

**BP EXPLORATION (PSI) LIMITED**

(Registered No.08900469)

**ANNUAL REPORT AND FINANCIAL STATEMENTS 2020**

Board of Directors: A D Flores  
I C Emembolu

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

**STRATEGIC REPORT**

**Results**

The profit for the year after taxation was \$3,717,560 which, when added to the accumulated profit brought forward at 1 January 2020 of \$15,261,134 after reduction of share capital of \$478,332,709 and deduction of total paid interim dividends to ordinary shareholders of \$497,311,407, gives a total retained profit carried forward at 31 December 2020 of \$Nil.

**Principal activity and review of the business**

The company was engaged in the production and selling of petroleum products up to the date of the sale of interests in the Clair area to Britoil Limited on 10 October 2019.

On 10 October 2019, the company sold its 16.5% equity interest in the Clair field at net book value of \$2,003,000,000 to Britoil Limited, a company under common control.

On 11 November 2020, the company derecognized entire share premium, reduced called up share capital to 1 ordinary share with a nominal value of £1 (\$1.26) and paid interim dividend of \$497,311,403 to BP Exploration Operating Company Limited. The intention of the directors is to liquidate the company within next two years.

No key financial and other performance indicators have been identified for the company, due to the limited business transactions happened through the year and the intention to liquidate the company.

**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:

## **STRATEGIC REPORT**

- 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.

### ***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

## STRATEGIC REPORT

during the year, to ensure the board and the company maintained a reputation for high standards of business conduct.

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

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

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

The company has taken the view that a 'principal' decision is one which is material and strategic in nature and would affect the ability of the company to generate or preserve value over the long term. Principal decisions may typically fall into four categories, namely financial, operational, culture and/or people.

During the period, the following principal decisions were taken by the company whilst having regard to the company's stakeholders as outlined above, as well as the need to maintain a reputation for high standards of business conduct, the need to act fairly between members and the long-term consequences of the decision.

The principal decisions taken by the directors during the year included derecognition of share premium, reduction of called up share capital to £1 and payment of \$497,311,403 interim dividend to BP Exploration Operating Company Limited.

The relevant factors taken into account during the decision making process, in furtherance of the company's purpose, were:

- (a) the company does not have any employees;
- (b) the company does not have any production units;
- (c) all remaining debtor and creditor balances (except of IFA) were settled;
- (d) dividend payment within the group will not affect suppliers, customers, others stakeholders, community and environment; and
- (e) financial position of the company and the Management Accounts ending 24 November 2020, deemed that the company had a sufficient positive reserves position to pay dividend to BP Exploration Operating Company Limited.

### **Principal risks and uncertainties**

Following the sale of the company's interest in the Clair area to Britoil Limited on 10<sup>th</sup> October 2019, the directors intend to liquidate the company, therefore the company is no longer exposed to any strategic & commercial, safety & operational, or compliance & control risks in the coming period.

## STRATEGIC REPORT

### **Financial risk management**

The company is exposed to a number of different financial risks arising from natural business exposures. 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

A D Flores  
Director

DocuSigned by:  
*Ariel Flores*  
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Registered Office:

Chertsey Road  
Sunbury on Thames  
Middlesex  
TW16 7BP  
United Kingdom

**DIRECTORS' REPORT**  
**BP EXPLORATION (PSI) LIMITED**

**Directors**

The present directors are listed on page 1.

A D Flores served as a director throughout the financial year. Changes since 1 January 2020 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
P W A Miller	—	9 October 2020
I C Emembolu	9 October 2020	—

**Directors' indemnity**

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

**Dividends**

During the year the company has declared and paid an interim dividend of \$497,311,403 (2019 \$Nil). The directors do not propose the payment of a final dividend (2019 \$Nil).

**Financial instruments**

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

**Going concern**

During 2019 the company transferred its trade and production to Britoil Limited. It is the intention of the directors to liquidate the company within next two years. The cessation of trade has caused the going concern assumption to be revoked and the accounts have been prepared on a basis other than that of a going concern. The balance sheet position at the year end will remain with no modifications since the company does not have any non-current assets or liabilities. Directors believe there are no future commitments. Despite the cessation of trade, the company remains solvent. The directors believe that the company is no longer a going concern, but the company remains in a net asset position. Any future liabilities arising due to liquidation activities shall be borne by bp through Britoil Limited.

**Future developments**

For details, please refer to Going concern section above.

**Stakeholder statements**

**Engagement with other stakeholders**

Prior to the sale of the company's interest in the Clair field in October 2019, the company built enduring relationships with governments, customers, partners, suppliers and communities in the countries where it operated. The company worked with its business partners in an honest, respectful and responsible way and sought to work with others who share the company's commitments to safety and ethics and compliance.

