BP EASTERN MEDITERRANEAN LIMITED
(Registered No.02239062)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

Board of Directors: S Photiou
B M Bolgil-Miller
J E Glenholme

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 €5,476,000 which, when added to the retained profit brought forward at 1 January 2021 of €10,748,000 together with an actuarial profit taken directly to reserves of €764,000, gives a total retained profit carried forward at 31 December 2021 of €16,988,000.

Principal activities and review of the business

The company is engaged in the purchasing and selling of petroleum products in Cyprus. It also provides services to other group undertakings within the bp group. The company has a branch operating in Cyprus.

The company is also in a 50:50 joint operating agreement with RAM Oil Cyprus Ltd, (a subsidiary company of Hellenic Petroleum Cyprus Ltd) at the Paphos International airport for the receipt, storage and distribution of aviation fuel into the joint operating facilities and the provision of into-plane services to each partner's customers. The scope of the joint operation will include, but not be restricted to the organisation, operation, maintenance and management of the joint operating facilities.

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

	2021	2020	Variance
	€000	€000	%
Turnover	54,775	24,178	127
Operating profit / (loss)	5,273	(5,905)	189
Profit / (loss) for the financial year	5,476	(5,976)	192
Total equity	23,626	17,308	37

	2021	2020	Variance
	%	%	
Quick ratio*	267	506	(239)

*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.

Turnover has increased in 2021 due to the increase in price and volume of sales. This is driven by the reopening of international borders, where many governments had previously closed their borders in 2020 during the Covid-19 pandemic. The recovery from the Covid-19 pandemic has also led to a higher gross profit margin of 24% (2020 3%). The operating profit and profit for the financial year is primarily contributed by the significant increase in turnover.

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.

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 directors recognise that employees are vital to the long term success of the company and, as such, engage with employees, and keep them informed on matters of concern to them. During 2021 this included reviewing the impact of Reinvent bp on the workforce and reports on key performance indicators on employee engagement measured by employee 'Pulse' surveys.
c. The need to foster the company's business relationships with suppliers, customers and others	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. 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. 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.
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.

Section 172 (1) statement (continued)

Section 172(1)	Overview of performance against section 172(1)
e. The desirability to maintain the company's reputation for high standards of business conduct	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 and oversee adherence to the bp code of conduct by the company's employees to ensure the Board and the company maintain a reputation for high standards of business conduct. 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.
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.

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 Engagement with Stakeholders Statement found in the Directors' Report.

The company's principal decisions

During the period the directors continued to monitor progress against the company's strategy, as highlighted in the principal activities section of the Strategic Report of the company, and decisions made by the directors were in respect of operational matters, in furtherance of the bp group's purpose.

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.

Section 172 (1) statement (continued)

Strategic and commercial risks

Prices and markets
The company's financial performance is subject to fluctuating prices of oil and refined products, technological change, exchange rate fluctuations and the general macroeconomic outlook. Oil 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.

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, 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.

Current geopolitical factors have increased these risks.

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.

Strategic and commercial risks (continued)

Talent and capability
Inability to attract, develop and retain people with necessary skills and capabilities and to reskill existing talent could negatively impact delivery of the company's strategy in an increasing challenging labour 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.

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

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

Compliance and control risks

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

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

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

J E Glenholme
Director

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DIRECTORS' REPORT

BP EASTERN MEDITERRANEAN LIMITED

Directors

The present directors are listed on page 1.

A S Ibrahim, M A Thomsen and S Photiou served as directors throughout the financial year. Changes since 1 January 2021 are as follows:

	Appointed	Resigned
B M Bolgil-Miller	2 February 2022	—
J E Glenholme	2 February 2022	—
A S Ibrahim	—	2 February 2022
M A Thomsen	—	2 February 2022

Directors' indemnity

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

Dividends

The company has not declared any dividends during the year (2020 €Nil). The directors do not propose the payment of a dividend (2020 €Nil).

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.

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. For further information on financial risk factors, including credit risk and liquidity risk, see pages 1-6.

Going concern (continued)

The company is in a healthy net assets and net current assets position as at 31 December 2021. The company has ongoing funding arrangements with BP International Limited to manage its working capital as well as investing activities. The directors' assessment has taken into account the ability of both the company and the bp group to ensure availability of funds at least 12 months from the date of approval of these financial statements.

In assessing the prospects of BP Eastern Mediterranean 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.

Branches

The company has overseas branches established in the following member states of the European Union: Cyprus.

Stakeholder statements

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 company considers its governments, employees, shareholders, customers, suppliers and communities within the countries it operates.

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.

Stakeholder statements (continued)

Engagement with other stakeholders (continued)

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:

Stakeholders	Stakeholders' interests	How we have fostered relationships	How the fostering of relationships impacted decision making
Employees	Employees are vital to the long term success of the company and, as such, bp and its directors engage with employees, and keep them informed on matters that concern them. During 2021, due to the restrictions associated with COVID-19, most engagements were conducted virtually.		
Suppliers	For the company to understand, and where feasible, meet the suppliers' needs and expectations. 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. To be part of a fair and respectful tender and supplier selection process. To be part of a valued supplier relationship centred around ethics and transparency.	The company maintains a number of bp group wide policies to ensure fair treatment of its current and potential suppliers. 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.	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. On an exceptional basis, the directors will engage with suppliers through means of the procurement teams in the case of any escalation. bp's supplier site visits are intended to be mutually beneficial in terms of improvement and learning opportunities.

