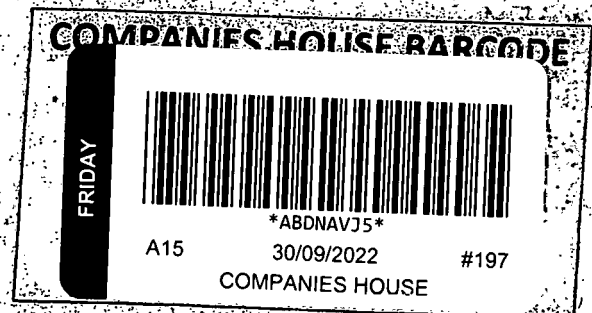


SEPARATOR SHEET

Co No 10519279

Co NAME BP MAURITANIA INVESTMENTS
LIMITED

ACCOUNTS



BP MAURITANIA INVESTMENTS LIMITED

(Registered No.10519279)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

Board of Directors: E I O Ismayilov
R N O Rahmanov

The directors present their report and the audited financial statements for the year ended 31 December 2021.

In accordance with section 414B (b) of the Companies Act 2006, the directors are taking advantage of the small companies exemption to not prepare a strategic report.

DIRECTORS' REPORT

Directors

The present directors are listed above.

E I O Ismayilov, R N O Rahmanov and O V Dembitska served as director throughout the financial year. Changes since 1 January 2021 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
O V Dembitska	—	5 August 2022

Directors' indemnity

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

Dividends

The company has not declared any dividends during the year (2020 \$Nil). The directors do not propose the payment of a dividend.

Post balance sheet events

On 17 February 2022, 280,000,000 ordinary shares of \$1 each for a total nominal value of \$280,000,000 were allotted to the immediate parent company at par value.

In 1st quarter of 2022 there was an impairment trigger and this resulted in an impairment charge of \$133.1 million related to the company's tangible and intangible assets. This impairment relates to events and circumstances arising since 31 December 2021 and therefore the impact on BP Mauritania Investments Limited (BPMIL) will be included in the financial statements for the year ended 31 December 2022.

In 2nd quarter of 2022 there was an impairment trigger on the Tortue CGU and this resulted in an impairment charge of \$127.1 million related to the company's tangible and intangible assets. This impairment relates to events and circumstances arising since 31 December 2021 and therefore the impact will be included in the financial statements for the year ended 31 December 2022.

The 3rd phase of the block C12 licence expired on 14th June 2022 following which we settled the \$15.2 million Minimum Work Obligation (MWO) and relinquished the licence.

DIRECTORS' REPORT

Going concern

The directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. The current economic and geopolitical environment, as well as the ongoing impact of COVID 19 were considered as part of the going concern assessment.

Liquidity and financing is managed within the bp group under pooled group-wide arrangements which include the company. As part of the going concern basis of preparation for the company, the ability and intent of the bp group to support the company has also been taken into consideration. The most recent bp group financial statements continue to be prepared on a going concern basis. Forecast liquidity of the bp group has been assessed under a number of stressed scenarios, including a significant decline in oil prices over the 12-month period from the date these financial statements were approved. Reverse stress tests performed indicated that the bp group will continue to operate as a going concern for at least 12 months from the date of approval of the financial statements even if the Brent price fell to zero. In addition, bp group management have confirmed the existing intra-group funding and liquidity arrangements as currently constituted are expected to be maintained for the foreseeable future, being no less than twelve months from the approval of these financial statements. No material uncertainties over going concern or significant judgements or estimates on the assessment were identified. Accordingly, the company will be able to draw on support from the bp group for the foreseeable future and these financial statements have therefore been prepared on a going concern basis.

BP Mauritania Investments Limited is a wholly owned subsidiary of BP Exploration Operating Company Limited whose ultimate controlling parent is BP p.l.c. There are no external funding arrangements with third parties. There is an Intra Group Current Account Facility / Internal Financing Accounts (IFA) Agreement in place between BP International Limited and BP Mauritania Investments Limited which contains an overdraft facility.

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

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

Future developments

The directors consider that, despite the uncertainties deriving from the current economic environment and the loss reported for the year 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.

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

Business update

The Greater Tortue Ahmeyim (GTA) Project continues to progress with Phase 1 where 15 out of 21 caissons were installed at the offshore Hub at the end of 2021. On Phase 2, work is ongoing to develop a technically and commercially viable concept.

As a result of impairment tests that have been performed on the GTA (Tortue) Cash Generating Unit (CGU) in 2020 and 2021, as at 31 December 2021 the tangible and intangible assets in relation to the GTA project have been fully impaired. Following the 4th quarter of 2021 impairment test, we recorded an onerous contract provision of \$190.5 million.

DIRECTORS' REPORT

In 3rd quarter of 2021 the subsurface technical review concluded on block C12 and the decision was made not to drill an exploration well. As a result an Exploration Write Off (EWO) of \$10.4 million and penalty provision of \$15.2 million was booked in relation to the Minimum Work Obligation (MWO). For block C13, the MWO of \$20 million was settled and we now have fully relinquished C13.

On C8, we are in 3rd Phase of Exploration licence with the licence due to expire on 14th June 2022. The government has offered a new two year exploration authorization under a new PSC with substantially the same terms of the expired C8 PSC and discussions are ongoing.

On 6th August 2021, BPMIL, as the operator of the GTA project with the consent of the GTA Unit participants and respective States entered into a forward sale and leaseback with GTA FPSO Company Ltd (a fellow subsidiary of BP plc.) for the Tortue floating production, storage and offloading (FPSO) unit. Under the terms of the contract, BPMIL received an upfront payment representing the value of FPSO capital expenditure incurred by the Joint Operation up to the date of the transaction agreement and will receive the remaining payments in line with the payments due to the contractor responsible for constructing the FPSO. The GTA Joint Operation via BPMIL remains the legal and registered owner of the FPSO until construction is completed and the vessel is delivered. Once complete and delivered (expected in 2023), the legal title of the FPSO will be transferred from GTA Joint Operation to the GTA FPSO Company Ltd and BPMIL will lease the FPSO for a minimum 15 year term.

Financial risk management

The company is exposed to a number of different financial risks arising from natural business exposures as well as its use of financial instruments including market risks relating to commodity prices, foreign currency exchange rates and interest rates; credit risk; and liquidity risk. Further details on these financial risks are included within Note 28 of the bp group Annual Report and Form 20-F for the year ended 31 December 2021.

Prices and markets

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

Liquidity, financial capacity and financial, including credit, exposure

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

Auditors

Pursuant to section 487 of the Companies Act 2006, Deloitte LLP have expressed their willingness to continue in office as auditors and are therefore deemed reappointed as auditors.

DIRECTORS' REPORT

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

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

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of the auditor's report of which the company's auditor is unaware; and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with section 418 of the Companies Act 2006.

Authorized for issue on behalf of the Board

Emil Ismayilov

E I O Ismayilov
Director

September 29, 2022

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

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

BP MAURITANIA INVESTMENTS LIMITED

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with these requirements. Details of the directors' assessment of going concern are provided in the directors' report.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BP MAURITANIA INVESTMENTS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of BP Mauritania Investments Limited (the company):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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 contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These include UK Companies Act, pensions legislation, tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

INDEPENDENT AUDITOR'S REPORT

Report on other legal and regulatory requirements

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

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit;
- the directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a strategic report.

We have nothing to report in respect of these matters.

