

**BP AMOCO EXPLORATION (IN AMENAS) LIMITED**

**(Registered No.SC135813)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS 2021**

Board of Directors: A Toffolo  
A A Jeziorowska-Simpson  
B D Ritchie

The directors present the strategic report, their report and the audited financial statements for the year ended 31 December 2021.

**STRATEGIC REPORT**

**Results**

The profit for the year after taxation was \$104,770,000 which when added to the retained profit brought forward at 1 January 2021 of \$189,839,000 and after deducting total paid interim dividends to ordinary shareholders of \$95,000,000 gives a total retained profit carried forward at 31 December 2021 of \$199,609,000.

**Principal activity and review of the business**

The company is engaged in the development and production of liquids and gas in Algeria. In the In Amenas project, which is located in the Illizi basin of South-Eastern Algeria, 40 kilometres south of the city of In Amenas, bp, Sonatrach and Equinor are partners (bp 45.89%).

In December 2017 bp and Equinor signed an extension agreement for the In Amenas production sharing contract (PSC) with Sonatrach, the Algerian state-owned energy company. The agreement was formally ratified in March 2018.

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

|                     | <u>2021</u> | <u>2020</u> | <u>Variance</u> |
|---------------------|-------------|-------------|-----------------|
|                     | \$000       | \$000       | %               |
| Turnover            | 276,668     | 180,105     | 54              |
| Operating profit    | 203,510     | 78,710      | 159             |
| Profit for the year | 104,770     | 54,941      | 91              |
| Total equity        | 849,609     | 839,839     | 1               |

  

|                                      | <u>2021</u> | <u>2020</u> | <u>Variance</u> |
|--------------------------------------|-------------|-------------|-----------------|
|                                      | %           | %           |                 |
| Quick ratio*                         | 1,393       | 1,433       | (40)            |
| Return on average capital employed** | 12.45       | 6.77        | 5               |
| Gross profit percentage***           | 70.89       | 49.11       | 22              |

\*Quick ratio is defined as current assets (excluding stocks, debtors falling due after one year, derivatives and other financial instruments falling due after one year and deferred tax assets) divided by current liabilities.

\*\*Return on average capital employed is defined as profit for the year after adding back interest, divided by average capital employed. Capital employed is defined as total equity plus gross debt, excluding goodwill and cash.

\*\*\*Gross profit percentage is defined as gross profit divided by turnover.

## STRATEGIC REPORT

During the year, the company has made an operating profit of \$203,510,000 compared to an operating profit of \$78,710,000 in 2020. This was mainly due to the significant increase in turnover.

Turnover has increased by \$96,563,000 primarily driven by higher average prices, partially offset by lower production during the year. The average realized prices in 2021 for the condensate and liquid petroleum gas (LPG) were \$63.23 per barrel (2020 \$43.25 per barrel) and \$50.37 per barrel (2020 \$26.10 per barrel) respectively. Condensate and LPG production has decreased by 0.17 million and 0.40 million barrels of oil equivalent per day, respectively, consistent with field decline.

Administrative expenses decreased by \$10,666,000 mainly due to a legal settlement received in this year.

The decrease in interest receivables is driven by lower interest rate (2021: 0.07%, 2020: 0.11%).

During the year, the company recognized a tax charge of \$99,032,000 compared to \$25,669,000 in 2020. The significant variance of \$73,363,000 is mainly due to the increase in turnover, oil prices and remuneration (profit oil) for the asset.

The decrease in quick ratio is primarily due to higher balances for creditors partially offset by higher balances for debtors. The increase of \$6,670,000 in creditors is mainly driven by higher Tax payables in this year partially offset by lower Sundry creditor balance due to bank movements and lower accruals related to the joint venture. The increase of \$73,944,000 in debtors is primarily driven by higher balance of \$73,157,000 in the company's Internal Finance Account (IFA) with its parent company, BP International Limited.

### **Section 172 (1) statement**

This section of the Strategic Report describes how the directors have had regard to the matters set out in section 172(1) (a) to (f), and forms the statement required under section 414CZA of the Companies Act 2006 (the "Act").

During the course of the year the following primary tasks were undertaken by the Board in line with the principal activities of the company:

- Defining and establishing purpose and strategy including, where relevant, having regard to the purpose, strategy, culture and values defined by BP p.l.c.
- Monitoring the potential challenges presented by the ongoing COVID-19 pandemic, having regard to the company's safe and reliable operations.
- Assessing principal and emerging risks relevant to the company.

## STRATEGIC REPORT

The table below demonstrates how the Board has discharged their duties under section 172(1):

| Section 172(1)  | Overview of performance against section 172(1)   |
|---|--|
| a. The likely long-term consequences of the decision  | When setting and delivering on the company’s strategy, the directors have regard to the evolving environment in which the company operates and aims to promote the long term success and sustained economic viability of the company.  |
| b. The interests of the company’s employees   | The company has no employees.  |
| c. The need to foster the company’s business relationships with suppliers, customers and others | <p>During 2021, the directors reiterated their focus on engagement and fostering relationships with key stakeholders, as well as an increased focus on environment, social and governance (“ESG”) matters.</p> <p>In addition, the Board reviewed and considered the company’s Modern Slavery Statement and disclosed its practices in respect of the same on an annual basis.</p> <p>Furthermore, the Board reviewed and considered the company’s prompt payment reporting performance and disclosed its practices in respect of the same on a bi-annual basis.</p>   |
| d. The impact of the company’s operations on the community and the environment                  | The directors are committed to bp’s group wide policies and aims which protect the community, environment and its people.  |
| e. The desirability to maintain the company’s reputation for high standards of business conduct | <p>In 2021 bp continued to operate under its sustainability frame launched in 2020, with aims and objectives linked to the UN Sustainable Development Goals. bp’s values of safety, respect, excellence, courage and one team define how the bp group, including the company and its Board, conduct business. Furthermore, bp’s code of conduct is based upon its values and it sets clear expectations for how bp, the company and the Board operate. The directors of the company continued to adhere, in good faith, to the bp code of conduct during the year to ensure the Board and the company maintain a reputation for high standards of business conduct.</p> <p>bp’s code of conduct includes prohibitions on engaging in bribery or corruption in any form, in accordance with bp’s group-wide anti-bribery and corruption policy and procedures. During the year, bp continued to engage suppliers and communicate expectations for managing bribery and corruption risk on behalf of bp, where relevant.</p> |
| f. The need to act fairly between members of the company  | The directors aim to balance the needs of various stakeholders when setting and delivering the company’s strategy, having regard to long term value creation, including maximising long term shareholder value.  |

Further information on the bp group policies applicable to the company can be found in BP p.l.c.’s 2021 Annual Report and Form 20-F and the bp Sustainability Report 2021.

## STRATEGIC REPORT

### **Engagement with other stakeholders**

The Board recognises the importance of considering and having regard to key stakeholders and their interests when making decisions. By thoroughly understanding the company's key stakeholder groups, the Board can successfully consider and address the needs of these stakeholders and foster good business relationships with them.

The Board are committed to doing business ethically and transparently, using bp's values and code of conduct to guide them when engaging and working with business partners. The company's activities, and the decisions of its Board, affect a wide variety of individuals and organisations. The Board engages with its stakeholders, listening to their differing needs and priorities as an everyday part of business, and utilising the feedback received to inform the Board's decision-making.

