BP EXPLORATION BETA LIMITED
(Registered No.00895797)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2020

Board of Directors: K MacLennan
A Bastos
L A Whiting

The directors present the strategic report, their report and the audited financial statements for the year ended 31 December 2020.

STRATEGIC REPORT

Results

The loss for the year after taxation was $36,773,000 which, when added to the retained profit brought forward at 1 January 2020 of $178,835,000 gives a total retained profit carried forward at 31 December 2020 of $142,062,000.

Principal activities and review of the business

The company is engaged in the exploration for and production and selling of hydrocarbons in Angola and in the United Kingdom.

Further to Decree 103/20 published in March 2020, BP Exploration Beta Limited and BP Angola (Block 18) B.V. transferred 4% equity interest to Sonangol P&P (0.84% from BP Exploration Beta Limited) during 2020. Together with 4% participating interest transferred from Sonangol Sinopec Internacional Limited under Decree 102/20, this gave Sonangol P&P an 8% participating interest in Block 18. Additionally a further 8.28% participating interest was transferred from Sonangol Sinopec Internacional Limited to Sonangol P&P during 2020, increasing the total participating interest of Sonangol P&P to 16.28%. The Novation and Concession Agreements to enact the transfers of participating interest, with an effective date of 1 July 2020, were finally signed by the new Contractor Group in December 2020. Also in December 2020 Executive Decree 372/20 was published which approved the extension of the production period to 2032.

The company also owns participating interests in the Chrysaor operated Southern Waters V-Fields (South Valiant (37.5%),Vampire (20%), Viscount (20%), Loggs (20%)) located in the North Sea of the United Kingdom. All production ceased in Southern Waters in 2018.

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

	2020	2019	Variance
	$000	$000	%
Turnover	61,727	96,701	(36)
Operating (loss) / profit	(52,732)	6,443	(918)
(Loss) / profit for the financial year	(36,773)	9,128	(503)
Total equity	702,158	738,931	(5)

	2020	2019
	%	%
Quick ratio*	2,885	4,461
Gross (loss) / profit percentage**	(39)	12

*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.

**Gross (loss) / profit percentage is defined as gross (loss)/profit divided by turnover.

Turnover has decreased by $34,974,000 in 2020, mainly due to the significant decrease of average realized price which resulted from the significant volatility in the oil and gas prices.

During 2020, the company made an operating loss of $52,732,000 compared to operating profit of $6,443,000 in 2019. The decrease of $59,175,000 is mainly due to a decrease in turnover (as explained above), furthermore increase of $10,676,000 due to an impairment of intangible assets and increase of $13,225,000 due to an impairment of tangible assets as a result of changes to the group's oil and gas price assumptions and from management's re-assessment of expectations to extract value from certain properties as a result of a review of the group's long-term strategic plan.

During the year, the company recognised a tax credit of $16,170,000 compared to tax charge of $4,452,000 in 2019. The decrease in overall charge of $20,622,000 was driven by a decrease of $17,001,000 in the deferred tax charge and a decrease of $3,621,000 in the current tax provision.

The decrease in total equity was due to the loss for the year.

The decrease in quick ratio was mainly a result of a decrease in amounts owed from parent undertakings.
The significant decrease of gross profit percentage is attributable to the decrease of 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 414 C of the Companies Act 2006 (the "Act").

The role of the board of directors of the company plays an integral part in demonstrating how the directors have had regard to the matters set out in section 172(1). During the course of the year the following primary tasks were undertaken by the board of directors 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 significant operational challenges presented by the COVID-19 pandemic, having regard to the company's safe and reliable operations; and
- Assessing principal and emerging risks relevant to the company

In light of the role of the board, and their primary tasks and considerations throughout the year (as described above), the directors have discharged their duties under section 172(1) in a way that they considered, in good faith, is most likely to promote the success of the company for the benefit of its members as a whole, having regard to the likely consequences of any decision in the long term and the broader interests of other stakeholders, as required by the Act. In doing so, the directors have considered, amongst other matters:

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

The directors also considered the interests of a wider set of stakeholders, including joint venture partners, government departments, local authorities and commercial counterparties. Further information on the process behind how the BP p.l.c. board makes decisions that affect the stakeholders of its subsidiaries, including the company, can be found on pages 82 to 83 of BP p.l.c.'s Annual Report and Form 20-F 2020.

To support the directors in the discharge of their duties, and whilst making decisions on behalf of the company, the directors have access to bp central functions assurance support to identify matters which may have an impact on the proposed decision including, where relevant, the section 172 factors outlined above. To ensure the efficiency and effectiveness of engagement with key stakeholders identified by the company, certain stakeholder engagement is led by the bp group, particularly where the impact of a decision may impact the group's reputation.

Stakeholders
The directors believe that engagement with its shareholders and wider stakeholder groups plays a vital role throughout bp's business. During 2020, the directors reiterated their focus on engagement with key stakeholders, as well as an increased focus on environment, social and governance ("ESG") matters. The following outlines key stakeholders identified by the bp group and the company, where relevant, and how their interests were taken into consideration during the decision making process where appropriate.

Shareholders
The directors identify that engagement with shareholders is of key importance to the ongoing success of the company and, as such, when taking decisions, the directors had regard to the company's shareholders with regard to long-term value.

Community and environment
bp consults with communities, NGOs, academics and industry associations about the future of bp, with regard to the environment and social matters and the issues facing the world, drawing on their external expertise, input and challenge. In 2020 this included providing input to the EU methane strategy and supported the UK government's planned phase out of internal combustion engines.

In 2020 bp developed its updated position on biodiversity and new measures to help restore, maintain and enhance nature with input and constructive challenge from international nature and conservation organizations and experts including Conservation International, Fauna & Flora International (FFI), UNESCO and IUCN.

bp also updated its business and human rights policy in 2020 to address emerging human rights issues relevant to our industry, clarify our human rights commitments and communicate how bp's approach to managing human rights impacts has advanced. The update was supported by consultations with a wide range of NGOs, subject matter experts and investors.

Maintaining a reputation for high standards of business conduct
In 2020 bp launched its new sustainability frame, aims and objectives linked to the UN Sustainable Development Goals. bp's values of safety, respect, excellence, courage and one team define how the group, including the company and its board of directors, 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 relevant board of directors operate. The directors of the company continued to adhere, in good faith, to the bp code of conduct during the year, to ensure the board and the company maintained 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, for example the customer & products business delivered a regional annual contractor forum digitally, providing awareness of bribery and corruption risks.

