BP SHIPPING LIMITED
(Registered No. 140132)

ANNUAL REPORT AND ACCOUNTS 2008

Board of Directors: D Sanyal
D J Ridgway
R J Day

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2008.

Results and dividends

The profit for the year after taxation was $242,934,174 which, when added to the retained profit brought forward at 1 January 2008 of $301,347,928 and total paid interim dividend to ordinary shareholders of $300,000,000, gives a total retained profit carried forward at 31 December 2008 of $244,282,102. The directors do not propose the payment of a final 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 good freight market, which resulted in a profit in 2008.

During 2008, 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 remained at 109 vessels between December 2007 and December 2008. The fleet includes 47 international vessels and 35 vessels on time charter all of which are doubled hulled.

The Company is in a good position to take advantage of any opportunities which may arise in the future.

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

	2008	2007	Variance %
BP Cargoes carried by BPS ships, cargoes greater than 9000 metric tonnes	25.8%	32.50%	21%
BPS vessels in service	109	109	0%
Headcount of business delivery teams and HSSE	406	412	1%
Number of voyages	2279	2606	13%
Tonnes of cargo carried	77,282,898mt	84,427,067mt	8%
Utilisation of BPS vessels	78.0%	79.80%	2%

REPORT OF THE DIRECTORS

Principal risks

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.

Company level risks have been identified and classified in two categories: compliance and ethics, and operations.

Compliance and ethics risks

Ethical misconduct and non-compliance
Our code of conduct, which applies to all employees, defines our commitment to integrity, compliance with all applicable legal requirements, high ethical standards and the behaviours and actions we expect of our business and people wherever we operate. Incidents of non-compliance with applicable laws and regulation or ethical misconduct could be damaging to our reputation and shareholder value. Multiple events of non-compliance could call into question the integrity of our operations.

Operations risks

Environmental
The company seeks to conduct its activities in such a manner that there is no or minimal damage to the environment. Risk could arise if the company does not apply its resources to overcome the perceived trade-off between global access to energy and the protection or improvement of the natural environment.

Transportation
All modes of transportation of hydrocarbons contain inherent risks. A loss of containment of hydrocarbons and other hazardous material could occur during transportation by road, rail or sea. Given the high volumes involved this is a significant risk due to the potential impact of a release on the environment and people.

Security
Security threats require continual oversight and control. Acts of terrorism that threaten our offices, transportation or computer systems would severely disrupt business and operations and could cause harm to people.

Crisis management
Crisis management plans and capability are essential to deal with emergencies at every level of our operations. If we do not respond or are perceived not to respond in an appropriate manner to either an external or internal crisis, our business and operations could be severely disrupted.

People and capability
Employee training, development and successful recruitment of new staff are key to the implementation of our plans. Inability to develop the human capacity and capability across the organisation could jeopardise performance delivery.

BP SHIPPING LIMITED

REPORT OF THE DIRECTORS

Future developments

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

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

Directors

The present directors are listed on page 1.

D Sanyal and D J Ridgway served as directors throughout the financial year. Changes since 1 January 2008 are as follows:

	Appointed	Resigned
D A J Baldry		01/12/2008
J Mogford		01/03/2008
R J Day	01/02/2009	

Directors' indemnity

The company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006.

Charitable contributions

During the year the company made various charitable contributions totalling $389,560 (2007 $43,549).

Policy and practice with respect to payment of suppliers

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 3. (2007: 7)

Auditors

Ernst & Young LLP will continue in office as the company's auditor in accordance with the elective resolution passed by the company under Section 386 of the Companies Act 1985.

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

Secretary

25 August 2009

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
UK

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the accounts in accordance with applicable United Kingdom law and United Kingdom generally accepted accounting practice.

Company law requires the directors to prepare accounts for each financial year that give a true and fair view of the state of affairs of the company and the profit for the year. In preparing these accounts, the directors are required:

- To select suitable accounting policies and then apply them consistently;
- To make judgements and estimates that are reasonable and prudent;
- To state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- To prepare the accounts 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 disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. 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 LTD

We have audited the company's accounts for the year ended 31 December 2008 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 23. These accounts have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the accounts.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion:

- the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the accounts.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
London
26 August 2009

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BP SHIPPING 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. Certain items in the balance sheet as of December 31, 2007 were reclassified to conform to the current year presentation.

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 228(1) of the Companies Act 1985. The results of subsidiary and associated undertakings are dealt with in the consolidated accounts of the ultimate parent undertaking, BP p.l.c., a company registered in England and Wales. The accounts present information about the company as an individual undertaking and not about the group.

