The directors present the strategic report, their report and the audited financial statements for the year ended 31 December 2019.

**STRATEGIC REPORT**

**Results**

The loss for the year after taxation was $673,067,679 which, when added to the accumulated loss brought forward at 1 January 2019 of $1,363,554,925 (after making a transitional adjustment for IFRS 16), gives a total accumulated loss carried forward at 31 December 2019 of $2,036,622,604.

**Principal activity and review of the business**

The company is engaged in the exploration and production of oil and gas from its interests in Egypt, in both the Gulf of Suez and the Mediterranean Sea. The company owns interests in nineteen concessions of which four are producing and fifteen are in the exploration and development phases.

On 3 June 2019, BP announced its divestment of its interests in its Gulf of Suez oil concessions in Egypt, including four concessions which were held by this company to Dragon Oil Company. The divestment was officially signed on 9 October 2019 following the Egyptian Ministry of Petroleum and Mineral Resources' approval.

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

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turnover</td>
<td>$1,316,242</td>
<td>$1,268,233</td>
<td>4%</td>
</tr>
<tr>
<td>Operating loss</td>
<td>(555,623)</td>
<td>(386,717)</td>
<td>44%</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>(673,068)</td>
<td>(552,035)</td>
<td>22%</td>
</tr>
<tr>
<td>Total equity</td>
<td>5,803,555</td>
<td>6,456,194</td>
<td>(10)%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quick ratio</td>
<td>74</td>
<td>69</td>
<td>5%</td>
</tr>
</tbody>
</table>

The increase in turnover during the year was primarily attributable to the higher production from Sherouk and North Alex concessions partially offset by lower production from North Damietta concessions.

The higher loss for the 2019 was mainly attributable to higher depreciation, partially offset by lower exploration write-offs in 2019 compared to 2018.

Increase in quick ratio is due to lower current liabilities by 36% in-addition to 30% lower current assets.
STRATEGIC REPORT

Section 172 (1) statement

In governing the company on behalf of its shareholders and discharging their duties under section 172, the board has had regard to the factors set out in section 172 (see below) and other factors which the board considers appropriate.

Section 172 factors

Section 172 requires directors to have regard to the following in performing their duties, and as part of the process are required to consider, where relevant:

a. The likely long-term consequences of the decision.
b. The interests of the company’s employees.
c. The need to foster the company’s business relationships with suppliers, customers and others.
d. The impact of the company’s operations on the community and the environment.
e. The desire to maintain the company’s reputation for high standards of business conduct.
f. The need to act fairly between members of the company.

To support the directors in the discharge of their duties, and whilst making a decision on behalf of the company, the directors have access to functional assurance support to identify matters which may have an impact on the proposed decision including, where relevant, section 172 factors as outlined above.

The principal decisions taken by the directors during the year included the divestment of Gulf of Suez concessions in the company which was signed off on 9 October 2019. The relevant factors taken into account during the decision making process, in furtherance of the company’s purpose, included the likely long term consequences of the decision on the Company and its stakeholders as a whole. The decision further optimised the Company's strategy and that of bp's overall production & operations strategy, in addition to delivering substantial positive cash returns to the Company ensuring the Company's long term viability.

Matters identified that may affect the company’s performance in the long term are set out in the principal risks disclosed in the strategic report below.

The company has engaged with key stakeholders and the outcome from such engagement has been considered by the directors during the decision making process where appropriate. Refer to the directors report on stakeholder engagement.

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 for the BP group.

The risks listed below, separately or in combination, could have a material adverse effect on the implementation of the company’s strategy, business, financial performance, results of operations, cash flows, liquidity, prospects, shareholder value and returns and reputation. Unless stated otherwise, further details on these risks are included within the risk factors in the strategic report of the BP group Annual Report and Form 20-F for the year ended 31 December 2019.
STRATEGIC REPORT

Strategic and commercial risks

Prices and markets
The company’s financial performance is subject to fluctuating prices of oil, gas, petrochemicals and refined products, technological change, exchange rate fluctuations and the general macroeconomic outlook. Political developments, increased supply of oil and gas or low carbon energy sources, technological change, global economic conditions, public health situations and the influence of OPEC can impact supply and demand and prices for our products.

Access, renewal and reserves progression
The company’s inability to access, renew and progress upstream resources in a timely manner could adversely affect its long-term replacement of reserves.

Major project delivery
Failure to invest in the best opportunities or deliver major projects successfully could adversely affect the company’s financial performance.

Geopolitical
The company is exposed to a range of political developments and consequent changes to the operating and regulatory environment may disrupt or curtail the company's operations or development activities. These may in turn cause production to decline, limit the company's ability to pursue new opportunities, affect the recoverability of our assets or cause us to incur additional costs. Political developments may include international sanctions, expropriation or nationalization of property, civil strife, strikes, insurrections, acts of terrorism or war and public health situations (including an outbreak of an epidemic or pandemic).

The impact of the UK's exit from the EU
BP have been assessing the potential impact on the group of Brexit and the UK’s future global relationships. BP have been considering different outcomes but do not believe any of these outcomes pose a significant risk to the business. The BP board’s geopolitical committee continues to monitor these developments.

Liquidity, financial capacity and financial, including credit, exposure
Failure to work within the financial framework set by the BP group could impact the company’s ability to operate and result in financial loss.

Joint arrangements and contractors
The company may have varying levels of control over the standards, operations and compliance of its partners, contractors and sub-contractors which could result in legal liability and reputational damage.

Digital infrastructure and cybersecurity
Breach or failure of the company’s or third parties’ digital infrastructure or cyber security, including loss or misuse of sensitive information could damage its operations and reputation or increase costs.

Climate change and the transition to a lower carbon economy
Policy, legal, regulatory, technology and market developments related to the issue of climate change could increase costs, reduce demand for our products, reduce revenue and limit certain growth opportunities.

Competition
Inability to remain efficient, maintain a high-quality portfolio of assets, innovate and retain an appropriately skilled workforce could negatively impact delivery of the company’s strategy in a highly competitive market.

Crisis management and business continuity
Potential disruption to the company’s business and operations could occur if it does not address an incident effectively.
Strategic and commercial risks (continued)

Insurance
The BP group’s insurance strategy could expose the BP group to material uninsured losses which in turn could adversely affect the company.

Safety and operational risks

Process safety, personal safety and environmental risks
The company is exposed to a wide range of health, safety, security and environmental risks that could cause harm to people, the environment, the company’s assets and result in regulatory action, legal liability, business interruption, increased costs, damage to its reputation and potentially denial of its licence to operate.

Drilling and production
Challenging operational environments and other uncertainties could impact drilling and production activities.

Security
Hostile acts against the company’s staff and activities could cause harm to people and disrupt its operations.

Product quality
Supplying customers with off-specification products could damage the company’s reputation, lead to regulatory action and legal liability, and potentially impact its financial performance.

Compliance and control risks

Ethical misconduct and non-compliance
Ethical misconduct or breaches of applicable laws by the company’s businesses or its employees could be damaging to its reputation, and could result in litigation, regulatory action and penalties.

Regulation
Changes in the regulatory and legislative environment could increase the cost of compliance, affect the company’s provisions and limit its access to new growth opportunities.

Treasury and trading activities
Ineffective oversight of treasury and trading activities could lead to business disruption, financial loss, regulatory intervention or damage to the company’s reputation.

Reporting
Failure to accurately report the company’s data could lead to regulatory action, legal liability and reputational damage.
Financial risk management

The company is exposed to a number of different financial risks arising from natural business exposures as well as its use of financial instruments including market risks relating to commodity prices, foreign currency exchange rates and interest rates; credit risk; and liquidity risk. Further details on these financial risks are included within Note 29 of the BP group Annual Report and Form 20-F for the year ended 31 December 2019.

Authorized for issue by Order of the Board

DocuSigned by:

For and on behalf of
Sunbury Secretaries Limited
Company Secretary

02 October 2020

Registered Office:
Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom
DIRECTORS' REPORT

BP EXPLORATION (DELTA) LIMITED

Directors

The present directors are listed on page 1.

J Myers and K M A A Youssef served as directors throughout the financial year. Changes since 1 January 2019 are as follows:

<table>
<thead>
<tr>
<th></th>
<th>Appointed</th>
<th>Resigned</th>
</tr>
</thead>
<tbody>
<tr>
<td>H S Mekawi</td>
<td>-</td>
<td>1 July 2020</td>
</tr>
<tr>
<td>N Imanov</td>
<td>1 July 2020</td>
<td>-</td>
</tr>
</tbody>
</table>

Directors’ indemnity

The company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006. Such qualifying third party indemnity provisions for the benefit of the company’s directors remain in force at the date of this report.

Dividends

The company has not declared any dividends during the year (2018 $Nil). The directors do not propose the payment of a dividend.

Financial instruments

In accordance with section 414C of the Companies Act 2006 the directors have included information regarding financial instruments as required by Schedule 7 (Part 1.6) of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 in the strategic report under Financial risk management.

Post balance sheet events

Since 31 December 2019, oil and gas prices have fallen sharply in large part due to the impact of the international spread of COVID-19 (Coronavirus) and geopolitical factors. The impact of COVID-19 and the current economic environment on the basis of preparation of these financial statements has been considered. The directors continue to consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. Further details are provided under Going Concern below. This is a non-adjusting event for the financial statements for the period ending 31 December 2019.

On 15 June 2020 BP issued a press release detailing revised investment appraisal long-term oil and gas price assumptions used in PP&E impairment testing. The revised long-term price assumptions used to determine recoverable amount based on value-in-use impairment tests are an average of $55/bbl for Brent and $2.90 per MMBtu for Henry Hub for the period of 2021-2025 (in 2020 prices). BP has also reviewed its intent to develop some of its exploration prospects and consequently has assessed the carrying values of the group’s intangible assets.

Impairment tests have been performed for the purposes of the BP Plc group financial statements as at 30 June 2020, which resulted in an impairment of $271m of a cash generating unit that contains certain of the company’s tangible assets, which had a written-down carrying value in the group’s balance sheet of $3,955m at 30 June 2020. The company’s balance sheet at 31 December 2019 included tangible assets of $2,759m within this BP group cash generating unit, however the proportion of this BP group impairment charge that affects the company’s tangible assets has not yet been determined.

6
DIRECTORS' REPORT

Post balance sheet events (continued)

The impairment tests performed for the purposes of the BP Plc group financial statements as at 30 June 2020 also resulted in an impairment of the group’s exploration and appraisal intangible assets. The Company expects to record an estimated impairment of tangible and intangible assets of between $0.7bn to $1bn in relation to the group’s impairment at 30 June 2020 and the actual amount will be reflected in the 31 December 2020 financial statements.

These revisions and impairments relate to events and circumstances arising since 31 December 2019 and therefore the impact on the company will be included in the financial statements for the year ended 31 December 2020.

Going concern

The directors have assessed the prospects of the company over a period of at least 12 months. The directors have considered expectations of the position and performance of the company over this period, taking account of its short-term and longer-range plans. Taking into account the company’s current position and its principal risks on pages 1-4, the directors have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over at least the next 12 months.