Stakeholder considerations have been especially pertinent during the COVID-19 pandemic, whereby the bp group and the company, where relevant, has strived to keep its business viable for its shareholders and other stakeholders.

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 2020.

Strategic and commercial risks

Prices and markets

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

Access, renewal and reserves progression

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

Major project delivery

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

Geopolitical

The company is exposed to a range of political developments and consequent changes to the operating and regulatory environment could cause business disruption. These may in turn cause production to decline, limit the company's ability to pursue new opportunities, affect the recoverability of its assets or cause it to incur additional costs. 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 a future epidemic or pandemic) may disrupt or curtail its operations or development activities.

The impact of the UK's exit from the EU

bp have been assessing the potential impact on the group of Brexit and the UK's future global relationships and have not identified any significant risk to the business.

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.

The impact of coronavirus (COVID-19)

The spread of COVID-19 has caused significant volatility in the oil and gas prices and refining margins. bp's future financial performance will be impacted by the extent and duration of the current market conditions and the effectiveness of the actions that it and others take, including its financial interventions. bp's financial frame is designed to be robust to periods of low price, with flexibility to reduce cost and capital expenditure if required. We continue to assess the impact of COVID-19 and have instigated appropriate mitigation plans.

Joint arrangements and contractors

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

Digital infrastructure and cybersecurity

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

Climate change and the transition to a lower carbon economy

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

Competition

Inability to remain efficient, maintain a high-quality portfolio of assets, innovate and retain access to an appropriately skilled workforce (who may be employed by another bp group company), could negatively impact delivery of the company's strategy in a highly competitive market.

Crisis management and business continuity

Potential disruption to the company's business and operations could occur if it does not address an incident effectively.

Insurance

The bp group's insurance strategy could expose the bp group to material uninsured losses which in turn could adversely affect the company.

Safety and operational risks

Process safety, personal safety and environmental risks

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

Drilling and production

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

Security

Hostile acts against the company's activities could 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.

The impact of reinventing bp on the organization

Last year it was announced that we are reinventing bp to help deliver our ambition. This significant reorganization includes a new structure, a new leadership team, new ways of working and a reduction in the size of bp's office based workforce. The risks associated with these changes have been identified, assessed and managed with the support of project management offices. As part of bp's three lines of defence, our businesses, integrators, enablers and internal audit are working to deliver clear accountabilities and the associated planned workload reduction. All individuals changing roles or leaving bp are required to complete a management of change.

Financial risk management

The company is exposed to a number of different financial risks arising from natural business exposures as well as its use of financial instruments including market risks relating to commodity prices, foreign currency exchange rates and interest rates; credit risk; and liquidity risk. Further details on these financial risks are included within Note 29 of the bp group Annual Report and Form 20-F for the year ended 31 December 2020.

Authorized for issue on behalf of the Board

DocuSigned by:
Karen MacLennan
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24-09-21

K MacLennan
Director

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DIRECTORS' REPORT

BP EXPLORATION BETA LIMITED

Directors

The present directors are listed on page 1.

S J MacRae, A D Flores, H Leach, D A Rider, S Willis, K MacLennan, A Bastos and J C Lyons served as directors during the financial year. Changes since 1 January 2020 are as follows:

	Appointed	Resigned
A D Flores		15/03/2020
H Leach		15/03/2020
D A Rider		15/03/2020
K MacLennan	15/03/2020	
S Willis		07/01/2020
A Bastos	07/01/2020	
S J MacRae		28/08/2020
J C Lyons	01/10/2020	06/04/2021
L A Whiting	06/04/2021	

Directors' indemnity

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

Dividends

The company has not declared any dividends during the year (2019: Nil). The directors do not propose the payment of a dividend.

Financial instruments

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

Post balance sheet events

In the second quarter of 2021 the company booked impairment reversals of $7,896,000 relating to producing assets. These principally arose as a result of changes to the bp group's oil and gas price assumptions. The price assumption for Brent oil up to 2030 was increased to reflect near-term supply constraints, whereas the long-term assumption was decreased reaching $55 per barrel by 2040 and $45 per barrel by 2050 (in real 2020 terms). The recoverable amounts of the cash generating units were based on value-in-use calculations. These revisions and impairment reversals relate to events and circumstances arising since 31 December 2020 and therefore the impact on the company will be included in the financial statements for the year ended 31 December 2021.

On 19 May 2021, bp and Eni announced that they have entered into a non-binding memorandum of understanding to progress detailed discussions on combining their upstream portfolios in Angola, including all their oil, gas and LNG interests in the country. Discussions with ENI and other relevant stakeholders are ongoing and as this relates to events arising since 31 December 2020 any financial impact on the company will be considered and included, if applicable, in the financial statements for the year ended 31 December 2021.

Going concern

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

Since 1 January 2020, there has been significant volatility in the oil and gas prices and refining margins, in large part due to the impact of the international spread of COVID-19 (Coronavirus) and geopolitical factors. The impact of COVID-19 and the current economic environment on the basis of preparation of these financial statements has been considered.

The loss for the year ended 31 December 2020 was $36,773,000. The company has positive net current assets of $641,699,000, giving positive net assets amounting to $702,158,000. There is an Internal Financing Accounts (IFA) agreement in place between BP International Limited and BP Exploration Beta Limited which contains an overdraft facility.

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

In assessing the prospects of BP Exploration Beta 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.

Engagement with other stakeholders

The board of directors of the company aims to foster enduring relationships with governments, customers, partners, suppliers and communities in the countries where it operates. The directors work with business partners in an honest, respectful and responsible way and seek to work with others who share the company's commitments to safety and ethics and compliance.

DIRECTORS' REPORT

The company's activities, and the decisions of its directors, affect a wide variety of individuals and organizations. The directors engage with these stakeholders and listen to their differing needs and priorities as an everyday part of business, utilising the input and feedback to inform the directors' decision making process on behalf of the company.

As noted in the section 172 (1) statement, responsibility for decisions that impact the entire group is taken at BP p.l.c. level. 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, to understanding tax liabilities, to collaborating on community initiatives.

On behalf of the company, the BP group conducts site visits to monitor how work is being carried out and check it meets expectations and to share knowledge. Site visits are intended to be mutually beneficial in terms of improvement and learning opportunities.

The bp group also seeks to engage with customers through forums such as social media, focus groups and in-depth interviews with customers to better understand customer's needs and seek their feedback.

