**BP OIL UK LIMITED**
**(Registered No.00446915)**

## ANNUAL REPORT AND FINANCIAL STATEMENTS 2015

Board of Directors: L-A Allen
P J Mather
N Emmett
B P Mabelane

The directors present the strategic report, their report and the financial statements for the year ended 31 December 2015.

## STRATEGIC REPORT

### Results

The profit for the year after taxation was £96m which, when added to the retained profit brought forward at 1 January 2015 of £122m, gives a total retained profit carried forward at 31 December 2015 of £218m.

### Principal activities and review of the business

The company is engaged in the supply of petroleum products and convenience retailing. It also provides services to other group undertakings within the BP group and holds investments in subsidiary undertakings engaged in similar activities.

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

| | 2015 | 2014 | Variance |
|---|---|---|---|
| | £m | £m | % |
| Turnover | 3,107 | 3,876 | (20) |
| Operating profit | 96 | 6 | 1583 |
| Profit for the year | 96 | 17 | 494 |
| Total equity | 587 | 490 | 21 |

| | 2015 | 2014 | Variance |
|---|---|---|---|
| | % | % | |
| Quick ratio* | 104 | 95 | 9 |

*Quick ratio is defined as current assets, excluding stock, as a percentage of current liabilities.

Operating profits improved sharply due to a combination of improved margins and lower costs.
Turnover decreased due to a fall in prices, however volumes and margins increased as the business continued to grow its partnership with M&S and expanded operations with large Dealer organisations.

**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 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 2015.

**Strategic and commercial risks**

***Prices and markets***
The company's financial performance is subject to fluctuating prices of oil, gas, refined products, exchange rate fluctuations and the general macroeconomic outlook.

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

***Digital infrastructure and cybersecurity***
Breach of the company's digital security or failure of our digital infrastructure could damage our operations and its reputation.

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

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

**Principal risks and uncertainties (continued)**

**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 result in regulatory action, legal liability, 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.

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

**Compliance and control risks**

***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 exploration opportunities.

***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.

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

**Principal risks and uncertainties (continued)**

**Financial risk management**

The company is exposed to a number of different financial risks arising from natural business exposures as well as its use of financial instruments including market risks relating to commodity prices, foreign currency exchange rates and interest rates; credit risk; and liquidity risk. Further details on these financial risks are included within Note 28 of the BP group Annual Report and Form 20-F for the year ended 31 December 2015.

By Order of the Board

For and on behalf of
Sunbury Secretaries Limited
Company Secretary

19 September 2016

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

## DIRECTORS' REPORT

### Directors

The present directors are listed on page 1.

P J Mather and A P M Blakeman served as directors throughout the financial year. Changes since 1 January 2015 are as follows:

| | Appointed | Resigned |
|---|---|---|
| N A Smither | | 01/09/2015 |
| B P Mabelane | 01/09/2015 | |
| N Emmett | 22/02/2016 | |
| A P M Blakeman | | 01/05/2016 |
| L-A Allen | 01/05/2016 | |

### 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 (2014: £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 Group Regulations 2008 in the strategic report under Financial risk management.

### Post balance sheet events

The company has decided to sell terminals in Belfast, Hamble and Northampton, its ownership in the Kingsbury terminal and its stake in the United Kingdom Oil Pipelines Ltd. The sale is currently anticipated to be completed by 2017. Furthermore, from 1 November 2016, the company's fuel delivery service will be outsourced to Hoyer Petrolog UK Ltd.

The net book value of the aforementioned assets is approximately £38m. A provision of £2.3m has been made, during 2016, relating to expected redundancy costs expected as a result of the above changes. A further £12m provision has been made specifically for expected BP defined benefit final salary pension pay-outs resulting from the associated redundancies.

### Future developments

The directors aim to maintain the management policies which have resulted in the company's stability in recent years. They believe that the company is in a good position to take advantage of any opportunities which may arise in the future.

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

**BP OIL UK LIMITED**

**DIRECTORS' REPORT**

**Disabled employees**

The company gives full and fair consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

**Employee involvement**

During the year, the BP group continued its policy of providing employees with information on matters of concern to them. Executive team members hold regular town halls and webcasts to communicate with our employees around the world. We conduct an employee engagement survey to monitor employee attitudes and identify areas for improvement. In particular, information relating to group performance and group policies has been readily available to employees through the 'One BP' intranet web-site.

We encourage employee share ownership. For example, through the ShareMatch plan run in around 50 countries, we match BP shares purchased by our employees.

**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 their 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.

By Order of the Board

For and on behalf of
Sunbury Secretaries Limited
Company Secretary

19 September 2016

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

**BP OIL UK LIMITED**

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

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable 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 applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice). 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 and, having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the financial statements.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BP OIL UK LIMITED

We have audited the financial statements of BP Oil UK Limited for the year ended 31 December 2015 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 25. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice) including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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.

**Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 7, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; including Financial Reporting Standard 101 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion 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.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you 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.

