

**BP GAS MARKETING LIMITED**

(Registered No.00908982)

**ANNUAL REPORT AND FINANCIAL STATEMENTS 2019**

Board of Directors: R J Harrison  
J K Tate  
S H Weintraub

The directors present the strategic report, their report and the audited financial statements for the year ended 31 December 2019.

**STRATEGIC REPORT****Results**

The profit for the year after taxation was £914,230,000 which, when added to the accumulated loss brought forward at 1 January 2019 (after making a transitional adjustment for IFRS 16) of £384,740,000, gives a total accumulated loss carried forward at 31 December 2019 of £529,490,000. This excludes exchange adjustments taken directly to reserves.

**Principal activities and review of the business**

The company's principal activity is the trading of gas, power, liquefied natural gas (LNG), emissions and other energy products in the UK and overseas. It also holds investments in subsidiary undertakings engaged in similar activities.

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

	2019	2018	Variance
	£000	£000	£000
Turnover	5,858,643	4,230,569	1,628,074
Operating profit / (loss)	860,973	(81,152)	942,125
Profit for the year	914,230	8,396	905,834
Total Equity	2,078,648	1,273,511	805,137

	2019	2018	Variance
	%	%	
Quick ratio*	159	140	18
Return on assets**	16	0.2	15.8

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

\*\* Return on assets is defined as net profit divided by total assets.

The increase in turnover, operating profit and profit for the year is primarily attributable to a continued increase in the volume of LNG cargoes sold. The increase in gross margin is primarily driven by improved LNG margins on increased sales volumes. Increases in impairment charges, depreciation charges related to right of use assets and interest expenses on lease liabilities have partially offset the increase in gross profit. The increase in total equity is attributable primarily to the profit for the year and the movement in the foreign currency translation reserve. With demand for cleaner fuels set to increase, the company continues to seek opportunities for growth



## **STRATEGIC REPORT**

across its entire portfolio. In furtherance of this the company signed an agreement in 2020 for the purchase of 2.5mtpa of LNG for 20 years from Greater Tortue Ahmeyin Phase 1 floating LNG facility under development on the border between Mauritania and Senegal. The company has also taken on contracts novated from BP Energy Europe Ltd for gas trading in Europe.

### **Section 172 (1) statement**

In governing the company on behalf of its shareholders and discharging their duties under section 172, the board has had regard to the factors set out in section 172 (see below) and other factors which the board considers appropriate.

### ***Section 172 factors***

Section 172 requires directors to have regard to the following in performing their duties, and as part of the process are required to consider, where relevant:

- 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.

To support the directors in the discharge of their duties, and whilst making a decision on behalf of the company, the directors have access to functional assurance support to identify matters which may have an impact on the proposed decision including, where relevant, section 172 factors as outlined above.

The principal decisions taken by the directors during the year included approving the acquisition and the entry into a number of agreements including a business transfer agreement with BP Energy Europe Limited for the business undertaken by BP Energy Europe Limited's branch in Italy for consideration of €67,000,000.

The relevant factors taken into account during the decision making process, in furtherance of the company's purpose, were to ensure a strategic long term solution to simplify the BP group's business and to ensure continued access to opportunities in the European market following the UK's exit from the EU.

Matters identified that may affect the company's performance in the long term are set out in the principal risks disclosed in the strategic report below.

The company has engaged with key stakeholders and the outcome from such engagement has been considered by the directors during the decision making process where appropriate. Refer to the directors report on stakeholder engagement.

### **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 2019.

### **Strategic and commercial risks**

#### ***Prices and markets***

## **STRATEGIC REPORT**

The company's financial performance is subject to fluctuating prices of gas and refined products, technological change, exchange rate fluctuations and the general macroeconomic outlook. Political developments, increased supply of oil and gas or low carbon energy sources, technological change, global economic conditions, public health situations and the influence of OPEC can impact supply and demand and prices for our products.

### ***Geopolitical***

The company is exposed to a range of political developments and consequent changes to the operating and regulatory environment may disrupt or curtail the company's operations or development activities. These may in turn cause production to decline, limit the company's ability to pursue new opportunities, affect the recoverability of our assets or cause us to incur additional costs. Political developments may include international sanctions, expropriation or nationalization of property, civil strife, strikes, insurrections, acts of terrorism or war and public health situations (including an outbreak of an epidemic or pandemic).

### ***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. BP have been considering different outcomes but do not believe any of these outcomes pose a significant risk to the business. The BP board's geopolitical committee continues to monitor these developments.

### ***Liquidity, financial capacity and financial, including credit, exposure***

Failure to work within the financial framework set by the BP group could impact the company's ability to operate and result in financial loss.

### ***Digital infrastructure and cybersecurity***

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

### ***Climate change and the transition to a lower carbon economy***

Policy, legal, regulatory, technology and market developments related to the issue of climate change could increase costs, reduce demand for our products, reduce revenue and limit certain growth opportunities.

### ***Competition***

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

### ***Crisis management and business continuity***

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

### ***Insurance***

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

### **Safety and operational risks**

#### ***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 growth opportunities.

#### ***Ethical misconduct and non-compliance***

## **STRATEGIC REPORT**

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.

### ***Treasury and trading activities***

Ineffective oversight of treasury and trading activities could lead to business disruption, financial loss, regulatory intervention or damage to the company's reputation.

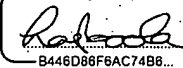
### ***Reporting***

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

### **Financial risk management**

The company is exposed to a number of different financial risks arising from natural business exposures as well as its use of financial instruments including market risks relating to commodity prices, 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 2019.

Authorized for issue by Order of the Board

DocuSigned by:  
  
B446D88F6AC74B8... 8 October 2020

For and on behalf of  
Sunbury Secretaries Limited  
Company Secretary

Registered Office:

Chertsey Road  
Sunbury on Thames  
Middlesex  
TW16 7BP  
United Kingdom

**DIRECTORS' REPORT****BP GAS MARKETING LIMITED****Directors**

The present directors are listed on page 1.

R J Harrison, D W Knipe and R S Lawson served as directors throughout the financial year. Changes since 1 January 2019 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
D W Knipe	—	1 July 2020
J K Tate	13 January 2020	—
R S Lawson	—	13 January 2020
S H Weintraub	1 July 2020	—

**Directors' indemnity**

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

**Dividends**

The company has not declared any dividends during the year (2018 £Nil). The directors do not propose the payment of a dividend.

**Financial instruments**

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

**Post balance sheet events**

Since 31 December 2019, oil and gas prices have fallen sharply in large part due to the impact of the international spread of COVID-19 (Coronavirus) and geopolitical factors. The impact of COVID-19 and the current economic environment on the basis of preparation of these financial statements has been considered. The directors continue to consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. Further details are provided under Going Concern below. This is a non-adjusting event for the financial statements for the period ending 31 December 2019.

**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 2-4, 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 31 December 2019, oil and gas prices have fallen sharply in large part due to the impact of the international spread of COVID-19 (Coronavirus) and geopolitical factors. The impact of COVID-19 and the current economic environment on the basis of preparation of these financial statements has been considered.

## **DIRECTORS' REPORT**

BP Gas Marketing Limited has a net asset surplus of £2,078,648,000, of which £2,177,688,000 is current. These are largely a result of the company's net group funding debit balance of £1,685,989,000 which comfortably exceeds the external liabilities. The company relies on the BP group's role in providing funding and liquidity where the group's centralised funding model strongly supports, and the track record of funding to date clearly demonstrates that, the in-house banks are a reliable and enduring source of funding and liquidity support to BP subsidiaries.

The company enters into derivative transactions in the normal course of business to buy and sell gas products at a future point in time. These derivatives lock in a gain/loss and as such are used to minimize market risk.

Another risk to liquidity is non-payment by a counterparty. Credit risk is managed by BP at the group level and credit exposure to certain counterparties is closely monitored.

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

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

### **Future developments**

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

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

### **Research and development**

The companies research and development activities consist of computer software development.

### **Stakeholder statement**

#### **Engagement with other stakeholders**

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

The company's activities affect a wide variety of individuals and organizations. The company engages with these stakeholders and listens to their differing needs and priorities as an everyday part of its business and uses the input and feedback to inform its decision making process.