The director's 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, as well as increased road traffic, changes in the landscape and increased demands for fresh water. 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.

In relation to the company's relationship and engagement with governments, regulators, community and environment, please refer to the company's section 172 (1) statement.

For further information on the process behind how the BP p.l.c. board makes decisions that affect the stakeholders of its subsidiaries, including the company, please refer to the section 172 (1) statement available in the BP p.l.c. Annual Report and Form 20-F 2020.

During the year the directors continued with the implementation of the company's strategy, as highlighted in the strategic report in respect of the principal activities of the company, and decisions made by the directors were in respect of operational matters, in furtherance of the bp group purpose.

Streamlined Energy & Carbon Reporting (SECR)

As a UK subsidiary of a UK parent company which prepares a group directors' report, SECR reporting details are included in the strategic report of the bp group Annual Report and Form 20-F for the year ended 31 December 2020.

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

DocuSigned by:
Karen Maclennan
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K MacLennan 24-09-21

Director

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BP EXPLORATION BETA LIMITED

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 ‘Reduced Disclosure Framework’. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss for that period. In preparing these financial statements, the directors are required to:

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

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

The directors confirm that they have complied with these requirements. Details of the directors' assessment of going concern are provided in the directors' report.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BP EXPLORATION BETA LIMITED

Report on the audit of the financial statements

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

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

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

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

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

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

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

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

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

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

Report on other legal and regulatory requirements

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

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

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

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit;
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

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

DocuSigned by:
Mikhail Raikhman 27-Sep-2021
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Mikhail Raikhman, ACA (Senior Statutory Auditor)
for and on behalf of **Deloitte LLP,** **Statutory Auditor**
London, United Kingdom

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2020

BP EXPLORATION BETA LIMITED

	Note	2020	2019
		$000	$000
Turnover	**3**	61,727	96,701
Cost of sales		(85,824)	(85,107)
Gross (loss) / profit		(24,097)	11,594
Administrative expenses		209	(275)
Other operating income		2	69
Impairment of intangible assets	**11**	(10,676)	—
Impairment of tangible assets	**12**	(18,170)	(4,945)
Operating (loss) / profit	**4**	(52,732)	6,443
Interest receivable and similar income	**6**	2,335	12,607
Interest payable and similar charges	**7**	(2,546)	(5,470)
(Loss) / profit before taxation		(52,943)	13,580
Tax on (loss) / profit	**9**	16,170	(4,452)
(Loss) / profit for the financial year		(36,773)	9,128

The loss of $36,773,000 for the year ended 31 December 2020 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

BP EXPLORATION BETA LIMITED

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

BALANCE SHEET

AT 31 DECEMBER 2020

BP EXPLORATION BETA LIMITED

(Registered No.00895797)

	Note	2020 $000	2019 $000
Fixed assets			
Intangible assets	**11**	9,228	20,085
Tangible assets	**12**	180,486	226,271
		189,714	246,356
Current assets			
Stocks	**13**	14,635	17,233
Debtors – amounts falling due:			
within one year	**14**	638,646	652,656
after one year	**14**	10,553	9,539
		663,834	679,428
Creditors: amounts falling due within one year	**15**	(22,032)	(14,532)
Lease liabilities	**16**	(103)	(99)
Net current assets		641,699	664,797
TOTAL ASSETS LESS CURRENT LIABILITIES		831,413	911,153
Lease liabilities	**16**	(95)	(182)
Provisions for liabilities and charges			
Deferred tax liability	**9**	(14,754)	(38,741)
Other provisions	**18**	(114,406)	(133,299)
NET ASSETS		702,158	738,931
Capital and reserves			
Called up share capital	**19**	560,096	560,096
Profit and loss account	**20**	142,062	178,835
TOTAL EQUITY		702,158	738,931

Authorized for issue on behalf of the Board

DocuSigned by:

Karen Maclennan

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K Maclennan 24-09-21

Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

BP EXPLORATION BETA LIMITED

	Called up share capital (Note 19)	Profit and loss account (Note 20)	Total
	$000	$000	$000
Balance at 1 January 2019	560,096	169,707	729,803
Profit for the year, representing total comprehensive income	—	9,128	9,128
Balance at 31 December 2019	560,096	178,835	738,931
Loss for the year, representing total comprehensive loss		(36,773)	(36,773)
Balance at 31 December 2020	560,096	142,062	702,158

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

BP EXPLORATION BETA LIMITED

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

The financial statements of BP Exploration Beta Limited for the year ended 31 December 2020 were approved by the board of directors on 24 September 2021 and the balance sheet was signed on the board's behalf by K Maclennan. BP Exploration Beta Limited is a private company, limited by shares, incorporated, domiciled and registered in England and Wales (registered number 00895797). The company's registered office is at Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom. These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the provisions of the Companies Act 2006.

2. Significant accounting policies, judgements, estimates and assumptions

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

Basis of preparation

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

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

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

(a) the requirements of IFRS 7 Financial Instruments: Disclosures;
(b) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement;
(c) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
(d) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
   (i) paragraph 79(a)(iv) of IAS 1;
   (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
   (iii) paragraph 118(e) of IAS 38 Intangible Assets;
(e) the requirements of IAS 7 Statement of Cash Flows;
(f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective;
(g) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
(h) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
(i) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c)-135(e) of IAS 36, Impairment of Assets;
(j) the requirement of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;
(k) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases; and

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

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

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

Significant accounting policies: use of judgements, estimates and assumptions

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

The areas requiring the most significant judgement and estimation in the preparation of the financial statements are: exploration and appraisal intangible assets, the recoverability of asset carrying values, including the estimation of reserves and decommissioning provisions.

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

Judgements and estimates made in assessing the impact of climate change and the energy transition
Climate change, the energy transition, bp's strategy to 2030 and ambition to become a net-zero company by 2050 or sooner were considered in preparing the financial statements. These issues may also have significant impacts on the currently reported amounts of the company's assets and liabilities discussed below as well as similar assets and liabilities that may be recognized in the future.

Impairment of property, plant and equipment
The energy transition is likely to impact the future prices of commodities such as oil and natural gas which in turn may affect the recoverable amount of property, plant and equipment in the oil and gas industry. bp's best estimate oil and natural gas price assumptions for value-in-use impairment testing were revised downwards during 2020 and are broadly in line with a range of transition paths consistent with the Paris climate change agreement or other low oil price scenarios. See significant judgements and estimates: recoverability of asset carrying values for further information including sensitivity analysis in relation to reasonably possible changes in the price assumptions.