Since 31 December 2019, the oil price has fallen sharply in large part due to the impact of the international spread of COVID-19 (Coronavirus) and geopolitical factors. The impact of COVID-19 and the current economic environment on the basis of preparation of these financial statements has been considered.

The company is in a net current liability position as at 31 December 2019. The company has ongoing funding arrangements with BP International Limited to manage its working capital as well as investing activities. The directors' assessment has taken into account the ability of both the company and the BP group to ensure availability of funds at least twelve months from the date of approval of these financial statements.

Liquidity and financing is managed within BP under pooled group-wide arrangements which include the company. As part of assuring the going concern basis of preparation for the company, the ability and intent of the BP group to support the company has been taken into consideration. The BP group financial statements continue to be prepared on a going concern basis. Forecast liquidity extending at least twelve months from the date of approval of these financial statements has been assessed at a group level under a number of scenarios and a reverse stress test performed to support the group’s going concern assertion. In addition, group management of BP have confirmed that the existing intra-group funding and liquidity arrangements as currently constituted are expected to continue for the foreseeable future, being no less than twelve months from the approval of these financial statements.

In assessing the prospects of BP Exploration (Delta) Limited, the directors noted that such assessment is subject to a degree of uncertainty that can be expected to increase looking out over time and, accordingly, that future outcomes cannot be guaranteed or predicted with certainty.

Having a reasonable expectation that the company has adequate resources to continue in operational existence for at least the next 12 months from the date these financial statements were approved, the directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.

Future developments

The directors consider that, despite the uncertainties deriving from the current economic environment and the loss reported for the year / net current liabilities, the company has adequate resources to continue in operational existence for at least the next 12 months from the date these financial statements were approved.

It is the intention of the directors that the business of the company will continue for the foreseeable future.
Engagement with other stakeholders

The company aims to build enduring relationships with governments, customers, partners, suppliers and communities in the countries where it operates. The company works with its business partners in an honest, respectful and responsible way and seeks to work with others who share the company’s commitments to safety and ethics and compliance.

The company’s activities affect a wide variety of individuals and organisations. The company engages with these stakeholders and listens to their differing needs and priorities as an everyday part of its business and uses the input and feedback to inform its decision making process.

On behalf of the company, the BP group participates in industry associations that offer opportunities to share good practices and collaborate on issues of importance. Additionally, the BP group works with governments on a range of issues that are relevant to its business, from regulatory compliance, to understanding tax liabilities, to collaborating on community initiatives.

The BP group seeks to engage with customers through social media, focus groups and in–depth interviews with customers to better understand customer’s needs and seek their feedback.

The company’s relationships with communities are important for all its activities, but particularly for major new projects where its presence may bring about changes in the local areas, such as jobs and support for community development, as well as increased road traffic and changes in the landscape. The company engages with local communities through public consultations and meetings with local representatives and completes impact assessments where relevant.

Feedback from such engagement has been considered by the directors during the decision making process where relevant.

With respect to the principal decision taken by the Company, as referred to within the Strategic Report, the Company conducted the following stakeholder engagement when having regard to its stakeholders as a whole, as follows:

- Engagement with internal stakeholders within bp's integrated, supply & trading ("IST") team since Egypt is a strategic growth region for bp and IST ensured a favourable crude marketing agreement was agreed with the buyer
- Engagement with key external stakeholders including working closely with the Egyptian Government to ensure all terms and conditions were acceptable.

During the year the directors continued with the implementation of the company’s strategy, as highlighted in the strategic report in respect of the principal activities of the company, in furtherance of the BP group purpose.
DIRECTORS' REPORT

Corporate Governance Statement

The company’s ultimate parent BP p.l.c. has applied the UK Corporate Governance Code throughout the year. The board of BP p.l.c. operates within a system of governance that is set out in the BP board governance principles. These principles define the role of the board, its processes and its relationship with executive management. This system is reflected in the governance of the group’s subsidiaries through the adoption of:

(i) a comprehensive policy regarding the Corporate Governance of Subsidiaries (the “Policy”);
(ii) the System of Internal Control being the holistic set of management systems, organisational structures, processes, standards and behaviours that are employed to conduct the group’s business; and
(iii) the BP Code of Conduct based on BP's values, which sets clear expectations for how we work. It applies to all BP employees, including members of the board.

System of Internal Control

The System of Internal Control processes, which include functional assurance and internal group authority facilitate effective and efficient operation by enabling it to respond appropriately to significant business, operational, financial, compliance and other risks to achieving the company’s objectives. This includes the safeguarding of assets from inappropriate use or loss and fraud and ensuring liabilities are identified and managed.

Further, they help to ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the organisation.

The System of Internal Control helps to ensure compliance with laws and regulations and also with internal policies with respect to the conduct of business.

The Policy

The Policy is a comprehensive set of rules and recommendations, reflective of best practice governance and the content of formal corporate governance codes for private companies, and is designed to improve subsidiary governance:

(i) by mitigating legal and reputational risk and preserving the integrity of the Group’s corporate structure
(ii) to select, train and assist competent and confident directors and officers who execute their duties in a manner that mitigates the risk of breaching legal requirements and fiduciary duties
(iii) to specify which of the group’s businesses and functions are accountable for the various aspects of establishment, administration and corporate governance of subsidiaries
(iv) to provide a structure through which company objectives can be achieved and monitored, and
(v) to support the System of Internal Control and the BP Code of Conduct

The company has therefore not considered it necessary to adopt a formal corporate governance code.

The Policy requires any decisions in respect of the formation and change of entity form, financing of intra-group activities, transfer of ownership and dissolution to be made pursuant to BP’s System of Internal Control processes. Monitoring in respect of compliance with the Policy is completed on a regular basis, and any exceptions to the Policy are considered and agreed by the board of directors of the company.

The Policy sets out the responsibilities of all directors and officers of each of the group’s subsidiaries and the primary tasks of the boards, including consideration and execution of long-term strategy, monitoring of the subsidiary’s performance and ensuring that the principal risks to the subsidiary are identified and that appropriate systems of risk management and control are in place.
DIRECTORS' REPORT

Corporate Governance Statement (continued)

The Policy (continued)

The Policy requires directors to:

(i) attend induction training upon appointment and are recommended to refresh their training annually
(ii) not engage in any activity that is, or could reasonably perceived to be, in conflict with the interests of the company and are further required to act in the best interests of the company, which may not necessarily coincide with the best interest of the group
(iii) consult in advance of conflicts of duties in order to identify and implement steps to avoid or mitigate such conflicts
(iv) retain responsibility for the approval of financial statements

Decision making rests with the Directors of the Company and delegation of specific powers or decisions is documented in writing, setting out the reasons for and scope and limitation of such delegation, supported by a form of group authority. Delegations are monitored and reviewed by the board on a regular basis.

Application of the system of governance

The Directors have applied this system of governance by:

(a) Promoting the purpose of the company to advance energy to improve people's lives
(b) Regularly reviewing the board's composition to ensure that it has an appropriately diverse balance of skills, backgrounds, experience and knowledge and that individual directors have sufficient capacity to make a valuable contribution. The board retains a minimum of three directors, and where appropriate, promotes independent and objective challenge through the appointment of a minimum of one director who is not directly or indirectly responsible for the management function of the company. In certain cases, the board nominates a designated Chair to provide leadership of the board.
(c) Undertaking training on a regular basis to ensure that they have a clear understanding of their responsibilities and accountabilities. To support effective decision-making directors take into account the System of Internal Control, the BP Code of Conduct and the company's purpose and how it furthers the group's purpose, aims and ambitions, when acting in their capacity as a director of the company.
(d) In accordance with the Policy, the board is supported by Systems of Internal Control to identify opportunities to create and preserve value and to manage its principal risks and uncertainties as set out in the strategic report.
(e) Having regard to and fostering good stakeholder relationships as set out within the statement of engagement with key stakeholders in the directors report.
DIRECTORS' REPORT

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 the auditor's 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.

Authorized for issue by Order of the Board

For and on behalf of
Sunbury Secretaries Limited
Company Secretary

02 October 2020

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom
STATEDMENT OF DIRECTORS’ RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

BP EXPLORATION (DELTA) LIMITED

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable UK 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) including Financial Reporting Standard 101 ‘Reduced Disclosure Framework’. 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 financial statements, 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. Details of the directors' assessment of going concern are provided in the directors' report.
INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BP EXPLORATION (DELTA) LIMITED

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of BP Exploration (Delta) Limited ('the company'):

- give a true and fair view of the state of the company’s affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 “Reduced Disclosure Framework”; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 24.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 “Reduced Disclosure Framework” (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s (the ‘FRC’s’) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We are required by ISAs (UK) to report in respect of the following matters where:

- the directors’ use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company’s ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorized for issue.

We have nothing to report in respect of these matters.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor’s report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.
INDEPENDENT AUDITOR'S REPORT

Responsibilities of directors
As explained more fully in the statement of directors’ responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

• the information given in the strategic report and the directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
• the strategic report and the directors’ report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in the financial statements in the strategic report or the directors’ report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report
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.

DocuSigned by:
Bevan Whitehead FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP Statutory Auditor
London, United Kingdom
05 October 2020
# PROFIT AND LOSS ACCOUNT

## FOR THE YEAR ENDED 31 DECEMBER 2019

**BP EXPLORATION (DELTA) LIMITED**

<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>3</td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td><strong>Turnover</strong></td>
<td>1,316,242</td>
<td>1,268,233</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(1,755,272)</td>
<td>(1,414,357)</td>
</tr>
<tr>
<td><strong>Gross loss</strong></td>
<td>(439,030)</td>
<td>(146,124)</td>
</tr>
<tr>
<td>Exploration expenses</td>
<td>(158,691)</td>
<td>(242,476)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(4,287)</td>
<td>(4,367)</td>
</tr>
<tr>
<td>Other operating income</td>
<td>44,742</td>
<td>5,790</td>
</tr>
<tr>
<td>Gain/Loss on derivatives</td>
<td>(285)</td>
<td>460</td>
</tr>
<tr>
<td>Gain on disposal of tangible assets</td>
<td>1,926</td>
<td>—</td>
</tr>
<tr>
<td><strong>Operating loss</strong></td>
<td>(555,623)</td>
<td>(386,717)</td>
</tr>
<tr>
<td>Interest receivable and similar income</td>
<td>1,342</td>
<td>123</td>
</tr>
<tr>
<td>Interest payable and similar expenses</td>
<td>(4,975)</td>
<td>(17,511)</td>
</tr>
<tr>
<td><strong>Loss before taxation</strong></td>
<td>(559,257)</td>
<td>(404,105)</td>
</tr>
<tr>
<td>Tax on loss</td>
<td>(113,811)</td>
<td>(147,930)</td>
</tr>
<tr>
<td><strong>Loss for the year</strong></td>
<td>(673,068)</td>
<td>(552,035)</td>
</tr>
</tbody>
</table>

The loss of $673,067,680 for the year ended 31 December 2019 was derived entirely from continuing operations.

## STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 DECEMBER 2019

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Loss for the year</strong></td>
<td>(673,068)</td>
<td>(552,035)</td>
</tr>
<tr>
<td><strong>Other comprehensive income</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Items that may be reclassified subsequently to profit or loss</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gains arising during the year</td>
<td>7,521</td>
<td>4,027</td>
</tr>
<tr>
<td></td>
<td>7,521</td>
<td>4,027</td>
</tr>
<tr>
<td><strong>Other comprehensive income for the year net of tax</strong></td>
<td>7,521</td>
<td>4,027</td>
</tr>
<tr>
<td><strong>Total comprehensive loss for the year</strong></td>
<td>(665,546)</td>
<td>(548,008)</td>
</tr>
</tbody>
</table>
# BALANCE SHEET

**AS AT 31 DECEMBER 2019**

**BP EXPLORATION (DELT A) LIMITED**
(Registered No. 00983913)

<table>
<thead>
<tr>
<th>Note</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td><strong>Fixed assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Intangible assets</td>
<td>10</td>
<td>974,065</td>
</tr>
<tr>
<td>Tangible assets</td>
<td>11</td>
<td>5,031,832</td>
</tr>
<tr>
<td></td>
<td></td>
<td>6,005,897</td>
</tr>
<tr>
<td><strong>Current assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks</td>
<td>12</td>
<td>62,654</td>
</tr>
<tr>
<td>Debtors: amounts falling due within one year</td>
<td>13</td>
<td>480,496</td>
</tr>
<tr>
<td>Derivatives and other financial instruments within one year</td>
<td>16</td>
<td>160</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td></td>
<td>19,157</td>
</tr>
<tr>
<td></td>
<td></td>
<td>562,467</td>
</tr>
<tr>
<td><strong>Creditors: amounts falling due within one year</strong></td>
<td>14</td>
<td>(677,127)</td>
</tr>
<tr>
<td>Derivatives and other financial instruments due within one year</td>
<td>16</td>
<td>—</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td></td>
<td>(7,746)</td>
</tr>
<tr>
<td>Net current liabilities</td>
<td></td>
<td>(122,406)</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS LESS CURRENT LIABILITIES</strong></td>
<td></td>
<td>5,883,491</td>
</tr>
<tr>
<td><strong>Creditors: Derivatives and other financial instruments due after more than one year</strong></td>
<td>16</td>
<td>—</td>
</tr>
<tr>
<td><strong>Provisions for liabilities and charges</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other provisions</td>
<td>17</td>
<td>(79,936)</td>
</tr>
<tr>
<td><strong>NET ASSETS</strong></td>
<td></td>
<td>5,803,555</td>
</tr>
<tr>
<td><strong>Capital and reserves</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Called up share capital</td>
<td>18</td>
<td>7,840,000</td>
</tr>
<tr>
<td>Cash flow hedge reserve</td>
<td>19</td>
<td>177</td>
</tr>
<tr>
<td>Profit and loss account</td>
<td>19</td>
<td>(2,036,622)</td>
</tr>
<tr>
<td><strong>TOTAL EQUITY</strong></td>
<td></td>
<td>5,803,555</td>
</tr>
</tbody>
</table>

Authorized for issue on behalf of the Board

J Myers
Director
05 October 2020
# Statement of Changes in Equity

## For the Year Ended 31 December 2019

**BP Exploration (Delta) Limited**

<table>
<thead>
<tr>
<th></th>
<th>Called up share capital (Note 18)</th>
<th>Cash flow hedge reserve (Note 19)</th>
<th>Profit and loss account (Note 19)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td><strong>Balance at 1 January 2018</strong></td>
<td>6,840,000</td>
<td>(11,371)</td>
<td>(824,427)</td>
<td>6,004,202</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>—</td>
<td>—</td>
<td>(552,035)</td>
<td>(552,035)</td>
</tr>
<tr>
<td>Other comprehensive income for the year</td>
<td>—</td>
<td>4,027</td>
<td>—</td>
<td>4,027</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td>—</td>
<td>4,027</td>
<td>(552,035)</td>
<td>(548,008)</td>
</tr>
<tr>
<td>Issue of share capital</td>
<td>1,000,000</td>
<td>—</td>
<td>—</td>
<td>1,000,000</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2018</strong></td>
<td>7,840,000</td>
<td>(7,344)</td>
<td>(1,376,462)</td>
<td>6,456,194</td>
</tr>
<tr>
<td>Adjustment on adoption of IFRS 16, net of tax&lt;sup&gt;a&lt;/sup&gt;</td>
<td>—</td>
<td>—</td>
<td>12,907</td>
<td>12,907</td>
</tr>
<tr>
<td><strong>Balance at 1 January 2019</strong></td>
<td>7,840,000</td>
<td>(7,344)</td>
<td>(1,363,555)</td>
<td>6,469,101</td>
</tr>
<tr>
<td>Loss for the year</td>
<td>—</td>
<td>—</td>
<td>(673,068)</td>
<td>(673,068)</td>
</tr>
<tr>
<td>Other comprehensive income for the year</td>
<td>—</td>
<td>7,521</td>
<td>—</td>
<td>7,521</td>
</tr>
<tr>
<td><strong>Total comprehensive income for the year</strong></td>
<td>—</td>
<td>7,521</td>
<td>(673,068)</td>
<td>(665,546)</td>
</tr>
<tr>
<td><strong>Balance at 31 December 2019</strong></td>
<td>7,840,000</td>
<td>177</td>
<td>(2,036,623)</td>
<td>5,803,555</td>
</tr>
</tbody>
</table>

<sup>a</sup>See Note 2 for further information
NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

BP EXPLORATION (DELTA) LIMITED


The financial statements of BP Exploration (Delta) Limited for the year ended 31 December 2019 were approved by the board of directors on 2 October 2020 and the balance sheet was signed on the board’s behalf by J Myers. BP Exploration (Delta) Limited is a private company, limited by shares incorporated, domiciled and registered in England and Wales (registered number 00983913). The company's registered office is at Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP. These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the provisions of the Companies Act 2006.

2. Significant accounting policies, judgements, estimates and assumptions

The significant accounting policies and critical accounting judgements, estimates and assumptions of the company are set out below:

Basis of preparation

These financial statements have been prepared in accordance with FRS 101. The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The accounting policies that follow have been consistently applied to all years presented, except where otherwise indicated.

These financial statements are separate financial statements. The company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare consolidated financial statements, because it is included in the group financial statements of BP p.l.c.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to:

(a) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
(b) the requirements of IFRS 7 Financial Instruments: Disclosures
(c) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement
(d) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements
(e) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of
   (i) paragraph 79(a)(iv) of IAS 1
   (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment
   (iii) paragraph 118(e) of IAS 38 Intangible Assets
(f) the requirements of IAS 7 Statement of Cash Flows
(g) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective
(h) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
(i) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
2. Significant accounting policies, judgements, estimates and assumptions (continued)

Basis of preparation (continued)

(j) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c)-135(e) of IAS 36, Impairment of Assets

(k) the requirement of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers etc. required, equivalent disclosures are given in the group financial statements of BP p.l.c. The group financial statements of BP p.l.c. are available to the public and can be obtained as set out in Note 24.

(l) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.

(m) The requirements of paragraph 58 of IFRS 16 Leases, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

Where required, equivalent disclosures are given in the group financial statements of BP p.l.c. The group financial statements of BP p.l.c. are available to the public and can be obtained as set out in Note 24.

The financial statements are presented in US dollars and all values are rounded to the nearest thousand dollars ($000), except where otherwise indicated.

Significant accounting policies: use of judgements, estimates and assumptions

Inherent in the application of many of the accounting policies used in preparing the financial statements is the need for management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual outcomes could differ from the estimates and assumptions used. The accounting judgements and estimates that have a significant impact on the results of the company are set out within the boxed text below, and should be read in conjunction with the information provided in the Notes to the financial statements.

Significant accounting policies

Going concern

At 31 December 2019 the company’s balance sheet had net current liabilities amounting to $122,406 thousand.

The directors consider it appropriate to prepare the financial statements on a going concern basis as, despite the uncertainties deriving from the current economic environment, the company is in an overall net assets position and therefore will be able to meet its liabilities as they fall due for at least the next 12 months from the date these financial statements were approved. For further details on the directors’ going concern assessment, please refer to the directors’ report.

Foreign currency

The functional and presentation currency of the financial statements is US dollars. The functional currency is the currency of the primary economic environment in which an entity operates and is normally the currency in which the entity primarily generates and expends cash.
NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies, judgements, estimates and assumptions (continued)

Investments

Interests in joint arrangements
A joint arrangement is an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The company recognizes, on a line-by-line basis, its share of the assets, liabilities and expenses of these joint operations incurred jointly with the other partners, along with the company’s income from the sale of its share of the output and any liabilities and expenses that the company has incurred in relation to the joint operation.

Intangible assets

Intangible assets, other than goodwill, are stated at the amount initially recognized, less accumulated amortization and accumulated impairment losses.

For information on accounting for expenditures on the exploration for and evaluation of oil and natural gas resources, see the accounting policy for oil and natural gas exploration, appraisal and development expenditure below.

Intangible assets are carried initially at cost unless acquired as part of a business combination. Any such asset is measured at fair value at the date of the business combination and is recognized separately from goodwill if the asset is separable or arises from contractual or other legal rights.

Intangible assets with a finite life are amortized on a straight-line basis over their expected useful lives. For patents, licences and trademarks, expected useful life is the shorter of the duration of the legal agreement and economic useful life, and can range from three to fifteen years. Computer software costs generally have a useful life of three to five years.

The expected useful lives of assets and the amortization method are reviewed on an annual basis and, if necessary, changes in useful lives or the amortization method are accounted for prospectively.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Goodwill
Under FRS 101, where an acquisition is a bargain purchase, the excess of the value of the identifiable assets acquired and the liabilities assumed over the consideration transferred shall be recognized on the balance sheet.

The negative goodwill has been capitalised on the balance sheet as a credit to intangible assets.

Subsequently, the excess up to the fair value of the non–monetary assets acquired shall be recognized in profit or loss in the periods in which the non–monetary assets are recovered.

Any excess exceeding the fair value of non-monetary assets acquired shall be recognized in profit or loss in the periods expected to be benefited.

The negative goodwill is amortised based on the same unit of production method as the corresponding tangible asset.
NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies, judgements, estimates and assumptions (continued)

Intangible assets (continued)

Oil and natural gas exploration, appraisal and development expenditure
Oil and natural gas exploration, appraisal and development expenditure is accounted for using the principles of the successful efforts method of accounting as described below.

Licence and property acquisition costs
Exploration licence and leasehold property acquisition costs are initially capitalized within intangible assets and are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned or that it has been determined, or work is under way to determine, that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing. If no future activity is planned, the remaining balance of the licence and property acquisition costs is written off. Lower value licences are pooled and amortized on a straight-line basis over the estimated period of exploration. Upon internal approval for development and recognition of proved reserves of oil and natural gas, the relevant expenditure is transferred to tangible assets.