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.

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.

Derivative financial instruments

All derivatives which are held for trading purposes and all oil price and natural gas 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 the earnings for the year.

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 or anticipated transactions. Gains and losses on these contracts and option premia paid are also deferred and recognised in the income statement 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.

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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 initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within property, plant and equipment.

Other tangible assets, with the exception of freehold land, 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, for example dry-dockings, are capitalised and amortised over the period to the next inspection. Overhaul costs for major maintenance programmes are expensed as incurred. 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.

Provisions

Provisions are recognised when the group 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 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.

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ACCOUNTING POLICIES

Depreciation

Tangible fixed assets, other than freehold land, are depreciated on the straight line method over their estimated useful lives. The company undertakes a review for impairment of a fixed asset if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, that is, the higher of net realisable value and value in use, the fixed asset is written down to its recoverable amount. The value in use is determined from estimated discounted future net cash flows.

Principal rates of depreciation are as follows:

Oil tankers	- up to 25 years - 5%
Gas carriers	- over 30 years - 3.3%
Capitalised Drydock costs	- up to 2.5 years - 40%
Furniture	- over 8 years - 12.5%
Computer Equipment	- over 3 years - 33%

Fixed asset investments

Fixed asset investments in subsidiaries are included in the accounts at cost. The company assess 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 at net realisable value, whichever is the lower. Stores are valued at cost to the company mainly using the first-in first-out method or net realisable value, whichever is the lower.

Environmental liabilities

Environmental expenditures that relate to current or future revenues are expensed or capitalised as appropriate. Expenditures that relate to an existing condition caused by past operations and that do not contribute to current or future earnings are expensed.

Liabilities for environmental costs are recognised when environmental assessments or clean-ups are probable and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The amount recognised is the best estimate of the expenditure required. Where the liability will not be settled for a couple of years, the amount recognised is the present value of the estimated future expenditure.

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ACCOUNTING POLICIES

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;
- 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 tax rates that are expected to apply in the years in which timing differences reverse, based on tax rates enacted or substantively enacted at the balance sheet date.

Leases

Assets held under leases which transfer to the company receiving 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.

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

Pensions

The disclosures of Financial Reporting Standard No. 17 "Retirement Benefits" have been made in the accounts of the ultimate parent undertaking.

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BP SHIPPING LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 $000	2007 $000
Turnover	1	2,074,025	1,614,161
Cost of sales		(1,678,007)	(1,326,660)
Gross profit		396,018	287,501
Administration expenses		(143,553)	(173,385)
		(143,553)	(173,385)
Operating profit	2	252,465	114,116
Profit on ordinary activities before interest and tax		252,465	114,116
Interest payable and similar charges	4	(11,794)	(5,834)
Interest receivable and similar income	5	2,263	2,969
Profit before taxation		242,934	111,251
Taxation	6	-	-
Profit for the year		242,934	111,251

The profit of $242,934,174 for the year ended 31 December 2008 has been derived in its entirety from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2008

There are no recognised gains or losses attributable to the shareholders of the company other than the profit of $242,934,174 for the year ended 31 December 2008 (2007 profit of $111,250,632).

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BP SHIPPING LIMITED

BALANCE SHEET AT 31 DECEMBER 2008

	Note	2008 $000	2007 $000
Fixed assets			
Tangible assets	8	123,595	100,883
Investments	9	16	16
		123,611	100,899
Current assets			
Stocks	10	26,374	36,429
Debtors	11	401,135	500,121
Derivatives financial instruments due within one year	14	6,900	985
Cash at bank and in hand		33,524	22,342
		467,933	559,877
Creditors: amounts falling due within one year	12	(328,163)	(342,404)
Derivatives financial instruments due within one year	14	(4,664)	(1,897)
Net current assets		135,105	215,576
TOTAL ASSETS LESS CURRENT LIABILITIES		258,716	316,475
Creditors: amounts falling due after more than one year	12	(1,796)	(1,917)
Derivatives financial instruments due after one year	14	(846)	
Provisions for liabilities and charges	15	(4,072)	(5,490)
NET ASSETS		252,002	309,068
Represented by			
Capital and reserves			
Called up share capital	16	7,720	7,720
Profit and loss account	17	244,282	301,348
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		252,002	309,068

On behalf of the Board

Director 25 August 2009

D J RIDGWAY
DIRECTOR

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NOTES TO THE ACCOUNTS

1. Turnover

Turnover, which is stated net of value added tax, comprises amounts for services proved to third parties and BP Group Companies, located globally.

