

BP SHIPPING LIMITED

(Registered No.00140132)

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COMPANIES HOUSE

ANNUAL REPORT AND FINANCIAL STATEMENTS 2020

Board of Directors: J Webster
 S D Kolbush
 S R Boss-Walker
 R Wheatley

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 \$90,162,000 which, when added to the accumulated loss brought forward at 1 January 2020 of \$1,120,414,000, gives a total accumulated loss carried forward at 31 December 2020 of \$1,210,576,000.

Principal activity and review of the business

The principal activity of the company is that of shipping and ship management. The company charters, manages and operates oil tankers and liquefied natural gas and petroleum carriers (LNG/LPG) principally on behalf of the bp Group. It is the intention of the directors that the above business of the company will continue for the foreseeable future.

The company's fleet included 60 international oil, LNG and supply vessels at the end of 2020, comprise of 36 bp and third party operated vessels, 22 time chartered vessels including Caledonians and 2 supply vessels compared to a total of 58 vessels at the end of 2019. All vessels on bp business are subject to bp's requirements.

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

	2020	2019	Variance
			%
% of bp cargoes greater than 9,000 metric tonnes carried by the company's vessels	28%	25%	3
Number of voyages	797	794	—
Tonnes of cargo carried (mt)	61,597,907	53,010,737	16
Utilization of the company's vessels for bp	72%	77%	(6)
	2020	2019	Variance
	\$000	\$000	%
Turnover	928,364	776,967	19
Operating loss	(51,765)	(142,884)	(64)
Loss for the financial year	(90,162)	(159,600)	(44)
Total equity	1,559,893	1,650,055	(5)

Higher turnover was mainly driven by higher freight rates and demand for storage assets during the first half of the year. The decrease in operating loss and loss for the financial year were attributed to lower impairment charge in the current year amounting to \$49,000,000 compared to impairment charge in prior year of \$120,000,000.

STRATEGIC REPORT

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 suppliers, customers and other business relationships. 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.

STRATEGIC REPORT

Section 172 (1) statement (continued)

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.

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

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

The following director engagement was noted during the year with respect to the company's customers and suppliers:

- During the year, the board of directors recognized the importance of relationships with third-party operators in order to communicate the company's safety expectations and further discussed the risk-management processes that were being put in place.

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.

The following director engagement was noted during the year with respect to the company's community and environment:

During the year, the board of directors performed a review of bp's ambition to become a net zero company and its application to shipping with regards to net zero operations and reducing methane. The company's shipping operations are subject to extensive national and international regulations governing operations, training, pollution prevention, liability, and insurance. This include a global sulphur cap of 0.5% applies to marine fuel under MARPOL effective 1 January 2020. In order to comply, ships either need to consume low sulphur marine fuels, operate on alternative low sulphur fuels such as LNG or implement approved abatement technology to enable them to meet the low sulphur emissions requirements while continuing to use higher sulphur fuel. This global cap does not alter the lower limits that apply in the sulphur oxides Emissions Control Areas established by the IMO.

STRATEGIC REPORT

Section 172 (1) statement (continued)

Maintaining a reputation for high standards of business conduct

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

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

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

The company's principal decisions

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 include transferring to third parties the operatorship of 20 of the company's operated vessel. The relevant factors taken into account during the decision making process, in furtherance of the company's purpose, were financial resilience, retaining marine capability, influencing the maritime industry and the ability to scale operations.

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

Major project delivery

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

STRATEGIC REPORT

Strategic and commercial risks (continued)

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 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 freight rates. The key driver for the volatility was the excess supply of oil and gas products in the first half of 2020 which caused extremely high demand for storage assets including tankers. In the second half of 2020 freight rates dropped following a reduction in supply levels of hydrocarbons. 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 operations and have instigated appropriate mitigation plans.

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.

Crisis management and business continuity

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

Insurance

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

Safety and operational risks

Process safety, personal safety and environmental risks

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

Security

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

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.

STRATEGIC REPORT

Compliance and control risks (continued)

Regulation

Changes in the regulatory and legislative environment could increase the cost of compliance, affect the company's provisions and limit its access to new growth opportunities.

Reporting

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

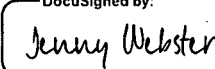
The impact of reinventing bp on the organization

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 foreign currency exchange rates and interest rates; credit risk and liquidity risk. Further details on these financial risks are included within Note 29 of the bp group Annual Report and Form 20-F for the year ended 31 December 2020.

