542515

bp

BP International Limited

ANNUAL REPORT AND ACCOUNTS 2009

BP INTERNATIONAL LIMITED

Registered No. 542515

ANNUAL REPORT AND ACCOUNTS 2009

Board of Directors	A B Hayward 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 2009

Results and dividends

The profit for the year after taxation was £7,981 million which, when added to the retained profit brought forward at 1 January 2009 of £2,314 million together with swap termination gains of £24 million and an unrealised gain on investments of £4 million taken directly to reserves and an interim dividend paid to ordinary shareholders of £7,933 million, gives a total retained profit carried forward at 31 December 2009 of £2,390 million

During the year the company has declared and paid dividends of £7,933 million (2008 £nil) The directors do not propose the payment of a final dividend

Review of activities

Refining and marketing activities include the results of certain international business sectors with head offices in the United Kingdom These businesses showed an operating profit for the year of £319 million (2008 profit of £77 million)

The operating profit from Corporate and other activities of £7,552 million (2008 profit of £392 million) includes dividends from subsidiary and associated undertakings of £7,031 million (2008 £3,049million)

During the year £222 million was provided against the cost of investments A further £10 million of prior year investment provision was written back in the year In addition a £69 million provision was made against BP group debtor funding balances

Principal activity

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

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

	2009 £000	2008 £000	Variance %
Turnover	37,337	51,017	(27)
Operating profit	7,871	469	1,578
Profit after taxation	7,981	1,967	306
Shareholders' funds	5,558	5,482	1

	2009	2008	Variance
Current assets as % of current liabilities (quick ratio)	1 21	1 32	(0 11)

Turnover has decreased due to the decrease in crude oil prices in 2009 Crude oil prices reached record highs in 2008, in nominal terms The average dated Brent price for the year dropped to $61 67 per barrel, a decrease of 36% over the $97 26 per barrel average seen in 2008

The increase in operating profit is due to the receipt of dividends from subsidiaries of £7,031 million (2008 £3,049 million) and exchange gains generated of £696 million (2008 loss £2,740 million) due to the strengthening of the Pound relative to the dollar Shareholders funds have increased as the profit of the year has not been fully offset by the dividends paid to the parent company during the year

Events since the balance sheet date

On 20 April 2010 an explosion and fire occurred on the semi-submersible rig Deepwater Horizon in the Gulf of Mexico and on 22 April the vessel sank The accident resulted in the tragic loss of 11 lives and the significant loss of containment of hydrocarbons The rig, operated by Transocean Holdings LLC, was drilling the Mississippi Canyon 252 exploration well (MC252 well) in respect of which BP Exploration & Production Inc is the named party on the lease and operator with a 65% working interest

From the time of the incident until 15 July, oil and gas was flowing into the Gulf of Mexico from the well The National Incident Command's Flow Rate Technical Group has estimated a flow rate of between 35,000 and 60,000 barrels of oil per day as issued on 15 June Since the incident occurred, BP has been pursuing multiple parallel tracks to stop the flow of hydrocarbons, to contain and capture, or disperse, the oil subsea, to collect or disperse oil that has reached the surface, to protect the shores, and to clean up oil that has reached the shores These efforts are being carried out in conjunction with government authorities and other industry experts Since oil first reached the shore, a total of 836 miles of Gulf Coast shoreline in Louisiana, Mississippi, Alabama and Florida have been oiled BP has committed to clean up the oil and to pay all legitimate claims arising from the spill

BP is subject to a number of legal proceedings and investigations related to the incident, including a US Department of Justice investigation to determine whether US civil or criminal laws have been violated, a US Presidential Commission to examine the causes of the incident, a joint investigation by the U S Coast Guard and the Bureau of Ocean Energy Management, Regulation and Enforcement (which until June 2010 was named the Minerals Management Service), the Securities and Exchange Commission and other investigations by US state and federal agencies including the US Chemical Safety and Hazard Investigation Board as well as the US Congress In addition, BP group companies are among those named as defendants in more than 300 private civil lawsuits

Events since the balance sheet date (continued)

Further information on the actions undertaken by the BP Group in response to the oil spill and an assessment of the financial and other implications for BP are included within the BP group second quarter 2010 Stock Exchange Announcement and under Principal risks and uncertainties below

BP Exploration & Production Inc is a 100% owned group company in the US ownership chain, it is not a direct or indirect subsidiary of BP International Limited Whilst there are no direct consequences to BP International as a result of this incident there could be an increased risk profile and indirect consequences as a result of both companies sitting within the same group

Principal risks and uncertainties

The principal risks and uncertainties for the company are set out below

We urge you to consider carefully the risks described below The risks for BP arising from the Gulf of Mexico oil spill are described in the first section below Other risks are set out in the second section If any of these risks occur, our business, financial condition and results of operations could suffer and the trading price and liquidity of our securities could decline