Stakeholder statements (continued)

Engagement with other stakeholders (continued)

Stakeholders	Stakeholders' interests	How we have fostered relationships	How the fostering of relationships impacted decision making
Customers	For the company to provide its customers with top quality services. For the company to build a trusted relationship with its customers. 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. Ensuring that customer data is kept in a secure environment and only for the duration and purposes that the data is required for.	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. 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.	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. 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.
Community and environment	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 jobs and support for community development, changes in the physical landscape, changes to the local ecosystem. 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.	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.	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. 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.

Stakeholder statements (continued)

Engagement with other stakeholders (continued)

Stakeholders	Stakeholders' interests	How we have fostered relationships	How the fostering of relationships impacted decision making
Shareholder	The company is 100% owned by BP Global Investments Limited. The company is committed to maximising long term shareholder value, in whatever form, when taking its decisions.	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. 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.	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.
Government/ Regulators	For the company to create valued relationships with Government/Regulators centred around ethics and transparency, and discuss relevant regulations and guidance where necessary.	The company keeps the Government/Regulators informed of any significant changes to the company.	Management and/or, where significant, the Board are provided with updates on changes in regulation and/or legislation impacting the company. The information received supports effective decision making by the Board when considering the company's compliance with said regulations and/or legislation. The company continually engages with local government bodies and/or regulators to ensure it is conducting itself in accordance with relevant laws/regulation to ensure its good standing, trust and respect in society and longevity.

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

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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

BP EASTERN MEDITERRANEAN 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.

Investments

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

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

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.

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.

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

Buildings on leasehold land	10 years
Computer hardware	4 years
Plant and machinery	10 years

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

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

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

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

Significant accounting policies (continued)

Impairment of 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 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.

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.

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.

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

Significant accounting policies (continued)

Leases

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

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

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

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

Agreements may include both lease and non-lease components. Payments for lease and non-lease components are allocated on a relative stand-alone selling price basis.

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

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

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

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

Significant accounting policies (continued)

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.

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 amortised cost. This category of financial assets includes trade and other receivables.

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.

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

Significant accounting policies (continued)

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. 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%).

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 dismantle and remove a facility or an items of plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made.

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

Significant accounting policies (continued)

Provisions and contingent liabilities (continued)

Environmental expenditures and liabilities
Environmental expenditures that are required in order for the company to obtain future economic benefits from its assets are capitalized as part of those assets. Expenditures that relate to an existing condition caused by past operations and that do not contribute to future earnings are expensed.

Liabilities for environmental costs are recognized when a clean-up is probable and the associated costs can be reliably estimated. Generally, the timing of recognition of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites.

The amount recognized is the best estimate of the expenditure required to settle the obligation. Provisions for environmental liabilities have been estimated using existing technology, at future prices and discounted using a nominal discount rate.

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.

Employee benefits

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the company. Deferred bonus arrangements that have a vesting date more than 12 months after the balance sheet date are valued on an actuarial basis using the projected unit credit method and amortized on a straight-line basis over the service period until the award vests. The accounting policies for share-based payments and for pensions and other post-retirement benefits are described below.

Share-based payments

Equity-settled transactions
The cost of equity-settled transactions with employees of the company is measured by reference to the fair value at the date at which equity instruments are granted and is recognized as an expense over the vesting period, which ends on the date on which the employees become fully entitled to the award. A corresponding credit is recognized within equity. Fair value is determined by using an appropriate valuation model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions). Non-vesting conditions, such as the condition that employees contribute to a savings-related plan, are taken into account in the grant-date fair value, and failure to meet a non-vesting condition, where this is within the control of the employee, is treated as a cancellation and any remaining unrecognized cost is expensed.

For other equity-settled share-based payment transactions, the goods or services received and the corresponding increase in equity are measured at the fair value of the goods and services received unless their fair value cannot be reliably estimated. If the fair value of the goods and services received cannot be reliably estimated, the transaction is measured by reference to the fair value of the equity instruments granted.

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

Significant accounting policies (continued)

Pensions

Contributions to defined contribution plans are recognized in the profit and loss account in the period in which they become payable.

The cost of providing benefits under the defined benefit plans is determined using the projected unit credit method, which attributes entitlement to benefits to the current period (to determine current service cost) and to the current and prior periods (to determine the present value of the defined benefit obligation). Past service costs, resulting from either a plan amendment or a curtailment (a reduction in future obligations as a result of a material reduction in the plan membership), are recognized immediately when the company becomes committed to a change.

Net interest expense relating to pensions and other post-retirement benefits, which is recognized in the profit and loss account, represents the net change in present value of plan obligations and the value of plan assets resulting from the passage of time, and is determined by applying the discount rate to the present value of the benefit obligation at the start of the year, and to the fair value of plan assets at the start of the year, taking into account expected changes in the obligation or plan assets during the year.

Remeasurements of the net defined benefit liability or asset, comprising actuarial gains and losses, and the return on plan assets (excluding amounts included in net interest described above) are recognized within other comprehensive income in the period in which they occur and not subsequently reclassified to profit and loss.

The defined benefit pension plan surplus or deficit in the balance sheet comprises the total for each plan of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), and the fair value of plan assets out of which the obligations are to be settled directly. Fair value is based on market price information and, in the case of quoted securities, is the published bid price. Defined benefit pension plan surpluses are only recognized to the extent they are recoverable, either by way of a refund from the plan or reductions in future contributions to the plan.