Use of our report

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

Mikhail Raikhman

Mikhail Raikhman, CA

for and on behalf of

London, United Kingdom

Deloitte LLP

(Senior Statutory Auditor)

Statutory Auditor

September 29, 2022

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2021
BP MAURITANIA INVESTMENTS LIMITED

	Note	<u>2021</u> \$000	<u>2020</u> \$000
Exploration expenses	7	(13,929)	(23,836)
Administrative expenses		(221,436)	(44,622)
Impairment of intangible assets	10	(11,192)	(176,693)
Impairment of tangible assets	11	(404,252)	(956,632)
Reorganisation / restructuring costs		(1,596)	(9,948)
Operating loss	3	<u>(652,405)</u>	<u>(1,211,731)</u>
Interest receivable and similar income	5	11,641	—
Interest payable and similar expenses	6	<u>(68,413)</u>	<u>(465)</u>
Loss before taxation		<u>(709,177)</u>	<u>(1,212,196)</u>
Taxation	8	105,084	301,857
Loss for the financial year		<u><u>(604,093)</u></u>	<u><u>(910,339)</u></u>

The loss of \$604,093 thousand for the year ended 31 December 2021 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2021

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

BALANCE SHEET**AS AT 31 DECEMBER 2021****BP MAURITANIA INVESTMENTS LIMITED****(Registered No.10519279)**

	Note	2021 \$000	2020 \$000
Fixed assets			
Intangible assets	10	93,127	100,441
Tangible assets	11	1,770	2,715
		<u>94,897</u>	<u>103,156</u>
Current assets			
Stocks	12	7,919	5,386
Debtors – amounts falling due:			
within one year	13	216,821	242,189
after one year	13	685,265	—
Deferred tax assets	8	406,941	301,857
Cash at bank and in hand		353,709	6,597
		<u>1,670,655</u>	<u>556,029</u>
Creditors: amounts falling due within one year	14	(871,062)	(1,215,175)
Lease liabilities	15	(1,521)	(1,567)
Net current assets/(liabilities)		<u>798,072</u>	<u>(660,713)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>892,969</u>	<u>(557,557)</u>
Creditors: amounts falling due after more than one year	14	(965,097)	—
Lease liabilities	15	(154)	(1,004)
Provisions for liabilities and charges			
Other provisions	17	(221,742)	(21,726)
NET LIABILITIES		<u>(294,024)</u>	<u>(580,287)</u>
Capital and reserves			
Called up share capital	18	1,490,356	600,000
Profit and loss account	19	(1,784,380)	(1,180,287)
TOTAL EQUITY		<u>(294,024)</u>	<u>(580,287)</u>

Authorized for issue on behalf of the Board

*Emil Ismayilov*E I O Ismayilov
Director

September 29, 2022

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021
BP MAURITANIA INVESTMENTS LIMITED

	Called up share capital (Note 18)	Profit and loss account (Note 19)	Total
	\$000	\$000	\$000
Balance at 1 January 2020	600,000	(269,948)	330,052
Loss for the year, representing total comprehensive income	—	(910,339)	(910,339)
Balance at 31 December 2020	600,000	(1,180,287)	(580,287)
Loss for the year, representing total comprehensive income	—	(604,093)	(604,093)
Issue of share capital	890,356	—	890,356
Balance at 31 December 2021	<u>1,490,356</u>	<u>(1,784,380)</u>	<u>(294,024)</u>

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2021****BP MAURITANIA INVESTMENTS LIMITED****1. Authorisation of financial statements and statement of compliance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101)**

The financial statements of BP Mauritania Investments Limited for the year ended 31 December 2021 were approved by the board of directors on 29/09/2022 and the balance sheet was signed on the board's behalf by E I O Ismayilov. BP Mauritania Investments Limited is a private limited company incorporated, domiciled and registered in England and Wales (registered number 10519279). 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.

Principal activity

The company was incorporated on 9 December 2016. The company is engaged in the exploration for and appraisal of hydrocarbons in Mauritania. BP Mauritania Investments Limited (BPMIL) is a UK entity with an overseas branch in Mauritania.

A Drill Stem Test was performed in the Tortue / Ahmeyim gas discovery in August 2017, located offshore on the border between Mauritania (C-8 block) and Senegal (Saint Louis Profond block). bp completed significant engineering design towards the Tortue / Ahmeyim project, an integrated gas value chain and near-shore liquefied natural gas (LNG) development which would export LNG to global markets as well as supplying gas to Senegal and Mauritania.

In December 2018 bp and partners announced that the final investment decision (FID) for Phase 1 of the crossborder Greater Tortue Ahmeyim development had been agreed, the parties continued to finalise agreements and obtained final regulatory and contract approvals on 20 February 2019. The FID was made following agreement between the Mauritanian and Senegalese governments and partners bp, Kosmos Energy and National Oil Companies, Petrosen and Societe Mauritanienne des Hydrocarbures et de Patrimoine Minier (SMHPM).

The project will produce gas from an ultra-deepwater subsea system and mid-water floating production, storage and offloading (FPSO) vessel. The gas will then be transferred to a floating liquefied natural gas (FLNG) facility at a near-shore hub located on the Mauritania and Senegal maritime border. The FLNG facility is designed to provide approximately 2.5 million tonnes of LNG per annum on average. The project, the first major gas project to reach FID in the basin, is planned to provide LNG for global export as well as making gas available for domestic use in both Mauritania and Senegal.

On 1 July 2019 the national oil company of Mauritania (Societe Mauritanienne des Hydrocarbures et de Patrimoine Minier (SMHPM)) exercised their option to participate in the crossborder Greater Tortue Ahmeyim development thereby granting the national oil company (NOC) a 7% equity interest in the development.

On 1 July 2019, bp confirmed the GTA-1 (bp 56% and operator) appraisal well, encountered approximately 30 metres of net gas pay in high-quality Albion reservoir confirming gas resource expectations.

On 16 December 2019, bp confirmed the successful result of the Orca-1 appraisal well located in block C8 (bp 62% and operator) in the Bir Allah appraisal area offshore Mauritania. The well successfully encountered all five of the gas sands originally targeted. The well was then further deepened to reach an additional target, which also encountered gas.

On 6th August 2021, BP Mauritania Limited (BPMIL), as the operator of the Greater Tortue Ahmeyim (GTA) project with the consent of the GTA Unit participants and respective States entered into a forward sale and leaseback with GTA FPSO Company Limited for the Tortue floating production, storage and

NOTES TO THE FINANCIAL STATEMENTS

offloading (FPSO) unit. Under the terms of the contract, BPMIL received an upfront payment representing the value of FPSO capital expenditure incurred by the Joint Operation up to the date of the transaction agreement and will receive the remaining payments in line with the payments due to the contractor responsible for constructing the FPSO.

2. Significant accounting policies, judgements, estimates and assumptions

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

Basis of preparation

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

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

The company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared under the historical cost convention in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework and the Companies Act 2006. 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 IAS 7 Statement of Cash Flows;
- b. the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement;
- c. the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;;
- d. the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - a. paragraph 79(a)(iv) of IAS 1;
 - b. paragraph 73(e) of IAS 16 Property, Plant and Equipment;; and
 - c. 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 paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective;;
- h. The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases, and
- i. The requirements of paragraph 58 of IFRS 16 Leases, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.
- j. the requirements of IFRS 7 Financial Instruments: Disclosures
- k. the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement;
- l. 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;
- m. the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c)-135(e) of IAS 36, Impairment of Assets;

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 22.

NOTES TO THE FINANCIAL STATEMENTS

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

Significant accounting policies: use of judgements, estimates and assumptions

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

The areas requiring the most significant judgement and estimation in the preparation of the financial statements are: exploration and appraisal intangible assets; the recoverability of asset carrying values, including the estimation of reserves; provisions.

Judgements and estimates, not all of which are significant, made in assessing the impact of the COVID-19 pandemic, and climate change and the energy transition on the financial statements are also set out in boxed text below. Where an estimate has a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year this is specifically noted within the boxed text.

Judgements and estimates made in assessing the impact of climate change and the energy transition

Climate change, the energy transition, bp's strategy to 2030 and ambition to become a net-zero company by 2050 or sooner were considered in preparing the financial statements. These issues may also have significant impacts on the currently reported amounts of the company's assets and liabilities discussed below as well as similar assets and liabilities that may be recognized in the future. bp's assumptions for investment appraisal help create an investment decision making framework for currently unsanctioned future capital expenditure on property, plant and equipment, and intangibles including exploration and appraisal assets, that is designed to support the effective and resilient implementation of bp's strategy. The oil and gas price assumptions used for investment appraisal are producer prices and are therefore net of any carbon prices that the market price may include. bp's oil and gas price assumptions for value-in-use impairment testing are aligned with those investment appraisal assumptions, except for the assumptions for future carbon emission costs described below.