The Gulf of Mexico oil spill

Significant uncertainties over the extent and timing of costs and liabilities relating to the incident and the changes in the regulatory and operating environment that may result from the incident have increased the risks to which the group is exposed These uncertainties are likely to continue for a significant period These risks have had and are expected to have a material adverse impact on the BP group's business, competitive position, cash flows, prospects, liquidity, shareholder returns and/or implementation of its strategic agenda Furthermore, the BP Group has taken a charge of $32 2 billion in the second quarter of 2010, and these risks may continue to have a material adverse effect on the group's results of operations and financial position The risks associated with the Gulf of Mexico incident could heighten the consequence of the other risks to which the group is exposed

Risks arising from the Gulf of Mexico oil spill include containment and well control risk, claims, litigation and enforcement risk, risk of increased regulation and risks to implementation of group's strategy Further information on the risks faced by the BP Group is included within the BP group second quarter 2010 Stock Exchange Announcement

In particular a risk also arises in relation to the impact of the Gulf of Mexico oil spill on our ability to access financing on acceptable terms and on liquidity Moody's Investors Service and Standard and Poor's have taken action to downgrade the group's long-term credit ratings to A2 (on review for further possible downgrade) and A (CreditWatch negative), respectively, and further downgrades may occur Standard and Poor's has also taken action to downgrade the group's short-term credit ratings In addition, Fitch Ratings has taken action to downgrade the group's long-term credit rating to BBB (evolving) and to downgrade the group's short-term credit rating, and further downgrades by Fitch may occur These actions and any future downgrades by the credit rating agencies, as well as the reputational consequences of the incident, the ratings and assessments published by analysts and other credit rating agencies and investors' concerns about the group's costs arising from the incident, ongoing contingencies, liquidity, financial performance and volatile credit spreads, would increase the group's financing costs and limit the group's access to financing The group's ability to engage in its trading activities may also be impacted due to counterparty concerns about the group's financial and business risk profile following the incident Such counterparties may require that the group provide collateral or other forms of financial security for its obligations, particularly if the group's credit ratings are downgraded further Certain counterparties for the group's non-trading businesses, as well as the BP pension plans, may also require that the group provide collateral for certain of its contractual obligations, particularly if the group's credit ratings are downgraded further or in some cases where the counterparty has concerns about the group's financial and business risk profile following the incident In addition BP may be unable to make a drawdown under its committed borrowing facilities in the event there are pending or threatened legal, arbitration or administrative proceedings which, if determined adversely, might reasonably be expected to have a material adverse effect on its ability to meet the payment obligations under any of these facilities Further credit rating downgrades could trigger a requirement for the company to review its funding arrangements with the BP pension trustees Extended constraints on the group's ability to obtain financing and to engage in its trading activities on acceptable terms (or at all) may put pressure on the group's liquidity In addition, this could occur at a time when cash flows from our business operations may be constrained In order to provide an additional source of liquidity, the group is seeking to accelerate planned disposals and undertake additional disposals of assets There can be no assurance that such disposals can be completed on a timely basis or on terms that provide sufficient liquidity to support the group's operations and financial performance In order to address severe liquidity constraints we could be required to further reduce capital expenditures, sell strategic assets or obtain financing on terms that could have a significant adverse effect on shareholder returns and/or on implementation of our strategic plans

Other risks

In the continuing uncertain financial and economic environment, certain risks may gain more prominence either individually or when taken together Oil and gas prices are likely to remain 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 for the oil and gas industry, including the risk of increased taxation, nationalization 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 our results of operations, financial condition, business prospects and liquidity and result in a decline in the trading price and liquidity of our securities

Capital markets have regained some confidence after the recent crisis 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, including due to our financial position or market sentiment as to our prospects, at a time when cash flows from our business operations may be under pressure, our ability to maintain our long-term investment programme may be impacted with a consequent effect on our growth rate, and may impact shareholder returns, including dividends and share buybacks, or share price Decreases in the funded levels of our pension plans may also increase our pension funding requirements

Our system of risk management identifies and provides the response to risks of group significance through the establishment of standards and other controls Inability to identify, assess and respond to risks through this and other controls could lead to the occurrence of any of the risks described below and a consequent material adverse effect on BP's business, financial position, results of operations, competitive position, cash flows, prospects, liquidity, shareholder returns and/or implementation of its strategic agenda

The risks are categorized against the following areas strategic, compliance and control, and operational