Ernst & Young LLP

Stephney Dallmann (Senior Statutory Auditor)
**for and on behalf of Ernst & Young LLP, Statutory Auditor**

London
23 September 2016



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## BP OIL UK LIMITED

## PROFIT AND LOSS ACCOUNT
## FOR THE YEAR ENDED 31 DECEMBER 2015

| | Note | 2015 £m | 2014 £m |
|---|---|---|---|
| **Turnover** | **3** | 3,107 | 3,876 |
| Cost of sales | | (2,639) | (3,474) |
| **Gross profit** | | 468 | 402 |
| Distribution and marketing expenses | | (349) | (363) |
| Administrative expenses | | (26) | (40) |
| Other operating income | **6** | 1 | 1 |
| Profit on disposal of fixed assets | | 8 | 6 |
| **Operating profit** | **4** | 102 | 6 |
| **Profit before taxation** | | 102 | 6 |
| Taxation | **7** | (6) | 11 |
| **Profit for the year** | | 96 | 17 |

The profit of £96m for the year ended 31 December 2015 was derived in its entirety from continuing operations.

## STATEMENT OF COMPREHENSIVE INCOME
## FOR THE YEAR ENDED 31 DECEMBER 2015

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

**BP OIL UK LIMITED**
(Registered No.00446915)

## BALANCE SHEET AT 31 DECEMBER 2015

| | Note | 2015 £m | 2014 £m |
|---|---|---|---|
| **Fixed assets** | | | |
| Tangible assets | 9 | 433 | 417 |
| Investments | 10 | 6 | 6 |
| | | 439 | 423 |
| **Current assets** | | | |
| Stocks | 11 | 96 | 106 |
| Debtors | 12 | 609 | 658 |
| Amounts falling due within one year: | | 577 | 630 |
| Amounts falling due after one year: | | 32 | 28 |
| Deferred tax assets | 7 | 5 | 11 |
| Cash at bank and in hand | | 9 | 3 |
| | | 719 | 778 |
| Creditors: **amounts falling due within one year** | 13 | (569) | (707) |
| **Net current assets** | | 150 | 71 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 589 | 494 |
| **Provisions for liabilities and charges** | | | |
| Other provisions | 15 | (2) | (4) |
| **NET ASSETS** | | 587 | 490 |
| **Capital and reserves** | | | |
| Called up share capital | 17 | 350 | 350 |
| Other reserves | 18 | 19 | 18 |
| Profit and loss account | 18 | 218 | 122 |
| **TOTAL EQUITY** | | 587 | 490 |

On behalf of the Board

P J Mather
Director
19 September 2016



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**BP OIL UK LIMITED**

**STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2015**

| | Called up share capital (Note 17) | Other distributable reserves (Note 18) | Other non-distributable reserves (Note 18) | Profit and loss account (Note 18) | Total |
|---|---|---|---|---|---|
| | £m | £m | £m | £m | £m |
| **Balance at 1 January 2014** | 350 | 16 | 1 | 105 | 472 |
| Profit for the year | - | - | - | 17 | 17 |
| Share-based payments | - | 1 | - | - | 1 |
| **Balance at 31 December 2014** | 350 | 17 | 1 | 122 | 490 |
| Profit for the year | - | - | - | 96 | 96 |
| Share-based payments | - | 1 | - | - | 1 |
| **Balance at 31 December 2015** | 350 | 18 | 1 | 218 | 587 |



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

The financial statements of BP Oil UK Limited for the year ended 31 December 2015 were approved by the board of directors on 19 SEPTEMBER 2016 and the balance sheet was signed on the board's behalf by P J Mather. BP Oil UK Limited is a limited company incorporated in England and Wales. 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.

These financial statements are separate financial statements. The company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare consolidated financial statements, because it is included in the group financial statements of BP p.l.c. Details of the parent in whose consolidated financial statements the company is included are shown in Note 24 to the financial statements.

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

(a) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
(b) the requirements of IFRS 7 Financial Instruments: Disclosures;
(c) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement;
(d) the requirements of paragraphs 10(d), 10(f), 40(a), 111 and 134-136 of IAS 1 Presentation of Financial Statements;
(e) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
  *(i)* paragraph 79(a)(iv) of IAS 1;
  *(ii)* paragraph 73(e) of IAS 16 Property, Plant and Equipment;
(f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective;
(g) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
(h) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
(i) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36, Impairment of Assets.

**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 24.

The financial statements are presented in GBP sterling and all values are rounded to the nearest million pounds (£ million), except where otherwise indicated.

**Critical 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 critical judgements and estimates that could have a significant impact on the results of the company are set out below and should be read in conjunction with the information provided in the Notes to the financial statements:

***Impairment of tangible assets***

Determination as to whether, and how much, an asset is impaired involves management estimates on highly uncertain matters such as future commodity prices, the effects of inflation on operating expenses, discount rates, and the outlook for global or regional market supply-and-demand conditions for refined products.

For value in use calculations, future cash flows are adjusted for risks specific to the cash-generating unit and are discounted using a pre-tax discount rate. The discount rate is derived from the BP group's post-tax weighted average cost of capital and is adjusted where applicable to take into account any specific risks relating to the country where the cash-generating unit is located, although other rates may be used if appropriate to the specific circumstances. The discount rates applied in assessments of impairment are reassessed each year. In cases where fair value less costs to sell is used to determine the recoverable amount of an asset, where recent market transactions for the asset are not available for reference, accounting judgements are made about the assumptions market participants would use when pricing the asset. Fair value less costs to sell may be determined based on similar recent market transaction data or using discounted cash flow techniques. Where discounted cash flow analyses are used to calculate fair value less costs to sell, the discount rate used is the BP group's post-tax weighted average cost of capital.

