BP EXPLORATION (ALPHA) LIMITED
(Registered No.01021007)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2020

Board of Directors: S K Mukundan
Xinchao Wu
N J C Evans

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

STRATEGIC REPORT

Results

The loss for the year after taxation was $1,975,259,000 which, when added to the accumulated loss brought forward at 1 January 2020 gives a total accumulated loss carried forward at 31 December 2020 of $6,203,752,000.

Principal activities and review of the business

BP Exploration (Alpha) Limited (hereinafter - the company) is engaged in the exploration for and production of oil and natural gas from interests in the UK and overseas.

The company's project office in India has participating interest in two oil and gas PSAs (KGD6 33.33% and NEC25 33.33%), one oil and gas block under a Revenue Sharing Contract (KG-UDWHP-2018/1- 40%), all operated by Reliance Industries Limited (hereinafter - RIL).

The company also owns participating interests in Miller field (40%) and in the Chrysaor Production (U.K.) Limited operated Southern Waters V-Fields (North Valiant (38.87%), Vampire (30%), Vanguard (50%), Viscount (30%), Vulcan (42.13%) and Loggs (30%)) located in the North Sea of the United Kingdom. All production on Miller and Southern Water fields ceased in 2018.

On 3 February 2020, bp group (hereinafter - bp) and RIL confirmed that they had completed the safe cessation of production in a planned manner, from the D1D3 field in Block KG D6, off the east coast of India.

During the year, impairment charges of $1,313 million were recognized in respect of certain assets in India, primarily as a result of changes to the group's long-term price assumptions.

Also during the year, exploration write-offs of $333 million were recognized in relation to an exploration block in India following management's re-assessment of expectations to extract value as a result of a review of the group's long-term strategic plan and changes in the group's long-term price assumptions.

On 18 December 2020, bp and RIL announced the start of gas production from R-Series, the first of the three projects in Block KG D6, and post balance sheet date, on 26th April 2021, from Satellites Cluster, the second project in Block KGD6. MJ, the third of three projects in the Block KG D6 is under development with first gas production expected in 2022.

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

	2020	2019	Variance
	$000	$000	%
Turnover	3,165	22,510	(86)
Operating loss	(1,627,033)	(9,759)	16,572
Loss for the financial year	(1,975,259)	(35,935)	5,397
Total equity	1,397,807	3,373,066	(59)

	2020	2019	Variance
	%	%	
Quick ratio*	1	4	-3
Return on average capital employed**	(63.30)%	(0.57)%	(62.73)%
Gross Profit percentage***	(14)%	(12)%	(2)%

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

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

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

The decrease in turnover by $18 million was primarily driven by reduction in natural gas sales made by the India Project Office. This was due to only two months of production in 2020 as against full year production in 2019 (i.e. cessation of production in D1D3 after January 2020 and start of production from R-Series in December 2020. Further $1 million reduction in tariff income relates to lower volumes of gas transported through Lincolnshire Offshore Gas Gathering System (LOGGS).

The change in operating loss from prior year is primarily due to impairment recognized for the tangible assets in Block KG D6 and exploration write-offs.

The tax charge for the year is $343 million. This represents an increase compared to the prior year charge of $12 million and is due to a decrease in the deferred tax asset by $343 million, mainly on account of (a) a decrease in Valuation allowance on carry forward losses of the Indian branch recognized for deferred tax purposes of $979 million, which is partially offset by an increase in the deferred tax asset for (b) carry forward losses of $68 million and (c) an increase of $577 million recognized primarily due to impairment of fixed assets.

Section 172 (1) statement

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

The role of the board of directors of the company plays an integral part in demonstrating how the directors have had regard to the matters set out in section 172(1). During the course of the year the following primary tasks were undertaken by the board of directors of the company:

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

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

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

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

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

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

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

Employees
Employees are vital to the long-term success of the company. bp and its directors engage with employees and keep them informed on matters that concern them through bp's employee intranet and local sites, social media channels, annual 'Pulse' survey, town halls, site visits and webinars including topics such as quarterly results, strategy, the low carbon transition, and diversity. During 2020 restrictions associated with COVID-19, most engagements were conducted virtually. bp's 'Pulse' survey employee engagement score acts as a key performance indicator for bp.

Customers and suppliers
bp aims to put customers at the heart of everything it does. In 2020 bp considered its customer's interests by engaging in global customer brand tracking and collaborating with original equipment manufacturers on future technologies.

bp considered its supplier's interests through hosting workshops, including sessions focused on net zero, people and planet. In addition, university collaborations, including the Carbon Mitigation Initiative, an independent academic research programme based at Princeton University.

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

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

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

Maintaining a reputation for high standards of business conduct
In 2020 bp launched its new sustainability frame, aims and objectives linked to the UN Sustainable Development Goals. bp's values of safety, respect, excellence, courage and one team define how the group, including the company and its board of directors, conduct business. Furthermore, bp's code of conduct is based upon its values and it sets clear expectations for how bp, the company and the relevant board of directors operate. The directors of the company continued to adhere, in good faith, to the bp code of conduct during the year, and oversee adherence to the bp code of conduct by the Company's employees to ensure the board and the company maintained a reputation for high standards of business conduct.

bp's code of conduct includes prohibitions on engaging in bribery or corruption in any form, in accordance with bp's group-wide anti-bribery and corruption policy and procedures. During the year, bp continued to engage suppliers and communicate expectations for managing bribery and corruption risk on behalf of bp, where relevant, for example the customer & products business delivered a regional annual contractor forum digitally, providing awareness of bribery and corruption risks.