Strategic risks

Access and renewal
Successful execution of our group plan depends critically on implementing activities to renew and reposition our portfolio The challenges to renewal of our upstream portfolio are growing due to increasing competition for access to opportunities globally Lack of material positions in new markets and/or inability to complete disposals could result in an inability to grow or even maintain our production The damage to our reputation and brand and adverse sentiment towards BP arising from the Gulf of Mexico oil spill incident, as well as more stringent regulation of the oil and gas industry and of BP's activities specifically, could increase this risk

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 group'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 group's results of operations in the period in which it occurs Rapid material and/or sustained change in oil, gas and product prices can impact the validity of the assumptions on which strategic decisions are based and, as a result, the ensuing actions derived from those decisions may no longer be appropriate A prolonged period of low oil prices may impact our ability to maintain our long-term investment programme with a consequent effect on our growth rate and may impact shareholder returns, including dividends and share buybacks, or share price Periods of global recession could impact the demand for our products, the prices at which they can be sold and affect the viability of the markets in which we operate

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

Climate change and carbon pricing
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 Our commitment to the transition to a lower-carbon economy may create expectations for our activities, and the level of participation in alternative energies carries reputational, economic and technology risks

Socio-political
We have 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 nationalization of property, civil strife, strikes, acts of war and insurrections Any of these conditions occurring could disrupt or terminate our operations, causing our development activities to be curtailed or terminated in these areas or our production to decline and could cause us to incur additional costs In particular, our investments in Russia could be adversely affected by heightened political and economic environment risks

We set ourselves high standards of corporate citizenship and aspire to contribute to a better quality of life through the products and services we provide If it is perceived that we are not respecting or advancing the economic and social progress of the communities in which we operate, our reputation and shareholder value could be damaged

Competition
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 The implementation of 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 Our performance could be impeded if competitors developed or acquired intellectual property rights to technology that we required or if our innovation lagged the industry

Investment efficiency
Our organic growth is dependent on creating a portfolio of quality options and investing in the best options Ineffective investment selection could lead to loss of value and higher capital expenditure

Reserves replacement
Successful execution of our group strategy depends critically on sustaining long-term reserves replacement If upstream resources are not progressed in a timely and efficient manner, we will be unable to sustain long-term replacement of reserves

Liquidity, financial capacity and financial exposure
The group seeks to maintain a financial framework to ensure that it is able to maintain an appropriate level of liquidity and financial capacity following the Gulf of Mexico oil spill incident

As before, this framework constrains the level of assessed capital at risk for the purposes of positions taken in financial instruments Failure to properly assess the necessary parameters of the financial framework or failure to operate within such financial framework could lead to the group becoming financially distressed leading to a loss of shareholder value Commercial credit risk is measured and controlled to determine the group's total credit risk Inability to determine adequately our 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 group It could also affect our ability to raise capital to fund growth and to meet our obligations

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

Liquidity, financial capacity and financial exposure (continued)
The group generally restricts its purchase of insurance to situations where this is required for legal or contractual reasons This is because external insurance is not considered an economic means of financing losses for the group or may not be available to insure against all level of loss Losses are therefore borne as they arise, rather than being spread over time through insurance premiums with attendant transaction costs For example, BP will bear the entire burden of its share of any property damage, well control, pollution clean-up and third party liability expenses arising out of the Gulf of Mexico oil spill incident BP's position on insurance, which is reviewed periodically, creates the risk that the group could be exposed to material uninsured costs from time to time which could have a material adverse effect on its financial condition and results of operations In particular, these uninsured costs could arise at a time when BP is facing material costs arising out of a major accident or incident which could put pressure on BP's liquidity and cash flows

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 and health and safety protection controls, controls over the development and decommissioning of a field (including restrictions on production) and, possibly, nationalization, expropriation, cancellation or non-renewal of contract rights We buy, sell and trade 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 our 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, we could be required to curtail or cease certain operations, or we could incur additional costs As noted above, the incident is likely to result in more stringent regulation of oil and gas activities, particularly relating to environmental and health and safety protection and oversight of drilling operations

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 businesses and people wherever we operate Incidents of ethical misconduct or non-compliance with applicable laws and regulations could be damaging to our reputation and shareholder value Multiple events of non-compliance could call into question the integrity of our operations

Liabilities and provisions
Changes in the external environment, such as new laws and regulations, market volatility or other factors, could affect the adequacy of our provisions for pensions, tax, environmental and legal liabilities

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 our reputation

Operational risks
The risks inherent in our operations include a number of hazards that, although many may have a low probability of occurrence, can have extremely serious consequences if they do, such as the Gulf of Mexico incident, including injury or loss of life, significant environmental and economic damage and the consequent adverse impact on the group's business, competitive position, cash flows, results of operations, financial position, prospects, liquidity, shareholder returns and/or implementation of the group's strategic goals

