

# SEPARATOR SHEET

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**BP FINANCE P.L.C**  
**(Registered No.04145621)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS 2019**

Board of Directors: K A Thomson  
R A Hubbard  
R Wheatley  
D J Bucknall

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 \$147,170,000 which, when added to the retained profit brought forward at 1 January 2019 of \$90,023,000 and after deducting total paid interim dividends to ordinary shareholders of \$140,000,000, gives a total retained profit carried forward at 31 December 2019 of \$97,193,000.

**Principal activity and review of the business**

The company is a specialist group guarantor and is available to guarantee the obligations of other group companies.

The majority of income in the company derives from interest receivable on a \$5 billion deposit made with BP p.l.c.

No key financial and other performance indicators have been identified for this company.

**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 the approval of the company's guarantee for the revised charter agreements. The relevant factors taken into account during the decision making process,

## **STRATEGIC REPORT**

in furtherance of the company's purpose, were to support another BP group entity as part of a wider deal to reduce operating costs within the fleet and exposure to oil incidents.

### **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**

#### ***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.

#### ***Insurance***

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

### **Compliance and control risks**

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

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

#### ***Regulation***

Changes in the regulatory and legislative environment could increase the cost of compliance.

#### ***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***

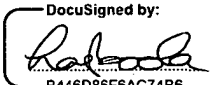
Failure to accurately report the company's data could lead to regulatory action, legal liability and reputational damage.

## STRATEGIC REPORT

### **Financial risk management**

The company is exposed to a number of different financial risks arising from natural business exposures as well as its use of financial instruments including market risks relating to foreign currency exchange rates and interest rates; credit risk; and liquidity risk. Further details on these financial risks are included within Note 29 of the BP group Annual Report and Form 20-F for the year ended 31 December 2019.

Authorized for issue by Order of the Board

DocuSigned by:  
  
B446D86F6AC74B6  
For and on behalf of  
Sunbury Secretaries Limited  
Company Secretary

2 July 2020

Registered Office:

Chertsey Road  
Sunbury on Thames  
Middlesex  
TW16 7BP  
United Kingdom

**DIRECTORS' REPORT****BP FINANCE P.L.C****Directors**

The present directors are listed on page 1.

K A Thomson and R A Hubbard served as directors throughout the financial year. Changes since 1 January 2019 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
B Gilvary	01/01/2012	08/07/2019
R Wheatley	03/07/2019	—
D J Bucknall	08/07/2019	—

**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**

During the year the company has declared and paid dividends of \$140,000,000 (2018 \$50,000,000). The directors do not propose the payment of a final 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 event**

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.

On 30 April 2020 the company approved the renewal of its existing term deposit with BP p.l.c. with a new agreement for a term of 10 years with a facility limit of \$7 billion.

**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 1-3, 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, the oil price has 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**

The company has a \$5 billion callable long-term deposit with BP plc in place with a facility limit of \$7 billion following the post balance sheet events as mentioned earlier, which the directors judge is sufficient to cover possible contingent liability claims arising from the guarantees in place.

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 stressed 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 Finance P.L.C, 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.

### **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.

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' REPORT**

During the year the directors continued with the implementation of the company's strategy, as highlighted in the strategic report, in respect of the principal activities of the company. Decisions made by the directors in respect of operational matters, in furtherance of the company's purpose, were in the interests of all of the stakeholders.

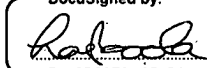
### **Directors' statement as to the disclosure of information to the auditor**

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.

Authorized for issue by Order of the Board

DocuSigned by:  
  
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For and on behalf of  
Sunbury Secretaries Limited  
Company Secretary

2 July 2020

Registered Office:

Chertsey Road  
Sunbury on Thames  
Middlesex  
TW16 7BP  
United Kingdom

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

**BP FINANCE P.L.C**

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 FINANCE P.L.C****Report on the audit of the financial statements****Opinion**

In our opinion the financial statements of BP Finance P.L.C (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 16.

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.

