BP SHIPPING LIMITED

(Registered No.00140132)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2022

Board of Directors: S D Kolbush
I Glennie
L Klaoudatos
H J Carmalt
G B Ferguson
K J Upson

The directors present the Strategic Report, their report and the audited financial statements for the year ended 31 December 2022.

STRATEGIC REPORT

Principal activity

The principal activity of the company is that of shipping and ship management. The company charters, manages and operates oil tankers and liquefied natural gas and petroleum carriers (LNG/LPG) principally on behalf of the bp group.

The company's fleet included 46 international oil, LNG and supply vessels at the end of 2022, which comprised 26 bp and third party operated vessels, 18 time chartered vessels and 2 supply vessels compared to a total of 53 vessels at the end of 2021. All vessels on bp business are subject to bp's requirements.

Results

The profit for the year after taxation was $277,318,000 which, when deducted from the accumulated loss brought forward at 1 January 2022 of $1,448,792,000 (restated), gives a total accumulated loss carried forward at 31 December 2022 of $1,171,474,000.

Review of the business

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

	2022	2021	Variance
			%
% of bp cargoes greater than 9,000 metric tonnes carried by the company's vessels	34 %	23 %	11
Number of voyages	1,009	734	37
Tonnes of cargo carried (mt)	59,468,490	53,730,209	11
Utilization of the company's vessels for bp	76 %	68 %	8

	2022	2021 Restated	Variance
	$000	$000	%
Turnover	1,211,388	933,479	30
Operating profit / (loss)	285,174	(172,032)	266
Profit / (loss) for the financial year	277,318	(208,216)	233
Total equity	1,598,995	1,321,677	21

Review of the business (continued)

	2022	2021	Variance
	%	%	
Gross Profit percentage*	12	—	12 %

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

The company recorded an overall gross profit in the current year as compared to a gross loss in the previous year. This arose as a result of the disproportionate increase in turnover compared to the increase in cost of sales due to bunker prices not increasing as robustly as that of freight rates during the year. The higher operating profit and profit for the financial year were due to the improved gross margin as well as a reversal of impairment of $133,681,000 recognised in current year.

Section 172 (1) statement

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

In performing their duties throughout the year the directors have had regard to the Section 172 factors as follows:

(a) The likely long-term consequences of the decision
When setting and delivering on the company's strategy, the directors of the company have regard to the evolving environment in which the company operates and aims to promote the long term success and sustained economic viability of the company.

(b) The interests of the company's employees The company has no employees.

(c) The need to foster the company's business relationships with suppliers, customers and others
During 2022, the directors of the company reiterated their focus on engagement and fostering relationships with suppliers and customers, with the need to consider partners, customers and suppliers and how we can help them, specifically addressed in the 'Who we are' belief, 'Care for others'.

In addition, the board reviewed and considered the company's Modern Slavery Statement and disclosed its practices in respect of the same on an annual basis.

Furthermore, the board reviewed and considered the company's prompt payment reporting performance and disclosed its practices in respect of the same on a bi-annual basis.

The company engaged with a supplier to complete a risk assessment and design modification which would be updated on the company's vessels.

The company engaged with customers in the sale of vessels.

(d) The impact of the company's operations on the community and the environment The directors of the company are committed to the bp group's sustainability aims and objectives – 10 aims to get bp to net zero and help the world get there too, 5 aims to improve people's lives and 5 aims to care for our planet. In 2022 each business prepared a sustainability plan, identifying its priority aims and detailing the actions it will take to meet those. These plans were considered by the board.

Section 172 (1) statement (continued)

(e) The desirability to maintain the company's reputation for high standards of business conduct In 2022, bp continued to make progress against its sustainability aims which set out the areas where bp believes it can make the biggest difference for bp, its stakeholders and society. bp's commitment to safety, having a positive impact and doing the right thing were further enshrined in the new bp 'Who we are' beliefs which also emphasise the importance of following the bp code of conduct.

bp's code of conduct sets clear expectations for how bp, the company and the board operate. The directors of the company continued to adhere, in good faith, to the bp code of conduct during the year to ensure the board and the company maintain a reputation for high standards of business conduct.

The board considered its impact and decision making in light of the war in Ukraine and bp's announcement of its position in Russia.

(f) The need to act fairly between members of the company The company is a wholly owned subsidiary with one member and the directors aim to maximise long term shareholder value.

Stakeholder engagement

By understanding the company's key stakeholders, the board can consider and address the needs of these stakeholders and foster good business relationships with them. The board has taken time to identify the key interests of the stakeholders and establish regular engagement methods to help the board to consider and balance stakeholder interests when making decisions.

In addition to the stakeholders set out above, the company considers its key stakeholders groups to include:

(a) Government/Regulators
The company recognises the need to create valued relationships with the Government centred around ethics and transparency, and the need to discuss relevant regulations and guidance where necessary.

The board is provided with updates on changes in regulation and/or legislation impacting the company and is committed to keeping the Government informed of any significant changes to the company.

(b) Shareholders
The company is committed to maximising long term shareholder value in, whatever form, when making decisions.

The company operates in accordance with the bp group's System of Internal Control, the Policy etc, to promote long term success of the company for the shareholder.

(c) Banks
The company establishes and opens one or more bank accounts as is deemed necessary or desirable in order to conduct business in the name of the company.

The company's principal decisions

The board recognises the importance of considering and having regard to the Section 172 factors when making decisions, particularly the principal decisions of the company. The company has taken the view that a 'principal' decision is one which is material and strategic in nature and would affect the ability of the company to generate or preserve value over the long term.

The company's principal decisions (continued)

During the period, the following principal decisions were taken by the company:

Principal decision	The relevant factors taken into account during the decision making process
The company approved voluntary early termination of time charters and the sale of vessels as a sales agent.	The directors considered the impact of such a decision of the company having regard to its business relationship with the supplier as per s172(1)(c) whilst ensuring it conducts business to the highest standards, acting ethically and transparently as guided by bp's values and code of conduct, as per s172(1)(e).

Principal risks and uncertainties

The bp group manages, monitors and reports on the principal risks and uncertainties that can impact the group's ability to deliver its strategy. The group's system of internal control includes policies, processes, management systems, organizational structures, culture and standards of conduct employed to manage bp's business and associated risks.