Exploration and appraisal expenditure
Geological and geophysical exploration costs are charged to the profit and loss account as incurred. Costs directly associated with an exploration well are capitalized as an intangible asset until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. If potentially commercial quantities of hydrocarbons are not found, the exploration well costs are written off. If hydrocarbons are found and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continue to be carried as an asset. If it is determined that development will not occur then the costs are expensed.

Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalized as an intangible asset. Upon internal approval for development and recognition of proved reserves, the relevant expenditure is transferred to tangible assets.

The determination of whether potentially economic oil and natural gas reserves have been discovered by an exploration well is usually made within one year of well completion, but can take longer, depending on the complexity of the geological structure. Exploration wells that discover potentially economic quantities of oil and natural gas and are in areas where major capital expenditure (e.g. an offshore platform or a pipeline) would be required before production could begin, and where the economic viability of that major capital expenditure depends on the successful completion of further exploration or appraisal work in the area, remain capitalized on the balance sheet as long as such work is under way or firmly planned.

Development expenditure
Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including service and unsuccessful development or delineation wells, is capitalized within tangible assets and is depreciated from the commencement of production as described below in the accounting policy for tangible assets.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies, judgements, estimates and assumptions (continued)

Intangible assets (continued)

Oil and natural gas exploration, appraisal and development expenditure
Oil and natural gas exploration, appraisal and development expenditure is accounted for using the principles of the successful efforts method of accounting as described below.

Licence and property acquisition costs
Exploration licence and leasehold property acquisition costs are initially capitalized within intangible assets and are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned or that it has been determined, or work is under way to determine, that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing. If no future activity is planned, the remaining balance of the licence and property acquisition costs is written off. Lower value licences are pooled and amortized on a straight-line basis over the estimated period of exploration. Upon internal approval for development and recognition of proved reserves of oil and natural gas, the relevant expenditure is transferred to tangible assets.

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Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalized as an intangible asset. Upon internal approval for development and recognition of proved reserves, the relevant expenditure is transferred to tangible assets.

The determination of whether potentially economic oil and natural gas reserves have been discovered by an exploration well is usually made within one year of well completion, but can take longer, depending on the complexity of the geological structure. Exploration wells that discover potentially economic quantities of oil and natural gas and are in areas where major capital expenditure (e.g. an offshore platform or a pipeline) would be required before production could begin, and where the economic viability of that major capital expenditure depends on the successful completion of further exploration or appraisal work in the area, remain capitalized on the balance sheet as long as such work is under way or firmly planned.

Development expenditure
Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including service and unsuccessful development or delineation wells, is capitalized within tangible assets and is depreciated from the commencement of production as described below in the accounting policy for tangible assets.
NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies, judgements, estimates and assumptions (continued)

Intangible assets (continued)

Significant judgement: exploration and appraisal intangible assets

Judgement is required to determine whether it is appropriate to continue to carry costs associated with exploration wells and exploratory type stratigraphic test wells on the balance sheet. This includes costs relating to exploration licences or leasehold property acquisitions. It is not unusual to have such costs remaining suspended on the balance sheet for several years while additional appraisal drilling and seismic work on the potential oil and natural gas field is performed or while the optimum development plans and timing are established. The costs are carried based on the current regulatory and political environment or any known changes to that environment. All such carried costs are subject to regular technical, commercial and management review on at least an annual basis to confirm the continued intent to develop, or otherwise extract value from, the discovery. Where this is no longer the case, the costs are immediately expensed. Information on the carrying amounts of the company's intangible assets is contained in Note 11. For post balance sheet events refer to Note 23.

Tangible assets

Tangible assets owned by the company 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 the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of any decommissioning obligation, if any, and, for assets that necessarily take a substantial period of time to get ready for their intended use, directly-attributable finance 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.

Exchanges of assets are measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. The cost of the acquired asset is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. Where fair value is not used, the cost of the acquired asset is measured at the carrying amount of the asset given up. The gain or loss on derecognition of the asset given up is recognized in profit or loss.

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated is replaced and it is probable that future economic benefits associated with the item will flow to the company, the expenditure is capitalized and the carrying amount of the replaced asset is derecognized. Inspection costs associated with major maintenance programmes are capitalized and amortized over the period to the next inspection. Overhaul costs for major maintenance programmes, and all other maintenance costs are expensed as incurred.

Oil and natural gas properties, including related pipelines, are depreciated using a unit-of-production method. The cost of producing wells is amortized over proved developed reserves. Licence acquisition, common facilities and future decommissioning costs are amortized over total proved reserves. The unit-of-production rate for the depreciation of common facilities takes into account expenditures incurred to date, together with estimated future capital expenditure expected to be incurred relating to as yet undeveloped reserves expected to be processed through these common facilities.
2. Significant accounting policies, judgements, estimates and assumptions (continued)

Tangible assets (continued)

Tangible assets are depreciated on a straight-line basis over their expected useful lives. The typical useful lives of the company’s tangible assets are as follows:

<table>
<thead>
<tr>
<th>Land and buildings</th>
<th>Fixtures and fittings</th>
<th>Oil and gas properties</th>
<th>Plant and machinery</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buildings</td>
<td>Fixtures and fittings</td>
<td>Oil and gas properties</td>
<td>Plant and machinery</td>
</tr>
<tr>
<td>25 years</td>
<td>4 to 10 years</td>
<td>Unit of production</td>
<td>5 years</td>
</tr>
</tbody>
</table>

The expected useful lives and depreciation method of tangible assets are reviewed on an annual basis and, if necessary, changes in useful lives or the depreciation method are accounted for prospectively.

The carrying amounts of tangible assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

An item of tangible assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit and loss account in the period in which the item is derecognized.

Significant judgements and estimates: recoverability of asset carrying values

Determination as to whether, and how much, an asset is impaired involves management estimates on highly uncertain matters. The effects of future commodity prices are considered a significant estimate for the company. Other less significant inputs include discount rates, production profiles, reserves and resources, and the effects of inflation on operating expenses. The recoverable amount of an asset is the higher of its value in use and its fair value less costs of disposal. Fair value less costs of disposal may be determined based on expected sales proceeds or similar recent market transaction data.

The estimates for assumptions made in impairment tests in 2019 relating to oil and gas prices, which is a significant estimate, as well as the discount rates and reserves and resources, which are inputs but not a significant estimate for the company are discussed below. Changes in the economic environment or other facts and circumstances may necessitate revisions to these assumptions and could result in a material change to the carrying values of the company’s assets within the next financial year.

A change in factors such as price assumptions in the next financial year may result in the recoverable amount of tangible assets falling below the current carrying amount. Information on the carrying amounts of the company’s tangible assets, together with the amounts recognized as depreciation, depletion and amortization is contained in Note 11. The recoverability of intangible exploration and appraisal expenditure is covered under Oil and natural gas exploration, appraisal and development expenditure above.
2. Significant accounting policies, judgements, estimates and assumptions (continued)

Tangible assets (continued)

Discount rates

For discounted cash flow calculations, future cash flows are adjusted for risks specific to the cash-generating unit. Value-in-use calculations are typically discounted using a pre-tax discount rate based upon the cost of funding the BP group derived from an established model, adjusted to a pre-tax basis and incorporating a market participant capital structure. Fair value less costs of disposal calculations use the post-tax discount rate.

The discount rates applied in impairment tests are reassessed each year. In 2019 the post-tax discount rate used was 8% (2018 8%) and the pre-tax discount rate used was 12% (2018 12%) based on the applicable tax rate in Egypt which is 40.5% (2018 40.5%). An additional risk premium of 2% was included within the discount rates (2018 2%) above. The additional risk premium takes into account various economic and geopolitical factors.

We consider the recoverable amount of oil and gas properties to be primarily sensitive to changes in the long-term oil and gas price assumptions. Accordingly sensitivities analysis were only performed over the price key assumptions. Further information is provided in Note 23 Post Balance Sheet Events. Accordingly, no further sensitivity analysis has been presented.

Oil and natural gas prices

The long-term price assumptions used for investment appraisal are recommended by the BP group chief economist after considering a range of external price, and supply and demand forecasts under various energy transition scenarios. They are reviewed and approved by management. As a result of the current uncertainty over the pace of transition to lower-carbon supply and demand and the social, political and environmental actions that will be taken to meet the goals of the Paris climate change agreement, the forecasts and scenarios considered include those where those goals are met as well as those where they are not met. The assumptions below represent management’s best estimate of future prices; they do not reflect a specific scenario and sit within the range of the external forecasts considered.

The long-term price assumptions used to determine recoverable amount based on value-in-use impairments tests are derived from the central case investment appraisal assumptions of $70 per barrel for Brent and $4 per mmBtu for Henry Hub gas, both in 2015 prices (2018 $75 per barrel and $4 per mmBtu respectively, in 2015 prices). These long-term prices are applied from 2025 and 2032 respectively (2018 both from 2024) and continue to be inflated for the remaining life of the asset.

The price assumptions used over the periods to 2025 and 2032 have been set such that there is a linear progression from our best estimate of 2020 prices, which were set by reference to 2019 average prices, to the long-term assumptions.

The majority of reserves and resources that support the carrying value of the company’s oil and gas properties are expected to be produced over the next 10 to 20 years. Average prices (in real 2015 terms) used to estimate cash flows over this period are $67 per barrel for Brent and $3.1 per mmBtu for Henry Hub gas.

Oil prices fell 10% in 2019 from 2018 due to trade tensions, a macroeconomic downturn, and a slight slowdown in oil demand. OPEC+ production restraint, unplanned outages, and sanctions on Venezuela and Iran kept prices from falling further. BP's long-term assumption for oil prices is slightly higher than the 2019 price average, based on the judgement that current price levels would not encourage sufficient investment to meet global oil demand sustainably in the longer term, especially given the financial requirements of key low-cost oil producing economies.
NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies, judgements, estimates and assumptions (continued)

Tangible assets (continued)

US gas prices dropped by around 20% in 2019 compared to 2018. After an initial spike in January, they remained relatively low for much of the year due to a combination of strong associated gas production growth, and storage levels coming back to normal. US gas demand growth was much lower than the exceptional increase in 2018, while LNG exports continued to expand. BP’s long-term price assumption for US gas is higher than recent market prices due to forecast rising domestic demand, rapidly increasing pipeline and LNG exports, and lowest cost resources being absorbed leading to production of more expensive gas, as well as requiring increased investment in infrastructure.

In response to events and circumstances arising after the balance sheet date, the BP Plc group has revised its forecast oil and gas prices for use within impairment tests, which has resulted in impairment to the company’s tangible assets and exploration and appraisal assets balance. This impairment will be included in the financial statements for the year ended 31 December 2020. Further information is provided in Note 23 Post Balance Sheet Events. Accordingly, no further sensitivity analysis has been presented.