***Impairment of financial assets***

Judgements are required in assessing the recoverability of overdue trade receivables and determining whether a provision against the future recoverability of those receivables is required. Factors considered include the credit rating of the counterparty, the amount and timing of anticipated future payments and any possible actions that can be taken to mitigate the risk of non-payment.

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

### Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and the financial statements have therefore been prepared under the going concern basis.

### Foreign currency

The functional and presentation currency of the financial statements is GBP sterling. 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 rate of exchange ruling at the balance sheet date. Any resulting exchange differences are included in the profit and loss account. Non-monetary assets and liabilities, other than those measured at fair value, are not retranslated subsequent to initial recognition.

### Interests in other entities

Judgement is required in assessing the level of control obtained in a transaction to acquire an interest in another entity: depending upon the facts and circumstances in each case, the company may obtain control, joint control or significant influence over the entity or arrangement. Transactions which give the company control of a business are business combinations. If the company obtains joint control of an arrangement, judgement is also required to assess whether the arrangement is a joint operation or a joint venture. If the company has neither control nor joint control, it may be in a position to exercise significant influence over the entity, which is then accounted for as an associate held at cost.

Accounting for business combinations that arise as a result of trade and asset acquisitions requires judgements and estimates to be made in order to determine the fair value of the consideration transferred, together with the fair values of the assets acquired and the liabilities assumed in a business combination. The company uses all available information, including external valuations and appraisals where appropriate, to determine these fair values. If necessary, the company has up to one year from the acquisition date to finalise the determinations of fair value for business combinations.

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

### Investments

Fixed asset investments in subsidiaries, joint ventures and associates are held at cost. The company assesses investments for an impairment indicator annually. If any such indication of possible impairment exists, the company makes an estimate of the investment's recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

Where these circumstances have reversed the impairment previously made is reversed to the extent of the original cost of the investment.

All other fixed asset investments are stated in the financial statements at cost less provisions for impairment.

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

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

*Interests in associates*
An associate is an entity over which the company has significant influence, through the power to participate in the financial and operating policy decisions of the investee, but which is not a subsidiary or a joint arrangement.

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

**Tangible assets**

Tangible assets are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of any decommissioning obligation, if any, and, for assets that necessarily take a substantial period of time to get ready for their intended use, borrowing 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. The capitalised value of a finance lease is also included within tangible assets.

Exchanges of assets are measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. The cost of the acquired asset is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. Where fair value is not used, the cost of the acquired asset is measured at the carrying amount of the asset given up. The gain or loss on derecognition of the asset given up is recognised in profit or loss.

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 capitalised and the carrying amount of the replaced asset is derecognised. Inspection costs associated with major maintenance programmes are capitalised and amortised over the period to the next inspection. Overhaul costs for major maintenance programmes, and all other maintenance costs are expensed as incurred.

Other tangible assets are depreciated on a straight-line basis over their expected useful lives. The typical useful lives of the company's other tangible assets are as follows:
Land and Buildings 8 to 40 years
Fixtures and fittings 2 to 15 years
Plant and machinery 4 to 40 years

The expected useful lives of tangible assets are reviewed on an annual basis and, if necessary, changes in useful lives 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 derecognised 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 derecognised.

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

**Impairment of tangible assets**

The company assesses assets or groups of assets 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 commodity prices leading to sustained unprofitable performance, low plant utilisation, evidence of physical damage or, for oil and gas assets, or increases in estimated future development 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. 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 and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. Fair value less costs to sell is identified as the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised 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.

**Stock**

Stock, other than stock held for trading purposes, is stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out method and comprises direct purchase costs, cost of production, transportation and manufacturing expenses. Net realisable value is determined by reference to prices existing at the balance sheet date.

Stock held for trading purposes is stated at fair value less costs to sell and any changes in fair value are recognised in the profit and loss account.

Supplies are valued at cost to the company mainly using the average method or net realisable value, whichever is the lower.

**Leases**

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the profit and loss account on a straight line basis over the lease term.

For operating leases, contingent rents are recognised in the profit and loss account in the period in which they are incurred.

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

**Financial assets**

Financial assets within the scope of IAS 39 are classified as loans and receivables. Financial assets may include cash and cash equivalents, trade receivables, and other receivables. The company determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The subsequent measurement of financial assets depends on their classification, as follows:

***Loans and receivables***
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process. This category of financial assets includes trade and other receivables. Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value and have a maturity of three months or less from the date of acquisition.

**Impairment of financial assets**

The company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

***Loans and receivables***
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognised in the profit and loss account.

**Financial liabilities**

Financial liabilities are classified as financial liabilities at fair value through profit or loss; derivatives designated as hedging instruments in an effective hedge; or as financial liabilities measured at amortised cost, as appropriate. Financial liabilities may include trade and other payables, accruals, most items of finance debt and derivative financial instruments. The company determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities depends on their classification, as follows:

***Financial liabilities measured at amortised cost***
All other financial liabilities are initially recognised at fair value. For interest-bearing loans and borrowings this is the fair value of the proceeds received net of issue costs associated with the borrowing.