Throughout the year, bp management, the leadership team, the board and relevant committees provide oversight of how principal risks to bp are identified, assessed and managed. They support appropriate governance of risk management including having relevant policies in place to help manage risks. Such oversight may include internal audit reports, group risk reports and reviews of the outcomes of business processes including strategy, planning and resource and capital allocation. bp's group risk team analyses the group's risk profile and maintains the group's risk management system. bp's internal audit team provides independent assurance to the chief executive and board as to whether the group's system of internal control is adequately designed and operating effectively to respond appropriately to the risks that are significant to bp.

The company aims to deliver sustainable value by identifying and responding successfully to risks in line with the group's risk management process.

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 2022.

Strategic and commercial risks

Prices and markets

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

Decreases in oil, gas or product prices could have an adverse effect on revenue, margins, profitability and cash flows. If these reductions are significant or for a prolonged period, bp management may have to write down assets and reassess the viability of certain projects, which may impact future cash flows, profit, capital expenditure, the ability to maintain the company's long-term investment programme. Conversely, an increase in oil, gas and product prices may not improve margin performance as there could be increased fiscal take, cost inflation and more onerous terms for access to resources.

Strategic and commercial risks (continued)

Prices and markets (continued)
Exchange rate fluctuations can create currency exposures and impact underlying costs and revenues.

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

The company seeks to manage this risk through the bp group projects organization which includes the centre of expertise for appraisal and optimization, expertise to manage the design and build of projects and programmes to ensure project objectives are met. This process is systematically reviewed and continuously improved.

Geopolitical
The company is exposed to a range of political, economic and social developments and consequent changes to the operating and regulatory environment which could cause business disruption. Political instability, changes to the regulatory environment or taxation, international trade disputes and barriers to free trade, international sanctions, expropriation or nationalization of property, civil strife, strikes, insurrections, acts of terrorism, acts of war and public health situations (including the continued impact of the COVID-19 pandemic or any future epidemic or pandemic) may disrupt or curtail our operations, business activities or investments. These may in turn cause production to decline, limit our ability to pursue new opportunities, affect the recoverability of our assets and our related earnings and cash flow or cause us to incur additional costs, particularly due to the long-term nature of many of our projects and significant capital expenditure required.

Events in, or relating to Russia and the conflict in Ukraine, including trade restrictions, international sanctions or any other actions taken by governmental authorities or other relevant persons will adversely impact the company’s business activities and operations in or relating to Russia, could reduce financial liquidity and adversely impact the company’s finances.

Liquidity, financial capacity and financial, including credit, exposure
Failure to work within the financial framework set by the bp group could impact the bp group as well as the company’s ability to operate and result in financial loss. Credit rating downgrades could potentially increase financing costs and limit access to financing or engagement in the company's trading activities on acceptable terms, which could put pressure on the group’s liquidity.

For further details see Note 29 of the bp group Annual Report and Form 20-F for the year ended 31 December 2022.

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.

Our partners and contractors are responsible for the adequacy of their resources and capabilities. If these are found to be lacking, there may be financial, operational or safety exposures for the company. Should an incident occur in an operation that the company participates in, our partners and contractors may be unable or unwilling to fully compensate us against costs we may incur on their behalf or on behalf of the arrangement.

Strategic and commercial risks (continued)

Digital infrastructure and cybersecurity

The energy industry is subject to fast-evolving risks, including ransomware, from cyber threat actors, including nation states, criminals, terrorists, hacktivists and insiders. Current geopolitical factors have increased these risks. There is also growing regulation around data protection and data privacy. A breach or failure of our or third parties' digital infrastructure – including control systems – due to breaches of our cyber defences, or those of third parties, negligence, intentional misconduct or other reasons, could seriously disrupt our operations. This could result in the loss or misuse of data or sensitive information, including employees' and customers' personal data, injury to people, disruption to our business, harm to the environment or our assets, legal or regulatory breaches, legal liability and significant costs including fines, cost of remediation or reputational consequences. Furthermore, the rapid detection of attempts to gain unauthorized access to our digital infrastructure, often through the use of sophisticated and co-ordinated means, is a challenge and any delay or failure to detect could compound these potential harms.

Climate change and the transition to a lower carbon economy

Laws, regulations, policies, obligations, government actions, social attitudes and customer preferences relating to climate change and the transition to a lower carbon economy, including the pace of change to any of these factors, and also the pace of the transition itself, could have adverse impacts on our business including on our access to and realization of competitive opportunities in any of our strategic focus areas, a decline in demand for, or constraints on our ability to sell certain products, constraints on production and supply, adverse litigation and regulatory or litigation outcomes, increased costs from compliance and increased provisions for environmental and legal liabilities.

Changes in investor preferences and sentiment could affect our access to capital markets and our attractiveness to potential investors, potentially resulting in reduced access to financing, increased financing costs and impacts upon our business plans and financial performance.

Depending on the nature and speed of any such changes and our response, these changes could increase costs, reduce the company's profitability, reduce demand for certain products, limit our access to new opportunities, require us to write down certain assets or curtail or cease certain operations, and affect investor sentiment, our access to capital markets, our competitiveness and financial performance.

Policy, legal regulatory, technological and market developments related to climate change could also affect future price assumptions used in the assessment of recoverability of asset carrying values and the useful economic lives of assets used for the calculation of depreciation and amortisation.

Competition

The bp group strategic progress and performance could be impeded if we are unable to control our development and operating costs and margins, if we fail to scale our businesses at pace, or to sustain, develop and operate a high-quality portfolio of assets efficiently. Furthermore, as the bp group transitions from an international oil company to an integrated energy company, we face an expanded and rapidly evolving range of competitors in the sectors in which we operate.

We could be adversely affected if our innovation in areas such as customer offer lags behind those of our competitors.

Crisis management and business continuity

The bp group's reputation and business activities could be negatively impacted if the management does not respond, or is perceived not to respond, in an appropriate manner to any major crisis.

Strategic and commercial risks (continued)

Insurance
The bp group generally purchases insurance only in situations where this is legally and contractually required. Some risks are insured with third parties and reinsured by group insurance companies. Uninsured losses could have a material adverse effect on the bp group financial position 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.There can be no certainty that our operating management system or other policies and procedures will adequately identify all process safety, personal safety and environmental risks or that all our operating activities will be conducted in conformance with these systems.

Such events or conditions could cause harm to people, the environment and the company’s assets and could result in regulatory action, legal liability, business interruption, increased costs, damage to the company's reputation and potentially denial of its licence to operate.