## **DIRECTORS' REPORT**

On behalf of the company, the BP group participates in 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 seeks to engage with customers through social media, focus groups and in-depth interviews with customers to better understand customer's needs and seek their feedback.

Feedback from such engagement has been considered by the directors during the decision making process where relevant.

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

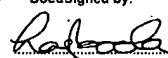
The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditor, each of these directors confirms that:

- 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 s418 of the Companies Act 2006.

**DIRECTORS' REPORT**

Authorized for issue by Order of the Board

DocuSigned by:  
  
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8 October 2020

For and on behalf of  
Sunbury Secretaries Limited  
Company Secretary

Registered Office:

Chertsey Road  
Sunbury on Thames  
Middlesex  
TW16 7BP  
United Kingdom



**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT  
OF THE FINANCIAL STATEMENTS  
BP GAS MARKETING 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 GAS MARKETING LIMITED**

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

##### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 27.

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**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorized for issue.

We have nothing to report in respect of these matters.

##### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. 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.

In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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 respect of these matters.

##### **Responsibilities of directors**

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

## **INDEPENDENT AUDITOR'S REPORT**

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

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

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

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

### **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/has been prepared in accordance with applicable legal requirements.

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

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

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

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

We have nothing to report in respect of these matters.

#### **Use of our report**

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

DocuSigned by:

*Rizwan Majid*

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08 October 2020

Rizwan Majid, ACA

(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 2019****BP GAS MARKETING LIMITED**

		2019	2018 (restated)
	Note	£000	£000
<b>Turnover</b>	<b>3</b>	5,858,643	4,230,569
Cost of sales		(4,622,962)	(3,894,280)
<b>Gross profit</b>		1,235,681	336,289
Distribution and marketing expenses		(241,871)	(313,544)
Administrative expenses		(90,206)	(73,061)
Other operating income	<b>3</b>	59,133	88
Impairment of fixed asset investments	<b>12</b>	(101,764)	(30,924)
<b>Operating profit / (loss)</b>	<b>4</b>	860,973	(81,152)
Income from shares in group undertakings		67,132	69,472
Interest receivable and similar income	<b>6</b>	46,394	43,387
Interest payable and similar expenses	<b>7</b>	(60,269)	(23,311)
<b>Profit before taxation</b>		914,230	8,396
Tax on profit	<b>8</b>	—	—
<b>Profit for the year</b>		914,230	8,396

The profit of £914,230,000 for the year ended 31 December 2019 was derived in its entirety from continuing operations.

For further details on the restatement of 2018 comparative figures please refer to Note 26.

**STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2019****BP GAS MARKETING LIMITED**

		<u>2019</u>	<u>2018</u>
	Note	<u>£000</u>	<u>£000</u>
<b>Profit for the year</b>		<u>914,230</u>	<u>8,396</u>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Currency translation differences	22	<u>(108,784)</u>	<u>163,216</u>
<b>Other comprehensive income for the year net of tax</b>		<u>(108,784)</u>	<u>163,216</u>
<b>Total comprehensive income for the year</b>		<u><u>805,446</u></u>	<u><u>171,612</u></u>

**BALANCE SHEET****AT 31 DECEMBER 2019****BPGAS MARKETING LIMITED****(Registered No.00908982)**

		2019	2018 (restated)
	Note	£000	£000
<b>Fixed assets</b>			
Intangible assets	10	30,797	24,810
Tangible assets	11	1,033,262	10
Investments	12	79,113	183,725
		<u>1,143,172</u>	<u>208,545</u>
<b>Current assets</b>			
Stocks	13	572,091	554,859
Debtors – amounts falling due:			
within one year	14	2,622,906	2,643,064
after one year	14	37,451	25,676
Derivatives and other financial instruments:			
within one year	19	946,576	470,037
after one year	19	181,504	164,446
Cash and cash equivalents	15	158,197	145,193
		<u>4,518,725</u>	<u>4,003,275</u>
<b>Creditors: amounts falling due within one year</b>	16	(1,660,878)	(1,900,657)
Derivatives and other financial instruments due within one year	19	(500,371)	(419,286)
Lease liabilities falling due within one year	18	(179,788)	—
<b>Net current assets</b>		<u>2,177,688</u>	<u>1,683,332</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>3,320,860</u>	<u>1,891,877</u>
<b>Creditors: amounts falling due after more than one year</b>	16	(148)	(148)
Derivatives and other financial instruments due after more than one year	19	(119,692)	(169,401)
Lease liabilities falling due after more than one year	18	(929,134)	—
<b>Provisions for liabilities and charges</b>			
Other provisions	20	(193,238)	(448,817)
<b>NET ASSETS</b>		<u>2,078,648</u>	<u>1,273,511</u>
<b>Capital and reserves</b>			
Called up share capital	21	1,065,000	1,065,000
Share premium account	22	552	552
Foreign currency translation reserve	22	483,606	592,390
Profit and loss account	22	529,490	(384,431)
<b>TOTAL EQUITY</b>		<u>2,078,648</u>	<u>1,273,511</u>

**BALANCE SHEET**

Authorized for issue on behalf of the Board

DocuSigned by:  
**Robert Harrison**  
R J Harrison

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Director

8 October 2020

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2019**  
**BP GAS MARKETING LIMITED**

	Called up share capital (Note 21)	Share premium account (Note 22)	Foreign currency translation reserve (Note 22)	Profit and loss account (Note 22)	Total
	£000	£000	£000	£000	£000
<b>Balance at 1 January 2018</b>	1,065,000	552	429,174	(392,827)	1,101,899
Profit for the year	—	—	—	8,396	8,396
Other comprehensive income for the year	—	—	163,216	—	163,216
<b>Total comprehensive income for the year</b>	—	—	163,216	8,396	171,612
<b>Balance at 31 December 2018</b>	1,065,000	552	592,390	(384,431)	1,273,511
Adjustment on adoption of IFRS 16, net of tax <sup>a</sup>	—	—	—	(309)	(309)
<b>Balance at 1 January 2019</b>	1,065,000	552	592,390	(384,740)	1,273,202
Profit for the year	—	—	—	914,230	914,230
Other comprehensive income for the year	—	—	(108,784)	—	(108,784)
<b>Total comprehensive income for the year</b>	—	—	(108,784)	914,230	805,446
<b>Balance at 31 December 2019</b>	1,065,000	552	483,606	529,490	2,078,648

<sup>a</sup>See Note 2 for further information



**NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 DECEMBER 2019**

**BP GAS MARKETING 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 Gas Marketing Limited for the year ended 31 December 2019 were approved by the board of directors on 8 October 2020 and the balance sheet was signed on the board's behalf by R J Harrison. BP Gas Marketing Limited is a private company, limited by shares incorporated, domiciled and registered in England and Wales (registered number 00908982). The company's registered office is at Chertsey Road, Sunbury on Thames, Middlesex, United Kingdom, 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, modified to include the revaluation of certain financial instruments. 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.

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 27 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 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
  - (iii) paragraph 118(e) of IAS 38 Intangible Assets
- (e) the requirements of IAS 7 Statement of Cash Flows
- (f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective
- (g) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- (h) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- (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

## **NOTES TO THE FINANCIAL STATEMENTS**

- (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.

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 27.

The financial statements are presented in GBP pounds and all values are rounded to the nearest thousand pounds (£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.

### **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 GBP pounds. 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.

Assets and liabilities of foreign currency branches are translated into GBP pounds at rates of exchange ruling at the balance sheet date. The profit and loss account is translated into GBP pounds using average rates of exchange. Exchange differences arising when the opening net assets and the profits for the year retained by foreign currency branches are translated into GBP pounds are taken directly to reserves and reported in other comprehensive income. When a foreign currency branch is disposed of the cumulative amount of foreign currency differences included in other comprehensive income is reclassified to the profit and loss account.

#### **Investments**

Fixed asset investments in subsidiaries 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.

## NOTES TO THE FINANCIAL STATEMENTS

### *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.

### *Significant judgement: interests in other entities*

Judgement is required in assessing the level of control or influence over another entity in which the company holds an interest. 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.