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

Significant accounting policies (continued)

Pensions (continued)

Significant estimate: pensions and other post-retirement benefits

The defined benefit pension scheme is a scheme that shares risks between entities under common control and is administered by the ultimate parent company BP p.l.c. The company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and so the scheme has been accounted for as a defined contribution scheme as allowed by FRS 101. Contributions to the scheme are charged through the company's profit and loss account in the year in which they become payable. Detailed disclosures have been made in the financial statements of the ultimate parent company.

Accounting for defined benefit pensions and other post-retirement benefits involves making significant estimates when measuring the company's pension plan surpluses and deficits. These estimates require assumptions to be made about many uncertainties.

Pension and other post-retirement benefit assumptions are reviewed by management at the end of each year. These assumptions are used to determine the projected benefit obligation at the year end and hence the surpluses and deficits recorded on the company's balance sheet, and pension and other post-retirement benefit expense for the following year.

The assumptions that are the most significant to the amounts reported are the discount rate, inflation rate, salary growth and mortality levels. Assumptions about these variables are based on the environment in Cyprus and European Union. The assumptions used vary from year to year, with resultant effects on future net income and net assets. Changes to some of these assumptions, in particular the discount rate and inflation rate, could result in material changes to the carrying amounts of the company's pension and other post-retirement benefit obligations within the next financial year. Any differences between these assumptions and the actual outcome will also affect future net income and net assets. The pension and other post-retirement benefit assumptions at 31 December 2021 and 2020 are provided in Notes 23 and 24.

The values ascribed to these assumptions and a sensitivity analysis of the impact of changes in the assumptions on the benefit expense and obligation is provided in the group financial statements of BP p.l.c.

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

Significant accounting policies (continued)

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..
- 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 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.

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

Significant accounting policies (continued)

Taxation (continued)

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 and other items 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.

Revenue is recognized when the service is performed, in accordance with the terms of the contractual arrangements and in the accounting period in which the services are rendered.

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.

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

Significant accounting policies (continued)

Turnover (continued)

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

Revenue associated with the sale of oil is included on a net basis in turnover.

Interest income

Interest income is recognized as the interest accrues.

Finance costs

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

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.

3. Turnover

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

	2021	2020
	€000	€000
Sales of goods	54,382	23,879
Rendering of services	393	299
	54,775	24,178
Interest receivable and similar income (Note 6)	18	112
	54,793	24,290

3. Turnover (continued)

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

	2021	2020
	€000	€000
Class of business:		
Customers & products	54,775	24,178

An analysis of turnover by geographical market is set out below:

	2021	2020
	€000	€000
By geographical area:		
Rest of Europe	42,773	16,393
Rest of World	12,002	7,785
Total	54,775	24,178

4. Operating profit / (loss)

This is stated after charging / (crediting):

	2021	2020
	€000	€000
Operating lease payments:		
Plant & machinery	6	12
Net foreign exchange (gains) / losses	(2,317)	2,515
Depreciation of tangible assets[a]	132	168
Depreciation of right-of-use assets[a]	703	742
Impairment of tangible assets	—	154

[a] Amount is included in Distribution and marketing expenses.

5. Auditor's remuneration

	2021	2020
	€000	€000
Fees for the audit of the company	53	47

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

A portion of the fees were borne by another group company.

6. Interest receivable and similar income

	2021	2020
	€000	€000
Bank interest receivable	—	1
Interest income from amounts owed by group undertakings	18	111
	18	112

7. Interest payable and similar expenses

	2021	2020
	€000	€000
Interest expense on:		
Bank loans and overdrafts	96	37
Lease liabilities	5	29
Total interest payable and similar expenses	101	66

8. Other finance expenses

	2021	2020
	€000	€000
Net interest on pension and other post-retirement benefit plan liabilities	17	29

9. Taxation

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

The taxation (credit) / charge in the profit and loss account is made up as follows:

	2021	2020
Current tax	€000	€000
Overseas tax underprovided in prior years	—	99
Total current tax charged	—	99
Deferred tax		
Origination and reversal of temporary differences	34	72
Effect of increased tax rate on opening asset	(233)	(83)
Adjustments in prior year temporary differences	(104)	—
Total deferred tax credited	(303)	(11)
Tax (credited) / charged on profit	(303)	88

In 2021 the total tax credit recognised within other comprehensive income was €256,000 (2020 tax charge of €55,000). This tax credit is in relation to the remeasurements of the net pension and other post-retirement benefit liability or asset.

9. Taxation (continued)

(a) Reconciliation of the effective tax rate

The tax assessed on the profit / (loss) for the year is lower than the standard rate of corporation tax in the UK of 19% for the year ended 31 December 2021 (2020 19%). The differences are reconciled below:

	2021	2020
	UK	UK
	€000	€000
Profit / (loss) before taxation	5,173	(5,888)
Tax (credit) / charge	(303)	88
Effective tax rate	(6)%	(1)%

	2021	2020
	UK	UK
	%	%
UK corporation tax rate:	19	19
Overseas corporation tax rate:	—	—
Decrease resulting from:		
Non-deductible expenditure	—	—
Free group relief	(19)	(19)
Remeasurement of deferred tax for changes in tax rates	(4)	—
Adjustments to tax charge in respect of previous years	(2)	(1)
Effective tax rate	(6)	(1)

The reconciling items shown above are those that arise for UK corporation tax purposes, rather than overseas tax purposes.