REPORT OF DIRECTORS

Process safety, personal safety and environmental risks

The nature of the group'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 our activities In addition, in many of our major projects and operations, risk allocation and management is shared with third parties, such as contractors, sub-contractors, joint venture partners and associated companies

There are risks of technical integrity failure as well as risk of natural disasters and other adverse conditions in many of the areas in which we operate which could lead to loss of containment of hydrocarbons and other hazardous material, as well as the risk of fires, explosions or other incidents

In addition, inability to provide safe environments for our workforce and the public could lead to injuries or loss of life and could result in regulatory action, legal liability and damage to our reputation

Our operations are often conducted in difficult or environmentally sensitive locations in which the consequences of a spill, explosion, fire or other incident could be greater than in other locations These operations are subject to various environmental laws, regulations and permits and the consequences of failure to comply with these requirements can include remediation obligations, penalties, loss of operating permits and other sanctions Accordingly, inherent in our operations is the risk that if we fail to abide by environmental and safety and protection standards, such failure could lead to damage to the environment and could result in regulatory action, legal liability, material costs and damage to our reputation or licence to operate The explosion and fire that occurred at BP's Texas City refinery in 2005 is an example of these risks in our refining business Following the Texas City incident, an independent expert was appointed to monitor our progress in implementing the recommendations of the BP US Refineries Independent Safety Review Panel A number of recommendations have been implemented and a schedule has been adopted for the process for implementing the remaining recommendations Failure to implement these remaining recommendations could increase the risk of further incident

In an attempt to address health, safety, security, environmental and operations risks and to provide a consistent framework within which the group's activities can analyze performance and identify and remediate shortfalls, BP continues to implement a group-wide operational management system (OMS) At the present time OMS has not yet been fully implemented across the group Even after implementation of OMS has been completed, there can be no assurance that OMS will adequately identify all process safety, personal safety and environmental risk or provide the correct mitigations, or that all operations will be in compliance with OMS at all times

Security

Security threats require continuous oversight and control Acts of terrorism, sabotage and similar activities directed against our operations and offices, pipelines, transportation or computer systems could severely disrupt business and operations and could cause harm to people Adverse public and political sentiment towards BP in the wake of the Gulf of Mexico oil spill has increased these risks for the group

Product quality

Supplying customers with on-specification products is critical to maintaining our licence to operate and our 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

Drilling and production
Exploration and production require high levels of investment and are subject to natural hazards and other uncertainties, including those relating to the physical characteristics of an oil or natural gas field Our exploration and production activities are often conducted in extremely challenging environments, which heighten the risks of technical integrity failure and natural disasters discussed above The cost of drilling, completing or operating wells is often uncertain We may be required to curtail, delay or cancel drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions and compliance with governmental requirements

Transportation
The leaks of crude oil that BP Exploration (Alaska) Inc experienced in March and August 2006 are an example of the operational risks that we face in our activities All modes of transportation of hydrocarbons involve inherent risks An explosion or fire or loss of containment of hydrocarbons or other hazardous material could occur during transportation by road, rail, sea or pipeline This is a significant risk due to the potential impact of a release on the environment and people and given the high volumes involved

Major project delivery
Successful execution of our group plan depends critically on implementing the activities to deliver the major projects over the plan period Poor delivery of any major project that underpins production growth and/or a major programme designed to enhance shareholder value could adversely affect our financial performance

Digital infrastructure
The reliability and security of our digital infrastructure are critical to maintaining our business applications availability A breach of our 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 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
Successful recruitment of new staff, employee training, development and long-term renewal of skills, in particular technical capabilities such as petroleum engineers and scientists, are key to implementing our plans Inability to develop the human capacity and capability across the organization could jeopardize performance delivery The damage to our reputation and brand and adverse sentiment towards BP arising from the Gulf of Mexico oil spill incident could increase this risk

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

Future developments

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

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

Directors

The present directors are listed on page 1

A B Hayward, B E Grote and D Sanyal served as directors throughout the financial year Changes since 1 January 2009 are as follows

	Appointed	Resigned
F W M Starkie	-	30 September 2009
R C Harrington	01 October 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

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 37

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

Directors' statement as to disclosure of information to auditor

The directors who were members of the board at the time of approving the directors' report are listed on page 1 Having made inquiries of fellow directors and of the company's auditors, each of these directors confirm 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 auditors are 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 auditors are aware of that information

By Order of the Board

For and on behalf of
Sunbury Secretaries Limited
Company Secretary

15 September 2010

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

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

We have audited the company's financial statements for the year ended 31 December 2009 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 30 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 9, 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 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 (APB'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 2009 and of the company's 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

GARY DONALD (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Registered auditor
London
16 September 2010