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

### Financial liabilities (continued)

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

### Offsetting of financial assets and liabilities

Financial assets and liabilities are presented gross in the balance sheet unless both of the following criteria are met: the company currently has a legally enforceable right to set off the recognised amounts; and the company intends to either settle on a net basis or realise the asset and settle the liability simultaneously. If both of the criteria are met, the amounts are set off and presented net.

### Environmental liabilities

The provision for environmental liabilities is estimated based on current legal and constructive requirements, technology, price levels and expected plans for remediation. Actual costs and cash outflows can differ from estimates because of changes in laws and regulations, public expectations, prices, discovery and analysis of site conditions and changes in clean-up technology.

The timing and amount of future expenditures are reviewed annually, together with the interest rate used in discounting the cash flows. The interest rate used to determine the balance sheet obligation at the end of 2015 was a real rate of 0.75% (2014 0.75%), which was based on long-dated government bonds.

### Other provisions

Provisions for environmental remediation are made when a clean-up is probable and the amount reasonably determinable. Generally, this coincides with the commitment to a formal plan of action or, if earlier, on divestment or closure of inactive sites. The provision for environmental liabilities at 31 December 2015 was £2m (2014: £4m). The provision has been estimated using existing technology, at current prices and discounted using a real discount rate of 0.75% (2014: 0.75%). These costs are expected to be incurred over the next 10 years. The extent and cost of future remediation programmes are inherently difficult to estimate. They depend on the scale of any possible contamination, the timing and extent of corrective actions, and also the group's share of liability.

### Employee benefits

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the company. Deferred bonus arrangements that have a vesting date more than 12 months after the period end are valued on an actuarial basis using the projected unit credit method and amortised on a straight-line basis over the service period until the award vests. The accounting policies for share-based payments and for pensions and other post-retirement benefits are described below.

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

**Share-based payments**

***Equity-settled transactions***
The cost of equity-settled transactions with employees of the company is measured by reference to the fair value at the date at which equity instruments are granted and is recognised as an expense over the vesting period, which ends on the date on which the employees become fully entitled to the award. A corresponding credit is recognised within equity. Fair value is determined by using an appropriate valuation model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions). Non-vesting conditions, such as the condition that employees contribute to a savings-related plan, are taken into account in the grant-date fair value, and failure to meet a non-vesting condition, where this is within the control of the employee, is treated as a cancellation.

***Cash-settled transactions***
The cost of cash-settled transactions recognized as an expense over the vesting period, measured by reference to the fair value of the corresponding liability which is recognised on the balance sheet. The liability is remeasured at each balance sheet date until settlement, with changes in fair value recognised as an expense.

**Pensions**

The defined benefit pension scheme is a multi-employer scheme administered by the ultimate parent company, BP p.l.c. The company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and so the scheme has been accounted for as a defined contribution scheme as allowed by IAS 19 "Employee Benefits". Contributions to the scheme are charged through the company's profit and loss account in the year in which they become payable. Detailed disclosures have been made in the financial statements of the ultimate parent company.

**Deferred tax**

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises on the initial recognition of goodwill or 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.

Deferred tax assets are recognised for all 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 utilised except where the deferred tax asset relating to the deductible temporary difference arises 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 or loss nor taxable profit or loss.

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

**Deferred tax (continued)**

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the net effect of future tax planning strategies.

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 that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised 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 income tax assets and liabilities are offset, only if a legally enforcement right exists to set off taxation assets against taxation liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

**Turnover**

Turnover arising from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer, which is typically at the point that title passes, and the turnover can be reliably measured.

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes.

## 3. Turnover

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

| | 2015 | 2014 |
|---|---|---|
| | £m | £m |
| Sales of goods | 3,057 | 3,822 |
| Rendering of services | 46 | 47 |
| Other | 4 | 7 |
| | 3,107 | 3,876 |
| Other operating income | 1 | 1 |
| | 3,108 | 3,877 |

Certain prior year figures have been reclassified from Rendering of services to Sales of goods to conform to the 2015 presentation. This had no impact on the profit and loss for the year or net assets.

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

| | 2015 | 2014 |
|---|---|---|
| | £m | £m |
| Class of business: | | |
| Downstream | 3,107 | 3,876 |
| Total | 3,107 | 3,876 |

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

## 4. Operating profit

This is stated after charging / (crediting):

| | 2015 | 2014 |
|---|---|---|
| Operating lease payments: | £m | £m |
| Plant & machinery | 2 | 2 |
| Land & buildings | 12 | 13 |
| Net foreign exchange losses | - | 6 |
| Depreciation of tangible assets (Note 9) | 42 | 40 |
| Impairment | - | 2 |
| Environmental costs | 2 | 1 |
| Profit on disposal of tangible assets | (8) | (6) |

## 5. Auditor's remuneration

| | 2015 | 2014 |
|---|---|---|
| | £m | £m |
| Fees for the audit of the company | 0.2 | 0.2 |

Fees paid to the company's auditor, Ernst & Young 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 Oil UK Limited ultimate parent, BP p.l.c., are required to disclose non-audit fees on a consolidated basis.