Impairments were recognized during 2020 on certain oil and gas properties as a result of the lower price assumptions. See Note 12 for further information.

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

NOTES TO THE FINANCIAL STATEMENTS

Exploration and appraisal intangible assets

The energy transition may affect the future development or viability of exploration prospects. The lower price assumptions and bp's long-term net-zero strategy resulted in a review of the recoverability of exploration and appraisal intangible assets during 2020. Certain intangible assets were subsequently written-off. See significant judgement: exploration and appraisal intangible assets and Note 11 for further information. The revised assumptions for investment appraisal seek to ensure that future capital expenditure on property plant and equipment, and exploration and appraisal intangibles, is aligned with bp's net-zero strategy.

Property, plant and equipment – depreciation and expected useful lives

The energy transition may curtail the expected useful lives of oil and gas industry assets thereby accelerating depreciation charges. The majority of the company's property, plant and equipment is likely to be fully depreciated within the next 10 years and oil and natural gas will remain part of bp's net-zero ambition to 2050 or sooner. Therefore, management does not expect the useful lives of the company's reported property, plant and equipment to change and do not consider this to be a significant accounting judgement or estimate. The useful lives of future capital expenditure may, however, be different. See significant accounting policy: property, plant and equipment for more information.

Provisions: decommissioning

The energy transition may bring forward the decommissioning of oil and gas industry assets thereby increasing the present value of associated decommissioning provisions. The majority of the company's oil and gas properties are expected to start decommissioning within the next two decades and management does not expect a reasonable change in the expected timeframe to have a material effect on the decommissioning provisions, assuming cash flows remain unchanged. Decommissioning cost estimates are based on the known regulatory and external environment. These may change in the future as a result of the energy transition. See significant judgements and estimates: provisions for further information.

Judgements and estimates made in assessing the impact of the COVID-19 pandemic and the economic environment

In preparing the financial statements, the following areas involving judgement and estimates were identified as most relevant with regards to the impact of the COVID-19 pandemic and current economic environment.

Going concern

Forecast liquidity for the bp group has been assessed under a number of stressed scenarios and a reverse stress test was performed to support the going concern assertion. No material uncertainties over going concern or significant judgements or estimates in the assessment were identified.

Discount rate assumptions

The discount rates used for impairment testing and provisions were reviewed during the year. The post-tax impairment discount rate and nominal provisions discount rate were unchanged from 2019. Premiums for certain higher-risk countries were changed but this did not have a material impact. See significant judgements and estimates: recoverability of asset carrying values and provisions for further information.

Oil and natural gas price assumptions

The price assumptions used in value-in-use impairment testing were significantly lowered during the year. Material impairment charges and exploration write-offs were recognized as a consequence of these price assumption changes. See significant judgements and estimates: recoverability of asset carrying values and exploration and appraisal intangible assets for further information.

NOTES TO THE FINANCIAL STATEMENTS

Significant accounting policies

Going concern

The directors have 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 and the financial statements have therefore been prepared under the going concern basis.

For further detail on the directors' going concern assessment, please refer to the directors' report.

Foreign currency

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

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

Investments

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

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

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

Intangible assets

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

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

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

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

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

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

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

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

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

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

Development expenditure

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

Significant judgement: exploration and appraisal intangible assets

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

As a result of the revised price assumptions detailed in Significant judgements and estimates: recoverability of asset carrying values below and a review of bp’s long-term strategic plan, management reviewed the company’s exploration prospects and the carrying value of the associated intangible assets. The outcome of the review resulted in revised judgements over management's expectations to extract value from certain prospects, thereby leading to material write-offs of the associated exploration and appraisal intangible assets in 2020.

The carrying amount of capitalized costs and further information on the write-offs are included in Note 11.

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 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.

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

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:

Land and buildings
Buildings 4 to 22 years
Fixtures and fittings
Fixtures and fittings 1 to 8 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.

Impairment of intangible and tangible assets

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

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

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.

Significant judgements and estimates: recoverability of asset carrying values

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

The recoverable amount of an asset is the higher of its value in use and its fair value less costs of disposal. Fair value less costs of disposal may be determined based on expected sales proceeds or similar recent market transaction data.

Details of impairment charges and reversals recognized in the profit and loss account are provided in Note 4 and details of the carrying amounts of assets are shown in Note 12.

The estimates for assumptions made in impairment tests in 2020 relating to discount rates and oil and gas properties are discussed below. Changes in the economic environment or other facts and circumstances may necessitate revisions to these assumptions and could result in a material change to the carrying values of the company's assets within the next financial year.

Discount rates

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

The discount rates applied in impairment tests are reassessed each year. In 2020 the post-tax discount rate used for Angola CGU's was 7% (2019: 6%) and the pre-tax discount rate was 14% (2019: 14%).

Oil and natural gas properties

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

In 2020, the company identified oil and gas properties with carrying amounts totalling $180 million (2019: $226 million) where the headroom, as at the dates of the last impairment test performed on those assets, was less than or equal to 20% of the carrying value. A change in the discount rate, reserves, resources or the oil and gas price assumptions in the next financial year may result in a recoverable amount of one or more of these assets above or below the current carrying amount and therefore there is a significant risk of impairment reversals or charges in that period.

The recoverability of intangible exploration and appraisal expenditure is covered under Oil and natural gas exploration, appraisal and development expenditure above.

Information on the carrying amounts of the company's oil and natural gas properties, together with the amounts recognized as depreciation, depletion and amortization is contained in Note 12.