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

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

Principal risks and uncertainties

The company aims to deliver sustainable value by identifying and responding successfully to risks. Risk management is integrated into the process of planning and performance management for the bp group.

The risks listed below, separately or in combination, could have a material adverse effect on the implementation of the company's strategy, business, financial performance, results of operations, cash flows, liquidity, prospects, shareholder value and returns and reputation. Unless stated otherwise, further details on these risks are included within the risk factors in the strategic report of the bp group Annual Report and Form 20-F for the year ended 31 December 2020.

Strategic and commercial risks

Prices and markets
The company's financial performance is subject to fluctuating prices of oil, 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.

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

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

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

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

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

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

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

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

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

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

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

Safety and operational risks

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

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

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

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

Compliance and control risks

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

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

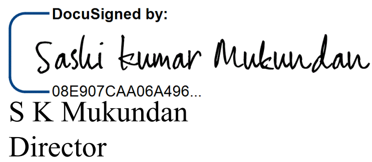
Reporting
Failure to accurately report the company's data could lead to regulatory action, legal liability and reputational damage.

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

Financial risk management

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

Authorized for issue on behalf of the Board



S K Mukundan
Director

Registered Office:

Chertsey Road
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Middlesex
TW16 7BP
United Kingdom

DIRECTORS' REPORT

BP EXPLORATION (ALPHA) LIMITED

Directors

The present directors are listed on page 1.

S K Mukundan served as director throughout the financial year. Changes since 1 January 2020 are as follows:

	Appointed	Resigned
D A Rider	—	15 March 2020
A D Flores	—	15 March 2020
S J MacRae	—	28 August 2020
Xinchao Wu	15 March 2020	—
J C Lyons	1 October 2020	6 April 2021
N J C Evans	6 April 2021	—

Directors' indemnity

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

Dividends

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

Financial instruments

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

Post balance sheet event(s)

The Satellites Cluster project of Block KG D6 commenced production in April 2021.

In the second quarter of 2021 the company booked impairment reversals of $725 million relating to oil and gas assets. These principally arose as a result of changes to the bp group's oil and gas price assumptions. The price assumption for Brent oil up to 2030 was increased to reflect near-term supply constraints, whereas the long-term assumption was decreased reaching $55 per barrel by 2040 and $45 per barrel by 2050 (in real 2020 terms). The recoverable amounts of the cash generating units were based on value-in-use calculations. These revisions and impairment reversals relate to events and circumstances arising since 31 December and therefore the impact on the company will be included in the financial statements for the year ended 31 December 2021.

Going concern

The directors have assessed the prospects of the company over a period of at least 12 months. The directors have considered expectations of the position and performance of the company over this period, taking account of its short-term and longer-range plans. Taking into account the company's current position and its principal risks on pages 4-5, the directors have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over at least the next 12 months.

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

The company has net assets of $1,398 million and net current liabilities of $107 million. Operations of the company are supported by an internal financing agreement with BP International Ltd, which held a payable balance of $790 million at 31 December 2020. In 2020 the company recognised an operating loss amounting to $1,627 million mainly due to $1,306 million of impairment of tangible assets as a result of long-term price assumption changes and $333 million of exploration write off.

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

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

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

Future developments

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

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

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:

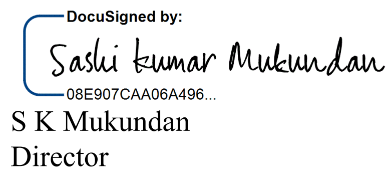
- To the best of each director's knowledge and belief, there is no information relevant to the preparation of the auditor's report of which the company's auditor is unaware; and

- 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.

DIRECTORS' REPORT

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

Authorized for issue on behalf of the Board



S K Mukundan
Director

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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

BP EXPLORATION (ALPHA) LIMITED

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BP EXPLORATION (ALPHA) LIMITED

Report on the audit of the financial statements

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

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

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 26.

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

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

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

Conclusions relating to going concern

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

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

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

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

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

We have nothing to report in this regard.

DTT

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

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

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

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act, pensions legislation 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.

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.

DTT

INDEPENDENT AUDITOR'S REPORT

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

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

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

Matters on which we are required to report by exception

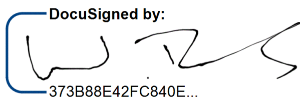
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

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

We have nothing to report in respect of these matters.

Use of our report

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



William Brooks FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP Statutory Auditor
London, United Kingdom

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2020

BP EXPLORATION (ALPHA) LIMITED

	Note	2020	2019
		$000	$000
Turnover	3	3,165	22,510
Cost of sales		(3,618)	(25,268)
Gross loss		(453)	(2,758)
Exploration expenses	9	(333,365)	(6,757)
Administrative expenses		12,521	(3,096)
Other operating income		133	770
Impairment of tangible assets	13	(1,305,534)	—
Reversal of impairment of tangible assets	13	—	2,082
Reorganization / restructuring costs	6	(335)	—
Operating loss	4	(1,627,033)	(9,759)
Interest receivable and similar income	7	86	24
Interest payable and similar expenses	8	(5,180)	(14,585)
Loss before taxation		(1,632,127)	(24,320)
Tax on loss	10	(343,132)	(11,615)
Loss for the financial year		(1,975,259)	(35,935)