As noted in the section 172(1) statement within the Strategic Report, responsibility for decisions that impact the entire bp group are taken by the Board of BP p.l.c. On behalf of the company, the bp group is a member of 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 and understanding tax liabilities, to collaborating on community initiatives.

Regularly engaging with stakeholders is a priority for the company and the below table describes how the Board had regard to the need to foster relationships with the company's key stakeholders, how outcomes were considered and how concerns were identified and addressed during the reporting period. Further details of these decisions, and if applicable any principal decisions in relation to the stakeholders, are discussed in the section 172(1) statement:

## STRATEGIC REPORT

For further details on how the company has engaged with stakeholders, fostered relationships with them and how this has impacted decision making, please refer to the table below:

| Stakeholders     | Stakeholders' interests   | How we have fostered relationships   | How the fostering of relationships impacted decision making   |
|------------------|---|--|---|
| <b>Suppliers</b> | <p>For the company to understand, and where feasible, meet the suppliers' needs and expectations.</p> <p>For the company to provide regular support to the suppliers in order to improve suppliers' systems and avoid defects and/or operational issues where feasible.</p> <p>To be part of a fair and respectful tender and supplier selection process.</p> <p>To be part of a valued supplier relationship centred around ethics and transparency.</p>     | <p>The company maintains a number of bp group wide policies to ensure fair treatment of its current and potential suppliers.</p> <p>The bp group also conducts supplier site visits to build relationships and monitor how work is being carried out, ensuring that it meets the suppliers' and the bp group's expectations.</p>   | <p>Management and/or, where significant, the Board are provided with updates on renewals and negotiations for existing and/or new supplier agreements. The information received supports effective decision making by the Board when considering the long term consequences on relationships with suppliers.</p> <p>On an exceptional basis, the directors will engage with suppliers through means of the procurement teams in the case of any escalation.</p> <p>bp's supplier site visits are intended to be mutually beneficial in terms of improvement and learning opportunities.</p> |
| <b>Customers</b> | <p>For the company to provide its customers with top quality services.</p> <p>For the company to build a trusted relationship with its customers.</p> <p>Ensuring the safe execution of products and services provided to its customers and that any claims in relation to the same, are addressed and resolved.</p> <p>Ensuring that customer data is kept in a secure environment and only for the duration and purposes that the data is required for.</p> | <p>The company maintains a number of bp group wide policies to ensure the ongoing security of customer data, safe execution and quality of the products and services and a continued trusted relationship with its customers.</p> <p>On behalf of the company, the bp group also seeks to engage with customers through forums such as social media, focus bp groups and in-depth interviews with customers to better understand customer's needs and seek their feedback.</p> | <p>Management and/or, where significant, the Board are provided with updates on renewals and negotiations for existing and/or new customer contracts. The information received supports effective decision making by the Board when considering the long term consequences on relationships with its customers.</p> <p>By obtaining customer feedback and understanding our customers, it has allowed us to clarify the company's vision for future growth and ways to continually add brand value.</p>   |

## STRATEGIC REPORT

|   |  |   |   |
|---|--|---|---|
| <p><b>Community and environment</b></p> | <p>The directors' relationships on behalf of the company with respect to 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 changes in the physical landscape and changes to the local ecosystem.</p> <p>For the company to deliver high quality products and services in an energy efficient and environmentally responsible manner. To conduct business in a manner to minimise negative impact on the surrounding area and be respectful and conscientious of the environment. To take into account the interest of the local community when considering future investments and business decisions.</p> | <p>The company maintains a number of bp group wide policies to promote sustainable and environmentally friendly business and operational practises. The directors engage with local communities through public consultations and meetings with local representatives and complete impact assessments where relevant. The directors also consult with NGOs, academics and industry associations, drawing on their external expertise, input and challenge.</p>   | <p>Management and/or, where significant, the Board are provided with updates on the environmental impact of the company's business operations. The information received supports effective decision making by the Board when considering the long term consequences on the environment and local communities.</p> <p>By following and implementing the bp group wide sustainability policy, the company has been able to measure and manage its impact on the community and environment in which it operates.</p> |
| <p><b>Shareholder</b></p>               | <p>The company is 100% owned by BP Exploration Operating Company Limited.</p> <p>The company is committed to maximising long term shareholder value, in whatever form, when taking its decisions.</p>  | <p>bp group functions, across Tax, Treasury and Finance, in conjunction with senior management, make recommendations to declare dividends, where relevant, via a thorough feasibility analysis process as part of its System of Internal Control, ensuring the appropriate amount of dividend and associated impact are duly considered.</p> <p>The company reports to its shareholder on a regular basis in the form of its financial statements and, where applicable, its business, strategic plans and key risks.</p> | <p>One of the company's strategic aims is to pursue strategic growth to maximise long term value for its shareholder. The company's compliance with the bp group's System of Internal Control assists the Board when considering whether to declare dividends, the amount of dividend and any associated impact. Specifically, the Board will review relevant internal functional assurance advice notes when considering the declaration of a dividend to its shareholder.</p>                                   |

## STRATEGIC REPORT

### **The company's principal decisions**

The company and the bp group have taken the view that a 'principal' decision is one which is material and strategic in nature and would affect the ability of the company to generate or preserve value over the long term.

During the period, the following principal decisions were taken by the company whilst having regard to the company's stakeholders and other relevant factors:

| <b>Principal decision</b>   | <b>The relevant factors taken into account during the decision making process</b>   |
|---|---|
| During the year, the directors considered, approved and paid an interim dividend. | The directors considered the impact of such a decision on the long-term prospects of the company, as well as considering the financial position of the company to ensure that it had sufficient distributable reserves at the time of the dividend. |

### **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 2021.

### **Strategic and commercial risks**

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

The company's financial performance is subject to fluctuating prices of oil, gas, technological change, exchange rate fluctuations and the general macroeconomic outlook. Oil, gas and product prices are subject to international supply and demand and margins can be volatile. Political developments, increased supply of oil and gas or alternative low carbon energy sources, technological change, global economic conditions, public health situations (including the continued impact of the COVID-19 pandemic or any future epidemic or pandemic) and the influence of OPEC can impact supply and demand and prices for our products.

#### ***Accessing and progressing hydrocarbon resources and low carbon opportunities***

The company's inability to access, renew and progress upstream resources in a timely manner could impact its future production and financial performance. Furthermore, the company's inability to access low carbon opportunities and the commercial terms associated with those opportunities could impact its financial performance.

#### ***Major project delivery***

Poor investment choice, efficiency or delivery, or operational challenges at any major project that underpins production or production growth, could adversely affect our financial performance.

#### ***Geopolitical***

The company is exposed to a range of political, economic and social developments and consequent changes to the operating and regulatory environment which could cause business disruption. Political instability, changes to the regulatory environment or taxation, international trade disputes and barriers to free trade, international sanctions, expropriation or nationalization of property, civil strife, strikes, insurrections, acts of terrorism, acts of war and public health situations (including the continued impact of the COVID-19 pandemic or any future epidemic or pandemic) may disrupt or curtail our operations, business activities or investments. These may in turn cause production to decline, limit our ability to pursue new opportunities,

## **STRATEGIC REPORT**

affect the recoverability of our assets and our related earnings and cash flow or cause us to incur additional costs, particularly due to the long-term nature of many of our projects and significant capital expenditure required.