Security
Acts of terrorism, piracy, sabotage, activism and similar activities directed against the company's operations and transportation could cause harm to people and severely disrupt operations. The company's activities could also be severely affected by conflict, civil strife or political unrest.

Compliance and control risks

Ethical misconduct and non-compliance
Incidents of ethical misconduct or non-compliance with applicable laws and regulations, including anti-bribery and corruption, competition and antitrust, and anti-fraud laws, trade restrictions or other sanctions, could damage the company's reputation, and result in litigation, regulatory action, penalties and potentially affect our licence to operate.

In relation to trade restrictions or other sanctions, current geopolitical factors have increased these risks.

Regulation
Changes in the law and regulation, including how they are interpreted and enforced, could increase costs, constrain the company's operations and affect its business plans and financial performance.

Reporting
External reporting of financial and non-financial data relies on the integrity of the control environment, bp group's systems and people operating them. Failure to report data accurately and in compliance with applicable standards could result in regulatory action, legal liability and reputational damage.

Financial risk management

The company is exposed to a number of different financial risks arising from natural business exposures as well as its use of financial instruments including market risks relating to 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 2022.

Approved by the board of directors and signed on behalf of the board by:

DocuSigned by:
Susan Kolbush
520E5DD86867430...

S D Kolbush
Director

September 4, 2023

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

DIRECTORS' REPORT

BP SHIPPING LIMITED

Directors

The present directors are listed on page 1.

S D Kolbush, I Glennie and L Klaoudatos served as directors throughout the financial year. Changes since 1 January 2022 are as follows:

	Appointed	Resigned
J Webster	—	28 January 2022
R Wheatley	—	13 October 2022
H J Carmalt	28 January 2022	—
G B Ferguson	23 November 2022	—
K J Upson	19 April 2023	—

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 (2021 $Nil). The directors do not propose the payment of a dividend (2021 $Nil).

Financial instruments

In accordance with section 414C of the Companies Act 2006 the directors have included information regarding financial instruments as required by Schedule 7 (Part 6.1) of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 in the Strategic Report under Financial risk management.

Going concern

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

Liquidity and financing is managed within the bp group under pooled group-wide arrangements which include the company. As part of the going concern basis of preparation for the company, the ability and intent of the bp group to support the company has also been taken into consideration. The most recent bp group financial statements continue to be prepared on a going concern basis. Forecast liquidity of the bp group has been assessed under a number of stressed scenarios, including a significant decline in oil prices over the 12-month period from the date these financial statements were approved. Reverse stress tests performed indicated that the bp group will continue to operate as a going concern for at least 12 months from the date of approval of the financial statements even if the Brent price fell to zero. In addition, bp group management have confirmed the existing intra-group funding and liquidity arrangements as currently constituted are expected to be maintained for the foreseeable future, being no less than twelve months from the approval of these financial statements. No material uncertainties over going concern or significant judgements or estimates on the assessment were identified. Accordingly, the company will be able to draw on support from the bp group for the foreseeable future and these financial statements have therefore been prepared on a going concern basis. For further information on financial risk factors, including credit risk and liquidity risk, see pages 4-8.

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Going concern (continued)

The company is in a healthy net assets and net current assets position as at 31 December 2022. The company has ongoing funding arrangements with BP International Limited to manage its working capital as well as investing activities. The directors' assessment has taken into account the ability of both the company and the bp group to ensure availability of funds at least 12 months from the date of approval of these financial statements.

In assessing the prospects of BP Shipping 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.

Stakeholder statements

Statement of engagement with suppliers, customers and others in a business relationship with the company

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

The board is committed to doing business ethically and transparently, using bp's values and code of conduct to guide them when engaging and working with business partners. The company's activities, and the decisions of the board, affect a wide variety of individuals and organisations. The directors engage with the company's stakeholders, listening to their differing needs and priorities as part of their role as a senior leader at bp and use the feedback received to inform the board's decision-making.

The company's section 172(1) statement in the Strategic Report demonstrates how the directors have had regard to the need to foster business relationships with suppliers, customers and other stakeholders when making decisions on behalf of the company.

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 2022.

Corporate Governance Statement

In 2022, the bp group continued to operate under the corporate governance framework (the "Framework") implemented in 2020. The Framework closely aligns with bp's purpose - reimagining energy for people and our planet - and strategy. The Framework also defines bp's role, to promote the long-term sustainable success of the company, generating value for its shareholders while having regard to its other stakeholders, the impact of its operations on the communities within which it operates and the environment.

The core of the company's governance arrangements come from bp's System of Internal Control, Global Subsidiary Corporate Governance Policy (the "Policy") and Code of Conduct, details of which are set out below.

System of Internal Control

The System of Internal Control is the holistic set of management systems, organisational structures, processes, standards and behaviours that are employed to conduct the bp group's business. These processes enable the company to achieve its objectives and purpose by ensuring that it responds appropriately to business, operational, financial and other risks and opportunities.

Further, the System of Internal Control requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the organisation which helps to ensure the quality of internal and external reporting. The System of Internal Control helps to ensure compliance with laws and regulations, bp's Code of Conduct and other internal policies.

The Policy

The Policy has been established by BP p.l.c. and implemented by its subsidiaries, including the company, to establish common standards in corporate governance across the group. These standards cover the role and responsibilities of the board and the directors, its processes and its relationship with executive management, shareholders and other stakeholders.

The Policy is reviewed on a regular basis both in respect of compliance and alignment with best practice governance and the content of formal corporate governance codes for private companies. It is a comprehensive set of rules and recommendations designed to standardise and promote best practice subsidiary governance through:

i. The mitigation of legal and reputational risk and preserving the integrity of the bp group's corporate structure;
ii. The selection and training of directors to ensure that they understand and execute their statutory duties in a manner that promotes the success of the company for the benefit of its shareholders whilst having regard to the company's other stakeholders;
iii. Requiring any decisions in respect of the formation and change of entity form, financing of intra-group activities, transfer of ownership and dissolution to be made pursuant to bp's System of Internal Controls; and
iv. Specifying which of the bp group's businesses and functions are accountable for the various aspects of administration, internal controls and corporate governance of subsidiaries.

Corporate Governance Statement (continued)

The Policy (continued)

The Policy sets out the responsibilities of all directors and officers of each of the bp group's subsidiaries and the primary tasks of the board, including consideration and execution of long-term strategy, monitoring of the subsidiary's performance and ensuring that the principal risks to the subsidiary are identified and that appropriate systems of risk management and control are in place. As a result, the company has not considered it necessary to adopt a formal corporate governance code.