## 6. Other operating income

| | 2015 | 2014 |
|---|---|---|
| | £m | £m |
| Dividend income from shares in associated companies | 1 | 1 |

## 7. Taxation

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

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

| | 2015 | 2014 |
|---|---|---|
| | £m | £m |
| Deferred tax | | |
| Origination and reversal of temporary differences | 3 | (11) |
| Effect of increased / (decreased) tax rate on opening liability | 1 | - |
| Adjustments in prior year temporary differences | 2 | - |
| Total deferred tax charged / (credited) | 6 | (11) |
| Tax charged / (credited) on profit on ordinary activities | 6 | (11) |

In 2015 the total tax charge / credit recognised within other comprehensive income was £Nil (2014: £Nil) and the total tax charge / credit recognised directly in equity was £Nil (2014: £Nil).

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

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 20% for the year ended 31 December 2015 (2014: 21%). The differences are reconciled below:

| | 2015 | 2014 |
|---|---|---|
| | UK | UK |
| | £m | £m |
| Profit / (loss) on ordinary activities before tax | 102 | 6 |
| Tax charge / (credit) | 6 | (11) |
| Effective tax rate | 6% | (168%) |

## 7. Taxation (continued)

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

| | 2015 | 2014 |
|---|---|---|
| | UK | UK |
| | % | % |
| UK corporation tax rate: | 20 | 21 |
| | | |
| Increase / (decrease) resulting from: | | |
| Non-deductible expenditure / (non-taxable income) | 3 | (69) |
| Transfer pricing adjustment | - | 4 |
| Double tax relief | - | (3) |
| Overseas tax | - | 3 |
| Free group relief | (20) | (59) |
| Adjustments to tax charge in respect of previous years | 3 | - |
| Tax rate differences | | 5 |
| Opening deferred tax recognised in current year | | (68) |
| Dividends not subject to UK tax | - | (2) |
| Effective tax rate | 6 | (168) |

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

Change in corporation tax rate
The UK corporation tax rate was reduced from 21% to 20% with effect from 1 April 2015, and will further reduce to 19% from 1 April 2017 and to 18% from 1 April 2020. Deferred tax has been measured using the rates substantively enacted at 31 December 2015.

### (b) Provision for deferred tax

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

| | Profit and loss account | | Balance sheet | |
|---|---|---|---|---|
| Deferred tax asset | 2015 | 2014 | 2015 | 2014 |
| | £m | £m | £m | £m |
| Capital allowances in excess of depreciation | 4 | 1 | 5 | 1 |
| Other deductible temporary differences | (10) | 10 | - | 10 |
| Net credit / provision for deferred tax assets | (6) | 11 | 5 | 11 |

Analysis of movements during the year

| | 2015 |
|---|---|
| | £m |
| At 1 January 2015 | 11 |
| Deferred tax charge / (credit) in the profit and loss account | (6) |
| At 31 December 2015 | 5 |

Deferred tax has not been recognised on deductible temporary differences of £13million (2014: £13million) relating to connected party capital losses with no fixed expiry date on the basis these losses are not expected to give rise to any future tax benefit.

## 8. Directors and employees

(a) Remuneration of directors

The total remuneration for all serving directors for their period of directorship to the company amounted to £0.3m (2014: £0.5m). A number of directors are senior executives of the BP Plc Group and received no remuneration for services to this company or its subsidiary undertakings.

Two directors were members of the defined benefit section of the BP Pension Fund at 31 December 2015 (2014: Three).

The highest paid director received £0.2m (2014: £0.2m). The accrued pension of the highest paid director at 31 December 2015 was £0.1m (2014: £0.1m). The highest paid director did not exercise share options over BP p.l.c. shares during the year.

None of the directors exercised share options over BP p.l.c. shares during the year (2014: Three).

(b) Employee costs

| | 2015 | 2014 |
|---|---|---|
| | £m | £m |
| Wages and salaries | 33 | 33 |
| Social security costs | 6 | 5 |
| Other pension costs | 8 | 8 |
| Share-based payment charge (Note 16) | 3 | 2 |
| | 50 | 48 |

Included within other pension costs is £8m (2014: £8m) in respect of contributions paid to a group pension scheme. The pension scheme is a defined benefit scheme, however the assets cannot be split out on an entity level therefore it is treated as a defined benefit contribution.