The loss of $1,975,259,000 for the year ended 31 December 2020 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

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

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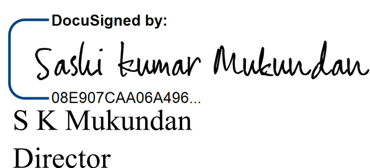
BALANCE SHEET

AT 31 DECEMBER 2020

BP EXPLORATION (ALPHA) LIMITED
(Registered No. 01021007)

	Note	2020 $000	2019 $000
Fixed assets			
Intangible assets and negative goodwill	**12**	(65,935)	262,891
Tangible assets	**13**	1,917,330	2,928,898
		1,851,395	3,191,789
Current assets			
Stocks	**14**	29,173	29,461
Debtors - amounts falling due:			
within one year	**15**	35,013	48,657
after one year	**15**	25,296	43,015
Deferred tax assets	**10**	732,196	1,075,328
Cash at bank and in hand		1,527	5,968
		823,205	1,202,429
Creditors: amounts falling due within one year	**16**	(928,546)	(611,988)
Lease liabilities	**17**	(1,436)	(1,319)
Net current (liabilities) / assets		(106,777)	589,122
TOTAL ASSETS LESS CURRENT LIABILITIES		1,744,618	3,780,911
Creditors: amounts falling due after more than one year	**16**	(12,632)	(18,852)
Lease liabilities	**17**	(3,433)	(4,814)
Other provisions	**19**	(330,746)	(384,179)
NET ASSETS		1,397,807	3,373,066
Called up share capital	**20**	7,601,559	7,601,559
Profit and loss account	**21**	(6,203,752)	(4,228,493)
TOTAL EQUITY		1,397,807	3,373,066

Authorized for issue on behalf of the Board



S K Mukundan
Director

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

BP EXPLORATION (ALPHA) LIMITED

	Called up share capital (Note 20)	Profit and loss account (Note 21)	Total
	$000	$000	$000
Balance at 1 January 2019	7,601,559	(4,192,558)	3,409,001
Loss for the financial year, representing total comprehensive income	—	(35,935)	(35,935)
Balance at 31 December 2019	7,601,559	(4,228,493)	3,373,066
Loss for the financial year, representing total comprehensive income	—	(1,975,259)	(1,975,259)
Balance at 31 December 2020	7,601,559	(6,203,752)	1,397,807

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2020

BP EXPLORATION (ALPHA) LIMITED

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

The financial statements of BP Exploration (Alpha) Limited for the year ended 31 December 2020 were approved by the board of directors on ________________ and the balance sheet was signed on the board's behalf by S K Mukundan. BP Exploration (Alpha) Limited is a private company, limited by shares incorporated, domiciled and registered in England and Wales (registered number 01021007). The company's registered office is at Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom. These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the provisions of the Companies Act 2006.

2. Significant accounting policies, judgements, estimates and assumptions

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

Basis of preparation

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

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

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

(a) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
(b) the requirements of IFRS 7 Financial Instruments: Disclosures
(c) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement
(d) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements
(e) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
    (i) paragraph 79(a)(iv) of IAS 1
    (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment
    (iii) paragraph 118(e) of IAS 38 Intangible Assets
(f) the requirements of IAS 7 Statement of Cash Flows
(g) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective
(h) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
(i) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
(j) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c)-135(e) of IAS 36, Impairment of Assets
(k) the requirement of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers

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

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

Were 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 26.

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.

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

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

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

Impairments were recognized during 2020 on certain oil and gas properties as a result of the lower price assumptions. See note 4 for further information.

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

Exploration and appraisal intangible assets
The energy transition may affect the future development or viability of exploration prospects. The lower price assumptions and bp's long-term net-zero strategy resulted in a review of the recoverability of exploration and appraisal intangible assets during 2020. Certain intangible assets were subsequently written-off. See significant judgement: exploration and appraisal intangible assets and note 12 for further information. The revised assumptions for investment appraisal seek to ensure that future capital expenditure on property plant and equipment, and exploration and appraisal intangibles, is aligned with bp's net-zero strategy.

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

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

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

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

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

Significant accounting policies

Going concern

At 31 December 2020 the company's balance sheet had net current liabilities amounting to $106,777,000.

The directors consider it appropriate to prepare the financial statements on a going concern basis as, despite the uncertainties deriving from the current economic environment, the company is in an overall net assets position and has received confirmation that the existing intra-group funding and liquidity arrangements are expected to continue for the foreseeable future, therefore will be able to meet its liabilities as they fall due for at least the next 12 months from the date these financial statements were approved.

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

Foreign currency

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

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

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Investments

Business combinations and goodwill

The Companies Act 2006 requires goodwill to be reduced by provisions for amortization on a systematic basis over a period chosen by the directors, its useful economic life. However, under IFRS 3 Business Combinations goodwill is not amortized. Consequently, the company does not amortize goodwill, but reviews it for impairment on an annual basis or whenever there are indicators of impairment. The company is therefore invoking a 'true and fair view override' to overcome the requirement for the amortization of goodwill in the Companies Act 2006. The company is not able to reliably estimate the impact on the financial statements of the true and fair override on the basis that the useful economic life of goodwill cannot be predicted with a satisfactory level of reliability, nor can the pattern in which goodwill diminishes be known.

A business combination is a transaction or other event in which an acquirer obtains control of one or more businesses. A business is an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing a return in the form of dividends or lower costs or other economic benefits directly to investors or other owners or participants. A business consists of inputs and processes applied to those inputs that have the ability to create outputs.

