

BP International Limited
ANNUAL REPORT AND FINANCIAL STATEMENTS 2017

WEDNESDAY



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COMPANIES HOUSE

BP INTERNATIONAL LIMITED

(Registered No.00542515)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2017

Board of Directors: D J Bucknall
 B Gilvary
 K A Thomson
 J C Lyons
 M J O'Sullivan
 J A Hodgson

The directors present the strategic report, their report and the financial statements for the year ended 31 December 2017.

STRATEGIC REPORT**Results**

The profit for the year after taxation was \$2,732 million (2016: \$610 million) which, when added to the retained profit brought forward at 1 January 2017 of \$4,334 million, and after deducting total paid interim dividends to ordinary shareholders of \$500 million, gives a total retained profit carried forward at 31 December 2017 of \$6,566 million. This excludes exchange adjustments and mark to market movements taken directly to reserves.

Principal activities and review of the business

The company, which is based in the UK, is engaged internationally in oil, petrochemicals and related financial activities. It also provides services to other group undertakings and holds investments in subsidiary and associated undertakings engaged in similar activities.

Downstream activities include the results of certain international businesses with head offices in the UK. Downstream businesses showed an operating profit for the year of \$1,043 million (2016: of \$425 million). This includes dividends from subsidiary and associated undertakings of \$3 million.

Other businesses and corporate activities generated an operating profit of \$1,892 million (2016: \$315 million profit). This includes dividend income from subsidiary and associated undertakings of \$1,496 million (2016: \$751 million) and a net impairment reversal gain of \$1,227 million (2016: net impairment reversal gain of \$74 million).

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

	2017	2016	Variance
	\$ million	\$ million	%
Turnover	47,116	35,292	34
Operating profit/(loss)	2,935	740	297
Profit/(loss) for the year	2,732	610	348
Total equity	56,997	54,908	6
	2017	2016	Variance
	%	%	
Quick ratio*	55	54	1

*Quick ratio is defined as current assets, excluding stock and financial assets due after one year, as a percentage of current liabilities.

STRATEGIC REPORT

Turnover has increased principally due to an increase in sales volumes and higher sales prices for both crude oil and oil products.

The improvement in the operating result compared to the prior year is primarily due to the reversal of impairments against investments.

Principal risks and uncertainties

The company aims to deliver sustainable value by identifying and responding successfully to risks. Risk management is integrated into the process of planning and performance management for the group.

The risks listed below, separately or in combination, could have a material adverse effect on the implementation of the company's strategy, business, financial performance, results of operations, cash flows, liquidity, prospects, shareholder value and returns and reputation. Unless stated otherwise, further details on these risks are included within the risk factors in the strategic report of the BP group Annual Report and Form 20-F for the year ended 31 December 2017.

Strategic and commercial risks

Prices and markets

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

Major project delivery

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

Geopolitical

The company is exposed to a range of political developments and consequent changes to the operating and regulatory environment.

Liquidity, financial capacity and financial, including credit, exposure

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

Joint arrangements and contractors

The company may have limited control over the standards, operations and compliance of its partners, contractors and sub-contractors.

Digital infrastructure and cybersecurity

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

Climate change and carbon pricing

Public policies could increase costs and reduce future turnover and strategic growth opportunities.

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.

Crisis management and business continuity

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

Insurance

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

STRATEGIC REPORT

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 and affect the company's provisions.

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 interest rates; credit risk; and liquidity risk. Further details on these financial risks are included within Note 18.

By order of the Board



For and on behalf of
Sunbury Secretaries Limited
Company Secretary

21 September 2018

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

DIRECTORS' REPORT

BP INTERNATIONAL LIMITED

Directors

The present directors are listed on page 1.

J H Bartlett, D J Bucknall, B Gilvary and R C Harrington served as a directors throughout the financial year. Changes since 1 January 2017 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
A H Haywood	—	14 February 2017
J H Bartlett	—	31 December 2017
K A Thomson	14 February 2017	—
J C Lyons	26 February 2018	—
M J O'Sullivan	26 February 2018	—
R C Harrington	—	3 August 2018
J A Hodgson	19 September 2018	—

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 paid an interim dividend of \$500 million during the year (2016: \$nil). 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 events

On 22 March 2018 the company approved the sale and transfer of the beneficial ownership of 21,020,000 ordinary shares of £1.00 each being the entire issued share capital of International Card Centre Limited ("ICC"), to BP Europa SE ("BPESE") for a total consideration of EUR €26,800,000, being the fair market value of ICC.

On 26 February 2018 the company approved the sale of the legal and beneficial ownership of 12,000,000 ordinary shares of £1.00 each, being the entire issued share capital of Air BP Limited to BP Global Investments Limited for a total consideration of \$18,500,000, being the net book value and a fair approximation of the market value of Air BP Limited.

On 17 April 2018 the company agreed to extend existing guarantees to cover the extended term loan from Standard Chartered Bank to BP YPC Acetyls Company (Nanjing) Limited ("BYACO"), an Acetyls joint venture in Nanjing, Jiangsu province, China, between BP Chemicals Investments Limited ("BPCIL") (50%) and Sinopec Yangzi Petrochemical Company Limited, a subsidiary of Sinopec. BPCIL is a wholly owned subsidiary of the Company.

DIRECTORS' REPORT

On 27 June 2018, a capital reduction was executed which extinguished and cancelled all of the share capital of Britannic Trading Limited. A new \$100 of share capital was allotted to the company with a par value of \$1 each; making the company the sole shareholder of Britannic Trading Limited.

On 28 June 2018, a resolution was passed by Britannic Trading Limited to pay an interim dividend payment of \$175,000,000 to the company. On 24 August 2018 a further dividend of \$50,000,000 was also paid.

On 22 July 2018 the company approved an equity injection into its immediate subsidiary, BP Technology Ventures Limited (BPTVL") by applying for US \$450,000,000 worth of ordinary shares of £1.00 each in the share capital of BPTVL at par value for a subscription price of US \$450,000,000.

Future developments

The directors aim to maintain the management policies which have resulted in the company's growth 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.

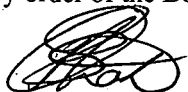
It is the intention of the directors that the business of the company will continue for the foreseeable future.

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.

By order of the Board



For and on behalf of
Sunbury Secretaries Limited
Company Secretary

21 September 2018

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

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

BP INTERNATIONAL LIMITED

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BP INTERNATIONAL LIMITED

Opinion

We have audited the financial statements of BP International Limited for the year ended 31 December 2017 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 31, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 below. 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 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 have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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 authorised for issue.

Other information

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

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

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 directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT

Matters on which we are required to report by exception

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 material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 6, 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 Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

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

Ernst & Young LLP

Simon O'Neill (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

24 September 2018

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2017

BP INTERNATIONAL LIMITED

		2017	2016
	Note	\$ million	\$ million
Turnover	3	47,116	35,292
Cost of sales		(46,292)	(34,692)
Gross profit		<u>824</u>	<u>600</u>
Dividend income		1,499	751
Administrative expenses		(794)	(799)
Other operating income		179	114
Impairment of fixed asset investments		(1,829)	(235)
Reversal of impairment of fixed asset investments		3,056	309
Operating profit	4	<u>2,935</u>	<u>740</u>
Interest receivable and similar income	6	2,184	2,002
Interest payable and similar charges	7	(2,530)	(2,115)
Profit before taxation		<u>2,589</u>	<u>627</u>
Taxation	8	143	(17)
Profit for the year		<u><u>2,732</u></u>	<u><u>610</u></u>

The profit of \$2,732 million for the year ended 31 December 2017 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

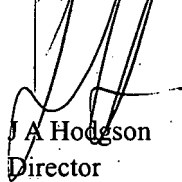
	2017	2016
	\$ million	\$ million
Profit for the year	<u>2,732</u>	<u>610</u>
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	(139)	(55)
Movement in the mark to market of cash flow hedges	(4)	49
Other comprehensive income for the year net of tax	<u>(143)</u>	<u>(6)</u>
Total comprehensive income for the year	<u><u>2,589</u></u>	<u><u>604</u></u>

BALANCE SHEET

AT 31 DECEMBER 2017
BP INTERNATIONAL LIMITED
(Registered No.00542515)

	Note	2017 \$ million	2016 \$ million
Fixed assets			
Intangible assets	10	128	162
Tangible assets	11	638	575
Investments	12	94,456	84,766
		<u>95,222</u>	<u>85,503</u>
Current assets			
Stocks	13	2,461	2,108
Debtors – amounts falling due:			
within one year	14	25,038	20,651
after one year	14	64,539	65,953
Derivatives and other financial instruments:			
within one year	19	554	623
after one year	19	861	1,091
Deferred tax assets	8	167	—
Cash at bank and in hand		21,083	19,215
		<u>114,703</u>	<u>109,641</u>
Creditors: amounts falling due within one year	15	(85,292)	(73,165)
Derivatives and other financial instruments due within one year	19	(670)	(1,393)
Net current assets		<u>28,741</u>	<u>35,083</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>123,963</u>	<u>120,586</u>
Creditors: amounts falling due after more than one year	15	(65,430)	(62,423)
Derivatives and other financial instruments due after more than one year	19	(1,440)	(3,157)
Provisions for liabilities and charges			
Other provisions	21	(96)	(98)
NET ASSETS		<u>56,997</u>	<u>54,908</u>
Capital and reserves			
Called up share capital	22, 23	50,641	50,641
Cash flow hedge reserve	23	—	4
Profit and loss account	23	6,566	4,334
Foreign currency translation reserve	23	(210)	(71)
TOTAL EQUITY		<u>56,997</u>	<u>54,908</u>