### ***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***

Developments in policy, law, regulation, technology and markets including societal and investor sentiment, related to the issue of climate change could increase costs, constrain the company's operations and affect our business plans and financial performance.

### ***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.

### ***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.



## **STRATEGIC REPORT**

### **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 law and regulation could increase costs, constrain the company's operations and affect its business plans and financial performance.

#### ***Treasury and treasury 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 28 of the bp group Annual Report and Form 20-F for the year ended 31 December 2021.

Authorized for issue on behalf of the Board

A Toffolo  
Director

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Registered Office:

1 Wellheads Avenue  
Dyce  
Aberdeen  
AB21 7PB  
United Kingdom

## DIRECTORS' REPORT

### BP AMOCO EXPLORATION (IN AMENAS) LIMITED

#### **Directors**

The present directors are listed on page 1.

A Toffolo and A A Jeziorowska-Simpson served as directors throughout the financial year. Changes since 1 January 2021 are as follows:

|             | <u>Appointed</u> | <u>Resigned</u> |
|-------------|------------------|-----------------|
| B D Ritchie | 10 May 2021      | —               |

#### **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**

During the year the company has declared and paid interim dividends of \$95,000,000 (2020 \$0). The directors do not propose the payment of a final 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 6.1) 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 event**

On 6 September 2022 bp signed an agreement with Eni to sell bp's upstream business in Algeria, including its interests in the gas-producing In Amenas and In Salah concessions, and including the sale of the company to Eni. The expected completion date of the transaction is within 12 months of the signing date of the agreement.

#### **Going concern**

The directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. The current economic and geopolitical environment, as well as the ongoing impact of COVID 19 were considered as part of the going concern assessment.

Liquidity and financing is managed within the bp group under pooled group-wide arrangements which include the company. As part of the going concern basis of preparation for the company, the ability and intent of the bp group to support the company has also been taken into consideration. The most recent bp group financial statements continue to be prepared on a going concern basis. Forecast liquidity of the bp group has been assessed under a number of stressed scenarios, including a significant decline in oil prices over the 12-month period from the date these financial statements were approved. Reverse stress tests performed indicated that the bp group will continue to operate as a going concern for at least 12 months from the date of approval of the financial statements even if the Brent price fell to zero. In addition, bp group management have confirmed the existing intra-group funding and liquidity arrangements as currently constituted are expected to be maintained for the foreseeable future, being no less than twelve months from the approval of these financial statements. No material uncertainties over going concern or significant

## DIRECTORS' REPORT

judgements or estimates on the assessment were identified. Accordingly, the company will be able to draw on support from the bp group for the foreseeable future and these financial statements have therefore been prepared on a going concern basis.

BP International Limited is a wholly owned subsidiary of BP Amoco Exploration (In Amenas) Limited's ultimate controlling parent undertaking, BP p.l.c. There are no external funding arrangements with third parties. There is an Intra Group Current Account Facility / Internal Financing Accounts (IFA) Agreement in place between BP International Limited and BP Amoco Exploration (In Amenas) Limited with debtor balance due to the Company of \$610,733,000 at 31 December 2021. The Company has net assets of \$849,609,000 and net current assets of \$630,967,000.

In assessing the prospects of BP Amoco Exploration (In Amenas) 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 aim to maintain the management policies which have resulted in the company's stability in recent years. They believe that the company is in a good position to take advantage of any opportunities which may arise in the future.

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

## DIRECTORS' REPORT

### **Auditors**

Pursuant to section 487 of the Companies Act 2006, Deloitte LLP have expressed their willingness to continue in office as auditors and are therefore deemed reappointed as auditors.

### **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.

This confirmation is given and should be interpreted in accordance with section 418 of the Companies Act 2006.

Authorized for issue on behalf of the Board

A Toffolo  
Director

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United Kingdom

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT  
OF THE FINANCIAL STATEMENTS**

**BP AMOCO EXPLORATION (IN AMENAS) 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 AMOCO EXPLORATION (IN AMENAS) LIMITED

### **Report on the audit of the financial statements**

#### **Opinion**

In our opinion the financial statements of BP Amoco Exploration (In Amenas) Limited (the company):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit 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 20.

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**

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

## 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified a significant audit risk that revenue could be materially overstated, due to potential fraud, in the event that the transactions recorded did not actually occur. In order to address this risk, we obtained an understanding of the revenue process, assessed the design and implementation of management's key internal controls over revenue recognition, and performed substantive audit procedures to test a sample of revenue transactions recorded.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

## INDEPENDENT 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 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.

William Brooks, FCA  
**for and on behalf of**  
London, United Kingdom

**Deloitte LLP**

(Senior Statutory Auditor)  
**Statutory Auditor**



**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

**BP AMOCO EXPLORATION (IN AMENAS) LIMITED**

|  |             | <u>2021</u>           | <u>2020</u>          |
|--|-------------|-----------------------|----------------------|
|  | <b>Note</b> | \$000                 | \$000                |
| <b>Turnover</b>                        | <b>3</b>    | 276,668               | 180,105              |
| Cost of sales                          |             | <u>(80,534)</u>       | <u>(97,971)</u>      |
| <b>Gross profit</b>                    |             | 196,134               | 82,134               |
| Administrative expenses                |             | 7,550                 | (3,116)              |
| Reorganization / restructuring costs   |             | <u>(174)</u>          | <u>(308)</u>         |
| <b>Operating profit</b>                | <b>4</b>    | 203,510               | 78,710               |
| Interest receivable and similar income | <b>6</b>    | 419                   | 1,900                |
| Interest payable and similar charges   | <b>7</b>    | <u>(127)</u>          | <u>—</u>             |
| <b>Profit before taxation</b>          |             | 203,802               | 80,610               |
| Taxation                               | <b>8</b>    | <u>(99,032)</u>       | <u>(25,669)</u>      |
| <b>Profit for the year</b>             |             | <u><u>104,770</u></u> | <u><u>54,941</u></u> |

The profit of \$104,770 thousand for the year ended 31 December 2021 was derived in its entirety from continuing operations.

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

**BP AMOCO EXPLORATION (IN AMENAS) LIMITED**

There is no comprehensive income attributable to the shareholders of the company other than the profits for the year.

