

BP MAURITANIA INVESTMENTS LIMITED

(Registered No.10519279)

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ANNUAL REPORT AND FINANCIAL STATEMENTS 2020

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

The directors present their report and the audited financial statements for the year ended 31 December 2020.

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**

Changes since 1 January 2020 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
N C Christie	1 January 2020	1 December 2020
E L Delaney-McKnight	—	17 January 2020
I J Evans	—	20 May 2020
A C Lane	—	1 August 2020
O V Dembitska	1 August 2020	—
R I Smith	—	1 December 2020
E I O Ismayilov	1 December 2020	—
R N O Rahmanov	1 December 2020	—

Directors' indemnity

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

Dividends

The company has not declared any dividends during the year (2019 \$Nil). The directors do not propose the payment of a dividend.

Post balance sheet events

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.

In 1Q21 there was an impairment trigger and this resulted in a partial impairment charge of \$63 million related to the company's tangible assets. This impairment relates to events and circumstances arising since 31 December 2020 and therefore the impact on BP Mauritania Investments Limited will be included in the financial statements for the year ended 31 December 2021.

DIRECTORS' REPORT

In the second quarter of 2021 the company booked impairment charges of \$50 million related to the company's tangible assets and \$0.5 million related to the company's exploration and appraisal assets. These principally arose as a result of cost and schedule changes associated with GTA Phase 1 development. The price assumption for Brent oil up to 2030 was increased to reflect near-term supply constraints, whereas the long-term assumption was decreased reaching \$55 per barrel by 2040 and \$45 per barrel by 2050 (in real 2020 terms). The recoverable amounts of the cash generating units were based on value-in-use calculations. These revisions and impairments relate to events and circumstances arising since 31 December and therefore the impact on the company will be included in the financial statements for the year ended 31 December 2021.

On 6th August 2021, BP Mauritania Limited (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 will receive 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 will remain 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 at a variable lease rate payable of the interest rate of the instrument used to fund GTA FPSO Company Ltd's purchase of the FPSO plus a fixed interest margin charged by GTA FPSO Company Ltd.

Going concern

The directors have assessed the prospects of the company over a period of at least 12 months. The directors have considered expectations of the position and performance of the company over this period, taking account of its short-term and longer-range plans. Taking into account the company's current position and its principal risks, the directors have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over at least the next 12 months.

Since 1 January 2020, there has been a significant drop in the oil and gas prices and refining margins, in large part due to the impact of the international spread of COVID-19 (Coronavirus) and geopolitical factors. The impact of COVID-19 and the current economic environment on the basis of preparation of these financial statements has been considered.

Liquidity and financing is managed within bp under pooled group-wide arrangements which include the company. In certain companies, the most commonly used facility, an internal financing account, is not opened because of the challenges and controls in the respective local country's laws. For entities where such accounts are not opened, bp ensures tailored adequate funding is available for these entities via intercompany loans and/or capital injection.

As part of assuring the going concern basis of preparation for the company, the ability and intent of the bp group to support the company has been taken into consideration. The bp group financial statements continue to be prepared on a going concern basis. Forecast liquidity extending at least twelve months from the date of approval of these financial statements has been assessed at a group level under a number of scenarios and a reverse stress test performed to support the group's going concern assertion. In addition, group management of bp have confirmed that the existing intra-group funding and liquidity arrangements as currently constituted are expected to continue for the foreseeable future, being no less than twelve months from the approval of these financial statements.

BP Mauritania Investments Limited is a wholly owned subsidiary of BP International Limited whose ultimate controlling parent is BP p.l.c. 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.

DIRECTORS' REPORT

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

At 31 December 2020 the company's balance sheet had total net liabilities amounting to \$580 million. The directors note the net liabilities of the company at year end and forecast expenditure for the subsequent 12 months. Having considered the overdraft facility in place with another bp group company, and 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, the directors consider the company to be a going concern.