The Policy requires directors to:

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

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

The Code of Conduct

bp's code of conduct is based on bp's values and beliefs, and sets clear expectations for how all employees at bp should work, including directors of the company. The code is designed to be a clear set of expectations to enable all employees to make choices in a consistent way.

The code of conduct includes sections covering:

i. Safety and sustainability, including operating safely and securely and delivering bp's sustainability frame;
ii. People, including diversity, equity and inclusion;
iii. Business partners, including building and maintaining strong relationships and proactively managing conflicts of interest;
iv. Governments and communities, including human rights, community engagement and public communications; and
v. Assets and financial integrity, including the need to record and maintain accurate and complete information.

Corporate Governance Statement (continued)

Application of the system of governance

The directors have applied this system of governance by:

a. Regularly reviewing its board's composition to ensure that it has an appropriately diverse balance of skills, backgrounds, experience and knowledge and ensuring that individual directors have sufficient capacity to make valuable contributions. The board, where appropriate, and in accordance with the Policy, retains a minimum of three directors, promotes independent and objective challenge through the appointment of directors who are not directly or indirectly responsible for the management function of the company and may nominate a designated Chair to provide leadership of the board.
b. Undertaking training on a regular basis to ensure that they have a clear understanding of their responsibilities and accountabilities. To support effective decision-making in their capacity as directors, the board considers the System of Internal Control, the bp Code of Conduct and the company's purpose and how it furthers the bp group's purpose, aims and ambitions.
c. In accordance with the Policy, the board is supported by the System of Internal Control to identify opportunities to create and preserve value. Refer to the principal risks and uncertainties in the Strategic Report.
d. Having regard to and fostering good stakeholder relationships. Refer to the company's section 172 statement in the Strategic Report for further information.

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.

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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.

Approved by the board of directors and signed on behalf of the board by:

DocuSigned by:
Susan Kolbush
520E5DD86867430...

S D Kolbush
Director
September 4, 2023

Registered Office:

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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

BP SHIPPING 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 SHIPPING LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of BP Shipping Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 23.

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.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- An assessment of whether material uncertainties existed that could cast significant doubt on the entity's ability to continue as a going concern for least 12 months after the date of approval of the financial statements;
- An assessment of the funds that can be made available to the company through bp group treasury channels;
- An assessment of the management's identified potential mitigating actions and the appropriateness of the inclusion of these in the going concern assessment; and
- An assessment of the disclosures made within the financial statements.

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.

Conclusions relating to going concern (continued)
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 course of 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.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement, 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 about their own identification and assessment of the risks of irregularities.

INDEPENDENT AUDITOR'S REPORT

Extent to which the audit was considered capable of detecting irregularities, including fraud (continued)
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 UK Companies Act and relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company’s ability to operate or to avoid a material penalty.

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

As a result of performing the above, we identified the greatest potential for fraud in the following areas and our procedures performed to address the risk are described below:

- Occurrence, accuracy and cut-off of accrued revenue recognised for demurrage and freight income due to significant increase close to balance sheet date:
    - We obtained an understanding of management process related to the recording of accruals to demurrage and freight income;
    - We performed inquiries with management for the reasons of the significant increase in the accruals recognised in the current year and corroborated the explanations received;
    - We conducted independent searches on third party sources to corroborate the increase in the freight rates to justify the increase recorded; and
    - We selected a sample of accruals that were raised at year end and corroborated by tracing through to the relevant supporting documentation.

  Based on the procedures performed, we concluded that accrued revenue has been appropriately recorded for the year ended 31 December 2022.

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.

Report on other legal and regulatory requirements

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

DocuSigned by:

Christopher Jones

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Christopher Jones MA FCA (Senior statutory auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

September 4, 2023

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2022

BP SHIPPING LIMITED

	Note	2022 $000	2021 Restated $000
Turnover	**3**	1,211,683	933,479
Cost of sales		(1,070,609)	(934,034)
Gross profit / (loss)		141,074	(555)
Administrative expenses		(66,232)	(73,732)
Other operating income		1,000	7,113
Profit on disposal of leased assets		75,658	142
Impairment of tangible assets	**11**	—	(105,000)
Reversal of impairment of tangible assets	**11**	133,681	—
Operating profit / (loss)	**4**	285,181	(172,032)
Interest receivable and similar income	**6**	51,235	37,035
Interest payable and similar expenses	**7**	(59,098)	(73,219)
Profit / (loss) before taxation		277,318	(208,216)
Tax on profit / (loss)	**8**	—	—
Profit / (loss) for the financial year		277,318	(208,216)

The profit of $277,318,000 for the year ended 31 December 2022 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

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

BALANCE SHEET

AS AT 31 DECEMBER 2022

BP SHIPPING LIMITED

(Registered No.00140132)

	Note	2022 $000	2021 Restated $000
Fixed assets			
Intangible assets	**10**	12,937	—
Tangible assets	**11**	486,582	325,906
		499,519	325,906
Current assets			
Stocks	**12**	37,334	39,799
Debtors - amounts falling due:			
within one year	**13**	1,515,164	1,549,244
after one year	**13**	654,498	769,198
Cash at bank and in hand		5,852	3,181
		2,212,848	2,361,422
Creditors: amounts falling due within one year	**14**	(93,412)	(82,832)
Lease liabilities	**15**	(283,689)	(291,516)
Net current assets		1,835,747	1,987,074
TOTAL ASSETS LESS CURRENT LIABILITIES		2,335,266	2,312,980
Creditors: amounts falling due after more than one year	**14**	(231)	(348)
Lease liabilities	**15**	(735,574)	(989,027)
Provisions for liabilities and charges			
Deferred tax liability	**8**	—	—
Other provisions	**17**	(466)	(1,928)
NET ASSETS		1,598,995	1,321,677
Capital and reserves			
Called up share capital	**18**	2,770,469	2,770,469
Profit and loss account	**19**	(1,171,474)	(1,448,792)
TOTAL EQUITY		1,598,995	1,321,677

Approved by the board of directors and signed on behalf of the board by:

DocuSigned by:

Susan Kolbush

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S D Kolbush

Director

September 4, 2023

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

BP SHIPPING LIMITED

	Called up share capital (Note 18)	Profit and loss account (Note 19)	Total
	$000	$000	$000
Balance at 1 January 2021	2,770,469	(1,240,576)	1,529,893
Loss for the financial year, representing total comprehensive income (restated)	—	(208,216)	(208,216)
Balance at 31 December 2021 (restated)	2,770,469	(1,448,792)	1,321,677
Balance at 1 January 2022 (restated)	2,770,469	(1,448,792)	1,321,677
Profit for the financial year, representing total comprehensive income	—	277,318	277,318
Balance at 31 December 2022	2,770,469	(1,171,474)	1,598,995

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

The financial statements of BP Shipping Limited for the year ended 31 December 2022 were approved by the board of directors on 3 September 2023 and the balance sheet was signed on the board's behalf by S D Kolbush. BP Shipping Limited is a private company, limited by shares incorporated, domiciled and registered in England and Wales (registered number 00140132) under the Companies Act 2006. 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.