On behalf of the Board


J A Hodgson
Director

21 September 2018

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017
BP INTERNATIONAL LIMITED

	Called up share capital (Note 23) \$ million	Cash flow hedge reserve (Note 23) \$ million	Foreign currency translation reserve (Note 23) \$ million	Profit and loss account (Note 23) \$ million	Total (Note 23) \$ million
Balance at 1 January 2016	44,914	(45)	(16)	3,724	48,577
Profit for the year	—	—	—	610	610
Other comprehensive income / (loss) for the year	—	49	(55)	—	(6)
Total comprehensive income / (loss) for the year	—	49	(55)	610	604
Issue of share capital	5,727	—	—	—	5,727
Balance at 31 December 2016	50,641	4	(71)	4,334	54,908
Profit for the year	—	—	—	2,732	2,732
Other comprehensive loss for the year	—	(4)	(139)	—	(143)
Total comprehensive loss for the year	—	(4)	(139)	2,732	2,589
Dividends paid	—	—	—	(500)	(500)
Balance at 31 December 2017	50,641	—	(210)	6,566	56,997

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2017

BP INTERNATIONAL LIMITED

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

The financial statements of Entity name here for the year ended 31 December 2017 were approved by the board of directors on 21 September 2018 and the balance sheet was signed on the board's behalf by J A Hodgson. BP International Limited is a private company, limited by shares incorporated, domiciled and registered in England and Wales (registered number 00542515). 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 and modified to include the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The accounting policies that follow have been consistently applied to all years presented.

These financial statements are separate financial statements. The company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare consolidated financial statements, because it is included in the group financial statements of BP p.l.c. Details of the parent in whose consolidated financial statements the company is included are shown in Note 30 to the financial statements.

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

- (a) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- (b) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D and 111 of IAS 1 Presentation of Financial Statements
- (c) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment and
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets.
- (d) the requirements of IAS 7 Statement of Cash Flows
- (e) 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
- (f) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- (g) 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
- (h) the requirements of paragraphs 134(d) to 134(f) and 135(c)-135(e) of IAS 36, Impairment of Assets.

NOTES TO THE FINANCIAL STATEMENTS

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 30.

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

Critical accounting policies: use of judgements, estimates and assumptions

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

Significant judgements and estimates: interests in other entities

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

Impairment of financial assets

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

Cash flow hedges

The decision as to whether to apply hedge accounting or not can have a significant impact on the company's financial statements. Cash flow and fair value hedge accounting is applied to certain of the company's finance debt-related derivatives in the normal course of business and cash flow hedge accounting is applied to certain highly probable foreign currency transactions as part of the management of currency risk.

Fair value measurement

In some cases the fair values of derivatives are estimated using internal models due to the absence of quoted prices or other observable, market-corroborated data. The majority of these contracts are valued using models with inputs that include price curves for each product that are built up from available active market pricing data and modelled using the maximum available external pricing information. Additionally, where limited data exists for certain products, prices are interpolated using historic and long-term pricing relationships. Price volatility is also an input for options models.

Changes in the key assumptions could have a material impact on the fair value gains and losses on derivatives and embedded derivatives recognized in the profit and loss account.

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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

Investments

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

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

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

Intangible assets

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

Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. An intangible asset acquired as part of a business combination is measured at fair value at the date of acquisition 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 amortised on a straight-line basis over their expected useful lives. For patents, licences and trademarks, expected useful life is the shorter of the duration of the legal agreement and economic useful life, and can range from three to fifteen years. Computer software costs generally have a useful life of three to five years.

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

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

Tangible assets

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

NOTES TO THE FINANCIAL STATEMENTS

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

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

Tangible assets are depreciated on a straight-line basis over their expected useful lives. The typical useful lives of the company's tangible assets are as follows:

Downstream	4 to 10 years
Corporate & other	4 to 12 years

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

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

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

Impairment of intangible and tangible assets

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

NOTES TO THE FINANCIAL STATEMENTS

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

Stock

Stock, other than stock held for trading purposes, is stated at the lower of cost and net 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.

Stock 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.

Leases

Assets held under finance leases, which transfer to the company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease, with a corresponding liability being recognized for the lower of the fair value of the leased asset and the present value of the minimum lease payments. Lease payments are apportioned between the reduction of the lease liability and finance charges in the profit and loss account so as to achieve a constant rate of interest on the remaining balance of the liability. Assets held under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

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

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

Financial assets

Financial assets are recognized initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The subsequent measurement of financial assets is as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in the profit and loss account when the loans and receivables are derecognized or impaired and when interest is recognized using the effective interest method. This category of financial assets includes trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS

Financial assets at fair value through profit or loss

Financial assets, including financial guarantees, at fair value through profit or loss are carried on the balance sheet at fair value with gains or losses recognized in the profit and loss account. Derivatives, other than those designated as effective hedging instruments, are classified as held for trading and are included in this category.

Derivatives designated as hedging instruments in an effective hedge

Such derivatives are carried on the balance sheet at fair value. The treatment of gains and losses arising from revaluation is described below in the accounting policy for derivative financial instruments and hedging activities.

Held-to-maturity financial assets

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturity that management has the positive intention and ability to hold to maturity. They are measured at amortised cost using the effective interest method, less any impairment.

Cash equivalents

Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value and generally have a maturity of three months or less from the date of acquisition. Cash equivalents are classified as loans and receivables, held-to-maturity financial assets or available-for-sale financial assets.

Impairment of financial assets

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

Loans and receivables

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

Financial liabilities

The measurement of financial liabilities is as follows:

Financial liabilities at fair value through profit or loss

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

Derivatives designated as hedging instruments in an effective hedge

Such derivatives are carried on the balance sheet at fair value. The treatment of gains and losses arising from revaluation is described below in the accounting policy for derivative financial instruments and hedging activities.

Financial liabilities measured at amortised cost

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

NOTES TO THE FINANCIAL STATEMENTS

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

Derivative financial instruments and hedging activities

The company uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates, interest rates and commodity prices as well as for trading purposes. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives relating to unquoted equity instruments are carried at cost where it is not possible to reliably measure their fair value subsequent to initial recognition. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Contracts to buy or sell a non-financial item (for example oil, oil products, gas and power) that can be settled net in cash or another financial instrument, or by exchanging financial instruments as if the contracts were financial instruments, with the exception of contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the company's expected purchase, sale or usage requirements, are accounted for as financial instruments. Contracts to buy or sell equity investments, including investments in associates, are also financial instruments. Gains or losses arising from changes in the fair value of derivatives that are not designated as effective hedging instruments are recognized in the profit and loss account.

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

For the purpose of hedge accounting, hedges are classified as:

- Fair value hedges when hedging exposure to changes in the fair value of a recognized asset or liability.
- Cash flow hedges when hedging exposure to variability in cash flows that is either attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction.

Hedge relationships are formally designated and documented at inception, together with the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged, and how the entity will assess the hedging instrument effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected at inception to be highly effective in achieving offsetting changes in fair value or cash flows. Hedges meeting the criteria for hedge accounting are accounted for as follows:

Fair value hedges

The change in fair value of a hedging derivative is recognized in the profit and loss account. The change in the fair value of the hedged item attributable to the risk being hedged is recorded as part of the carrying value of the hedged item and is also recognized in the profit and loss account.

The company applies fair value hedge accounting for hedging fixed interest rate risk on borrowings. The gain or loss relating to the effective portion of the interest rate swap is recognized in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

If the criteria for hedge accounting are no longer met, or if the company revokes the designation, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the profit and loss account over the period to maturity.

Cash flow hedges

For cash flow hedges, the effective portion of the gain or loss on the hedging instrument is recognised within other comprehensive income, while the ineffective portion is recognised in the profit and loss account. Amounts taken to other comprehensive income are reclassified to the profit and loss account when the hedged transaction affects the profit and loss account.

Where the hedged item is the cost of a non-financial asset or liability, such as a forecast transaction for the purchase of tangible assets, the amounts recognised within other comprehensive income are reclassified to the initial carrying amount of the non-financial asset or liability. Where the hedged item is an equity investment, such as an investment in an associate, the amounts recognised in other comprehensive income remain in the separate component of equity until the investment is sold or impaired. Where the hedged item is recognized directly in profit or loss, the amounts recognized in other comprehensive income are reclassified to production and manufacturing expenses, except for cash flow hedges of variable interest rate risk which are reclassified to finance costs.