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

Business update

During the first quarter in 2020, bp executed a gas sale and purchase agreement (SPA) with partners in the GTA project whereby all Phase 1 volumes are to be sold to IST. GTA operations were severely affected by COVID-19 and the 2020 weather window for installation works could no longer be met resulting in a delay to first gas of around one year to 2023. In addition, a force majeure (FM) notice was issued under the lease and operate agreement with Golar LNG over the provision of a floating liquified natural gas vessel, where due to the FM event the lessee would not be able to meet the connection date. As a result of these events, we worked with the project stakeholders and in September 2020, an updated Phase 1 budget and revised schedule was presented to GTA partners following which significant work is underway to ramp up and restart GTA Phase 1 activities and a number of team members have safely remobilized to various locations to progress this work.

On Phase 2, work is ongoing to complete the optimization programme of the smaller concept, document outcomes and present the results to internal stakeholders and partners including selection of the preferred Concept (Fixed or floating LNG) via negotiation with Golar. This will be followed by commercial negotiations with the Governments through to end 1Q22 as the economics remain challenged. Phase 3 has been placed on hold awaiting the outcome of a viable Phase 2 project.

On 15 June 2020 BP issued a press release detailing revised investment appraisal long-term oil and gas price assumptions used in tangible assets impairment testing. The revised long-term price assumptions used to determine recoverable amount based on value-in-use impairment tests are an average of \$55/bbl for Brent and \$2.90 per MMBtu for Henry Hub for the period of 2021-2050 (in 2020 prices). As a result of the revised long-term price assumptions and a review of the long-term strategic plan, management reviewed BP's exploration prospects and the carrying value of the associated intangible assets. The outcome of the review resulted in revised judgements over the expectations to extract value from certain prospects. Impairment tests were performed for the purposes of the BP Plc group financial statements as at 30 June 2020, and this resulted in an impairment charge of \$827 million related to the company's tangible assets and \$159 million related to the company's exploration and appraisal assets. This was disclosed in the 2019 Directors Report as a Post Balance Sheet Event (PBSE). Subsequent to this, we had impairment triggers in 3Q and 4Q20 and as a result, the final outcome in 2020 was to record an impairment charge of \$957 million related to the company's tangible assets and \$177 million related to the company's exploration and appraisal assets.

In 2Q and 3Q20, following management's re-assessment of expectations to extract value from certain exploration prospects as a result of the review of the group's long-term strategic plan and changes in the

DIRECTORS' REPORT

group's long-term price assumptions, exploration write-offs of \$1.4 million and \$14 million were recognised in relation to C6 (formally relinquished in 4Q20) and C13 respectively (intent to relinquish notified to Government and partners in 2021). For C13, an opex provision of \$20 million was recorded in relation to a Minimum Work Obligation (MWO) for a well commitment under the PSC.

Financial risk management

The company is exposed to a number of different financial risks arising from natural business exposures as well as its use of financial instruments including market risks relating to foreign currency exchange rates and interest rates. Further details on these financial risks are included within Note 29 of the bp group Annual Report and Form 20-F for the year ended 31 December 2020.

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.

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

E I O Ismayilov
Director

DocuSigned by:
Emil Ismayilov 03-Sep-2021
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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 2020 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 23.

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 included 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

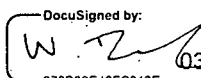
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

DocuSigned by:

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03-Sep-2021

William Brooks

(Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

PROFIT AND LOSS ACCOUNT**FOR THE YEAR ENDED 31 DECEMBER 2020****BP MAURITANIA INVESTMENTS LIMITED**

	Note	2020 \$000	2019 \$000
Cost of sales		—	(1,855)
Operating lease income	3	—	1,752
Gross loss		—	(103)
Exploration expenses	8	(23,836)	(5,900)
Administrative expenses		(44,622)	(27,466)
Impairment of intangible assets	11	(176,693)	(5,330)
Impairment of tangible assets	12	(956,632)	—
Reorganisation / restructuring costs	6	(9,948)	—
Operating loss	4	(1,211,731)	(38,799)
Interest payable and similar expenses	7	(465)	(657)
Loss before taxation		(1,212,196)	(39,456)
Taxation	9	301,857	—
Loss for the financial year		<u>(910,339)</u>	<u>(39,456)</u>