The company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared under the historical cost convention in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework and the Companies Act 2006. As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to:

(a) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;

(b) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:

- (i) paragraph 79(a)(iv) of IAS 1;
- (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
- (iii) paragraph 74 A(b) of IAS 16 Property, Plant and Equipment;
- (iv) paragraph 118(e) of IAS 38 Intangible Assets;

(c) the requirements of IAS 7 Statement of Cash Flows;

(d) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective;

(e) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;

(f) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;

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

(h) the requirements of IFRS 7 Financial Instruments: Disclosures;

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

Basis of preparation (continued)

(i) 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;
(j) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
(k) 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 23.

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

Significant accounting policies: use of judgements, estimates and assumptions

Inherent in the application of many of the accounting policies used in preparing the financial statements is the need for management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual outcomes could differ from the estimates and assumptions used.

The accounting judgements and estimates that have a significant impact on the results of the company are set out within the boxed text below, and should be read in conjunction with the information provided in the Notes to the financial statements.

The areas requiring the most significant judgement and estimation in the preparation of the financial statements are: the recoverability of asset carrying values and classification of lease agreements.

Judgements and estimates, not all of which are significant, made in assessing the current economic and geopolitical environment, and climate change and the transition to a lower carbon economy 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 the geopolitical and 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 current geopolitical and economic environment.

Discount rate assumptions

The discount rates used for impairment testing and provisions were reassessed during the year in light of changing economic and geopolitical outlooks. The nominal discount rate applied to provisions was increased twice during the year to reflect rising US Treasury yields. Impairment discount rates were also increased from those reported in 2021. See significant judgements and estimates: recoverability of asset carrying values and provisions for further information.

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

Significant accounting policies

Going concern

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

Liquidity and financing is managed within the bp group under pooled group-wide arrangements which include the company. As part of the going concern basis of preparation for the company, the ability and intent of the bp group to support the company has also been taken into consideration. The most recent bp group financial statements continue to be prepared on a going concern basis. Forecast liquidity of the bp group has been assessed under a number of stressed scenarios, including a significant decline in oil prices over the 12-month period from the date these financial statements were approved. Reverse stress tests performed indicated that the bp group will continue to operate as a going concern for at least 12 months from the date of approval of the financial statements even if the Brent price fell to zero. In addition, bp group management have confirmed the existing intra-group funding and liquidity arrangements as currently constituted are expected to be maintained for the foreseeable future, being no less than twelve months from the approval of these financial statements. No material uncertainties over going concern or significant judgements or estimates on the assessment were identified. Accordingly, the company will be able to draw on support from the bp group for the foreseeable future and these financial statements have therefore been prepared on a going concern basis. For further information on financial risk factors, including credit risk and liquidity risk, see pages 4-8.

The company is in a healthy net assets and net current assets position as at 31 December 2022. The company has ongoing funding arrangements with BP International Limited to manage its working capital as well as investing activities. The directors' assessment has taken into account the ability of both the company and the bp group to ensure availability of funds at least 12 months from the date of approval of these financial statements.

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

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

Foreign currency

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

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

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

Intangible assets

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

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

Intangible assets with a finite life are amortized on a straight-line basis over their expected useful lives. Digital asset costs generally have a useful life of three to five years.

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

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

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 and, for assets that necessarily take a substantial period of time to get ready for their intended use, directly-attributable finance costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

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

Tangible assets (excluding right-of-use 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:

Vessels	
Oil tankers (leasehold improvements)	up to 15 years (6.7%)
Gas carriers (leasehold improvements)	up to 15 years (6.7%)
Platform supply vessels	up to 30 years (3.3%)
Other equipment	
Furniture	up to 3 years (33.3%)
Computer equipment	up to 3 years (33.3%)

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.

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

Tangible assets (continued)

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, changes in freight rates leading to sustained unprofitable performance, low vessel utilisation, evidence of physical damage or, increases in estimated future expenditure. If any such indication of impairment exists, the company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. An asset group's recoverable amount is the higher of its fair value less costs to sell and its value in use. If it is probable that the value of the CGU will primarily be recovered through a disposal transaction, the expected disposal proceeds are considered in determining the recoverable amount. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group that are not reflected in the discount rate and are discounted to their present value typically using a pre-tax discount rate that reflects current market assessments of the time value of money.

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

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's or CGU's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset or CGU 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 or CGU 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 or CGU's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

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

Impairment of intangible and tangible assets (continued)

Significant judgements and estimates: recoverability of asset carrying values

Judgement is required when determining the appropriate grouping of Right-of-Use assets and owned vessels into cash-generating units (CGUs) for impairment testing purposes. Alternate groupings of assets or CGUs may result in different outcomes from impairment testing. The company has assessed the entire fleet of vessels to constitute a single CGU on the basis that cash flows are not considered to be generated independently by individual vessels, as they are managed within a wider integrated business model involving production assets, storage facilities and a range of transportation options including the BP Shipping fleet.

Determination as to whether, and how much, an asset is impaired involves management estimates on highly uncertain matters such as future freight rates, utilization, the effects of inflation on operating expenses and discount rates.

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 11.

The estimates for assumptions made in impairment tests in 2022 relating to discount rates 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 CGU. Value-in-use calculations are typically discounted using a pre-tax discount rate based upon the cost of funding the bp group derived from an established model, adjusted to a pre-tax basis and incorporating a market participant capital structure. 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 2022 the post-tax discount rate used was 7% (2021 6%) and the pre-tax discount rate was 9% (2021 7%).

The change in discount rates is not expected to materially impact the recoverable amount of tangible assets.

