BP MARINE LIMITED
(Registered No.01214291)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

Board of Directors: G Reading
A Rigas
K Yazganoglu

The directors present the strategic report, their report and the audited financial statements for the year ended 31 December 2018.

STRATEGIC REPORT

Results

The profit for the year after taxation was $7,940,000 which, when added to the retained profit brought forward at 1 January 2018 (after making a transitional adjustment for IFRS 9) of $73,766,000, gives a total retained profit carried forward at 31 December 2018 of $81,706,000.

Principal activity and review of the business

The company is engaged in the supply and selling of marine lubricants products. It also provides back office support services to international marine businesses within the BP group.

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

	2018	2017	Variance
	$000	$000	%
Turnover	324,975	317,815	2
Operating profit	5,486	6,611	(17)
Profit for the year	7,940	7,883	1
Total equity	159,546	152,026	5

	2018	2017	Variance
	%	%	
Quick ratio	395	413	(18)

The Marine lubricants market remained subdued in 2018, with shipping earning indexes still running low principally due to over-capacity. The challenges in the shipping industry combined with intense competition between suppliers in the marine lubricant market required margin levels staying the same level as at 2017.

There was a decline in the operating profit of the company driven mainly by a long running legal case, which was fully settled and 3,650,000 EUR ($4,250,423) has been paid to the customer in June 2019.

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STRATEGIC REPORT

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 2018.

Strategic and commercial risks

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

The impact of the UK's exit from the EU
Following the referendum in 2016, BP has been assessing the potential impact of Brexit on group companies. BP has been preparing for different scenarios for the UK's exit from the EU but does not believe any of these scenarios will pose a significant risk to the business. The BP board's geopolitical committee discussed this, most recently in January 2019. BP continues to monitor developments in this area in line with group risk management processes and procedures.

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

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

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

Safety and operational risks

Process safety, personal safety and environmental risks
The company is exposed to a wide range of health, safety, security and environmental risks that could result in regulatory action, legal liability, increased costs, damage to its reputation and potentially denial of its licence to operate.

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

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

Compliance and control risks

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

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

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 credit risk. Further details on these financial risks are included within Note 29 of the BP group Annual Report and Form 20-F for the year ended 31 December 2018.

Authorized for issue by Order of the Board

DocuSigned by:
Melissa Atkinson
4AC705358B834E4

For and on behalf of
Sunbury Secretaries Limited
Company Secretary

September 27, 2019

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

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DIRECTORS' REPORT

BP MARINE LIMITED

Directors

The present directors are listed on page 1.

J J Andersen served as director throughout the financial year. Changes since 1 January 2018 are as follows:

	Appointed	Resigned
G Reading	1 May 2019	—
A Rigas	1 May 2019	—
K Yazganoglu	1 January 2019	—
J J Andersen	—	1 May 2019
D C Odogwu	—	31 December 2018
F V Ryder	—	1 August 2018
R D Mutchell	11 September 2018	1 May 2019

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 (2017 $10,000,000). 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.

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.

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.

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DIRECTORS' REPORT

Authorized for issue by Order of the Board

DocuSigned by:
Melissa Atkinson

For and on behalf of
Sunbury Secretaries Limited
Company Secretary

September 27, 2019

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable 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 and, 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, continue to adopt the going concern basis in preparing the financial statements.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BP MARINE LIMITED

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of BP Marine Limited (the company):
- give a true and fair view of the state of the company's affairs as at 31 December 2018 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 17.

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.

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INDEPENDENT AUDITOR'S REPORT

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

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

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

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

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

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

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

DocuSigned by:
Giles Murphy
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Giles Murphy (Senior Statutory Auditor)
for and on behalf of Deloitte LLP Statutory Auditor
London, UK

September 27, 2019

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PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2018

BP MARINE LIMITED

	Note	2018	2017
		$000	$000
Turnover	**3**	324,975	317,815
Cost of sales		(250,144)	(243,271)
Gross profit		74,831	74,544
Distribution and marketing expenses		(60,959)	(62,933)
Administrative expenses		(8,386)	(5,000)
Operating profit	**4**	5,486	6,611
Interest receivable and similar income	**6**	2,436	1,190
Profit before taxation		7,922	7,801
Tax on profit	**7**	18	82
Profit for the year		7,940	7,883

The profit of $7,940,000 for the year ended 31 December 2018 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

BP MARINE LIMITED

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

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BALANCE SHEET

AS AT 31 DECEMBER 2018

BP MARINE LIMITED
(Registered No.01214291)