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 derivative financial instruments below)

Statement of cash flows

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

Group accounts

Group accounts are not submitted as the company is exempt from the obligation to prepare group accounts under Section 400 (1) of the Companies Act 2006 The results of subsidiary and associated undertakings are dealt with in the consolidated accounts of the ultimate parent undertaking, BP p l c , a company registered in England and Wales The 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 net of value added tax, customs duties and sales taxes 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 the 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

67

ACCOUNTING POLICIES

Derivative and other financial instruments

The company is exempt from the disclosure requirements of FRS 29 under its section 2D(a) The company is included in the consolidated accounts of the ultimate parent undertaking, BP p l c , which include the disclosure 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

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 premiums 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 income in the year in which it is incurred

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

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

64

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

Tangible assets, with the exception of freehold land, are depreciated using 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

Investments

Fixed asset investments in subsidiaries, joint ventures and associates are included in the accounts 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

ACCOUNTING POLICIES

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 then 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 group will be unable to recover balances in full Balances are written off when the probability of recovery is assessed as being remote

Trade and other creditors

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

Provisions

Provisions are recognised when the 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

EY

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 from the revaluation of fixed assets, and gains on disposals of fixed asset 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 tax rates that are expected to apply in the periods 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 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 requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as well as the disclosure of contingent assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period Actual outcomes could differ from those estimates

67

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	2009 £ million	2008 £ million
Turnover	1	37,337	51,017
Cost of sales		35,746	53,125
Gross profit / (loss)		1,591	(2,108)
Distribution and administration expenses		827	486
		764	(2,594)
Other operating income	4	7,107	3,063
Operating profit	1,2	7,871	469
Exceptional Items	5	-	395
Profit on ordinary activities before interest and tax		7,871	864
Interest payable and similar charges	6	(461)	(1,441)
Interest receivable and similar income	7	1,042	1,841
Profit before taxation		8,452	1,264
Taxation	8	471	(703)
Profit for the year		7,981	1,967

The profit of £7,981,000,000 for the year ended 31 December 2009 has been derived in its entirety from continuing operations

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2009

	2009 £ million	2008 £ million
Profit for the year	7,981	1,967
Deferred gain on swap terminations	24	20
Unrealised gain / (loss) on Investment	4	(9)
Total gains and losses recognised since last annual report	8,009	1,978

BP INTERNATIONAL LIMITED
Registered No. 542515

BALANCE SHEET AS AT 31 DECEMBER 2009

	Note	2009 £ million	2008 £ million
Fixed assets			
Intangible assets	10	154	244
Tangible assets	11	587	651
Investments	12	10,866	7,793
		11,607	8,688
Current assets			
Deferred taxation	8	-	69
Stocks	13	1,547	1,048
Debtors - amounts falling due	14		
within one year		14,806	19,275
after one year		41,824	26,113
Derivatives financial instruments due	16		
within one year		490	957
after one year		552	597
Cash at bank and in hand		3,495	3,394
		62,714	51,453
Creditors - amounts falling due within one year			
Finance debt	17	16	60
Creditors	15	51,076	37,286
Derivatives financial instruments	16	632	1,594
Net current assets		10,990	12,513
TOTAL ASSETS LESS CURRENT LIABILITIES		22,597	21,201
Creditors - amounts falling due after more than one year			
Finance debt	17	534	520
Creditors	15	15,925	14,314
Derivatives financial instruments	16	154	746
		16,613	15,580
Provision for liabilities and charges			
Deferred taxation	8	298	-
Other provisions	19	128	139
Total Long-Term Liabilities		17,039	15,719
NET ASSETS		5,558	5,482
Represented by			
Capital and reserves			
Called up share capital	20	3,168	3,168
Reserves	21	2,390	2,314
SHAREHOLDERS' FUNDS - EQUITY INTERESTS		5,558	5,482

A B Hayward, Director

B E Grote, Director

15 September 2010

67

1. Turnover

Turnover is stated net of value added tax, customs duties and sales taxes 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	
	2009	2008	**2009**	2008
	£ million	£ million	**£ million**	£ million
Refining and marketing	**37,298**	50,710	**319**	77
Other businesses and corporate	**187**	545	**7,552**	392
Sales between businesses	**(148)**	(238)	**-**	-
	37,337	51,017	**7,871**	469

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

The corporate and other segment includes management and financial activities

2. Operating profit

This is stated after charging / (crediting)

	2009	2008
	£ million	£ million
Hire charges under operating leases Land & buildings	**40**	21
Depreciation of owned fixed assets (including amortisation of intangibles)	**162**	160
Depreciation of capitalised leased assets included above	**5**	6
Expenditure on research	**63**	64
Exchange (gain) / loss on foreign currency borrowings less deposits	**(696)**	2,740
Amounts provided against investments	**222**	173