### *Significant judgements and estimates: impairment of investments*

Determination as to whether, and how much, an investment is impaired involves management estimates on highly uncertain matters such as the effects of inflation and deflation on operating expenses, discount rates, production profiles, reserves and resources, and future commodity prices, including the outlook for global or regional market supply-and-demand conditions for natural gas and 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 pre-tax discount rate is based upon the cost of funding the group derived from an established model, adjusted to a pre-tax basis. 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 2019 the post-tax discount rate was 6% (2018 6%) and the pre-tax discount rate ranged from 7% to 13% (2018 9%) depending on the applicable tax rate in the geographic location of the asset. Where the asset is located in a country that is judged to be higher risk an additional premium of 1% to 4% was added to the discount rate (2018 2%). The judgement of classifying a country as higher risk and the applicable premium takes into account various economic and geopolitical factors.

The long-term price assumptions used for investment appraisal are recommended by the BP group chief economist after considering a range of external price, and supply and demand forecasts under various energy transition scenarios. They are reviewed and approved by management. As a result of the current uncertainty over the pace of transition to lower-carbon supply and demand and the social, political and environmental actions that will be taken to meet the goals of the Paris climate change agreement, the forecasts and scenarios considered include those where those goals are met as well as those where they are not met. The assumptions below represent management's best estimate of future prices; they do not reflect a specific scenario and sit within the range of the external forecasts considered.

The long-term price assumptions used to determine recoverable amount based on value-in-use impairments tests are derived from the investment appraisal assumptions of \$70 per barrel for Brent and \$4 per mmBtu for Henry Hub gas, both in 2015 prices (2018 \$75 per barrel and \$4 per mmBtu respectively, in 2015 prices). These long-term prices are applied from 2025 and 2032 respectively (2018 both from 2024) and are inflated for the remaining life of the asset.

The price assumptions used over the periods to 2025 and 2032 have been set such that there is a linear progression from our best estimate of 2020 prices, which were set after considering recent market prices, to the long-term assumptions.

The majority of reserves and resources that support the carrying value of the company's oil and gas properties are expected to be produced over the next 10 years. Average prices (in real 2015 terms) used to estimate cash flows over this period are \$67 per barrel for Brent and \$3.1 per mmBtu for Henry Hub gas.

Oil prices fell 10% in 2019 from 2018 due to trade tensions, a macroeconomic downturn, and a slight slowdown in oil demand. OPEC+ production restraint, unplanned outages, and sanctions on Venezuela and Iran kept prices from falling further. BP's long-term assumption for oil prices is slightly higher than the 2019 price average, based on the judgement that current price levels would not encourage sufficient investment to meet global oil demand sustainably in the longer term, especially given the financial requirements of key low-cost oil producing economies.

US gas prices dropped by around 20% in 2019 compared to 2018. After an initial spike in January, they remained relatively low for much of the year due to a combination of strong associated gas production growth, and storage levels coming back to normal. US gas demand growth was much lower than the exceptional increase in 2018, while LNG exports continued to expand. BP's long-term price assumption for US gas is higher than recent market prices due to forecast rising domestic demand, rapidly increasing pipeline and LNG exports, and lowest cost resources being absorbed leading to production of more expensive gas, as well as requiring increased investment in infrastructure.

## **NOTES TO THE FINANCIAL STATEMENTS**

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, estimates are made about the assumptions market participants would use when pricing the asset and the test is performed on a post-tax basis.

### **Intangible assets**

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

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

Intangible assets with a finite life are amortized on a straight-line basis over their expected useful lives. For patents, licences and trademarks, expected useful life is the shorter of the duration of the legal agreement and economic useful life, and can range from three to fifteen years. Computer software costs generally have a useful life of three to five years.

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

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

### **Tangible assets**

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

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

Tangible assets 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:

#### **Corporate and other**

Office equipment	4 years
Fixtures and fittings	4 years

**NOTES TO THE FINANCIAL STATEMENTS****Transportation**

Vessels up to 15 years

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

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

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

**Impairment of intangible and tangible assets**

The company assesses assets or groups of assets, called cash-generating units (CGUs) for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, for example, changes in the company's business plans, changes in commodity prices leading to sustained unprofitable performance. 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.

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.

**Stocks**

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

Stocks held for short-term trading purposes are stated at fair value less costs to sell and any changes in fair value are recognized in the profit and loss account.

## **NOTES TO THE FINANCIAL STATEMENTS**

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

### **Leases**

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

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

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

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

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 property, plant and equipment, intangible assets, and goodwill.

Agreements may include both lease and non-lease components. Payments for lease and non-lease components are allocated on a relative stand-alone selling price basis except for leases of retail service stations 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 remeasurement 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.

As noted in 'Impact of new International Financial Reporting Standards - IFRS 16 'Leases'', the company elected to apply the 'modified retrospective' transition approach on adoption of IFRS 16. Under this approach, comparative periods' financial information is not restated. The accounting policy applicable for leases in the comparative periods only is disclosed in the following paragraphs.

## **NOTES TO THE FINANCIAL STATEMENTS**

Agreements under which payments are made to owners in return for the right to use a specific asset are accounted for as leases. Leases that transfer substantially all the risks and rewards of ownership are recognized as finance leases. All other leases are accounted for as operating leases.

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 except where capitalized as exploration or appraisal expenditure.

### ***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. All other leases are classified as operating leases. As an intermediate lessor, it 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.

### **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 using the effective interest method if the time value of money is significant. Gains and losses are recognized in the profit and loss account when the loans and receivables are derecognized or impaired and when interest is recognized using the effective interest method. This category of financial assets includes some trade and other receivables.

#### ***Financial assets measured at fair value through profit or loss***

Financial assets are classified as measured at fair value through profit or loss when the asset does not meet the criteria to be measured at amortized cost. Such assets are carried on the balance sheet at fair value with gains or losses recognized in the profit and loss account. Derivatives, other than those designated as effective hedging instruments, are included in this category. This category of financial assets includes some trade and other receivables.

#### ***Cash equivalents***

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 generally have a maturity of three months or less from the date of acquisition. Cash equivalents are classified as financial assets measured at amortized cost or, in the case of certain money market funds, fair value through profit or loss.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **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 of other in-scope financial assets is less than 12 months there is no significant difference between the measurement of 12-month and lifetime expected credit losses for the company. The measurement of expected credit losses is a function of the probability of default, loss given default and exposure at default. The expected credit loss is estimated as the difference between the asset's carrying amount and the present value of the future cash flows the company expects to receive, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is adjusted, with the amount of the impairment gain or loss recognized in the profit and loss account.

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

### **Financial liabilities**

The measurement of financial liabilities is as follows:

#### ***Financial liabilities measured at fair value through profit or loss***

Financial liabilities, that meet the definition of held for trading are classified as measured at fair value through profit or loss. Such liabilities are carried on the balance sheet at fair value with gains or losses recognized in the profit and loss account. Derivatives, other than those designated as effective hedging instruments, are included in this category.

#### ***Financial liabilities measured at amortized cost***

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

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

### **Derivative financial instruments**

The company is exempt from the disclosure requirements of IFRS 7 "Financial Instruments: Disclosures" and IFRS 13 "Fair value measurement" as the company is included in the consolidated financial statements of the ultimate parent undertaking, BP p.l.c., which include the disclosures on a group basis that comply with these standards. Relevant disclosures as required by the Companies Act 2006 in relation to instruments held at fair value have been included in these financial statements.

The company uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates, interest rates and commodity prices as well as for trading purposes. These derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Contracts to buy or sell a non-financial item (for example oil, oil products, gas and power) that can be settled net in cash or another financial instrument, or by exchanging financial instruments as if the contracts were financial instruments, with the exception of contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the company's expected purchase,



## **NOTES TO THE FINANCIAL STATEMENTS**

sale or usage requirements, are accounted for as financial instruments. Contracts to buy or sell equity investments, including investments in associates, are also financial instruments. Gains or losses arising from changes in the fair value of derivatives that are not designated as effective hedging instruments are recognized in the profit and loss account.

If, at inception of a contract, the valuation cannot be supported by observable market data, any gain or loss determined by the valuation methodology is not recognized in the profit and loss account but is deferred on the balance sheet and is commonly known as 'day-one profit or loss'. This deferred gain or loss is recognized in the profit and loss account over the life of the contract until substantially all the remaining contract term can be valued using observable market data at which point any remaining deferred gain or loss is recognized in the profit and loss account. Changes in valuation from the initial valuation at inception of a contract are recognized immediately through the profit and loss account.