	Note	2018 $000	2017 $000
Fixed assets			
Intangible assets	9	4,232	5,030
Current assets			
Stocks	10	1,600	1,330
Debtors – amounts falling due:			
within one year	11	203,879	189,149
after one year	11	311	493
Deferred tax assets	7	1,846	1,469
Cash at bank and in hand		165	432
		207,801	192,873
Creditors: amounts falling due within one year	12	(51,689)	(45,877)
Net current assets		156,112	146,996
TOTAL ASSETS LESS CURRENT LIABILITIES		160,344	152,026
Provisions for liabilities and charges			
Other provisions	13	(798)	—
NET ASSETS		159,546	152,026
Capital and reserves			
Called up share capital	14	77,840	77,840
Profit and loss account	15	81,706	74,186
TOTAL EQUITY		159,546	152,026

Authorized for issue on behalf of the Board

DocuSigned by:
Gary Reading
G Reading
Director
September 27, 2019

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

BP MARINE LIMITED

	Called up share capital (Note 14)	Profit and loss account (Note 15)	Total
	$000	$000	$000
Balance at 1 January 2017	77,840	76,303	154,143
Profit for the year, representing total comprehensive income	—	7,883	7,883
Dividends paid	—	(10,000)	(10,000)
Balance at 31 December 2017	77,840	74,186	152,026
Adjustment on adoption of IFRS 9, net of tax	—	(420)	(420)
Balance at 1 January 2018	77,840	73,766	151,606
Profit for the year, representing total comprehensive income	—	7,940	7,940
Balance at 31 December 2018	77,840	81,706	159,546

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

The financial statements of BP Marine Limited for the year ended 31 December 2018 were approved by the board of directors on 26 Sept 19 and the balance sheet was signed on the board's behalf by G Reading. BP Marine Limited is a private company, limited by shares incorporated, domiciled and registered in England and Wales (registered number 01214291). The company's registered office is at Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom. These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the provisions of the Companies Act 2006.

2. Significant accounting policies, judgements, estimates and assumptions

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

Basis of preparation

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

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

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

(a) the requirements of 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 118(e) of IAS 38 Intangible Assets;
(e) the requirements of IAS 7 Statement of Cash Flows;
(f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective;
(g) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
(h) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member; and
(i) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c)-135(e) of IAS 36, Impairment of Assets
(j) the requirement of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers.

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 17.

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NOTES TO THE FINANCIAL STATEMENTS

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

Critical accounting policies: use of judgements, estimates and assumptions

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

Significant judgement: deferred tax
Management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits. Details of deferred tax balances are provided in Note 7.

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.

Foreign currency

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

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

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 four to ten years.

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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.

Impairment of intangible assets

The company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. If any such indication of impairment exists, the company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. An asset group's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group that are not reflected in the discount rate and are discounted to their present value typically using a pre-tax discount rate that reflects current market assessments of the time value of money. Fair value less costs to sell is identified as the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general.

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

Stock

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

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.

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

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 financial asset is transferred to a third party. This includes the derecognition of receivables for which discounting arrangements are entered into.

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From 1 January 2018, the company classifies its financial assets as measured at amortized cost or fair value through profit or loss. The classification depends on the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

Financial assets measured at amortized cost
Financial assets are classified as measured at amortized cost when they are held in a business model the objective of which is to collect contractual cash flows and the contractual cash flows represent solely payments of principal and interest. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process. This category of financial assets includes trade and other receivables.

Impairment of financial assets measured at amortized cost

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

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

Financial liabilities

The measurement of financial liabilities is as follows:

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

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

Offsetting of financial assets and liabilities
Financial assets and liabilities are presented gross in the balance sheet unless both of the following criteria are met: the company currently has a legally enforceable right to set off the 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.

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Provisions and contingent liabilities

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax risk-free rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized in the profit and loss account. Provisions are discounted using a nominal discount rate of 3.0% (2017 2.5%).

Provisions are split between amounts expected to be settled within 12 months of the balance sheet date (current) and amounts expected to be settled later (non-current).

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

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.

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

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

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

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

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

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.

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.

Impact of new International Financial Reporting Standards

The company adopted two new accounting standards issued by the IASB with effect from 1 January 2018, IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers'. There are no other new or amended standards or interpretations adopted during the year that have a significant impact on the financial statements.
The adoption of IFRS 15 has had no material impact on the company's financial statements.

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IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' was issued in July 2014 and replaced IAS 39 'Financial Instruments: Recognition and Measurement'. The company adopted IFRS 9 and the related consequential amendments to other IFRSs in the financial reporting period commencing 1 January 2018. The company has applied the new standard in accordance with the transition provisions of IFRS 9. Comparatives have not been restated and adjustments on transition have been reported in opening retained earnings at 1 January 2018.

The company's revised accounting policies in relation to financial instruments are provided above.