**BALANCE SHEET**

**AT 31 DECEMBER 2021**

**BP AMOCO EXPLORATION (IN AMENAS) LIMITED**

**(Registered No.SC135813)**

|  | <b>Note</b> | <u>2021</u><br>\$000 | <u>2020</u><br>\$000 |
|--|-------------|----------------------|----------------------|
| <b>Fixed assets</b>                            |             |                      |                      |
| Tangible assets                                | <b>11</b>   | 221,603              | 280,491              |
| <b>Current assets</b>                          |             |                      |                      |
| Stocks   | <b>12</b>   | 23,992               | 26,786               |
| Debtors – amounts falling due:                 |             |                      |                      |
| Debtors: amounts falling due within one year   | <b>13</b>   | 650,505              | 576,561              |
| Cash at bank and in hand                       |             | 3,424                | 795                  |
|  |             | <u>677,921</u>       | <u>604,142</u>       |
| Creditors: amounts falling due within one year | <b>14</b>   | <u>(46,954)</u>      | <u>(40,284)</u>      |
| <b>Net current assets</b>                      |             | 630,967              | 563,858              |
| <b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>   |             | <u>852,570</u>       | <u>844,349</u>       |
| <b>Provisions for liabilities and charges</b>  |             |                      |                      |
| Other provisions                               | <b>15</b>   | <u>(2,961)</u>       | <u>(4,510)</u>       |
| <b>NET ASSETS</b>                              |             | <u>849,609</u>       | <u>839,839</u>       |
| <b>Capital and reserves</b>                    |             |                      |                      |
| Called up share capital                        | <b>16</b>   | 650,000              | 650,000              |
| Profit and loss account                        | <b>17</b>   | 199,609              | 189,839              |
| <b>TOTAL EQUITY</b>                            |             | <u>849,609</u>       | <u>839,839</u>       |

Authorized for issue on behalf of the Board

A Toffolo  
Director

DTT

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2021**

**BP AMOCO EXPLORATION (IN AMENAS) LIMITED**

|  | Called up<br>share capital<br>(Note 16) | Profit and<br>loss account<br>(Note 17) | Total    |
|--|---|---|----------|
|  | \$000                                   | \$000                                   | \$000    |
| <b>Balance at 1 January 2020</b>                             | 650,000                                 | 134,898                                 | 784,898  |
| Profit for the year, representing total comprehensive income | —                                       | 54,941                                  | 54,941   |
| <b>Balance at 31 December 2020</b>                           | 650,000                                 | 189,839                                 | 839,839  |
| Profit for the year, representing total comprehensive income | —                                       | 104,770                                 | 104,770  |
| Dividends paid   | —                                       | (95,000)                                | (95,000) |
| <b>Balance at Balance at 31 December 2021</b>                | 650,000                                 | 199,609                                 | 849,609  |

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2021

#### BP AMOCO EXPLORATION (IN AMENAS) LIMITED

#### **1. Authorisation of financial statements and statement of compliance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101)**

The financial statements of BP Amoco Exploration (In Amenas) Limited for the year ended 31 December 2021 were approved by the board of directors on \_\_\_\_\_ and the balance sheet was signed on the board's behalf by A Toffolo. BP Amoco Exploration (In Amenas) Limited is a limited by shares incorporated, domiciled and registered in Scotland (registered number SC135813). The company's registered office is at 1 Wellheads Avenue, Dyce, Aberdeen, AB21 7PB, United Kingdom. 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. 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.

The company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared under the historical cost convention in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework and the Companies Act 2006. 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 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;;
- (b) 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 74 A(b) of IAS 16 Property, Plant and Equipment;
- (c) the requirements of IAS 7 Statement of Cash Flows;
- (d) 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;
- (e) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
- (f) 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;
- (g) 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;
- (h) 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

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 20.

## NOTES TO THE FINANCIAL STATEMENTS

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.

The areas requiring the most significant judgement and estimation in the preparation of the financial statements are: the recoverability of asset carrying values, including the estimation of reserves; provisions and contingencies.

Judgements and estimates, not all of which are significant, made in assessing the impact of the COVID-19 pandemic, and climate change and the energy transition on the financial statements are also set out in boxed text below. Where an estimate has a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year this is specifically noted within the boxed text.

Climate change, the energy transition, bp's strategy to 2030 and ambition to become a net-zero company by 2050 or sooner were considered in preparing the bp group consolidated financial statements. These issues are not expected to have significant impacts on the currently reported amounts of the company's assets and liabilities.

#### ***Impairment of property, plant and equipment***

The energy transition is likely to impact the future prices of commodities such as oil and natural gas which in turn may affect the recoverable amount of property, plant and equipment in the oil and gas industry. bp's best estimate oil price assumptions for value-in-use impairment testing were revised during 2021. The assumption up to 2030 was increased to reflect near-term supply constraints whereas the long-term assumption was decreased as bp's management expects an acceleration of the pace of transition to a lower carbon economy. Henry Hub gas price assumptions remain unchanged from 2020 except that the assumption for 2022 has been increased to reflect short term market conditions. The revised assumptions sit within the range of external forecasts considered by management and are in line with a range of transition paths consistent with the goal of the Paris climate change agreement of limiting global warming to well below 2°C as well as the ambition to limit global warming to no greater than 1.5°C. See significant judgements and estimates: recoverability of asset carrying values for further information including sensitivity analysis in relation to reasonably possible changes in the price assumptions.

In order to incentivise engineering solutions to mitigate carbon emissions on projects, the group's investment appraisal process includes a single carbon emissions price assumption for the investment economics which is applied to bp scope 1 and 2 emission forecasts where they exceed defined thresholds, and is assumed to be payable by bp as the producer. However, for value-in-use impairment testing on bp's existing cash generating units (CGUs), consistent with all other relevant cash flows estimated, bp is required to reflect management's best estimate of any expected applicable carbon emission costs payable by bp in the future for each jurisdiction in which the group has interests. This requires management's best estimate of how future changes to relevant carbon emission cost policies and/or legislation are likely to affect the future cash flows of the group's applicable CGUs, whether currently enacted or not. Future potential carbon pricing and/or costs of carbon emissions allowances are included in the value-in-use calculations to the extent management has sufficient information to make such an estimate. Currently this results in limited application of carbon price assumptions in value-in-use impairment tests given that carbon pricing legislation in most jurisdictions where the group has interests is not in place and there is not sufficient information available as to the relevant policy makers' future intentions regarding carbon pricing to support an estimate.

There was no impairments or impairment reversal recognized during 2021 as a result of higher near-term assumptions.

## NOTES TO THE FINANCIAL STATEMENTS

Management will continue to review price assumptions as the energy transition progresses and this may result in impairment charges or reversals in the future.

### ***Provisions: decommissioning***

The energy transition may bring forward the decommissioning of oil and gas industry assets thereby increasing the present value of associated decommissioning provisions. The majority of bp's existing upstream oil and gas properties are expected to start decommissioning within the next two decades and bp's expectation to reduce hydrocarbon production by 40% by 2030 through active management and high-grading of the portfolio, has not currently materially brought forward the expected timing of decommissioning expenditures for the upstream assets in bp's portfolio. Management does not expect any reasonable change in the expected timing of decommissioning to have a material effect on the upstream decommissioning provisions, assuming cash flows remain unchanged. Decommissioning cost estimates are based on the known regulatory and external environment. These cost estimates may change in the future, including as a result of the transition to a lower carbon economy. Management will continue to review facts and circumstances to assess if decommissioning provisions need to be recognized. See significant judgements and estimates: provisions for further information.

### ***Oil and natural gas price assumptions***

The price assumptions for Brent oil up to 2030 and Henry Hub gas for 2022 used in value-in-use impairment testing were revised upwards during the year, in part due to near-term supply constraints and short term market conditions. See significant judgements and estimates: recoverability of asset carrying values for further information.