Oil and natural gas prices

The price assumptions used for value in use impairment testing are based on those used for investment appraisal. The investment appraisal price assumptions are recommended by the bp group senior vice president economic & energy insights after considering a range of external price, and supply and demand forecasts under various energy transition scenarios. They are reviewed and approved by management. As a result of the current uncertainty over the pace of transition to lower-carbon supply and demand and the social, political and environmental actions that will be taken to meet the goals of the Paris climate change agreement, the forecasts and scenarios considered include those where those goals are met as well as those where they are not met.

bp sees the prospect of an enduring impact on the global economy as a result of the COVID-19 pandemic, with the potential for weaker demand for energy for a sustained period. bp's management also expects that the aftermath of the pandemic will accelerate the pace of transition to a lower carbon economy and energy system as countries seek to 'build back better' so that their economies will be more resilient in the future. As a result of all the above, bp revised its price assumptions for value-in-use impairment testing, lowering them compared to those used in 2019 and extending the period covered to 2050. These price assumptions are derived from bp's central case investment appraisal assumptions. A summary of the company's revised price assumptions, in real 2020 terms, is provided below. The assumptions represent management's best estimate of future prices, which sit within the range of external forecasts considered as appropriate for the purpose. They are considered by bp to be broadly in line with a range of transition paths consistent with the Paris climate goals. However, they do not correspond to any specific Paris-consistent scenario. An inflation rate of 2% (2019: 2%) is applied to determine the price assumptions in nominal terms:

	2021	2025	2030	2040	2050
Brent oil ($/bbl)	50	50	60	60	50

Material impairment charges were recognized in 2020 following the downward revision of the price assumptions. See Note 4 for further information.

The long-term price assumptions used to determine recoverable amount based on value-in-use impairments tests in 2019 were $70 per barrel for Brent and $4 per mmBtu for Henry Hub gas, both in 2015 prices. These long-term prices were applied from 2025 and 2032 respectively inflated for the remaining life of the asset.

The price assumptions used in 2019 over the periods to 2025 and 2032 were set such that there was a linear progression from bp's best estimate of 2020 prices to the long-term assumptions.

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

Oil prices fell 35% in 2020 from 2019 due to trade tensions, a macroeconomic downturn, and a slight slowdown in oil demand. OPEC+ production restraint, unplanned outages, and sanctions on Venezuela and Iran kept prices from falling further. bp's long-term assumption for oil prices is higher than the 2020 price average, based on the judgement that current price levels would not encourage sufficient investment to meet global oil demand sustainably in the longer term, especially given the financial requirements of key low-cost oil producing economies.

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

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

Sensitivity analyses
A change in revenue from Upstream oil and gas properties can arise either due to changes in oil and natural gas prices, changes in oil and natural gas production, or a combination of the two.

Management tested the impact of a change in revenue cash flows in value-in-use impairment testing arising from changes in price assumptions and/or production volumes up to a combined effect on revenue of 10%.

Revenue reductions of this magnitude in isolation could indicatively lead to a reduction in the carrying amount of the company's Upstream oil and gas properties by $32 million, which is approximately 18% of the net book value of tangible assets as at 31 December 2020.

Revenue increases of this magnitude in isolation could indicatively lead to an increase in the carrying amount of the company's Upstream oil and gas properties by $9 million, which is approximately 5% of the net book value of tangible assets as at 31 December 2020. This potential increase in the carrying amount would arise due to reversals of previously recognized impairments.

These sensitivity analyses do not, however, represent management's best estimate of any impairment charges or reversals that might be recognized as they do not fully incorporate consequential changes that may arise, such as changes in costs and business plans and phasing of development. For example, costs across the industry are more likely to decrease as oil and natural gas prices fall. The above sensitivity analyses therefore also do not reflect a linear relationship between revenue and value that can be extrapolated. The interdependency of these inputs and risk factors plus the diverse characteristics of our Upstream oil and gas properties limits the practicability of estimating the probability or extent to which the overall recoverable amount is impacted by changes to the price assumptions or production volumes.

Management also tested the impact of a one percentage point change in the discount rate used for value-in-use impairment testing of Upstream oil and gas properties. If the discount rate was one percentage point higher across the tests performed, the impairment charge recognized in 2020 would have been approximately $8 million higher. If the discount rate was one percentage point lower, the impairment charge recognized would have been approximately $8 million lower.

Stock

Stocks 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.

Supplies are valued at the lower of cost on a weighted average basis and net realizable value.

Leases

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

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

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

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

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

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

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.

Financial assets

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

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

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

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

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

Financial liabilities

The measurement of financial liabilities is as follows:

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

After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in interest receivable and similar income and interest payable and similar charges. 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 2.5% (2019 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 unless the possibility of an outflow of economic resources is considered remote.

Decommissioning

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

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

Significant judgements and estimates: provisions

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

If oil and natural gas production facilities and pipelines are sold to third parties, judgement is required to assess whether the new owner will be unable to meet their decommissioning obligations, whether the company would then be responsible for decommissioning, and if so the extent of that responsibility. The company has assessed that no material decommissioning provisions should be recognized as at 31 December 2020 (2019 no material provisions) for assets sold to third parties where the sale transferred the decommissioning obligation to the new owner.

The timing and amount of future expenditures relating to decommissioning are reviewed annually, together with the rate used in discounting the cash flows. The interest rate used to determine the balance sheet obligations at the end of 2020 was a nominal rate of 2.5% (2019 2.5%), which was based on long-dated US government bonds. The weighted average period over which decommissioning costs are generally expected to be incurred is estimated to be approximately 12 years (2019 13 years) respectively.

Further information about the company's provisions is provided in Note 18. Changes in assumptions in relation to the company's provisions could result in a material change in their carrying amounts within the next financial year. A 0.5 percentage point change in the nominal discount rate could have an impact of approximately $4 million (2019 $5 million) on the value of the company's provisions.

The discounting impact on the company's Upstream decommissioning provisions of a two-year change in the timing of expected future decommissioning expenditures would not be material. Management currently does not consider a change of greater than two years to be reasonably possible in the next financial year.

If all expected future decommissioning expenditures were 10% higher, the company's Upstream decommissioning provisions would increase by approximately $11 million.

The bp group is subject to claims and actions for which no provisions have been recognized. The facts and circumstances relating to particular cases are evaluated regularly in determining whether a provision relating to a specific litigation should be recognized or revised. Accordingly, significant management judgement relating to provisions and contingent liabilities is required, since the outcome of litigation is difficult to predict.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; or
- In respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, where the company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

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

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

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

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

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

Petroleum revenue tax

Deferred Petroleum Revenue Tax (PRT) assets are recognized where PRT relief on future decommissioning costs is virtually certain.

Customs duties and sales taxes

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

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

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

Turnover

Revenue from contracts with customers is recognized when or as the company satisfies a performance obligation by transferring control of a promised good or service to a customer. The transfer of control of oil, natural gas and natural gas liquids usually coincides with title passing to the customer and the customer taking physical possession. The company principally satisfies its performance obligations at a point in time; the amounts of revenue recognized relating to performance obligations satisfied over time are not significant.