Oil and natural gas reserves

In addition to oil and natural gas prices, significant technical and commercial assessments are required to determine the group’s estimated oil and natural gas reserves. Reserves estimates are regularly reviewed and updated. Factors such as the availability of geological and engineering data, reservoir performance data, acquisition and divestment activity and drilling of new wells all impact on the determination of the company’s estimates of its oil and natural gas reserves. The company bases its proved reserves estimates on the requirement of reasonable certainty with rigorous technical and commercial assessments based on conventional industry practice and regulatory requirements.

Reserves assumptions for value-in-use tests reflect the reserves and resources that management currently intend to develop. The recoverable amount of oil and gas properties is determined using a combination of inputs including reserves, resources and production volumes. Risk factors may be applied to reserves and resources which do not meet the criteria to be treated as proved.

The interdependency of these inputs and risk factors limits the practicability of estimating the probability or extent to which the overall recoverable amount is impacted by changes to one or more of the underlying assumptions. We consider the recoverable amount of oil and gas properties is primarily sensitive to changes in the long-term oil and gas price assumptions.

Stocks

Stocks, other than stocks held for trading purposes, are stated at the lower of cost and net realizable value. Cost is determined by the first-in first-out method and comprises direct purchase costs, cost of production, transportation and manufacturing expenses. Net realizable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Net realizable value is determined by reference to prices existing at the balance sheet date, adjusted where the sale of inventories after the reporting period gives evidence about their net realizable value at the end of the period.

Stocks held for short-term trading purposes are stated at fair value less costs to sell and any changes in fair value are recognized in the profit and loss account.

Supplies are valued at the lower of cost on a weighted average basis and net realizable value.
2. Significant accounting policies, judgements, estimates and assumptions (continued)

Leases

Agreements that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases. The right to control is conveyed if BP has both the right to obtain substantially all of the economic benefits from, and the right to direct the use of, the identified asset throughout the period of use. An asset is identified if it is explicitly or implicitly specified by the agreement and any substitution rights held by the lessor over the asset are not considered substantive.

Agreements that convey the right to control the use of an intangible asset including rights to explore for or use hydrocarbons are not accounted for as leases. See significant accounting policy: intangible assets.

A lease liability is recognized on the balance sheet on the lease commencement date at the present value of future lease payments over the lease term. The discount rate applied is the rate implicit in the lease if readily determinable, otherwise an incremental borrowing rate is used. The incremental borrowing rate is determined based on factors such as the group’s cost of borrowing, lessee legal entity credit risk, currency and lease term. The lease term is the non-cancellable period of a lease together with any periods covered by an extension option that BP is reasonably certain to exercise, or periods covered by a termination option that BP is reasonably certain not to exercise. The future lease payments included in the present value calculation are any fixed payments, payments that vary depending on an index or rate, payments due for the reasonably certain exercise of options and expected residual value guarantee payments.

Payments that vary based on factors other than an index or a rate such as usage, sales volumes or revenues are not included in the present value calculation and are recognized in the income statement. The lease liability is recognized on an amortized cost basis with interest expense recognized in the income statement over the lease term.

The right-of-use asset is recognized on the balance sheet as property, plant and equipment at a value equivalent to the initial measurement of the lease liability adjusted for lease prepayments, lease incentives, initial direct costs and any restoration obligations. The right-of-use asset is depreciated typically on a straight-line basis, over the lease term. The depreciation charge is recognized in the income statement, except where capitalized as exploration, appraisal or development expenditure. Right-of-use assets are assessed for impairment in line with the accounting policy for impairment of property, plant and equipment, intangible assets, and goodwill.

Agreements may include both lease and non-lease components. Payments for lease and non-lease components are allocated on a relative stand-alone selling price basis except for leases of retail service stations where the group has elected not to separate non-lease payments from the calculation of the lease liability and right-of-use asset.

If the lease term at commencement of the agreement is less than 12 months, a lease liability and right-of-use asset are not recognized, and a lease expense is recognized in the income statement on a straight-line basis.

If a significant event or change in circumstances, within the control of BP, arises that affects the reasonably certain lease term or there are changes to the lease payments, the present value of the lease liability is remeasured using the revised term and payments, with the right-of-use asset adjusted by an equivalent amount.

Modifications to a lease agreement beyond the original terms and conditions are accounted for as a re-measurement of the lease liability with a corresponding adjustment to the right-of-use asset. Any gain or loss on modification is recognized in the income statement. Modifications that increase the scope of the lease at a price commensurate with the stand-alone selling price are accounted for as a separate new lease.

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NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies, judgements, estimates and assumptions (continued)

Leases (continued)

The company recognizes the full lease liability, rather than its working interest share, for leases entered into on behalf of a joint operation if the company has the primary responsibility for making the lease payments. In such cases, the company’s working interest share of the right-of-use asset is recognized if it is jointly controlled by the company and the other joint operators, and a receivable is recognized for the share of the asset transferred to the other joint operators. If the company is a non-operator, a payable to the operator is recognized if they have the primary responsibility for making the lease payments and the company has joint control over the right-of-use asset, otherwise no balances are recognized.

As noted in ‘Impact of new International Financial Reporting Standards - IFRS 16 ‘Leases’, the company elected to apply the ‘modified retrospective’ transition approach on adoption of IFRS 16. Under this approach, comparative periods’ financial information is not restated. The accounting policy applicable for leases in the comparative periods only is disclosed in the following paragraphs.

Agreements under which payments are made to owners in return for the right to use a specific asset are accounted for as leases. Leases that transfer substantially all the risks and rewards of ownership are recognized as finance leases. All other leases are accounted for as operating leases.

Finance leases are capitalized at the commencement of the lease term at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Finance charges are allocated to each period so as to achieve a constant rate of interest on the remaining balance of the liability and are charged directly against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term. Operating lease payments are recognized as an expense on a straight-line basis over the lease term except where capitalized as exploration or appraisal expenditure. See significant accounting policy: Exploration and appraisal expenditure.

Financial assets

Financial assets are recognized initially at fair value, normally being the transaction price. In the case of financial assets not at fair value through profit or loss, directly attributable transaction costs are also included. The subsequent measurement of financial assets depends on their classification, as set out below. The company derecognizes financial assets when the contractual rights to the cash flows expire or the rights to receive cash flows have been transferred to a third party along with either substantially all of the risks and rewards or control of the asset. This includes the derecognition of receivables for which discounting arrangements are entered into.

The company classifies its financial assets as measured at amortized cost or fair value through profit or loss. The classification depends on the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets measured at fair value through profit or loss

Financial assets are classified as measured at fair value through profit or loss when the asset does not meet the criteria to be measured at amortized cost. Such assets are carried on the balance sheet at fair value with gains or losses recognized in the profit and loss account. Derivatives, other than those designated as effective hedging instruments, are included in this category.

Derivatives designated as hedging instruments in an effective hedge

Derivatives designated as hedging instruments in an effective hedge are carried on the balance sheet at fair value. The treatment of gains and losses arising from revaluation is described below in the accounting policy for derivative financial instruments and hedging activities.
NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies, judgements, estimates and assumptions (continued)

Financial assets (continued)

Cash equivalents
Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value and generally have a maturity of three months or less from the date of acquisition. Cash equivalents are classified as financial assets measured at amortized cost or, in the case of certain money market funds, fair value through profit or loss.

Financial liabilities

The measurement of financial liabilities is as follows:

Financial liabilities measured at fair value through profit or loss
Financial liabilities, that meet the definition of held for trading are classified as measured at fair value through profit or loss. Such liabilities are carried on the balance sheet at fair value with gains or losses recognized in the profit and loss account. Derivatives, other than those designated as effective hedging instruments, are included in this category.

Derivatives designated as hedging instruments in an effective hedge
Derivatives designated as hedging instruments in an effective hedge are carried on the balance sheet at fair value. The treatment of gains and losses arising from revaluation is described below in the accounting policy for derivative financial instruments and hedging activities.

Financial liabilities measured at amortized cost
Financial liabilities are initially recognized at fair value, net of directly attributable transaction costs. For interest-bearing loans and borrowings this is typically equivalent to the fair value of the proceeds received net of issue costs associated with the borrowing.

After initial recognition, these financial liabilities are subsequently measured at amortized cost. This category of financial liabilities includes trade and other payables and finance debt.

Derivative financial instruments and hedging activities

The company is exempt from the disclosure requirements of IFRS 7 “Financial Instruments: Disclosures” and IFRS 13 “Fair value measurement” as the company is included in the consolidated financial statements of the ultimate parent undertaking, BP p.l.c., which include the disclosures on a group basis that comply with these standards. Relevant disclosures as required by the Companies Act 2006 in relation to instruments held at fair value have been included in these financial statements.

The company uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates, interest rates and commodity prices as well as for trading purposes. These derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

If, at inception of a contract, the valuation cannot be supported by observable market data, any gain or loss determined by the valuation methodology is not recognized in the profit and loss account but is deferred on the balance sheet and is commonly known as ‘day-one profit or loss’. This deferred gain or loss is recognized in the profit and loss account over the life of the contract until substantially all the remaining contract term can be valued using observable market data at which point any remaining deferred gain or loss is recognized in the profit and loss account. Changes in valuation from the initial valuation at inception of a contract are recognized immediately through the profit and loss account.
2. Significant accounting policies, judgements, estimates and assumptions (continued)

Derivative financial instruments and hedging activities (continued)

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging exposure to changes in the fair value of a recognized asset or liability.
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

Hedge relationships are formally designated and documented at inception, together with the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, the existence at inception of an economic relationship and subsequent measurement of the hedging instrument’s effectiveness in offsetting the exposure to changes in the hedged item’s fair value or cash flows attributable to the hedged risk, the hedge ratio and sources of hedge ineffectiveness. Hedges meeting the criteria for hedge accounting are accounted for as follows:

Cash flow hedges

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is reported in other comprehensive income, while the ineffective portion is recognized in profit or loss. Amounts reported in other comprehensive income are reclassified to the profit and loss account when the hedged transaction affects the profit or loss.

Where the hedged item is a highly probable forecast transaction that results in the recognition of a non-financial asset or liability, such as a forecast foreign currency transaction for the purchase of tangible assets, the amounts recognized within other comprehensive income are transferred to the initial carrying amount of the non-financial asset or liability. Where the hedged item is an equity investment, the amounts recognized in other comprehensive income remain in the separate component of equity until the hedged cash flows affect profit or loss. Where the hedged item is recognized directly in profit or loss, the amounts recognized in other comprehensive income are reclassified to production and manufacturing expenses or other operating revenues as appropriate.

Cash flow hedge accounting is discontinued only when the hedging relationship or a part thereof ceases to meet the qualifying criteria. This includes when the designated hedged forecast transaction or part thereof is no longer considered to be highly probable to occur, or when the hedging instrument is sold, terminated or exercised without replacement or rollover. When cash flow hedge accounting is discontinued, amounts previously recognized within other comprehensive income remain in equity until the forecast transaction occurs and are reclassified to profit or loss or transferred to the initial carrying amount of a non-financial asset or liability as above. If the forecast transaction is no longer expected to occur, amounts previously recognized within other comprehensive income will be immediately reclassified to profit or loss.