NOTES TO THE FINANCIAL STATEMENTS

Impairment of property, plant and equipment

The energy transition is likely to impact the future prices of commodities such as oil and natural gas which in turn may affect the recoverable amount of property, plant and equipment, and goodwill in the oil and gas industry. bp's best estimate oil price assumptions for value-in-use impairment testing were revised during 2021. The assumption up to 2030 was increased to reflect near-term supply constraints whereas the long-term assumption was decreased as bp's management expects an acceleration of the pace of transition to a lower carbon economy. Henry Hub gas price assumptions remain unchanged from 2020 except that the assumption for 2022 has been increased to reflect short term market conditions. The revised assumptions sit within the range of external forecasts considered by management and are in line with a range of transition paths consistent with the goal of the Paris climate change agreement of limiting global warming to well below 2°C as well as the ambition to limit global warming to no greater than 1.5°C. See significant judgements and estimates: recoverability of asset carrying values for further information including sensitivity analysis in relation to reasonably possible changes in the price assumptions.

In order to incentivise engineering solutions to mitigate carbon emissions on projects, the group's investment appraisal process includes a single carbon emissions price assumption for the investment economics which is applied to bp scope 1 and 2 emission forecasts where they exceed defined thresholds, and is assumed to be payable by bp as the producer. However, for value-in-use impairment testing on bp's existing cash generating units (CGUs), consistent with all other relevant cash flows estimated, bp is required to reflect management's best estimate of any expected applicable carbon emission costs payable by bp in the future for each jurisdiction in which the group has interests. This requires management's best estimate of how future changes to relevant carbon emission cost policies and/or legislation are likely to affect the future cash flows of the group's applicable CGUs, whether currently enacted or not. Future potential carbon pricing and/or costs of carbon emissions allowances are included in the value-in-use calculations to the extent management has sufficient information to make such an estimate. Currently this results in limited application of carbon price assumptions in value-in-use impairment tests given that carbon pricing legislation in most jurisdictions where the group has interests is not in place and there is not sufficient information available as to the relevant policy makers' future intentions regarding carbon pricing to support an estimate.

Impairments were recognized during 2021 on certain upstream oil and gas properties as a result of the long-term price assumptions. Impairment reversals were recognized on certain other upstream oil and gas properties as a result of the higher near-term assumptions. See note 11 for further information.

Management will continue to review price assumptions as the energy transition progresses and this may result in impairment charges or reversals in the future.

Exploration and appraisal intangible assets

The energy transition may affect the future development or viability of exploration prospects. A significant proportion of exploration and appraisal intangible assets were written off in 2020 as a result of lower price assumptions and work to develop bp's new strategy. The recoverability of the remaining intangibles was considered during 2021 and no significant write-offs were identified. These assets will continue to be assessed as the energy transition progresses. See significant judgement: exploration and appraisal intangible assets and note 11 for further information.

Oil and natural gas price assumptions

The price assumptions for Brent oil up to 2030 and Henry Hub gas for 2022 used in value-in-use impairment testing were revised upwards during the year, in part due to near-term supply constraints and short term market conditions. Impairment reversals were recognized on certain upstream oil and gas properties as a consequence of these price assumptions changes. See significant judgements and estimates:

Provisions: decommissioning

The energy transition may bring forward the decommissioning of oil and gas industry assets thereby increasing the present value of associated decommissioning provisions. The majority of bp's existing upstream oil and gas properties are expected to start decommissioning within the next two decades and bp's expectation to reduce hydrocarbon production by 40% by 2030 through active management and high-grading of the portfolio, has not currently materially brought forward the expected timing of decommissioning expenditures for the upstream assets in bp's portfolio. Management does not expect any reasonable change in the expected timing of decommissioning to have a material effect on the upstream decommissioning provisions, assuming cash flows remain unchanged. Decommissioning cost estimates are

NOTES TO THE FINANCIAL STATEMENTS

based on the known regulatory and external environment. These cost estimates may change in the future, including as a result of the transition to a lower carbon economy. Management will continue to review facts and circumstances to assess if decommissioning provisions need to be recognized. See significant judgements and estimates: provisions for further information.

Discount rate assumptions

The discount rates used for impairment testing and provisions were reassessed during the year in light of changing economic and geopolitical outlooks. The nominal discount rate applied to provisions was reduced during the year to reflect the enduring reduction in US Treasury yields. The principal impact of this rate reduction was at group level a \$1.3 billion increase in the decommissioning provision with a corresponding increase in the carrying amount of property, plant and equipment of \$1.0 billion. Impairment discount rates and country risk premiums were unchanged from those reported in 2020. See significant judgements and estimates: recoverability of asset carrying values and provisions for further information.

Income taxes

The carrying amounts of the group's deferred tax assets were reviewed and updated to the extent that there are changes in the probability of sufficient taxable profits being available to utilize the reported deferred tax assets. Management does not consider the measurement of deferred tax assets to be a significant accounting estimate. See significant accounting policy: income taxes and note 8 for further information.

Significant accounting policies

Going concern

The directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. The current economic and geopolitical environment, as well as the ongoing impact of COVID 19 were considered as part of the going concern assessment.

Liquidity and financing is managed within the bp Group under pooled group-wide arrangements which include the company. As part of the going concern basis of preparation for the company, the ability and intent of the bp Group to support the company has also been taken into consideration. The most recent bp Group financial statements continue to be prepared on a going concern basis. Forecast liquidity of the bp Group has been assessed under a number of stressed scenarios, including a significant decline in oil prices over the 12-month period from the date these financial statements were approved. Reverse stress tests performed indicated that the bp Group will continue to operate as a going concern for at least 12 months from the date of approval of the financial statements even if the Brent price fell to zero. In addition, bp Group management have confirmed the existing intra-group funding and liquidity arrangements as currently constituted are expected to be maintained for the foreseeable future, being no less than twelve months from the approval of these financial statements. No material uncertainties over going concern or significant judgements or estimates on the assessment were identified. Accordingly, the company will be able to draw on support from the bp Group for the foreseeable future and these financial statements have therefore been prepared on a going concern basis.

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

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

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.

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

Investments

Interests in joint arrangements

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

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

Intangible assets

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

For information on accounting for expenditures on the exploration for and evaluation of oil and natural gas resources, see the accounting policy for oil and natural gas exploration, appraisal and development expenditure below.

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

Intangible assets are carried initially at cost.

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

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

Oil and natural gas exploration and appraisal expenditure

Oil and natural gas exploration and appraisal expenditure is accounted for using the principles of the successful efforts method of accounting as described below.

NOTES TO THE FINANCIAL STATEMENTS

Licence and property acquisition costs

Exploration licence and leasehold property acquisition costs are initially capitalized within intangible assets and are reviewed at each reporting date to confirm that there is no indication that the carrying amount exceeds the recoverable amount. This review includes confirming that exploration drilling is still under way or firmly planned or that it has been determined, or work is under way to determine, that the discovery is economically viable based on a range of technical and commercial considerations and sufficient progress is being made on establishing development plans and timing. If no future activity is planned, the remaining balance of the licence and property acquisition costs is written off. Lower value licences are pooled and amortized on a straight-line basis over the estimated period of exploration. Upon internal approval for development and recognition of proved reserves of oil and natural gas, the relevant expenditure is transferred to tangible assets.

Exploration and appraisal expenditure

Geological and geophysical exploration costs are charged to the profit and loss account as incurred. Costs directly associated with an exploration well are capitalized as an intangible asset until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. If potentially commercial quantities of hydrocarbons are not found, the exploration well costs are written off. If hydrocarbons are found and, subject to further appraisal activity, are likely to be capable of commercial development, the costs continue to be carried as an asset. If it is determined that development will not occur then the costs are expensed.

Costs directly associated with appraisal activity undertaken to determine the size, characteristics and commercial potential of a reservoir following the initial discovery of hydrocarbons, including the costs of appraisal wells where hydrocarbons were not found, are initially capitalized as an intangible asset. Upon internal approval for development and recognition of proved reserves, the relevant expenditure is transferred to tangible assets.

The determination of whether potentially economic oil and natural gas reserves have been discovered by an exploration well is usually made within one year of well completion, but can take longer, depending on the complexity of the geological structure. Exploration wells that discover potentially economic quantities of oil and natural gas and are in areas where major capital expenditure (e.g. an offshore platform or a pipeline) would be required before production could begin, and where the economic viability of that major capital expenditure depends on the successful completion of further exploration or appraisal work in the area, remain capitalized on the balance sheet as long as such work is under way or firmly planned.