(c) The average monthly number of employees during the year was 606 (2014: 602)

| | 2015 | 2014 |
|---|---|---|
| | No. | No. |
| Downstream | 606 | 602 |
| | 606 | 602 |



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## 9. Tangible assets

| | Land & buildings | Fixtures & fittings | Plant & machinery | Total |
|---|---|---|---|---|
| **Cost** | £m | £m | £m | £m |
| At 1 January 2015 | 373 | 135 | 302 | 810 |
| Additions | 41 | 21 | 17 | 79 |
| Disposals | (27) | (10) | (25) | (62) |
| At 31 December 2015 | 387 | 146 | 294 | 827 |
| **Depreciation and impairment** | | | | |
| At 1 January 2015 | (122) | (97) | (174) | (393) |
| Charge for the year | (11) | (13) | (18) | (42) |
| Disposals | 12 | 8 | 21 | 41 |
| At 31 December 2015 | (121) | (102) | (171) | (394) |
| **Net book value** | | | | |
| At 31 December 2015 | 266 | 44 | 123 | 433 |
| At 31 December 2014 | 251 | 38 | 128 | 417 |

The net book value of land and buildings comprises:

| | 2015 | 2014 |
|---|---|---|
| | £m | £m |
| Long leasehold | 14 | 15 |
| Freehold | 252 | 236 |
| | 266 | 251 |



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## 10. Investments

| | Investment in subsidiaries | Investment in associates | Total |
|---|---|---|---|
| **Cost** | £m | £m | £m |
| At 1 January 2014 | 6 | 5 | 11 |
| Disposals | (4) | - | (4) |
| At 31 December 2014 | 2 | 5 | 7 |
| At 1 January 2015 | 2 | 5 | 7 |
| At 31 December 2015 | 2 | 5 | 7 |
| **Impairment losses** | | | |
| At 1 January 2014 | (1) | - | (1) |
| At 31 December 2014 | (1) | - | (1) |
| At 1 January 2015 | (1) | - | (1) |
| At 31 December 2015 | (1) | - | (1) |
| **Net book amount** | | | |
| At 31 December 2015 | 1 | 5 | 6 |
| At 31 December 2014 | 1 | 5 | 6 |

The investments in subsidiaries are all stated at cost less provision for impairment.

The investments in the subsidiary and associated undertakings are unlisted.

The subsidiary undertakings, associated undertakings and joint ventures of the company at 31 December 2015 and the percentage of equity capital held are set out below. The principal country of operation is generally indicated by the company's country of incorporation or by its name.

**10. Investments (continued)**

| Subsidiary Undertakings | Class of share held | % | Country of incorporation | Principal activity |
|---|---|---|---|---|
| BP Express Shopping Limited* | Ordinary shares | 100 | England and Wales | Agency |
| BP Oil Logistics UK Limited* | Ordinary shares | 100 | England and Wales | Agency |
| BP Oil Llandarcy Refinery Limited* | Ordinary shares | 100 | England and Wales | Agency |
| BP Oil Kent Refinery Limited* | Ordinary shares | 99.9 | England and Wales | Dormant (in liquidation) |

| Associated undertakings | Class of share held | % | Principal place of business | Principal activity |
|---|---|---|---|---|
| Shell Mex and B.P. Limited* | Ordinary - B | 40 | England and Wales | Distribution |
| SM Realisations Limited | Ordinary | 40 | England and Wales | Dormant (in liquidation) |
| United Kingdom Oil Pipelines Limited* | Ordinary | 33.5 | England and Wales | Distribution |
| Sunderland Oil Storage Limited* | Ordinary - B | 50 | England and Wales | Storage |
| Walton-Gatwick Pipeline Company Limited* | Ordinary | 42.3 | England and Wales | Distribution |
| West London Pipeline and Storage Limited* | Ordinary | 30.5 | England and Wales | Distribution |

| Joint ventures | Class of share held | % | Principal place of business | Principal activity |
|---|---|---|---|---|
| British Pipeline Agency Limited* | 'A' shares | 50 | England and Wales | Distribution |

*Those investments held directly by the company are marked with an asterisk.

## 11. Stocks

| | 2015 | 2014 |
|---|---|---|
| | £m | £m |
| Refined petroleum and petrochemical products | 69 | 81 |
| Trading stocks | 27 | 25 |
| | 96 | 106 |

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

## 12. Debtors

Amounts falling due within one year:

| | 2015 | 2014 |
|---|---|---|
| | £m | £m |
| Trade debtors | 235 | 247 |
| Amounts owed by group undertakings | 294 | 357 |
| Other debtors | 1 | 1 |
| Prepayments and accrued income | 47 | 25 |
| | 577 | 630 |

Amounts falling due after one year:

| | 2015 | 2014 |
|---|---|---|
| | £m | £m |
| Prepayments and accrued income | 32 | 28 |
| | 32 | 28 |
| Total debtors | 609 | 658 |

## 13. Creditors

Amounts falling due within one year:

| | 2015 | 2014 |
|---|---|---|
| | £m | £m |
| Trade creditors | 335 | 452 |
| Amounts owed to group undertakings | 70 | 86 |
| Other creditors | 11 | 35 |
| Other taxes and social security costs | 85 | 76 |
| Accruals and deferred income | 59 | 42 |
| Capital creditors | 9 | 16 |
| | 569 | 707 |

## 14. Obligations under leases

*Operating leases*

Operating lease payments represent payments made by the company to Land Lords for Leasing Retail Sites. Leases are negotiated with or without break clauses for tenant only, which enables either party to extend the current arrangement or walk away. Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

At the balance sheet date, the Company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

| | 2015 | 2015 | 2014 | 2014 |
|---|---|---|---|---|
| | Land & buildings £m | Other £m | Land & buildings £m | Other £m |
| Operating leases: | | | | |
| Within 1 year | 11 | 2 | 13 | 2 |
| In 1 to 5 years | 35 | 3 | 42 | 3 |
| After 5 years | 84 | - | 71 | - |

## 15. Other provisions

| | Environmental |
|---|---|
| | £m |
| At 1 January 2015 | 4 |
| New or increased provisions: | - |
| Write-back of unused provisions | (2) |
| At 31 December 2015 | 2 |

Provisions for environmental remediation are made when a clean-up is probable and the amount reasonably determinable. Generally, this coincides with the commitment to a formal plan of action or, if earlier, on divestment or closure of inactive sites. The provision for environmental liabilities at 31 December 2015 was £2m (2014: £4m). The extent and cost of future remediation programmes are inherently difficult to estimate. They depend on the scale of any possible contamination, the timing and extent of corrective actions, and also the group's share of liability.