Business combinations are accounted for using the acquisition method. The identifiable assets acquired and liabilities assumed are measured at their fair values at the acquisition date. The cost of an acquisition is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the equity interests issued by the acquirer. Acquisition costs incurred are expensed and included in administrative expenses.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the acquisition-date fair values of any previously held interest in the acquiree over the fair value of the identifiable assets acquired and liabilities assumed at the acquisition date.

At the acquisition date, any goodwill acquired is allocated to each of the cash-generating units, or groups of cash-generating units, expected to benefit from the combination's synergies.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate the recoverable amount of the cash-generating unit to which the goodwill relates should be assessed. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognized.

Goodwill may arise upon investments in joint ventures and associates, being the surplus of the cost of investment over the company's share of the net fair value of the identifiable assets and liabilities. Any such goodwill is recorded within the corresponding investment in joint ventures and associates.

Goodwill may also arise upon acquisition of interests in joint operations that meet the definition of a business. The amount of goodwill separately recognized is the excess of the consideration transferred over the company's share of the net fair value of the identifiable assets and liabilities.

Under FRS 101, where an acquisition is a bargain purchase, the excess of the value of the identifiable assets acquired and the liabilities assumed over the consideration transferred shall be recognized on the balance sheet. Subsequently, the excess up to the fair value of the non-monetary assets acquired shall be recognized in profit or loss in the periods in which the non-monetary assets are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognized in profit or loss in the periods expected to be benefited.

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Intangible assets

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

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

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

Intangible assets with a finite life are amortised on a straight-line basis over their expected useful lives. For patents, licences and trademarks, expected useful life is the shorter of the duration of the legal agreement and economic useful life, and can range from three to fifteen years. Negative goodwill is amortised on a straight line basis over 20 years, the expected period of benefit arising from the acquisition of the business.

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

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

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

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

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

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

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

Development expenditure

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

Significant judgement: exploration and appraisal intangible assets

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

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

The carrying amount of capitalized costs and further information on the write-offs are included in Note 12.

Tangible assets

Tangible assets owned by the company are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of any decommissioning obligation, if applicable, and, for assets that necessarily take a substantial period of time to get ready for their intended use, directly-attributable finance costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

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

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

Land and buildings
Buildings 4 years
Fixtures and fittings
Fixtures and fittings 4 years

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

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

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

Impairment of intangible and tangible assets

The company assesses assets or groups of assets, called cash-generating units (CGUs) for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, for example, changes in the company's business plans, plans to dispose rather than retain assets, changes in commodity prices leading to sustained unprofitable performance, low plant utilisation, evidence of physical damage or, for oil and gas assets, significant downward revisions of estimated reserves or increases in estimated future development expenditure or decommissioning costs. If any such indication of impairment exists, the company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. An asset group's recoverable amount is the higher of its fair value less costs to sell and its value in use. If it is probable that the value of the CGU will primarily be recovered through a disposal transaction, the expected disposal proceeds are considered in determining the recoverable amount. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group that are not reflected in the discount rate and are discounted to their present value typically using a pre-tax discount rate that reflects current market assessments of the time value of money. Fair value less costs to sell is identified as the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general.

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

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NOTES TO THE FINANCIAL STATEMENTS

Significant judgements and estimates: recoverability of asset carrying values

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

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

Details of impairment charges and reversals recognized in the profit and loss account are provided in Note 4 and details of the carrying amounts of assets are shown in Note 12 and Note 13.

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

Discount rates

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

The discount rates applied in impairment tests are reassessed each year and in 2020 the post-tax discount rate used was 6% (2019 6%). Where the CGU is located in a country that was judged to be higher risk an additional premium of 1% to 3% was reflected in the discount rate (2019 1% to 4%). The judgement of classifying a country as higher risk and the applicable premium takes into account various economic and geopolitical factors. The pre-tax discount rate typically ranged from 7% to 15% (2019 7% to 13%) depending on the applicable tax rate in the geographic location of the CGU. In particular, for the company's India CGU in 2020, the pre-tax discount rate was 11%.

Oil and natural gas properties

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

In 2020, the company identified oil and gas properties with carrying amounts of India CGU value as at 4Q 2020 totalling $1,933 million (2019 $Nil) where the headroom, as at the dates of the last impairment test performed on those assets, was less than or equal to 20% of the carrying value. A change in the discount rate, reserves, resources or the oil and gas price assumptions in the next financial year may result in a recoverable amount of one or more of these assets being above or below the current carrying amount and therefore there is a significant risk of impairment reversals or charges in that period.

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

Information on the carrying amounts of the company's oil and natural gas properties, together with the amounts recognized as depreciation, depletion and amortization is contained in Note 13.

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Oil and natural gas prices

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

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

	2021	2025	2030	2040	2050
Brent oil ($/bbl)	50	50	60	60	50
Henry Hub gas ($/mmBtu)	3.00	3.00	3.00	3.00	2.75

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

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

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

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

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

US gas prices dropped by around 20% in 2020 compared to 2019. Henry Hub gas prices were already low in early 2020 due to mild weather. The drop in demand from the second quarter onward as well as significant US LNG shut-ins contributed to prices remaining below $2/mmBtu during the second and third quarters, despite a record consumption in the power sector and the drop in natural gas production. Prices recovered in the fourth quarter due to the seasonal gas demand increase and the strong recovery in US LNG exports. bp's long-term price assumption for US gas reflects the fact that over the coming decades US gas production increases with an increasing proportion of production being used as feedstock to supply expanding LNG exports, while in the longer-term falling gas consumption and declining demand for global LNG exports leads to increasing competitive pressure on US gas production.