The loss of \$910,339 thousand for the year ended 31 December 2020 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME**FOR THE YEAR ENDED 31 DECEMBER 2020**

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

BALANCE SHEET**AS AT 31 DECEMBER 2020****BP MAURITANIA INVESTMENTS LIMITED****(Registered No.10519279)**

	Note	2020 \$000	2019 \$000
Fixed assets			
Intangible assets	11	100,441	271,918
Tangible assets	12	2,715	621,958
		<u>103,156</u>	<u>893,876</u>
Current assets			
Stocks	13	5,386	5,014
Debtors – amounts falling due: within one year	14	242,189	225,041
Deferred tax assets	9	301,857	—
Cash at bank and in hand		6,597	409
		<u>556,029</u>	<u>230,464</u>
Creditors: amounts falling due within one year	15	(1,215,175)	(781,385)
Lease liabilities	16	(1,567)	(4,940)
Net current liabilities		<u>(660,713)</u>	<u>(555,861)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(557,557)</u>	<u>338,015</u>
Lease liabilities	16	(1,004)	(4,339)
Provisions for liabilities and charges			
Other provisions	18	(21,726)	(3,624)
NET (LIABILITIES) / ASSETS		<u>(580,287)</u>	<u>330,052</u>
Capital and reserves			
Called up share capital	19	600,000	600,000
Profit and loss account	20	(1,180,287)	(269,948)
TOTAL EQUITY		<u>(580,287)</u>	<u>330,052</u>

Authorized for issue on behalf of the Board

DocuSigned by:

Emil Ismayilov

03-Sep-2021

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E I O Ismayilov

Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020
BP MAURITANIA INVESTMENTS LIMITED

	Called up share capital (Note 19)	Profit and loss account (Note 20)	Total
	\$000	\$000	\$000
Balance at 1 January 2019	600,000	(230,492)	369,508
Loss for the year, representing total comprehensive income	—	(39,456)	(39,456)
Balance at 31 December 2019	600,000	(269,948)	330,052
Loss for the year, representing total comprehensive income	—	(910,339)	(910,339)
Balance at 31 December 2020	<u>600,000</u>	<u>(1,180,287)</u>	<u>(580,287)</u>

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2020****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 2020 were approved by the board of directors on 22 April 2021, 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 Albian 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.

NOTES TO THE FINANCIAL STATEMENTS

2. Significant accounting policies, judgements, estimates and assumptions

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

Basis of preparation

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

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

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

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (b) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement;
- (c) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- (d) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment; and
 - (iii) paragraph 118(e) of IAS 38 Intangible Assets
- (e) the requirements of IAS 7 Statement of Cash Flows;
- (f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective;
- (g) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
- (h) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c)-135(e) of IAS 36, Impairment of Assets;
- (i) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases, and
- (j) The requirements of paragraph 58 of IFRS 16 Leases, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

Where required, equivalent disclosures are given in the group financial statements of BP p.l.c. The group financial statements of BP p.l.c. are available to the public and can be obtained as set out in Note 23.

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 and contingencies.

NOTES TO THE FINANCIAL STATEMENTS

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.

Impairment of property, plant and equipment, and goodwill

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 and natural gas price assumptions for value-in-use impairment testing were revised downwards during 2020 and are broadly in line with a range of transition paths consistent with the Paris climate change agreement or other low oil price scenarios. 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.

Impairments were recognized during 2020 on certain oil and gas properties as a result of the lower price assumptions. See note 12 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. The lower price assumptions and bp's long-term net-zero strategy resulted in a review of the recoverability of exploration and appraisal intangible assets during 2020. Certain intangible assets were subsequently written-off. See significant judgement: exploration and appraisal intangible assets and Note 11 for further information. The revised assumptions for investment appraisal (see page 20) seek to ensure that future capital expenditure on property plant and equipment, and exploration and appraisal intangibles, is aligned with bp's net-zero strategy.

Judgements and estimates made in assessing the impact of the COVID-19 pandemic and the economic environment

In preparing the financial statements, the following areas involving judgement and estimates were identified as most relevant with regards to the impact of the COVID-19 pandemic and current economic environment.

