BP FINANCE P.L.C
(Registered No 4145621)

ANNUAL REPORT AND ACCOUNTS 2012

Board of Directors
N M H Bamfield
D J Bucknall
M F Giles
B Gilvary

REPORT OF THE DIRECTORS

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

Results and dividends

The profit for the year after taxation was $31,823 000, which when added to the retained profit brought forward at 1 January 2012 of $59,134,000 together with total paid interim dividend to ordinary shareholders of $30,000,000, gives a total retained profit carried forward at 31 December 2012 of $60,957,000

During the year the company has declared and paid dividends of $30,000,000 (2011 $25,000,000). The directors do not propose the payment of a final dividend

Principal activity and review of the business

The company is a specialist group guarantor and is available to guarantee the obligations of other group companies

No key financial and other performance indicators have been identified for this company

Principal risks and uncertainties

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

We urge you to consider carefully the risks described below The potential impact of the occurrence or reoccurrence of any of the risks described below could have a material adverse effect on the company's business, financial position, results of operations, competitive position, cash flows, prospects, liquidity, shareholder returns and/or implementation of its strategic agenda

Company level risks have been categorised against the following areas compliance and control and financial risk management In addition, we have also set out a further category of risk for your attention – those resulting from the 2010 Gulf of Mexico oil spill (the Incident)

TUESDAY
L2B8ZKJM
LD2 25/06/2013 #97
COMPANIES HOUSE

Principal risks and uncertainties (continued)

Gulf of Mexico oil spill

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

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

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

Compliance and control risks

Ethical misconduct and non-compliance

The code of conduct, which applies to all employees, defines the company's commitment to integrity, compliance with all applicable legal requirements, high ethical standards and the behaviours and actions the company expects of its businesses and people wherever it operates The values are intended to guide the way the company and its employees behave and do business Incidents of ethical misconduct or non-compliance with applicable laws and regulations, including non-compliance with anti-bribery, anti-corruption and other applicable laws could be damaging to the company's reputation and shareholder value Multiple events of non-compliance could call into question the integrity of the company's operations

Liabilities and provisions

The BP group's potential liabilities resulting from pending and future claims, lawsuits, settlements and enforcement actions relating to the Gulf of Mexico oil spill, together with the potential cost and burdens of implementing remedies sought in the various proceedings, cannot be fully estimated at this time but they have had, and are expected to continue to have, a material adverse impact on the group's business and consequently may also impact the company's business. Further information is included within the BP group Annual Report and Form 20-F for the year ended 31 December 2012

Principal risks and uncertainties (continued)

Compliance and control risks (continued)

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

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

Financial risk management

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

Foreign currency exchange risk

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

Principal risks and uncertainties (continued)

Financial risk management (continued)

Credit risk

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

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

Future developments

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

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

BP FINANCE P.L.C.

REPORT OF THE DIRECTORS

Directors

The present directors are listed on page 1

N M H Bamfield, M F Giles, D Bucknall and B Gilvary served as directors throughout the financial year Changes since 1 January 2012 are as follows

	Appointed	Resigned
D Sanyal		1 January 2012
B E Grote		1 January 2012
D Bucknall	1 January 2012	
B Gilvary	1 January 2012	

Directors' indemnity

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

Policy and practice on payment of creditors

It is the company's policy to follow the CBI's prompt payment code of practice for all suppliers to the company with payments made in accordance with the relevant contractual payment terms A copy of the code of practice may be obtained from the CBI

The number of days' purchases represented by trade creditors at the year-end was nil

Auditors

In the absence of a notice proposing that the appointment be terminated, Ernst & Young LLP will be deemed to be re-appointed as the company's auditor for the next year

BP FINANCE P.L.C.

REPORT OF THE DIRECTORS

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

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

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

By Order of the Board



For and on behalf of
Sunbury Secretaries Limited
Company Secretary

18 JUNE 2013

Registered Office

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

BP FINANCE P.L.C.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

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

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

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

BP FINANCE P.L.C

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BP FINANCE P.L.C

We have audited the financial statements of BP Finance p l c for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses the Balance Sheet the accounting policies and the related notes 1 to 15 The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditor
As explained more fully in the Statement of Directors' Responsibilities set out on page 7 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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

Opinion on financial statements
In our opinion the financial statements

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

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

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

Ernst & Young LLP

William Testa (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

London
20 June 2013

BP FINANCE P.L.C.

ACCOUNTING POLICIES

Accounting standards

The financial statements of BP Finance p l c were approved for issue by the Board of Directors on 12 JUNE 2013

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

Accounting convention

The accounts are prepared under the historical cost convention

Statement of cash flows

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

Interest and guarantee fee income

Interest and guarantee fee income is recognised on an accruals basis.

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

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

Debtors

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

Creditors

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

Contingent liability

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

BP FINANCE P.L.C.

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 $000	2011 $000
Turnover	1	9,556	11,023
Administrative expenses		(8)	(11)
Profit on ordinary activities before interest and taxation	2	9,548	11,012
Interest receivable and similar income	4	22,275	19,750
Profit before taxation		31,823	30,762
Taxation	5	-	-
Profit for the year		31,823	30,762

The profit of $31,823,000 for the year ended 31 December 2012 was derived in its entirety from continuing operations

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

There are no recognised gains or losses attributable to the shareholders of the company other than the profit of $31,823,000 for the year ended 31 December 2012 (2011 profit of $30,762,000)

BP FINANCE P.L.C.
(Registered No 4145621)

BALANCE SHEET AS AT 31 DECEMBER 2012

	Note	2012 $000	2011 $000
Current assets			
Debtors	7	2,329,049	2,327,218
Current liabilities			
Creditors	8	(19)	(11)
NET ASSETS		2,329,030	2,327,207
Represented by			
Capital and reserves			
Called up share capital	9	2,268 073	2,268,073
Profit and loss account	10	60,957	59,134
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		2,329,030	2,327,207

On behalf of the Board

N M H Bamfield
Director

18 JUNE 2013

BP FINANCE P.L.C.