Authorized for issue on behalf of the Board

DocuSigned by:

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J Webster
Director

23-09-21

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

DIRECTORS' REPORT**BP SHIPPING LIMITED****Directors**

The present directors are listed on page 1.

R Wheatley and A G Rios served as directors throughout the financial year. Changes since 1 January 2020 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
R G Mason	—	3 November 2020
C Howle	—	1 August 2020
C Zhao	—	1 July 2020
A G Rios	—	29 August 2021
J R O'Sullivan	5 October 2020	15 March 2021
S R Boss-Walker	7 September 2020	—
S D Kolbush	1 August 2020	—
J Webster	15 March 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.

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 4-6, 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 freight rates, in large part due to the impact of the international spread of COVID-19 (Coronavirus), supply, and demand for oil and gas products 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.

DIRECTORS' REPORT

Going concern (continued)

The company is in a healthy net assets and net current assets position as at 31 December 2020. The company has ongoing funding arrangements with BP International Limited to manage its working capital as well as investing activities. The directors' assessment has taken into account the ability of both the company and the bp group to ensure availability of funds at least twelve months from the date of approval of these financial statements.

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

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

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

Future developments

The directors consider that, despite the uncertainties deriving from the current economic environment and the loss reported for the year, 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.

Stakeholder statement

Engagement with other stakeholders

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

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

DIRECTORS' REPORT

Stakeholder statement (continued)

Engagement with other stakeholders (continued)

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, which includes suppliers, customers, and other business relationships.

Streamlined Energy & Carbon Reporting (SECR)

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

Corporate Governance Statement

In 2020, the bp group redesigned its corporate governance framework to be more closely aligned with bp's new purpose – reimagining energy for people and our planet – as well as the new strategy. The framework defines the BP p.l.c. board's role, to promote the long-term sustainable success of the company, generating value for its shareholders while having regard to its other stakeholders, the impact of its operations on the communities within which it operates and the environment.

The company's ultimate parent BP p.l.c. has applied the 2018 UK Corporate Governance Code throughout the year. The review of the BP p.l.c. corporate governance framework had 3 main strands: the role and purpose of the board, committees and new ways of working, as defined on pages 88-89 in the BP p.l.c. 2020 Annual Report and Form 20-F. The new corporate governance framework also reinforces the effectiveness of the internal control framework. The system of internal control is reflected in the governance of the group's subsidiaries through the adoption by the Company of:

- (i) the System of Internal Control being the holistic set of management systems, organisational structures, processes, standards and behaviours that are employed to conduct the group's business; and comprehensive policy regarding the Corporate Governance of Subsidiaries (the "Policy"); and
- (ii) a comprehensive Global Subsidiary Corporate Governance Policy regarding the Corporate Governance of Subsidiaries (the "Policy"); and
- (iii) the bp Code of Conduct based on bp's values, setting clear expectations for how we work at bp and which applies to all bp employees, including directors appointed to the company.

DIRECTORS' REPORT

Corporate Governance Statement (continued)

System of Internal Control

The System of Internal Control processes, which include functional assurance and internal group authorities, facilitate effective and efficient operations by enabling the company to respond appropriately to significant business, operational, financial, compliance and other risks aiding the company in achieving its objectives and fulfilling its purpose. This includes the safeguarding of assets from inappropriate use or loss and fraud and ensuring liabilities are identified and managed.

Further, the System of Internal Control helps to ensure the quality of internal and external reporting. This requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the organisation. The System of Internal Control helps to ensure compliance with laws and regulations, in addition to internal policies with respect to the conduct of business.

This System of Internal Control has been especially important during 2020 in light of the challenging macro-economic environment facing the group and the significant operational challenges presented by the COVID-19 pandemic resulting in global restrictions on the movement of people. This has led to the majority of the company's employees working remotely to safeguard their, and others, wellbeing while maintaining safe and reliable operations and support of bp's customers.