Going concern

Forecast liquidity for the bp group has been assessed under a number of stressed scenarios and a reverse stress test was performed to support the going concern assertion. No material uncertainties over going concern or significant judgements or estimates in the assessment were identified.

Discount rate assumptions

The discount rates used for impairment testing and provisions were reviewed during the year. The post-tax impairment discount rate and nominal provisions discount rate has been changed from 2019. Premiums for certain higher-risk countries were changed but this did not have a material impact. See significant judgements and estimates: recoverability of asset carrying values and provisions for further information.

Oil and natural gas price assumptions

The price assumptions used in value-in-use impairment testing were significantly lowered during the year. Material impairment charges and exploration write-offs were recognized as a consequence of these price assumption changes. See significant judgements and estimates: recoverability of asset carrying values and exploration and appraisal intangible assets for further information.

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Restructuring provisions

The reinvent bp programme, expected to reduce headcount by around 10,000 positions, the majority of which occurred during 2020, has resulted in recognition of provisions 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 not as provisions if unpaid at the year-end.

Significant accounting policies

Going concern

At 31 December 2020 the company's balance sheet had total net liabilities amounting to \$580 million.

The directors consider it appropriate to prepare the financial statements on a going concern basis because since the balance sheet date the company received an injection of cash from its immediate parent of \$890 million through allotment of shares and also due to the continued financial support provided by bp group.

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

Foreign currency

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

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.

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, appraisal and development expenditure

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

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

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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.

Development expenditure

Expenditure on the construction, installation or 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 tangible assets and is depreciated from the commencement of production as described below in the accounting policy for tangible assets.

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 2020.

The carrying amount of capitalized costs and further information on the write-offs are included in Note 11.

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.

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-

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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.

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.

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.

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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.

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, 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 4 and details of the carrying amounts of assets are shown in Note 11 and Note 12.

The estimates for assumptions made in impairment tests in 2020 relating to discount rates and oil and gas properties are discussed below. Changes in the economic environment 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 2020 the post-tax discount rate used was 7% (2019 7%) and the pre-tax discount rate for Mauritania CGU was 9% (2019: 9%).

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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 reserves 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.

In 2020, the company identified oil and gas properties with carrying amounts totalling \$0 million (2019: \$843 million) as a result of impairment recognised in 2020 due to revised long-term oil and gas price assumption, where the headroom, as at the dates of the last impairment test performed on those assets, was less than or equal to 20% of the carrying value. 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 one or more of these assets above or below the current carrying amount and therefore there is a significant risk of impairment reversals or charges 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 13.

Oil and natural gas prices

The price assumptions used for value in use impairment testing are based on those used for investment appraisal. 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.

bp sees the prospect of an enduring impact on the global economy as a result of the COVID-19 pandemic, with the potential for weaker demand for energy for a sustained period. bp's management also expects that the aftermath of the pandemic will accelerate the pace of transition to a lower carbon economy and energy system as countries seek to 'build back better' so that their economies will be more resilient in the future. As a result of all the above, bp revised its price assumptions for value-in-use impairment testing, lowering them compared to those used in 2019 and extending the period covered to 2050. These price assumptions are derived from bp's central case investment appraisal assumptions. A summary of the company's revised price assumptions, 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 broadly in line with a range of transition paths consistent with the Paris climate goals. However, they do not correspond to any specific Paris-consistent scenario. An inflation rate of 2% (2019 2%) is applied to determine the price assumptions in nominal terms:

	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

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Material impairment charges were recognized in 2020 following the downward revision of the price assumptions. See note 4 for further information.

The long-term price assumptions used to determine recoverable amount based on value-in-use impairments tests in 2019 were \$70 per barrel for Brent and \$4 per mmBtu for Henry Hub gas, both in 2015 prices. These long-term prices were applied from 2025 and 2032 respectively inflated for the remaining life of the asset.

The price assumptions used in 2019 over the periods to 2025 and 2032 were set such that there was a linear progression from bp's best estimate of 2020 prices to the long-term assumptions.

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.