Turnover is attributable to one continuing activity, shipping and ship management.

2. Operating profit

This is stated after charging

	2008	2007
	$000	$000
Hire charges under operating leases:		
Tanker charters	665,905	581,288
Government Grant	(121)	(241)
Depreciation of owned fixed assets	42,835	37,501

3. Auditor's remuneration

	2008	2007
	$000	$000
Fees for the audit of the company	89	134

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

4. Interest payable and similar charges

	2008	2007
	$000	$000
Interest expense on:		
Loans from group undertakings	11,794	5,834
Total charged against profit	11,794	5,834

5. Interest receivable and similar income

	2008	2007
	$000	$000
Interest income from group undertakings	1,828	2,625
Other interest	435	344
	2,263	2,969

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BP SHIPPING LIMITED

NOTES TO THE ACCOUNTS

6. Taxation

The Company is a member of a group for the purposes of relief under Section 402 of the Income & Corporation Taxes Act 1988. No corporation tax has been provided because another group company, BP International Limited, has undertaken to procure the claim or surrender of group relief to the extent it is required and to provide for any current or deferred tax that arises without charge.

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

	2008	2007
	$000	$000
Profit before taxation	242,934	111,251
Current taxation	-	-
Effective current tax rate	0%	0%

	2008	2007
UK statutory corporation tax rate:	28%	30%
Decrease resulting from:		
Fixed Asset Timing differences	(38)	(25)
Group relief	11	(5)
Transfer Pricing adjustments	(1)	
Effective current tax rate	-	-

7. 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 (2007: $Nil).

The 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

The company had no employees during the year (2007 Nil).

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BP SHIPPING LIMITED

NOTES TO THE ACCOUNTS

8. **Tangible assets**

	Vessels (including Capitalised Drydocks)	Other Equipment	Total
Cost	$000	$000	$000
At 1 January 2008	145,385	51,722	197,107
Additions	56,866	8,682	65,548
Disposals	(1,923)	-	(1,923)
Transfers	2,815	(2,815)	-
At 31 December 2008	203,142	57,590	260,732
Depreciation and impairment			
At 1 January 2008	74,398	21,827	96,225
Charge for the year	34,104	8,732	42,835
Disposals	(1,923)	-	(1,923)
Transfers	53	(53)	-
At 31 December 2008	106,632	30,505	137,137
Net book value			
At 31 December 2008	96,510	27,085	123,595
At 31 December 2007	70,984	29,899	100,883

Principal rates of depreciation are as follows:

Oil tankers	- up to 25 years - 5%
Gas carriers	- over 30 years - 3.3%
Capitalised Drydock costs	- up to 2.5 years - 40%
Furniture	- over 8 years - 12.5%
Computer Equipment	- over 3 years - 33%

9. **Fixed assets – investments**

	Subsidiary shares	Loans to associates	Total
Cost	$000	$000	$000
At 1 January 2008	12	4	16
At 31 December 2008	12	4	16

The subsidiary and associated undertakings, joint ventures and joint arrangements of the company at 31 December 2008 and the percentage of equity capital held are set out below. The principal country of operation is generally indicated by the company's country of incorporation or by its name. A complete list of investments in subsidiary and associated undertakings will be attached to the parent company's annual return made to the Registrar of Companies.

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BP SHIPPING LIMITED

NOTES TO THE ACCOUNTS

9. Fixed assets – investments (continued)

Subsidiary undertakings	%	Country of incorporation	Principal activity
BP Shipcare Sdn Bhd.	100	Malaysia	Ship lay-up service

Associated undertakings	%	Country of incorporation	Issued share capital	Principal activity
China LNG Shipping (International) Company Limited	40	Hong Kong		Shipping Services

Those investments held directly by the company are marked with an asterisk.