The company's activities, and the decisions of its directors, affect a wide variety of individuals and organizations. The directors engage with these stakeholders and listen to their differing needs and priorities as

## DIRECTORS' REPORT

an everyday part of business, utilising the input and feedback to inform the directors' decision making process on behalf of the company.

As noted in the section 172 (1) statement, responsibility for decisions that impact the entire group is taken at BP p.l.c. level. On behalf of the company, the bp group is a member of industry associations that offer opportunities to share good practices and collaborate on issues of importance. Additionally, the bp group works with governments on a range of issues that are relevant to its business, from regulatory compliance, to understanding tax liabilities, to collaborating on community initiatives.

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

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

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

Please refer to the strategic report evidencing how the bp group and the company, where relevant, engages with its key stakeholders when taking principal decisions of the company, where applicable.

### **Auditors**

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

### **Directors' statement as to the disclosure of information to the auditor**

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditor, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of the auditor's report of which the company's auditor is unaware; and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information.

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

Authorized for issue on behalf of the Board

DocuSigned by:  
  
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A D Flores  
Director

Registered Office:

Chertsey Road  
Sunbury on Thames  
Middlesex  
TW16 7BP  
United Kingdom

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT  
OF THE FINANCIAL STATEMENTS  
BP EXPLORATION (PSI) 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. It is the intention of the directors to liquidate the company in foreseeable future. The directors believe that the company is no longer a going concern, but the company remains in a net asset position.

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.

# **INDEPENDENT AUDITOR'S REPORT**

## **TO THE MEMBERS OF BP EXPLORATION (PSI) LIMITED**

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

#### **Opinion**

In our opinion the financial statements of BP Exploration (Psi) 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 profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 14.

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.

#### **Emphasis of matter – Financial statements prepared other than on a going concern basis**

We draw attention to Note 2 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

#### **Other information**

The directors are responsible for the 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.

#### **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.

## **INDEPENDENT AUDITOR'S REPORT**

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management 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 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.

### **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.

## INDEPENDENT AUDITOR'S REPORT

### **Matters on which we are required to report by exception**

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

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

We have nothing to report in respect of these matters.

### **Use of our report**

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

DocuSigned by:  
  
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Mikhail Raikhman, CA  
**for and on behalf of**  
London, United Kingdom

**Deloitte LLP**

(Senior Statutory Auditor)  
**Statutory Auditor**

**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**BP EXPLORATION (PSI) LIMITED**

		<u>2020</u>	<u>2019</u>
	<b>Note</b>	\$	\$
<b>Turnover</b>	<b>3</b>	337,603	195,704,967
Cost of sales		(24,348)	(144,676,017)
<b>Gross profit</b>		<u>313,255</u>	<u>51,028,950</u>
Administrative expenses		1,447,880	(439,235)
<b>Operating profit</b>	<b>4</b>	<u>1,761,135</u>	<u>50,589,715</u>
Interest receivable and similar income	<b>6</b>	1,956,877	4,844,011
Interest payable and similar expenses	<b>7</b>	(452)	(31,860,122)
<b>Profit before taxation</b>		<u>3,717,560</u>	<u>23,573,604</u>
Tax on profit	<b>8</b>	—	7,125,380
<b>Profit for the financial year</b>		<u><u>3,717,560</u></u>	<u><u>30,698,984</u></u>

The profit of \$3,717,560 for the year ended 31 December 2020 was derived in its entirety from continuing operations.

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**BP EXPLORATION (PSI) LIMITED**

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

**BALANCE SHEET**

**AT 31 DECEMBER 2020**

**BP EXPLORATION (PSI) LIMITED**

**(Registered No.08900469)**

	Note	<u>2020</u>	<u>2019</u>
		\$	\$
<b>Current assets</b>			
Debtors – amounts falling due: within one year	<b>10</b>	1	512,132,208
Creditors: amounts falling due within one year	<b>11</b>	—	(18,729,917)
<b>Net current assets</b>		<u>1</u>	<u>493,402,291</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>1</u>	<u>493,402,291</u>
<b>NET ASSETS</b>		<u>1</u>	<u>493,402,291</u>
<b>Capital and reserves</b>			
Called up share capital	<b>12</b>	1	1,758,261
Share premium account	<b>13</b>	—	476,382,896
Profit and loss account	<b>13</b>	—	15,261,134
<b>TOTAL EQUITY</b>		<u>1</u>	<u>493,402,291</u>

Authorized for issue on behalf of the Board

DocuSigned by:

*Ariel Flores*

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A D Flores

Director

**STATEMENT OF CHANGES IN EQUITY**

**FOR THE YEAR ENDED 31 DECEMBER 2020**

**BP EXPLORATION (PSI) LIMITED**

	Called up share capital (Note 12)	Share premium account (Note 13)	Profit and loss account (Note 13)	Total
	\$	\$	\$	\$
<b>Balance at 1 January 2019</b>	1,758,261	476,382,896	(15,437,850)	462,703,307
Profit for the year, representing total comprehensive income	—	—	30,698,984	30,698,984
<b>Balance at 31 December 2019</b>	1,758,261	476,382,896	15,261,134	493,402,291
Profit for the year, representing total comprehensive income	—	—	3,717,560	3,717,560
Other adjustment of share capital	—	191,553	—	191,553
Reduction of share capital	(1,758,260)	(476,574,449)	478,332,709	—
Dividends paid	—	—	(497,311,403)	(497,311,403)
<b>Balance at 31 December 2020</b>	<u>1</u>	<u>—</u>	<u>—</u>	<u>1</u>

Other adjustment of share capital represents \$191,533 adjustment of purchase price of BP Exploration (PSI) Limited.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2020

#### BP EXPLORATION (PSI) LIMITED

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

The financial statements of BP Exploration (Psi) 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 A D Flores. BP Exploration (Psi) Limited is a private company, limited by shares, incorporated, domiciled and registered in England and Wales (registered number 08900469). 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 accounts have been prepared on a basis other than that of a going concern as a result of the directors intention to liquidate the company in the next two years and all balance sheet items have been presented at the net realisable value as at the end of the reporting period. No material adjustments arose on ceasing of going concern.

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

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

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

## **NOTES TO THE FINANCIAL STATEMENTS**

Where required, equivalent disclosures are given in the group financial statements of BP p.l.c. The group financial statements of BP p.l.c. are available to the public and can be obtained as set out in Note 14.

The financial statements are presented in US dollars and all values are rounded to the nearest whole number in dollars (\$), 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.

There were no critical accounting judgements or estimates identified that would have a significant impact on the amounts recognized in the financial statements, or create a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

### **Significant accounting policies**

#### **Going concern**

The financial statements have been prepared on a basis other than that of a going concern.

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.

#### **Taxation**

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

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

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.

### **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**

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

### **Dividends payable**

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

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

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

bp adopted '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.

## NOTES TO THE FINANCIAL STATEMENTS

### 3. Turnover

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

	<u>2020</u>	<u>2019</u>
	\$	\$
Revenue from contracts with customers	337,603	195,704,967
Interest receivable and similar income (Note 6)	<u>1,956,877</u>	<u>4,844,011</u>
	<u><u>2,294,480</u></u>	<u><u>200,548,978</u></u>

The country of origin and destination is substantially the UK geographic area.

In October 2019 the company sold its 16.5% equity interest in the Clair field to Britoil Limited, there was no production after the sale. Turnover in 2020 relates to a minor price adjustment of the revenue recognized in pre-sale periods. The related intercompany invoices were progressed in September/October 2020, while the financial statements of the previous year (FY2019) have been already signed.

### 4. Operating profit

This is stated after (crediting) / charging:

	<u>2020</u>	<u>2019</u>
	\$	\$
Net foreign exchange (gains) / losses	(1,447,880)	1,027,137
Depreciation of tangible assets	—	82,567,397
Cost of stock recognised as an expense	<u>—</u>	<u>(3,186,325)</u>

In 2020 the Company did not have any production thus net foreign exchange gains for the period were classified as administrative expenses.

### 5. Auditor's remuneration

	<u>2020</u>	<u>2019</u>
	\$	\$
Fees for the audit of the company	<u>12,679</u>	<u>16,606</u>

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

The fees were borne by another group company.

### 6. Interest receivable and similar income

	<u>2020</u>	<u>2019</u>
	\$	\$
Interest income from amounts owed by group undertakings	<u>1,956,877</u>	<u>4,844,011</u>
Total interest receivable and similar income	<u><u>1,956,877</u></u>	<u><u>4,844,011</u></u>

Interest received on the Intercompany Financing Accounts (IFA's) decreased from \$4.8 million to \$2.0 million, due to the significant drop in average LIBOR rate from 2.22% in 2019 to 0.69% in 2020.

**NOTES TO THE FINANCIAL STATEMENTS**

**7. Interest payable and similar expenses**

	2020	2019
	\$	\$
Interest expense on:		
Loans from group undertakings	452	31,148,165
Total interest expense	452	31,148,165
Unwinding of discount on provisions	—	711,957
Total interest payable and similar expenses	452	31,860,122

Interest paid on the Intercompany Financing Accounts (IFA's) decreased from \$31.1 million to \$452, due to change of IFA position of the company from \$1,543 million credit into \$530 million debit on 1 October 2019.