3. Auditor's remuneration

	2009	2008
	£ 000	£ 000
Fees for the audit of the company	**760**	713

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 parent, BP p l c , are required to disclose non-audit fees on a consolidated basis

(~~4~~)

4. Other operating income

	2009	2008
	£ million	£ million
Income from subsidiary and associated undertakings		
Dividends	**7,031**	3,049
Miscellaneous income	**76**	14
	7,107	3,063

5. Exceptional Items

The exceptional items in 2008 related to the write back of an impairment provision of £401 million in relation to BP Finance p l c and BP Capital Markets p l c In addition, there was a loss on disposal of fixed assets of £6 million in relation to the liquidation of BP Lubricants Trading Limited

6. Interest payable and similar charges

	2009	2008
	£ million	£ million
Interest expense on		
Loans from group undertakings	**457**	1,429
Finance leases	**4**	12
Total charged against profit / (loss)	**461**	1,441

7. Interest receivable and other similar income

	2009	2008
	£ million	£ million
Interest income from group undertakings	**1,015**	1,772
Other interest	**27**	69
	1,042	1,841

67

8. Taxation

The Company is a member of a group for the purposes of relief under Section 402 of the Income & Corporation Taxes Act 1988

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 tax that arises Details of that provision are shown below

(a) Tax on profit on ordinary activities

	2009	2008
	£ million	£ million
Current tax		
UK corporation tax on income for the period	3,695	2,355
Overseas taxation relief	(3,641)	(2,462)
	54	(107)
Overseas taxation on income for the period	6	4
Total current tax	60	(103)
Deferred tax		
Current year timing differences	543	(402)
Adjustment to prior year timing differences	(132)	(57)
Adjustment to estimated recoverable amount of deferred tax asset	-	(141)
Total deferred tax	411	(600)
Tax on profit on ordinary activities	471	(703)

E4

8. 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

	2009	2008
	£ million	£ million
Profit before taxation	**8,452**	1,264
Current tax	**60**	(103)
Effective tax rate	**1%**	(8)%

	% of profit before tax	
	2009	2008
	%	%
UK statutory corporation tax rate	**28**	28
Increase/(decrease) resulting from		
UK dividends not subject to tax	**(23)**	(67)
Prior year tax provision written back	**-**	(8)
Accelerated capital allowances	**(1)**	3
Non deductible expenditure/Non taxed income	**1**	(9)
Losses carried forward	**-**	28
Group relief	**-**	17
Losses utilised	**(4)**	-
Effective current tax rate	**1**	(8)

(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 £44m 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 2009 of £220m (2008 £224m) 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 The asset would be expected to be recoverable if the company realised any chargeable gains against which the losses could be offset

Other timing differences which give rise to a potential deferred tax asset of £300m (2008 £245m) have not been recognised as they are not expected to give rise to any future tax benefit

t4

8. Taxation (continued)

(d) Provision for deferred tax

	2009	2008
	£ million	£ million
Analysis of provision		
Depreciation	459	336
Decommissioning and other provisions	(190)	(157)
Other timing differences	29	(248)
	298	(69)

Analysis of movements during the year	
At 1 January 2009	(69)
Charge for the year on ordinary activities	411
Exchange adjustment	(44)
At 31 December 2009	298

9. 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 (2008 £Nil)

A B Hayward and B E Grote are directors 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 Limited does not directly employ any staff

ey

10. Intangible assets

	Software & other £ million	Goodwill £ million	Total £ million
Cost			
At 1 January 2009	382	24	406
Additions	66	-	66
Disposals	(99)	-	(99)
At 31 December 2009	349	24	373
Amortisation			
At 1 January 2009	138	24	162
Disposals	(7)	-	(7)
Charge for year	64	-	64
At 31 December 2009	195	24	219
Net book value			
At 31 December 2009	154	-	154
At 31 December 2008	244	-	244
Principal rates of amortisation	20%		

64

11. Tangible assets - property, plant and equipment

	Refining & Marketing £ million	Corporate and other £ million	Total £ million	of which AUC* £ million
Cost				
At 1 January 2009	854	602	1,456	142
Additions	33	30	63	49
Disposals	(27)	(11)	(38)	(102)
At 31 December 2009	860	621	1,481	89
Depreciation				
At 1 January 2009	559	246	805	-
Charge for year	35	63	98	-
Disposals	(3)	(6)	(9)	-
At 31 December 2009	591	303	894	-
Net book value				
At 31 December 2009	**269**	**318**	**587**	**89**
At 31 December 2008	295	356	651	142
Principal rates of depreciation	10-25%	3-25%		