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Oil and natural gas reserves

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

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

Sensitivity analyses

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

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

Revenue reductions of this magnitude in isolation could indicatively lead to a reduction in the carrying amount of the company's Upstream oil and gas properties in the range of $305 million, which is approximately 16% of the net book value of tangible assets as at 31 December 2020.

Revenue increases of this magnitude in isolation could indicatively lead to an increase in the carrying amount of the company's Upstream oil and gas properties in the range of $305 million, which is approximately 16% of the net book value of tangible assets as at 31 December 2020. This potential increase in the carrying amount would arise due to reversals of previously recognized impairments.

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

Management also tested the impact of a one percentage point change in the discount rate used for value-in-use impairment testing of Upstream oil and gas properties. If the discount rate was one percentage point higher across the tests performed, the impairment charge recognized in 2020 would have been approximately $106 million higher. If the discount rate was one percentage point lower, the impairment charge recognized would have been approximately $115 million lower.

Stock

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

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

Leases

Agreements that convey the right to control the use of an identified asset for a period of time in exchange for consideration are accounted for as leases. The right to control is conveyed if bp has both the right to obtain

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substantially all of the economic benefits from, and the right to direct the use of, the identified asset throughout the period of use. An asset is identified if it is explicitly or implicitly specified by the agreement and any substitution rights held by the lessor over the asset are not considered substantive.

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

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

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

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

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

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

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

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

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

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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 amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process. This category of financial assets includes trade and other receivables.

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

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

Financial liabilities

The measurement of financial liabilities is as follows:

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

After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized in interest receivable and similar income and interest payable and similar expenses respectively. This category of financial liabilities includes trade and other payables and finance debt.

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Offsetting of financial assets and liabilities

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

Provisions and contingent liabilities

Provisions are recognized when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect the risks specific to the liability.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax risk-free rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized in the profit and loss account. Provisions are discounted using a nominal discount rate of 2.5% (2019 2.5%).

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

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

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

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

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

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

Significant judgements and estimates: provisions

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

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

Further information about the company's provisions is provided in Note 19. Changes in assumptions in relation to the company's provisions are could result in a material change in their carrying amounts within the next financial year. A 0.5 percentage point change in the nominal discount rate could have an impact of approximately $6.2 million (2019 $6.5 million) on the value of the company's provisions.

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

If all expected future decommissioning expenditures were 10% higher, the company's Upstream decommissioning provisions would increase by approximately $26 million and a pre-tax charge of approximately $1 million would be recognized.

Employee benefits

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the company.

Pensions

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

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

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periods as well as items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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

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

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

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

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

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

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

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

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

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Petroleum revenue tax

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

Turnover

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

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

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

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

Tariff income is recognized as the underlying commodity is shipped through the pipeline network based on established tariff rates.

Interest income

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

Finance costs

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

Updates to significant accounting policies

Impact of new International Financial Reporting Standards

bp adopted 'Interest Rate Benchmark Reform – Phase I – Amendments to IFRS 9 'Financial instruments' and IFRS 7 'Financial instruments: Disclosures' with effect from 1 January 2020. There are no other new or amended standards or interpretations adopted during the year that have a significant impact on the company's financial statements.

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

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3. Turnover

Sales of goods, which is stated net of value added tax, represents amounts where the performance obligation of a contract has been met with third parties and group companies. Turnover is realised entirely in the upstream business.

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

	2020	2019
	$000	$000
Revenue from contracts with customers	2,842	20,327
Tariff income	296	1,747
Income from gas sales marketing margin	27	436
	3,165	22,510
Other operating income	133	770
Interest receivable and similar income (Note 7)	86	24
	3,384	23,304

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

	2020	2019
	$000	$000
Upstream	3,384	23,304

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

	2020	2019
	$000	$000
UK	296	1,739
India	2,869	20,771
Total	3,165	22,510

See Strategic Report for information on change in turnover.

4. Operating loss

This is stated after charging / (crediting):

	2020	2019
	$000	$000
Net foreign exchange gains	(2,141)	(3,473)
Amortization of intangible assets		
'- Negative goodwill (Note12)[a]	(4,438)	(2,589)
Depreciation of tangible assets	1,893	9,768
Depreciation of right-of-use assets	1,454	1,953
Impairment of tangible assets[b]	1,305,534	—
Reversal of impairment of tangible assets	—	(2,082)
Write off of exploration expenses	333,346	6,559

In 2020 exploration write-off of $333,346,000 was recorded in relation to an exploration block in India, while in 2019 MW-1 Exploration Well in D1D3 field was classified as a dry hole and the company recognized exploration write-off in amount of $6,559,000.

[a] Amount is included in Administrative expenses.
[b] See Note 13 for further information.