Costs of hedging

The foreign currency basis spread of cross-currency interest rate swaps are excluded from hedge designations and accounted for as costs of hedging. Changes in fair value of the foreign currency basis spread are recognized in other comprehensive income to the extent that they relate to the hedged item. For time-period related hedged items, the amount recognized in other comprehensive income is amortized to profit or loss on a straight line basis over the term of the hedging relationship.
2. Significant accounting policies, judgements, estimates and assumptions (continued)

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The company categorizes assets and liabilities measured at fair value into one of three levels depending on the ability to observe inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs that are observable, either directly or indirectly, other than quoted prices included within level 1 for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability reflecting significant modifications to observable related market data or BP’s assumptions about pricing by market participants.

Offsetting of financial assets and liabilities

Financial assets and liabilities are presented gross in the balance sheet unless both of the following criteria are met: the company currently has a legally enforceable right to set off the recognized amounts; and the company intends to either settle on a net basis or realize the asset and settle the liability simultaneously. If both of the criteria are met, the amounts are set off and presented net. A right of set off is the company’s legal right to settle an amount payable to a creditor by applying against it an amount receivable from the same counterparty. The relevant legal jurisdiction and laws applicable to the relationships between the parties are considered when assessing whether a current legally enforceable right to set off exists.

Provisions and contingent liabilities

Provisions are recognized when the company has a present legal or constructive obligation 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 appropriate, the future cash flow estimates are adjusted to reflect the risks specific to the liability.

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 risk-free rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized in the profit and loss account. Provisions are discounted using a nominal discount rate of 2.5% (2018 3.0%).

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the company, or present obligations where it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote.

Decommissioning

Liabilities for decommissioning costs are recognized when the company has an obligation to plug and abandon a well, dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made. Where an obligation exists for a new facility or item of plant, such as oil and natural gas production or transportation facilities, this liability will be recognized on construction or installation. Similarly, where obligation exists for a well, this liability is recognized when it is drilled. An obligation for decommissioning may also crystallise during the period of operation of a well, facility or item of plant through a change in legislation or through a decision to terminate operations; an obligation may also arise in cases where an asset has been sold but the subsequent owner is no longer able to fulfil its decommissioning obligations, for example due to bankruptcy. The amount recognized is the present value of the estimated future expenditure determined in accordance with the local conditions and requirements. The provision for the costs of decommissioning wells, production facilities and pipelines at the end of their economic lives is estimated using existing technology, at future prices, depending on the expected timing of the activity, and discounted using the nominal discount rate.
NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies, judgements, estimates and assumptions (continued)

Provisions and contingent liabilities (continued)

Decommissioning (continued)

An amount equivalent to the decommissioning provision is recognized as part of the corresponding intangible asset (in the case of an exploration or appraisal well) or property, plant and equipment. The decommissioning portion of the property, plant and equipment is subsequently depreciated at the same rate as the rest of the asset. Other than the unwinding of discount on or utilisation of the provision, any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding asset where that asset is generating or is expected to generate future economic benefits.

Taxation

Income tax expense represents the sum of current tax and deferred tax.

Income tax is recognized in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the related tax is recognized in other comprehensive income or directly in equity.

Current tax is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the profit and loss account because it is determined in accordance with the rules established by the applicable taxation authorities. It therefore excludes items of income or expense that are taxable or deductible in other periods as well as items that are never taxable or deductible. The company’s liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the balance sheet method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences except:

- Where the deferred tax liability arises on the initial recognition of goodwill.
- Where the deferred tax liability arises on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, where the company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. An exception is where the deferred tax asset relates to the deductible temporary difference arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

In respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable or increased to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.
NOTES TO THE FINANCIAL STATEMENTS

2. **Significant accounting policies, judgements, estimates and assumptions (continued)**

   **Taxation (continued)**

   Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

   Deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the current tax assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

   Where tax treatments are uncertain, if it is considered probable that a taxation authority will accept the company's proposed tax treatment, income taxes are recognized consistent with the company's income tax filings. If it is not considered probable, the uncertainty is reflected within the carrying amount of the applicable tax asset or liability using either the most likely amount or an expected value, depending on which method better predicts the resolution of the uncertainty.

   BP Exploration Delta Limited operates under Production Sharing Agreements (PSA) and also a Hybrid Fiscal Model in Egypt. One of the characteristics of the PSA regime is that corporate tax liabilities are settled on behalf of the company by the National Oil Company (NOC). The company recognizes the corporate tax settled on its behalf by the NOC through current tax. The tax liability for PSA’s is offset by an increased share of oil and natural gas production taken by the NOC and for non-PSA is offset by an economic benefit achieved by EGPC.

   **Turnover**

   Revenue from contracts with customers is recognized when or as the company satisfies a performance obligation by transferring control of a promised good or service to a customer. The transfer of control of oil, natural gas, natural gas liquids, and other items usually coincides with title passing to the customer and the customer taking physical possession.

   When, or as, a performance obligation is satisfied, the company recognizes as revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the company expects to be entitled. The transaction price is allocated to the performance obligations in the contract based on standalone selling prices of the goods or services promised.

   Contracts for the sale of commodities are typically priced by reference to quoted prices. Revenue from term commodity contracts is recognized based on the contractual pricing provisions for each delivery. Certain of these contracts have pricing terms based on prices at a point in time after delivery has been made. Revenue from such contracts is initially recognized based on relevant prices at the time of delivery and subsequently adjusted as appropriate. All revenue from these contracts, both that recognized at the time of delivery and that from post-delivery price adjustments, is disclosed as revenue from contracts with customers.

   Revenue associated with the sale of oil and natural gas is included on a net basis in turnover. Turnover also includes revenues associated with tax settled on behalf of the company in accordance with the PSA regime, as explained in the Taxation policy above.

   **Interest income**

   Interest income is recognized as the interest accrues.
NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies, judgements, estimates and assumptions (continued)

Finance costs

All finance costs are recognized in the profit and loss account in the period in which they are incurred.

Exceptional items

The company discloses as exceptional items those material items impacting the profit and loss account which, because of the nature and expected infrequency of the events giving rise to them, merit separate disclosure to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

Impact of new International Financial Reporting Standards

The company adopted IFRS 16 ‘Leases’, which replaced IAS 17 ‘Leases’ and IFRIC 4 ‘Determining whether an arrangement contains a lease’, with effect from 1 January 2019. There are no other new or amended standards or interpretations adopted during the year that have a significant impact on the financial statements.

IFRS 16 ‘Leases’

IFRS 16 ‘Leases’ provides a new model for lessee accounting in which the majority of leases will be accounted for by the recognition on the balance sheet of a right-of-use asset and a lease liability. The subsequent amortization of the right-of-use asset and the interest expense related to the lease liability is recognized in profit or loss over the lease term.

The company elected to apply the modified retrospective transition approach in which the cumulative effect of initial application is recognized in opening retained earnings at the date of initial application with no restatement of comparative periods’ financial information. Comparative information in the balance sheet has, however, been re-presented to align with current year presentation, showing lease liabilities and lease liability payments as separate line items. These were previously included within finance debt and repayments of long-term financing line items respectively. Amounts presented in these line items for the comparative periods relate to leases accounted for as finance leases under IAS 17. We do not consider any of the judgements or estimates made on transition to IFRS 16 to be significant.

IFRS 16 introduces a revised definition of a lease. As permitted by the standard, the company elected not to reassess the existing population of leases under the new definition and only applies the new definition for the assessment of contracts entered into after the transition date. On transition the standard permitted, on a lease-by-lease basis, the right-of-use asset to be measured either at an amount equal to the lease liability (as adjusted for prepaid or accrued lease payments), or on a historical basis as if the standard had always applied. BP has elected to use the historical asset measurement for its more material leases and used the asset equals liability approach for the remainder of the population. In measuring the right-of-use asset the company applied the transition practical expedient to exclude initial direct costs. The company also elected to adjust the carrying amounts of the right-of-use assets as at 1 January 2019 for onerous lease provisions that had been recognized on the company balance sheet as at 31 December 2018, rather than performing impairment tests on transition.

The effect on the company’s balance sheet is set out further below. The presentation and timing of recognition of charges in the profit and loss account has changed following the adoption of IFRS 16. The operating lease expense previously reported under IAS 17, typically on a straight-line basis, has been replaced by depreciation of the right-of-use asset and interest on the lease liability.

The following table provides a reconciliation of the operating lease commitments disclosed as at 31 December 2018 to the total lease liability recognized on the balance sheet in accordance with IFRS 16 as at 1 January 2019, with explanations below.
NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies, judgements, estimates and assumptions (continued)

Impact of new International Financial Reporting Standards (continued)

<table>
<thead>
<tr>
<th>Description</th>
<th>$ 000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating lease commitments at 31 December 2018</td>
<td>91,557</td>
</tr>
<tr>
<td>Effect of discounting</td>
<td></td>
</tr>
<tr>
<td>Impact on leases in joint operations</td>
<td>(700)</td>
</tr>
<tr>
<td>Other</td>
<td>(45,200)</td>
</tr>
<tr>
<td>Total additional lease liabilities recognized on adoption of IFRS 16</td>
<td>46,123</td>
</tr>
<tr>
<td>Total lease liabilities at 1 January 2019</td>
<td>46,123</td>
</tr>
<tr>
<td>Of which - current</td>
<td>46,123</td>
</tr>
<tr>
<td>- non-current</td>
<td></td>
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</tbody>
</table>

**Effect of discounting**

The amount of the lease liability recognized in accordance with IFRS 16 is on a discounted basis whereas the operating lease commitments information as at 31 December 2018 is presented on an undiscounted basis. The discount rates used on transition were incremental borrowing rates as appropriate for each lease based on factors such as the lessee legal entity, lease term and currency. The weighted average discount rate used on transition was around 3.5%, with a weighted average remaining lease term of within one year. For new leases commencing after 1 January 2019 the discount rate used will be the interest rate implicit in the lease, if this is readily determinable, or the incremental borrowing rate if the implicit rate cannot be readily determined.

**Impact on leases in joint operations**

The operating lease commitments for leases within joint operations as at 31 December 2018 were included on the basis of the company’s net working interest, irrespective of whether the company is the operator and whether the lease has been co-signed by the joint operators or not. However, for transition to IFRS 16, the facts and circumstances of each lease in a joint operation were assessed to determine the company’s rights and obligations and to recognize assets and liabilities on the company balance sheet accordingly. This relates mainly to leases of drilling rigs within joint operations. Where all parties to a joint operation jointly have the right to control the use of the identified asset and all parties have a legal obligation to make lease payments to the lessor, the company’s share of the right-of-use asset and its share of the lease liability will be recognized on the company balance sheet. This may arise in cases where the lease is signed by all parties to the joint operation. However, in cases where the company is the only party with the legal obligation to make lease payments to the lessor, the full lease liability will be recognized on the company balance sheet. This may be the case if for example the company, as operator of the joint operation, is the sole signatory to the lease. If, however, the underlying asset is jointly controlled by all parties to the joint operation the company will recognize its net share of the right-of-use asset on the company balance sheet along with a receivable representing the amounts to be recovered from the other parties. If the company is not legally obliged to make lease payments to the lessor but jointly controls the asset, the net share of the right-of-use asset will be recognized on the balance sheet along with a payable representing amounts to be paid to the other parties.