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

Contracts for the sale of commodities are typically priced by reference to quoted prices. Revenue from term commodity contracts is recognized based on the contractual pricing provisions for each delivery. Certain of 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, natural gas liquids, liquefied natural gas is included on a net basis in turnover.

Interest income

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

Finance costs

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

Updates to significant accounting policies

Impact of new International Financial Reporting Standards

The adoption of 'Interest Rate Benchmark Reform – Phase I – Amendments to IFRS 9 'Financial instruments' and IFRS 7 'Financial instruments: Disclosures' has had no material impact on the company's financial statements.

3. Turnover

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

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

	2020	2019
	$000	$000
Revenue from contracts with customers	58,241	95,328
Other operating revenues	3,486	1,373
	61,727	96,701
Other operating income	2	69
Interest receivable and similar income (Note 6)	2,335	12,607
	64,064	109,377

2020 turnover is allocated between 'Revenue from contracts with customers' and 'Other operating revenues'.
Turnover decreased by $34,974,000, mainly because of the lower average realised price in 2020.

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

	2020	2019
	$000	$000
By geographical area:		
UK	192	1,144
China	48,078	95,557
Rest of World	13,457	—
Total	61,727	96,701

4. Operating (loss) / profit

This is stated after charging / (crediting):

	2020	2019
	$000	$000
Net foreign exchange gains	(653)	(83)
Depreciation of tangible assets (Note 12)*	45,239	47,831
Impairment of intangible assets (Note 11)	10,676	—
Impairment of tangible assets (Note 12)	18,170	4,945
Impairment of stock recognised as an expense*	1,294	—

*Amount is included in cost of sales.

5. Auditor's remuneration

	2020	2019
	$000	$000
Fees for the audit of the company	33	36

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

6. Interest receivable and similar income

	2020	2019
	$000	$000
Interest income from amounts owed by group undertakings	2,317	12,522
Other interest income	18	85
Total interest receivable and similar income	2,335	12,607

Interest income from amounts owed by group undertakings of $2,317,000 relates to interest received after Internal Finance Account (IFA) balances. The reduction in interest reflects that interest rates fell sharply in 2020 as a result of the impact of the coronavirus pandemic on market interest rates.

7. Interest payable and similar expenses

	2020	2019
	$000	$000
Interest expense on:		
Other loans	2	14
Finance charges payable under finance leases	8	10
Petroleum Revenue Tax (PRT) interest on abandonment	131	1,711
Total interest expense	141	1,735
Interest capitalized in relation to qualifying assets at 2.75% (2019 3.50%)	(366)	(24)
Unwinding of discount on provisions - Note 18	2,771	3,759
Total interest payable and similar charges	2,546	5,470

8. Exploration for and evaluation of oil and natural gas resources

The following financial information represents the amounts relating to activity associated with the exploration for and evaluation of oil and natural gas resources.

For information on significant judgements made in relation to oil and natural gas accounting see Intangible assets in Note 2.

	2020	2019
	$000	$000
Exploration and evaluation costs		
Exploration expenditure written off	10,676	—
Exploration expense for the year	10,676	—
Intangible assets – exploration and appraisal expenditure	9,228	20,085
Cash used in investing activities	—	3,140

As a result of the revised price assumptions detailed in Note 2 and a review of bp’s long-term strategic plan, management reviewed the company’s exploration prospects and the carrying value of the associated intangible assets. The outcome of the review resulted in revised judgements over management's expectations to extract value from certain prospects, leading to write-offs of the associated exploration and appraisal intangible assets in 2020. During the year the company has recognized impairment charges of $10,676,000 relating to exploration & appraisal intangible assets.

9. Taxation

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

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

	2020	2019
Current tax	$000	$000
UK tax (overprovided) / underprovided in prior years	46	(1,114)
Overseas tax on income for the year	5,566	12,552
Overseas tax underprovided in prior years	2,205	—
Total current tax charged	7,817	11,438
Deferred tax		
Origination and reversal of temporary differences	1,863	360
Overseas deferred tax	(26,018)	(7,349)
Adjustments in prior year temporary differences	168	3
Total deferred tax credited	(23,987)	(6,986)
Tax charged / (credited) on profit	(16,170)	4,452

In 2020 the total tax credit recognised within other comprehensive income was $0 (2019: $0) and the total tax credit recognised directly in equity was $0 (2019: $0).

(a) Reconciliation of the effective tax rate

The tax assessed on the (loss)/profit for the year is higher (2019: higher) than the standard rate of corporation tax in the UK of 50% for the year ended 31 December 2020 (2019: 19%). The differences are reconciled below:

	2020	2019
	UK	UK
	$000	$000
Profit / (loss) before tax	(52,943)	13,580
Taxation	(16,170)	4,452
Effective tax rate	30	33

	2020	2019
	UK	UK
	%	%
UK corporation tax rate:	50	19
Increase / (decrease) resulting from:		
Non-taxable income	1	2
Overseas tax	34	38
Double tax relief	17	(88)
Free group relief	(9)	4
UK Supplementary tax at 10% on North Sea profits	(1)	4
Ring Fence Tax rate differences	1	5
Adjustments to tax charge in respect of previous years	—	(8)
Amounts provided for settlement of HRCP liabilities	—	(15)
Movements in unrecognised deferred tax	(63)	72
Effective tax rate	30	33

In the reconciliation of the effective tax rate above, the 2020 tax rate, to which the effective tax rate has been reconciled, has been updated to 50% which represents the Angolan Petroleum Income Tax (PIT) rate under the block 18 Production Sharing Agreement. This adjustment has been made to reflect that the majority of taxable income for the entity is derived from Angola block 18 and as such, the Angola block 18 PIT rate of 50% represents the most meaning tax rate for this reconciliation.

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

Change in corporation tax rate

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. Deferred tax assets at 31 December 2020 have been calculated at 19% (2019: 17%).

The above changes to the rate of UK corporation tax do not apply to profits arising from the company's oil and gas exploration and extraction operations in the UK and the UK Continental shelf (the Ring Fence trade), where the rate of UK corporation tax remains 30%, and the supplementary tax charge remains 10%. Deferred tax on assets/liabilities arising in the Ring Fence trade continue to be provided for at the combined rate of 40%.

NOTES TO THE FINANCIAL STATEMENTS

In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This was substantively enacted on 24 May 2021. This will have a consequential effect on the company's future tax charge.