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. On 23 September 2022, the Chancellor of the Exchequer announced that the planned corporation tax rate change to 25% would no longer be implemented and that the main rate would remain at 19%. This change has yet to be substantively enacted. Because the enacted rate at the balance sheet date was 25% this announcement does not represent an adjusting event and the company's deferred tax balances as at 31 December 2021 are still calculated at that higher rate. The rate change is not expected to have a material impact on the company's financial statements.

(b) Provision for deferred tax

The deferred tax included in the profit and loss account and balance sheet is as follows:

	Profit and loss account		Balance sheet	
Deferred tax asset	2021	2020	2021	2020
	€000	€000	€000	€000
Capital allowances in excess of depreciation	(222)	(67)	387	165
Short term temporary differences	(81)	56	326	501
Net (credit) / charge for deferred tax assets	(303)	(11)	713	666

9. Taxation (continued)

(b) Provision for deferred tax

Analysis of movements during the year:

	2021
	€000
At 1 January 2021	666
Deferred tax credit in the profit and loss account	303
Deferred tax charge in other comprehensive income	(256)
At 31 December 2021	713

Deferred tax has been recognised on all the fixed assets and short term timing differences on the basis that they are expected to give rise to future profit.

10. Directors and employees

(a) Remuneration of directors

A number of directors are senior executives of the BP p.l.c. Group and received no remuneration for qualifying services to this company.

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 €129,686 (2020: €135,722). None of these directors received non-cash benefits in relation to qualifying services.

One of these qualifying directors was a member of the defined benefit section of the BP Pensioenfonds OFP as 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

	2021	2020
	€000	€000
Wages and salaries	1,515	1,467
Social security costs	230	216
Other pension costs	222	239
Share-based payment charge (Note 18)	97	57
Other benefits and contributions	74	77
Redundancies	1,011	396
	3,149	2,452

10. Directors and employees (continued)

(c) The average monthly number of downstream and non-UK employees during the year was 26 (2020 27).

Included in other pension costs are €170,802 (2020 €184,302) in respect of defined benefit schemes and €51,241 (2020 €55,184) in respect of defined contribution schemes.

11. Tangible assets

	Buildings on leasehold land			Plant & machinery			
	Owned tangible assets	Right-of-use assets	Computer software & hardware	Owned tangible assets	Right-of-use assets	Total	Of which AUC*
	€000	€000	€000	€000	€000	€000	€000
At Cost							
At 1 January 2021	62	117	901	6,424	3,153	10,657	948
Additions	—	—	1	51	—	52	6
Disposals	—	—	—	—	(28)	(28)	—
Transfers	—	—	(5)	5	—	—	(626)
31 December 2021	62	117	897	6,480	3,125	10,681	328
Depreciation							
1 January 2021	62	79	885	4,777	1,318	7,121	—
Charge for the year	—	38	5	127	665	835	—
Disposals	—	—	—	—	—	—	—
At 31 December 2021	62	117	890	4,904	1,983	7,956	—
Total net book value							
At 31 December 2021	—	—	7	1,576	1,142	2,725	328
Total net book value							
At 31 December 2020	—	38	16	1,647	1,835	3,536	948

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

12. Stocks

	2021	2020
	€000	€000
Refined petroleum and petrochemical products	7,072	3,802

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

13. Debtors

Amounts falling due within one year:

	2021	2020
	€000	€000
Trade debtors	5,555	2,570
Amounts owed from fellow subsidiaries	16,056	12,504
Prepayments	391	108
Taxation	121	121
VAT recoverable	244	214
Accrued income	6	—
	22,373	15,517

Amounts falling due after one year:

	2021	2020
	€000	€000
Prepayments	—	26
Total debtors	22,373	15,543

Included within the amounts owed from fellow subsidiaries is a variable rate Internal Financing Account (IFA) of €12,967,016 (2020 €12,167,317). Interest is accrued on a monthly basis based on LIBOR, primarily USD and EUR LIBOR. Whilst IFA balances are legally repayable on demand, in practice they have no termination date. These amounts are presented net as the company has met the offsetting criteria.

Trade and other receivables are predominantly non-interest bearing.

14. Creditors

Amounts falling due within one year:

	2021	2020
	€000	€000
Trade creditors	4,138	17
Amounts owed to fellow subsidiaries	1,544	573
Other creditors	2,125	1,072
Accruals	456	840
	8,263	2,502

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.

15. Obligations under leases

Obligations under leases are analysed as follows:

Within 5 years

	2021	2020
	Lease liabilities	Lease liabilities
	€000	€000
Not wholly repayable	1,250	1,971

16. Leases

The company leases a number of assets as part of its activities. This primarily includes oil depots and storage tanks in the Downstream segment as well as office accommodation. The weighted average remaining lease term for the total lease portfolio is around 3 years. Some leases will have payments that vary with market interest or inflation rates.

The company may enter into lease arrangements a number of years before taking control of the underlying asset due to construction lead times or to secure future operational requirements. The total undiscounted amount for future commitments for leases not yet commenced as at 31 December 2021 is Nil (2020 Nil).

