

BP AMOCO EXPLORATION (FAROES) LIMITED

(Registered No.00856444)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2023

Board of Directors A D Flores

The directors present their report and the audited financial statements for the year ended 31 December 2023.

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

DIRECTORS' REPORT

Directors

The present directors are listed above.

There have been no director appointments or resignations since 1 January 2023.

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 (2022: \$Nil). The directors do not propose the payment of a final dividend (2022: \$Nil).

Post balance sheet events

As the production ceased on Foinaven field in 2022 and to achieve significant efficiency within the organization, the company's 5% license interest in the Foinaven main field (and 1.868% ownership interest in the West of Shetland Gas Pipeline (WOSPS)) and all related assets and liabilities were transferred on 2 May 2024 to Britoil Limited for a cash consideration to be paid by the company of \$30 million.

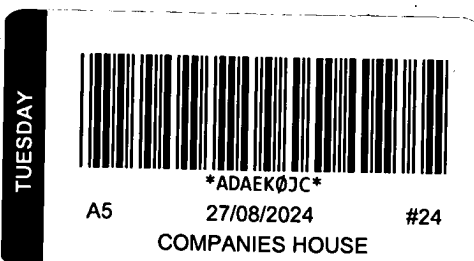
Going concern

The company held an interest in the Foinaven field, but transferred its interest to Britoil Limited in 2024. Following this the company will be placed under member's voluntary liquidation.

This has caused the going concern assumption to be revoked and the accounts have been prepared on a basis other than that of a going concern. The balance sheet position at the year end will remain with no modifications. The directors believe that the company remains in a net asset position and has the ability to meet all the company's liabilities as they fall due.

Future developments

It is the intention of the directors to liquidate the company after the interest in Foinaven field has been transferred to Britoil Limited.



DIRECTORS' REPORT

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' 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, as listed on page 1, confirm 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.

Approved by the board of directors and signed on behalf of the board by:

DocuSigned by:

Ariel Flores

E768A35DD86E4DF...

A D Flores

Director

August 23, 2024

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

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

BP AMOCO EXPLORATION (FAROE) 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 AMOCO EXPLORATION (FAROES) LIMITED

Opinion

In our opinion the financial statements of BP Amoco Exploration (Faroes) Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the related notes 1 to 20.

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.

Emphasis of matter: financial statements prepared other than on a going concern basis

We draw attention to Note 2 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of a going concern. Our opinion is not modified in respect of this matter.

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 course of 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 directors' responsibilities statement, 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 and the director about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

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 the UK Companies Act and the relevant 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 including relevant internal specialists 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 and 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

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the 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 or
- 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:

Mikhail Raikhman

41E845A01A8B477...

Mikhail Raikhman, CA

(Senior Statutory Auditor)

for and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

August 23, 2024

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2023

BP AMOCO EXPLORATION (FAROES) LIMITED

		2023	2022
	Note	\$000	\$000
Cost of sales		669	(199)
Gross profit / (loss)		669	(199)
Exploration expenses		(244)	—
Administrative expenses		(8)	5
Other operating expenses		—	(52)
Impairment of tangible assets	11	(922)	—
Reversal of impairment of tangible assets	11	—	5,272
Operating profit / (loss)	4	(505)	5,026
Interest receivable and similar income	3,6	5,093	2,150
Interest payable and similar charges	7	(857)	(700)
Profit before taxation		3,731	6,476
Tax on profit	8	187	(2,754)
Profit for the financial year		3,918	3,722

The profit of \$3,918 thousand for the year ended 31 December 2023 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

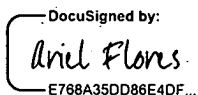
BP AMOCO EXPLORATION (FAROES) LIMITED

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

BALANCE SHEET**AS AT 31 DECEMBER 2023****BP AMOCO EXPLORATION (FAROE) LIMITED****(Registered No.00856444)**

	Note	2023 \$000	2022 \$000
Fixed assets			
Intangible assets	10	—	—
Tangible assets	11	190	130
Current assets			
Stocks	12	120	217
Debtors - amounts falling due:			
within one year	13	106,486	104,254
after one year	13	11,938	11,751
		118,544	116,222
Creditors: amounts falling due within one year	14	(776)	(2,949)
Net current assets		117,768	113,273
TOTAL ASSETS LESS CURRENT LIABILITIES		117,958	113,403
Provisions for liabilities and charges			
Other provisions	15	(29,937)	(29,299)
NET ASSETS		88,021	84,103
Capital and reserves			
Called up share capital	16	60,192	60,192
Profit and loss account	17	27,829	23,911
TOTAL EQUITY		88,021	84,103