Freight rates

The freight rates are uncertain and impact accounting estimates and financial results. The assumptions below represent management's best estimate of future freight rates; they do not reflect a specific scenario and sit within the range of the external forecasts considered.

The freight rate assumptions for 2023-2027 are based on forecasts published by reputable third party shipping industry experts in January 2023, consolidated and averaged for each vessel class, which are the best approximation of the facts and circumstances existing as of 31 December 2022.

Management tested the impact of a reduction in freight rates of 10% against the best estimate for all vessel classes in all future years. These freight rate reductions in isolation do not lead to a reduction in the carrying amount of tangible assets as at 31 December 2022.

These sensitivity analyses do not, however, represent management's best estimate of any impairments that might be recognized as they do not fully incorporate consequential changes that may arise, such as reductions in costs and changes to business plans. As the extent of a freight rate reduction increases, the more likely it is that costs would decrease across the industry. The above sensitivity analyses therefore do not reflect a linear relationship between freight rates and value that can be extrapolated.

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

Stock

Stocks are stated at the lower of cost and net realizable value. Cost is typically 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.

Leases

The company as lessee

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

A lease liability is recognized on the balance sheet on the lease commencement date at the present value of future lease payments over the lease term. The discount rate applied is the rate implicit in the lease if readily determinable, otherwise an incremental borrowing rate is used. For the majority of the leases in the group, there is not sufficient information available to readily determine the rate implicit in the lease, and therefore the 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, earlier of the useful life of the right-of-use asset or 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 tangible assets.

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 where the group has elected not to separate non-lease payments from the calculation of the lease liability and right-of-use asset.

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

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

Leases (continued)

The company as lessee (continued)

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 as lessor

The company enters into lease agreements as a lessor to other companies in the bp group with respect to certain of its vessels. Leases for which the company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease.

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

All other leases are classified as operating leases. As an intermediate lessor, the company accounts for the head lease and the sub-lease as two separate contracts. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. When a contract includes both lease and non-lease components, the company applies the accounting policy for turnover as disclosed below.

Significant judgements: Classification of lease agreements

Judgement is required when determining the appropriate accounting for sub-bareboat and time charter back agreements. For example, if these arrangements are considered in isolation, the accounting outcome may result in a recognition of gain. The company has assessed that the agreements should be viewed as a single combined transaction as they were negotiated as a single agreement and were executed in contemplation of each other.

Judgement is required when determining the appropriate accounting for sub-lease agreements. For example, the determination of whether these agreements are operating or finance lease arrangements will result in a different gain/loss recognised in equity. The company has assessed that some of the sub-lease agreements qualify as finance lease arrangements on the basis that the term of the sub-lease agreements comprises the entire useful life of the right-of-use assets and by reference to the risk and rewards of the underlying right of use asset.

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

Financial assets

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

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

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

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 3.5% (2021 2.0%).

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

Taxation

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

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

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

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

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

Taxation (continued)

Deferred tax liabilities are recognized for all taxable temporary differences except:

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

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

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.

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

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

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

Turnover (continued)

Revenue comprises freight income, bareboat and time charter income, demurrage, services and recoveries.

Freight income is measured based on the contractual rates and the duration of the voyage, and revenue is recognised upon delivery of the service. For voyages in progress at the end of the reporting period, the company recognises income following the "load to discharge" method to measure progress towards completion of the contracted voyage, whereby freight income and related voyage expenses are recognised on a straight–line basis from the first load date of the voyage to the discharge date of the cargo.

Bareboat and time charter income is measured based on the contractual rates and durations as specified in the agreements with the charter parties.

Demurrage income is measured in accordance with the terms and conditions in the freight contracts which contain conditions regarding the amount of time available for the loading and discharging of a cargo on a vessel. Demurrage income is recognised if it is considered probable.

Revenue from services is measured based on the contractual rates and durations as specified in the agreements with the customers.

Recoveries are measured based on the contractual agreements with the customers where the company is entitled to recover costs incurred. Where the company acts as an agent on behalf of a customer to purchase bunkers and settle ancillary costs, any associated fee income is recognized but no purchase or sale is recorded.

Contract asset balances are included within amounts presented for trade receivables.

Interest income

Interest income is recognized as the interest accrues.

Finance costs

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

Updates to significant accounting policies

In the current year, the company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Impact of new International Financial Reporting Standards

There are no IASB standards, amendments or interpretations in issue but not yet adopted that the directors anticipate will have a material effect on the reported income or net assets of the company.

3. Turnover

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

	2022	2021
	$000	$000
Freight income	701,086	474,889
Revenue on services	51,158	34,611
Bareboat and time charter income	306,583	354,087
Demurrage	145,881	64,675
Recoveries	6,975	5,217
	1,211,683	933,479
Other operating income	1,000	7,113
Interest receivable and similar income (Note 6)	51,235	37,035
	1,263,918	977,627

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

	2022	2021
	$000	$000
Class of business:		
Other businesses and corporate	1,211,683	933,479

The country of origin and destination is substantially the rest of the world.

4. Operating profit / (loss)

This is stated after charging / (crediting):

	2022	2021 Restated
	$000	$000
Operating lease payment:		
Tanker charters[a]	343,085	295,096
Net foreign exchange (gains) / losses[b]	(913)	113
Amortisation of intangible assets	5,281	—
Depreciation of tangible assets	2,419	8,091
Depreciation of right-of-use assets	114,644	168,780
Impairment of tangible assets	—	105,000
Reversal of impairment of tangible assets	(133,681)	—
Cost of stock recognised as an expense	323,793	190,408
Profit on disposal of leased assets	75,658	142
Government grant	(120)	(121)

[a] Current period amount relates to short–term leases and service components of the operating leases agreements.
[b] Amount is included in Administrative expenses.