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

Assets held under finance leases included above are

	Leased assets	
	Cost £ million	Depreciation £ million
At 31 December 2009	**201**	**154**
At 31 December 2008	201	149

The net book value of freehold land at 31 December 2009 is £2 million (2008 £2 million)

64

12. Fixed assets – investments

	Subsidiary shares	Investments in associate's shares	Loans	Other	Total
	£ million	£ million	£ million	£ million	£ million
Cost					
At 1 January 2009	8,576	96	8	36	8,716
Additions	3,304	6	-	-	3,310
Disposals	(78)	(33)	(5)	(17)	(133)
At 31 December 2009	11,802	69	3	19	11,893
Amounts provided					
At 1 January 2009	815	84	7	17	923
Charge for the year	222	-	-	-	222
Disposals	(77)	(28)	-	(3)	(108)
Written back in the year	(4)	(1)	(5)	-	(10)
At 31 December 2009	956	55	2	14	1,027
Net book amount					
At 31 December 2009	**10,846**	**14**	**1**	**5**	**10,866**
At 31 December 2008	7,761	12	1	19	7,793

All investments in the subsidiary and associated undertakings are unlisted

During the year BP International Limited invested £3,270 million in BP Caplux S A

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

The more significant investments in subsidiary and associated undertakings as at 31 December 2009 are set out in note 26

13. Stocks

	2009	2008
	£ million	£ million
Stock held for trading purposes	**1,527**	1,025
Stock held not for trading	**20**	23
	1,547	1,048

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

14. Debtors

	2009	**2009**	2008	2008
	Within 1 Year £ million	**After 1 Year £ million**	Within 1 Year £ million	After 1 Year £ million
Trade debtors	**1,821**	**5**	2,100	2
Amounts owed by group undertakings	**12,537**	**41,625**	16,863	25,925
Amounts owed by associates	**136**	**186**	69	185
Other debtors	**221**	**8**	224	1
Prepayments and accrued income	**91**	**-**	19	-
	14,806	**41,824**	19,275	26,113

15 Creditors

	2009	**2009**	2008	2008
	Within 1 Year £ million	**After 1 Year £ million**	Within 1 Year £ million	After 1 Year £ million
Trade creditors	**3,618**	**-**	2,841	-
Amounts owed to group undertakings	**46,681**	**15,895**	33,797	14,177
Amounts owed to associates	**99**	**-**	31	-
Taxation on profits (See note 8)	**54**	**-**	-	-
Accruals and deferred income	**468**	**30**	390	137
Other creditors	**156**	**-**	227	-
	51,076	**15,925**	37,286	14,314

C4

16. Derivatives and other Financial Instruments

In the normal course of business the company is a party to derivative financial instruments (derivatives), primarily to manage its exposure to fluctuations in foreign currency exchange rates and interest rates, including management of the balance between floating rate and fixed rate debt The company also manages certain of its exposures to movements in oil prices The fair value of the company's interest rate and foreign exchange contracts are based on pricing models that take into account relevant market data The fair value of the company's oil price contracts (future contracts, swap agreements, options and forward contracts) is based on market prices The fair values of derivative financial instruments at 31 December are set out below

	2009	**2009**	2008	2008
	Fair value asset £ million	**Fair value liability £ million**	Fair value asset £ million	Fair value liability £ million
Derivatives held for trading				
Interest rate contracts	**100**	**(43)**	166	(44)
Currency derivatives	**228**	**(84)**	112	(640)
Oil price derivatives	**357**	**(282)**	880	(1,033)
	685	**(409)**	1,158	(1,717)
Cash flow hedges				
Currency forwards, futures and swaps	**27**	**(186)**	76	(386)
Fair value hedges				
Currency forwards, futures and swaps	**330**	**(191)**	320	(237)
	1,042	**(786)**	1,554	(2,340)
Of which				
- current	**490**	**(632)**	957	(1,594)
- non-current	**552**	**(154)**	597	(746)

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 neutralised, with trading initiatives being concluded by taking opposite positions to fix a gain or loss, thereby achieving a zero net market risk

Derivative assets held for trading have the following contractual values and maturities

	2009	2008
	£ million	£ million
Less than 1 year	**362**	778
1-2 years	**112**	147
2-3 years	**46**	69
3-4 years	**58**	29
4-5 years	**83**	115
Over 5 years	**24**	20
	685	1,158

64

16. Derivatives and other financial instruments (continued)

Derivative liabilities held for trading have the following contractual values and maturities

	2009 Fair value £ million	2008 Fair value £ million
Less than 1 year	**287**	1,432
1-2 years	**38**	183
2-3 years	**32**	23
3-4 years	**21**	32
4-5 years	**-**	22
Over 5 years	**31**	25
	409	1,717