If the hedging instrument expires or is sold, terminated or exercised without replacement or rollover, or if its designation as a hedge is revoked, amounts previously recognized within other comprehensive income remain in equity until the forecast transaction occurs and are reclassified to the profit and loss account or to the initial carrying amount of a non-financial asset or liability as above. If the forecast transaction is no longer expected to occur, amounts previously recognized within other comprehensive income will be immediately reclassified to the profit and loss account.

Embedded derivatives

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contract. Contracts are assessed for embedded derivatives when the company becomes a party to them, including at the date of a business combination. Embedded derivatives are measured at fair value at each balance sheet date. Any gains or losses arising from changes in fair value are taken directly to the profit and loss account.

Fair value measurement

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

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.

NOTES TO THE FINANCIAL STATEMENTS

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. A provision is discounted using either a nominal discount rate of 2.5% (2016: 2%) or a real discount rate of 0.5% (2016: 0.5%), as appropriate. 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.

NOTES TO THE FINANCIAL STATEMENTS

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 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.

Turnover

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

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

Interest income

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

Dividend income

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

Research costs

Research costs are expensed as incurred.

Finance costs

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

NOTES TO THE FINANCIAL STATEMENTS

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.

3. Turnover and other income

Turnover is mainly comprised of sales of goods.

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

	2017	2016
	\$ million	\$ million
Turnover	47,116	35,292
Interest receivable and similar income (Note 6)	2,184	2,002
Other income	179	114
Dividend income	1,499	751
	<u>50,978</u>	<u>38,159</u>

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

	2017	2016
	\$ million	\$ million
Class of business:		
Downstream	47,706	35,770
Other business and corporate	65	68
Sales between businesses	(655)	(546)
Total	<u>47,116</u>	<u>35,292</u>

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

4. Operating profit

This is stated after charging / (crediting):

	2017	2016
	\$ million	\$ million
Operating lease payments:		
Plant & machinery	12	28
Land & buildings	77	36
Net foreign exchange (gains) / losses	(27)	424
Research and development costs expensed	75	79
Amortisation of intangible assets* (Note 10)	(47)	47
Depreciation of tangible assets* (Note 11)	101	122
Impairment of investments (Note 12)	1,829	235
Reversal of impairment of investments (Note 12)	<u>(3,056)</u>	<u>(309)</u>

* Amount is included in Administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS

5. Auditor's remuneration

	2017	2016
	\$000	\$000
Fees for the audit of the company	2,331	2,174

Fees paid to the company's auditor, Ernst & Young LLP, and its associates for services other than the statutory audit of the company are not disclosed in these financial statements since the consolidated financial statements of BP International 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

	2017	2016
	\$ million	\$ million
Interest income from amounts owed by group undertakings	1,905	1,578
Other interest income	279	424
Total interest receivable and similar income	2,184	2,002

7. Interest payable and similar charges

	2017	2016
	\$ million	\$ million
Interest expense on:		
Loans from group undertakings	2,528	2,115
Other loans	2	—
Total interest expense	2,530	2,115

NOTES TO THE FINANCIAL STATEMENTS

8. Taxation

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

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

	2017	2016
	\$ million	\$ million
<u>Current tax</u>		
UK corporation tax on income for the year	4	—
Overseas tax on income for the year	20	17
Total current tax charged	<u>24</u>	<u>17</u>
<u>Deferred tax</u>		
Origination and reversal of temporary differences	(167)	—
Total deferred tax credited	<u>(167)</u>	<u>—</u>
Tax (credited) / charged on profit	<u>(143)</u>	<u>17</u>

(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 19.25% for the year ended 31 December 2017 (2016: 20%). The differences are reconciled below:

	2017	2016
	UK	UK
	\$ million	\$ million
Profit before tax	2,589	627
Tax (credit)/charge	(143)	17
Effective tax rate	(5.52)%	3%
	<u>2017</u>	<u>2016</u>
	UK	UK
	%	%
UK corporation tax rate:	19.25	20
Increase / (decrease) resulting from:		
Non-deductible expenditure / (non-taxable income)	(9.05)	1
Overseas tax	0.77	3
Free group relief	(1.44)	(3)
Movements in unrecognised deferred tax	0.85	—
Adjustments to tax charge in respect of previous years	(11.23)	(24)
Dividends not subject to UK tax	(4.67)	6
Effective tax rate	<u>(5.52)</u>	<u>3</u>

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

Change in corporation tax rate

The UK corporation tax rate 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 2017.

NOTES TO THE FINANCIAL STATEMENTS

(b) Provision for deferred tax

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

<u>Deferred tax asset</u>	<u>Profit and loss account</u>		<u>Balance sheet</u>	
	2017	2016	2017	2016
	\$000	\$000	\$000	\$000
Decommissioning and other provisions	(3)	—	3	—
Depreciation in excess of capital allowances	(150)	—	150	—
Other deductible temporary differences	(14)	—	14	—
Net credit for deferred tax assets	<u>(167)</u>	<u>—</u>	<u>167</u>	<u>—</u>

(c) Factors that may affect future tax charges

Deferred tax has not been recognised on deductible temporary differences of \$47 million (2016: \$929 million) relating to fixed assets as they are not expected to give rise to any future tax benefit. Of these fixed asset temporary differences, \$(2) million (2016: \$90 million) related to movements in foreign exchange rates.

Deferred tax has not been recognised on deductible temporary differences relating to provisions of \$12 million (2016: \$48 million), foreign tax credits of \$2 million (2016: \$2 million) or other deductible temporary differences of \$195 million (2016: \$21 million) as they are not expected to give rise to any future tax benefit.

Deferred tax has not been recognised on unrestricted capital losses of \$Nil (2016: \$112 million).

On 26 October, 2017 The European Commission ("EC") announced that it will be investigating the UK's tax rules in respect of controlled foreign companies ("CFCs"). These rules charge tax in respect of foreign entities controlled from the UK that are subject to a lower rate of tax. There is an exemption for 75% of this charge if the CFC's activities relate to financing and the EC are investigating whether this exemption is in breach of EU State Aid rules. A final judgement is expected in the next 6 months. No provision has been made in the financial statements as the financial impact for the group, if any, is uncertain.

9. Directors and employees

(a) Remuneration of directors

None of the directors received any fees or remuneration for services as a director of the company during the financial year (2016: \$Nil).

B. Gilvary is a director of BP p.l.c, the ultimate parent undertaking, in whose accounts information required by the Companies Act 2006 as regards to emoluments is given. The remaining directors are senior executives of, and are remunerated by, BP p.l.c. and receive no remuneration for services to this company or its subsidiary undertakings.

(b) Employee costs

The company had no employees during the year (2016: Nil).

NOTES TO THE FINANCIAL STATEMENTS

10. Intangible assets

	Goodwill	Software & other	Total
Cost	\$ million	\$ million	\$ million
At 1 January 2017	42	755	797
Exchange adjustments	—	37	37
Additions	—	15	15
Disposals	—	(6)	(6)
Transfers	—	(13)	(13)
At 31 December 2017	<u>42</u>	<u>788</u>	<u>830</u>
 Amortisation			
At 1 January 2017	42	593	635
Exchange adjustments	—	26	26
Disposals	—	(6)	(6)
Charge for the year	—	47	47
At 31 December 2017	<u>42</u>	<u>660</u>	<u>702</u>
 Net book value			
At 31 December 2017	<u>—</u>	<u>128</u>	<u>128</u>
 At 31 December 2016	<u>—</u>	<u>162</u>	<u>162</u>

NOTES TO THE FINANCIAL STATEMENTS

11. Tangible assets

	Downstream	Corporate & other	Total	Of which AUC*
	\$ million	\$ million	\$ million	\$ million
Cost				
At 1 January 2017	660	854	1,514	99
Exchange adjustments	31	82	113	7
Additions	29	82	111	29
Disposals	(25)	(79)	(104)	(2)
Transfers	149	(8)	141	(14)
At 31 December 2017	<u>844</u>	<u>931</u>	<u>1,775</u>	<u>119</u>
Depreciation				
At 1 January 2017	330	609	939	
Exchange adjustments	(6)	58	52	
Charge for the year	40	61	101	
Disposals	(25)	(74)	(99)	
Transfers	150	(6)	144	
At 31 December 2017	<u>489</u>	<u>648</u>	<u>1,137</u>	
Net book value				
At 31 December 2017	<u>355</u>	<u>283</u>	<u>638</u>	<u>119</u>
At 31 December 2016	<u>330</u>	<u>245</u>	<u>575</u>	<u>99</u>

*AUC = assets under construction. Assets under construction are not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