Oil prices fell 35% in 2020 from 2019 due to trade tensions, a macroeconomic downturn, and a slight slowdown in oil demand. OPEC+ production restraint, unplanned outages, and sanctions on Venezuela and Iran kept prices from falling further. bp's long-term assumption for oil prices is higher than the 2020 price average, based on the judgement that current price levels would not encourage sufficient investment to meet global oil demand sustainably in the longer term, especially given the financial requirements of key low-cost oil producing economies.

US gas prices dropped by around 20% in 2020 compared to 2019. Henry Hub gas prices were already low in early 2020 due to mild weather. The drop in demand from the second quarter onward as well as significant US LNG shut-ins contributed to prices remaining below \$2/mmBtu during the second and third quarters, despite a record consumption in the power sector and the drop in natural gas production. Prices recovered in the fourth quarter due to the seasonal gas demand increase and the strong recovery in US LNG exports. bp's long-term price assumption for US gas reflects the fact that over the coming decades US gas production increases with an increasing proportion of production being used as feedstock to supply expanding LNG exports, while in the longer-term falling gas consumption and declining demand for global LNG exports leads to increasing competitive pressure on US gas production.

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

A change in revenue from Upstream oil and gas properties can arise either due to changes in oil and natural gas prices, changes in oil and natural gas production, or a combination of the two.

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

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 \$265 million, which is approximately 0% of the net book value of tangible assets as at 31 December 2020.

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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 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 2020 would have been approximately \$Nil million higher. If the discount rate was one percentage point lower, the impairment charge recognized would have been approximately \$96 million lower.

Stocks

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

Leases

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

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

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

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

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

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

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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.

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.

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.

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Financial liabilities

The measurement of financial liabilities is as follows:

Financial liabilities measured at amortized cost

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

After initial recognition, these financial liabilities are subsequently measured at amortized cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in interest receivable and similar income and interest payable and similar 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 2.5% (2019 2.5%).

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

Restructuring provisions

The reinvent bp programme, expected to reduce the group headcount by around 10,000 positions, the majority of which occurred during 2020, has resulted in recognition of provisions 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Taxation

Income tax expense represents the sum of current tax and deferred tax.

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

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

Deferred tax is provided, using the balance sheet method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences except:

- Where the deferred tax liability arises on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.
- In respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, where the company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. An exception is where the deferred tax asset relates to the deductible temporary difference arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

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.

Updates to significant accounting policies

Impact of new International Financial Reporting Standards

bp adopted 'Interest Rate Benchmark Reform – Phase I – Amendments to IFRS 9 'Financial instruments' and IFRS 7 'Financial instruments: Disclosures' with effect from 1 January 2020. 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 I – Amendments to IFRS 9 'Financial instruments' and IFRS 7 'Financial instruments: Disclosures' has had no material impact on the company's financial statements.

NOTES TO THE FINANCIAL STATEMENTS**3. Turnover**

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

	2020	2019
	\$000	\$000
Operating lease income	—	1,752
	<u>—</u>	<u>1,752</u>

4. Operating loss

This is stated after charging / (crediting):

	2020	2019
	\$000	\$000
Net foreign exchange losses / (gains)	1,639	(195)
Depreciation of tangible assets	602	204
Depreciation of right-of-use assets	2,483	4,566
Impairment of intangible assets ^b	176,693	5,330
Impairment of tangible assets ^b	956,632	—
Cost of stock recognised as an expense ^a	<u>1,397</u>	<u>—</u>

^a Amount is included in Administrative expenses.

^b Impairment of intangible and tangible assets related to Tortue unit.

5. Auditor's remuneration

	2020	2019
	\$000	\$000
Fees for the audit of the company	<u>20</u>	<u>14</u>

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.

NOTES TO THE FINANCIAL STATEMENTS**6. Exceptional items**

Exceptional items comprise fundamental reorganisation and restructuring costs as follows:

	2020	2019
	\$000	\$000
Fundamental reorganization / restructuring costs	9,948	—
Exceptional items (net of tax)	9,948	—

The fundamental restructuring costs of \$10 million arose due to the fundamental restructuring of the company's operations.