## NOTES TO THE FINANCIAL STATEMENTS

### **Significant accounting policies**

#### **Going concern**

The directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. The current economic and geopolitical environment, as well as the ongoing impact of COVID 19 were considered as part of the going concern assessment.

Liquidity and financing is managed within the bp group under pooled group-wide arrangements which include the company. As part of the going concern basis of preparation for the company, the ability and intent of the bp group to support the company has also been taken into consideration. The most recent bp group financial statements continue to be prepared on a going concern basis. Forecast liquidity of the bp group has been assessed under a number of stressed scenarios, including a significant decline in oil prices over the 12-month period from the date these financial statements were approved. Reverse stress tests performed indicated that the bp group will continue to operate as a going concern for at least 12 months from the date of approval of the financial statements even if the Brent price fell to zero. In addition, bp group management have confirmed the existing intra-group funding and liquidity arrangements as currently constituted are expected to be maintained for the foreseeable future, being no less than twelve months from the approval of these financial statements. No material uncertainties over going concern or significant judgements or estimates on the assessment were identified. Accordingly, the company will be able to draw on support from the bp group for the foreseeable future and these financial statements have therefore been prepared on a going concern basis.

In assessing the prospects of BP Amoco Exploration (In Amenas) 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.

#### **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.

Transactions in foreign currencies are initially recorded in the functional currency by applying the rate of exchange ruling at the date of the transaction. Where this is not practical and exchange rates do not fluctuate materially the average rate has been used. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the spot exchange on the balance sheet date. Any resulting exchange differences are included in the profit and loss account, unless hedge accounting is applied. Non-monetary assets and liabilities, other than those measured at fair value, are not retranslated subsequent to initial recognition.

#### **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.

## NOTES TO THE FINANCIAL STATEMENTS

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require 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.

### **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 applicable, 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.

Expenditure on the construction, installation and 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 property, plant and equipment and is depreciated from the commencement of production.

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.

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.



## NOTES TO THE FINANCIAL STATEMENTS

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.

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

The company assesses assets or groups of assets, called cash-generating units (CGUs) for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, for example, changes in the company's business plans, plans to dispose rather than retain assets, changes in commodity prices, low plant utilization, evidence of physical damage or, for oil and gas assets, significant downward revisions of estimated reserves or increases in estimated future development expenditure or decommissioning costs. If any such indication of impairment exists, the company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. An asset group's recoverable amount is the higher of its fair value less costs to sell and its value in use. If it is probable that the value of the CGU will primarily be recovered through a disposal transaction, the expected disposal proceeds are considered in determining the recoverable amount. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount.

The business segment plans, which are approved on an annual basis by senior management, are the primary source of information for the determination of value in use. They contain forecasts for oil and natural gas production, revenues, costs and capital expenditure. Carbon taxes and costs of emissions allowances are also included in estimates of future cash flows, based on the regulatory environment in each jurisdiction in which the group operates. As an initial step in the preparation of these plans, various assumptions regarding market conditions, such as oil prices, natural gas prices, refining margins, refined product margins and cost inflation rates are set by senior management. These assumptions take account of existing prices, global supply-demand equilibrium for oil and natural gas, other macroeconomic factors and historical trends and variability. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group that are not reflected in the discount rate and are discounted to their present value typically using a pre-tax discount rate that reflects current market assessments of the time value of money.

Fair value less costs to sell is identified as the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general. In limited circumstances where recent market transactions are not available for reference, discounted cash flow techniques are applied. Where discounted cash flow analyses are used to calculate fair value less costs of disposal, estimates are made about the assumptions market participants would use when pricing the asset, CGU or group of CGUs containing goodwill and the test is performed on a post-tax basis.

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

## NOTES TO THE FINANCIAL STATEMENTS

### *Significant judgements and estimates: recoverability of asset carrying values*

Determination as to whether, and how much, an asset, CGU, or group of CGUs containing goodwill is impaired involves management estimates on highly uncertain matters such as the effects of inflation and deflation on operating expenses, discount rates, capital expenditure, carbon pricing (where applicable), production profiles, reserves and resources, and future commodity prices, including the outlook for global or regional market supply-and-demand conditions for crude oil, natural gas and refined products. Judgement is required when determining the appropriate grouping of assets into a CGU or the appropriate grouping of CGUs for impairment testing purposes. For example, individual oil and gas properties may form separate CGUs whilst certain oil and gas properties with shared infrastructure may be grouped together to form a single CGU. Alternative groupings of assets or CGUs may result in a different outcome from impairment testing.

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.

There were no impairment charges and reversals recognized in the profit and loss account and details of the carrying amounts of assets are shown in Note 10 and Note 11.

The estimates for assumptions made in impairment tests in 2021 relating to discount rates and oil and gas properties are discussed below. Changes in the economic environment including as a result of the energy transition 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.

#### *Discount rates*

For discounted cash flow calculations, future cash flows are adjusted for risks specific to the CGU. 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 and country risk premiums. Fair value less costs of disposal calculations use the post-tax discount rate.

The discount rates applied in impairment tests are reassessed each year and in 2021 the post-tax discount rate used was 7% (2020 7%). Where the CGU is located in a country that was judged to be higher risk an additional premium of 1% to 3% was reflected in the discount rate (2020 1% to 3%). The judgement of classifying a country as higher risk and the applicable premium takes into account various economic and geopolitical factors. The pre-tax discount rate typically ranged from 7% to 15% (2020 7% to 15%) depending on the applicable tax rate in the geographic location of the CGU.

#### *Oil and natural gas properties*

For oil and natural gas properties expected future cash flows are estimated using management's best estimate of future oil and natural gas prices, and production and certain resources volumes. The estimated future level of production is based on assumptions about future commodity prices, production and development costs, field decline rates, current fiscal regimes and other factors.

## NOTES TO THE FINANCIAL STATEMENTS

### *Oil and natural gas prices*

The price assumptions used for value in use impairment testing are based on those used for investment appraisal. bp's carbon emissions cost assumptions and their interrelationship with oil and gas prices are described in 'Judgements and estimates made in assessing the impact of climate change and the transition to a lower carbon economy' on page 21. The investment appraisal price assumptions are recommended by the bp group senior vice president economic & energy insights 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.

During the year, bp's price assumptions applied in value in use impairment testing for Brent oil up to 2030 were increased to reflect near-term supply constraints. bp's management also expects an acceleration of the pace of transition to a lower carbon economy. As such, the long-term Brent oil assumptions were decreased during the year, reaching \$55 per barrel by 2040 and \$45 per barrel by 2050 (in 2020 real terms). The price assumptions applied in value in use impairment test for Henry Hub gas were unchanged to those used in 2020 except that the assumption for 2022 was increased to reflect short term market condition. A summary of the group's revised price assumptions applied in 2021 and 2020, in real 2020 terms, is provided below. The assumptions represent management's best estimate of future prices, which sit within the range of external forecasts considered as appropriate for the purpose. They are considered by bp to be in line with a range of transition paths consistent with the Paris climate goal of limiting global warming to well below 2°C as well as the ambition to limit global warming to no greater than 1.5°C. An inflation rate of 2% (2020 2%) is applied to determine the price assumptions in nominal terms.

|                          |      |      |      |      |      |
|--------------------------|------|------|------|------|------|
| 2021 price assumptions   | 2022 | 2025 | 2030 | 2040 | 2050 |
| Brent oil (\$/bbl)       | 70   | 60   | 60   | 55   | 45   |
| Henry Hub gas (\$/mmBtu) | 4    | 3    | 3    | 3    | 2.75 |
| 2020 price assumptions   | 2021 | 2025 | 2030 | 2040 | 2050 |
| Brent oil (\$/bbl)       | 50   | 50   | 60   | 60   | 50   |
| Henry Hub gas (\$/mmBtu) | 3.00 | 3.00 | 3.00 | 3.00 | 2.75 |

The majority of bp's reserves and resources that support the carrying value of the group's existing oil and gas properties are expected to be produced over the next 10 years.