5. Auditor's remuneration

	2022	2021
	$000	$000
Fees for the audit of the company	314	201

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 Shipping 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

	2022	2021
	$000	$000
Interest income from amounts owed by group undertakings	20,707	1,077
Income earned on finance lease receivable	30,528	35,958
Total interest receivable and similar income	51,235	37,035

7. Interest payable and similar expenses

	2022	2021
	$000	$000
Interest expense on lease liabilities	39,315	48,359
Guarantee fees paid to group undertakings	19,783	24,860
Total interest payable and similar expenses	59,098	73,219

8. Taxation

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

(a) Reconciliation of the effective tax rate

The tax assessed on the profit for the year is lower than the standard rate of corporation tax in the UK of 19% for the year ended 31 December 2022 (2021 19%). The differences are reconciled below:

	2022	2021 Restated
	$000	$000
Profit / (loss) before taxation	277,318	(208,216)
Tax charge	—	—
Effective tax rate	—	—

	2022	2021
	%	%
UK statutory corporation tax rate:	19	19
Decrease resulting from:		
Free group relief	(17)	(17)
Movements in unrecognised deferred tax	(2)	(2)
Effective tax rate	—	—

8. Taxation (continued)

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

Change in corporation tax rate

On 3 March 2021, the UK Government announced an increase to the UK's main corporation tax rate from 19% to 25%, effective from 1 April 2023. This will increase the company's future current tax charge accordingly. The rate change was substantively enacted on 24 May 2021. As the company has not recognised a deferred tax asset at the balance sheet date, the impact of this rate change has not been calculated.

(b) Provision for deferred tax

Deferred tax has not been recognised on deductible temporary differences relating to fixed assets of $139,448,000 (2021 $145,473,000 (restated)) with no fixed expiry date on the basis that they are UK tax attributes that are not expected to give rise to any future tax benefit.

9. Directors and employees

(a) Remuneration of directors

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

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

The total remuneration for these qualifying directors for their period of directorship to the company amounted to $437,724 (2021 $642,639). These costs were borne by other undertakings within the group.

None of the qualifying directors received a compensation for loss of office (2021 None).

Of these qualifying directors, the highest paid director received $421,124 (2021 $485,308). The accrued pension of the highest paid director at 31 December 2022 was $2,000 (2021 $1,000). The highest paid director received a contributions to a money purchase pension scheme during the year for $15,000 (2021 $Nil).

One of these qualifying directors were members of the defined benefit section of the bp Pension Fund at 31 December 2022 (2021 Two).

One of these qualifying directors received a contribution to a money purchase pension scheme during the year (2021 None).

One of the qualifying directors exercised share options over BP p.l.c. shares during the year (2021 None).

Two of the qualifying directors had awards receivable in the form of BP p.l.c. shares under a long-term incentive scheme (2021 Four).

(b) Employee costs

The company had no employees during the year (2021 None).

10. Intangible assets

	Software & other
Cost	$000
At 1 January 2022	—
Additions	9,233
Transfers	13,894
Write off	(502)
At 31 December 2022	22,625
Amortisation	
At 1 January 2022	—
Charge for the year	5,281
Transfers	4,909
Write off	(502)
At 31 December 2022	9,688
Net book value	
At 31 December 2022	12,937
At 31 December 2021	—

11. Tangible assets

	Vessels					
	Owned assets under operating lease	Right-of-use assets	Right-of-use assets under operating lease	Other equipment	Total	Of which AUC[a]
Cost	$000	$000	$000	$000	$000	$000
At 1 January 2022	167,145	593,964	416,579	18,973	1,196,661	2,710
Additions	1,820	177,415	—	2,733	181,968	1,479
Disposals	—	(224,980)	(21,302)	—	(246,282)	—
Transfers	(1,894)	319,671	(319,671)	(12,000)	(13,894)	(2,053)
Expiry	—	(16,247)	—	—	(16,247)	—
Write off	(1,061)	—	—	—	(1,061)	—
At 31 December 2022	166,010	849,823	75,606	9,706	1,101,145	2,136
Depreciation						
At 1 January 2022 (restated)	112,546	463,904	285,356	8,949	870,755	—
Charge for the year	894	103,402	11,242	1,525	117,063	—
Reversal of impairment	(31,809)	(86,659)	(15,213)	—	(133,681)	—
Disposals	—	(198,801)	(18,645)	—	(217,446)	—
Transfers	—	221,965	(221,965)	(4,909)	(4,909)	—
Expiry	—	(16,247)	—	—	(16,247)	—
Write off	(972)	—	—	—	(972)	—
At 31 December 2022	80,659	487,564	40,775	5,565	614,563	—
Total net book value						
At 31 December 2022	85,351	362,259	34,831	4,141	486,582	2,136
At 31 December 2021 (restated)	54,599	130,060	131,223	10,024	325,906	2,710

[a] AUC = assets under construction. Assets under construction are not depreciated.

In the prior year, vessels were carried net of cumulative impairment charges of $304,000,000 (restated).

Management's best estimate of freight rates assumption for the value-in-use impairment test was revised during 2022. See 'Significant accounting policies: Impairment of intangible and tangible assets' for details of assumptions used.

As a result of this review, the company has recognized total impairment reversals of $133,681,000 (2021 impairment charges of $105,000,000 (restated)).

12. Stocks

	2022	2021
	$000	$000
Raw materials and consumables	37,334	39,799

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

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13. Debtors

Amounts falling due within one year:

	2022	2021
	$000	$000
Trade debtors	217,309	56,572
Amounts owed from group undertakings	1,140,748	1,333,125
Other debtors	7,441	9,429
Prepayments	7,438	6,466
Finance lease receivable	106,296	129,979
Accrued income	35,932	13,673
	1,515,164	1,549,244

Amounts falling due after one year:

	2022	2021
	$000	$000
Other debtors	41,459	41,459
Finance lease receivable	613,039	727,739
	654,498	769,198
Total debtors	2,169,662	2,318,442

Included in the amounts owed from group undertakings is an Internal Funding Account (IFA) of $992,377,000 receivable from BP International Limited (2021 $1,225,762,000). This balance forms a key part of the bp group's liquidity and funding arrangements under its centralised treasury funding model and it can be accessed by BP International Limited at short notice. Whilst IFA balances are legally repayable on demand, in practice they have no termination date.

Interest is accrued on a monthly basis based on USD LIBOR.

From 31 December 2021 some USD LIBOR tenors, and all EUR, GBP and CHF LIBOR tenors ceased to be published. The remaining USD LIBOR tenors, including 3 month USD LIBOR, will continue to be published until June 2023. For further information in relation to LIBOR transition see Note 29 of the bp group Annual Report and Form 20-F for the year ended 31 December 2022.

Included in the amounts owed from group undertakings and accrued income is $56,592,000 (2021 $22,789,000) accrued for voyages in progress.

Trade and other receivables are predominantly non-interest bearing.