	2021	2020
	€000	€000
Additions to right-of-use assets in the period	—	77
Total cash outflow for amounts included in lease liabilities	698	726

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

17. Other provisions

	Environmental
	€000
At 1 January 2021	35
At 31 December 2021	35

Following the transfer of aviation operations from the old Larnaca airport fuel terminal to the new fuel depot operated by Larnaca Fuelling System Ltd (LAFS) in October 2017, the old terminal site has been under demolishment and all the terminal assets will be demolished and decommissioned. An environmental provision of €40,000 was originally recognized, which is related to a possible groundwater and / or soil contamination at the old Larnaca airport site. The exact amount of the environmental remediation cost will be determined in year 2023 when the demolishment and decommissioning of the terminal assets will be completed and an Environmental Impact Assessment study will be conducted by an independent surveyor.

18. Share-based payments

Effect of share-based payment transactions on the company's result and financial position:

	2021	2020
	€000	€000
Total expense recognised for equity-settled share-based payment transactions	97	57
Total expense recognised for share-based payment transactions	97	57

All share-based payments transactions relate to employee compensation.

The share-based payment plans that operated during the year are detailed below:

Share Value Plan (SVP)
The number of units granted is related to the level of seniority of employees and country of operation. The number of units converted to shares is determined by reference to performance measures over the three-year performance period. Performance measures used include bp's total shareholder return (TSR) compared with the other oil majors, balanced scorecard and individual rating. The relative weighting of these different measures is related to the level of seniority of the employee.

Reinvent share plan (RSU/Options)
One-off share plan granted to all employees who have been selected to roles after the 'Reinvent BP' reorganization and also new joiners with start date in 2021. Number of units depend on global grade, GLs and SLLs receiving Options while grades G and below receiving Restricted Share Units (RSUs). All grants will vest in March 2025. The Reinvent bp share plan does not replace any existing share plan or reward programmes.

Savings and matching plans:

BP ShareMatch Plans
These matching share plans give employees the opportunity to buy ordinary shares in BP p.l.c. and receive free matching shares in BP p.l.c., up to a predetermined limit. The plans are run in the UK and in more than 50 other countries. They are known as ShareMatch UK in the UK, and as ShareMatch Global in other countries.

19. Called up share capital

	2021	2020
	€000	€000
Issued and fully paid:		
5,220,002 ordinary shares of £1 each for a total nominal value of £5,220,002	6,378	6,378

20. 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.

Other reserves
This reserve records share-based payment transactions.

21. Guarantees and other financial commitments

(i) Legal cases against the company

In 2007, the company received a claim by Customs & Excise Department for the amount of €869,049 plus penalty of €86,905 and interest at a rate of 9% p.a., regarding the supply of Jet-A1 fuel to Joannou & Paraskevaides (Overseas) Limited, on which no VAT and Excise duty was charged during the period from 1 May 2004 to 30 September 2007.

On 25 October 2010, the Court decided that VAT should be charged but Excise Duty should not be charged. Both the Customs & Excise Department and the customer appealed to this decision. On 12 September 2016, on recourse 197/2010 the appeal court decided against the customer and the customer had agreed to a repayment schedule of the claim.

On 7 February 2019, the company was notified by the Liquidator (Grant Thornton) that Joannou & Paraskevaides (Aviation) Limited (the holding company of Joannou & Paraskevaides (Overseas) Limited) entered into compulsory winding up and the company declared again all outstanding balances, justifying and verifying these with the relevant evidence, as requested by the Liquidator. There has been no further updates throughout 2021.

(ii) Guarantees

The company is contingently liable in respect of guarantees and indemnities provided to third parties of €1,457,907 (2020 €1,651,610) entered into as part of the ordinary course of the company's business. No material losses are likely to arise from these guarantees.

(iii) Other contingent liabilities

(a) Relocation to Vassiliko Industrial Area

On 19 June 2018 a non-binding MoU with actions to be done by Government and oil companies together with a timeline for relocation was signed. In the MoU the Government proposes to the oil companies two options: either to enter into a transitional agreement with one of the two companies already having a terminal at Vassilikos, or take all necessary actions to develop their own terminal within the specified timeline. Either way, the oil companies are requested to terminate operations at the Larnaca coastal area by 31 December 2019, a date which was later recently extended to 31 July 2021.

On 19 December 2018, further to the above and as required by the MoU, the company has proceeded to a transitional solution by entering into an agreement with PPT Aviation Services Limited ("PPT") for the storage of aviation fuel at PPT's storage terminal at Vassilikos industrial area as well as to receive certain storage and handling services.

On 15 March 2020, the company completed its relocation of its storage and distribution operations from its Larnaca Terminal to PPT's storage and distribution terminal at Vassilikos and closed all Larnaca Terminal operations by the end of June 2020 (see also (b) below for demolishment and decommissioning).

(b) Demolishment and decommissioning of Larnaca terminal

The demolishment and decommissioning of all the Larnaca terminal assets will most probably be executed by the operator of the terminal, Hellenic Petroleum (Cyprus) Limited (HPC), in an effort to keep the cost at the minimum due to economies of scale. The total cost of the demolished reached the amount of €429.833. There were no associated remediation costs for the land on which the Larnaca terminal was built, neither there were any associated environmental liabilities.

21. Guarantees and other financial commitments (continued)

(iii) Other contingent liabilities (continued)

(c) Customs claims for private flights excise duty not charged

On 3 January 2017, the company received seven claims by Customs & Excise Department for the total amount of €6,531,687 plus penalty of €653,169 and interest at the prevailing interest rate during the period of reference, regarding the supply of Jet-A1 fuel to its General Aviation customers executing private business flights for the period from 2 January 2011 to 31 August 2016, without charging Excise Duty.