The oil market continued its rebalancing process in 2021. Oil prices averaged \$70/bbl in 2021. That is 70% higher than in 2020 and the second highest since 2015. Oil demand rebounded on the back of the economic recovery, supported by the increasing COVID-19 vaccination roll-out and gradual lifting of restrictions. On the supply side, continued active supply management by OPEC+ countries also helped accelerate the rebalancing process. bp's long-term assumption for oil prices is lower than the 2021 price average, based on the judgement that, in the long term, oil demand is likely to fall so that the price levels needed to encourage sufficient investment to meet declining global oil demand is also lower.

US gas prices almost doubled in 2021 to \$3.9/mmbtu from \$2.0/mmbtu in 2020. The higher prices reflect a much tighter demand/supply balance for 2021 when compared to 2020. Early in the year, colder weather increased demand and decreased supply resulting in a large draw on storage and therefore the need to replenish it over the summer. Strong global GDP recovery also saw a recovery in LNG exports from the US relative to the shut-ins in 2020. Further, higher coal prices also supported gas prices through competition in the power sector. The level of US gas prices in 2021 is above bp's long term price assumption based on the judgement of the price level required to incentivize new production.

## NOTES TO THE FINANCIAL STATEMENTS

### *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. bp bases its 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, risk factors and the wide diversity of the company's oil and gas properties 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. The recoverable amount of oil and gas properties is primarily sensitive to changes in the long-term oil and gas price assumptions. Sensitivity analysis may be performed if a specific oil and gas property is identified to have low headroom above its carrying amount.

### **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.

### **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 amortized cost***

Financial assets are classified as measured at amortized cost when they are held in a business model the objective of which is to collect contractual cash flows and the contractual cash flows represent solely payments of principal and interest. Such assets are carried at amortized cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in profit or loss when the assets are derecognized or impaired and when interest is recognized using the effective interest method. This category of financial assets includes trade and other receivables.

## NOTES TO THE FINANCIAL STATEMENTS

### **Impairment of financial assets measured at amortized cost**

The company assesses on a forward-looking basis the expected credit losses associated with financial assets classified as measured at amortized cost at each balance sheet date. Expected credit losses are measured based on the maximum contractual period over which the company is exposed to credit risk. As lifetime expected credit losses are recognized for trade receivables and the tenor of substantially all other in-scope financial assets is less than 12 months there is no significant difference between the measurement of 12-month and lifetime expected credit losses for the company. The measurement of expected credit losses is a function of the probability of default, loss given default and exposure at default. The expected credit loss is estimated as the difference between the asset's carrying amount and the present value of the future cash flows the company expects to receive, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is adjusted, with the amount of the impairment gain or loss recognized in the profit and loss account.

A financial asset or group of financial assets classified as measured at amortized cost is considered to be credit-impaired if there is reasonable and supportable evidence that one or more events that have a detrimental impact on the estimated future cash flows of the financial asset (or group of financial assets) have occurred. Financial assets are written off where the company has no reasonable expectation of recovering amounts due.

### **Financial liabilities**

The measurement of financial liabilities is as follows:

#### ***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 using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised in interest receivable and similar income and interest payable and similar charges respectively. This category of financial liabilities includes trade and other payables and finance debt.

### **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 2.0% (2020 2.5%).

## NOTES TO THE FINANCIAL STATEMENTS

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, if material, 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.

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.

### ***Restructuring provisions***

The reinvent bp programme, expected to reduce the group headcount by around 10,000 positions, has resulted in recognition of provisions, primarily in the comparative period, where a detailed formal plan exists, and valid expectation of risk of redundancy has been made to those affected but where the specific outcomes remain uncertain. Where formal redundancy offers have been made, the obligations for those amounts are reported as payables and, if not, as provisions if unpaid at the year-end.

### ***Significant judgements and estimates: provisions***

The company holds provisions for the future decommissioning of oil and natural gas production facilities and pipelines at the end of their economic lives. The largest decommissioning obligations facing the company relate to the plugging and abandonment of wells and the removal and disposal of oil and natural gas platforms and pipelines. Most of these decommissioning events are many years in the future and the precise requirements that will have to be met when the removal event occurs are uncertain. Decommissioning technologies and costs are constantly changing, as well as political, environmental, safety and public expectations. The timing and amounts of future cash flows are subject to significant uncertainty and estimation if required in determining the amounts of provisions to be recognized. Any changes in the expected future costs are reflected in both the provision and the asset.

If oil and natural gas production facilities and pipelines are sold to third parties, judgement is required to assess whether the new owner will be unable to meet their decommissioning obligations, whether the company would then be responsible for decommissioning, and if so the extent of that responsibility. The company has assessed that (\$3 million) decommissioning provisions should be recognized as at 31 December 2021 (2020: \$4.5 million) for assets sold to third parties where the sale transferred the decommissioning obligation to the new owner.

## NOTES TO THE FINANCIAL STATEMENTS

The provision for environmental liabilities is estimated based on current legal and constructive requirements, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from current estimates because of changes in laws and regulations, public expectations, prices, discovery and analysis of site conditions and changes in clean-up technology.

The timing and amount of future expenditures relating to decommissioning and environmental liabilities are reviewed annually, together with the rate used in discounting the cash flows. The interest rate used to determine the balance sheet obligations at the end of 2021 was a nominal rate of 2.0% (2020 2.5%), which was based on long-dated US government bonds. The weighted average period over which decommissioning and environmental costs are generally expected to be incurred is estimated to be approximately 2 years (2020 3 years). Costs at future prices are determined by applying an inflation rate of 1.5% (2020 1.5%) to decommissioning costs. A lower rate is typically applied to decommissioning as certain costs are expected to remain fixed at current or past prices.

The estimated phasing of undiscounted cash flows in real terms for the upstream decommissioning is approximately \$3 million (2020 \$5 million) within the next 10 years. The timing and amount of decommissioning cash flows are inherently uncertain and therefore the phasing is management's current best estimate but may not be what will ultimately occur.

### **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 an asset or liability in a transaction that is not a business combination, at the time of the transaction, affects neither accounting profit nor taxable profit or loss and, at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.; or
- 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, at the time of the transaction, affects neither accounting profit nor taxable profit or loss and, at the time of the transaction, does not give rise to equal taxable and deductive temporary differences.

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

## NOTES TO THE FINANCIAL STATEMENTS

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.

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.

Judgement is required when determining whether a particular tax is an income tax or another type of tax (for example a production tax). Accounting for deferred tax is applied to income taxes as described above, but is not applied to other types of taxes; rather such taxes are recognized in the profit and loss account in accordance with the applicable accounting policy such as Provisions and contingent liabilities.