**INDEPENDENT AUDITOR'S REPORT**

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**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](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 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:

*Tom Millar*

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3/7/2020

Tom Millar

(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 FINANCE P.L.C**

		2019	2018
	Note	\$000	\$000
<b>Turnover</b>	<b>3</b>	6,510	6,508
Administrative expenses		(15)	(12)
Other operating income		1	—
<b>Operating profit</b>	<b>4</b>	6,496	6,496
Interest receivable and similar income	<b>6</b>	140,674	60,493
<b>Profit before taxation</b>		147,170	66,989
Tax on profit	<b>7</b>	—	—
<b>Profit for the year</b>		147,170	66,989

The profit of \$147,170,000 for the year ended 31 December 2019 was derived in its entirety from continuing operations.

**STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2019**

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

**BALANCE SHEET****AT 31 DECEMBER 2019****BP FINANCE P.L.C**  
**(Registered No.04145621)**

		<u>2019</u>	<u>2018</u>
	<b>Note</b>	<b>\$000</b>	<b>\$000</b>
<b>Current assets</b>			
Debtors – amounts falling due:			
within one year	<b>9</b>	5,153,682	58,151
after one year	<b>9</b>	—	5,031,934
		<u>5,153,682</u>	<u>5,090,085</u>
Creditors: amounts falling due within one year	<b>10</b>	(56,489)	(62)
<b>Net current assets</b>		<u>5,097,193</u>	<u>5,090,023</u>
<b>NET ASSETS</b>		<u><u>5,097,193</u></u>	<u><u>5,090,023</u></u>
<b>Capital and reserves</b>			
Called up share capital	<b>11</b>	5,000,000	5,000,000
Profit and loss account		97,193	90,023
<b>TOTAL EQUITY</b>		<u><u>5,097,193</u></u>	<u><u>5,090,023</u></u>

Authorized for issue on behalf of the Board

DocuSigned by:

**Richard Alastair Hubbard**

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R A Hubbard

Director

2 July 2020

**STATEMENT OF CHANGES IN EQUITY**

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**FOR THE YEAR ENDED 31 DECEMBER 2019****BP FINANCE P.L.C**

	Called up share capital (Note 11)	Profit and loss account (Note 12)	Total
	\$000	\$000	\$000
<b>Balance at 1 January 2018</b>	2,268,073	73,034	2,341,107
Profit for the year, representing total comprehensive income	—	66,989	66,989
Issue of share capital	2,731,927	—	2,731,927
Dividends paid	—	(50,000)	(50,000)
<b>Balance at 31 December 2018</b>	5,000,000	90,023	5,090,023
Profit for the year, representing total comprehensive income	—	147,170	147,170
Dividends paid	—	(140,000)	(140,000)
<b>Balance at 31 December 2019</b>	<u>5,000,000</u>	<u>97,193</u>	<u>5,097,193</u>

**NOTES TO THE FINANCIAL STATEMENTS**

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**FOR THE YEAR ENDED 31 DECEMBER 2019****BP FINANCE P.L.C****1. Authorization of financial statements and statement of compliance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101)**

The financial statements of BP Finance P.L.C for the year ended 31 December 2019 were approved by the board of directors on 2 July 2020 and the balance sheet was signed on the board's behalf by RA Hubbard. BP Finance P.L.C is a public limited company incorporated, domiciled and registered in England and Wales (registered number 04145621). 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 paragraph 79(a)(iv) of IAS 1
- (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 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 16.

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

**Significant accounting policies: use of judgements, estimates and assumptions**

Inherent in the application of many of the accounting policies used in preparing the financial statements is the need for management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual outcomes could differ from the estimates and assumptions used.

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

**Significant accounting policies****Going concern**

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

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

**Foreign currency**

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

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

**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 amortised cost. This category of financial assets includes trade and other receivables.

**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 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. 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 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.

**Taxation**

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

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



**NOTES TO THE FINANCIAL STATEMENTS**

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.

**Interest and guarantee fee 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. Guarantee fee income is recognised as the fees accrue.

**Dividends payable**

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

**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.

The adoption of IFRS 16 has had no material impact on the company's financial statements.

**3. Turnover**

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

	2019	2018
	\$000	\$000
Guarantee fee income	6,510	6,508
	6,510	6,508
Other operating income	1	—
Interest receivable and similar income (Note 6)	140,674	60,493
	<u>147,185</u>	<u>67,001</u>

All turnover is generated from one class of business and the country of origin and destination is substantially the UK geographic area.