## 16. Share-based payments

**Effect of share-based payment transactions on the group's result and financial position**

| Effect of share-based payment transactions on the company's result and financial position | 2015 | 2014 |
|---|---|---|
| | £'000 | £'000 |
| Total expense recognized for equity-settled share-based payment transactions | 2,605 | 2,067 |
| Total expense (credit) recognized for cash-settled share-based payment transactions | (87) | (40) |
| **Total expense recognized for share-based payment transactions** | 2,518 | 2,027 |
| Closing balance of liability for cash-settled share-based payment transactions | 38 | 0 |

All share-based payments transactions relate to employee compensation.

For ease of presentation, option and share holdings detailed in the tables within this note are stated as UK ordinary share equivalents in US dollars. US employees are granted American Depositary Shares (ADSs) or options over the company's ADSs (one ADS is equivalent to six ordinary shares).

The share-based payment plans that operated during the year are detailed below:

**Share Value Plan (SVP)**
The number of units granted is related to the level of seniority of employees and country of operation. The number of units converted to shares is determined by reference to performance measures over the three-year performance period. Performance measures used include BP's total shareholder return (TSR) compared with the other oil majors, balanced scorecard and individual rating. The relative weighting of these different measures is related to the level of seniority of the employee.

**Restricted share unit plans (RSP)**
Share unit grants under the Restricted Share Plan (RSP) are used in special circumstances such as recruitment and retention of senior employees and normally have no performance conditions.

Share unit grants under BP's other restricted share plans typically take into account the employee's performance in either the current or the prior year, track record of delivery, business and leadership skills and potential. Plans included in this category are the Restricted Share Plan (RSP), Restricted Share Plan II (RSPII), the Lower 48 Long Term Incentive Plan (L48 LTI), Annual Cash Bonus Deferral's matching element (ACBD Matching), and the Deferred Annual Bonus Plan (DAB) including IST DAB.

**Savings and matching plans**

**BP ShareSave Plan**
These matching share plans give employees the opportunity to buy ordinary shares in BP p.l.c. and receive free matching shares in BP p.l.c., up to a predetermined limit. The plans are run in the UK and in more than 50 other countries. They are known as ShareMatch UK in the UK, and as ShareMatch Global in other countries.

## 16. Share-based payments (continued)

**BP ShareMatch Plans**
This plan is open to all eligible UK employees. Participants can contribute up to a maximum of £250 per month from their net salary to a savings account over a three- or five-year contractual savings period. At the end of the savings period, they are entitled to purchase shares in BP p.l.c. at a preset price determined on the date when the invitations are sent to eligible employees. This price is usually set at a discount to the market price of a share of up to 20%. The plan is shareholder approved and is settled using Treasury shares.

**Share option transactions**
Share option transactions for the year were as follows:

| | 2015 | 2015 | 2014 | 2014 |
|---|---|---|---|---|
| **Share options transactions in the year** | **Number of Options** | **Weighted average exercise price** | **Number of Options** | **Weighted average exercise price** |
| Outstanding at 1 January | **1,361,581** | **$5.19** | 1,684,659 | $6.21 |
| Transferred in during the year | **296,434** | | – | – |
| Transferred out during the year | – | – | (186,359) | $6.20 |
| Granted during the year | **315,600** | **$5.52** | 274,755 | $6.27 |
| Exercised during the year | **(177,947)** | **$4.92** | (203,107) | $6.27 |
| Expired/lapsed/canceled during the year | **(579,408)** | **$6.02** | (208,367) | $6.28 |
| Outstanding at 31 December | **1,216,260** | **$5.83** | 1,361,581 | $5.19 |
| Exercisable at 31 December | **900,660** | **$6.50** | 226,330 | $8.63 |

The weighted average share price at the date of exercise was $4.92 per ordinary share (2014 $5.88).