Significant judgement: exploration and appraisal intangible assets

Judgement is required to determine whether it is appropriate to continue to carry costs associated with exploration wells and exploratory type stratigraphic test wells on the balance sheet. This includes costs relating to exploration licences or leasehold property acquisitions. It is not unusual to have such costs remaining suspended on the balance sheet for several years while additional appraisal drilling and seismic work on the potential oil and natural gas field is performed or while the optimum development plans and timing are established. The costs are carried based on the current regulatory and political environment or any known changes to that environment. All such carried costs are subject to regular technical, commercial and management review on at least an annual basis to confirm the continued intent to develop, or otherwise extract value from, the discovery. Where this is no longer the case, the costs are immediately expensed.

As a result of the revised price assumptions detailed in Significant judgements and estimates: recoverability of asset carrying values below and a review of bp's long-term strategic plan, management reviewed the company's exploration prospects and the carrying value of the associated intangible assets. The outcome of the review resulted in revised judgements over management's expectations to extract value from certain prospects, thereby leading to material write-offs of the associated exploration and appraisal intangible assets in 2021.

The carrying amount of capitalized costs and further information on the write-offs are included in Note 7 and 10.

NOTES TO THE FINANCIAL STATEMENTS

Tangible assets

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

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

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

Expenditure on the construction, installation and completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including service and unsuccessful development or delineation wells, is capitalized within property, plant and equipment and is depreciated from the commencement of production.

Oil and natural gas properties, including related pipelines, are depreciated using a unit-of-production method. The cost of producing wells is amortized over proved developed reserves. Licence acquisition, common facilities and future decommissioning costs are amortized over total proved reserves. The unit-of-production rate for the depreciation of common facilities takes into account expenditures incurred to date, together with estimated future capital expenditure expected to be incurred relating to as yet undeveloped reserves expected to be processed through these common facilities.

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:

Fixtures and fittings

Fixtures and fittings 4 years

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Impairment of intangible and tangible assets

The company assesses assets or groups of assets, called cash-generating units (CGUs) for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, for example, changes in the company's business plans, changes in commodity prices, evidence of physical damage or increases in estimated future development expenditure. If any such indication of impairment exists, the company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. An asset group's recoverable amount is the higher of its fair value less costs to sell and its value in use. If it is probable that the value of the CGU will primarily be recovered through a disposal transaction, the expected disposal proceeds are considered in determining the recoverable amount. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount.

The business segment plans, which are approved on an annual basis by senior management, are the primary source of information for the determination of value in use. They contain forecasts for oil and natural gas production, refinery throughputs, sales volumes for various types of refined products (e.g. gasoline and lubricants), revenues, costs and capital expenditure. Carbon taxes and costs of emissions allowances are also included in estimates of future cash flows, based on the regulatory environment in each jurisdiction in which the group operates. As an initial step in the preparation of these plans, various assumptions regarding market conditions, such as oil prices, natural gas prices, refining margins, refined product margins and cost inflation rates are set by senior management. These assumptions take account of existing prices, global supply-demand equilibrium for oil and natural gas, other macroeconomic factors and historical trends and variability. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group that are not reflected in the discount rate and are discounted to their present value typically using a pre-tax discount rate that reflects current market assessments of the time value of money.

Fair value less costs to sell is identified as the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general. In limited circumstances where recent market transactions are not available for reference, discounted cash flow techniques are applied. Where discounted cash flow analyses are used to calculate fair value less costs of disposal, estimates are made about the assumptions market participants would use when pricing the asset, CGU or group of CGUs containing goodwill and the test is performed on a post-tax basis.

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

NOTES TO THE FINANCIAL STATEMENTS

Significant judgements and estimates: recoverability of asset carrying values

Determination as to whether, and how much, an asset, CGU, or group of CGUs containing goodwill is impaired involves management estimates on highly uncertain matters such as the effects of inflation and deflation on operating expenses, discount rates, capital expenditure, carbon pricing (where applicable), production profiles, reserves and resources, and future commodity prices, including the outlook for global or regional market supply-and-demand conditions for crude oil, natural gas and refined products. Judgement is required when determining the appropriate grouping of assets into a CGU or the appropriate grouping of CGUs for impairment testing purposes. For example, individual oil and gas properties may form separate CGUs whilst certain oil and gas properties with shared infrastructure may be grouped together to form a single CGU. Alternative groupings of assets or CGUs may result in a different outcome from impairment testing.

The recoverable amount of an asset is the higher of its value in use and its fair value less costs of disposal. Fair value less costs of disposal may be determined based on expected sales proceeds or similar recent market transaction data.

Details of impairment charges and reversals recognized in the profit and loss account are provided in Note 3 and details of the carrying amounts of assets are shown in Note 10 and Note 11.

The estimates for assumptions made in impairment tests in 2021 relating to discount rates and oil and gas properties are discussed below. Changes in the economic environment including as a result of the energy transition or other facts and circumstances may necessitate revisions to these assumptions and could result in a material change to the carrying values of the company's assets within the next financial year.

Discount rates

For discounted cash flow calculations, future cash flows are adjusted for risks specific to the CGU. Value-in-use calculations are typically discounted using a pre-tax discount rate based upon the cost of funding the bp group derived from an established model, adjusted to a pre-tax basis and incorporating a market participant capital structure and country risk premiums. Fair value less costs of disposal calculations use the post-tax discount rate.

The discount rates applied in impairment tests are reassessed each year and in 2021 the post-tax discount rate used was 7% (2020 7%) and the pre-tax discount rate for Mauritania CGU was 8% (2020: 9%).

Oil and natural gas properties

For oil and natural gas properties expected future cash flows are estimated using management's best estimate of future oil and natural gas prices, and production and certain resources volumes. The estimated future level of production is based on assumptions about future commodity prices, production and development costs, field decline rates, current fiscal regimes and other factors.

A change in the discount rate, reserves, resources or the oil and gas price assumptions in the next financial year may result in a recoverable amount of above the current carrying amount and therefore there is a significant risk of impairment reversals in that period.

The recoverability of intangible exploration and appraisal expenditure is covered under Oil and natural gas exploration, appraisal and development expenditure above.

Information on the carrying amounts of the company's oil and natural gas properties, together with the amounts recognized as depreciation, depletion and amortization is contained in Note 11.

NOTES TO THE FINANCIAL STATEMENTS*Oil and natural gas prices*

The price assumptions used for value in use impairment testing are based on those used for investment appraisal. bp's carbon emissions cost assumptions and their interrelationship with oil and gas prices are described in 'Judgements and estimates made in assessing the impact of climate change and the transition to a lower carbon economy' on page 14. The investment appraisal price assumptions are recommended by the bp group senior vice president economic & energy insights after considering a range of external price, and supply and demand forecasts under various energy transition scenarios. They are reviewed and approved by management. As a result of the current uncertainty over the pace of transition to lower-carbon supply and demand and the social, political and environmental actions that will be taken to meet the goals of the Paris climate change agreement, the forecasts and scenarios considered include those where those goals are met as well as those where they are not met.

During the year, bp's price assumptions applied in value in use impairment testing for Brent oil up to 2030 were increased to reflect near-term supply constraints. bp's management also expects an acceleration of the pace of transition to a lower carbon economy. As such, the long-term Brent oil assumptions were decreased during the year, reaching \$55 per barrel by 2040 and \$45 per barrel by 2050 (in 2020 real terms). The price assumptions applied in value in use impairment test for Henry Hub gas were unchanged to those used in 2020 except that the assumption for 2022 was increased to reflect short term market condition.

These price assumptions are derived from the central case investment appraisal assumptions (see page 32 of the bp group Annual Report and Form 20-F for the year ended 31 December 2021). A summary of the group's revised price assumptions applied in 2021 and 2020, in real 2020 terms, is provided below. The assumptions represent management's best estimate of future prices, which sit within the range of external forecasts considered as appropriate for the purpose. They are considered by bp to be in line with a range of transition paths consistent with the Paris climate goal of limiting global warming to well below 2°C as well as the ambition to limit global warming to no greater than 1.5°C. An inflation rate of 2% (2020 2%) is applied to determine the price assumptions in nominal terms.

2021 price assumptions	2022	2025	2030	2040	2050
Brent oil (\$/bbl)	70	60	60	55	45
Henry Hub gas (\$/mmBtu)	4	3	3	3	2.75
2020 price assumptions	2021	2025	2030	2040	2050
Brent oil (\$/bbl)	50	50	60	60	50
Henry Hub gas (\$/mmBtu)	3.00	3.00	3.00	3.00	2.75

The majority of bp's reserves and resources that support the carrying value of the group's existing oil and gas properties are expected to be produced over the next 10 years.