Restructuring costs

The reinvent bp programme, expected to reduce the group headcount by around 10,000 positions, the majority of which occurred during 2020, has resulted in recognition of provisions 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.

There is no tax effect on this fundamental reorganisation and restructuring.

7. Interest payable and similar expenses

	2020	2019
	\$000	\$000
Interest expense on:		
Lease liabilities	237	413
Other interest expense	228	244
Total interest payable and similar expenses	465	657

NOTES TO THE FINANCIAL STATEMENTS**8. 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.

	2020	2019
	\$000	\$000
Exploration and evaluation costs		
Exploration expenditure written off	176,693	(5,330)
Other exploration costs	23,836	5,900
Exploration expense for the year	200,529	570
Intangible assets – exploration and appraisal expenditure	100,474	271,918
Net assets	100,474	271,918
Cash used in operating activities	23,836	5,900
Cash used in investing activities	5,251	122,800

As a result of the revised price assumptions detailed in Note 2 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, leading to write-offs of the associated exploration and appraisal intangible assets in 2020. During the year the company has recognized impairment charges of \$Nil relating to exploration & appraisal intangible assets. Exploration expenditure written off includes \$177 million in Mauritania primarily relating to Tortue CGU.

9. Taxation

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

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

	2020	2019
	\$000	\$000
Current tax		
UK corporation tax on income for the year	—	—
Total current tax charged / (credited)	—	—
Deferred tax		
Overseas deferred tax	(301,857)	—
Total deferred tax credited	(301,857)	—
Tax credited on profit	(301,857)	—

In 2020 the total tax charge recognized within other comprehensive income was \$Nil (2019 \$Nil) and the total tax charge recognized directly in equity was \$Nil (2019 \$Nil).

NOTES TO THE FINANCIAL STATEMENTS**(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. Please note we have not restated the comparative disclosures.

	2020	2019
	UK	UK
	\$000	\$000
Loss before tax	(1,212,196)	(39,456)
Tax credit	(301,857)	—
Effective tax rate	25 %	— %
	2020	2019
	UK	UK
	%	%
Local concession rate % (2019 - UK statutory corporation tax rate %)	27	19
Increase / (decrease) resulting from:		
Non-deductible expenditure / (non-taxable income)	(2)	(3)
Movements in unrecognised deferred tax	—	(16)
Effective tax rate	25	—

Change in corporation tax rate

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. Deferred tax assets at 31 December 2020 have been calculated at 19% (2019: 17%).

In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge.

(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	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Deferred tax asset				
Depreciation in excess of CA's	(301,857)	—	301,857	—
Net credit for deferred tax assets	(301,857)	—	301,857	—
Net deferred tax credit and net deferred tax asset	(301,857)	—	301,857	—

NOTES TO THE FINANCIAL STATEMENTS

Analysis of movements during the year:

	2020
	<u>\$000</u>
At 1 January 2020	—
At Deferred tax credit in the profit and loss account	301,857
At 31 December 2020	<u>301,857</u>

Deferred tax has not been recognised on deductible temporary differences relating to provisions of \$21,298,000, fixed assets of \$839,282,000 and tax losses of \$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.

10. 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 (2019 \$Nil).

(b) Employee costs

	2020	2019
	<u>\$000</u>	<u>\$000</u>
Wages and salaries	2,927	2,497
Social security costs	179	209
	<u>3,106</u>	<u>2,706</u>

(c) The average monthly number of employees during the year was 24 (2019: 21).

11. Intangible assets

	Exploration expenditure
Cost	<u>\$000</u>
At 1 January 2020	271,918
Additions	5,218
Deletion	(15,874)
Transfers	(2)
At 31 December 2020	<u>261,260</u>
Amortisation	
At 1 January 2020	—
Deletion	15,874
Impairment	(176,693)
At 31 December 2020	<u>(160,819)</u>
Net book value	
At 31 December 2020	<u>100,441</u>
At 31 December 2019	<u>271,918</u>

NOTES TO THE FINANCIAL STATEMENTS

During the year the company has recognized impairment charges of \$177 million relating to exploration & appraisal intangible assets. This arose as a result of changes to the group's oil and gas price assumptions and from management's re-assessment of expectations to extract value from certain exploration prospects as a result of a review of the group's long-term strategic plan.