The overall impact on transition to IFRS 9, was a reduction of $420,000 in net assets, net of tax. This adjustment mainly related to Trade debtors. As comparatives have not been restated the closing balance at 31 December 2017 for certain line items in the balance sheet differ from the opening balance at 1 January 2018 (as summarized below).

			$000
	31 December 2017	1 January 2018	Adjustment on adoption of IFRS 9
Current			
Loans, trade and other receivables	189,642	189,222	(420)
	189,642	189,222	(420)
Reserves			
Profit and loss account	74,186	73,766	(420)
	74,186	73,766	(420)

Classification and measurement

IFRS 9 provides a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. For financial liabilities the existing classification and measurement requirements of IAS 39 are largely retained.

The table below illustrates the classification and carrying amounts of financial assets under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018. There were no differences in classification or carrying amounts for financial liabilities.

					$000
1 January 2018	Classification under IAS 39	Classification under IFRS 9	Carrying amount under IAS 39	Measurement attribute adjustment on transition	Carrying amount under IFRS 9
Financial assets					
Trade and other receivables	Loans and receivables	Amortized cost	64,654	(420)	64,234

Adjustments to the carrying amount of financial assets classified as measured at amortized cost under IFRS 9 relate entirely to the additional loss allowance required by the new standard's expected credit loss model. There were no financial assets or financial liabilities which the company had previously designated as at FVTPL under IAS 39 that were required to be reclassified, or which the company has elected to reclassify upon the application of IFRS 9. The company did not elect to designate at FVTPL any financial assets or financial liabilities at the date of initial application of IFRS 9.

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NOTES TO THE FINANCIAL STATEMENTS

Impairment

The financial asset impairment requirements of IFRS 9 introduce a forward-looking expected credit loss model that results in earlier recognition of credit losses than the incurred loss model of IAS 39. The adjustment to the 2018 opening balance sheet relating to expected credit loss reduced both the carrying amounts of financial assets and the profit and loss account reserve.

The table below reconciles the ending impairment allowances in accordance with IAS 39 and the provisions in accordance with IAS 37 to the opening loss allowances determined in accordance with IFRS 9.

					$000
1 January 2018	**Classification under IAS 39**	**Classification under IFRS 9**	**IAS 39 loss allowance**	**Measurement attribute adjustment on transition**	**IFRS 9 loss allowance**
Financial assets					
Trade and other receivables	Loans and receivables	Amortized cost	—	(420)	(420)
Total loss allowance			—	(420)	(420)

3. Turnover

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

	2018	2017
	$000	$000
Sales of goods	324,975	317,815
Interest receivable and similar income (Note 6)	2,436	1,190
	327,411	319,005

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

	2018	2017
	$000	$000
Class of business:		
Downstream	324,975	317,815
Total	324,975	317,815

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

	2018	2017
	$000	$000
By geographical area:		
UK	3,185	3,051
Rest of Europe	74,939	72,258
USA	29,248	32,404
Rest of World	217,603	210,102
Total	324,975	317,815

4. Operating profit

This is stated after charging / (crediting):

	2018	2017
	$000	$000
Net foreign exchange (gains) / losses	(717)	1,719
Amortisation of intangible assets*	1,285	1,304
Cost of stock recognised as an expense**	250,861	241,509
Restructuring provisions (note 13)*	1,461	—
Legal settlements***	4,250	—

*Amount is included in Distribution and Marketing expenses.
** Amount is included in Cost of sales.
*** Amount is included in Administrative expenses. There was a provision created due to a long running legal case regarding an agreement with a ship owning company. There are court settlement documents stating this was fully settled and 3,650,000 EUR (equivalent to $4,250,423) has been paid in June 2019 as full and final settlement. This liability for these costs has been included in Accruals due within one year.

5. Auditor's remuneration

	2018	2017
	$000	$000
Fees for the audit of the company	11	48

Fees paid to the company's auditor, Deloitte LLP, (2017 Ernst & Young LLP), and its associates for services other than the statutory audit of the company are not disclosed in these financial statements since the consolidated financial statements of BP Marine Limited's ultimate parent, BP p.l.c., are required to disclose non-audit fees on a consolidated basis.