**8. Taxation**

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

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

	2020	2019
	\$000	\$000
<u>Current tax</u>		
Total current tax charged	—	—
<u>Deferred tax</u>		
Origination and reversal of temporary differences	—	(5,290,245)
Adjustments in prior year temporary differences	—	(1,835,135)
Total deferred tax credited	—	(7,125,380)
Tax credited on profit	—	(7,125,380)

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

The tax assessed on the profit for the year is lower than the standard rate of corporation tax in the UK of 19.00% for the year ended 31 December 2020 (2019 19.00%). The differences are reconciled below:

	2020	2019
	\$000	\$000
Profit before taxation	3,717,560	23,573,604
Tax credit	—	(7,125,380)
Effective tax rate	— %	(30.23)%

## NOTES TO THE FINANCIAL STATEMENTS

	2020	2019
	%	%
UK statutory corporation tax rate:	19	19
 (Decrease) / increase resulting from:		
(Non-taxable income) / non-deductible expenditures	(1.02)	0.18
Free group relief	(17.98)	(30.84)
UK Supplementary tax at 10% on North Sea profits	—	(4.61)
Ring Fence Tax rate differences	—	(6.17)
Adjustments to tax charge in respect of previous years	—	(7.79)
Effective tax rate	—	(30.23)

### 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%.

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. The impact on deferred tax has not been calculated as the company has no deferred tax, recognised or unrecognised, within its balance sheet.

### **(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	
	2020	2019	2020	2019
<u>Deferred tax asset</u>	\$000	\$000	\$000	\$000
Decommissioning and other provisions	—	(244,123)	—	—
Net credit for deferred tax assets	—	(244,123)	—	—
	Profit and loss account		Balance sheet	
	2020	2019	2020	2019
<u>Deferred tax liability</u>	\$000	\$000	\$000	\$000
Accelerated capital allowances	—	(6,881,257)	—	—
Net provision for deferred tax liabilities	—	(6,881,257)	—	—
Net deferred tax credit	—	(7,125,380)	—	—

## **9. Directors and employees**

### (a) Remuneration of directors

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

All of the directors of the company are also a director of BP Exploration Operating Company Limited in whose accounts information required by the Companies Act 2006 as regards to emoluments is given.

## NOTES TO THE FINANCIAL STATEMENTS

### (b) Employee costs

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

### 10. Debtors

Amounts falling due within one year:

	2020	2019
	\$	\$
Trade debtors	—	55
Amounts owed from parent undertakings	1	512,127,928
Other debtors	—	4,225
Total debtors	<u>1</u>	<u>512,132,208</u>

The amounts owed from parent undertakings comprise an Internal Funding Account (IFA) of \$1 (2019 \$512 million). Interest is accrued on a monthly basis based on IBOR. The interest rate at year end was Nil% (2019 1.66%). Whilst IFA balances are legally repayable on demand, in practice they have no termination date.

In 2020 all debtor balances of the company were settled except of IFA account. On 27 November 2020 the company paid \$497,311,403 of dividend to BP Exploration Operating Company Limited thus IFA balance has reduced to \$1.

### 11. Creditors

Amounts falling due within one year:

	2020	2019
	\$	\$
Amounts owed to parent undertakings	—	18,530,466
Taxation	—	199,451
Total creditors	<u>—</u>	<u>18,729,917</u>

All creditor balances of the company were settled in 2020 as the intention is to liquidate the company.

### 12. Called up share capital

	2020	2019
	\$	\$
Issued and fully paid:		
1 ordinary share of £1 for total nominal value of £1 (2019: 1,400,001 ordinary shares of £1 each for a total nominal value of £1,400,001)	1	1,758,261
	<u>1</u>	<u>1,758,261</u>

On 11 November 2020, 1,400,000 ordinary shares of £1 each for a total nominal value of £1,400,000 were unsubscribed and extinguished as the intention is to liquidate the company.

### 13. 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.

## NOTES TO THE FINANCIAL STATEMENTS

### *Share premium account*

The balance on the share premium account represents the amounts received in excess of the nominal value of the ordinary shares.

On 11 November 2020, entire share premium account in amount of \$476,574,449 was derecognized.

### *Profit and loss account*

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

In 2020, the company paid interim ordinary dividends of \$497,311,403 (2019 \$Nil). The dividend per share was \$497,311,403 (2019 dividend per share: \$Nil).

## **14. 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.