The Policy

The Policy is a comprehensive set of rules and recommendations, reflective of best practice governance and the content of formal corporate governance codes for private companies, and is designed to improve subsidiary governance:

- (i) by mitigating legal and reputational risk and preserving the integrity of the Group's corporate structure
- (ii) to select, train and assist competent and confident directors and officers who execute their duties in a manner that mitigates the risk of breaching legal requirements and fiduciary duties
- (iii) to specify which of the group's businesses and functions are accountable for the various aspects of establishment, administration and corporate governance of subsidiaries
- (iv) to provide a structure through which company objectives can be achieved and monitored, and
- (v) to support the System of Internal Control and the bp Code of Conduct

The company has therefore not considered it necessary to adopt a formal corporate governance code.

The Policy requires any decisions in respect of the formation and change of entity form, financing of intra-group activities, transfer of ownership and dissolution to be made pursuant to bp's System of Internal Control processes. Monitoring in respect of compliance with the Policy is completed on a regular basis, and any exceptions to the Policy are considered and agreed by the Company Secretary's Office of BP p.l.c.

The Policy sets out the responsibilities of all directors and officers of each of the group's subsidiaries and the primary tasks of the boards, including consideration and execution of long-term strategy, monitoring of the subsidiary's performance and ensuring that the principal risks to the subsidiary are identified and that appropriate systems of risk management and control are in place.

DIRECTORS' REPORT

Corporate Governance Statement (continued)

The Policy (continued)

The Policy requires directors to:

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

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

Application of the system of governance

The Directors have applied this system of governance by:

- (a) Promoting the purpose of the company to reimagine energy for people and our planet, with an ambition to become a net zero company by 2050 or sooner, and to help the world get to net zero. This has been achieved through the provision of a safe, efficient, environmentally responsible marine and shipping solutions.
- (b) Regularly reviewing the board's composition to ensure that it has an appropriately diverse balance of skills, backgrounds, experience and knowledge and that individual directors have sufficient capacity to make valuable contributions. The board retains a minimum of three directors where appropriate, and where appropriate promotes independent and objective challenge through the appointment of a minimum of one director who is not directly or indirectly responsible for the management function of the company. In certain cases where appropriate, the board nominates a designated Chair to provide leadership of the board during board meetings.
- (c) Undertaking training on a regular basis to ensure that they have a clear understanding of their responsibilities and accountabilities. To support effective decision-making, directors consider the System of Internal Control, the bp Code of Conduct and the company's purpose and how it furthers the group's purpose, aims and ambitions, when acting in their capacity as a director of the company.
- (d) In accordance with the Policy, the board is supported by Systems of Internal Control to identify opportunities to create and preserve value and to manage its principal risks and uncertainties as set out in the strategic report.
- (e) Having regard to and fostering good stakeholder relationships. Please refer to the statement of engagement with key stakeholders in the directors' report for further information.

Auditors

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

DIRECTORS' REPORT

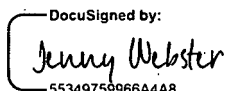
Directors' statement as to the disclosure of information to the auditor

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:
 23-09-21
55349759966A4A8...
J Webster
Director

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT
OF THE FINANCIAL STATEMENTS**

BP SHIPPING LIMITED

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BP SHIPPING LIMITED

Report on the audit of the financial statements

Opinion

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

- give a true and fair view of the state of the company's affairs as at 31 December 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 22.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

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

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

INDEPENDENT AUDITOR'S 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.

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 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 UK Companies Act, pensions legislation, tax legislation etc; 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. These included IMO 2020 Sulphur Regulation and environmental regulations.

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.

INDEPENDENT AUDITOR'S REPORT

As a result of performing the above, we identified the greatest potential for fraud in the Valuation of tangible assets (note 11). Our specific procedures performed to address it are described below:

- We obtained an understanding of the relevant key controls related to the valuation of tangible assets.
- We evaluated management's assessment of Cash Generating Units "CGUs" for consistency with the requirements of IAS 36 "Impairment of Assets".
- We evaluated management's assessment of whether or not impairment indicators were present.
- Where indicators were identified, we assessed the methods and models used for consistency with the requirements of IAS 36.
- We evaluated the material assumptions made by management in the measurement of recoverable amount by performing substantive test of details.
- We challenged the sufficiency of disclosures in note 2 and note 11 to 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, internal audit 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, and reviewing internal audit reports.

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.