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5. Auditor's remuneration

	2020	2019
	$000	$000
Fees for the audit of the company	85	132

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

6. Exceptional items

Exceptional items comprise fundamental reorganisation and restructuring costs as follows:

	2020	2019
	$000	$000
Fundamental reorganization / restructuring costs	(335)	—
Exceptional items	(335)	—
Taxation credit / (charge)	—	—
Exceptional items (net of tax)	(335)	—

Restructuring costs

The reinvent bp programme, expected to reduce the group headcount by around 10,000 positions, the majority of which occurred during 2020, has resulted in recognition of provisions where a detailed formal plan exists, and valid expectation of risk of redundancy has been made to those affected but where the specific outcomes remain uncertain. Where formal redundancy offers have been made, the obligations for those amounts are reported as payables and, if not, as provisions if unpaid at the year-end.

There is no tax effect on this fundamental reorganisation and restructuring.

7. Interest receivable and similar income

	2020	2019
	$000	$000
Interest income from amounts owed by group undertakings	4	24
Total interest income	4	24
Other interest income	82	—
Total interest receivable and similar income	86	24

8. Interest payable and similar expenses

	2020	2019
	$000	$000
Interest expense on:		
Lease liabilities	196	286
Loans from group undertakings	4,088	6,405
Petroleum Revenue Tax (PRT)	4	7,815
Total interest expense	4,288	14,506
Interest capitalized in relation to qualifying assets	(3,299)	(5,861)
	989	8,645
Unwinding of discount on provisions - Note 19	4,191	5,940
Total interest payable and similar expenses	5,180	14,585

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Decrease in PRT interest payable is due to settlement of PRT liability.

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

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

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

	2020	2019
	$000	$000
Exploration and evaluation costs		
Exploration expenditure written off	333,346	6,559
Other exploration costs	19	198
Exploration expense for the year	333,365	6,757
Intangible assets – exploration and appraisal expenditure	13,940	347,203
Net assets	13,940	347,203
Cash used in operating activities	19	198
Cash used in investing activities	82	7,862

As a result of the revised price assumptions detailed in Note 2 and a review of bp's long-term strategic plan, management reviewed the company's exploration prospects and the carrying value of the associated intangible assets. The outcome of the review resulted in revised judgements over management's expectations to extract value from certain prospects, leading to write-offs of the associated exploration and appraisal intangible assets in 2020. Exploration expenditure written off includes $333 million primarily relating to an exploration block in India.

10. Taxation

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

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

	2020	2019
Current tax	$000	$000
UK tax overprovided in previous years	—	(2,494)
	—	(2,494)
Deferred tax		
Origination and reversal of temporary differences	7,185	17,686
Overseas deferred tax	335,859	(3,521)
Adjustments in prior year temporary differences	88	(56)
Total deferred tax charged	343,132	14,109
Tax charged on loss	343,132	11,615

(a) Reconciliation of the effective tax rate

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

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	2020	2019
	UK	UK
	$000	$000
Loss before taxation	(1,632,127)	(24,320)
Tax on loss	343,132	11,615
Effective tax rate	(21.00)%	(48.00)%

	2020	2019
	UK	UK
	%	%
UK corporation tax rate:	19.00 %	19.00 %
Overseas corporation tax rate:		
(Decrease) / increase resulting from:		
(Non-taxable income) / non-deductible expenditure	(0.20)	1.00
Overseas tax	(20.60)	14.00
Free group relief	(0.50)	(68.00)
UK Supplementary tax at 10% on North Sea profits	(0.10)	(23.00)
Ring Fence Tax rate differences	(0.10)	(25.00)
Adjustments to tax charge in respect of previous years	—	10.00
Ring Fence Expenditure Supplement	—	19.00
Movements in unrecognised deferred tax	(18.50)	5.00
Effective tax rate	(21.00)	(48.00)

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

Change in corporation tax rate

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

An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly and would increase the deferred tax liability disclosed above by $1,000.

(b) Provision for deferred tax

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

	Profit and loss account		Balance sheet	
Deferred tax asset	2020	2019	2020	2019
	$000	$000	$000	$000
Decommissioning and other provisions	13,641	24,262	40,799	54,439
Tax losses carried forward / (Tax credits)	912,561	(84,509)	1,149,679	2,062,241
Capital allowances in excess of depreciation	101	(57)	497	598
Net credit for deferred tax assets	926,303	(60,304)	1,190,975	2,117,278

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Deferred tax liability	2020	2019	2020	2019
	$000	$000	$000	$000
Accelerated capital allowances	(576,703)	80,989	(451,785)	(1,028,488)
Other taxable temporary differences	(6,468)	(6,576)	(6,994)	(13,462)
Net charge for deferred tax liabilities	(583,171)	74,413	(458,779)	(1,041,950)
Net deferred tax charge and net deferred tax asset	343,132	14,109	732,196	1,075,328

Analysis of movements during the year

	2020
	$000
At 1 January 2020	1,075,328
Deferred tax charge in the profit and loss account	(343,132)
At 31 December 2020	732,196

11. 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 total remuneration for these qualifying directors for their period of directorship to the company amounted to $689,000 (2019 $2,054,000). None of these directors received non-cash benefits in relation to qualifying services.

One of these qualifying directors were members of the defined benefit section of the BP Pension Fund at 31 December 2020 (2019 One).

Of these qualifying directors, the highest paid director received $689,000 (2019 $2,054,000). The accrued pension of the highest paid director at 31 December 2020 was $24,000 (2019 $24,000). The highest paid director received no contributions to a money purchase pension scheme during the year.

None of the qualifying directors exercised share options over BP p.l.c. shares during the year (2019 None).