6. Interest receivable and similar income

	2018	2017
	$000	$000
Interest income from amounts owed by group undertakings	2,436	1,190
Total interest receivable and similar income	2,436	1,190

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NOTES TO THE FINANCIAL STATEMENTS

7. Taxation

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

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

	2018	2017
Current tax	$000	$000
Overseas tax on income for the year	360	140
Total current tax charged	360	140
Deferred tax		
Origination and reversal of temporary differences	(377)	(222)
Effect of decreased tax rate on opening asset	—	—
Total deferred tax charged / (credited)	(377)	(222)
Tax charged / (credited) on profit	(18)	(82)

In 2018 the total tax charge recognised within other comprehensive income was $Nil (2017 $Nil) and the total tax charge recognised directly in equity was $Nil (2017 $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 2018 (2017 19.25%). The differences are reconciled below:

	2018	2017
	UK	UK
	$000	$000
Profit before tax	7,922	7,801
Tax charge / (credit)	(18)	(82)
Effective tax rate	(0.22)%	(1.05)%

	2018	2017
	UK	UK
	%	%
UK corporation tax rate:	19	19.25
Increase / (decrease) resulting from:		
Non-taxable income	(1)	(0.21)
Transfer pricing adjustment	—	0.23
Overseas tax	5	1.79
Free group relief	(24)	(22.48)
Deferred tax provided at lower rates	1	0.37
Effective tax rate	(0.22)	(1.05)

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

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7. Taxation (continued)

Change in corporation tax rate
The UK corporation tax rate reduced to 19% with effect from 1 April 2017, and will further reduce to 17% from 1 April 2020. Deferred tax has been measured using these rates, which have been substantively enacted at 31 December 2018.

(b) Provision for deferred tax

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

	Profit and loss account		Balance sheet	
Deferred tax asset	2018	2017	2018	2017
	$000	$000	$000	$000
Decommissioning and other provisions	(159)	—	159	—
Capital allowances in excess of depreciation	(218)	(222)	1,687	1,469
Net credit for deferred tax assets	(377)	(222)	1,846	1,469

Analysis of movements during the year

	2018
	$000
At 1 January	1,469
Deferred tax charge in the profit and loss account	377
At 31 December	1,846

Deferred tax has not been recognised on temporary differences of $98,958 (2017 $98,958) relating to unrelieved foreign tax on the basis that they are not expected to give rise to any future tax benefit.

8. Directors and employees

(a) Remuneration of directors

None of the directors received any fees or remuneration for qualifying services as a director of the company during the financial year (2017 $Nil).

(b) Employee costs

The company had no employees during the year (2017 None).

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NOTES TO THE FINANCIAL STATEMENTS

9. Intangible assets

	Other intangibles	Total
Cost	$000	$000
At 1 January 2018	11,220	11,220
Additions	488	488
At 31 December 2018	11,708	11,708
Amortisation		
At 1 January 2018	(6,190)	(6,190)
Charge for the year	(1,286)	(1,286)
At 31 December 2018	(7,476)	(7,476)
Net book value		
At 31 December 2018	4,232	4,232
At 31 December 2017	5,030	5,030

10. Stocks

	2018	2017
	$000	$000
Trading stocks	1,600	1,330
	1,600	1,330

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

11. Debtors

Amounts falling due within one year:

	2018	2017
	$000	$000
Trade debtors	53,889	50,903
Amounts owed from parent undertakings	137,812	124,990
Amounts owed from fellow subsidiaries	7,897	7,886
Other debtors	490	1,314
Prepayments and accrued income	3,791	4,056
	203,879	189,149

Amounts falling due after one year:

	2018	2017
	$000	$000
Prepayments and accrued income	311	493
	311	493

Total debtors	204,190	189,642

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NOTES TO THE FINANCIAL STATEMENTS

12. Creditors

Amounts falling due within one year:

	2018	2017
	$000	$000
Trade creditors	9,746	7,401
Amounts owed to parent undertakings	433	401
Amounts owed to fellow subsidiaries	33,849	35,310
Accruals and deferred income	7,661	2,765
Total creditors	51,689	45,877

13. Other provisions

	Restructuring	Total
	$000	$000
At 1 January 2018	—	—
New or increased provisions:		—
Charged to profit and loss account	3,465	3,465
Write-back of unused provisions	(2,208)	(2,208)
Transfer	189	189
Utilisation	(648)	(648)
At 31 December 2018	798	798

Restructuring provision relates to the severance costs for the restructuring programme announced in 2018, with payments due in 2019 and 2020. The provision amount has been made on the full obligation for severance, this amount could be lower if employees find alternative roles in other BP entities.

14. Called up share capital

	2018	2017
	$000	$000
Issued and fully paid:		
43,086,222 ordinary shares of £1 each for a total nominal value of £43,086,222	77,840	77,840
	77,840	77,840

15. Reserves

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

Profit and loss account
The balance held on this reserve is the retained profits of the company.

In 2018, the company paid interim ordinary dividends of $Nil (2017 $10,000,000). The dividend per share was $0.00 (2017 $0.23).

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16. Related party transactions

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

17. Immediate and ultimate controlling parent undertaking

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

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