(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	2020	2019	2020	2019
	$000	$000	$000	$000
Decommissioning and other provisions	8,701	2,587	51,177	59,880
Tax losses carried forward	3	1	61	63
Depreciation in excess of CA's	167	4	11	177
Other deductible temporary differences	198	(5,899)	2,246	2,443
Net charge / (credit) for deferred tax assets	9,069	(3,307)	53,495	62,563

	Profit and loss account		Balance sheet	
Deferred tax liability	2020	2019	2020	2019
	$000	$000	$000	$000
Accelerated capital allowances	(32,998)	(6,712)	(64,626)	(97,623)
Other taxable temporary differences	(58)	3,033	(3,623)	(3,681)
Net credit for deferred tax liabilities	(33,056)	(3,679)	(68,249)	(101,304)
Net deferred tax credit and net deferred tax asset	(23,987)	(6,986)	(14,754)	(38,741)

Analysis of movements during the year

	2020
	$000
Opening deferred tax liability at 1 January 2020	(38,741)
Deferred tax credit in the profit and loss account	23,987
Closing deferred tax liability at 31 December 2020	(14,754)

Deferred tax has not been recognised on deductible temporary differences relating to provisions outside the UK ring fence of $76,754,000 (2019: $91,081,000) / fixed assets of $455,083,000 (2019: $383,706,000) / foreign tax credits of $114,037,000 (2019: $113,800,000) with no fixed expiry date on the basis that they are UK tax attributes that are not expected to give rise to any future tax benefit.

10. Directors and employees

(a) Remuneration of directors

None of the directors received any fees or remuneration for qualifying services as a director of the company during the financial year (2019: $Nil).

(b) Employee costs

The company had no employees during the year (2019: None).

11. Intangible assets

	Exploration expenditure
Cost	$000
At 1 January 2020	20,085
Other movements	(181)
Disposals	(10,676)
At 31 December 2020	9,228
Amortisation	
1 January 2020	—
Disposals	10,676
Impairment	(10,676)
At 31 December 2020	—
Net book value	
At 31 December 2020	9,228
At 31 December 2019	20,085

$10,676,000 impairment of intangible assets of Chumbo was driven by the lower price assumptions and bp's long-term net-zero strategy on Block 18.

12. Tangible assets

	Land & buildings	Fixtures & fittings	Oil & gas properties	Plant & machinery	Total	Of which AUC*
Cost	$000	$000	$000	$000	$000	$000
At 1 January 2020	12,100	6,360	1,645,187	1,242	1,664,889	21,763
Additions	—	(24)	24,562	—	24,538	22,771
Changes in decommissioning provision	—	—	(6,914)	—	(6,914)	—
At 31 December 2020	12,100	6,336	1,662,835	1,242	1,682,513	44,534
Depreciation						
At 1 January 2020	(4,094)	(5,799)	(1,427,483)	(1,242)	(1,438,618)	—
Charge for the year	(937)	(292)	(44,010)	—	(45,239)	—
Impairment	(330)	(20)	(17,820)	—	(18,170)	—
At 31 December 2020	(5,361)	(6,111)	(1,489,313)	(1,242)	(1,502,027)	—
Owned tangible assets - net book value						
At 31 December 2020	6,739	225	173,522	—	180,486	44,534
Right-of-use assets - net book value						
At 31 December 2020	—	—	—	—	—	—
Total tangible assets net book value						
At 31 December 2020	6,739	225	173,522	—	180,486	44,534
At 31 December 2019	8,006	561	217,704	—	226,271	21,763

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

Capitalised interest included above is as follows:

	Net book value
Capitalised interest	$000
At 31 December 2020	2,634
At 31 December 2019	3,393

The additions of owned tangible assets consist of capital expenditures of $24,538,000, which mainly relate to the Platina project on Block 18. Changes of ($6,914,000) in decommissioning provision are attributable to decommissioning estimate change on Block 18 (Angola) amounting to ($15,721,000) and Southern Waters (North Sea UK) fields amounting to $8,807,000.

During the year the company has recognized impairment charges of $18,170,000 for tangible assets. $9,363,000 arose as a result of changes to the group's oil and gas price assumptions and from management's re-assessment of expectations to extract value from certain properties as a result of a review of the group's long-term strategic plan. Further impairment charges of $8,807,000 on the Southern Waters (North Sea UK) field' assets were resulted from the decommissioning estimate change, as there is no positive future cash flows expected from the fields, therefore they were immediately impaired.

Management’s best estimate oil and natural gas price assumptions for value-in-use impairment testing were revised downwards during 2020 and the period covered extended to 2050. Management also undertook a re-assessment of expectations to extract value from certain exploration prospects as a result of a review of the bp group's long-term strategic plan. As a result, management performed a review of the carrying value of the company’s oil and gas properties to identify potential impairment triggers, in line with the requirements of IAS 36 Impairment of Assets. Potential indicators of impairment were identified, requiring further tests to be performed. The cash generating units assessed were considered to be the smallest identifiable group of assets from the company’s perspective that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

A recoverable amount for each CGU was calculated based on the value in use cash flows. The value in use tests used the present value of pre-tax cash flows discounted using a pre-tax rate which varies depending on the country of operation of the underlying assets. The value in use is based on the cash flows expected to be generated by the projected oil or natural gas production profiles up to the expected dates of cessation of production of each producing field, based on current estimates of reserves and resources, appropriately risked.

As the production profile and related cash flows can be estimated from bp’s past experience, management believes that the cash flows generated over the estimated life of field is the appropriate basis upon which to assess assets for impairment. The estimated date of cessation of production depends on the interaction of a number of variables, such as the recoverable quantities of hydrocarbons, the production profile of the hydrocarbons, the cost of the development of the infrastructure necessary to recover the hydrocarbons, production costs, the contractual duration of the production concession and the selling price of the hydrocarbons produced. As each producing field has specific reservoir characteristics and economic circumstances, the cash flows of each field is computed using appropriate individual economic models and key assumptions agreed by bp management. Estimated production volumes and cash flows up to the date of cessation of production on a field-by-field basis, including operating and capital expenditure, are derived from the business segment plan. The production profiles used are consistent with the reserve and resource volumes approved as part of bp’s centrally controlled process for the estimation of proved and probable reserves and total resources.

The key assumptions used in the value-in-use calculation are oil and natural gas prices, production volumes and the discount rate. Oil and gas price assumptions and discount rate assumptions used were as disclosed in Note 2. Due to economic developments, regulatory change and emissions reduction activity arising from climate concern and other factors, future commodity prices and other assumptions may differ from the forecasts used in the calculations.