The financial statements were approved by the board of directors and authorised for issue on 23 August 2024 and were signed on its behalf by:

DocuSigned by:

 E768A35DD86E4DF...
 A D Flores
 Director
 August 23, 2024

DTT

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

BP AMOCO EXPLORATION (FAROE) LIMITED

	Called up share capital (Note 16) \$000	Profit and loss account (Note 17) \$000	Total \$000
Balance at 1 January 2022	60,192	20,189	80,381
Profit for the year, representing total comprehensive income	—	3,722	3,722
Balance at 31 December 2022	60,192	23,911	84,103
Balance at 1 January 2023	60,192	23,911	84,103
Profit for the year, representing total comprehensive income	—	3,918	3,918
Balance at 31 December 2023	60,192	27,829	88,021

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

BP AMOCO EXPLORATION (FAROES) 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 Amoco Exploration (Faroes) Limited for the year ended 31 December 2023 were approved by the board of directors on 23 August 2024 and the balance sheet was signed on the board's behalf by A D Flores. BP Amoco Exploration (Faroes) Limited is a private company, limited by shares, incorporated, domiciled and registered in England and Wales (registered number 00856444). 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

On 2 May 2024 the company's 5% license interest in the Foinaven main field (and 1.868% ownership interest in the West of Shetland Gas Pipeline (WOSPS)) was transferred to Britoil Limited.

2. Material accounting policy information, significant judgements, estimates and assumptions

The material accounting policy information 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 accounts have been prepared on a basis other than that of a going concern and all balance sheet items have been moved to current and have been presented at the net realisable value as at the end of the reporting period.

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

The company meets the definition of a qualifying entity under FRS 100 'Application of Financial Reporting Requirements' issued by the FRC. Accordingly, these financial statements were prepared under the historical cost convention in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework and the Companies Act 2006. As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to:

- (a) the requirements of 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;
- (b) 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;
 - (iii) paragraph 74 A(b) of IAS 16 Property, Plant and Equipment;
- (c) the requirements of IAS 7 Statement of Cash-Flows;
- (d) 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;
- (e) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;

NOTES TO THE FINANCIAL STATEMENTS

- (f) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
- (g) 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;
- (h) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (i) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement;
- (j) the requirements of paragraphs 88C and 88D of IAS 12 Income Taxes.

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 20.

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

Material accounting policy information: 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: the recoverability of asset carrying values, including the estimation of reserves and provisions and contingencies.

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

Judgements and estimates made in assessing the impact of climate change and the transition to a lower carbon economy

Climate change, the energy transition, bp's strategy to 2030 and ambition to become a net-zero company by 2050 or sooner were considered in preparing the financial statements. These issues may also have significant impacts on the currently reported amounts of the company's assets and liabilities discussed below as well as similar assets and liabilities that may be recognized in the future. bp's assumptions for investment appraisal help create an investment decision making framework for currently unsanctioned future capital expenditure on tangible assets, and intangibles including exploration and appraisal assets, that is designed to support the effective and resilient implementation of bp's strategy. The price assumptions used for investment appraisal include oil and gas price assumptions, which are producer prices and are therefore net of any future carbon prices that the purchaser may be required to pay, and an assumption of a single carbon emissions cost imposed on the producer in respect of operational greenhouse gas (GHG) emissions (carbon dioxide and methane) in order to incentivize engineering solutions to mitigate GHG emissions on projects. bp's oil and gas price assumptions for value in use impairment testing are aligned with those investment appraisal assumptions. The assumptions for future carbon emissions costs in value in use impairment testing differ from the investment appraisal assumptions and are described below.

NOTES TO THE FINANCIAL STATEMENTS

Provisions: decommissioning

The energy transition may bring forward the decommissioning of oil and gas industry assets thereby increasing the present value of associated decommissioning provisions. Decommissioning cost estimates are based on the known regulatory and external environment. These cost estimates may change in the future, including as a result of the transition to a lower carbon economy.