### **Customs duties and sales taxes**

Customs duties and sales taxes that are passed on or charged to customers are excluded from turnover and expenses. Assets and liabilities are recognized net of the amount of customs duties or sales tax except:

- Customs duties or sales taxes incurred on the purchase of goods and services which are not recoverable from the taxation authority are recognized as part of the cost of acquisition of the asset.
- Receivables and payables are stated with the amount of customs duty or sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included within receivables or payables in the balance sheet.

### **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 liquids usually coincides with title passing to the customer and the customer taking physical possession. The company principally satisfies its performance obligations at a point in time; the amounts of revenue recognized relating to performance obligations satisfied over time are not significant.

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



## NOTES TO THE FINANCIAL STATEMENTS

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.

Sales and purchase of commodities accounted for under IFRS 15 are presented on a gross basis in Revenue from contracts with customers and Purchases respectively. Physically settled derivatives which represent trading or optimization activities are presented net alongside financially settled derivative contracts in Other operating revenues within Sales and other operating income. Certain physically settled sale and purchase derivative contracts which are not part of trading and optimization activities are presented gross within Other operating revenues and Purchases respectively. Changes in the fair value of derivative assets and liabilities prior to physical delivery are also classified as other operating revenues.

Physical exchanges with counterparties in the same line of business and to facilitate sales to customers are reported net, as are sales and purchases made with a common counterparty, as part of an arrangement similar to a physical exchange.

Where the company acts as agent on behalf of a third party to procure or market energy commodities, any associated fee income is recognized but no purchase or sale is recorded.

Revenue associated with the sale of oil, natural gas liquids, oil and natural gas liquid forward sales is included on a net basis in turnover.

Contract asset and contract liability balances are included within amounts presented for trade receivables and other payables respectively.

### **Interest income**

Interest income is recognized as the interest accrues using the effective interest rate – that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

### **Finance costs**

Finance costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use, are added to the cost of those assets until such time as the assets are substantially ready for their intended use. All other finance costs are recognized in the profit and loss account in the period in which they are incurred.

### **Dividends payable**

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

### **Updates to significant accounting policies**

#### **Impact of new International Financial Reporting Standards**

bp adopted amendments to IFRS 9 "financial instruments - Interest Rate Benchmark Reform (Phase II)", IFRS 16 "Leases" with effect from 1 January 2021. There are no other new or amended standards or interpretations adopted during the year that have a significant impact on the company's financial statements.

The adoption of 'Interest Rate Benchmark Reform – Phase II' – Amendments to IFRS 9 'Financial instruments', IFRS 16 'Leases' has had no material impact on the company's financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. Turnover

Sales of goods, which are stated net of value added tax, represent amounts invoiced to third parties.

Turnover is realised entirely in the upstream business.

An analysis of the company's turnover is as follows:

|   | <u>2021</u>    | <u>2020</u>    |
|---|----------------|----------------|
|   | \$000          | \$000          |
| Revenue from contracts with customers           | 276,668        | 180,105        |
|   | <u>276,668</u> | <u>180,105</u> |
| Interest receivable and similar income (Note 6) | 419            | 1,900          |
|   | <u>277,087</u> | <u>182,005</u> |

Turnover is attributable to one continuing activity, the production and sale of hydrocarbon products.

The country of origin is Algeria and destination is substantially Algeria and Europe.

### 4. Operating profit

This is stated after charging / (crediting):

|  | <u>2021</u> | <u>2020</u> |
|--|-------------|-------------|
|  | \$000       | \$000       |
| Net foreign exchange losses                      | 37          | 1           |
| Depreciation of tangible assets                  | 72,987      | 72,871      |
| Litigation settlements                           | (7,351)     | —           |
| Write-off of right-of-use assets*                | —           | (1,072)     |
| Fundamental reorganization / restructuring costs | 174         | 308         |
|  | <u>174</u>  | <u>308</u>  |

\*The lease has been terminated during 2020 resulting in the write-off of the Right-of-use asset.

### 5. Auditor's remuneration

|                                   | <u>2021</u> | <u>2020</u> |
|-----------------------------------|-------------|-------------|
|                                   | \$000       | \$000       |
| Fees for the audit of the company | 86          | 86          |
|                                   | <u>86</u>   | <u>86</u>   |

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 Amoco Exploration (In Amenas) 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

|   | <u>2021</u> | <u>2020</u>  |
|---|-------------|--------------|
|   | \$000       | \$000        |
| Interest income from amounts owed by group undertakings | 419         | 1,900        |
|   | <u>419</u>  | <u>1,900</u> |

## NOTES TO THE FINANCIAL STATEMENTS

### 7. Interest payable and similar expenses

|   | 2021  | 2020  |
|---|-------|-------|
|   | \$000 | \$000 |
| Unwinding of discount on provisions - Note 15 | 127   | —     |
|   | 127   | —     |

### 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:

|   | 2021   | 2020   |
|---|--------|--------|
|   | \$000  | \$000  |
| <u>Current tax</u>                                |        |        |
| Overseas tax on income for the year               | 99,032 | 25,669 |
| Total current tax charged                         | 99,032 | 25,669 |
| <u>Deferred tax</u>                               |        |        |
| Origination and reversal of temporary differences | —      | —      |
| Total deferred tax charged                        | —      | —      |
| Tax charged on profit on ordinary activities      | 99,032 | 25,669 |

In 2021 the total tax charge recognised within other comprehensive income was \$Nil (2020 \$Nil) and the total tax charge recognised directly in equity was \$Nil (2020 \$Nil).

#### (a) Reconciliation of the effective tax rate

The company operates through a permanent establishment in Algeria. Algerian taxes are payable under a production sharing contract (PSC) and other local taxes at an average rate of 48% (2020: 38%).

The reconciliation below is based on Algerian tax after calculations any UK tax liability is reduced to Nil due to the availability of double tax relief.

|                        | 2021    | 2020   |
|------------------------|---------|--------|
|                        | UK      | UK     |
|                        | \$000   | \$000  |
| Profit before tax      | 203,802 | 80,610 |
| Tax charge             | 99,032  | 25,669 |
| Effective tax rate (%) | 49      | 32     |

## NOTES TO THE FINANCIAL STATEMENTS

|                                       | 2021      | 2020      |
|---------------------------------------|-----------|-----------|
|                                       | UK        | UK        |
|                                       | %         | %         |
| Average local rate %                  | 48        | 38        |
| Increase / (Decrease) resulting from: |           |           |
| Non-taxable income                    | —         | (5)       |
| IFRS accounting difference            | 1         | (1)       |
| Effective current tax rate (%)        | <u>49</u> | <u>32</u> |

### Change in corporation tax rate

On 3 March 2021, the UK Government announced an increase in the UK's main corporation tax rate from 19% to 25%, effective from 1 April 2023. This will increase the company's future current tax charge accordingly. This rate change was substantively enacted on 24 May 2021. There is no impact of this rate change on the company's deferred tax position as the company had no deferred tax balances, recognised or unrecognised, at the balance sheet date.