### **Fair value measurement**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The company categorizes assets and liabilities measured at fair value into one of three levels depending on the ability to observe inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs that are observable, either directly or indirectly, other than quoted prices included within level 1 for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability reflecting significant modifications to observable related market data or BP's assumptions about pricing by market participants.

### ***Significant estimate and judgement: derivative financial instruments***

In some cases the fair values of derivatives are estimated using internal models due to the absence of quoted prices or other observable, market-corroborated data. This primarily applies to the company's longer-term derivative contracts. The majority of these contracts are valued using models with inputs that include price curves for each of the different products that are built up from available active market pricing data (including volatility and correlation) and modelled using the maximum available external information. Additionally, where limited data exists for certain products, prices are determined using historical and long-term pricing relationships. The use of alternative assumptions or valuation methodologies may result in significantly different values for these derivatives. A reasonably possible change in the price assumptions used in the models relating to index price would not have a material impact on net assets and the profit and loss account primarily as a result of offsetting movements between derivative assets and liabilities. For more information, including the carrying amounts of level 3 derivatives, see Note 19.

In some cases, judgement is required to determine whether contracts to buy or sell commodities meet the definition of a derivative. In particular, longer-term contracts to buy and sell Liquefied Natural Gas ("LNG") are not considered to meet the definition as they are not considered capable of being net settled due to a lack of liquidity in the LNG market and so are accounted for on an accruals basis, rather than as a derivative.

### **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**

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.

## **NOTES TO THE FINANCIAL STATEMENTS**

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% (2018 3.0%).

### **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 goodwill;
- Where the deferred tax liability arises on the initial recognition of an asset or liability in a transaction that is not a business combination and; at the time of the transaction, affects neither accounting profit nor taxable profit or loss; or
- 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.

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

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

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

## **NOTES TO THE FINANCIAL STATEMENTS**

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.

### **Customs duties and sales taxes**

Customs duties and sales taxes that are passed on or charged to customers are excluded from turnover and expenses. Assets and liabilities are recognized net of the amount of customs duties or sales tax except:

- Customs duties or sales taxes incurred on the purchase of goods and services which are not recoverable from the taxation authority are recognized as part of the cost of acquisition of the asset.
- Receivables and payables are stated with the amount of customs duty or sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included within receivables or payables in the balance sheet.

### **Turnover**

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

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

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

Physical exchanges with counterparties in the same line of business and to facilitate sales to customers are reported net, as are sales and purchases made with a common counterparty, as part of an arrangement similar to a physical exchange.

Certain contracts entered into by the company that result in physical delivery of products such as natural gas and refined products are required by IFRS 9 to be accounted for as derivative financial instruments. The company's counterparties in these transactions may, however, meet the IFRS 15 definition of a customer. Revenue recognized relating to such contracts when physical delivery occurs is, therefore, measured at the contractual transaction price and presented together with revenue from contracts with customers. Changes in the fair value of derivative assets and liabilities prior to physical delivery are excluded from revenue from contracts with customers and are classified as other operating revenues.

Where forward sale and purchase contracts for natural gas or power have been determined to be for short-term trading purposes, the associated sales and purchases are reported net within sales and other operating revenues whether or not physical delivery has occurred.

Revenue associated with the sale of natural gas liquids, liquefied natural gas, petroleum and chemical products, natural gas forward sales / purchase contracts and sales / purchases of trading stock is included on a net basis in turnover.

## **NOTES TO THE FINANCIAL STATEMENTS**

### **Interest income**

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

### **Dividend income**

Dividend income from investments is recognized when the shareholders' right to receive the payment is established.

### **Finance costs**

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

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

The company adopted IFRS 16 'Leases', which replaced IAS 17 'Leases' and IFRIC 4 'Determining whether an arrangement contains a lease', with effect from 1 January 2019. There are no other new or amended standards or interpretations adopted during the year that have a significant impact on the financial statements.

#### ***IFRS 16 'Leases'***

IFRS 16 'Leases' provides a new model for lessee accounting in which the majority of leases will be accounted for by the recognition on the balance sheet of a right-of-use asset and a lease liability. The subsequent amortization of the right-of-use asset and the interest expense related to the lease liability is recognized in profit or loss over the lease term.

The company elected to apply the modified retrospective transition approach in which the cumulative effect of initial application is recognized in opening retained earnings at the date of initial application with no restatement of comparative periods' financial information. Comparative information in the balance sheet has, however, been re-presented to align with current year presentation, showing lease liabilities and lease liability payments as separate line items. These were previously included within finance debt and repayments of long-term financing line items respectively. Amounts presented in these line items for the comparative periods relate to leases accounted for as finance leases under IAS 17. We do not consider any of the judgements or estimates made on transition to IFRS 16 to be significant.

IFRS 16 introduces a revised definition of a lease. As permitted by the standard, the company elected not to reassess the existing population of leases under the new definition and only applies the new definition for the assessment of contracts entered into after the transition date. On transition the standard permitted, on a lease-by-lease basis, the right-of-use asset to be measured either at an amount equal to the lease liability (as adjusted for prepaid or accrued lease payments), or on a historical basis as if the standard had always applied. BP has elected to use the historical asset measurement for its more material leases and used the asset equals liability approach for the remainder of the population. In measuring the right-of-use asset the company applied the transition practical expedient to exclude initial direct costs. The company also elected to adjust the carrying amounts of the right-of-use assets as at 1 January 2019 for onerous lease provisions that had been recognized on the company balance sheet as at 31 December 2018, rather than performing impairment tests on transition.

The effect on the company's balance sheet is set out further below. The presentation and timing of recognition of charges in the profit and loss account has changed following the adoption of IFRS 16: The operating lease expense previously reported under IAS 17, typically on a straight-line basis, has been replaced by depreciation of the right-of-use asset and interest on the lease liability.

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 recognition of a 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.

**NOTES TO THE FINANCIAL STATEMENTS**

Judgement is required when determining the appropriate accounting for sub-lease agreements on initial adoption of IFRS 16. 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 initial adoption of IFRS 16 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.

The following table provides a reconciliation of the operating lease commitments disclosed as at 31 December 2018 to the total lease liability recognized on the balance sheet in accordance with IFRS 16 as at 1 January 2019, with explanations below.

	£000
Operating lease commitments at 31 December 2018	1,472,977
Leases not yet commenced	(600,484)
Effect of discounting	(128,876)
Total additional lease liabilities recognized on adoption of IFRS 16	743,617
Total lease liabilities at 1 January 2019	743,617
Of which - current	77,429
- non-current	666,188

*Leases not yet commenced*

The operating lease commitments disclosed as at 31 December 2018 include amounts relating to leases entered into by the company that had not yet commenced as at 31 December 2018. In accordance with IFRS 16 assets and liabilities will not be recognized on the company balance sheet in relation to these leases until the dates of commencement of the leases. Commitments for leases not yet commenced as at 31 December 2019 are disclosed in Note 18.

*Short-term leases and leases below materiality threshold*

As part of the transition to IFRS 16, the company elected not to recognize assets and liabilities relating to short-term leases i.e. leases with a term of less than 12 months and also applied a materiality threshold for the recognition of assets and liabilities related to leases. The disclosed operating lease commitments as at 31 December 2018 include amounts related to such leases.

*Effect of discounting*

The amount of the lease liability recognized in accordance with IFRS 16 is on a discounted basis whereas the operating lease commitments information as at 31 December 2018 is presented on an undiscounted basis. The discount rates used on transition were incremental borrowing rates as appropriate for each lease based on factors such as the lessee legal entity, lease term and currency. The weighted average discount rate used on transition was around 3.5%, with a weighted average remaining lease term of around nine years. For new leases commencing after 1 January 2019 the discount rate used will be the interest rate implicit in the lease, if this is readily determinable, or the incremental borrowing rate if the implicit rate cannot be readily determined.

*Variable lease payments*

Where there are lease payments that vary depending on an index or rate, the measurement of the operating lease commitments as at 31 December 2018 was based on the variable factor as at inception of the lease and was not updated to reflect subsequent changes in the variable factor. Such subsequent changes in the lease payments were treated as contingent rentals and charged to profit or loss as and when paid. Under IFRS 16 the lease liability is adjusted whenever the lease payments are changed in response to changes in the variable factor, and for transition the liability was measured on the basis of the prevailing variable factor on 1 January 2019.