INDEPENDENT AUDITOR'S REPORT

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:

David Holtam
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23-09-21

David Holtam 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 SHIPPING LIMITED**

	Note	2020 \$000	2019 \$000
Turnover	3	928,364	776,967
Cost of sales		(850,512)	(738,345)
Gross profit		77,852	38,622
Administrative expenses		(79,360)	(92,790)
Other operating income		4,761	—
Impairment of tangible assets	11	(49,000)	(120,000)
Exceptional items	6	(6,018)	31,284
Operating loss	4	(51,765)	(142,884)
Interest receivable and similar income	7	46,736	75,222
Interest payable and similar expenses	8	(85,133)	(91,938)
Loss before taxation		(90,162)	(159,600)
Tax on loss	9	—	—
Loss for the financial year		(90,162)	(159,600)

The loss of \$90,162,000 for the year ended 31 December 2020 was derived in its entirety from continuing operations.

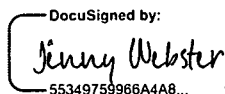
STATEMENT OF COMPREHENSIVE INCOME**FOR THE YEAR ENDED 31 DECEMBER 2020**

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

BALANCE SHEET**AS AT 31 DECEMBER 2020****BP SHIPPING LIMITED****(Registered No.00140132)**

	Note	2020 \$000	2019 \$000
Fixed assets			
Tangible assets	11	597,847	754,321
Current assets			
Stocks	12	27,673	27,792
Debtors – amounts falling due:			
within one year	13	1,669,835	1,733,772
after one year	13	899,177	1,032,565
Cash at bank and in hand		3,994	—
		2,600,679	2,794,129
Creditors: amounts falling due within one year	14	(45,552)	(53,650)
Lease liabilities	15	(338,635)	(337,884)
Net current assets		2,216,492	2,402,595
TOTAL ASSETS LESS CURRENT LIABILITIES		2,814,339	3,156,916
Creditors: amounts falling due after more than one year	14	(471)	(592)
Lease liabilities	15	(1,245,084)	(1,500,960)
Provisions for liabilities and charges			
Other provisions	17	(8,891)	(5,309)
NET ASSETS		1,559,893	1,650,055
Capital and reserves			
Called up share capital	18	2,770,469	2,770,469
Profit and loss account	19	(1,210,576)	(1,120,414)
TOTAL EQUITY		1,559,893	1,650,055

Authorized for issue on behalf of the Board

DocuSigned by:
 23-09-21
 55349759966A4A8...
 J Webster
 Director

STATEMENT OF CHANGES IN EQUITY**FOR THE YEAR ENDED 31 DECEMBER 2020****BP SHIPPING LIMITED**

	Called up share capital (Note 18) \$000	Profit and loss account (Note 19) \$000	Total \$000
Balance at 1 January 2019	2,770,469	(960,814)	1,809,655
Loss for the financial year, representing total comprehensive income	—	(159,600)	(159,600)
Balance at 31 December 2019	2,770,469	(1,120,414)	1,650,055
Balance at 1 January 2020	2,770,469	(1,120,414)	1,650,055
Loss for the financial year, representing total comprehensive income	—	(90,162)	(90,162)
Balance at 31 December 2020	2,770,469	(1,210,576)	1,559,893

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2020****BP SHIPPING 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 Shipping Limited for the year ended 31 December 2020 were approved by the board of directors on 23 September 2021 and the balance sheet was signed on the board's behalf by J Webster. BP Shipping Limited is a private company, limited by shares incorporated, domiciled and registered in England and Wales (registered number 00140132). The company's registered office is at Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP. These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the provisions of the Companies Act 2006.

2. Significant accounting policies, judgements, estimates and assumptions

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

Basis of preparation

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

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

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

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures
- (b) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement
- (c) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements
- (d) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment
- (e) the requirements of IAS 7 Statement of Cash Flows
- (f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective
- (g) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- (h) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- (i) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c)-135(e) of IAS 36, Impairment of Assets
- (j) the requirement of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- (k) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.
- (l) The requirements of paragraph 58 of IFRS 16 Leases, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

NOTES TO THE FINANCIAL STATEMENTS

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

Basis of preparation (continued)

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 22.

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

Significant accounting policies: use of judgements, estimates and assumptions

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

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

Judgements and estimates, not all of which are significant, made in assessing the 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.

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.

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. See significant judgements and estimates: recoverability of asset carrying values and provisions for further information.

NOTES TO THE FINANCIAL STATEMENTS

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

Significant accounting policies

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least the next 12 months from the date these financial statements were approved and the financial statements have therefore been prepared under the going concern basis.