The oil market continued its rebalancing process in 2021. Oil prices averaged \$70/bbl in 2021. That is 70% higher than in 2020 and the second highest since 2015. Oil demand rebounded on the back of the economic recovery, supported by the increasing COVID-19 vaccination roll-out and gradual lifting of restrictions. On the supply side, continued active supply management by OPEC+ countries also helped accelerate the rebalancing process. bp's long-term assumption for oil prices is lower than the 2021 price average, based on the judgement that, in the long term, oil demand is likely to fall so that the price levels needed to encourage sufficient investment to meet declining global oil demand is also lower.

US gas prices almost doubled in 2021 to \$3.9/mmBtu from \$2.0/mmBtu in 2020. The higher prices reflect a much tighter demand/supply balance for 2021 when compared to 2020. Early in the year, colder weather increased demand and decreased supply resulting in a large draw on storage and therefore the need to replenish it over the summer. Strong global GDP recovery also saw a recovery in LNG exports from the US relative to the shut-ins in 2020. Further, higher coal prices also supported gas prices through competition in the power sector. The level of US gas prices in 2021 is above bp's long term price assumption based on the judgement of the price level required to incentivize new production.

NOTES TO THE FINANCIAL STATEMENTS

Oil and natural gas reserves

In addition to oil and natural gas prices, significant technical and commercial assessments are required to determine the group's estimated oil and natural gas reserves. Reserves estimates are regularly reviewed and updated. Factors such as the availability of geological and engineering data, reservoir performance data, acquisition and divestment activity and drilling of new wells all impact on the determination of the company's estimates of its oil and natural gas reserves. bp bases its reserves estimates on the requirement of reasonable certainty with rigorous technical and commercial assessments based on conventional industry practice and regulatory requirements.

Reserves assumptions for value-in-use tests reflect the reserves and resources that management currently intend to develop. The recoverable amount of oil and gas properties is determined using a combination of inputs including reserves, resources and production volumes. Risk factors may be applied to reserves and resources which do not meet the criteria to be treated as proved.

Sensitivity analyses

Management considers discount rates, oil and natural gas prices and production to be the key sources of estimation uncertainty in determining the recoverable amount of upstream oil and gas assets. The sensitivity analyses below, in addition to covering the key sources of estimation uncertainty, also indicate how the energy transition, potential future carbon emissions costs and/or reduced demand for oil and gas may further impact forecast revenue cash inflows to a greater extent than currently anticipated in the group's value-in-use estimates for oil and gas CGUs, if carbon emissions costs were to be implemented as a deduction against revenue cash flows. The analyses therefore represents a net revenue sensitivity.

A change in net revenue from upstream oil and gas properties can arise either due to changes in oil and natural gas prices, carbon emissions costs/carbon prices, changes in oil and natural gas production, or a combination of these.

Management tested the impact of a change in revenue cash flows in value-in-use impairment testing arising from changes in price assumptions up to a combined effect on revenue of 10%.

Net revenue reductions of this magnitude in isolation could indicatively lead to a reduction in the carrying amount of the company's upstream oil and gas properties in the range of \$Nil-\$209 million, which is approximately 46% of the net book value of tangible assets as at 31 December 2021. If this net revenue reduction was solely due to reductions in oil and natural gas prices in isolation, it reflects an indicative decrease in the carrying amount of using price assumptions broadly in the middle of the range of WBCSD external scenarios for Brent oil considered to be consistent with the Paris climate ambition of limiting global warming to no more than 1.5°C.

These sensitivity analyses do not, however, represent management's best estimate of any impairment charges or reversals that might be recognized as they do not fully incorporate consequential changes that may arise, such as changes in costs and business plans and phasing of development. For example, costs across the industry are more likely to decrease as oil and natural gas prices fall. The analyses also assume the impact of increases in carbon price are fully absorbed as a decrease in net revenue (and vice versa) rather than reflecting how carbon prices or other carbon emissions costs may ultimately be incorporated by the market. The above sensitivity analyses therefore also do not reflect a linear relationship between revenue and value that can be extrapolated. The interdependency of these inputs and risk factors plus the diverse characteristics of our Upstream oil and gas properties limits the practicability of estimating the probability or extent to which the overall recoverable amount is impacted by changes to the price assumptions or production volumes.

Management also tested the impact of a one percentage point change in the discount rate used for value-in-use impairment testing of Upstream oil and gas properties. If the discount rate was one percentage point higher across the tests performed, the impairment charge recognized in 2021 would have been \$Nil million higher. If the discount rate was one percentage point lower, the impairment charge recognized would have been approximately \$123 million lower.

Stocks

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

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Leases

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

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

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

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

The right-of-use asset is recognized on the balance sheet as property, plant and equipment at a value equivalent to the initial measurement of the lease liability adjusted for lease prepayments, lease incentives, initial direct costs and any restoration obligations. The right-of-use asset is depreciated typically on a straight-line basis, over the lease term. The depreciation charge is recognized in the income statement, except where capitalized as exploration and appraisal expenditure. Right-of-use assets are assessed for impairment in line with the accounting policy for impairment of property, plant and equipment, intangible assets.

If the lease term at commencement of the agreement is less than 12 months, a lease liability and right-of-use asset are not recognized, and a lease expense is recognized in the income statement on a straight-line basis. If a significant event or change in circumstances, within the control of bp, arises that affects the reasonably certain lease term or there are changes to the lease payments, the present value of the lease liability is remeasured using the revised term and payments, with the right-of use asset adjusted by an equivalent amount.

Modifications to a lease agreement beyond the original terms and conditions are accounted for as a re-measurement of the lease liability with a corresponding adjustment to the right-of-use asset. Any gain or loss on modification is recognized in the income statement. Modifications that increase the scope of the lease at a price commensurate with the stand-alone selling price are accounted for as a separate new lease.

The company recognizes the full lease liability, rather than its working interest share, for leases entered into on behalf of a joint operation if the company has the primary responsibility for making the lease payments. In such cases, the company's working interest share of the right-of-use asset is recognized if it is jointly controlled by the company and the other joint operators, and a receivable is recognized for the share of the asset transferred to the other joint operators. If the company is a non-operator, a payable to the operator is recognized if they have the primary responsibility for making the lease payments and the company has joint control over the right-of-use asset, otherwise no balances are recognized.

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Financial assets

Financial assets are recognized initially at fair value, normally being the transaction price. In the case of financial assets not at fair value through profit or loss, directly attributable transaction costs are also included. The subsequent measurement of financial assets depends on their classification, as set out below. The company derecognizes financial assets when the contractual rights to the cash flows expire or the rights to receive cash flows have been transferred to a third party along with either substantially all of the risks and rewards or control of the asset. This includes the derecognition of receivables for which discounting arrangements are entered into.

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

Financial assets measured at amortized cost

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

Investments in equity instruments

Investments in equity instruments are subsequently measured at fair value through profit or loss unless an election is made on an instrument-by-instrument basis to recognize fair value gains and losses in other comprehensive income. The company does not have any investments for which this election has been made.

Impairment of financial assets measured at amortized cost

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

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

Financial liabilities

The measurement of financial liabilities is as follows:

Financial liabilities measured at amortized cost

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

NOTES TO THE FINANCIAL STATEMENTS

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

Offsetting of financial assets and liabilities

Financial assets and liabilities are presented gross in the balance sheet unless both of the following criteria are met: the company currently has a legally enforceable right to set off the recognized amounts; and the company intends to either settle on a net basis or realize the asset and settle the liability simultaneously. If both of the criteria are met, the amounts are set off and presented net. A right of set off is the company's legal right to settle an amount payable to a creditor by applying against it an amount receivable from the same counterparty. The relevant legal jurisdiction and laws applicable to the relationships between the parties are considered when assessing whether a current legally enforceable right to set off exists.

Provisions and contingent liabilities

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax risk-free rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized in the profit and loss account. Provisions are discounted using a nominal discount rate of 2.0% (2020 2.5%).