In addition to the lease liability, other line items on the balance sheet adjusted on transition to IFRS 16 include tangible assets for the right-of-use assets. Right-of-use assets of £743,308,000 have been recognised at 1 January

**NOTES TO THE FINANCIAL STATEMENTS**

2019 following the transition to IFRS 16. The difference between the opening right-of-use assets and the opening Lease liabilities is £309,000 and represents the adjustment on adoption of IFRS 16. This adjustment impacts the profit and loss account at 1 January 2019, as can be seen in the statement of changes in equity.

**3. Turnover**

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

	2019	2018
	£000	£000
Revenue from contracts with customers	5,407,630	4,594,703
Group gain / (loss) sharing arrangements	(146,864)	(334,459)
Held for trading gain / (loss)	597,877	(29,675)
	<u>5,858,643</u>	<u>4,230,569</u>
Other operating income	59,133	88
Income from shares in group undertakings	67,132	69,472
Interest receivable and similar income (Note 6)	46,394	43,387
	<u>6,031,302</u>	<u>4,343,516</u>

Other operating income relates to operating lease income from sub-leasing LNG carrier time charter leases.

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

	2019	2018
	£000	£000
Class of business:		
Upstream	5,858,643	4,230,569
	<u>5,858,643</u>	<u>4,230,569</u>

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

	2019	2018
	£000	£000
By geographical area:		
UK	2,376,852	2,047,172
Rest of Europe	3,354,073	1,806,453
USA	38,667	5,923
Rest of World	89,051	371,021
	<u>5,858,643</u>	<u>4,230,569</u>

**4. Operating profit / (loss)**

This is stated after charging / (crediting):

	2019	2018
	£000	£000
Net foreign exchange gains	(6,869)	(3,718)
Amortisation of intangible assets		
- Internally generated <sup>a</sup>	8,544	8,027
Depreciation of tangible assets	9	66
Depreciation of right-of-use assets <sup>b</sup>	137,628	—
Impairment of investments	101,764	30,924

<sup>a</sup> Amount is included in Administrative expenses.

<sup>b</sup> The line indicated is in respect of the application of IFRS 16 in the current year only.

**NOTES TO THE FINANCIAL STATEMENTS****5. Auditor's remuneration**

	2019	2018
	£000	£000
Fees for the audit of the company	22	36

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 Gas Marketing Limited's ultimate parent, BP p.l.c., are required to disclose non-audit fees on a consolidated basis.

The fees were borne by another group company.

**6. Interest receivable and similar income**

	2019	2018
	£000	£000
Bank interest receivable	2,348	316
Interest income from amounts owed by group undertakings	41,788	43,071
Interest income from finance sublease receivables	2,258	—
Total interest receivable and similar income	46,394	43,387

**7. Interest payable and similar expenses**

	2019	2018 (restated)
	£000	£000
Interest expense on:		
Lease liabilities <sup>a</sup>	43,931	—
Loans from group undertakings	10,746	18,177
Other loans	584	632
Total interest expense	55,261	18,809
Unwinding of discount on provisions - Note 20	5,008	4,502
Total interest payable and similar expenses	60,269	23,311

<sup>a</sup> In respect of the application of IFRS 16 in the current year only.

In the current year the unwinding of the discount on provisions has been re-presented to conform to the 2019 presentation. In 2018 this balance was shown within administrative expenses but has been re-presented within interest payable and similar expenses.

**8. 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:

**NOTES TO THE FINANCIAL STATEMENTS**

	2019	2018
	£000	£000
<b>Current tax</b>		
UK corporation tax on income for the year	—	—
UK tax underprovided / (overprovided) in prior years	—	—
Overseas tax on income for the year	—	—
Overseas tax underprovided / (overprovided) in prior years	—	—
Total current tax charged / (credited)	—	—
<b>Deferred tax</b>		
Origination and reversal of temporary differences	—	—
Effect of increased / (decreased) tax rate on opening liability	—	—
Overseas deferred tax	—	—
Adjustments in prior year temporary differences	—	—
Total deferred tax charged / (credited)	—	—
Tax charged / (credited) on (loss) / profit	—	—

In 2019 the total tax credit recognised within other comprehensive income was £Nil (2018 £Nil) and the total tax credit recognised directly in equity was £Nil (2018 £Nil).

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

The tax assessed on the profit for the year is lower than the standard rate of corporation tax in the UK of 19% for the year ended 31 December 2019 (2018 19%). The differences are reconciled below:

	2019	2018
	UK	UK
	£000	£000
Profit before tax	914,230	8,396
Tax charge / (credit)	—	—
Effective tax rate	0%	0%

	2019	2018
	UK	UK
	%	%
UK corporation tax rate:	19	19
Overseas corporation tax rate:	—	—
Increase / (decrease) resulting from:		
Expenses not deductible for tax purposes	2	126
Free group relief	(20)	(5)
Dividends not subject to UK tax	(1)	(157)
Movements in unrecognised deferred tax	—	17
Effective tax rate	—	—

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

**Change in corporation tax rate**

A reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016, and the UK deferred tax asset/(liability) as at 31 December 2019 has been calculated



**NOTES TO THE FINANCIAL STATEMENTS**

based on this rate. The March 2020 Budget announced that a rate of 19% would continue to apply with effect from 1 April 2020, and this change was substantively enacted on 17 March 2020.

**(b) Provision for deferred tax**

Deferred tax has not been recognised on deductible temporary differences relating to fixed assets of £82m (2018: £73m), short-term timing differences of £3.1m (2018 restated: £3.5m) and tax losses of £140m (2018: £140m) with no fixed expiry date on the basis that they are not expected to give rise to any future tax benefit.

**9. Directors and employees**

**(a) Remuneration of directors**

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

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

The total remuneration for these qualifying directors for their period of directorship to the company amounted to £409,000 (2018 £280,000).

None of these qualifying directors received non-cash benefits in relation to qualifying services.

One of these qualifying directors was an active member of the defined benefit section of the BP Pension Fund at 31 December 2019 (2018 None). None of the qualifying directors exercised share options over BP p.l.c. shares during the year (2018 None).

The highest paid director received £241,000 (2018 £280,000). The accrued pension of the highest paid director at 31 December 2019 was £Nil (2018 £Nil). The highest paid director did not exercise share options over BP p.l.c. shares during the year. The highest paid director received contributions to a money purchase pension scheme during the year.

**(b) Employee costs**

The company had no employees during the year (2018 None).

**NOTES TO THE FINANCIAL STATEMENTS****10. Intangible assets**

	Other intangibles
<b>Cost</b>	<b>£000</b>
At 1 January 2019	110,685
Additions	14,531
Transfers	—
At 31 December 2019	<u>125,216</u>
<b>Amortisation</b>	
At 1 January 2019	(85,875)
Charge for the year	(8,544)
At 31 December 2019	<u>(94,419)</u>
<b>Net book value</b>	
At 31 December 2019	<u>30,797</u>
At 31 December 2018	<u>24,810</u>

Included within intangible assets are costs capitalized in relation to computer software. These costs are amortized over the remaining useful life of three to five years.

**11. Tangible assets**

	Corporate & other	Transportation	Total
	£000	£000	£000
<b>Cost - owned tangible assets</b>			
At 1 January 2019	18,113	—	18,113
Additions	4	—	4
At 31 December 2019	<u>18,117</u>	<u>—</u>	<u>18,117</u>
<b>Depreciation - owned tangible assets</b>			
At 1 January 2019	(18,103)	—	(18,103)
Charge for the year	(9)	—	(9)
At 31 December 2019	<u>(18,112)</u>	<u>—</u>	<u>(18,112)</u>
<b>Owned tangible assets - net book value</b>			
At 31 December 2019	<u>5</u>	<u>—</u>	<u>5</u>
<b>Right-of-use assets - net book value</b>			
At 31 December 2019	<u>—</u>	<u>1,033,257</u>	<u>1,033,257</u>
<b>Total tangible assets net book value</b>			
At 31 December 2019	<u>5</u>	<u>1,033,257</u>	<u>1,033,262</u>
<b>Total net book value</b>			
At 31 December 2018	<u>10</u>	<u>—</u>	<u>10</u>

The depreciation expense recognized for the year on right-of-use assets was £137,628,000.