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

Foreign currency

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

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

Tangible assets

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

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

NOTES TO THE FINANCIAL STATEMENTS**2. Significant accounting policies, judgements, estimates and assumptions (continued)****Tangible assets (continued)**

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:

Vessels

Oil tankers (leasehold improvements) up to 15 years (6.7%)

Gas carriers (leasehold improvements) up to 15 years (6.7%)

Platform supply vessels up to 30 years (3.3%)

Other equipment

Furniture up to 3 years (33.3%)

Computer equipment up to 3 years (33.3%)

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

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

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 tangible assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Impairment of tangible assets (continued)

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

Significant judgements and estimates: recoverability of asset carrying values

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

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

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

Details of impairment charges recognized in the profit and loss account are provided in Note 4 and details of the carrying amounts of assets are shown in Note 11.

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

Discount rates

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Significant judgements and estimates: recoverability of asset carrying values (continued)

Freight rates

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

The freight rate assumptions for 2021 are consistent with management's latest approved forecasts as at 31 December 2020. For 2022 to 2024 the freight rate assumptions are based on forecasts published by a reputable third party industry expert, and adjusted to reflect benefits arising from the business optimisation of the bp's fleet which is observable based on the differential between the company's achieved freight rates over the previous 3 years, and the market rates that were reported during the same period by reputable third party shipping industry experts. Long-term freight rate assumptions applied for the remaining life of the assets follow historical 10 year averages.

Management tested the impact of a reduction in freight rates of 10% against the best estimate for all vessel classes in all future years. These freight rate reductions in isolation could indicatively lead to a reduction in the carrying amount of tangible assets in the range of \$84 million, which is approximately 14% of the net book value of tangible as at 31 December 2020.

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

Stock

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

Leases

The company as lessee

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

A lease liability is recognized on the balance sheet on the lease commencement date at the present value of future lease payments over the lease term. The discount rate applied is the rate implicit in the lease if readily determinable, otherwise an incremental borrowing rate is used. 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.

NOTES TO THE FINANCIAL STATEMENTS

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

Leases (continued)

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

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

Agreements may include both lease and non-lease components. Payments for lease and non-lease components are allocated on a relative stand-alone selling price basis where the group has elected not to separate non-lease payments from the calculation of the lease liability and right-of-use asset.

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

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

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

The company as lessor

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Leases (continued)

Significant judgements: Classification of lease agreements

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

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

Financial assets

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

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

Financial assets measured at amortized cost

Financial assets are classified as measured at amortized cost when they are held in a business model the objective of which is to collect contractual cash flows and the contractual cash flows represent solely payments of principal and interest. Such assets are carried at amortized cost. This category of financial assets includes trade and other receivables.

Impairment of financial assets measured at amortized cost

The company assesses on a forward-looking basis the expected credit losses associated with financial assets 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.

NOTES TO THE FINANCIAL STATEMENTS

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

Impairment of financial assets measured at amortized cost (continued)

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

Financial liabilities

The measurement of financial liabilities is as follows:

Financial liabilities measured at amortized cost

Financial liabilities are initially recognized at fair value, net of directly attributable transaction costs.

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

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.

Restructuring provisions

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.

NOTES TO THE FINANCIAL STATEMENTS**2. Significant accounting policies, judgements, estimates and assumptions (continued)****Taxation**

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

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

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

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

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

- Where the deferred tax liability arises on the initial recognition of an asset or liability in a transaction that is not a business combination 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.

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.

NOTES TO THE FINANCIAL STATEMENTS**2. Significant accounting policies, judgements, estimates and assumptions (continued)****Taxation (continued)**

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.

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 company principally satisfies its performance obligations at a point in time or over time provided that the percentage of completion can be measured reliably.

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.

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS**2. Significant accounting policies, judgements, estimates and assumptions (continued)****Interest income**

Interest income is recognized as the interest accrues.

Finance costs

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

Exceptional items

The company discloses as exceptional items those material items impacting the profit and loss account which, because of the nature and expected infrequency of the events giving rise to them, merit separate disclosure to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

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.