In addition to the lease liability, other line items on the balance sheet adjusted on transition to IFRS 16 include tangible assets for the right-of-use assets, lease related prepayments, lease related accruals, as set out below.
NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies, judgements, estimates and assumptions (continued)

Impact of new International Financial Reporting Standards (continued)

<table>
<thead>
<tr>
<th></th>
<th>31 December 2018</th>
<th>1 January 2019</th>
<th>Adjustment on adoption of IFRS 16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed assets</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible assets</td>
<td>5,657,995</td>
<td>5,706,982</td>
<td>48,987</td>
</tr>
<tr>
<td>Creditors: amounts falling due within one year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accruals</td>
<td>(832,911)</td>
<td>(822,868)</td>
<td>10,043</td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>—</td>
<td>(46,123)</td>
<td>(46,123)</td>
</tr>
<tr>
<td>Net assets*</td>
<td>6,456,194</td>
<td>6,469,101</td>
<td>12,907</td>
</tr>
<tr>
<td>Capital and reserves</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Profit and loss account</td>
<td>(1,376,462)</td>
<td>(1,363,555)</td>
<td>(12,907)</td>
</tr>
<tr>
<td></td>
<td>6,456,194</td>
<td>6,469,101</td>
<td>12,907</td>
</tr>
</tbody>
</table>

* Net assets also includes the line items not affected by the transition to IFRS 16 that are not presented separately in the table.

3. Turnover

An analysis of the company’s turnover and other income is as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019 $000</th>
<th>2018 $000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from contracts with customers</td>
<td>1,316,242</td>
<td>1,268,233</td>
</tr>
<tr>
<td>Other operating income</td>
<td>44,742</td>
<td>5,790</td>
</tr>
<tr>
<td>Interest receivable and similar income (Note 6)</td>
<td>1,342</td>
<td>123</td>
</tr>
<tr>
<td></td>
<td>1,362,326</td>
<td>1,274,146</td>
</tr>
</tbody>
</table>

An analysis of turnover by class of business is set out below:

<table>
<thead>
<tr>
<th>Class of business:</th>
<th>2019 $000</th>
<th>2018 $000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Upstream</td>
<td>1,316,242</td>
<td>1,268,233</td>
</tr>
</tbody>
</table>

The country of origin and destination is the Egypt geographic area.
4. **Operating loss**

This is stated after charging / (crediting):

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net foreign exchange losses</td>
<td>5,131</td>
<td>6,850</td>
</tr>
<tr>
<td>Depreciation of tangible assets*</td>
<td>1,595,588</td>
<td>1,277,994</td>
</tr>
<tr>
<td>Depreciation of right-of-use assets**</td>
<td>58,595</td>
<td>—</td>
</tr>
<tr>
<td>Capitalized depreciation of right-of-use assets**</td>
<td>(36,290)</td>
<td>—</td>
</tr>
<tr>
<td>Gain on disposal of tangible assets***</td>
<td>(1,926)</td>
<td>—</td>
</tr>
<tr>
<td>Exploration expenses****</td>
<td>158,691</td>
<td>242,476</td>
</tr>
<tr>
<td>Amortization of goodwill</td>
<td>(390)</td>
<td>(488)</td>
</tr>
</tbody>
</table>

* Amount is included in cost of sales.

** The line indicated is in respect of the application of IFRS 16 in the current year only. Amount is included in cost of sales.

*** On 9 October 2019, the company completed the sale agreement to dispose of Gulf of Suez operations, the principal activity of which was to support expansion of BP in other operations. The disposal was effected in order to generate cash flow for the expansion of the company’s other businesses. The disposal was completed on 9 October 2019, on which date control of Gulf of Suez passed to the acquirer.

**** This amount includes Exploration expenditure write–off $145,916,000 (2018 $218,316,258) as disclosed in note 10, and other exploration costs of $12,766,168 (2018 $24,160,075).

5. **Auditor’s remuneration**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees for the audit of the company</td>
<td>14</td>
<td>15</td>
</tr>
</tbody>
</table>

Fees paid to the company’s auditor, Deloitte LLP and its associates for services other than the statutory audit of the company are not disclosed in these financial statements since the consolidated financial statements of BP Exploration (Delta) Limited’s ultimate parent, BP p.l.c., are required to disclose non-audit fees on a consolidated basis.

6. **Interest receivable and similar income**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest income from amounts owed by group undertakings</td>
<td>1,342</td>
<td>123</td>
</tr>
</tbody>
</table>

7. **Interest payable and similar expenses**

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest expense on:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease liabilities</td>
<td>75</td>
<td>—</td>
</tr>
<tr>
<td>Overdrafts from group undertakings</td>
<td>4,237</td>
<td>17,342</td>
</tr>
<tr>
<td>Total interest expense</td>
<td>4,312</td>
<td>17,342</td>
</tr>
<tr>
<td>Unwinding of discount on provisions - Note 17</td>
<td>663</td>
<td>169</td>
</tr>
<tr>
<td>Total interest payable and similar expenses</td>
<td>4,975</td>
<td>17,511</td>
</tr>
</tbody>
</table>

36
8. Taxation

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

The taxation charge in the profit and loss account is made up as follows:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current tax</td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>Overseas tax on income for the year</td>
<td>113,641</td>
<td>142,140</td>
</tr>
<tr>
<td>Overseas tax underprovided in prior years</td>
<td>170</td>
<td>5,790</td>
</tr>
<tr>
<td>Tax charged on profit</td>
<td>113,811</td>
<td>147,930</td>
</tr>
</tbody>
</table>

(a) Reconciliation of the effective tax rate

The tax assessed on the loss for the year is lower than the standard rate of corporation tax in the UK of 19% for the year ended 31 December 2019 (2018 19%). The differences are reconciled below:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loss before tax</td>
<td>(559,258)</td>
<td>(404,105)</td>
</tr>
<tr>
<td>Tax charge</td>
<td>113,811</td>
<td>147,930</td>
</tr>
<tr>
<td>Effective tax rate</td>
<td>(20)%</td>
<td>(37)%</td>
</tr>
<tr>
<td></td>
<td>2019</td>
<td>2018</td>
</tr>
<tr>
<td>UK corporation tax rate</td>
<td>19</td>
<td>19</td>
</tr>
</tbody>
</table>

Increase / (decrease) resulting from:

- Transfer pricing adjustment — (1)
- Double tax relief 25 51
- Overseas tax (20) (35)
- Free group relief 15 —
- Egyptian corporate taxes: prior year adjustments — (2)
- Movements in unrecognised deferred tax (59) (69)
- Effective tax rate (20) (37)

Change in corporation tax rate

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 31 December 2019 has been calculated based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

(b) Provision for deferred tax

Deferred tax has not been recognised on deductible temporary differences relating to provisions of $79,936,000 (2018 $67,889,000), fixed assets of $3,640,911,000 (2018 $1,907,025,000) and foreign tax credits of $nil (2018 $27,333,000) with no fixed expiry date on the basis that they are UK tax attributes that are not expected to give rise to any future tax benefit.
9. **Directors and employees**

(a) Remuneration of directors

The total remuneration of all serving directors for their period of directorship to the company amounted to $Nil (2018 $Nil).

(b) Employee costs

The company had no employees during the year (2018 None).

10. **Intangible assets**

<table>
<thead>
<tr>
<th>Cost</th>
<th>Goodwill $000</th>
<th>Exploration expenditure $000</th>
<th>Total $000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2019</td>
<td>(9,755)</td>
<td>1,209,101</td>
<td>1,199,346</td>
</tr>
<tr>
<td>Additions</td>
<td>—</td>
<td>73,854</td>
<td>73,854</td>
</tr>
<tr>
<td>Transfers</td>
<td>—</td>
<td>(87,812)</td>
<td>(87,812)</td>
</tr>
<tr>
<td>Write-offs</td>
<td>—</td>
<td>(145,916)</td>
<td>(145,916)</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>(9,755)</td>
<td>1,049,227</td>
<td>1,039,472</td>
</tr>
</tbody>
</table>

**Amortization and Impairment**

<table>
<thead>
<tr>
<th></th>
<th>Goodwill $000</th>
<th>Exploration expenditure $000</th>
<th>Total $000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2019</td>
<td>(1,951)</td>
<td>67,749</td>
<td>65,798</td>
</tr>
<tr>
<td>Charge for the year</td>
<td>(390)</td>
<td>—</td>
<td>(390)</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>(2,341)</td>
<td>67,749</td>
<td>65,408</td>
</tr>
</tbody>
</table>

**Net book value**

<table>
<thead>
<tr>
<th></th>
<th>Goodwill $000</th>
<th>Exploration expenditure $000</th>
<th>Total $000</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 December 2019</td>
<td>(7,414)</td>
<td>981,478</td>
<td>974,065</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>(7,804)</td>
<td>1,141,352</td>
<td>1,133,548</td>
</tr>
</tbody>
</table>

Exploration write-offs of $146m is mainly related to dry wells in North Alex and North Damietta concessions.
### 11. Tangible assets

<table>
<thead>
<tr>
<th>Cost</th>
<th>Land &amp; buildings</th>
<th>Fixtures &amp; fittings</th>
<th>Oil &amp; gas properties</th>
<th>Plant &amp; machinery</th>
<th>ROU Asset - Oil &amp; Gas properties</th>
<th>Total</th>
<th>Of which AUC*</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2019</td>
<td>$29,988</td>
<td>$17,582</td>
<td>$7,547,632</td>
<td>$4,224</td>
<td>$48,988</td>
<td>$7,648,414</td>
<td>$3,328,544</td>
</tr>
<tr>
<td>Additions</td>
<td>$27,545</td>
<td>$295</td>
<td>$859,297</td>
<td>$336</td>
<td>$11,905</td>
<td>$899,378</td>
<td>$876,089</td>
</tr>
<tr>
<td>Disposals</td>
<td>—</td>
<td>2</td>
<td>$(59,971)</td>
<td>$(1)</td>
<td>—</td>
<td>$(59,971)</td>
<td>—</td>
</tr>
<tr>
<td>Transfers from Intangible Assets</td>
<td>—</td>
<td>—</td>
<td>$87,812</td>
<td>—</td>
<td>—</td>
<td>$87,812</td>
<td>$87,812</td>
</tr>
<tr>
<td>Transfers</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>$(1,991,234)</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>$57,533</td>
<td>$17,879</td>
<td>$8,434,770</td>
<td>$4,559</td>
<td>$60,893</td>
<td>$8,575,634</td>
<td>$2,301,211</td>
</tr>
</tbody>
</table>

