55	2	14	1,027
Charge for the year	100	-	-	-	100
Written back in the year	(70)	-	-	-	(70)
Disposals	-	(55)	(2)	-	(57)
At 31 December 2010	<u>986</u>	<u>-</u>	<u>-</u>	<u>14</u>	<u>1,000</u>
<b>Net book amount</b>					
At 31 December 2010	<u>30,136</u>	<u>10</u>	<u>2</u>	<u>5</u>	<u>30,153</u>
At 31 December 2009	<u>10,846</u>	<u>14</u>	<u>1</u>	<u>5</u>	<u>10,866</u>

The investments in the subsidiary and associated undertakings are unlisted

The amounts provided against subsidiary undertakings are to reduce the carrying value of the investments to their recoverable amount

During the year BP International Limited invested £18,530 million in BP Caplux SA

The more significant investments in subsidiary and associated undertakings as at 31 December 2010 are set out in note 25

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

	<u>2010</u> £ million	<u>2009</u> £ million
Stock held for trading purposes	1,221	1,527
Stock held not for trading	<u>16</u>	<u>20</u>
	<u>1,237</u>	<u>1,547</u>

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

**13. Debtors**

	<u>2010</u> Within 1 year £ million	<u>2010</u> After 1 year £ million	<u>2009</u> Within 1 year £ million	<u>2009</u> After 1 year £ million
Trade debtors	2,093	7	1,821	5
Amounts owed by group undertakings	22,719	36,973	12,537	41,625
Amounts owed by associates	46	194	136	186
Other debtors	242	13	221	8
Corporation tax (see note 7)	46	-	-	-
Prepayments and accrued income	105	-	91	-
	<u>25,251</u>	<u>37,187</u>	<u>14,806</u>	<u>41,824</u>

**14. Creditors**

	<u>2010</u> Within 1 year £ million	<u>2010</u> After 1 year £ million	<u>2009</u> Within 1 year £ million	<u>2009</u> After 1 year £ million
Trade creditors	4,713	-	3,618	-
Amounts owed to group undertakings	52,722	22,268	46,681	15,895
Amounts owed to associates	178	-	99	-
Other creditors	612	-	156	-
Corporation tax (see note 7)	-	-	54	-
Accruals and deferred income	387	22	468	30
	<u>58,612</u>	<u>22,290</u>	<u>51,076</u>	<u>15,925</u>

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

	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
	Within	After	Within	After
	1 Year	1 Year	1 Year	1 Year
	£ million	£ million	£ million	£ million
Bank loans and overdrafts	51	176	2	340
Amounts due under finance leases	15	181	14	194
	<u>66</u>	<u>357</u>	<u>16</u>	<u>534</u>

There were no bank loans and overdrafts repayable after 5 years

At 31 December 2010 the company had access to the Group's undrawn borrowing facilities available amounting to £8,123 million (2009 £3,092 million), which were covered by formal commitments.

**16. Obligations under leases**

Amounts due under finance leases are as follows

	<u>2010</u>	<u>2009</u>
	£ million	£ million
Amounts payable		
Within 1 year	15	15
Between 2 to 5 years	195	112
Thereafter	-	167
	<u>210</u>	<u>294</u>
Less finance charges	<u>(14)</u>	<u>(86)</u>
Net obligations	<u>196</u>	<u>208</u>

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

	<u>2010</u>	<u>2009</u>
	£ million	£ million
Operating leases which expire		
Within 1 year	15	17
Between 2 to 5 years	34	43
Thereafter	<u>27</u>	<u>78</u>

**BP INTERNATIONAL LIMITED**

**NOTES TO THE ACCOUNTS**

**17. Derivatives and other financial instruments**

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

*Derivatives held for trading*

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

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

	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
	Fair value asset £ million	Fair value liability £ million	Fair value asset £ million	Fair value liability £ million
Derivatives held for trading				
- Interest rate contracts	44	(32)	100	(43)
- Currency derivatives	161	(191)	228	(84)
- Oil price derivatives	<u>357</u>	<u>(209)</u>	<u>357</u>	<u>(282)</u>
	562	(432)	685	(409)
Cash flow hedges				
- Currency forwards, futures and cylinders	66	(1)	27	(186)
Fair value hedges				
- Currency forwards, futures and swaps	626	(100)	330	(191)
	<u>1,254</u>	<u>(533)</u>	<u>1,042</u>	<u>(786)</u>
Of which				
- current	569	(328)	490	(632)
- non-current	685	(205)	552	(154)

**BP INTERNATIONAL LIMITED**

**NOTES TO THE ACCOUNTS**

**18. Other provisions**

	<u>Other</u> £ million
At 1 January 2010	128
New or increased provisions	38
Write-back of unused provisions	(61)
Utilisation	(53)
At 31 December 2010	<u>52</u>

To the extent that the other sundry liabilities are not expected to be settled within the next three years, the provisions are discounted using a real discount rate of 1.50% (2009: 1.75%).