(b) Employee costs

	2020	2019
	$000	$000
Wages and salaries	3,239	4,074
Social security costs	156	176
Other pension costs	113	149
	3,508	4,399

Included in other pension costs are $70,000 (2019 $80,000) in respect of defined benefit schemes and $43,000 (2019 $69,000) in respect of defined contribution schemes.

(c) The average monthly number of employees during the year was 49 (2019: 49).

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	2020	2019
	No.	**No.**
Upstream	49	49

12. Intangible assets and negative goodwill

	Goodwill	Negative Goodwill	Exploration expenditure	Other intangible	Total
Cost	$000	$000	$000	$000	$000
At 1 January 2020	2,197,165	(86,901)	347,199	3,601	2,461,064
Additions	—	—	82	—	82
Exploration costs write offs	—	—	(333,346)	—	(333,346)
At 31 December 2020	2,197,165	(86,901)	13,935	3,601	2,127,800
Amortization					
At 1 January 2020	(2,197,165)	2,589	4	(3,601)	(2,198,173)
Charge for the year	—	4,438	—	—	4,438
At 31 December 2020	(2,197,165)	7,027	4	(3,601)	(2,193,735)
Net book value					
At 31 December 2020	—	(79,874)	13,939	—	(65,935)
At 31 December 2019	—	(84,312)	347,203	—	262,891

In the prior year, pursuant to Niko (NECO) Limited's (Niko) default in payment of cash calls in KGD6 block ('the Block') from October 2018 onwards, Niko had in May 2019 withdrawn from the Block and had executed the transfer documents for assignment of its 10% PI (participating interest) in favour of RIL (6.67%) and BP (3.33%), which was submitted to Government of India for approval in May 2019. Pursuant to government approval, Niko (NECO) Limited's 10% participating interest in Block KG D6 has been assigned to BP and RIL proportionately in the ratio of their existing interests (RIL 6.67%, BP 3.33%), in compliance with the PSC and JOA requirements. The consideration for this transaction was $21,592,000.

In 2019, the above transaction has been accounted following the principles of 'Purchase Accounting' i.e. by recording the acquired assets and acquired liabilities at fair value, and considering the excess of fair value of net assets over purchase consideration as gain on bargain purchase, which has been accounted as Negative Goodwill amounting to $(86,901,000).

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13. Tangible assets

	Land & buildings	Fixtures & fittings	Oil & gas properties	Total	Of which AUC*
Cost - owned tangible assets	$000	$000	$000	$000	$000
At 1 January 2020	1,280	2,941	7,866,680	7,870,901	556,750
Additions	—	146	311,238	311,384	328,330
Transfers**	—	—	—	—	(200,199)
Changes in decomissionning	—	—	(1,031)	(1,031)	—
At 31 December 2020	1,280	3,087	8,176,887	8,181,254	684,881
Depreciation - owned tangible assets					
At 1 January 2020	(1,280)	(2,591)	(4,980,476)	(4,984,347)	—
Charge for the year	—	(147)	(1,746)	(1,893)	—
Impairment	—	—	(1,305,534)	(1,305,534)	(311,395)
At 31 December 2020	(1,280)	(2,738)	(6,287,756)	(6,291,774)	(311,395)
Owned tangible assets - net book value					
At 31 December 2020	—	349	1,889,131	1,889,480	373,486
Right-of-use assets - net book value					
At 31 December 2020	4,669	—	23,181	27,850	556,750
Total tangible assets net book value					
At 31 December 2020	4,669	349	1,912,312	1,917,330	373,486
Total net book value					
At 31 December 2019	5,775	350	2,922,773	2,928,898	556,750

*AUC = assets under construction. Assets under construction are not depreciated.
**Tangible assets consist of AUC and final assets. Transfer represent final settlement of AUC to final assets, thus it is zero on the level of tangible assets.

Capitalized interest included in additions above are as follows:

	Net book value
	$000
31 December 2020	3,299
31 December 2019	5,861

During the year the company has recognized impairment charges of $1,305,534,000 relating to oil & gas assets. This arose as a result of changes to the group's oil and gas price assumptions.

Management's best estimate oil and natural gas price assumptions for value-in-use impairment testing were revised downwards during 2020 and the period covered extended to 2050. Management also undertook a re-assessment of expectations to extract value from certain exploration prospects as a result of a review of the bp group's long-term strategic plan. As a result, management performed a review of the carrying value of the company's oil and gas properties to identify potential impairment triggers, in line with the requirements of IAS 36 Impairment of Assets. Potential indicators of impairment were identified, requiring further tests to be

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performed. The cash generating units assessed were considered to be the smallest identifiable group of assets from the company's perspective that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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

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

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

14. Stocks

	2020	2019
	$000	$000
Raw materials and consumables	29,173	29,461
	29,173	29,461

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

15. Debtors

Amounts falling due within one year:

	2020	2019
	$000	$000
Trade debtors	3,132	1,605
Amounts owed from parent undertakings	869	1,139
Amounts owed from fellow subsidiaries	1,593	1,689
Other debtors	2,229	3,084
Prepayments	2,037	3,603
Taxation	15,852	31,930
Petroleum Revenue Tax	9,301	5,607
	35,013	48,657

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Amounts falling due after one year:

	2020	2019
	$000	$000
Amounts owed from parent undertakings	1	1
Other debtors	7,821	9,405
Petroleum Revenue Tax	17,474	33,609
	25,296	43,015
Total debtors	60,309	91,672

See Note 16 for further information on Internal Financing Account.