### Depreciation and Impairment

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Disposals</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>$3,444</td>
<td>$15,362</td>
<td>$3,463,905</td>
<td>$2,497</td>
<td>$58,595</td>
<td>$3,543,802</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
</tbody>
</table>

### Net book value

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
<th>2019</th>
<th>2018</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 31 December 2019</td>
<td>$54,089</td>
<td>$2,517</td>
<td>$4,970,865</td>
<td>$2,062</td>
<td>$2,298</td>
<td>$5,031,832</td>
</tr>
<tr>
<td>At 31 December 2018</td>
<td>$29,676</td>
<td>$4,298</td>
<td>$5,621,679</td>
<td>$2,342</td>
<td>—</td>
<td>$5,657,995</td>
</tr>
</tbody>
</table>

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

The additions in oil and gas properties during the year primarily related to the development expenditure incurred for North Alexandria, Sherouk and North Damietta concessions.
12. Stocks

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials and consumables</td>
<td>62,654</td>
<td>67,801</td>
</tr>
</tbody>
</table>

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

13. Debtors

Amounts falling due within one year:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade debtors</td>
<td>317,045</td>
<td>368,991</td>
</tr>
<tr>
<td>Amounts owed from parent undertakings</td>
<td>88,201</td>
<td>232,363</td>
</tr>
<tr>
<td>Amounts owed from fellow subsidiaries</td>
<td>47,818</td>
<td>42,875</td>
</tr>
<tr>
<td>Other debtors</td>
<td>27,098</td>
<td>64,667</td>
</tr>
<tr>
<td>Prepayments and accrued income</td>
<td>334</td>
<td>3,482</td>
</tr>
<tr>
<td></td>
<td>480,496</td>
<td>712,378</td>
</tr>
</tbody>
</table>

The amounts owed from parent undertakings comprise a variable funding account of $88m (2018 $232m). This balance is receivable on demand. Interest is accrued on a monthly basis based on USD daily overnight LIBOR.

14. Creditors

Amounts falling due within one year:

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade creditors</td>
<td>4,993</td>
<td>8,976</td>
</tr>
<tr>
<td>Amounts owed to parent undertakings</td>
<td>317</td>
<td>6,645</td>
</tr>
<tr>
<td>Amounts owed to fellow subsidiaries</td>
<td>41,253</td>
<td>8,828</td>
</tr>
<tr>
<td>Other creditors</td>
<td>31,693</td>
<td>68,879</td>
</tr>
<tr>
<td>Taxation</td>
<td>113,641</td>
<td>142,140</td>
</tr>
<tr>
<td>Accruals and deferred income</td>
<td>485,230</td>
<td>832,911</td>
</tr>
<tr>
<td></td>
<td>677,127</td>
<td>1,068,379</td>
</tr>
</tbody>
</table>

Materially all of the company's trade creditors have payment terms in the range of 30 to 60 days and give rise to operating cash flows.
NOTES TO THE FINANCIAL STATEMENTS

15. Leases

The company leases a number of assets as part of its activities. This primarily includes drilling rigs. The weighted average remaining lease term for the total lease portfolio is within 1 year.

<table>
<thead>
<tr>
<th></th>
<th>2019 $000</th>
<th>2018 $000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term lease expense</td>
<td>4,707</td>
<td></td>
</tr>
<tr>
<td>Expense for variable payments not included in the lease liability</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Additions to right-of-use assets in the period</td>
<td>11,905</td>
<td></td>
</tr>
<tr>
<td>Total cash outflow for amounts included in lease liabilities</td>
<td>51,173</td>
<td></td>
</tr>
</tbody>
</table>

An analysis of right-of-use assets and depreciation is provided in Note 11. An analysis of lease interest expense is provided in Note 7.

16. Derivatives and other financial instruments

In the normal course of business the company enters into derivative financial instruments (derivatives), to manage its normal business exposures in relation to foreign currency exchange rates consistent with risk management policies and objectives.

Another group company, BP International Limited, has entered into a foreign exchange hedging programme on behalf of the company. This is to manage foreign exchange risk in relation to non US$ highly probable forecast capital expenditure on the Giza Fayoum Raven project. The hedging instrument is an intercompany derivative between the company and BP International Limited.

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

<table>
<thead>
<tr>
<th></th>
<th>2019 Fair value liability $000</th>
<th>2018 Fair value liability $000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flow hedges</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Currency forwards, futures and cylinders</td>
<td>160</td>
<td>(7,077)</td>
</tr>
<tr>
<td></td>
<td>160</td>
<td>(7,077)</td>
</tr>
<tr>
<td>Of which:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- current intercompany derivatives with parent undertaking</td>
<td>160</td>
<td>(6,815)</td>
</tr>
<tr>
<td>- non-current intercompany derivatives with parent undertaking</td>
<td>—</td>
<td>(262)</td>
</tr>
<tr>
<td></td>
<td>160</td>
<td>(7,077)</td>
</tr>
<tr>
<td></td>
<td>Less than 1 year</td>
<td>1-2 years</td>
</tr>
<tr>
<td>2019</td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>Fair value of derivative assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level 2</td>
<td>160</td>
<td>—</td>
</tr>
<tr>
<td>Net fair value</td>
<td>160</td>
<td>—</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS

16. Derivatives and other financial instruments (continued)

<table>
<thead>
<tr>
<th>Year</th>
<th>Less than 1 year</th>
<th>1-2 years</th>
<th>2-3 years</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
</tr>
</tbody>
</table>

Fair value of derivative liabilities
Level 2

<table>
<thead>
<tr>
<th>Fair value of derivative liabilities</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>(6,815)</td>
<td>(6,815)</td>
</tr>
<tr>
<td>(262)</td>
<td>(262)</td>
</tr>
<tr>
<td>Total</td>
<td>(7,077)</td>
</tr>
</tbody>
</table>

17. Other provisions

<table>
<thead>
<tr>
<th></th>
<th>Decommissioning</th>
<th>Other</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>At 1 January 2019</td>
<td>$000</td>
<td>$000</td>
<td>$000</td>
</tr>
<tr>
<td>New or increased provisions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Recognized within tangible assets</td>
<td>11,384</td>
<td>—</td>
<td>11,384</td>
</tr>
<tr>
<td>Unwinding of discount</td>
<td>663</td>
<td>—</td>
<td>663</td>
</tr>
<tr>
<td>At 31 December 2019</td>
<td>24,065</td>
<td>55,871</td>
<td>79,936</td>
</tr>
</tbody>
</table>

Included in the other provisions balance is an amount of $32,200,000, represents audit exceptions raised by the government in relation to North Alex concession. These exceptions are still under negotiations with the government.

The remaining other provisions balance of $23,671,000 relates to North Tineh, North El Max and North Tennin's remaining commitment related to Exploration concessions on production letter of guarantee payable to the government.

The company makes full provision for the future cost of decommissioning oil and natural gas production facilities and related pipelines on a discounted basis on the installation of those facilities. At 31 December 2019, the provision for the costs of decommissioning these production facilities and pipelines at the end of their economic lives was $24,065,000 (2018 $12,018,000).

The provision has been estimated using PSA methodology and requirements according to which the company's decommissioning obligations are calculated based on 10% share of the Sherouk concession and the cumulative capital expenditures incurred, and discounted using a nominal discount rate of 2.5% (2018 3%). These costs are expected to be incurred after more than 20 years.

18. Called up share capital

<table>
<thead>
<tr>
<th></th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issued and fully paid:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7,840,000,000 (2018 7,840,000,000) ordinary shares of $1 each for a total nominal value of $7,840,000,000 (2018 $7,840,000,000)</td>
<td>7,840,000</td>
<td>7,840,000</td>
</tr>
</tbody>
</table>
NOTES TO THE FINANCIAL STATEMENTS

19. Reserves

Called up share capital
The balance on the called up share capital account represents the aggregate nominal value of all ordinary shares in issue.

Cash flow hedge reserve
The cash flow hedge reserve records the portion of the gain or loss on a hedging instrument in a cash flow hedge that is determined to be an effective hedge. For further information on the accounting for cash flow hedges see Note 16 - Derivative financial instruments and hedging activities.

Profit and loss account
The balance held on this reserve is the accumulated losses of the company.

20. Capital commitments

Authorized and contracted future capital expenditure (excluding right-of-use assets) by the company for which contracts had been placed but not provided in the financial statements at 31 December 2019 is estimated at $181,400,000 (2018 $771,711,953). All contracted future capital expenditure by the company are related to acquisition of property, plant and equipment.

21. Guarantees and other financial commitments

The company has issued guarantees under which amounts outstanding at 31 December 2019 were $104,059,000 (2018 $102,059,000) in respect of liabilities of other third parties. No material losses are likely to arise from these guarantees.

22. Related party transactions

The company has taken advantage of the exemption contained within paragraphs 8(k) and (j) of FRS 101, and has not disclosed transactions entered into with wholly-owned group companies or key management personnel. There were no other related party transactions in the year.

23. Post balance sheet events

Since 31 December 2019, oil and gas prices have fallen sharply in large part due to the impact of the international spread of COVID-19 (Coronavirus) and geopolitical factors. The impact of COVID-19 and the current economic environment on the basis of preparation of these financial statements has been considered. The directors continue to consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. Further details are provided in the Directors’ Report under Going Concern. This is a non-adjusting event for the financial statements for the period ending 31 December 2019.

On 15 June 2020 BP issued a press release detailing revised investment appraisal long-term oil and gas price assumptions used in PP&E impairment testing. The revised long-term price assumptions used to determine recoverable amount based on value-in-use impairment tests are an average of $55/bbl for Brent and $2.90 per MMBtu for Henry Hub for the period of 2021-2025 (in 2020 prices). BP has also reviewed its intent to develop some of its exploration prospects and consequently has assessed the carrying values of the group’s intangible assets.

Impairment tests have been performed for the purposes of the BP Plc group financial statements as at 30 June 2020, which resulted in an impairment of $271m of a cash generating unit that contains certain of the company’s tangible assets, which had a written-down carrying value in the group’s balance sheet of $3,955m at 30 June 2020. The company’s balance sheet at 31 December 2019 included tangible assets of $2,759m within this BP group cash generating unit, however the proportion of this BP group impairment charge that affects the company’s tangible assets has not yet been determined.
23. Post balance sheet events (continued)

The impairment tests performed for the purposes of the BP Plc group financial statements as at 30 June 2020 also resulted in an impairment of the group’s exploration and appraisal intangible assets. The Company expects to record an estimated impairment of tangible and intangible assets of between $0.7bn to $1bn in relation to the group’s impairment at 30 June 2020 and the actual amount will be reflected in the 31 December 2020 financial statements.

These revisions and impairments relate to events and circumstances arising since 31 December 2019 and therefore the impact on the company will be included in the financial statements for the year ended 31 December 2020.

24. Immediate and ultimate controlling parent undertaking

The immediate parent undertaking is BP Exploration Operating Company 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 its registered address: 1 St James’s Square, London, SW1Y 4PD.