3. Turnover

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

	2020	2019
	\$000	\$000
Freight income	503,067	407,239
Revenue on services	29,012	23,123
Bareboat and time charter income	271,468	277,807
Demurrage	118,745	61,753
Recoveries	6,072	7,045
Turnover	928,364	776,967
Other operating income	4,761	—
Interest receivable and similar income (Note 7)	46,736	75,222
	<u>979,861</u>	<u>852,189</u>

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

	2020	2019
	\$000	\$000
Class of business:		
Other business and corporate	<u>928,364</u>	<u>776,967</u>

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

NOTES TO THE FINANCIAL STATEMENTS**4. Operating loss**

This is stated after charging / (crediting):

	2020	2019
	\$000	\$000
Operating lease payment:		
Tanker charters ^a	256,513	138,949
Net foreign exchange loss / (gains) ^b	1,050	(537)
Depreciation of tangible assets	8,417	9,164
Depreciation of right-of-use assets	187,789	192,496
Impairment of tangible assets	49,000	120,000
Cost of stock recognised as an expense	151,487	135,268
Profit on disposal of tangible assets ^b	—	(45)
Government grant	(121)	(121)

^a Current period amount relates to short-term leases and service components of the operating leases agreements.

^b Amount is included in Administrative expenses.

5. Auditor's remuneration

	2020	2019
	\$000	\$000
Fees for the audit of the company	191	143

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

6. Exceptional items

Exceptional items comprise the profit on disposal of leased assets and business restructuring costs as follows:

	2020	2019
	\$000	\$000
Business restructuring costs	(6,517)	—
Loss on disposal of right-of-use assets	—	(47,893)
Profit on disposal of leased assets	499	79,177
Exceptional items (net of tax)	(6,018)	31,284

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 disposal and restructuring.

NOTES TO THE FINANCIAL STATEMENTS**7. Interest receivable and similar income**

	2020	2019
	\$000	\$000
Interest income from amounts owed by group undertakings	5,710	31,462
Total interest income for financial assets measured at amortised cost	5,710	31,462
Income earned on finance lease receivable	41,026	43,760
Total interest receivable and similar income	46,736	75,222

8. Interest payable and similar expenses

	2020	2019
	\$000	\$000
Interest expense on lease liabilities	60,103	63,035
Guarantee fees paid to group undertakings	25,030	28,903
Total interest payable and similar expenses	85,133	91,938

9. Taxation

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

(a) Reconciliation of the effective tax rate

The tax assessed on the loss for the year is lower 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:

	2020	2019
	\$000	\$000
Loss before taxation	(90,162)	(159,600)
Tax charge	—	—
Effective tax rate	—	—
	2020	2019
	%	%
UK statutory corporation tax rate:	19	19
Decrease resulting from:		
Free group relief	(16)	(18)
Movements in unrecognised deferred tax	(3)	(1)
Effective tax rate	—	—

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%).

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

NOTES TO THE FINANCIAL STATEMENTS

9. Taxation (continued)

(b) Provision for deferred tax

Deferred tax has not been recognised on deductible temporary differences relating to fixed assets of \$6,579,000 (2019 \$10,115,000) and other tax deductible differences of \$98,230,000 (2019 \$522,026,000) with no fixed expiry date on the basis that they are not expected to give rise to any future tax benefit.

10. Directors and employees

(a) Remuneration of directors

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

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

The total remuneration for these qualifying directors for their period of directorship to the company amounted to \$420,424 (2019 \$444,320). 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 Two).

Of these qualifying directors, the highest paid director received \$193,468 (2019 \$229,125). The accrued pension of the highest paid director at 31 December 2020 was \$44,218 (2019 \$51,600). 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 One).