Included with Transportation assets are right of use assets recognised following the transition to IFRS 16, relating to vessels the company charters from BP Shipping Limited. Refer to Note 18 for further details.

**NOTES TO THE FINANCIAL STATEMENTS****12. Investments**

	Investment in subsidiaries	Investment in associates	Loans to associates (restated)	Total
Cost	£000	£000	£000	£000
At 1 January 2018	266,568	500	5,000	272,068
Additions	—	—	3,000	3,000
At 31 December 2018	<u>266,568</u>	<u>500</u>	<u>8,000</u>	<u>275,068</u>
At 1 January 2019	266,568	500	8,000	275,068
At 31 December 2019	<u>266,568</u>	<u>500</u>	<u>8,000</u>	<u>275,068</u>
<b>Impairment losses</b>				
At 1 January 2018	(57,731)	—	—	(57,731)
Charge for the year	(30,924)	—	—	(30,924)
Fair value movement	—	—	(2,688)	(2,688)
At 31 December 2018	<u>(88,655)</u>	<u>—</u>	<u>(2,688)</u>	<u>(91,343)</u>
At 1 January 2019	(88,655)	—	(2,688)	(91,343)
Charge for the year	(101,264)	(500)	—	(101,764)
Fair value movement	—	—	(2,848)	(2,848)
At 31 December 2019	<u>(189,919)</u>	<u>(500)</u>	<u>(5,536)</u>	<u>(195,955)</u>
<b>Net book amount</b>				
At 31 December 2019	<u>76,649</u>	<u>—</u>	<u>2,464</u>	<u>79,113</u>
At 31 December 2018 (restated)	<u>177,913</u>	<u>500</u>	<u>5,312</u>	<u>183,725</u>

The investments in subsidiaries, associates and joint ventures are all stated at cost less provision for impairment.

The investments in the subsidiary and associated undertakings and joint ventures are unlisted.

Impairments in 2019 relate to the expected loss on the investment loan with Blue Marble Holdings Limited of £2.8 million. Also included within the impairment charge for the year is a charge of £101.3 million related to the investment in Bahia de Bizkaia Electricidad, S.L. and £0.5 million related to the investment in Blue Marble Holdings Limited.

Certain prior year balances have been reclassified to conform to the 2019 presentation. For further information on the restatement of 2018 comparative figures refer to Note 26.

The subsidiary undertakings of the company at 31 December 2019 and the percentage of equity capital held set out below are the investments which principally affected the profits or net assets of the company. The principal country of operation is generally indicated by the company's country of incorporation or by its name.

**NOTES TO THE FINANCIAL STATEMENTS****Subsidiary undertakings**

Company name	Class of share held	%	Registered address	Principal activity
Bahia de Bizkaia Electridid, S.L.	Ordinary shares	75	Atraque Punta Lucero Explanada Punta Ceballos s/n Ziérben (Vizcaya) Spain	Power Generation

**Associated undertakings**

Company name	Class of share held	%	Registered address	Principal activity
Blue Marble Holdings Limited	Ordinary shares	24	Cramer House The Square, Lower Bristol Road Bath, England BA2 3BH United Kingdom	Holding company

**13. Stocks**

	2019	2018
	£000	£000
Emission certificates	430,493	376,501
Natural gas	61,871	59,574
Supplies	12,252	13,487
Trading stocks	67,475	105,297
	<u>572,091</u>	<u>554,859</u>

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

**14. Debtors**

Amounts falling due within one year:

	2019	2018 (restated)
	£000	£000
Trade debtors	464,147	555,644
Amounts owed from fellow subsidiaries	2,097,256	2,052,600
Amounts owed from associates	492	487
Other debtors	39,891	32,238
Prepayments and accrued income	3,220	2,095
Finance sublease receivable	17,900	—
	<u>2,622,906</u>	<u>2,643,064</u>

**NOTES TO THE FINANCIAL STATEMENTS**

Amounts falling due after one year:

	2019	2018 (restated)
	£000	£000
Other debtors	—	25,676
Finance sublease receivable	37,451	—
	<u>37,451</u>	<u>25,676</u>
Total debtors	<u>2,660,357</u>	<u>2,668,740</u>

The amounts owed from fellow subsidiaries comprise a variable rate funding account of £1,725m (2018 £1,466m). Interest is accrued on a monthly basis based on LIBOR. The interest rate at year end was LIBOR plus 11 basis points (2018 LIBOR plus 11 basis points).

Certain prior year balances have been reclassified to conform to the 2019 presentation. For further information on the restatement of 2018 comparative figures refer to Note 25 and Note 26.

**15. Cash and cash equivalents**

	2019	2018
	£000	£000
Cash	9,015	181
Cash equivalents	149,182	145,012
	<u>158,197</u>	<u>145,193</u>

Cash and cash equivalents at 31 December 2019 includes £149,182,000 (2018 £145,012,000) that is restricted. The restricted cash balances include amounts required to cover initial margin on trading exchanges.

**16. Creditors**

Amounts falling due within one year:

	2019	2018 (restated)
	£000	£000
Trade creditors	592,527	555,798
Amounts owed to parent undertakings	29,469	27,523
Amounts owed to fellow subsidiaries	514,800	877,897
Other creditors	473,624	415,312
Other taxes and social security costs	102	7
Accruals	50,356	24,120
	<u>1,660,878</u>	<u>1,900,657</u>

Amounts falling after one year:

	2019	2018 (restated)
	£000	£000
Amounts owed to fellow subsidiaries	148	148
	<u>148</u>	<u>148</u>
Total creditors	<u>1,661,026</u>	<u>1,900,805</u>

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.

**NOTES TO THE FINANCIAL STATEMENTS**

Certain prior year balances have been reclassified to conform to the 2019 presentation. For further information on the restatement of 2018 comparative figures refer to Note 25 and Note 26.

**17. Loans and obligations under leases**

Loans repayable and obligations under leases are analysed as follows:

Within 5 years

Not wholly repayable

2019	2018
Lease liabilities	Lease liabilities
£000	£000
745,288	—
<u>745,288</u>	<u>—</u>

After 5 years

Not wholly repayable

2019	2018
Lease liabilities	Lease liabilities
£000	£000
363,634	—
<u>363,634</u>	<u>—</u>

The amounts presented for 2019 relate to the maturity of lease liabilities under IFRS 16. The amounts presented for 2018 represent finance leases accounted for under IAS 17.

**18. Leases**

The company leases a number of assets as part of its activities. This primarily includes vessel charters across the group. Time charters are negotiated for an average term of 7 years and rentals are fixed for an average of 7 years with an option to extend for a further period at the then prevailing market rate.

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 amount for future commitments for leases not yet commenced as at 31 December 2019 is £337 million.

	2019
	£000
Additions to right-of-use assets in the period	534,932
Total cash outflow for amounts included in lease liabilities	<u>178,716</u>

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

**19. Derivatives and other financial instruments**

In the normal course of business the company enters into derivative financial instruments (derivatives), to manage its normal business exposures in relation to commodity prices, foreign currency exchange rates and

## **NOTES TO THE FINANCIAL STATEMENTS**

interest rates, including management of the balance between floating rate and fixed rate debt consistent with risk management policies and objectives.

For information on significant estimates and judgements made in relation to the application of hedge accounting and the valuation of derivatives, see *Derivative financial instruments and hedging activities* within Note 2.

The fair values of derivative financial instruments at 31 December are set out below.

Exchange traded derivatives are valued using closing prices provided by the exchange as at the balance sheet date. These derivatives are categorized within level 1 of the fair value hierarchy. Over-the-counter (OTC) financial swaps and physical commodity sale and purchase contracts are generally valued using readily available information in the public markets and quotations provided by brokers and price index developers. These quotes are corroborated with market data and are categorized within level 2 of the fair value hierarchy.

In certain less liquid markets, or for longer-term contracts, forward prices are not as readily available. In these circumstances, OTC financial swaps and physical commodity sale and purchase contracts are valued using internally developed methodologies that consider historical relationships between various commodities, and that result in management's best estimate of fair value. These contracts are categorized within level 3 of the fair value hierarchy.

Financial OTC and physical commodity options are valued using industry standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and contractual prices for the underlying instruments, as well as other relevant economic factors. The degree to which these inputs are observable in the forward markets determines whether the option is categorized within level 2 or level 3 of the fair value hierarchy.