12. Investments

	Investment in subsidiaries	Investment in associates	Loans to associates	Other investments	Total
Cost	\$ million	\$ million	\$ million	\$ million	\$ million
At 1 January 2016	116,602	25	2	24	116,653
Exchange adjustments	(9)	1	—	—	(8)
Additions	8,403	—	—	—	8,403
Disposals	—	—	—	(17)	(17)
At 31 December 2016	<u>124,996</u>	<u>26</u>	<u>2</u>	<u>7</u>	<u>125,031</u>
At 1 January 2017	124,996	26	2	7	125,031
Additions	8,472	(1)	1	—	8,472
Disposals	(33,548)	—	—	—	(33,548)
At 31 December 2017	<u>99,920</u>	<u>25</u>	<u>3</u>	<u>7</u>	<u>99,955</u>
Impairment losses					
At 1 January 2016	40,344	—	—	15	40,359
Exchange adjustments	(5)	—	—	—	(5)
Charge for the year	235	—	—	—	235
Reversal	(309)	—	—	—	(309)
Disposals	—	—	—	(15)	(15)
At 31 December 2016	<u>40,265</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>40,265</u>
At 1 January 2017	40,265	—	—	—	40,265
Charge for the year	1,825	—	—	4	1,829
Reversal	(3,056)	—	—	—	(3,056)
Disposals	(33,539)	—	—	—	(33,539)
At 31 December 2017	<u>5,495</u>	<u>—</u>	<u>—</u>	<u>4</u>	<u>5,499</u>
Net book amount					
At 31 December 2017	<u>94,425</u>	<u>25</u>	<u>3</u>	<u>3</u>	<u>94,456</u>
At 31 December 2016	<u>84,731</u>	<u>26</u>	<u>2</u>	<u>7</u>	<u>84,766</u>

During the year the company made additional investments into its existing shareholdings of BP Exploration Operating Company Limited (\$5,740 million), BP Technology Ventures Limited (\$60 million) and Britannic Energy Trading Limited (\$47 million). The company also bought a 100% shareholding in BP Regional Australasia Holdings Pty Limited for \$2,624 million.

The company recognised an impairment of \$1,825 million against its \$2,800 million investment in BP Shipping Limited.

The company reversed prior impairments of \$2,422 million and \$634 million regarding its investments in BP Exploration Company Limited and BP Australia Swaps Management Limited respectively.

The company disposed of its shareholding BP Caplux S.A. during the year, which constitutes the total of all disposals figures above.

The investments in the subsidiary and associated undertakings are unlisted.

NOTES TO THE FINANCIAL STATEMENTS

The subsidiary and other undertakings of the company at 31 December 2017 and the percentage of equity capital held set out below are the investments which principally affected the profits or net assets of the company. The principal country of operation is generally indicated by the company's country of incorporation or by its name.

Subsidiary undertakings

Company name	Class of share held	%	Registered Address	Principal activity
BP Australia Swaps Management Limited	Ordinary	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Finance
BP Capital Markets p.l.c.	Ordinary	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Finance
BP Corporate Holdings Limited	Ordinary	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Holding company
BP Exploration Company Limited	Ordinary	100	1 Wellheads Avenue, Dyce, Aberdeen, AB21 7PB	Exploration and production
BP Finance p.l.c.	Ordinary	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Finance
BP Oil UK Limited	Ordinary	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Refining and marketing
BP Russian Investments Limited	Ordinary	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Holding company
BP Shipping Limited	Ordinary	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Shipping
BP Regional Australasia Holdings Pty Limited	Ordinary	100	Level 17, 717 Bourke Street, Docklands VIC, Australia	Holding company
BP Singapore Pte. Limited	Ordinary	100	7 Straits View #26-01, Marina One East Tower, Singapore, 018936, Singapore	Energy trading

For a full list of significant related undertakings, please see Note 31.

13. Stocks

	2017	2016
	\$ million	\$ million
Trading stocks	2,438	2,090
Non-trading stocks	23	18
	<u>2,461</u>	<u>2,108</u>

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

Trading stocks are valued using a quoted benchmark bid process as appropriate for location and quality differentials. They are predominantly categorized within level 2 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

14. Debtors

Amounts falling due within one year:

	2017	2016
	\$ million	\$ million
Trade debtors	2,021	1,008
Amounts owed from fellow subsidiaries	22,250	18,908
Amounts owed from associates	17	49
Other debtors	373	546
Prepayments and accrued income	346	139
Taxation	31	1
	<u>25,038</u>	<u>20,651</u>

Amounts falling due after one year:

	2017	2016
	\$ million	\$ million
Amounts owed from fellow subsidiaries	64,446	65,926
Other debtors	80	—
Prepayments and accrued income	13	27
	<u>64,539</u>	<u>65,953</u>
Total debtors	<u>89,577</u>	<u>86,604</u>

15. Creditors

Amounts falling due within one year:

	2017	2016
	\$ million	\$ million
Trade creditors	5,494	4,948
Amounts owed to fellow subsidiaries	78,191	65,843
Amounts owed to associates	355	223
Other creditors	673	1,730
Taxation	6	—
Accruals and deferred income	573	421
	<u>85,292</u>	<u>73,165</u>

Amounts falling after one year:

	2017	2016
	\$ million	\$ million
Amounts owed to fellow subsidiaries	65,417	62,404
Other creditors	—	5
Accruals and deferred income	13	14
	<u>65,430</u>	<u>62,423</u>
Total creditors	<u>150,722</u>	<u>135,588</u>

NOTES TO THE FINANCIAL STATEMENTS

16. Bank loans and overdrafts

At 31 December 2017 the company had access to the Group's undrawn borrowing facilities amounting to \$7,625 million (2016: \$7,375 million).

17. Obligations under leases

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

	<u>2017</u>	<u>2016</u>
	\$ million	\$ million
Operating Leases:		
Within 1 year	49	80
In 1 to 5 years	137	233
After 5 years	371	379
	<u>557</u>	<u>692</u>

18. Financial instruments and financial risk factors

The accounting classification of each category of financial instruments, and their carrying amounts, is set out below.

		Loans and receivables	Available- for-sale financial assets	Held to maturity investments	Derivative hedging instruments	Financial liabilities measured at amortised cost	Total
	Note	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
At 31 December 2017							
Financial assets							
Trade and other debtors	14	89,187	—	—	—	—	89,187
Derivative financial instruments	19	—	—	—	1,415	—	1,415
Cash and cash equivalents		17,625	2,058	1,400	—	—	21,083
Financial liabilities							
Trade and other creditors	15	—	—	—	—	(150,722)	(150,722)
Derivative financial instruments	19	—	—	—	(2,110)	—	(2,110)
		<u>106,812</u>	<u>2,058</u>	<u>1,400</u>	<u>(695)</u>	<u>(150,722)</u>	<u>(41,147)</u>
At 31 December 2016							
Financial assets							
Trade and other debtors	14	86,438	—	—	—	—	86,438
Derivative financial instruments	19	—	—	—	1,714	—	1,714
Cash and cash equivalents		17,440	1,645	130	—	—	19,215
Financial liabilities							
Trade and other creditors	15	—	—	—	—	(135,588)	(135,588)
Derivative financial instruments	19	—	—	—	(4,550)	—	(4,550)
		<u>103,878</u>	<u>1,645</u>	<u>130</u>	<u>(2,836)</u>	<u>(135,588)</u>	<u>(32,771)</u>

NOTES TO THE FINANCIAL STATEMENTS

For all financial instruments, the carrying amount is either the fair value, or approximates the fair value.

Financial risk factors

The management of financial risks is performed at BP group level. The main risk factors applicable to the company are market risk (including commodity price risk) and credit risk. Further details on these financial risks are included within Note 27 of the BP group Annual Report and Form 20-F for the year ended 31 December 2017.

Market risk

The company, as part of the BP group, measures commodity price risk exposure arising from its trading positions in liquid periods using value-at-risk techniques. These techniques make a statistical assessment of the market risk arising from possible future changes in market prices over a one-day holding period. The value-at-risk measure is supplemented by stress testing. Trading activity occurring in liquid periods is subject to value-at-risk limits for each trading activity and for this trading activity in total. The BP plc board has delegated a limit for the BP group of \$100 million value at risk in support of trading activity. Alternative measures are used to monitor exposures which are outside liquid periods and which cannot be actively risk-managed.

Credit risk

The maximum credit exposure associated with financial assets is equal to the carrying amount. The company does not aim to remove credit risk entirely but expects to experience a certain level of credit losses.

Management information used to monitor credit risk estimates that approximately 94% (2016 approximately 95%) of total unmitigated credit exposure external to the BP group relates to counterparties of investment-grade credit quality.

Trade and other receivables at 31 December

	2017	2016
	\$ million	\$ million
Neither impaired nor past due	89,434	86,485
Impaired (net of provision)	14	49
Not impaired and past due in the following periods		
within 30 days	95	33
31 to 60 days	15	23
61 to 90 days	3	1
over 90 days	16	13
	89,577	86,604

NOTES TO THE FINANCIAL STATEMENTS

Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements

The following table shows the gross amounts of recognized financial assets and liabilities (i.e. before offsetting) and the amounts offset in the balance sheet.

Amounts which cannot be offset under IFRS, but which could be settled net under the terms of master netting agreements if certain conditions arise, and collateral received or pledged, are also shown in the table to show the total net exposure of the group.