(b) Employee costs

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

NOTES TO THE FINANCIAL STATEMENTS**11. Tangible assets**

	Vessels				Total	Of which AUC ^a
	Owned assets under operating lease	Right-of- use assets	Right-of- use assets under operating lease	Other equipment		
Cost	\$000	\$000	\$000	\$000	\$000	\$000
At 1 January 2020	173,243	581,467	376,716	12,091	1,143,517	476
Additions	1,234	94,306	4,335	4,637	104,512	1,234
Disposals	—	(19,151)	—	—	(19,151)	—
Transfers	(476)	7,276	(7,276)	476	—	(476)
Write off	(2,083)	—	—	(679)	(2,762)	—
At 31 December 2020	<u>171,918</u>	<u>663,898</u>	<u>373,775</u>	<u>16,525</u>	<u>1,226,116</u>	<u>1,234</u>
Depreciation						
At 1 January 2020	82,646	198,129	100,279	8,142	389,196	—
Charge for the year	5,964	145,209	42,580	2,453	196,206	—
Impairment	6,535	24,644	17,821	—	49,000	—
Disposals	—	(3,371)	—	—	(3,371)	—
Transfers	—	1,936	(1,936)	—	—	—
Write off	(2,083)	—	—	(679)	(2,762)	—
At 31 December 2020	<u>93,062</u>	<u>366,547</u>	<u>158,744</u>	<u>9,916</u>	<u>628,269</u>	<u>—</u>
Total net book value						
At 31 December 2020	<u>78,856</u>	<u>297,351</u>	<u>215,031</u>	<u>6,609</u>	<u>597,847</u>	<u>1,234</u>
At 31 December 2019	<u>90,597</u>	<u>383,338</u>	<u>276,437</u>	<u>3,949</u>	<u>754,321</u>	<u>476</u>

^a AUC = assets under construction. Assets under construction are not depreciated.

Vessels are carried net of cumulative impairment charges of \$169,000,000 (2019 \$120,000,000)

Due to the losses reported in the current period, an impairment indicator was identified and an impairment test was performed. An impairment charge has been recognised to reflect the expected future performance of the fleet as recorded in the right-of-use assets and owned vessels. Further detail regarding the accounting judgements and sources of estimation uncertainty in recognising the impairment charge is provided in Note 2.

12. Stocks

	2020	2019
	\$000	\$000
Raw materials and consumables	<u>27,673</u>	<u>27,792</u>

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

NOTES TO THE FINANCIAL STATEMENTS**13. Debtors**

Amounts falling due within one year:

	2020	2019
	\$000	\$000
Trade debtors	29,620	27,991
Amounts owed from parent undertakings	1,401,507	1,460,502
Amounts owed from fellow subsidiaries	63,225	47,742
Other debtors	3,702	3,459
Prepayments and accrued income	35,182	57,633
Finance lease receivable	136,599	136,445
	<u>1,669,835</u>	<u>1,733,772</u>

Included in amounts owed from fellow subsidiaries and prepayments and accrued income are contract assets relating to voyages in progress amounting to \$56,117,000 (2019 \$92,118,000).

Amounts falling due after one year:

	2020	2019
	\$000	\$000
Other debtors	41,459	41,459
Finance lease receivable	857,718	991,106
	<u>899,177</u>	<u>1,032,565</u>
Total debtors	<u><u>2,569,012</u></u>	<u><u>2,766,337</u></u>

The amounts owed from parent undertakings comprise a variable rate Internal Financing Account (IFA) of \$1,383,132,000 (2019 \$1,370,917,000). Interest is accrued on a monthly basis based on USD daily overnight LIBOR. The interest rate at year end was LIBOR minus 14 basis points (2019 LIBOR minus 11 basis point). Whilst IFA balances are legally repayable on demand, in practice they have no termination date.

Trade and other receivables are predominantly non-interest bearing.

14. Creditors

Amounts falling due within one year:

	2020	2019
	\$000	\$000
Trade creditors	9,522	24,527
Amounts owed to parent undertakings	339	341
Amounts owed to fellow subsidiaries	8,460	14,377
Accruals and deferred income	27,231	14,405
	<u>45,552</u>	<u>53,650</u>

NOTES TO THE FINANCIAL STATEMENTS**14. Creditors (continued)**

Amounts falling after one year:

	2020	2019
	\$000	\$000
Accruals and deferred income	471	592
Total creditors	46,023	54,242

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

15. Obligations under leases

Obligations under leases are analysed as follows:

Within 5 years

	2020	2019
	Lease liabilities	Lease liabilities
	\$000	\$000
Not wholly repayable	1,188,694	1,303,198
	1,188,694	1,303,198

After 5 years

	2020	2019
	Lease liabilities	Lease liabilities
	\$000	\$000
Not wholly repayable	395,025	535,646
	395,025	535,646

16. Leases

The company leases a number of assets as part of its activities. Time charter leases are negotiated for an average term of 36 months (2019 35 months). Bareboat leases are negotiated for an average term of 10 years (2019 10 years), some at variable rates based on market interest rates. In certain bareboat leases, the company has option to purchase the assets or guarantees the residual value of the leased assets at the end of the contract term. Bareboat leases are also guaranteed by other bp group companies.