### *Derivatives held for trading*

The company maintains active trading positions in a variety of derivatives. The contracts may be entered into for risk management purposes, to satisfy supply requirements or for entrepreneurial trading. Certain contracts are classified as held for trading, regardless of their original business objective, and are recognized at fair value with changes in fair value recognized in the profit and loss account. Trading activities are undertaken by using a range of contract types in combination to create incremental gains by the arbitraging process between markets, locations and time periods. The net of these exposures is monitored using market value-at-risk techniques.

**NOTES TO THE FINANCIAL STATEMENTS**

The fair values of derivative financial instruments at 31 December are set out below:

	2019	2019	2018 (restated)	2018 (restated)
	Fair value asset £000	Fair value liability £000	Fair value asset £000	Fair value liability £000
Derivatives held for trading				
- Currency derivatives	53,344	(54,570)	42,568	(28,498)
- Natural gas price derivatives	891,640	(410,556)	434,998	(286,839)
- Power and emission price derivatives	158,239	(154,937)	156,917	(273,350)
- Other derivatives	24,857	—	—	—
	<u>1,128,080</u>	<u>(620,063)</u>	<u>634,483</u>	<u>(588,687)</u>
Of which:				
- current derivatives with third parties	796,259	(242,012)	351,132	(227,567)
- current intercompany derivatives with fellow subsidiaries	150,317	(258,359)	118,905	(191,719)
- non-current derivatives with third parties	137,579	(36,909)	117,397	(90,906)
- non-current intercompany derivatives with fellow subsidiaries	43,925	(82,783)	47,049	(78,495)
	<u>1,128,080</u>	<u>(620,063)</u>	<u>634,483</u>	<u>(588,687)</u>

Certain prior year balances have been reclassified to conform to the 2019 presentation. For further information on the restatement of 2018 comparative figures refer to Note 25 and Note 26.

The following tables show further information on the fair value of derivatives and other financial instruments held for trading purposes.

Derivative assets held for trading have the following fair values and maturities.

2019	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	£000	£000	£000	£000	£000	£000	£000
Currency derivatives	31,479	16,051	5,814	—	—	—	53,344
Natural gas price derivatives	766,643	115,650	9,102	211	3	31	891,640
Power and emission price derivatives	123,597	15,097	5,526	2,428	2,033	9,558	158,239
Other derivatives	24,857	—	—	—	—	—	24,857
	<u>946,576</u>	<u>146,798</u>	<u>20,442</u>	<u>2,639</u>	<u>2,036</u>	<u>9,589</u>	<u>1,128,080</u>



**NOTES TO THE FINANCIAL STATEMENTS**

2018 (restated)	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	£000	£000	£000	£000	£000	£000	£000
Currency derivatives	26,643	13,005	2,920	—	—	—	42,568
Natural gas price derivatives	335,613	76,996	21,295	1,069	9	16	434,998
Power and emission price derivatives	107,781	34,750	7,568	1,182	1,060	4,576	156,917
Other derivatives	—	—	—	—	—	—	—
	<u>470,037</u>	<u>124,751</u>	<u>31,783</u>	<u>2,251</u>	<u>1,069</u>	<u>4,592</u>	<u>634,483</u>

Derivative liabilities held for trading have the following fair values and maturities.

2019	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	£000	£000	£000	£000	£000	£000	£000
Currency derivatives	(39,360)	(13,594)	(1,616)	—	—	—	(54,570)
Natural gas price derivatives	(344,481)	(51,056)	(14,568)	(134)	(89)	(228)	(410,556)
Power and emission price derivatives	(116,530)	(14,463)	(5,659)	(3,122)	(2,950)	(12,213)	(154,937)
	<u>(500,371)</u>	<u>(79,113)</u>	<u>(21,843)</u>	<u>(3,256)</u>	<u>(3,039)</u>	<u>(12,441)</u>	<u>(620,063)</u>

2018 (restated)	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	£000	£000	£000	£000	£000	£000	£000
Currency derivatives	(28,211)	(287)	—	—	—	—	(28,498)
Natural gas price derivatives	(223,549)	(56,526)	(5,832)	(254)	(130)	(548)	(286,839)
Power and emission price derivatives	(167,526)	(92,296)	(1,825)	(1,713)	(1,858)	(8,132)	(273,350)
	<u>(419,286)</u>	<u>(149,109)</u>	<u>(7,657)</u>	<u>(1,967)</u>	<u>(1,988)</u>	<u>(8,680)</u>	<u>(588,687)</u>

**NOTES TO THE FINANCIAL STATEMENTS**

The following table shows the fair value of derivative assets and derivative liabilities held for trading, analysed by maturity period and by methodology of fair value estimation. This information is shown on a gross basis, that is, before netting by counterparty.

2019	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	£000	£000	£000	£000	£000	£000	£000
Fair value of derivative assets							
Level 2	1,916,224	200,707	23,821	2,129	907	5,982	2,149,770
Level 3	54,782	2,294	1,061	1,090	1,130	3,607	63,964
	<u>1,971,006</u>	<u>203,001</u>	<u>24,882</u>	<u>3,219</u>	<u>2,037</u>	<u>9,589</u>	<u>2,213,734</u>
Less: netting by counterparty	<u>(1,024,430)</u>	<u>(56,203)</u>	<u>(4,440)</u>	<u>(580)</u>	<u>(1)</u>	<u>—</u>	<u>(1,085,654)</u>
	<u>946,576</u>	<u>146,798</u>	<u>20,442</u>	<u>2,639</u>	<u>2,036</u>	<u>9,589</u>	<u>1,128,080</u>
Fair value of derivative liabilities							
Level 2	(1,492,400)	(133,218)	(24,466)	(1,799)	(950)	(5,813)	(1,658,646)
Level 3	(32,401)	(2,098)	(1,817)	(2,037)	(2,090)	(6,628)	(47,071)
	<u>(1,524,801)</u>	<u>(135,316)</u>	<u>(26,283)</u>	<u>(3,836)</u>	<u>(3,040)</u>	<u>(12,441)</u>	<u>(1,705,717)</u>
Less: netting by counterparty	<u>1,024,430</u>	<u>56,203</u>	<u>4,440</u>	<u>580</u>	<u>1</u>	<u>—</u>	<u>1,085,654</u>
	<u>(500,371)</u>	<u>(79,113)</u>	<u>(21,843)</u>	<u>(3,256)</u>	<u>(3,039)</u>	<u>(12,441)</u>	<u>(620,063)</u>
Net fair value	<u>446,205</u>	<u>67,685</u>	<u>(1,401)</u>	<u>(617)</u>	<u>(1,003)</u>	<u>(2,852)</u>	<u>508,017</u>

**NOTES TO THE FINANCIAL STATEMENTS**

2018 (restated)	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	£000	£000	£000	£000	£000	£000	£000
Fair value of derivative assets							
Level 2	1,143,409	220,233	35,724	1,470	—	—	1,400,836
Level 3	—	—	1,102	1,031	1,069	4,591	7,793
	<u>1,143,409</u>	<u>220,233</u>	<u>36,826</u>	<u>2,501</u>	<u>1,069</u>	<u>4,591</u>	<u>1,408,629</u>
Less: netting by counterparty	<u>(673,372)</u>	<u>(95,480)</u>	<u>(5,044)</u>	<u>(250)</u>	<u>—</u>	<u>—</u>	<u>(774,146)</u>
	<u>470,037</u>	<u>124,753</u>	<u>31,782</u>	<u>2,251</u>	<u>1,069</u>	<u>4,591</u>	<u>634,483</u>
Fair value of derivative liabilities							
Level 2	(1,092,658)	(244,587)	(12,509)	(321)	—	—	(1,350,075)
Level 3	—	—	(193)	(1,896)	(1,988)	(8,681)	(12,758)
	<u>(1,092,658)</u>	<u>(244,587)</u>	<u>(12,702)</u>	<u>(2,217)</u>	<u>(1,988)</u>	<u>(8,681)</u>	<u>(1,362,833)</u>
Less: netting by counterparty	<u>673,372</u>	<u>95,480</u>	<u>5,044</u>	<u>250</u>	<u>—</u>	<u>—</u>	<u>774,146</u>
	<u>(419,286)</u>	<u>(149,107)</u>	<u>(7,658)</u>	<u>(1,967)</u>	<u>(1,988)</u>	<u>(8,681)</u>	<u>(588,687)</u>
Net fair value	<u>50,751</u>	<u>(24,354)</u>	<u>24,124</u>	<u>284</u>	<u>(919)</u>	<u>(4,090)</u>	<u>45,796</u>

**NOTES TO THE FINANCIAL STATEMENTS***Level 3 derivatives*

The following table shows the changes during the year in the net fair value of derivatives held for trading purposes within level 3 of the fair value hierarchy.