**19. Called up share capital**

	<u>2010</u> £ million	<u>2009</u> £ million
Allotted, called up and fully paid: 22,167,561,114 Ordinary shares of £1 each for a total nominal value of £22,167,561,114	<u>22,168</u>	<u>3,168</u>

On 29 December 2010, 19,000 million ordinary shares of £1 each for a total nominal value of £19,000 million were allotted to the immediate parent company at par value.

**20. Capital and reserves**

	<u>Called up share capital</u> £ million	<u>Profit and loss account</u> £ million	<u>Total</u> £ million
At 1 January 2010	3,168	2,390	5,558
Profit for the year	-	2,186	2,186
Issue of ordinary share capital	19,000	-	19,000
Dividends – current year interim paid	-	(2,962)	(2,962)
Movement in the mark to market of cash flow hedges	-	5	5
Unrealised loss on investment	-	(4)	(4)
At 31 December 2010	<u>22,168</u>	<u>1,615</u>	<u>23,783</u>

On 17 December 2010 the company has paid interim ordinary dividends for £2,962 million. The dividend per share was £0.93 (2009 dividend per share: £2.50).



**BP INTERNATIONAL LIMITED**

**NOTES TO THE ACCOUNTS**

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

	2010	2009
	£ million	£ million
Profit for the year	2,186	7,981
Issue of ordinary share capital	19,000	-
Dividends – current year interim paid	(2,962)	(7,933)
Deferred gains on swap terminations	-	24
Movement in the mark to market of cash flow hedges	5	-
Unrealised loss on investment	(4)	4
Net increase in shareholders' funds	18,225	76
Shareholders' funds at 1 January	5,558	5,482
Shareholders' funds at 31 December	23,783	5,558

**22. Capital commitments**

Authorised and contracted future capital expenditure by the company for which contracts had been placed but not provided in the accounts at 31 December 2010 is estimated at £31 million (2009: £17 million).

**23. Guarantees and other financial commitments**

The company has issued guarantees under which amounts outstanding at 31 December 2010 were £10,138 million (2009: £7,127 million). These contingent liabilities are in respect of guarantees and indemnities entered into as part of, and claims arising from, the ordinary course of the company's business, including borrowing by its subsidiary undertakings, upon which no material losses are expected to arise.

**BP INTERNATIONAL LIMITED****NOTES TO THE ACCOUNTS****24. Related party transactions**

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

During the year the company entered into transactions, in the ordinary course of business, with other related parties. Significant amounts outstanding at 31 December are as follows.

Related party (Relationship)	Description	Sales	Purchases	Amounts owed by related party	Amounts owed to related party
		<u>£ million</u>	<u>£ million</u>	<u>£ million</u>	<u>£ million</u>
<b>TNK-BP Limited (Affiliate)</b>	<b>Refining and Marketing</b>				
2010		1	137	-	99
2009		1	1,163	71	-
<b>Nigermed Petroleum S A (Joint venture)</b>	<b>Refining and Marketing</b>				
2010		990	1,134	217	-
2009		134	-	-	68
<b>BP Southern Africa (Proprietary) Limited (Affiliate)</b>	<b>Refining and Marketing</b>				
2010		1,419	-	290	-
2009		930	13	292	-
<b>BP Trinidad and Tobago LLC (Affiliate)</b>	<b>Exploration and production</b>				
2010		-	-	-	272
2009		-	-	-	116

## **BP INTERNATIONAL LIMITED**

### **NOTES TO THE ACCOUNTS**

#### **25. Subsidiary and associated undertakings**

The more important subsidiary and associated undertakings of the company at 31 December 2010 and the percentage of equity capital held (to the nearest whole number) are set out below. The principal country of operation is generally indicated by the company's country of incorporation or by its name.

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

<b>Subsidiary undertakings</b>	<b>%</b>	<b>Country of incorporation</b>	<b>Principal Activities</b>
BP Exploration Company Limited	100	Scotland	Exploration and production
BP Caplux SA	100	Luxembourg	Holding company
BP Singapore Pte. Limited	100	Singapore	Refining and marketing
BP Capital Markets plc.	100	England & Wales	Finance
BP Finance plc	100	England & Wales	Finance
BP Oil UK Limited	100	England & Wales	Refining and marketing
BP Asia Pacific Holdings Limited	100	England & Wales	Holding company

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

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

#### **27. Pensions**

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

#### **28. Comparative figures**

Certain prior year figures have been reclassified to conform with the 2010 presentation. This had no impact on the profit and loss for the year or net assets.

#### **29. Immediate and ultimate parent undertaking**

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