12. 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 2020	1,253	769	612,345	—	614,367	440,691
Additions	—	—	343,460	—	343,460	343,427
Transfers	(1,253)	1,255	—	—	2	—
At 31 December 2020	—	2,024	955,805	—	957,829	784,118
Depreciation - owned tangible assets						
At 1 January 2020	—	(396)	—	—	(396)	—
Charge for the year	—	(602)	—	—	(602)	—
Impairment	—	(827)	(955,805)	—	(956,632)	(784,118)
At 31 December 2020	—	(1,825)	(955,805)	—	(957,630)	(784,118)
Owned tangible assets - net book value						
At 31 December 2020	—	199	—	—	199	—
Right-of-use assets - net book value						
At 31 December 2020	1,521	—	—	995	2,516	—
Total tangible assets						
At 31 December 2020	1,521	199	—	995	2,715	—
Total net book value						
At 31 December 2019	5,045	373	612,345	4,195	621,958	440,691
Depreciation charge for the year on right-of-use assets						
2020	2,105	—	—	378	2,483	—
2019	2,469	—	—	2,097	4,566	—

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

During the year the company has recognized impairment charges of \$956 million relating to producing oil & gas assets. This arose as a result of changes to the group's oil and gas price assumptions and from management's re-assessment of expectations to extract value from certain properties as a result of a review of the group's long-term strategic plan.

Management's best estimate oil and natural gas price assumptions for value-in-use impairment testing were revised downwards during 2020 and the period covered extended to 2050. Management also undertook a re-assessment of expectations to extract value from certain exploration prospects as a result of a review of the

NOTES TO THE FINANCIAL STATEMENTS

bp group's long-term strategic plan. As a result, management performed a review of the carrying value of the company's oil and gas properties to identify potential impairment triggers, in line with the requirements of IAS 36 Impairment of Assets. Potential indicators of impairment were identified, requiring further tests to be performed. The cash generating units assessed were considered to be the smallest identifiable group of assets from the company's perspective that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

A recoverable amount for each CGU was calculated based on the value in use cash flows. The value in use tests used the present value of pre-tax cash flows discounted using a pre-tax rate which varies depending on the country of operation of the underlying assets. The value in use is based on the cash flows expected to be generated by the projected oil or natural gas production profiles up to the expected dates of cessation of production of each producing field, based on current estimates of reserves and resources, appropriately risked.

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 assets for impairment. 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 producing field has specific reservoir characteristics and economic circumstances, the cash flows of each field is 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 plan. 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 calculation are oil and natural gas prices, production volumes and the discount rate. Oil and gas price assumptions and discount rate assumptions used were as disclosed in Note 2. 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 revenue 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 above sensitivity analyses therefore 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 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 \$956 million (2019 \$Nil). Impairments were calculated on a value in use basis, applying a discount rate of 9%.

NOTES TO THE FINANCIAL STATEMENTS**13. Stocks**

	2020	2019
	\$000	\$000
Supplies	5,386	5,014
	<u>5,386</u>	<u>5,014</u>

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

The stock valuation at 31 December 2020 is stated net of a provision of \$5.4 million (2019: \$ 5 million) to write stock down to their net realizable value. The net credit to the profit and loss account in the year in respect of stock net realizable value provisions was \$1.4 million (2019: \$ Nil).

14. Debtors

Amounts falling due within one year:

	2020	2019
	\$000	\$000
Amounts owed from parent undertakings	1,173	62
Amounts owed from fellow subsidiaries	171,828	161,588
Other debtors	69,188	63,391
	<u>242,189</u>	<u>225,041</u>

The amounts owed from fellow subsidiaries are mainly driven by the share of Tortue unit operation spend owed by BP Senegal Investments Limited (\$163 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 (\$66 million). Based on an agreement with our partners cash calls are paid on a monthly basis and no interest is being charged.