	Gross amounts of recognised financial assets (liabilities)	Amounts set off	Net amounts presented on the balance sheet	Related amounts not set off in the balance sheet		
	\$ million	\$ million	\$ million	Master netting arrangements	Cash collateral received	Net amount
At 31 December 2017				\$ million	\$ million	\$ million
Derivative assets	1,404	(11)	1,393	(585)	(263)	545
Derivative liabilities	(2,183)	11	(2,172)	585	—	(1,587)
Trade receivables	252	—	252	1,048	—	1,300
Trade payables	(49)	—	(49)	(1,048)	—	(1,097)
At 31 December 2016						
Derivative assets	1,718	(4)	1,714	(984)	(94)	636
Derivative liabilities	(4,527)	(23)	(4,550)	984	—	(3,566)
Trade receivables	357	(1)	356	(389)	—	(33)
Trade payables	(51)	1	(50)	389	—	339

NOTES TO THE FINANCIAL STATEMENTS

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the company's business activities may not be available. The company's liquidity is managed centrally with operating units forecasting their cash and currency requirements to the central treasury function. Unless restricted by local regulations, subsidiaries pool their cash surpluses to treasury, which will then arrange to fund other subsidiaries' requirements, or invest any net surplus in the market or arrange for necessary external borrowings, while managing the company's overall net currency positions.

The company manages liquidity risk associated with derivative contracts based on the expected maturity of both derivative assets and liabilities as indicated in Note 19. Management does not currently anticipate any cash flows that could be of a significantly different amount, or could occur earlier than the expected maturity analysis provided.

19. Derivatives and other financial instruments

In the normal course of business the company enters into derivative financial instruments (derivatives), to manage its normal business exposures in relation to commodity prices, foreign currency exchange rates and interest rates, including management of the balance between floating rate and fixed rate debt consistent with risk management policies and objectives. Additionally, there is a well-established entrepreneurial trading operation that is undertaken in conjunction with these activities using a similar range of contracts.

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

Derivatives held for trading

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

NOTES TO THE FINANCIAL STATEMENTS

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

	2017	2017	2016	2016
	Fair value asset	Fair value liability	Fair value asset	Fair value liability
	\$ million	\$ million	\$ million	\$ million
Cash flow hedges				
- Cross currency interest rate swaps	—	—	—	(154)
Total	—	—	—	(154)
Fair value hedges				
- Currency forwards, futures and swaps	460	(523)	22	(1,159)
- Interest rate swaps	194	(305)	787	(233)
Total	654	(828)	809	(1,392)
Derivatives held for trading				
- Currency derivatives	324	(827)	433	(2,473)
- Oil price derivatives	322	(321)	328	(385)
- Other derivatives	115	—	100	—
- Interest rate contracts	—	(19)	44	(46)
	761	(1,167)	905	(2,904)
Embedded derivatives held for trading				
- Other derivatives	—	(115)	—	(100)
Total held for trading	761	(1,282)	905	(3,004)
	<u>1,415</u>	<u>(2,110)</u>	<u>1,714</u>	<u>(4,550)</u>
Of which:				
— current derivatives with third parties	465	(599)	478	(1,349)
— current intercompany derivatives with subsidiary undertakings	89	(71)	145	(43)
— non-current derivatives with third parties	832	(1,357)	953	(3,076)
— non-current intercompany derivatives with subsidiary undertakings	29	(83)	138	—
	<u>1,415</u>	<u>(2,110)</u>	<u>1,714</u>	<u>(4,550)</u>

NOTES TO THE FINANCIAL STATEMENTS

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

2017	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
Fair value of derivative assets held for trading							
Level 2	559	59	16	7	5	5	651
Level 3	6	—	—	—	—	115	121
	<u>565</u>	<u>59</u>	<u>16</u>	<u>7</u>	<u>5</u>	<u>120</u>	<u>772</u>
Less: netting by counterparty	(11)	—	—	—	—	—	(11)
	<u>554</u>	<u>59</u>	<u>16</u>	<u>7</u>	<u>5</u>	<u>120</u>	<u>761</u>
Fair value of derivative liabilities held for trading							
Level 2	(442)	(286)	(72)	(192)	(103)	(79)	(1,174)
Level 3	(3)	—	—	—	—	(116)	(119)
	<u>(445)</u>	<u>(286)</u>	<u>(72)</u>	<u>(192)</u>	<u>(103)</u>	<u>(195)</u>	<u>(1,293)</u>
Less: netting by counterparty	11	—	—	—	—	—	11
	<u>(434)</u>	<u>(286)</u>	<u>(72)</u>	<u>(192)</u>	<u>(103)</u>	<u>(195)</u>	<u>(1,282)</u>
Net fair value	<u>120</u>	<u>(227)</u>	<u>(56)</u>	<u>(185)</u>	<u>(98)</u>	<u>(75)</u>	<u>(521)</u>

NOTES TO THE FINANCIAL STATEMENTS

2016

Fair value of derivative assets held for trading

Level 2

Level 3

Less: netting

by counterparty

Fair value of derivative liabilities held for trading

Level 2

Level 3

Less: netting

by counterparty

Net fair value

Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
\$ million	\$ million	\$ million	\$ million	\$ million	\$ million	\$ million
575	129	79	5	8	3	799
10					100	110
585	129	79	5	8	103	909
(4)	—	—	—	—	—	(4)
581	129	79	5	8	103	905
(1,100)	(145)	(461)	(102)	(339)	(748)	(2,895)
(13)					(100)	(113)
(1,113)	(145)	(461)	(102)	(339)	(848)	(3,008)
4	—	—	—	—	—	4
(1,109)	(145)	(461)	(102)	(339)	(848)	(3,004)
(528)	(16)	(382)	(97)	(331)	(745)	(2,099)

NOTES TO THE FINANCIAL STATEMENTS

Level 3 derivatives

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

	Oil Price \$ million
Net fair value of contracts as at 1 January 2017	(2)
Gains / (losses) recognised in the income statement	(3)
Settlements	2
Net fair value of contracts as at 31 December 2017	<u>(3)</u>

	Oil Price \$ million
Net fair value of contracts as at 1 January 2016	11
Gains / (losses) recognised in the income statement	(3)
Settlements	(10)
Net fair value of contracts as at 31 December 2016	<u>(2)</u>

Derivative gains and losses

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

The total amount relating to all these items (excluding gains and losses on realised physical derivative contracts that have been reflected gross in the income statement within sales and purchases) was a net gain of \$489 million (2016: \$174 million net gain). This number does not include gains and losses on realised physical derivative contracts that have been reflected gross in the income statement within sales and purchases or the change in value of transportation and storage contracts, but does include the associated financially settled contracts. The net amount for actual gains and losses relating to derivative contracts and all related items therefore may differ significantly from the amount disclosed above.

Fair value hedges

At 31 December 2017, the company held interest rate and cross-currency interest rate swap contracts as fair value hedges of the interest rate risk on fixed rate debt issued by the company. The loss on the hedging derivative instruments recognized in the profit and loss account in 2017 was \$408 million (2016: \$293 million) offset by a gain on the fair value of the finance debt of \$438 million (2016: \$247 million gain).

20. Capital management

The company defines capital as total equity (which is the company's net asset value). We maintain our financial framework to support the pursuit of value growth for shareholders, while ensuring a secure financial base. During 2010 we lowered our gearing band for the group from a historical range of 20-30% down to 10-20% to manage uncertainties, mainly in relation to the Deepwater Horizon incident. Having finalised these agreements, we have re-established a 20-30% gearing band going forward.

NOTES TO THE FINANCIAL STATEMENTS

21. Other provisions

	2017	2016
	\$ million	\$ million
As at 1 January	98	64
Exchange Adjustments	2	(6)
New or increased provisions:	28	88
Write-back of unused provisions	(7)	(12)
Transfer	—	3
Utilisation	(25)	(39)
As at 31 December	<u>96</u>	<u>98</u>

22. Called up share capital

	2017	2016
	\$ million	\$ million
Issued and fully paid:		
33,538,111,932 ordinary shares of £1 each for a total nominal value of £33,538,111,932	50,641	50,641
	<u>50,641</u>	<u>50,641</u>

23. 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.

Cash flow hedge reserve

The cash flow hedge reserve represents the cumulative amount of gains and losses on hedging instruments deemed effective cash flow hedges. The cumulative gain or loss on the hedging instrument is recognized in the profit and loss account only when the hedged transaction impacts the profit and loss account, or is included as a basis adjustment to the non-financial hedged item, consistent with the applicable accounting policy.

Foreign currency translation reserve

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

Profit and loss account

The balance held on this reserve is the retained profits of the company.

In 2017, the company paid interim ordinary dividends of \$500 million (2016: \$Nil). The dividend per share was \$0.01 (2016 dividend per share: \$Nil).

24. Capital commitments

Authorised and contracted future capital expenditure by the company for which contracts had been placed but not provided in the financial statements at 31 December 2017 is estimated at \$84 million (2016: \$41 million).

NOTES TO THE FINANCIAL STATEMENTS

25. Guarantees and other financial commitments

The company has issued guarantees under which amounts outstanding at 31 December 2017 were \$29,887 million (2016:\$25,100 million), the majority of which relate to obligations of fellow subsidiaries of BP p.l.c.