14. Creditors

Amounts falling due within one year:

	2022	2021
	$000	$000
Trade creditors	12,615	43,754
Amounts owed to group undertakings	50,604	10,979
Taxation	676	517
Accruals and deferred income	29,517	27,582
	93,412	82,832

14. Creditors (continued)

Amounts falling due after one year:

	2022	2021
	$000	$000
Accruals and deferred income	231	348
Total creditors	93,643	83,180

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

15. Obligations under leases

Obligations under leases are analysed as follows:

Within 5 years

	2022	2021
	Lease liabilities	Lease liabilities
	$000	$000
Due within		
1 year	283,689	291,517
1 to 2 years	187,729	312,476
2 to 5 years	374,304	409,739
	845,722	1,013,732

After 5 years

	2022	2021
	Lease liabilities	Lease liabilities
	$000	$000
Not wholly repayable	173,541	266,811
	173,541	266,811

16. Leases

The company leases a number of assets as part of its activities. Time charter leases are negotiated for an average term of 40 months (2021 38 months). Bareboat leases are negotiated for an average term of 10 years (2021 10 years), some at variable rates based on market interest rates. In certain bareboat leases, the company has option to purchase the assets or guarantees the residual value of the leased assets at the end of the contract term. Bareboat leases are also guaranteed by other bp group companies.

The company initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. The amounts are reviewed, and adjusted if appropriate, at the end of each reporting period. As at 31 December 2022, there are no amounts expected to be payable under residual value guarantees as part of the lease liability.

16. Leases (continued)

Certain leases contain options to extend the lease period at the company's discretion. The payments for these future periods are only included in the measurement of the lease liability and right-of-use asset if the company is reasonably certain to exercise the option. The total undiscounted amounts payable for periods subject to extension options not currently reasonably certain to be exercised and therefore not in the reported lease liability at 31 December 2022 is $459 million (2021 $553 million).

The company may enter into lease arrangements a number of years before taking control of the underlying asset due to construction lead times or to secure future operational requirements. The total undiscounted amount for future commitments for leases not yet commenced as at 31 December 2022 is $Nil.

	2022	2021
	$000	$000
Income from sub-leasing right-of-use assets	39,037	82,047
Short-term lease expense[a]	39,092	29,615
Additions to right-of-use assets in the period	177,414	33,317
Total cash outflow for amounts included in lease liabilities[b]	355,585	381,923

[a] A short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less.

[b] The cash outflows for amounts not included in lease liabilities approximate the income statement expense disclosed above.

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

Operating lease arrangements as a lessor

Operating leases, in which the company is the lessor, relate to one oil tanker with a lease term of 1 year and two platform supply vessel ("PSV") with lease terms of 7 years.

Operating lease payments receivable, included within debtors, are analysed as follows:

	2022	2021
	$000	$000
Year 1	16,341	16,259
Year 2	12,792	12,757
Year 3	12,757	12,792
Year 4	12,757	12,757
Year 5	12,757	12,757
Year 6 and onwards	15,238	27,995
Total	82,642	95,317

16. Leases (continued)

Finance lease arrangements as a lessor

BP Shipping Limited subleases ten leased LNG vessels to bp group entities with lease term of between 1 to 10 years.

Finance lease payments receivable, included within debtors, are analysed as follows:

	2022	2021
	$000	$000
Year 1	132,462	160,930
Year 2	116,608	140,950
Year 3	116,289	116,608
Year 4	116,289	116,289
Year 5	116,289	116,289
Year 6 and onwards	226,843	343,131
Total undiscounted lease payments receivable	824,780	994,197
Unearned finance income	(105,445)	(136,479)
Finance lease receivable	719,335	857,718

17. Other provisions

	Other	Litigations and claims	Total
	$000	$000	$000
At 1 January 2022	1,156	772	1,928
Exchange adjustments	—	(50)	(50)
New or increased provisions:			
Charged to profit and loss account	—	100	100
Write-back of unused provisions	(401)	—	(401)
Utilization	(711)	(400)	(1,111)
At 31 December 2022	44	422	466
At 31 December 2022			
Current	44	422	466
At 31 December 2021			
Current	1,156	772	1,928

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

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18. Called up share capital

	2022	2021
	$000	$000
Issued and fully paid:		
1,276,000,000 ordinary shares of £1 each for a total nominal value of £1,276,000,000	2,030,469	2,030,469
740,000,000 ordinary shares of $1 each for a total nominal value of $740,000,000	740,000	740,000
	2,770,469	2,770,469

19. Reserves

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

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

20. Other contractual commitments

Other contractual commitments relate to the committed service components of the lease agreements as at 31 December 2022. These commitments fall due as follows:

	2022	2021
	$000	$000
Within 1 year	123,111	137,356
In 2 to 5 years	116,493	175,605
After 5 years	—	1,320
	239,604	314,281

21. 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.

During the year the company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 December, are as follows:

Related party	Sales to related party
	$000
BP Southern Africa (Proprietary) Limited	
Shipping	
2022	6,043
2021	6,221

22. Prior year adjustment

Certain accounts in the income statement and balance sheet were erroneously reported in the prior year. The tangible assets and impairment of tangible assets were overstated and understated by $48,000,000 respectively as a result of the change in certain assumptions used in the fleet earnings forecasts. As a consequence, comparative information for the year ended 31 December 2021 presented in these financial statements have been restated.

	2021 $000 As previously stated	$000 Adjustment	2021 $000 Restated
Profit and loss			
Impairment of tangible assets	(57,000)	(48,000)	(105,000)
Operating profit / (loss)	(124,032)	(48,000)	(172,032)
Profit / (loss) before taxation	(160,216)	(48,000)	(208,216)
Profit / (loss) for the financial year	(160,216)	(48,000)	(208,216)
Balance sheet			
Fixed assets			
Tangible assets	373,906	(48,000)	325,906
TOTAL ASSETS LESS CURRENT LIABILITIES	2,361,497	(48,000)	2,313,497
NET ASSETS	1,369,677	(48,000)	1,321,677
Capital and reserves			
Profit and loss account	(1,400,792)	(48,000)	(1,448,792)
TOTAL EQUITY	1,369,677	(48,000)	1,321,677

Statement of changes in equity	Profit and loss account $000	Total equity $000
Balance at 1 January 2021	(1,240,576)	1,529,893
Loss for the financial year, representing total comprehensive income (restated)	(208,216)	(208,216)
Balance at 31 December 2021 (restated)	(1,448,792)	1,321,677

23. Immediate and ultimate controlling parent undertaking

The immediate parent undertaking is BP International Limited, a company registered in England and Wales. The ultimate controlling parent undertaking is BP p.l.c., a company registered in England and Wales, which is the 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.