Deferred tax has not been recognised on deductible temporary differences relating to fixed assets of \$1,128,627,000 (2020: \$1,055,640,000), decommissioning provision of \$2,961,904 (2020: \$4,509,715) and foreign tax credits of \$560,185,000 (2020: \$495,151,000) 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.

The PSA in Algeria operates on a Pay on Behalf regime, therefore no deferred tax is recognised in the UK statutory accounts for UK or overseas taxes.

## **9. Directors and employees**

### (a) Remuneration of directors

The following details relate to the directors who received remuneration for their qualifying services to the company and so are in scope for this disclosure.

The total remuneration for these qualifying directors for their period of directorship to the company amounted to \$149,000 (2020 \$233,000).

None of these directors received non-cash benefits in relation to qualifying services.

One of these qualifying directors were members of the defined benefit section of the bp Pension Fund at 31 December 2021 (2020 One).

None of the qualifying directors exercised share options over BP p.l.c. shares during the year (2020 None).

### (b) Employee costs

The company had no employees during the year (2020 None).

**NOTES TO THE FINANCIAL STATEMENTS**

**10. Intangible assets**

|                       | Exploration<br>expenditure |
|-----------------------|----------------------------|
| <b>Cost</b>           | \$000                      |
| At 1 January 2021     | 9,177                      |
| At 31 December 2021   | 9,177                      |
| <br>                  |                            |
| <b>Amortization</b>   |                            |
| At 1 January 2021     | (9,177)                    |
| At 31 December 2021   | (9,177)                    |
| <br>                  |                            |
| <b>Net book value</b> |                            |
| At 31 December 2021   | —                          |
| At 31 December 2020   | —                          |

**11. Tangible assets**

|   | Oil & gas<br>properties | Of which<br>AUC <sup>a</sup> |
|---|-------------------------|------------------------------|
| <b>Cost</b>                                   | \$000                   | \$000                        |
| At 1 January 2021                             | 1,736,531               | 19,174                       |
| Additions                                     | 14,099                  | 4,417                        |
| At 31 December 2021                           | 1,750,630               | 23,591                       |
| <br>  |                         |                              |
| <b>Depreciation</b>                           |                         |                              |
| At 1 January 2021                             | (1,456,040)             | —                            |
| Charge for the year                           | (72,987)                | —                            |
| At 31 December 2021                           | (1,529,027)             | —                            |
| <br>  |                         |                              |
| <b>Owned tangible assets - net book value</b> |                         |                              |
| At 31 December 2021                           | 221,603                 | 23,591                       |
| <br>  |                         |                              |
| <b>Total tangible assets</b>                  |                         |                              |
| At 31 December 2021                           | 221,603                 | 23,591                       |
| <br>  |                         |                              |
| <b>Total net book value</b>                   |                         |                              |
| At 31 December 2020                           | 280,491                 | 19,174                       |

<sup>a</sup> AUC = assets under construction. Assets under construction are not depreciated.

Capitalized interest included above is as follows:

|                             | Net book<br>value |
|-----------------------------|-------------------|
| <b>Capitalized interest</b> | \$000             |
| At 31 December 2021         | 223               |
| At 31 December 2020         | 282               |

## NOTES TO THE FINANCIAL STATEMENTS

### 12. Stocks

|                      | <u>2021</u>   | <u>2020</u>   |
|----------------------|---------------|---------------|
|                      | \$000         | \$000         |
| Supplies             | 22,962        | 25,663        |
| Materials in Transit | 1,030         | 1,123         |
|                      | <u>23,992</u> | <u>26,786</u> |

The stock valuation at 31 December 2021 is stated net of a provision of \$30,890,000 (2020 \$31,890,000) to write stocks down to their net realisable value.

### 13. Debtors

Amounts falling due within one year:

|                                       | <u>2021</u>    | <u>2020</u>    |
|---------------------------------------|----------------|----------------|
|                                       | \$000          | \$000          |
| Trade debtors                         | 14,771         | 9,658          |
| Amounts owed from parent undertakings | 610,768        | 549,730        |
| Amounts owed from fellow subsidiaries | 62             | 71             |
| Other debtors                         | 23,678         | 15,521         |
| Prepayments and accrued income        | 1,226          | 1,581          |
|                                       | <u>650,505</u> | <u>576,561</u> |

The amounts owed from parent undertakings comprise a funding account of \$611m (2020 \$538m). Interest is accrued on a monthly basis based on LIBOR. The interest rate at year end was 0.07% (2020 0.11%) and the balance is repayable on demand.

### 14. Creditors

Amounts falling due within one year:

|                                     | <u>2021</u>   | <u>2020</u>   |
|-------------------------------------|---------------|---------------|
|                                     | \$000         | \$000         |
| Trade creditors                     | 3,882         | 4,835         |
| Amounts owed to parent undertakings | 203           | 346           |
| Amounts owed to fellow subsidiaries | 1,678         | 1,615         |
| Other creditors                     | 3,995         | 9,896         |
| Taxation                            | 23,119        | 6,272         |
| Accruals                            | 14,077        | 17,320        |
|                                     | <u>46,954</u> | <u>40,284</u> |

Materially all of the company's trade payables have payment terms in the range of 30 to 60 days and give rise to operating cash flows.

The amounts to fellow subsidiaries consists of intercompany trade payable balances related to the operation of the company.

**NOTES TO THE FINANCIAL STATEMENTS**

**15. Other provisions**

|                          | Decommissioning |
|--------------------------|-----------------|
|                          | \$000           |
| At 1 January 2021        | 4,510           |
| Change in Cost estimates | (1,675)         |
| Unwinding of discount    | 127             |
| At 31 December 2021      | 2,961           |
|                          |                 |
| At 31 December 2021      |                 |
| Current                  | —               |
| Non-current              | 2,961           |
|                          | 2,961           |
|                          |                 |
| At 31 December 2020      |                 |
| Current                  | —               |
| Non-current              | 4,510           |
|                          | 4,510           |

Decommissioning provision has been recognised for well Tg 349 at the year-end of 2020, the timing of decommissioning activity is expected in 2023. In 2021 \$1,675,000 reduction was due to change in cost estimate.

For information on significant judgements and estimates made in relation to provisions, see Provisions within Note 2.

**16. Called up share capital**

|  | 2021    | 2020    |
|--|---------|---------|
|  | \$000   | \$000   |
| Issued and fully paid:   |         |         |
| 2 ordinary shares of £1 each for a total nominal value of £2                       | —       | —       |
| 650,000,000 ordinary shares of \$1 each for a total nominal value of \$650,000,000 | 650,000 | 650,000 |
|  | 650,000 | 650,000 |

**17. 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.

*Profit and loss account*

The balance held on this reserve is the retained profits of the company.

In 2021, the company paid interim ordinary dividends of \$95,000,000 (2020 \$0). The dividend per share was \$0.15 (2020 \$0).

## NOTES TO THE FINANCIAL STATEMENTS

### **18. Post balance sheet events**

On 6 September 2022 bp signed an agreement with Eni to sell bp's upstream business in Algeria, including its interests in the gas-producing In Amenas and In Salah concessions, and including the sale of the company to Eni. The expected completion date of the transaction is within 12 months of the signing date of the agreement.

### **19. 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.

### **20. 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.