10. Stocks

	2008	2007
	$000	$000
Stores and bunkers	26,374	36,429

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

11. Debtors

	2008	2007
	Within 1 year $000	Within 1 year $000
Trade debtors	90,999	86,971
Amounts owed by group undertakings	243,252	341,019
Other debtors	1,479	2,267
Prepayments and accrued income	65,405	69,864
	401,135	500,121

12. Creditors

	2008	2008	2007	2007
	Within 1 year $000	After 1 year $000	Within 1 year $000	After 1 year $000
Trade creditors	15,271		17,867	-
Amounts owed to group undertakings	101,046	-	109,756	-
Amounts owed to associates	1,326	-	1,326	-
Other creditors	-	-	-	-
Accruals and deferred income	210,520	1,796	213,455	1,917
	328,163	1,796	342,404	1,917

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13. Obligations under leases

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

	2007 Vessels $000	2007 Vessels $000
Expiring:		
Within 1 year	47,200	47,608
Between 2 to 5 years	370,553	241,100
Thereafter	247,098	183,194
	664,851	471,902

14. Derivatives and other financial instruments

The fair value of the company's natural gas and power price contracts (future contracts, swap agreements, options and forward contracts) is based on market prices.

In the normal course of business the company is a party to derivative financial instruments (derivatives) to manage certain of its exposures to movements in natural gas and power prices. The fair values of derivative financial instruments at 31 December are set out below:

Derivatives held for trading

The company maintains active trading positions in a variety of derivatives. This activity is undertaken in conjunction with risk management activities. Derivatives held for trading purposes are marked-to-market and any gain or loss recognised in the income statement. For traded derivatives, many positions have been neutralized, with trading initiatives being concluded by taking opposite positions to fix a gain or loss, thereby achieving a zero net market risk. The following table shows the fair value at 31 December of derivatives and other financial instruments held for trading purposes. The fair values at the year end are not materially unrepresentative of the position throughout the year.

	2008 Fair value asset $000	2008 Fair value liability $000	2007 Fair value asset $000	2007 Fair value liability $000
Derivatives held for trading				
- Oil derivatives	6,900	(5,511)	985	(1,897)
Of which:				
– current	6,900	(4,664)	985	(1,897)
– non-current	-	(847)	-	-
	6,900	(5,511)	985	(1,897)

15. Other provisions

	Litigation and claims	Total
	$000	$000
At 1 January 2008	5,490	5,490
Charge for the year	1,909	1,909
Written back to profit and loss	(2,158)	(2,158)
Utilised during the year	(1,169)	(1,169)
At 31 December 2008	4,072	4,072

The provisions primarily relate to claims with respect to the management of vessels.

16. Called up share capital

	2008	2007
	£000	£000
Authorised share capital:		
100,000,000 Ordinary shares of £1 each	100,000	100,000
	100,000	100,000

	2008	2007
	$000	$000
Allotted, called up and fully paid:		
4,000,000 Ordinary shares of £1 each	7,720	7,720
	7,720	7,720

17. Capital and reserves

	Equity share capital	Profit and loss account	Total
	$000	$000	$000
At 1 January 2008 as previously reported	7,720	301,348	309,068
Profit for the year	-	242,934	242,934
Dividends – current year interim paid: $75 per share	-	(300,000)	(300,000)
At 31 December 2008	7,720	244,282	252,002

In 2008 the company has paid interim dividends for $300,000,000 (2007 dividend per share: Nil).

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BP SHIPPING LIMITED

NOTES TO THE ACCOUNTS

18. Reconciliation of movements in shareholders' funds

	2008	2007
	$000	$000
Profit for the year	242,934	111,251
Dividends – current year interim paid	(300,000)	-
Issue of ordinary share capital	-	-
Net increase/ (decrease) in shareholders' interests	(57,066)	111,251
Shareholders' interest at 1 January	309,068	197,817
Shareholders' interest at 31 December	252,002	309,068

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 2008 is estimated at $36m (2007 $63m).

20. Contingent liabilities

BP Shipping has identified a contingent liability of $6m in relation to the tax leases of 3 LNG vessels chartered from Halifax Bank of Scotland (HBoS). The current lease rentals assume a particular tax and accounting treatment for HBoS; HMRC have now raised some specific challenges on HBoS's assumed accounting treatment, which will be resolved through the ongoing dialogue between HMRC and HBoS (with the possible involvement of BP Shipping Ltd). Should HMRC's challenge succeed, there would be a negative tax impact on HBoS. This would likely be contractually passed on to BP Shipping in the form of increased rentals for the remainder of the lease term, amounting to circa $2m per vessel.

There were other contingent liabilities at 31 December 2008 in respect of guarantees and indemnities entered into as part of the ordinary course of the company's business. No material losses are likely to arise from such contingent liabilities.

21. Related party transactions

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

22. Pensions

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

23. 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 p.l.c., a company registered in England and Wales. Copies of BP p.l.c.'s accounts can be obtained from 1 St James's Square, London, SW1Y 4PD.

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