26. Related party transactions

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

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

Related party		Sales to related party \$ million	Purchases from related party \$ million	Amounts owed from related party \$ million	Amounts owed to related party \$ million
Aker BP ASA					
Associate					
Exploration					
	2017	7	1,078	3	116
	2016	4	149	4	108
BP Sinopec Marine Fuels Pte. Ltd.					
Associate					
Marine Fuels					
	2017	83	—	—	—
	2016	69	—	—	—
Rosneft Oil Company					
Associate					
Exploration, extraction and processing					
	2017	241	2,673	4	236
	2016	324	907	42	113
Amoco (Fiddich) Limited					
Subsidiary					
Exploration					
	2017	—	—	—	266
	2016	—	—	—	253
BP Capital Markets p.l.c.					
Subsidiary					
Treasury services					
	2017	—	—	—	7,456
	2016	—	—	—	6,528
BP Egypt West Mediterranean (Block 8) p.l.c.					
Subsidiary					
Exploration					
	2017	—	—	258	—
	2016	—	—	—	182

NOTES TO THE FINANCIAL STATEMENTS

BP Oil International Limited
Subsidiary
Sales, marketing and distribution

2017	—	—	—	191
2016	—	—	—	173

Britannic Strategies Limited
Subsidiary
Sales, marketing and distribution

2017	—	9	—	46
2016	—	—	6	—

27. Off-balance sheet arrangements

The company enters into operating lease arrangements for the rental of buildings and plant and equipment as these arrangements are a cost efficient way of obtaining the short-term benefits of these assets. The operating lease charges for the year are disclosed in Note 4 and the whole obligation under these arrangements is disclosed in Note 17. There are no other material off-balance sheet arrangements.

28. Post balance sheet events

On 22 March 2018 the company approved the sale and transfer of the beneficial ownership of 21,020,000 ordinary shares of £1.00 each being the entire issued share capital of International Card Centre Limited ("ICC"), to BP Europa SE ("BPESE") for a total consideration of EUR €26,800,000, being the fair market value of ICC.

On 26 February 2018 the company approved the sale of the legal and beneficial ownership of 12,000,000 ordinary shares of £1.00 each, being the entire issued share capital of Air BP Limited to BP Global Investments Limited for a total consideration of \$18,500,000, being the net book value and a fair approximation of the market value of Air BP Limited.

On 17 April 2018 the company agreed to extend existing guarantees to cover the extended term loan from Standard Chartered Bank to BP YPC Acetyls Company (Nanjing) Limited ("BYACO"), an Acetyls joint venture in Nanjing, Jiangsu province, China, between BP Chemicals Investments Limited ("BPCIL") (50%) and Sinopec Yangzi Petrochemical Company Limited, a subsidiary of Sinopec. BPCIL is a wholly owned subsidiary of the Company.

On 27 June 2018, a capital reduction was executed which extinguished and cancelled all of the share capital of Britannic Trading Limited. A new \$100 of share capital was allotted to the company with a par value of \$1 each; making the company the sole shareholder of Britannic Trading Limited.

On 28 June 2018, a resolution was passed by Britannic Trading Limited to pay an interim dividend payment of \$175,000,000 to the company. On 24 August 2018 a further dividend of \$50,000,000 was also paid.

On 22 July 2018 the company approved an equity injection into its immediate subsidiary, BP Technology Ventures Limited (BPTVL) by applying for US \$450,000,000 worth of ordinary shares of £1.00 each in the share capital of BPTVL at par value for a subscription price of US \$450,000,000.

29. Comparative figures

Certain prior year figures have been reclassified to conform to the 2017 presentation. During the current year the Company concluded that it was appropriate to separately present charges and gains associated with 'impairment of fixed asset investments' and 'reversal of impairment of fixed asset investments' respectively. Previously these items had been included within 'Administrative expenses'. This had no impact on either current or prior year profit and loss for the year or net assets.

NOTES TO THE FINANCIAL STATEMENTS

30. Immediate and ultimate controlling parent undertaking

The immediate parent undertaking is BP p.l.c., 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.

31. Related undertakings

In accordance with Section 409 of the Companies Act 2006, disclosed below is a full list of related undertakings in which the company holds an interest of 20% or greater, along with the country of incorporation and the percentage of share capital owned as at 31 December 2017.

Related undertaking	Holding %	Registered address	Direct / indirect
Abu Dhabi Marine Areas Limited	33	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
Abu Dhabi Petroleum Company Limited (In Liquidation)	24	Rooms 522-524, 3rd Floor, Salisbury House, London Wall, London, EC2M 5QQ, United Kingdom	Indirect
Advance Petroleum Holdings Pty Ltd	23	Level 17, 717 Bourke Street, Docklands VIC, Australia	Indirect
Advance Petroleum Pty Ltd	23	Level 17, 717 Bourke Street, Docklands VIC, Australia	Indirect
Advanced Biocatalytics Corporation	24	18010 Skypark Circle, #130, Irvine CA 92614, United States	Indirect
Air BP Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Direct
Air Refuel Pty Ltd	23	398 Tingira Street, Pinkenba QLD 4008, Australia	Indirect
Allgreen Pty Ltd	23	Level 17, 717 Bourke Street, Docklands VIC, Australia	Indirect
Amoco (Fiddich) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
Amoco (U.K.) Exploration Company, LLC	100	Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States	Indirect
Amoco U.K. Petroleum Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
ARCO British Limited, LLC	100	1209 Orange Street, Wilmington DE 19801, United States	Indirect
ARCO El-Djazair LLC	49	1209 Orange Street, Wilmington DE 19801, United States	Indirect
Atlantic 2/3 Holdings LLC	43	RL&F Service Corp., 920 North King Street, 2nd Floor, Wilmington DE 19801, United States	Indirect

NOTES TO THE FINANCIAL STATEMENTS

Related undertaking	Holding %	Registered address	Direct / indirect
Atlantic 2/3 UK Holdings Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
Atlantic LNG 2/3 Company of Trinidad and Tobago Unlimited	43	Princes Court, Cor. Pembroke & Keate Street, Port-of-Spain, Trinidad and Tobago	Indirect
Aviation Fuel Services Limited	25	Calshot Way Central Area, Heathrow Airport, Hounslow, Middlesex, TW6 1PY, United Kingdom	Direct
Azerbaijan Gas Supply Company Limited	23	Maples & Calder, P.O. Box 309, Ugland House, 113 South Church Street, George Town, Grand Cayman, Cayman Islands	Indirect
Azerbaijan International Operating Company	40	190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands	Indirect
Bahia de Bizkaia Electricidad, S.L.	75	Atrique Punta Lucero, Explanada Punta Ceballos s/n, Zierbeña (Vizcaya), Spain	Indirect
Blue Marble Holdings Limited	24	Desklodge - 5th Floor, 1 Temple Way, Bristol, BS2 0BY, United Kingdom	Indirect
BP - Castrol (Thailand) Limited	23	23rd Fl. Rajanakarn Bldg, 3 South Sathon Road, Yannawa South Sathon, Bangkok 10120, Thailand	Indirect
BP (Abu Dhabi) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Absheron Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Alternative Energy Holdings Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Direct
BP Alternative Energy Investments Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Direct
BP Amoco Exploration (Faroës) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Amoco Exploration (In Amenas) Limited	100	1 Wellheads Avenue, Dyce, Aberdeen, AB21 7PB	Indirect
BP Angola (Block 18) B.V.	100	d'Arcyweg 76, 3198 NA Europoort Rotterdam, Netherlands	Indirect
BP Aromatics Holdings Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Aromatics Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Aromatics Limited N.V.	100	Amocolaan 2 2440 Geel, Belgium	Indirect
BP Australia Employee Share Plan Proprietary Limited	23	Level 17, 717 Bourke Street, Docklands VIC, Australia	Indirect
BP Australia Group Pty Ltd	23	Level 17, 717 Bourke Street, Docklands VIC, Australia	Indirect
BP Australia Nominees Proprietary Limited	23	Level 17, 717 Bourke Street, Docklands VIC, Australia	Indirect

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Related undertaking	Holding %	Registered address	Direct / indirect
BP Australia Pty Ltd	23	Level 17, 717 Bourke Street , Docklands VIC 3008, Australia	Indirect
BP Australia Shipping Pty Ltd	23	Level 17, 717 Bourke Street, Docklands VIC, Australia	Indirect
BP Australia Swaps Management Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Direct
BP Bioenergia Tropical S.A.	33	Rodovia GO 410, km 51 à esquerda, Fazenda Canadá, s/n, Zona Rural, Edéia, Goiás, 75940-000, Brazil ,	Indirect
BP Brasil Ltda.	99	Avenida das Américas 3434, Bloco 7, Sala 301 a 308 (parte), Barra da Tijuca, Rio de Janeiro, RJ, 22640-102, Brazil	Indirect
BP Brazil Tracking L.L.C.	100	Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States	Indirect
BP Bulwer Island Pty Ltd	23	Level 17, 717 Bourke Street, Docklands VIC, Australia	Indirect
BP Capital Markets p.l.c.	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Direct
BP Chemicals (Korea) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Chemicals Investments Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Direct
BP Chemicals Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Chemicals Trading Limited (In Liquidation)	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Chile Petrolera Limitada	50	Patricio Raby Benavente, Moneda N° 920 Of 205, Santiago, Chile	Direct
BP Commodities Trading Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Containment Response Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Corporate Holdings Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Direct
BP Developments Australia Pty. Ltd.	23	Level 8, 250 St Georges Terrace, Perth WA 6000, Australia	Indirect
BP Dhofar LLC	49	P.O.Box 20302/211, 20302, Oman	Direct
BP Dogal Gaz Ticaret Anonim Sirketi	100	Degirmen yolu cad. No:28 , Asia OfisPark K:3 Içerenkoy-Atasehir, Istanbul, 34752, Turkey	Direct
BP East Kalimantan CBM Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect

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Related undertaking	Holding %	Registered address	Direct / indirect
BP Egypt West Mediterranean (Block B) B.V.	61	d'Arcyweg 76, 3198 NA Europoort Rotterdam, Netherlands	Indirect
BP Energy Asia Pte. Limited	100	7 Straits View #26-01, Marina One East Tower, Singapore, 018936, Singapore	Indirect
BP Energy Colombia Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Energy do Brasil Ltda.	100	Avenida das Américas, no. 3434, Salas 301 a 308, Barra da Tijuca, Rio de Janeiro, RJ, 22640-102, Brazil	Indirect
BP Exploration (Absheron) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Exploration (Algeria) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Exploration (Alpha) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Exploration (Angola) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Exploration (Azerbaijan) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Exploration (Canada) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Exploration (Caspian Sea) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Exploration (Delta) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Exploration (El Djazair) Limited	49	PricewaterhouseCoopers (Bahamas) Limited, Providence House, East Hill Street, P.O. Box N-3910, Nassau, Bahamas	Indirect
BP Exploration (Epsilon) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Exploration (Finance) Limited (In Liquidation)	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Exploration (Greenland) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Exploration (Madagascar) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Exploration (Morocco) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect

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Related undertaking	Holding %	Registered address	Direct / indirect
BP Exploration (Namibia) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Exploration (Nigeria Finance) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Exploration (Nigeria) Limited	100	Landmark Towers - 5B, Water Corporation Road, Victoria Island, Lagos, Nigeria	Indirect
BP Exploration (Shafag-Asiman) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Exploration (Shah Deniz) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Exploration (South Atlantic) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Exploration (Vietnam) Limited (In Liquidation)	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Exploration (Xazar) Pte. Limited	100	7 Straits View #26-01, Marina One East Tower, Singapore, 018936, Singapore	Indirect
BP Exploration Angola (Kwanza Benguela) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Exploration Beta Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Exploration China Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Exploration Company (Middle East) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Exploration Company Limited	100	1 Wellheads Avenue, Dyce, Aberdeen, AB21 7PB	Direct
BP Exploration Indonesia Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Exploration Libya Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Exploration Mexico Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP EXPLORATION MEXICO, S.A. DE C.V.	100	Av. Santa Fe No. 505 Piso 10, Col. Cruz Manca Santa Fe, Deleg. CuajimalpaC.P., 05349 México D.F., Mexico	Indirect
BP Exploration North Africa Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect

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Related undertaking	Holding %	Registered address	Direct / indirect
BP Exploration Operating Company Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Exploration Orinoco Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Express Shopping Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Finance Australia Pty Ltd	23	Level 17, 717 Bourke Street, Docklands VIC, Australia	Indirect
BP Finance p.l.c.	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Direct
BP Gas Marketing Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Ghana Limited	100	Number 12, Aviation Road, Una Home 3rd Floor, Airport City, Accra, Greater Accra, PMB CT 42, Ghana	Indirect
BP Global West Africa Limited	96	Heritage Place, 7th Floor, Left Wing, 21 Lugard Avenue, Ikoyi, Lagos, Nigeria	Indirect
BP High Density Polyethylene France - BP HDPE	100	Immeuble Le Cervier, 12 Avenue des Béguines, Cergy Saint Christophe, 95866, CERGY PONTOISE, France	Direct
BP Holdings (Thailand) Limited	81	39/77-78 Moo 2 Rama II Road, Tambon Bangkrachao, Amphur Muang, Samutsakorn 74000, Thailand	Direct
BP Indonesia Investment Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Iran Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP IRAQ N.V.	100	Amocolaan 2 2440 Geel, Belgium	Indirect
BP Kapuas II Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Kuwait Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP LNG Shipping Limited	23	C/- Conyers Corporate Services (Bermuda) Limited, PO Box HM 1022, 2 Church Street, Hamilton, HM 11, Bermuda	Indirect
BP Marine Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Direct
BP Mauritania Investments Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Netherlands Upstream B.V.	100	d'Arcyweg 76, 3198 NA Europoort Rotterdam, Netherlands	Indirect

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Related undertaking	Holding %	Registered address	Direct / indirect
BP Oil (Thailand) Limited	90	39/77-78 Moo 2 Rama II Road, Tambon Bangkrachao, Amphur Muang, Samutsakorn 74000, Thailand	Direct
BP Oil Australia Pty Ltd	23	Level 17, 717 Bourke Street, Docklands VIC, Australia	Indirect
BP Oil International Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Direct
BP Oil Kent Refinery Limited (in liquidation)	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Oil Llandarcy Refinery Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Oil Logistics UK Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Oil UK Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Direct
BP Oil Venezuela Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Direct
BP Oil Yemen Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Direct
BP Petroleo y Gas, S.A.	100	Av. Francisco de Miranda, con primera avenida de Los Palos , Grandes, Edif Cavendes, piso 9, ofi 903, Los Palos Grandes, Chacao / Caracas, Caracas / Miranda, 1060, Venezuela, Bolivarian Republic of	Indirect
BP Pipelines (TANAP) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Pipelines TAP Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Poseidon Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Refinery (Kwinana) Proprietary Limited	23	Level 17, 717 Bourke Street, Docklands VIC, Australia	Indirect
BP Regional Australasia Holdings Pty Ltd	100	Level 17, 717 Bourke Street, Docklands VIC, Australia	Direct
BP Russian Investments Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Direct
BP Senegal Investments Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Services International Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect

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Related undertaking	Holding %	Registered address	Direct / indirect
BP Shafag-Asiman Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Shipping Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Direct
BP Singapore Pte. Limited	100	7 Straits View #26-01, Marina One East Tower, Singapore, 018936, Singapore	Direct
BP Sinopec Marine Fuels Pte. Ltd.	50	112 Robinson Road, #05-01, Robinson 112, 068902, Singapore	Indirect
BP Solar Pty Ltd	23	Level 17, 717 Bourke Street, Docklands VIC, Australia	Indirect
BP Subsea Well Response (Brazil) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Subsea Well Response Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP Technology Ventures Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Direct
BP Train 2/3 Holding SRL	100	Erin Court, Bishop's Court Hill, St. Michael, Barbados	Indirect
BP West Africa Supply Limited	50	Number 1, Rehoboth Place, Dade Street, North Labone Estates, Accra, Accra Metropolitan, Greater Accra, P. O. BOX CT3278, Ghana	Indirect
BP West Aru I Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP West Aru II Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP West Papua I Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP West Papua III Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP World-Wide Technical Services Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
BP YPC Acetyls Company (Nanjing) Limited	50	9# Huo Ju Road, Liu He District, Nanjing, Jiangsu Province, China	Indirect
BP-AIOC Exploration (TISA) LLC	71	153 Neftchilar Avenue, Baku, AZ1010, Azerbaijan	Indirect
BP-Japan Oil Development Company Limited	50	1 Wellheads Avenue, Dyce, Aberdeen, AB21 7PB	Indirect
Brian Jasper Nominees Pty Ltd	23	Level 17, 717 Bourke Street, Docklands VIC, Australia	Indirect
Britannic Energy Trading Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Direct

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Related undertaking	Holding %	Registered address	Direct / indirect
Britannic Investments Iraq Limited	90	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
Britannic Marketing Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
Britannic Strategies Limited	100	1 Wellheads Avenue, Dyce, Aberdeen, AB21 7PB	Direct
British Pipeline Agency Limited	50	5-7 Alexandra Road, Hemel Hempstead, Herts., HP2 5BS, England	Indirect
Britoil Limited	100	1 Wellheads Avenue, Dyce, Aberdeen, AB21 7PB	Indirect
Burmah Castrol Australia Pty Ltd	23	Level 17, 717 Bourke Street, Docklands VIC, Australia	Indirect
Burmah Fuels Australia Pty Ltd	23	Level 17, 717 Bourke Street, Docklands VIC 3008, Australia	Indirect
BXL Plastics Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
Castrol Australia Pty. Limited	23	Level 17, 717 Bourke Street, Docklands VIC, Australia	Indirect
Castrol Brasil Ltda.	55	Avenida das Americas, nº 3434, bloco 07, salas 301 a 308, Parte, Barra da Tijuca, Rio de Janeiro, Rio de Janeiro, 022.640-102, Brazil	Indirect
Castrol Servicos Ltda.	55	Avenida Tamboré, 448, Barueri, Sao Paulo, Brazil	Indirect
Centrel Pty Ltd	23	Level 17, 717 Bourke Street, Docklands VIC, Australia	Indirect
Clarisse Holdings Pty Ltd	23	Level 17, 717 Bourke Street, Docklands VIC, Australia	Indirect
Dermody Developments Pty Ltd	23	Level 17, 717 Bourke Street, Docklands VIC, Australia	Indirect
Dermody Holdings Pty Ltd	23	Level 17, 717 Bourke Street, Docklands VIC, Australia	Indirect
Dermody Investments Pty Ltd	23	Level 17, 717 Bourke Street, Docklands VIC, Australia	Indirect
Dermody Petroleum Pty. Ltd.	23	Level 17, 717 Bourke Street, Docklands VIC, Australia	Indirect
Elite Customer Solutions Pty Ltd	23	Level 17, 717 Bourke Street, Docklands VIC, Australia	Indirect
Exploration (Luderitz Basin) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
Finite Carbon Corporation	50	435 Devon Park Drive, Suite 700, Wayne, Pennsylvania, 19087	Indirect
Finite Resources, Inc.	50	2711 Centerville Road, Suite 400, Wilmington DE 19808, United States	Indirect
Foreseer Ltd	25	121A Thoday Street, Cambridge, Cambridgeshire, CB1 3AT, United Kingdom	Indirect