The company initially estimates and recognises amounts expected to be payable under residual value guarantees as part of the lease liability. The amounts are reviewed, and adjusted if appropriate, at the end of each reporting period. As at 31 December 2020, there are no amounts expected to be payable under residual value guarantees as part of the lease liability.

Certain leases contain options to extend the lease period at the company's discretion. The payments for these future periods are only included in the measurement of the lease liability and right-of-use asset if the company is reasonably certain to exercise the option. The total undiscounted amounts payable for periods subject to extension options not currently reasonably certain to be exercised and therefore not in the reported lease liability at 31 December 2020 is \$254 million.

NOTES TO THE FINANCIAL STATEMENTS**16. Leases (continued)**

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

	2020	2019
	\$000	\$000
Income from sub-leasing right-of-use assets	116,548	105,911
Short-term lease expense ^a	90,248	45,878
Additions to right-of-use assets in the period	95,173	407,566
Total cash outflow for amounts included in lease liabilities ^b	397,362	334,837

^aA short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less.

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

An analysis of right-of-use assets and depreciation is provided in Note 11. An analysis of lease interest expense is provided in Note 8.

Operating lease arrangements as a lessor

Operating leases, in which the company is the lessor, relate to thirteen oil tankers and two platform supply vessel ("PSV") with lease terms of between 1 to 8 years.

Operating lease payments receivable are analysed as follows:

	2020	2019
	\$000	\$000
Year 1	29,002	30,264
Year 2	12,757	12,757
Year 3	12,757	12,757
Year 4	12,792	12,757
Year 5	12,757	12,792
Year 6 and onwards	40,752	53,508
Total	120,817	134,835

Finance lease arrangements as a lessor

BP Shipping Limited subleases three leased rig support vessel ("RSV") and ten leased LNG vessels to bp group entities with lease term of between 1 to 12 years.

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

	2020	2019
	\$000	\$000
Year 1	172,557	177,866
Year 2	160,930	172,557
Year 3	140,950	160,930
Year 4	116,608	140,950
Year 5	116,289	116,608
Year 6 and onwards	459,421	575,710
Total undiscounted lease payments receivable	1,166,755	1,344,621
Unearned finance income	(172,438)	(217,070)
Finance lease receivable	994,317	1,127,551

NOTES TO THE FINANCIAL STATEMENTS**17. Other provisions**

	Other	Litigations and claims	Total
	\$000	\$000	\$000
At 1 January 2020	4,552	757	5,309
New or increased provisions:			
Charged to profit and loss account	7,100	507	7,607
Utilization	(3,535)	(490)	(4,025)
At 31 December 2020	<u>8,117</u>	<u>774</u>	<u>8,891</u>
At 31 December 2020			
Current	<u>8,117</u>	<u>774</u>	<u>8,891</u>
At 31 December 2019			
Current	<u>4,552</u>	<u>757</u>	<u>5,309</u>

Other provisions principally consist of severance provision relating to reinvent bp programme, which is expected to be utilised by 2021.

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

18. Called up share capital

	2020	2019
	\$000	\$000
Issued and fully paid:		
1,276,000,000 ordinary shares of £1 each for a total nominal value of £1,276,000,000	2,030,469	2,030,469
740,000,000 ordinary shares of \$1 each for a total nominal value of \$740,000,000	740,000	740,000
	<u>2,770,469</u>	<u>2,770,469</u>

19. Reserves*Called up share capital*

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

Profit and loss account

The balance held on this reserve is the accumulated losses of the company.

NOTES TO THE FINANCIAL STATEMENTS**20. Other contractual commitments**

Other contractual commitments relate to the committed service components of the operating lease agreements as at 31 December 2020. These commitments fall due as follows:

	2020	2019
	\$000	\$000
Within 1 year	156,040	98,612
In 2 to 5 years	264,116	183,818
After 5 years	21,888	—
	<u>442,044</u>	<u>282,430</u>

21. Related party transactions

The company has taken advantage of the exemption contained within paragraphs 8(k) and (j) of FRS 101, and has not disclosed transactions entered into with wholly-owned group companies or key management personnel.

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

Related party	Sales to related party \$000
BP Southern Africa (Proprietary) Limited	
Fellow subsidiary	
Shipping	
2020	6,900
2019	6,009

22. Immediate and ultimate controlling parent undertaking

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