**4. Operating profit**

This is stated after charging:

	2019	2018
	\$000	\$000
Net foreign exchange losses <sup>a</sup>	5	2

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

**NOTES TO THE FINANCIAL STATEMENTS**

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**5. Auditor's remuneration**

	2019	2018
	\$000	\$000
Fees for the audit of the company	10	10

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 Finance P.L.C's ultimate parent, BP p.l.c., are required to disclose non-audit fees on a consolidated basis.

**6. Interest receivable and similar income**

	2019	2018
	\$000	\$000
Interest income from amounts owed by group undertakings	140,674	60,493
Total interest receivable and similar income	140,674	60,493

**7. Taxation**

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

**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
	\$000	\$000
Profit before taxation	147,170	66,989
Tax charge	—	—
Effective tax rate	0%	0%

	2019	2018
	%	%
UK statutory corporation tax rate:	19	19
Increase / (decrease) resulting from:		
Free group relief	(19)	(19)
Effective tax rate	—	—

**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. 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.

**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 (2018 \$Nil).

**(b) Employee costs**

**NOTES TO THE FINANCIAL STATEMENTS**

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

**9. Debtors**

Amounts falling due within one year:

	2019	2018
	\$000	\$000
Amounts owed from parent undertakings	5,123,986	56,351
Amounts owed from fellow subsidiaries	29,696	1,800
	<u>5,153,682</u>	<u>58,151</u>

Amounts falling due after one year:

	2019	2018
	\$000	\$000
Amounts owed from parent undertakings	—	5,031,934
	<u>—</u>	<u>5,031,934</u>
Total debtors	<u>5,153,682</u>	<u>5,090,085</u>

The amounts owed from parent undertakings due within one year comprise a variable rate loan of \$5,123,986,000 (2018 \$56,351,000) due for maturity on 30 April 2020 and is repayable on demand. Interest is accrued on a bi-annually basis based on LIBOR. The interest rate at year end was 2.7% (2018 2.7%).

The amounts owed from fellow subsidiaries due within one year mainly relates to the fair value of financial guarantee contract of \$29,696,000 (2018 \$1,800,000).

The amounts owed from parent undertakings due after one year comprise a variable rate loan of \$Nil (2018 \$5,031,934,000). Interest is accrued on a bi-annually basis based on LIBOR. The interest rate at year end was Nil (2018 2.7%).

**10. Creditors**

Amounts falling due within one year:

	2019	2018
	\$000	\$000
Amounts owed to parent undertakings	28,591	62
Other creditors	27,898	—
	<u>56,489</u>	<u>62</u>

The amounts owed to parent undertakings due within one year comprise an overnight funding account of \$28,591,000 (2018 \$62,000). Interest is accrued on a monthly basis based on 1-month USD LIBOR plus 11 basis points.

Other creditors relate to the fair value of financial guarantee issued by the company with respect of the obligations of the fellow BP subsidiaries in BP p.l.c.

**NOTES TO THE FINANCIAL STATEMENTS**

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**11. Called up share capital**

	2019	2018
	\$000	\$000
Authorized:		
9,000,000,000 Ordinary shares of \$1 each for a total nominal value of \$9,000,000,000	9,000,000	9,000,000
50,000 Ordinary shares of £1 each for a total nominal value of £50,000	73	73
Issued and fully paid:		
4,999,927,000 Ordinary shares of \$1 each for a total nominal value of \$4,999,927,000	4,999,927	4,999,927
50,000 Ordinary shares of £1 each for a total nominal value of £50,000	73	73
	<u>5,000,000</u>	<u>5,000,000</u>

**12. 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 2019, the company paid interim ordinary dividends of \$140,000,000 (2018 \$50,000,000). The dividend per share was \$0.028 (2018 \$0.010).

**13. Guarantees and other financial commitments**

The company has issued guarantees under which amounts outstanding at 31 December 2019 were \$1,452,007,000 (2018 \$1,433,263,000) all of which relates to obligations of fellow subsidiaries of BP p.l.c. No material losses are likely to arise from these guarantees.

**14. 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.

**15. Post balance sheet event**

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.

On 30 April 2020 the company approved the renewal of its existing term deposit with BP p.l.c. with a new agreement for a term of 10 years with a facility limit of \$7 billion.

**NOTES TO THE FINANCIAL STATEMENTS****16. 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.