Decommissioning

Liabilities for decommissioning costs are recognized when the company has an obligation to plug and abandon a well, dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reliable estimate of that liability can be made. Where an obligation exists for a new facility or item of plant, such as oil and natural gas production or transportation facilities, this liability will be recognized on construction or installation. Similarly, where obligation exists for a well, this liability is recognized when it is drilled. An obligation for decommissioning may also crystallise during the period of operation of a well, facility or item of plant through a change in legislation or through a decision to terminate operations; an obligation may also arise in cases where an asset has been sold but the subsequent owner is no longer able to fulfil its decommissioning obligations, for example due to bankruptcy. The amount recognized is the present value of the estimated future expenditure determined in accordance with the local conditions and requirements. The provision for the costs of decommissioning wells, production facilities and pipelines at the end of their economic lives is estimated using existing technology, at future prices, depending on the expected timing of the activity, and discounted using the nominal discount rate.

An amount equivalent to the decommissioning provision is recognized as part of the corresponding intangible asset (in the case of an exploration or appraisal well) or property, plant and equipment. The decommissioning portion of the property, plant and equipment is subsequently depreciated at the same rate as the rest of the asset. Other than the unwinding of discount on or utilisation of the provision, any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the corresponding asset where that asset is generating or is expected to generate future economic benefits.

Restructuring provisions

The reinvent bp programme, expected to reduce the group headcount by around 10,000 positions, has resulted in recognition of provisions, primarily in the comparative period, where a detailed formal plan exists, and valid expectation of risk of redundancy has been made to those affected but where the specific outcomes remain uncertain. Where formal redundancy offers have been made, the obligations for those amounts are reported as payables and, if not, as provisions if unpaid at the year-end.

NOTES TO THE FINANCIAL STATEMENTS***Significant judgements and estimates: provisions***

The company holds provisions for the future decommissioning of oil and natural gas production facilities and pipelines at the end of their economic lives. The largest decommissioning obligations facing the company relate to the plugging and abandonment of wells and the removal and disposal of oil and natural gas platforms and pipelines. Most of these decommissioning events are many years in the future and the precise requirements that will have to be met when the removal event occurs are uncertain. Decommissioning technologies and costs are constantly changing, as well as political, environmental, safety and public expectations. The timing and amounts of future cash flows are subject to significant uncertainty and estimation if required in determining the amounts of provisions to be recognized. Any changes in the expected future costs are reflected in both the provision and the asset.

The timing and amount of future expenditures relating to decommissioning and environmental liabilities are reviewed annually, together with the rate used in discounting the cash flows. The interest rate used to determine the balance sheet obligations at the end of 2021 was a nominal rate of 2.0% (2020 2.5%), which was based on long-dated US government bonds. The weighted average period over which decommissioning and environmental costs are generally expected to be incurred is estimated to be approximately 24 years. Costs at future prices are determined by applying an inflation rate of 1.5% (2020 1.5%) to decommissioning costs and 2% (2020 2%) for all other provisions. A lower rate is typically applied to decommissioning as certain costs are expected to remain fixed at current or past prices.

The estimated phasing of undiscounted cash flows in real terms for the upstream decommissioning is approximately \$Nil billion within the next 10 years, \$Nil billion in 10 to 20 years and the remainder of approximately \$0.02 billion after 20 years. The timing and amount of decommissioning cash flows are inherently uncertain and therefore the phasing is management's current best estimate but may not be what will ultimately occur.

The bp group is subject to claims and actions for which no provisions have been recognized. The facts and circumstances relating to particular cases are evaluated regularly in determining whether a provision relating to a specific litigation should be recognized or revised. Accordingly, significant management judgement relating to provisions and contingent liabilities is required, since the outcome of litigation is difficult to predict.

Employee benefits

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the company.

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.

NOTES TO THE FINANCIAL STATEMENTS

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 an asset or liability in a transaction that is not a business combination, at the time of the transaction, affects neither accounting profit nor taxable profit or loss and, at the time of the transaction, does not give rise to equal taxable and deductible temporary differences..
- 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, at the time of the transaction, affects neither accounting profit nor taxable profit or loss and, at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

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

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

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

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

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

Judgement is required when determining whether a particular tax is an income tax or another type of tax (for example a production tax). Accounting for deferred tax is applied to income taxes as described above, but is not applied to other types of taxes; rather such taxes are recognized in the profit and loss account in accordance with the applicable accounting policy such as Provisions and contingent liabilities.

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**Interest income**

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

Updates to significant accounting policies**Impact of new International Financial Reporting Standards**

bp adopted amendments to IFRS 9 "financial instruments - Interest Rate Benchmark Reform (Phase II)", IFRS 16 "Leases" with effect from 1 January 2021. There are no other new or amended standards or interpretations adopted during the year that have a significant impact on the company's financial statements.

The adoption of 'Interest Rate Benchmark Reform – Phase II' – Amendments to IFRS 9 'Financial instruments', IFRS 16 'Leases' has had no material impact on the company's financial statements.

3. Operating loss

This is stated after charging / (crediting):

	2021	2020
	\$000	\$000
Net foreign exchange (gains) / losses	(629)	1,639
Depreciation of tangible assets	71	602
Depreciation of right-of-use assets	1,539	2,483
Impairment of intangible assets ^b	11,192	176,693
Impairment of tangible assets ^b	404,252	956,632
Cost of stock recognised as an expense ^a	—	1,397
Reorganisation / restructuring costs ^a	1,596	9,948

^a Amount is included in Administrative expenses.

^b Impairment of intangible and tangible assets related to Tortue unit and exploration write off to C12 unit.

4. Auditor's remuneration

	2021	2020
	\$000	\$000
Fees for the audit of the company	38	20

Fees paid to the company's auditor, Deloitte LLP and its associates for services other than the statutory audit of the company are not disclosed in these financial statements since the consolidated financial statements of BP Mauritania Investments Limited's ultimate parent, BP p.l.c., are required to disclose non-audit fees on a consolidated basis. The fees were borne by another group company.

5. Interest receivable and similar income

	2021	2020
	\$000	\$000
Interest income from amounts owed by group undertakings	4,341	—
Interest income from other loans and receivables	7,301	—
Total interest receivable and similar income	11,642	—

Interest income relates to the FPSO financing agreement executed in August 2021 for the GTA (Tortue) floating production, storage and offloading (FPSO) unit.

NOTES TO THE FINANCIAL STATEMENTS**6. Interest payable and similar expenses**

	2021	2020
	\$000	\$000
Interest expense on:		
Lease liabilities	60	237
Other interest expense	68,413	228
Total interest payable and similar expenses	<u>68,473</u>	<u>465</u>

Other interest expense relates to the FPSO financing agreement executed in August 2021 for the GTA (Tortue) floating production, storage and offloading (FPSO) unit. This includes \$42 million in relation to the guarantee that BP International Ltd (BPI) provides to GTA FPSO Company Ltd for the lease payments due from BPMIL and \$26 million of interest expense on the financing balance with GTA FPSO Company Ltd.

7. Exploration for and evaluation of oil and natural gas resources

The following financial information represents the amounts relating to activity associated with the exploration for and evaluation of oil and natural gas resources.

For information on significant judgements made in relation to oil and natural gas accounting see Intangible assets in Note 2.

	2021	2020
	\$000	\$000
Exploration and evaluation costs		
Exploration expenditure written off	11,192	176,693
Other exploration costs	13,929	23,836
Exploration expense for the year	25,121	200,529
Intangible assets – exploration and appraisal expenditure	93,127	100,474
Net assets	93,127	100,474
Cash used in operating activities	13,929	23,836
Cash used in investing activities	3,877	5,251

During the year the company has recognized impairment charges of \$11 million (\$177 million in 2020) relating to exploration & appraisal intangible assets. Exploration expenditure written off includes \$11 million in relation to block C12.

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 credit in the profit and loss account is made up as follows:

	2021	2020
	\$000	\$000
<u>Current tax</u>		
UK corporation tax on income for the year	—	—
Total current tax charged / (credited)	—	—
<u>Deferred tax</u>		
Overseas deferred tax	(105,084)	(301,857)
Total deferred tax credited	(105,084)	(301,857)
Tax credited on profit	<u>(105,084)</u>	<u>(301,857)</u>

In 2021 the total tax charge recognized within other comprehensive income was \$Nil (2020 \$Nil) and the total tax charge recognized directly in equity was \$Nil (2020 \$Nil).

(a) Reconciliation of the effective tax rate

The company operates through a permanent establishment based in Mauritania. Profits arising in the permanent establishment are taxed in the local jurisdiction at the rate agreed under the concession of 27%.

The reconciliation above is based upon the tax computation prepared for the Mauritanian authorities.