16. Creditors

Amounts falling due within one year:

	2020	2019
	$000	$000
Trade creditors	58,024	60,237
Amounts owed to parent undertakings	818,701	476,958
Amounts owed to fellow subsidiaries	1,105	562
Other creditors	6,714	2,897
Taxation	—	16,769
Accruals	29,679	27,565
Production tax	90	132
Lease Liabilities from Non Operated Partners	14,233	26,868
	928,546	611,988

Amounts falling due after one year:

	2020	2019
	$000	$000
Amounts owed to fellow subsidiaries	1	1
Petroleum Revenue Tax	—	5,227
Accruals and deferred income	14	20
Lease Liabilities from Non Operated Partners	12,617	13,604
	12,632	18,852
Total creditors	941,178	630,840

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.

Included within current amounts payable to parent undertakings is an Internal Financing Account (IFA) of $790m (2019 $448m) with BP International Limited (BPI), with interest being charged based on 3-month USD LIBOR plus 10 basis points and callable on demand. Whilst IFA credit balances are legally repayable on demand, in practice they have no termination date.

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17. Loans and obligations under leases

Obligations under leases, included within creditors, are analysed as follows:

Within 5 years

	2020	2019
	$000	$000
Wholly repayable	26,850	40,472

Obligations under leases, included within creditors, are obligation under leases from Non-Operated partners

In 2020 wholly repayable lease liabilities due within 5 years are $4,869,000 (2019: $6,133,000).

18. Leases

The company leases a number of assets as part of its activities. This primarily includes drilling rigs in the Upstream segment as well as office accommodation and vehicles. The weighted average remaining lease term for the total lease portfolio is around 3 years.

	2020	2019
	$000	$000
Short-term lease expense[a]	16,568	2,687
Additions to right-of-use assets in the period	688	31,523
Total cash outflow for amounts included in lease liabilities[b]	1,459	13,407

In 2020 short-term rig lease payments of $16,568,000 (2019: $Nil) were capitalized.

[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 13. An analysis of lease interest expense is provided in Note 8.

19. Other provisions

	Decom-missioning	Other	Total
	$000	$000	$000
At 1 January 2020	265,767	118,412	384,179
Exchange adjustments	—	(1,620)	(1,620)
New or increased provisions:			
Charged to profit and loss account	(20,189)	3,065	(17,124)
Recognized within tangible assets	(1,031)	—	(1,031)
Write-back of unused provisions	—	(8,642)	(8,642)
Unwinding of discount	4,191	—	4,191
Utilization	(27,272)	(1,935)	(29,207)
At 31 December 2020	221,466	109,280	330,746

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

Decommissioning provision cost estimates are reviewed regularly and a review was undertaken during the year . The timing and amount of estimated future expenditures were re-assessed and discounted to determine the present value. The impact of the review was: a) decrease in the provision of $1,031,000 with a similar decrease in the carrying amount of tangible assets and b) write back of excess provision of $20,189,000 credited to profit and loss account as related decommissioning asset value was nil.

The company makes full provision for the future cost of decommissioning oil and natural gas production facilities and related pipelines on a discounted basis on the installation of those facilities. At 31 December 2020, the provision for the costs of decommissioning these production facilities and pipelines at the end of their economic lives was $221,466,000 (2019 $265,767,000). While the provision is based on the best estimate of future costs and economic lives of the facilities and pipelines, there is uncertainty regarding both the amount and timing of incurring these costs.

During the year the company have spend $27,272,000 (2019 $60,179,000) in utilization as follows: Vulcan $17 million; LOGGS $4 million; Millier $3 million; and Viscount $3 million.

Other provisions primarily represent provisions for $50,000,000 (2019 $50,000,000) in relation to government penalties for not fulfilling work commitments and disputed indirect tax liabilities of $59,280,000 (2019 $67,571,800) in India.

20. Called up share capital

	2020	2019
	$000	$000
Issued and fully paid:		
4,907,952,309 ordinary shares of £1 each for a total nominal value of £4,907,952,309	7,601,559	7,601,559
	7,601,559	7,601,559

21. 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.

22. Capital commitments

Authorized and contracted future capital expenditure (excluding right-of-use assets) by the company for which contracts had been placed but not provided in the financial statements at 31 December 2020 is estimated at $513,069,000 (2019 $756,279,000).

23. Contingent liabilities

	2020	2019
	$000	$000
Service tax demands made by Indian tax authorities on the operator and its contractors	109,137	110,068

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The contingent liability has been disclosed in relation to service tax demands made by the Indian tax authorities. Uncertainty exists with regard to the timing and amount of this potential liability and the disclosed amounts above represent the company's best estimates with regard to the total contingent liability.

24. Related party transactions

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

25. Post balance sheet events

The Satellites Cluster project of Block KG D6 commenced production in April 2021.

In the second quarter of 2021 the company booked impairment reversals of $725 million relating to oil and gas assets. These principally arose as a result of changes to the bp group’s oil and gas price assumptions. The price assumption for Brent oil up to 2030 was increased to reflect near-term supply constraints, whereas the long-term assumption was decreased reaching $55 per barrel by 2040 and $45 per barrel by 2050 (in real 2020 terms). The recoverable amounts of the cash generating units were based on value-in-use calculations. These revisions and impairment reversals relate to events and circumstances arising since 31 December and therefore the impact on the company will be included in the financial statements for the year ended 31 December 2021.

26. Immediate and ultimate controlling parent undertaking

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

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