Exercise price ranges and weighted average remaining contractual lives for options outstanding at 31 December 2015 are shown below:

| | 2015 | 2015 | 2015 | 2014 | 2014 | 2014 |
|---|---|---|---|---|---|---|
| **Share options outstanding - Exercise price ranges** | **Number of Options** | **Weighted average remaining life years** | **Weighted average exercise price** | **Number of Options** | **Weighted average remaining life years** | **Weighted average exercise price** |
| $4.82 - $5.00 | **258,012** | **1.59** | **$4.83** | 485,588 | 2.10 | $4.92 |
| $5.01 - $6.73 | 882,123 | 3.09 | $5.77 | 705,420 | 2.70 | $6.09 |
| $6.74 - $8.46 | - | - | - | - | - | - |
| $8.47 - $10.19 | **76,125** | **0.17** | **$9.86** | 170,573 | 0.78 | $9.48 |
| $10.20 - $11.92 | - | - | - | - | - | - |
| | **1,216,260** | **2.59** | **$5.83** | 1,361,581 | 2.25 | $5.19 |



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**16. Share-based payments (continued)**

| Fair values and associated details share units granted | 2015 | 2014 |
|---|---|---|
| **Share Value Plan (SVP)** | | |
| Number of share units granted | **209,635** | 154,165 |
| Weighted average fair value | **$6.33** | $8.08 |
| Fair value measurement basis | **Market value** | Market value |
| **Restricted Share Plan (RSP)** | | |
| Number of share units granted | **62,551** | 5,730 |
| Weighted average fair value | **$5.56** | $7.17 |
| Fair value measurement basis | **Market value** | Market value |
| **Annual Cash Bonus Deferral (ACBD)** | | |
| Number of share units granted | **8,814** | 6,966 |
| Weighted average fair value | **$6.81** | $8.10 |
| Fair value measurement basis | **Market value** | Market value |

**17. Called up share capital**

| | 2015 | 2014 |
|---|---|---|
| | £ | £ |
| Issued and fully paid: | | |
| 350,000,000 Ordinary shares of £1 each for a total nominal value of £350,000,000 | 350,000,000 | 350,000,000 |
| Issued | | |
| 300 non-cumulative non-redeemable preference shares of £1 each for a total nominal value of £300 | 300 | 300 |
| | 350,000,300 | 350,000,300 |

**18. 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 retained profits of the company.

*Other reserve*
The balance on the other reserve account represents the effect of share-based payment equity settled transactions on the group's financial position.

**19. Capital commitments**

Authorised and contracted future capital expenditure by the company for which contracts had been placed but not provided in the financial statements at 31 December 2015 is estimated at £78m (2014: £6m).



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## 20. Guarantees and other financial commitments

There were contingent liabilities at 31 December 2015 in respect of guarantees and indemnities entered into as part of the ordinary course of the company's business. In addition, the company has provided warranties and indemnities in respect of business disposals. No material losses are likely to arise from such contingent liabilities.

## 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. There were no other related party transactions in the year.

## 22. Off-balance sheet arrangements

The company enters into operating lease arrangements for the rental of buildings and plant and equipment as these arrangements are a cost efficient way of obtaining the short-term benefits of these assets. The operating lease charges for the year are disclosed in Note 4 and the whole obligation under these arrangements is disclosed in Note 14. There are no other material off-balance sheet arrangements.

## 23. Post balance sheet event

The company has decided to sell terminals in Belfast, Hamble and Northampton, its ownership in the Kingsbury terminal and its stake in the United Kingdom Oil Pipelines Ltd. The sale is currently anticipated to be completed by 2017. Furthermore, from 1 November 2016, the company's fuel delivery service will be outsourced to Hoyer Petrolog UK Ltd.

The net book value of the aforementioned assets is approximately £38m. A provision of £2.3m has been made, during 2016, relating to expected redundancy costs expected as a result of the above changes. A further £12m provision has been made specifically for expected BP defined benefit final salary pension pay-outs resulting from the associated redundancies.

## 24. Pensions

The company is a participating employer in the BP Pension Fund. The BP Pension Fund is separately funded and provides benefits that are computed based on an employee's years of service and final pensionable salary. The level of contributions made to the BP Pension Fund is the amount needed to provide adequate funds to meet pension obligations as they fall due, and are based on pension costs in respect of all members of the fund.

The obligation and the cost of providing pensions are assessed annually using the projected unit credit method. The date of the latest actuarial valuation for the BP Pension Fund was 31 December 2014. The date of the most recent actuarial review was 31 December 2015. During 2015, employer contributions of £480m (2014: £425m) and member contributions of £18m (2014: £21m) were made to the BP Pension Fund. Most of the contributions made by the plan participants after 1 January 2010 into the BP Pension Fund were made under salary sacrifice.

The BP Pension Fund is both operated in a way that does not allow the individual participating employing companies in the Pension Fund to identify their share of the underlying assets and liabilities of the fund. Therefore the company's payments in respect of pension current service cost have been accounted for as an expense as if they were contributions to a defined contribution scheme and no further FRS 101 disclosures are made in these accounts.

The results of the most recent actuarial valuation of the BP Pension Fund as at 31 December 2014, have been reflected into the disclosures required by FRS 101 for the year ended 31 December 2015, and are included within the accounts of the ultimate parent undertaking BP p.l.c.

In the BP p.l.c. accounts, pension plan assets are measured at fair value and pension plan liabilities are measured on an actuarial basis using the projected unit credit method and discounted at an interest rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the plan liabilities. Remeasurements of the defined benefit liability and asset, comprising actuarial gains and losses, and the return on plan assets (excluding amounts included in net interest) are recognised withinthis company's statement of total recognised gains and losses in the period in which they occur.

## 25. 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 1 St James's Square, London, SW1Y 4PD.