	2021	2020
	\$000	\$000
Loss before tax	(709,177)	(1,212,196)
Tax credit	(105,084)	(301,857)
Effective tax rate	15 %	25 %
	<u>2021</u>	<u>2020</u>
	%	%
Local concession rate %	27	27
Decrease resulting from:		
Non-deductible expenditure	(12)	(2)
Effective tax rate	<u>15</u>	<u>25</u>

Change in corporation tax rate

On 3 March 2021, the UK Government announced an increase in the UK's main corporation tax rate from 19% to 25%, effective from 1 April 2023. This rate change was substantively enacted on 24 May 2021. On 23 September 2022, the Chancellor of the Exchequer announced that the planned corporation tax rate change to 25% would no longer be implemented and that the main rate would remain at 19%. This change has yet to be substantively enacted. There is no impact of this rate change on the company's deferred tax position as the company had no UK deferred tax balances, recognised or unrecognised, as at 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

Deferred tax has not been recognised on deductible temporary differences relating to provisions of \$221,305,000 (2020: \$21,298,000), fixed assets of \$1,678,109,000 (2020: \$839,282,000) and tax losses of \$139,000 (2020: \$139,000) with no fixed expiry date on the basis that they are UK tax attributes that are not expected to give rise to any future tax benefit.

(b) Provision for deferred tax

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

	Profit and loss account		Balance sheet	
	2021	2020	2021	2020
<u>Deferred tax asset</u>	\$000	\$000	\$000	\$000
Decommissioning and other provisions	(1,228)	—	1,228	—
Depreciation in excess of capital allowances	(103,856)	(301,857)	405,713	301,857
Net credit for deferred tax assets	<u>(105,084)</u>	<u>(301,857)</u>	<u>406,941</u>	<u>301,857</u>
Net deferred tax credit and net deferred tax asset	<u>(105,084)</u>	<u>(301,857)</u>	<u>406,941</u>	<u>301,857</u>

Analysis of movements during the year:

	2021
	\$000
At 1 January 2021	301,857
Deferred tax credit in the profit and loss account	105,084
At 31 December 2021	<u>406,941</u>

9. Directors and employees**(a) Remuneration of directors**

None of the directors received any fees or remuneration for qualifying services as a director of the company during the financial year (2020 \$Nil).

(b) Employee costs

	2021	2020
	\$000	\$000
Wages and salaries	4,570	2,927
Social security costs	7	179
	<u>4,577</u>	<u>3,106</u>

(c) The average monthly number of employees during the year was 45 (2020: 24).

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

	<u>Exploration expenditure</u>
Cost	\$000
At 1 January 2021	261,260
Additions	3,878
Deletion	<u>(10,450)</u>
At 31 December 2021	<u><u>254,688</u></u>
 Amortisation	
At 1 January 2021	(160,819)
Deletion	10,450
Impairment	<u>(11,192)</u>
At 31 December 2021	<u><u>(161,561)</u></u>
 Net book value	
At 31 December 2021	<u><u>93,127</u></u>
 At 31 December 2020	<u><u>100,441</u></u>

During the year the company has recognized exploration write off of \$11.2 million relating to exploration & appraisal intangible assets

NOTES TO THE FINANCIAL STATEMENTS**11. Tangible assets**

	Land & buildings	Fixtures & fittings	Oil & gas properties	Plant & machinery	Total	Of which AUC*
	\$000	\$000	\$000	\$000	\$000	\$000
Cost - owned tangible assets						
At 1 January 2021	—	2,024	955,805	—	957,829	784,118
Additions	—	—	404,252	—	404,252	575,939
Disposals	—	(41)	—	—	(41)	—
At 31 December 2021	—	1,983	1,360,057	—	1,362,040	1,360,057
Depreciation - owned tangible assets						
At 1 January 2021	—	(1,825)	(955,805)	—	(957,630)	(784,118)
Charge for the year	—	(69)	—	—	(69)	—
Impairment	—	—	(404,252)	—	(404,252)	(575,939)
Disposals	—	41	—	—	41	—
At 31 December 2021	—	(1,853)	(1,360,057)	—	(1,361,910)	(1,360,057)
Owned tangible assets - net book value						
At 31 December 2021	—	130	—	—	130	—
Right-of-use assets - net book value						
At 31 December 2021	1,088	—	—	552	1,640	—
Total tangible assets						
At 31 December 2021	1,088	130	—	552	1,770	—
Total net book value						
At 31 December 2020	1,521	199	—	995	2,715	—
Depreciation charge for the year on right-of-use assets						
2021	1,097	—	—	442	1,539	—
2020	2,105	—	—	378	2,483	—

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

During the year the company has recognized impairment charges of \$404 million relating to producing oil and gas assets.

Management's best estimate of oil price assumptions for value-in-use impairment testing was revised during 2021. The assumption up to 2030 was increased to reflect near-term supply constraints whereas the long-term assumption was decreased as bp's management expects an acceleration of the pace of transition to a lower carbon economy. Henry Hub gas price assumptions remain unchanged from 2020 except that the assumption for 2022 has been increased to reflect short-term market conditions. The revised assumptions sit within the range of external scenarios considered by management and are in line with a range of transition paths consistent with the temperature goal of the Paris climate change agreement, of holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels.

NOTES TO THE FINANCIAL STATEMENTS

The business segment plans, which are approved on an annual basis by senior management, are the primary source of information for the determination of value in use. They contain forecasts for oil and natural gas production, refinery throughputs, sales volumes for various types of refined products (e.g. gasoline and lubricants), revenues, costs and capital expenditure. Carbon taxes and costs of emissions allowances are included in estimates of future cash flows, where applicable, based on the regulatory environment in each jurisdiction in which the group operates. As an initial step in the preparation of these plans, various assumptions regarding market conditions, such as oil prices, natural gas prices, refining margins, refined product margins and cost inflation rates are set by senior management. These assumptions take account of existing prices, global supply-demand equilibrium for oil and natural gas, other macroeconomic factors and historical trends and variability. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group to the extent that they are not already reflected in the discount rate and are discounted to their present value typically using a pre-tax discount rate that reflects current market assessments of the time value of money.

As the production profile and related cash flows can be estimated from bp's past experience, management believes that the cash flows generated over the estimated life of field is the appropriate basis upon which to assess goodwill and individual assets for impairment in both gas & low carbon energy and oil & production operations. The estimated date of cessation of production depends on the interaction of a number of variables, such as the recoverable quantities of hydrocarbons, the production profile of the hydrocarbons, the cost of the development of the infrastructure necessary to recover the hydrocarbons, production costs, the contractual duration of the production concession and the selling price of the hydrocarbons produced. As each field has specific reservoir characteristics and economic circumstances, the cash flows of each field are computed using appropriate individual economic models and key assumptions agreed by bp management. Estimated production volumes and cash flows up to the date of cessation of production on a field-by-field basis, including operating and capital expenditure, are derived from the business segment plans. The production profiles used are consistent with the reserve and resource volumes approved as part of bp's centrally controlled process for the estimation of proved and probable reserves and total resources.

The key assumptions used in the value-in-use calculations are oil and natural gas prices, production volumes and the discount rate. The value-in-use calculations have been prepared solely for the purposes of determining whether the goodwill balance were impaired. Estimated future cash flows were prepared on the basis of certain assumptions prevailing at the time of the tests. The actual outcomes may differ from the assumptions made. For example, reserves and resources estimates and production forecasts are subject to revision as further technical information becomes available and economic conditions change. Due to economic developments, regulatory change and emissions reduction activity arising from climate concern and other factors, future commodity prices and other assumptions may differ from the forecasts used in the calculations.

These sensitivity analyses do not, however, represent management's best estimate of any impairment charges or reversals that might be recognized as they do not fully incorporate consequential changes that may arise, such as changes in costs and business plans and phasing of development. For example, costs across the industry are more likely to decrease as oil and natural gas prices fall. The analyses also assume the impact of increases in carbon price on operational GHG emissions are fully absorbed as a decrease in net revenue (and vice versa) rather than reflecting how carbon prices or other carbon emissions costs may ultimately be incorporated by the market. The above sensitivity analyses therefore do not reflect a linear relationship between net revenue and value that can be extrapolated. The interdependency of these inputs and factors plus the diverse characteristics of our upstream oil and gas properties limits the practicability of estimating the probability or extent to which the overall recoverable amount is impacted by changes to the price assumptions or production volumes.