	Total £000
Net fair value of contracts as at 1 January 2019	(4,965)
Gains recognised in the income statement	21,858
Net fair value of contracts as at 31 December 2019	16,893
	Total £000
Net fair value of contracts as at 1 January 2018	(203)
(Losses) recognised in the income statement	(4,094)
Settlements	(668)
Net fair value of contracts as at 31 December 2018	(4,965)

*Derivative gains and losses*

Gains and losses on derivative contracts are included within 'Turnover' in the profit and loss account. The total amount relating to these derivative contracts was a net gain of £451,013,000 (2018 net loss of £364,134,000).

Gains and losses relating to derivative contracts are included within Turnover in the profit and loss account depending upon the nature of the activity and type of contract involved. The contract types treated in this way include futures, options, swaps and certain forward sales and forward purchases contracts, and relate to both currency and commodity trading activities. Gains or losses arise on contracts entered into for risk management purposes, optimisation activity and entrepreneurial trading. They also arise on certain contracts that are for normal procurement or sales activity for the group but that are required to be fair valued under accounting standards. Also included within sales and other operating revenues are gains and losses on inventory held for trading purposes.

**20. Other provisions**

	Other £000	Legal £000	Total £000
At 1 January 2019	448,817	—	448,817
Exchange Adjustments	(27,510)	—	(27,510)
New or updated provisions:			
(Credited) / charged to profit and loss account	(219,426)	854	(218,572)
Unwinding of discount	5,008	—	5,008
Change in discount rate	6,428	—	6,428
Utilisation	(20,933)	—	(20,933)
At 31 December 2019	192,384	854	193,238

The provisions relate to five onerous contracts which are split between storage of gas and pipeline capacity contracts, two and three respectively.

**NOTES TO THE FINANCIAL STATEMENTS**

Provisions decreased by £256m during the year. This was on the back of provision roll offs and assumption updates mainly impacting Viking, where there were changes in the assumptions during the year. A £28m decrease in provisions related to exchange rate movements.

The Viking provision relates to gas Caverns in Germany with a contract expiry of 2046. The contract is denominated in Euro and there has been a £217m decrease in the provision as a result of an update in the assumptions (2018 £32m decrease) and a £25m decrease in the provision related to the exchange rate movements (2018 £6m increase).

The Bierwang provision relates to gas Caverns in Germany with a contract expiry of 2027. The contract is denominated in Euro and there has been a £1m decrease in the provision related to the exchange rate movements in the year (2018 £1m increase). Other movements in the provision total an £8m decrease (2018 £2m decrease).

The Spain-France Inter-Connector provision relates to gas capacity through the Spain-France Pipeline. The expiry of this contract is 2023. The contract is denominated in Euro and there has been a decrease in the provision during the year of £5m (2018 £8m).

The Inter-Connector UK provision relates to a contract for gas capacity through the UK-Belgium Pipeline. The contract expired in 2018. The contract is denominated in Sterling and there has been a decrease in the provision during the year of £0.4m (2018 £10m) such that the closing provision is now £Nil.

The Trans-Austrian Gasline provision relates to the supply of gas capacity through the Trans-Austrian Gasline. The expiry of this contract is 2023. The contract is denominated in Euro and there has been an increase in the provision during the year of £2m (2018 decrease of £5m).

The uncertainties that face the provisions recognized above include the foreign exchange rate and the market price of gas.

**21. Called up share capital**

	2019	2018
	£000	£000
Issued and fully paid:		
1,065,000,000 ordinary shares of £1 each for a total nominal value of £1,065,000,000	1,065,000	1,065,000
	<u>1,065,000</u>	<u>1,065,000</u>

**22. 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.

*Share premium account*

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

*Foreign currency translation reserve*

The foreign currency translation reserve is used to record the currency fluctuations in relation to the foreign currency branch.

*Profit and loss account*

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

**NOTES TO THE FINANCIAL STATEMENTS**

In 2019, the company paid interim ordinary dividends of £Nil (2018 £Nil). The dividend per share was £0.00 (2018 dividend per share £0.00).

**23. 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	Purchases from related party	Amounts owed from related party	Amounts owed to related party
	£000	£000	£000	£000
BP Trinidad and Tobago LLC				
Fellow subsidiary				
Gas				
2019	—	3,990	—	1,553
2018	—	25,798	—	11,571
Atlantic 2/3 Holdings LLC				
Joint venture				
Gas				
2019	—	—	2,458	331
2018	—	—	1,963	224
Aker BP ASA				
Joint venture				
Exploration				
2019	—	—	492	17,324
2018	—	—	486	33,919
Atlantic 1 LNG of Trinidad and Tobago				
Associate				
Gas				
2019	—	—	—	19,637
2018	—	—	—	—

**24. Post balance sheet events**

Since 31 December 2019, oil and gas prices have fallen sharply in large part due to the impact of the international spread of COVID-19 (Coronavirus) and geopolitical factors. The impact of COVID-19 and the current economic environment on the basis of preparation of these financial statements has been considered. The directors continue to consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. Further details are provided in the directors' report. This is a non-adjusting event for the financial statements for the period ending 31 December 2019.

**25. Prior year adjustment**

In the note disclosed as amounts included within debtors and creditors in the 2018 financial statements were derivative assets of £982,152,000 and derivative liabilities of £646,389,000 held with other BP group entities. During the preparation of the 2019 financial statements it was determined that these amounts had been overstated.

**NOTES TO THE FINANCIAL STATEMENTS**

The amounts that should have been disclosed were derivative assets of £165,954,000 and derivative liabilities of £270,213,000. The overstatement had no impact on the profit and loss for the year or net assets in the 2018 financial statements. However, as shown in the table below, the split between non-current and current assets and liabilities was incorrect. The intercompany derivative assets and liabilities were overstated and as shown in the table below, the corresponding amounts have been restated.

During the current year the company also concluded that it was appropriate to reclassify these balances from debtors and creditors to derivative assets and liabilities. This reclassification only impacts the financial statement line item presentation.

In addition, an expected credit loss of £2,688,000 which had been included within other debtors in 2018 was reclassified as it related to investment loans which were disclosed within investments. See Note 26 for further information.

<b>Financial statement line item</b>	<b>2018 as previously reported</b>	<b>2018 restated</b>
	<b>£000</b>	<b>£000</b>
Investments	186,413	183,725
Debtors – amounts falling due:		
within one year	2,647,838	2,643,064
after one year	184,168	25,676
Derivatives and other financial instruments:		
within one year	351,132	470,037
after one year	117,397	164,446
Creditors: amounts falling due within one year	(2,041,322)	(1,900,657)
Derivatives and other financial instruments due within one year	(227,567)	(419,286)
Creditors: amounts falling due after more than one year	(129,697)	(148)
Derivatives and other financial instruments due after more than one year	(90,906)	(169,401)

**26. Comparative figures**

Certain prior year figures have been reclassified to conform to the 2019 presentation. The 2018 charge to profit and loss related to the unwinding of the discount on provisions of £4,502,000 had previously been included within Administrative expenses. During the current year the company concluded that it was appropriate to reclassify these expenses to interest payable and similar expenses. This had no impact on the profit and loss for the year or net assets.

In addition, an expected credit loss of £2,688,000 which had been included within other debtors in 2018 was reclassified as it related to investment loans which were disclosed within investments. This restatement had no impact on the profit and loss for the year or net assets.

**27. Immediate and ultimate controlling parent undertaking**

The immediate parent undertaking is BP Exploration Operating Company Limited, a company registered in England and Wales. The ultimate controlling parent undertaking is BP p.l.c., a company registered in England and Wales, which is the parent undertaking of the smallest and largest group to consolidate these financial

**NOTES TO THE FINANCIAL STATEMENTS**

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.