Following a Supreme Court decision on 12 September 2016, in the appeal case No. 197/2010 Republic of Cyprus via the Customs Department vs Joannou & Paraskevaides (Overseas) Limited (the Decision) referred to in Note 21(i)(a) above, the Customs Department of the Republic of Cyprus issued a revised tax circular on 4 November 2016 essentially clarifying that only outbound flights conducted for the purposes of the State Authorities or involving the “for consideration” transfer of persons or merchandise or provision of services, may be exempted from Excise Duty, whereas prior to the Decision those outbound flights conducted for the purposes of the State Authorities or not constituting private pleasure flights were considered as meriting the exemption.

In the Decision, the Supreme Court, based its ruling inter alia on the judgment of the Court of Justice of the European Union (CJEU) in the case C-79/10 Systeme Helmholz GmbH against Hauptzollamt Nurnberg. In this case the ECJ ruled that air transportation activities made by a company for the transfer of its own staff to clients or to trade fairs using its own aircraft for the purpose of performing its own business activities, cannot be equated with the use of aircraft for commercial purposes within the meaning and for the purposes of Article 14 (1) (b) of the Directive 2003/96 and are not, therefore, included within the specific provision of the tax exemption for aviation fuel, since they relate to air navigation activities not directly serving the provision of air navigation services for a consideration.

Prima facie, Cypriot Customs are allowed by statute to go back 6 years and claim due taxes. In view of this and the Decision, Cypriot Customs have made claims for Excise Duty (plus VAT thereon) in connection with the refuelling of aircraft which took place at Larnaca and Paphos airports from 1 January 2011 onwards.

It should be noted that this is an industry wide issue in Cyprus and all fuel suppliers operating at the airports, face the same issue. Total exposure for the period 2 January 2011 - 31 August 2016 for the industry is estimated around €12m excluding penalties and interest. Accordingly, legal and other steps were undertaken by the affected fuel companies to meet the challenge facing them. At this early stage, it is difficult to make an assessment of the outcome of this case, but management believes that it is more likely than not to succeed in setting aside this claim in its entirety.

On 28 February 2017, the company objected to the Director of Customs & Excise Department for all seven claims, providing all legal and tax argumentations supporting its case and requesting the Customs & Excise Department to re-examine and withdraw the claims. On 16 March 2017, the company filed seven recourses, one for each claim, before the District Court of Cyprus.

On 15 January 2018, the Customs & Excise Department replied negatively to the company’s objections by rejecting almost all of its argumentations.

21. Guarantees and other financial commitments (continued)

(iii) Other contingent liabilities (continued)

(c) Customs claims for private flights excise duty not charged (continued)

On 20 March 2018, the company has filed seven new recourses, one for each claim, in response to the negative reply received from Customs & Excise Department. At a later stage, following the Court's instructions, the older recourses filed in 2017 were withdrawn, whereas the new recourses filed in 2018 were maintained.

On 19 November 2020, the Republic of Cyprus files a request for joint hearing of the above recourses, so that all recourses for all oil companies are heard together at Court. The company filed an objection against the joint hearing.

In June 2021, an interim judgement of the Administrative Court of Cyprus was published on the above request. The request of the Republic of Cyprus was accepted and an order for the joint hearing was issued.

The joint recourses are still pending and after a few postponements they have been set for instructions on 19 September 2022.

(d) Other

Further to the above, there are a number of claims made against the company arising from the ordinary course of its business from which no material losses are likely to arise.

22. Related party transactions

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

23. Pensions

(i) Description of the retirement benefits plans

The retirement benefit plans comprise of one plan of a defined contribution type and three plans of an overall defined benefit type. All plans are operated under the BP Pensioenfonds OFP plan, a BP Pan-European Cross Border plan registered and domiciled in Belgium.

The charge to the profit and loss account during the year for the defined contribution plan amounted to €51,241 (2020 €55,184).

"The Non Contributory Pension Fund" is the main retirement defined benefit plan and provides benefits based on final pensionable pay. The assets of the plan are held separately from those of the company, the majority of which are being invested with financial institutions.

The company has commissioned an actuary valuation of its plan liabilities as at 31 December 2021. The valuation was carried out by a qualified independent actuary on an on-going valuation basis using the projected unit credit valuation method.

23. Pensions (continued)

(ii) Actuarial valuation assumptions

The pension assumptions are set out below. The assumptions used to evaluate accrued pension benefits at 31 December are used to determine pension expense for the following year, that is, the assumptions at 31 December 2021 are used to determine the pension liabilities at that date and the pension cost for 2022.

	2021	2020
	% p.a.	% p.a.
Price inflation	1.60	1.45
Total salary increases	3.50	3.50
Discount rate	1.10	0.70
Expected return on assets	1.10	0.70
Pension increases	0.80	0.73
SIS Pension increases	0.80	0.73
Increase in insurable earning	2.60	2.45
Normal Retirement Age	61.00	61.00
Average future working life	14.90	12.30

Under the current plan rules, there is no obligation to grant increases to pensions. Although the company had previously decided to provide for the pension increases based on the discretionary practice for previous years, due to a 2013 legislation voted in by the Parliament, in order to comply with the Cyprus 'bail-out' programme signed by the Cyprus Government and the European Commission (EC), the European Central Bank (ECB) and the International Monetary Fund (IMF) (the Troika) - which put into suspension any Cost of Living Allowance (COLA) increases on salaries and pensions in the public sector and the broader public sector for the years 2013 -2016, the company had also decided not to provide any pension increases for the years 2013-2016, in line with the above mentioned legislation and the Social Insurance Department decision on state pensions.