These revenue sensitivity analyses do not, however, represent management’s best estimate of any impairment charges or reversals that might be recognized as they do not fully incorporate consequential changes that may arise, such as changes in costs and business plans and phasing of development. For example, costs across the industry are more likely to decrease as oil and natural gas prices fall. The above sensitivity analyses therefore do not reflect a linear relationship between revenue and value that can be extrapolated. The interdependency of these inputs and risk factors plus the diverse characteristics of oil and gas properties limits the practicability of estimating the probability or extent to which the overall recoverable amount is impacted by changes to the price assumptions or production volumes.

As a result of this review, the company has recognized total impairment charges of $18,170,000. Impairments were calculated on a value in use basis, applying a discount rate of 14%.

13. Stocks

	2020	2019
	$000	$000
Raw materials and consumables	12,338	14,676
Crude oil	2,297	2,557
	14,635	17,233

The difference between the carrying value of stocks and their replacement cost is not material in 2020.

14. Debtors

Amounts falling due within one year:

	2020	2019
	$000	$000
Trade debtors	22	22
Amounts owed from parent undertakings	593,631	611,656
Amounts owed from fellow subsidiaries	42,186	38,477
Other debtors	102	987
Prepayments and accrued income	(75)	252
Taxation	899	674
Petroleum Revenue Tax receivable	1,881	588
	638,646	652,656

Amounts falling due after one year:

	2020	2019
	$000	$000
Other debtors	2,815	3,033
Taxation	2,596	1,531
Petroleum Revenue Tax receivable	5,142	4,975
	10,553	9,539
Total debtors	649,199	662,195

The amounts owed from parent undertakings primarily comprise of internal finance accounts (IFA) of $592,709,000 (2019: $596,999,000). Interest is received on a monthly basis but calculated on the daily balance, using a combined interest rate of market rate and margins. For the market rate one month LIBOR is used which refreshes on a daily basis. Margins are fixed at the beginning of each year and can be seen in the table below. The company has two IFA.

	IFA margins - 2020		IFA margins - 2019	
IFA	Debit balances	Credit balances	Debit balances	Credit balances
XBAN	1.21%	(0.14)%	0.92%	(0.11)%
XBETA	0.16%	(0.14)%	0.15%	(0.11)%

Whilst IFA balances are legally repayable on demand, in practice they have no termination date.

Reduction of total debtors is in line with the decrease of amounts owed from parent undertakings which is mainly driven by the settlement of $14,078,000 for a 2019 lifting that came through in 2020.

Petroleum revenue tax receivable represents PRT interest on South Valiant field.

15. Creditors

Amounts falling due within one year:

	2020	2019
	$000	$000
Trade creditors	9,577	4,826
Amounts owed to parent undertakings	1,250	895
Amounts owed to fellow subsidiaries	222	214
Other creditors	2,513	2,863
Taxation	8,100	4,790
Accruals	370	944
	22,032	14,532

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. There are no creditors of amounts falling due after one year.

Increase of $4,751,000 trade creditors is attributable to increase in the company's overlift position and increase of taxation amounting to $3,310,000 is driven by movement of current tax.

16 Loans and obligations under leases

Loans repayable and obligations under leases, included within creditors, are analysed as follows:

Within 5 years

	2020			2019		
	Loans	Lease liabilities	Total	Loans	Lease liabilities	Total
	$000	$000	$000	$000	$000	$000
Not wholly repayable	—	198	198	—	281	281
	—	198	198	—	281	281

Lease liability of $198,000 relates to one leased asset.

17. Leases

The company leases a number of assets as part of its activities. The weighted average remaining lease term for the total lease portfolio is around 2 years.

	2020	2019
	$000	$000
Total cash outflow for amounts included in lease liabilities	98	97

18. Other provisions

	Decom-missiong	Other	Petroleum Revenue Tax	Total
	$000	$000	$000	$000
At 1 January 2020	126,693	2,938	3,668	133,299
New or increased provisions:				
Charged to profit and loss account	—	151	—	151
Recognized within tangible assets	1,376	200	—	1,576
Cost estimate change	(8,471)	—	—	(8,471)
Unwinding of discount	2,771	—	—	2,771
Utilisation	(13,278)	(738)	—	(14,016)
Write-back of unused provision	—	(904)	—	(904)
At 31 December 2020	109,091	1,647	3,668	114,406

Decrease of provisions during the year is mainly driven by the reduction of decommissioning provision which is due to the estimate change in the decommissioning cost estimate amounting to $8,471,000 and provision utilisation amounting to $13,278,000 primarily for South Valiant field and Lincolnshire Offshore Gas Gathering System.

19. Called up share capital

	2020	2019
	$000	$000
Issued and fully paid:		
560,000 Ordinary shares of $1 each for a total nominal value of $560,000,000	560,000	560,000
50,000 Ordinary shares of £1 each for a total nominal value of £50,000	96	96
	560,096	560,096

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.

In 2020, the company has not declared any dividends (2019: $Nil).

21. Capital commitments

Authorized and contracted future capital expenditure (excluding right-of-use assets) by the company for which contracts had been placed but not provided in the financial statements at 31 December 2020 is estimated at $26,642,000 (2019: $2,708,000). This mainly relates to Platina project on Block 18.

22. Related party transactions

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

23. Post balance sheet events

In the second quarter of 2021 the company booked impairment reversals of $7,896,000 relating to producing assets. These principally arose as a result of changes to the bp group's oil and gas price assumptions. The price assumption for Brent oil up to 2030 was increased to reflect near-term supply constraints, whereas the long-term assumption was decreased reaching $55 per barrel by 2040 and $45 per barrel by 2050 (in real 2020 terms). The recoverable amounts of the cash generating units were based on value-in-use calculations. These revisions and impairment reversals relate to events and circumstances arising since 31 December 2020 and therefore the impact on the company will be included in the financial statements for the year ended 31 December 2021.

On 19 May 2021, bp and Eni announced that they have entered into a non-binding memorandum of understanding to progress detailed discussions on combining their upstream portfolios in Angola, including all their oil, gas and LNG interests in the country. Discussions with ENI and other relevant stakeholders are ongoing and as this relates to events arising since 31 December 2020 any financial impact on the company will be considered and included, if applicable, in the financial statements for the year ended 31 December 2021.

24. Immediate and ultimate controlling parent undertaking

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