15. Creditors

Amounts falling due within one year:

	2020	2019
	\$000	\$000
Trade creditors	146	1,487
Amounts owed to parent undertakings	882,029	339,200
Amounts owed to fellow subsidiaries	12,839	10,145
Other creditors	98,415	116,957
Accruals	130,126	313,596
Loans (Note 16)	91,620	—
	<u>1,215,175</u>	<u>781,385</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 \$874 million at the end of 2020 with BP International Ltd OB&C, with no interest being charged and repayable on demand.

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.

NOTES TO THE FINANCIAL STATEMENTS**16. Loans and obligations under leases**

Loans repayable and obligations under leases are analysed as follows:

Within 5 years

	2020			2019		
	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}	—	2,571	2,571	—	9,279	9,279
	91,620	2,571	94,191	—	9,279	9,279

¹In case of lease liabilities, not wholly repayable means repayable by instalments and an additional payment may be due at the end of a lease.

²The amount of lease liabilities due within one year is \$2 million, due beyond one year is \$1 million, totalling to \$3 million.

³As per agreement with Sumitomo the payment of \$91.6 million Sumitomo vendor invoices were deferred from 2020 to January 2021. The finance debt liability in 2020 increased in accordance with the pattern in which invoices otherwise would have been raised in order to reflect the value of payments for which Sumitomo is providing extended credit terms.

17. 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 3 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 2020 is \$4,380 million.

	2020	2019
	\$000	\$000
Short-term lease expense	—	4,478
Additions to right-of-use assets in the period	1,988	11,153
Total cash outflow for amounts included in lease liabilities	3,947	3,687

An analysis of right-of-use assets and depreciation is provided in Note 12. An analysis of lease interest expense is provided in Note 7.

NOTES TO THE FINANCIAL STATEMENTS**18. Other provisions**

	Other \$000
At 1 January 2020	3,624
New or increased provisions:	
Charged to profit and loss account	19,950
Utilisation	(1,848)
At 31 December 2020	<u>21,726</u>
At 31 December 2020	
Current	21,726
Non-current	—
	<u>21,726</u>
At 31 December 2019	
Current	3,624
Non-current	—
	<u>3,624</u>

The provisions relate to social projects in Mauritania (Mauritania Learning Centre and a scholarship programme) and C13 Exploration Well minimum work obligation provision. 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.

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

19. Called up share capital

	2020 \$000	2019 \$000
Issued and fully paid:		
600,000,000 ordinary shares of \$1 each for a total nominal value of \$600,000,000	600,000	600,000
	<u>600,000</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.

20. 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 2020, the company paid interim ordinary dividends of \$Nil (2019 \$Nil). The dividend per share was \$0.00 (2019 \$0.00).

NOTES TO THE FINANCIAL STATEMENTS**21. 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 2020 is estimated at \$903,572,029 (2019 \$701,147,164).

22. Post balance sheet events

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.

In 1Q21 there was an impairment trigger and this resulted in a partial impairment charge of \$63 million related to the company's tangible assets. This impairment relates to events and circumstances arising since 31 December 2020 and therefore the impact on BP Mauritania Investments Limited will be included in the financial statements for the year ended 31 December 2021.

In the second quarter of 2021 the company booked impairment charges of \$50 million related to the company's tangible assets and \$0.5 million related to the company's exploration and appraisal assets. These principally arose as a result of cost and schedule changes associated with GTA Phase 1 development. The price assumption for Brent oil up to 2030 was increased to reflect near-term supply constraints, whereas the long-term assumption was decreased reaching \$55 per barrel by 2040 and \$45 per barrel by 2050 (in real 2020 terms). The recoverable amounts of the cash generating units were based on value-in-use calculations. These revisions and impairments relate to events and circumstances arising since 31 December and therefore the impact on the company will be included in the financial statements for the year ended 31 December 2021.

On 6th August 2021, BP Mauritania Limited (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 will receive 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 will remain 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 at a variable lease rate payable of the interest rate of the instrument used to fund GTA FPSO Company Ltd's purchase of the FPSO plus a fixed interest margin charged by GTA FPSO Company Ltd.

23. 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.