According to the terms of the Memorandum agreed between the Cyprus Government and the Troika, from 2017 onwards, increases to the Social Insurance Supplementary State pensions will be assumed to be in line with 50% of the prevailing inflation rate. Therefore, for years 2021 and 2020, a 50% of the assumed inflation rates of 1.60% and 1.45% respectively were assumed, that is, a pension increase of 0.80% and 0.73% respectively.

On 28 July 2017, a transitional agreement was endorsed and signed between the Cyprus Government and the social partners that would enable the reactivation of COLA as from 1 January 2018. The transitional agreement provides for the following:

- the calculation and disbursement of COLA once a year (on 1 January);
- the disbursement of COLA at a reduced rate of 50%;
- the incorporation of the accumulative COLA rate into basic salaries on 31 December 2017 and a new start of COLA rate accumulation from zero; and
- the suspension of COLA in the event of economic contraction in both the second and third quarters of the preceding year.

23. Pensions (continued)

(ii) Actuarial valuation assumptions (continued)

The agreement is due to apply for a transitional period of 3 years, covering the years 2018, 2019 and 2020. The transitional period will be used to negotiate an agreement for a permanent reform of COLA and the social partners are committed to engage in social dialogue towards this end, no permanent reform was achieved. The agreement applies only in the private sector. However, a similar agreement is also in place for the public sector.

A further extension of the agreement for another year was also later agreed in order to cover year 2021. Therefore, for year 2021 due to the fact that the inflation rate for the previous year was negative at -0.66%, COLA remained at 1.27%, that is, at the same level as for the previous year.

In turn, as from 1 January 2021, and in compliance to what has been agreed between the Cyprus Government and the social partners in the transitional agreement as referred to above, the company did not provide any increment in pension. (2020 0.23%).

(iii) Actuarial valuation results

The valuation showed that the value of the company's plan liabilities as at 31 December 2021 was €6,632,375 (2020 €8,350,562). The surplus in the company's plan as at 31 December 2021, recognised in the balance sheet, as measured in accordance with requirements of FRS101, is estimated at net asset of €1,101,631 (2020 net liability of €240,153), as follows:

	2021	2020
	€	€
Amounts recognised in the balance sheet		
Total market value of assets	7,734,006	8,110,409
Present value of plan liabilities	(6,632,375)	(8,350,562)
Gross asset / (liability) recognised in the balance sheet	1,101,631	(240,153)
Related deferred tax (liability) / asset	(137,704)	30,019
Asset / (liability) net of deferred tax (liability) / asset	963,927	(210,134)

The various categories of plan assets are:

	2021	2020
	€	€
Property	835,000	835,000
Bonds	3,810,321	4,145,528
Equities	3,087,995	3,129,153
Cash	690	728
	7,734,006	8,110,409

According to the 2021 actuarial valuation, the total funding contribution rate for the future years is estimated at 17.9% of pensionable pay (2020 14.5%), assuming that no discretionary pension increases (2020 0.73%) will be payable.

During 2021, the company paid an additional funding contribution to the defined benefit plan of €322,000 (2020 €160,000), being additional deficit funding contribution of €96,000 (2020 €70,000) and management and death and disability reinsurance costs contribution of €226,000 (2020 €90,000). This has been a requirement of the Financial Services and Markets Authority (FSMA) in Belgium, which is the Belgian Regulatory Authority for Occupational Retirement Plans.

23. Pensions (continued)

(iii) Actuarial valuation results (continued)

The additional funding represents the funding deficit as calculated by an independent actuary, AON Hewitt Cyprus, using previous year's data (for 2021 funding valuation used 31 December 2020 data and for 2020 funding valuation used 31 December 2019 data) and applying FSMA required assumptions. This was calculated based on an Long-Term Provision/Short Term Provisions (LTP/STP) methodology using a discount rate of 0.77% (2020 0.27%), as required by FSMA. The difference between LTP/STP methodology to the Projected Benefit Obligation (PBO) methodology used for IFRS purposes is that LTP/STP does not allow any future salary increases.

	2021	2020
	€	€
Amounts recognised in the profit and loss account		
Current service cost	180,307	186,077
Net interest charge	1,013	3,202
Total profit and loss charge	181,320	189,279
Amounts recognised in statement of comprehensive income (CI)		
Return on plan assets above the amount included in the income statement	599,431	110,666
Actuarial gain/(loss) arising from experience adjustments	152,948	(54,718)
Actuarial gain/(loss) arising from changes in assumptions	277,923	(38,838)
Actuarial gain recognised in the statement of CI	1,030,302	17,110
Movement in the fair value of plan assets during the year		
Fair value of plan assets at 1 January	8,110,409	8,272,557
Expected return on plan assets	55,137	80,094
Regular contributions by employer	170,802	184,302
Deficit contributions by employer	96,000	70,000
Death and disability reinsurance costs contributions by employer	226,000	90,000
Benefit payments	(1,523,773)	(697,210)
Actuarial gain on plan assets	599,431	110,666
Fair value of plan assets at 31 December	7,734,006	8,110,409
Movement in defined benefit plan liabilities during the year		
Benefit obligation at 1 January	(8,350,562)	(8,684,843)
Current service cost	(180,307)	(186,077)
Interest charge	(56,150)	(83,296)
Benefit payments	1,523,773	697,210
Actuarial gain/(loss) on benefit obligation - financial assumptions	277,923	(38,838)
Actuarial gain/(loss) on benefit obligation - experience adjustments	152,948	(54,718)
Defined benefit obligation at 31 December	(6,632,375)	(8,350,562)