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Related undertaking	Holding %	Registered address	Direct / indirect
Fotech Group Limited	22	5th Floor, Condor House, 10 St Paul's Churchyard, London, EC4M 8AL, United Kingdom	Indirect
FWK (2017) Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
FWK Holdings (2017) LTD	100	Chertsey Road, Sunbury-on-Thames, TW16 7BP, United Kingdom	Indirect
Georgian Pipeline Company	40	190 Elgin Avenue, George Town, Grand Cayman, KY1-9005, Cayman Islands	Indirect
Grampian Aviation Fuelling Services Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Direct
Heliex Power Limited	32	Kelvin Building, Bramah Avenue, East Kilbride, Glasgow, Scotland, G75 0RD, United Kingdom	Indirect
Hydrogen Energy International Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
India Gas Solutions Private Limited	50	Unit Nos.71 & 737th Floor, Maker Maxity, 2nd North Avenue, Bandra - Kurla Complex, Bandra (East), Mumbai 400 051, Maharashtra, India	Direct
International Bunker Supplies Pty Ltd	23	Level 17, 717 Bourke Street, Docklands VIC 3008, Australia	Indirect
International Card Centre Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Direct
Iraq Petroleum Company Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
Jupiter Insurance Limited	100	The Albany, South Esplanade, St Peter Port, GY1 4NF, Guernsey	Indirect
Kingston Research Limited	50	C/O Banks Cooper Associates, 21 Marina Court, Hull, England, HU1 1TJ, United Kingdom	Indirect
Kosmos Energy Investments Senegal Limited	50	6th Floor, 65 Gresham Street, London, England and Wales, EC2V 7NQ, United Kingdom	Indirect
Limited Liability Company TYNGD	20	Pervomayskaya street, 32A, 678144, Lensk, Sakha (Yakutiya) Republic, Russian Federation	Indirect
LOTTE BP Chemical Co., Ltd	51	2-2 Sangnam-ri, Chungryang-myun, Ulju-gun, Ulsan 689-863, Republic of Korea	Indirect
Manchester Airport Storage and Hydrant Company Limited	25	Bircham Dyson Bell, 50 Broadway, London, England, SW1H 0BL, United Kingdom	Direct
Minza Pty. Ltd.	23	Level 17, 717 Bourke Street, Docklands VIC, Australia	Indirect
NFX Combustiveis Maritimos Ltda.	50	Avenida Atlântica, no. 1.130, 2nd floor (part), Copacabana, Rio de Janeiro, RJ, 22021-000, Brazil	Indirect
No. 1 Riverside Quay Proprietary Limited	23	Level 17, 717 Bourke Street, Docklands VIC, Australia	Indirect

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Related undertaking	Holding %	Registered address	Direct / indirect
North Ghara Petroleum Company (NOGHCO)	30	4Palestine Road, 4th District, New Maadi, Cairo, Egypt	Indirect
OOO BP STL	100	Novinskiy blvd.8, 17th floor, office 11, 121099, Moscow, Russian Federation	Indirect
Pacroy (Thailand) Co., Ltd.	39	23rd Fl. Rajanakarn Bldg, 3 South Sathon Road, Yannawa Sathon, Bangkok 10120, Thailand	Indirect
Peaks America Inc.	100	Corporation Trust Center, 1209 Orange Street, Wilmington DE 19801, United States	Indirect
Pentland Aviation Fuelling Services Limited	25	6th Floor (c/o Q8 Aviation), Dukes Court, Duke Street, Woking, GU21 5BH, Surrey	Direct
Phoenix Petroleum Services, Limited Liability Company	100	Baghdad International Airport, Al-Burhan Commercial Complex , First floor, Baghdad, Iraq	Indirect
PT Petro Storindo Energi	30	Bakrie Tower 17th Floor, Rasuna Epicentrum Complex Jl. H.R Rasuna Said, Jakarta, 12940, Indonesia	Indirect
Rahamat Petroleum Company (PETRORAHAMAT)	50	70/72 Road 200, Maadi, Cairo, Egypt	Indirect
Routex B.V.	25	Strawinskylaan 1725, 1077XX Amsterdam, Netherlands	Indirect
Rusdene GSS Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Indirect
S&JD Robertson North Air Limited	49	1 Wellheads Avenue, Dyce, Aberdeen, AB21 7PB	Direct
Shell Mex and B.P. Limited	40	Shell Centre, London, SE1 7NA, England	Indirect
SKA Energy Holdings Limited	50	LOB 16, Suite #309, Jebel Ali Free Zone, Dubai, PO BOX 262794, United Arab Emirates	Indirect
SM Realisations Limited (In Liquidation)	40	Shell International Petroleum, Co Ltd, Shell Centre, 8 York Road, London, SE1 7NA , United Kingdom	Indirect
SOFAST Limited	63	23rd Fl. Rajanakarn Bldg, 3 South Sathon Road, Yannawa South Sathon, Bangkok 10120, Thailand	Indirect
Stansted Intoplane Company Limited	20	Causeway House, 1 Dane Street, Bishop's Stortford, Hertfordshire, CM23 3BT, United Kingdom	Direct
Taradadis Pty. Ltd.	23	Level 17, 717 Bourke Street, Docklands VIC, Australia	Indirect
The Consolidated Petroleum Company Limited	50	Shell Centre, London, SE1 7NA, England	Direct
The Consolidated Petroleum Supply Company Limited	45	Shell Centre, London, SE1 7NA, England	Indirect
The Sullom Voe Association Limited	33	Town Hall, Lerwick, Shetland, ZE1 0HB	Indirect
TISA Education Complex LLC	71	153 Neftchilar Avenue, Baku, AZ1010, Azerbaijan	Indirect
Trans Adriatic Pipeline AG	20	Lindenstrasse 2, 6340 Baar, Switzerland	Indirect

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Related undertaking	Holding %	Registered address	Direct / indirect
Tricoya Ventures UK Limited	36	Brettenham House, 19 Lancaster Place, London, England, WC2E 7EN, United Kingdom	Indirect
United Kingdom Oil Pipelines Limited	34	5-7 Alexandra Road, Hemel Hempstead, Hertfordshire, HP2 5BS, United Kingdom	Indirect
VIC CBM Limited	50	Eni House, 10 Ebury Bridge Road, London, SW1W 8PZ, United Kingdom	Indirect
Viceroy Investments Limited	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom	Direct
Virginia Indonesia Co. CBM Limited	50	Eni House, 10 Ebury Bridge Road, London, SW1W 8PZ, United Kingdom	Indirect
Walton-Gatwick Pipeline Company Limited	42	5-7 Alexandra Road, Hemel Hempstead, Herts., HP2 5BS, England	Indirect
Water Way Trading and Petroleum Services LLC	90	Hay Al Wihda, Q904, Alley 68, H32, Korodha, Baghdad, Iraq	Indirect
West Kimberley Fuels Pty Ltd	23	Level 17, 717 Bourke Street, Docklands VIC, Australia	Indirect
West London Pipeline and Storage Limited	31	5-7 Alexandra Road, Hemel Hempstead, Herts., HP2 5BS, England	Indirect
West Morgan Petroleum Company (PETROMORGAN)	50	4Palestine Road, 4th District, New Maadi, Cairo, Egypt	Indirect
Wiriagar Overseas Ltd	100	Estera Corporate Services (BVI) Limited, Jayla Place, Wickhams Cay 1, PO Box 3190, Road Town, Tortola, VG1110, Virgin Islands, British	Indirect
Xact Downhole Telemetry Inc	27	906 55th Avenue NE, Calgary AB, Canada	Indirect
Yangtze River Acetyls Co., Ltd	51	97 Weijiang Road (in the Petrochemical Park), Changshou District, Chongqing, China	Indirect
Yermak Neftegaz LLC	49	Kosmodamianskaya nab, 52/3, 115035, Moscow, Russian Federation	Indirect