NOTES TO THE ACCOUNTS

1. Turnover

	2012	2011
	$000	$000
Guarantee fee income	9,556	11,023

2. Profit on ordinary activities before interest and taxation

This is stated after crediting

	2012	2011
	$000	$000
Exchange gain on foreign currency borrowings less deposits	17	13

3. Auditor's remuneration

	2012	2011
	$000	$000
Fees for the audit of the company	8	11

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

4. Interest receivable and similar income

	2012	2011
	$000	$000
Interest income from group undertakings	22,275	19,750

5. Taxation

The Company is a member of a group for the purposes of relief within Part 5, Corporation Tax Act 2010. No UK 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 UK tax that arises without charge

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

	2012	2011
	$000	$000
Profit before taxation	31,823	30,762
Current taxation	-	-
Effective current tax rate	0%	0%
	2012	2011
	%	%
UK statutory corporation tax rate	24	26
Decrease resulting from		
Free group relief	(24)	(26)
Effective current tax rate	-	-

6. Directors and employees

(a) Remuneration of directors

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

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

(b) Employee costs

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

7. Debtors

	2012 Within 1 year $000	2011 Within 1 year $000
Amounts owed by group undertakings	2,329,049	2,327,218

8. Creditors

	2012 Within 1 year $000	2011 Within 1 year $000
Accruals	19	11

9. Called up share capital

	2012 $000	2011 $000
Allotted and called up		
50,000 ordinary shares of £1 each for a total nominal value of £50,000	73	73
2,268,000,000 ordinary shares of $1 each for a total nominal value of $2,268,000,000	2,268,000	2,268,000
	2,268,073	2,268,073

10. Capital and reserves

	Called up share capital $000	Profit and loss account $000	Total $000
At 1 January 2012	2,268,073	59,134	2,327,207
Profit for the year	-	31,823	31,823
Dividends – current year interim paid	-	(30,000)	(30,000)
At 31 December 2012	2,268,073	60,957	2,329,030

In 2012 the company has paid interim ordinary dividends of $30 0m (2011 $25 0m) The dividend per share was $0 01 (2011 dividend per share $0 01)

NOTES TO THE ACCOUNTS

11. Reconciliation of movements in shareholders' funds

	2012	2011 (restated)
	$000	$000
Profit for the year	31,823	30,762
Dividends – current year interim paid	(30,000)	(25,000)
Net increase in shareholders' funds	1,823	5,762
Shareholders' funds at 1 January	2,327,207	2,321,445
Shareholders' funds at 31 December	2,329,030	2,327,207

12. Guarantees and other financial commitments

The company has issued guarantees under which amounts outstanding at 31 December 2012 are as follows

Customer	Related Third Party	Guarantee Amount 2012	Guarantee Amount 2011	Currency
BP Energy Asia PTE Limited	Integral Energy Australia	15,000,000	15,000,000	AUD
BP Gas Marketing Limited	SSE Energy Supply Limited	70,000,000	70,000,000	GBP
BP Gas Marketing Limited	GasTerra BV	100,000,000	100,000,000	EUR
BP Gas Marketing Limited	EnBW Trading GmbH	14,000,000	14,000,000	EUR
BP Gas Marketing Limited	Iberdrola Generacion SAU	22,000,000	22,000,000	USD
Britannic Trading Limited	Easyjet Airline Co Ltd	20,000,000	20,000,000	USD
Britannic Trading Limited	Societe Air Frane SA	50,000,000	50,000,000	USD
Britannic Trading Limited	CMA GCM	100,000,000	100,000,000	USD
Britannic Trading Limited	Grupa Lotos Sa	30,000,000	30,000,000	USD
Britannic Trading Limited	British Airways Plc	50,000,000	50,000,000	USD
BP Singapore Trading	Cathay Pacific Airways Limited	15,000,000	15,000,000	USD
BP Singapore Trading	Senoko Energy PTE Limited	20,000,000	20,000,000	USD
BP Oil International	Standard Bank Plc	50,000,000	50,000,000	USD
BP Oil International	Standard Bank Plc	500,000,000	500,000,000	USD
Britannic Trading Limited	Aer Lingus Limited	10,000,000		USD
BP Exploration Operating Company Ltd	The Law Debenture Trust Corporation p l c	77,765,664		GBP

No material losses are likely to arise from these guarantees

NOTES TO THE ACCOUNTS

13. 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 other than the guarantees provided to group companies as disclosed in Note 12 There were no other related party transactions in the year

14. Pensions

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

15. Immediate and ultimate controlling parent undertaking

The immediate parent undertaking is BP International Limited, a company registered in England and Wales The ultimate controlling parent undertaking is BP p l c , a company registered in England and Wales, which is the parent undertaking of the smallest and largest group to consolidate these financial statements Copies of the consolidated financial statements of BP p l c can be obtained from 1 St James's Square, London, SW1Y 4PD