As a result of this review, the company has recognized total impairment charges of \$404 million (2020 \$956 million). Impairments were calculated on a value in use basis, applying a discount rate of 8% (9% in 2020). The residual value of the CGU's which have recognized impairment charges during the year was \$Nil million.

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

	2021	2020
	\$000	\$000
Supplies	7,919	5,386
	<u>7,919</u>	<u>5,386</u>

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

The stock is valued at net realisable value of \$7.9 million (2020: \$5.4 million) at 31 December 2021.

13. Debtors

Amounts falling due within one year:

	2021	2020
	\$000	\$000
Trade debtors	10	—
Amounts owed from parent undertakings	1	1,173
Amounts owed from fellow subsidiaries	106,679	171,828
Other debtors	110,131	69,188
	<u>216,821</u>	<u>242,189</u>

Amounts falling due after one year:

	2021	2020
	\$000	\$000
Amounts owed by fellow subsidiaries	255,847	—
Other debtors	421,854	—
Deferred expense	7,564	—
Total debtors	<u>902,086</u>	<u>242,189</u>

The amounts owed from fellow subsidiaries and falling due within one year are mainly driven by the share of Tortue unit operation spend owed by BP Senegal Investments Limited (\$106 million) that are repayable on demand and no interest is being charged.

The other debtors balance includes the partner share of liabilities yet to be cash called (\$110 million). Based on an agreement with our partners cash calls are paid on a monthly basis and no interest is being charged.

Other debtors falling due after one year relate to the FPSO financing agreement executed in August 2021 for the GTA (Tortue) floating production, storage and offloading (FPSO) unit. Interest is calculated quarterly on the total FPSO development costs as at the first day of a calendar quarter using the Secured Overnight Financing Rate daily rate plus a fixed margin. The interest rate at year end was 5.003% (2020: Nil).

NOTES TO THE FINANCIAL STATEMENTS**14. Creditors**

Amounts falling due within one year:

	2021	2020
	\$000	\$000
Trade creditors	3,038	146
Amounts owed to parent undertakings	293,494	882,029
Amounts owed to fellow subsidiaries	154,350	12,839
Other creditors	235,664	98,415
Accruals	184,516	130,126
Loans (Note 15)	—	91,620

Amounts falling due after one year:

	2021	2020
	\$000	\$000
Amounts owed to fellow subsidiaries	965,097	—
	<u>1,836,159</u>	<u>1,215,175</u>

Materially all of the company's trade payables have payment terms in the range of 30 to 60 days and give rise to operating cash flows.

Included within current amounts payable to parent undertakings is a funding account of \$239 million at the end of 2021 with BP International Limited, with no interest being charged and repayable on demand. Additional \$42 million in relation to the guarantee that BP International Limited provides to GTA FPSO Company Ltd for the lease payments due from BPMIL.

The remaining payable amounts to parent undertakings and to fellow subsidiaries consists of intercompany trade payable balances related to the operation of the company. Intercompany payable balances also have payment terms in the range of 30 to 60 days, with no interest being charged.

Creditors falling due after one year relate to the FPSO financing agreement executed in August 2021 for the GTA (Tortue) floating production, storage and offloading (FPSO) unit.

Other creditors \$235 million is made up of the partners share of Capex creditors (\$140 million) and partner share of overcall (\$90.5 million, mainly the initial FPSO proceeds that we retained and are running down to fund non FPSO activity). Neither of these balances attract interest.

Accruals \$185 million this is BPMIL share of Capex creditors plus remaining 3rd party Trade Creditors.

NOTES TO THE FINANCIAL STATEMENTS**15. Loans and obligations under leases**

Loans repayable and obligations under leases are analysed as follows:

Within 5 years

	2021			2020		
	Loans	Lease liabilities	Total	Loans	Lease liabilities	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Wholly repayable ³	—	—	—	91,620	—	91,620
Not wholly repayable ^{1,2}	—	1,675	1,675	—	2,571	2,571
	—	1,675	1,675	91,620	2,571	94,191

¹In case of lease liabilities, not wholly repayable means repayable by instalments.

²The amount of lease liabilities due within one year is \$1.6 million, due after one year is \$0.1 million, totalling to \$1.7 million.

³As per agreement with Sumitomo the payment of \$91.6 million of Sumitomo vendor invoices were deferred from 2020 to January 2021. The finance debt liability was settled during 2021.

16. Leases

The company leases a number of assets as part of its activities. This primarily includes drilling rigs in the Upstream segment as well as office accommodation and vessel charters across the group. The weighted average remaining lease term for the total lease portfolio is around 2 years.

The company may enter into lease arrangements a number of years before taking control of the underlying asset due to construction lead times or to secure future operational requirements. The total undiscounted amount for future commitments for leases not yet commenced as at 31 December 2021 is \$4,380 million.

	2021	2020
	\$000	\$000
Additions to right-of-use assets in the period	664	1,988
Total cash outflow for amounts included in lease liabilities	1,603	3,947

An analysis of right-of-use assets and depreciation is provided in Note 11. An analysis of lease interest expense is provided in Note 6.

NOTES TO THE FINANCIAL STATEMENTS**17. Other provisions**

	Decom- missioning	Other	Total
	\$000	\$000	\$000
At 1 January 2021	—	21,726	21,726
New or increased provisions:			
Charged to profit and loss account	—	202,503	202,503
Recognised within tangible assets	17,870	—	17,870
Utilisation	—	(20,357)	(20,357)
At 31 December 2021	<u>17,870</u>	<u>203,872</u>	<u>221,742</u>
At 31 December 2021			
Current	—	16,526	16,526
Non-current	17,870	187,346	205,216
	<u>17,870</u>	<u>203,872</u>	<u>221,742</u>
At 31 December 2020			
Current	—	21,726	21,726
Non-current	—	—	—
	<u>—</u>	<u>21,726</u>	<u>21,726</u>

Increase of \$202 million in other provisions primarily relate to onerous contract provision of \$190.5 million recognized following the 4th quarter of 2021 Tortue CGU impairment test. Remaining amounts of other provisions relate to social projects in Mauritania (Mauritania Learning Centre and a scholarship programme) and C12 Exploration Well minimum work obligation provision settled in 2022. The Mauritania Learning Centre is funded by BP Mauritania Investment Limited and Kosmos Energy Mauritania while the scholarship programme is solely funded by BP Mauritania Investment Limited.

Decommissioning provision was recognised during the year related to the Greater Tortue Ahmeyim production facilities.

For information on significant judgements and estimates made in relation to provisions, see Provisions within Note 2.

18. Called up share capital

	2021	2020
	\$000	\$000
Issued and fully paid:		
1,490,356,498 ordinary shares of \$1 each for a total nominal value of \$1,490,356,498	1,490,356	600,000
	<u>1,490,356</u>	<u>600,000</u>

On 10 March 2021, 890,356,498 ordinary shares of \$1 each for a total nominal value of \$890,356,498, were allotted to the immediate parent company at par value.

NOTES TO THE FINANCIAL STATEMENTS**19. Reserves***Called up share capital*

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

Profit and loss account

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

In 2021, the company paid interim ordinary dividends of \$Nil (2020 \$Nil). The dividend per share was \$0.00 (2020 \$0.00).

20. Capital commitments

Authorized and contracted future capital expenditure (excluding right-of-use assets) by the company for which contracts had been placed but not provided in the financial statements at 31 December 2021 is estimated at \$633,093,062 (2020 \$903,572,029).

21. Post balance sheet events

On 17 February 2022, 280,000,000 ordinary shares of \$1 each for a total nominal value of \$280,000,000 were allotted to the immediate parent company at par value.

In 1st quarter of 2022 there was an impairment trigger on the Tortue CGU and this resulted in an impairment charge of \$124.4 million related to the company's tangible and intangible assets. This impairment relates to events and circumstances arising since 31 December 2021 and therefore the impact will be included in the financial statements for the year ended 31 December 2022.

In 2nd quarter of 2022 there was an impairment trigger on the Tortue CGU and this resulted in an impairment charge of \$127.1 million related to the company's tangible and intangible assets. This impairment relates to events and circumstances arising since 31 December 2021 and therefore the impact will be included in the financial statements for the year ended 31 December 2022.

The 3rd phase of the block C12 licence expired on 14th June 2022 following which we settled the \$15.2 million Minimum Work Obligation (MWO) and relinquished the licence.

22. Immediate and ultimate controlling parent undertaking

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