23. Pensions (continued)

(iii) Actuarial valuation results (continued)

	2021	2020
	€	€
Movement in gross liability in the balance sheet		
Gross liability at 1 January	(240,153)	(412,286)
Actual contributions paid by employer	492,802	344,302
Total expense recognised in the income statement	(181,320)	(189,279)
Gross asset / (liability) in the balance sheet before adjustment	71,329	(257,263)
Amount recognised in the statement of CI	1,030,302	17,110
Gross asset / (liability) at 31 December	1,101,631	(240,153)

(iv) Sensitivity analysis

The discount rate and inflation rate have a significant effect on the amounts reported. A sensitivity analysis of the impact of changes in these assumptions on the benefit expense and obligation, is provided below.

	Central Assumptions	Discount rate + 0.5%	Salary inflation rate + 0.5%
	€	€	€
Amounts recognised in the profit and loss for 2022			
Current service cost	106,820	96,360	124,749
Net interest income	(14,333)	(25,800)	(11,777)
Total profit and loss charge	92,487	70,560	112,972
Impact %	—	*-23.7%*	*+22.1%*
Amounts recognised in the balance sheet			
Present value of plan liabilities	6,632,375	6,322,913	6,865,261
Impact %	—	*-4.7%*	*+3.5%*

24. Other post-retirement benefits

(i) Actuarial valuation assumptions

The company provides post-retirement medical benefits to its retired employees and dependants. The cost of providing post-retirement benefits is assessed by independent actuaries using the projected unit method. The date of the latest actuarial valuation was 31 December 2021.

The key financial assumptions used for the medical fund are set out below. The assumptions used to evaluate medical fund benefits at 31 December in the year are used to determine medical fund expense for the following year, that is, the assumptions at 31 December 2021 are used to determine the medical fund liabilities at that date and the medical fund cost for 2022.

24. Other post-retirement benefits (continued)

(i) Actuarial valuation assumptions (continued)

	2021	2020
	% p.a.	% p.a.
Discount rate	1.10	0.70
Medical inflation rate	2.80	2.65
Medical incidence claim increase	1.50	1.50
Price inflation	1.60	1.45

(ii) Actuarial valuation results

The valuation showed that the value of the company's plan liabilities as at 31 December 2021 was €2,375,362 (2020 €2,360,728). The deficit in the company's plan as at 31 December 2021, recognised in the balance sheet, as measured in accordance with requirements of FRS 101, is estimated at €2,375,362 (2020 €2,360,728), as follows:

	2021	2020
	€	€
Amounts recognised in the balance sheet		
Present value of plan liabilities	(2,375,362)	(2,360,728)
Gross liability recognised in the balance sheet	(2,375,362)	(2,360,728)
Related deferred tax asset	296,920	295,091
Liability net of deferred tax asset	(2,078,442)	(2,065,637)
Amounts recognised in the profit and loss		
Current service cost	43,373	47,203
Net interest cost	16,142	25,701
Total operating charge	59,515	72,904
Amounts recognised in statement of comprehensive income (CI)		
Experience gains arising on the scheme liabilities	(60,168)	48,712
Changes in assumptions underlying the present value of scheme liabilities	50,033	226,485
Actuarial (loss) / gain recognised in the statement of CI	(10,135)	275,197
Movement in defined benefit plan liabilities during the year		
Benefit obligation at 1 January	(2,360,728)	(2,630,916)
Current service cost	(43,373)	(47,203)
Benefit payments	55,016	67,895
Net interest charge	(16,142)	(25,701)
Actuarial (loss) / gain on obligation	(10,135)	275,197
Defined benefit plan liability at 31 December	(2,375,362)	(2,360,728)

24. Other post-retirement benefits (continued)

(ii) Actuarial valuation results (continued)

	2021	2020
	€	€
Movement in gross liability in the balance sheet		
Gross liability at 1 January	(2,360,728)	(2,630,916)
Actual contributions paid by employer	55,016	67,895
Total expense recognised in the income statement	(59,515)	(72,904)
Gross liability in the balance sheet before adjustment	(2,365,227)	(2,635,925)
Amount recognised in the statement of CI	(10,135)	275,197
Gross liability at 31 December	(2,375,362)	(2,360,728)

(iii) Sensitivity analysis

The discount rate and inflation rate have a significant effect on the amounts reported. A sensitivity analysis of the impact of changes in these assumptions on the benefit expense and obligation, is provided below.

	Central Assumptions	Discount rate + 0.5%	Medical inflation rate + 0.5% *
	€	€	€
Amounts recognised in the profit and loss for 2022			
Current service cost	39,561	34,310	45,784
Net interest charge	25,518	34,336	27,598
Total profit and loss charge	65,079	68,646	73,382
Impact %	—	*+5.5%*	*+12.8%*
Amounts recognised in the balance sheet			
Present value of plan liabilities	2,375,362	2,201,560	2,564,561
Impact %	—	*-7.3%*	*+8.0%*

** the healthcare cost trend rate is embedded in the medical inflation rate*

25. Immediate and ultimate controlling parent undertaking

The immediate parent undertaking is BP Global Investments 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.