17. Finance debt

	2009 Within 1 Year £ million	2009 After 1 Year £ million	2008 Within 1 Year £ million	2008 After 1 Year £ million
Bank loans and overdrafts	**2**	**340**	42	317
Amounts due under finance leases	**14**	**194**	18	203
	16	**534**	60	520

There were no bank loans and overdrafts repayable after 5 years

At 31 December the company had access to the Group's undrawn borrowing facilities available amounting to £3,092 million (2008 £3,431 million), which were covered by formal commitments

18. Obligations under leases

Amounts due under finance leases are as follows

	2009 £ million	2008 £ million
Amounts payable		
Within 1 Year	**15**	21
Between 2 to 5 years	**112**	107
Thereafter	**167**	195
	294	323
Less finance charges	**(86)**	(102)
Net obligations	**208**	221

(M)

18. Obligations under leases (continued)

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

	2009	2008
	£ million	£ million
Operating leases which expire		
Within 1 year	**17**	23
Between 2 to 5 years	**43**	63
Thereafter	**78**	105

19. Other provisions

	Other	Environmental	Total
	£ million	£ million	£ million
At 1 January 2009	105	34	139
Charge for the year	55	1	56
Unwinding of discount	3	-	3
Exchange	2	-	2
Written back to profit and loss	(20)	(31)	(51)
Utilised during the year	(17)	(4)	(21)
At 31 December 2009	**128**	**-**	**128**

The company holds provisions for expected rental shortfalls on surplus properties and other sundry liabilities To the extent that these liabilities are not expected to be settled within the next three years, the provisions are discounted using a real discount rate of 1 75% (2008 2%)

20. Called up share capital

	2009	2008
	£ million	£ million
Allotted, called up and fully paid 3,167,561,114 ordinary shares of £1 each for a total nominal value of £3,167,561,114	**3,168**	3,168

64

21. Capital and reserves

	Equity Share capital	Profit & loss account	Total
	£ million	£ million	£ million
At 1 January 2009	3,168	2,314	5,482
Profit for the year	-	7,981	7,981
Dividends- current year interim paid	-	(7,933)	(7,933)
Deferred gain on swap terminations	-	24	24
Unrealised gain on investment	-	4	4
At 31 December 2009	**3,168**	**2,390**	**5,558**

In 2009 the company has paid interim ordinary dividends for £7,933 million The dividend per share was £2 50 (2008 dividend per share £nil)

22. Reconciliation of movements in shareholders' interest

	2009	2008
	£ million	£ million
Profit for the year	**7,981**	1,967
Dividends - current year interim paid	**(7,933)**	-
Deferred loss on swap terminations	**24**	20
Unrealised gain on investment	**4**	(9)
Net increase in shareholders' interest	**76**	1,978
Shareholders' interest at 1 January	**5,482**	3,504
Shareholders' interest at 31 December	**5,558**	5,482

23. Capital commitments

Authorised and contracted future capital expenditure by the company for which contracts had been placed at 31 December 2009 is estimated at £17 million (2008 £115 million)

24. Guarantees and other financial commitments

The company has issued guarantees under which amounts outstanding at 31 December 2009 were £7,127 million (2008 £9,315 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

64

25. 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 that meet this exemption criteria

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	Amounts owed to affiliate £ million
BP Trinidad and Tobago LLC	Affiliate	Exploration and Production	
2009			116
2008			267

26. Subsidiary and associated undertakings

The more important subsidiary and associated undertakings of the company at 31 December 2009 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

Subsidiary undertakings	%	Country of incorporation	Principal Activities
BP Chemicals Investments Ltd	100	England & Wales	Chemicals
BP Exploration Company Ltd	100	Scotland	Exploration and production
BP Oil International Ltd	100	England & Wales	Integrated oil operations
BP Capital Markets p l c	100	England & Wales	Finance
BP Finance p l c	100	England & Wales	Finance
BP Oil UK Ltd	100	England & Wales	Refining and marketing
BP Asia Pacific Holdings Ltd	100	England & Wales	Holding company

27. 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 18 There are no other material off-balance sheet arrangements

28. Pensions

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

64

29. Post balance sheet event

On 20 April 2010 an explosion and fire occurred on the semi-submersible rig Deepwater Horizon in the Gulf of Mexico and on 22 April 2010 the vessel sank The accident resulted in the tragic loss of 11 lives and the significant loss of containment of hydrocarbons The rig, operated by Transocean Holdings LLC, was drilling the Mississippi Canyon 252 exploration well (MC252) in respect of which BP Exploration & Production Inc is the named party on the lease and operator with a 65% working interest

Further information on this incident is located in the directors report

30. 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

Gy