The majority of bp's existing upstream oil and gas properties are expected to start decommissioning within the next two decades. bp's expectation to reduce its upstream hydrocarbon production by around 25% by 2030 is expected to be achieved through future active management, including divestments, and high-grading of the portfolio. Any resulting increases or decreases to the weighted average timing of decommissioning will be driven by the profile of assets held in the revised portfolio. Currently, the expected timing of decommissioning expenditures for the upstream oil and gas assets in the group's portfolio has not materially been brought forward. Management does not expect a reasonably possible change of two years in the expected timing of all decommissioning to have a material effect on the upstream decommissioning provisions, assuming cash flows remain unchanged.

Judgements and estimates made in assessing the impact of the geopolitical and 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 current geopolitical and economic environment.

Oil and gas price assumptions

Oil and gas price assumptions applied in value in use impairment testing have been updated to reflect the current outlook on Brent oil supply constraints and an assumption that declining domestic natural gas demand in the US is offset by higher LNG exports. See significant judgements and estimates: recoverability of asset carrying values for further information.

Discount rate assumptions

The discount rates used for impairment testing and provisions were reassessed during the year in light of changing economic and geopolitical outlooks. The nominal discount rate applied to provisions was increased during the year to reflect higher US Treasury yields. The principal impact of this rate increase was a \$1 million decrease in the decommissioning provision with an associated pre-tax credit to the profit and loss account of \$1 million. Impairment discount rates were also increased from those reported in 2022. See significant judgements and estimates: recoverability of asset carrying values and provisions for further information.

Material accounting policy information

Going concern

The company held an interest in the Foinaven field, but transferred its interest to Britoil Limited in 2024. Following this the company will be placed under member's voluntary liquidation.

This has caused the going concern assumption to be revoked and the accounts have been prepared on a basis other than that of a going concern. The balance sheet position at the year end will remain with no modifications. The directors believe that as the company remains in a net asset position and, it has the ability to meet all its liabilities as they fall due.

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 the company operates and is normally the currency in which the company primarily generates and expends cash.

NOTES TO THE FINANCIAL STATEMENTS

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 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.

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, the initial estimate of any decommissioning obligation, if applicable, and, for assets that necessarily take a substantial period of time to get ready for their intended use, directly-attributable finance costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset.

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

Impairment of 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 or CGU may not be recoverable, for example, plans to dispose rather than retain assets, changes in commodity prices, evidence of physical damage or, for oil and gas assets or significant downward revisions of estimated reserves. If any such indication of impairment exists, the company makes an estimate of the asset's recoverable amount. Individual assets are grouped into CGUs 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. A CGU'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 a CGU exceeds its recoverable amount, the CGU is considered impaired and is written down to its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

The business segment plans, which are approved on an annual basis by senior management, are the primary source of information for the determination of value in use. They contain forecasts for oil and natural gas production, 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, power 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 of disposal is the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general. In limited circumstances where recent market transactions are not available for reference, discounted cash flow techniques are applied. Where discounted cash flow analyses are used to calculate fair value less costs of disposal, estimates are made about the assumptions market participants would use when pricing the asset, CGU or group of CGUs containing goodwill and the test is performed on a post-tax basis.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's or CGU's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset or CGU 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 or CGU 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 or CGU'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 by how much, an asset, CGU, or group of CGUs containing goodwill is impaired involves management estimates on highly uncertain matters such as the effects of inflation and deflation on operating expenses, discount rates, capital expenditure, carbon pricing (where applicable), production profiles, reserves and resources, and future commodity prices, including the outlook for global or regional market supply-and-demand conditions for crude oil, natural gas, power 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.

NOTES TO THE FINANCIAL STATEMENTS

The estimates for assumptions made in impairment tests in 2023 relating to discount rates and oil and gas properties are discussed below. Changes in the economic environment including as a result of the energy transition or other facts and circumstances may necessitate revisions to these assumptions and could result in a material change to the carrying values of the company's assets within the next financial year.

Discount rates

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

The discount rates applied in impairment tests are reassessed each year and in 2023 the post-tax discount rate used was 8% (2022 7%) other than for renewable power assets. Where the CGU is located in a country that was judged to be higher risk an additional premium of 1% to 4% was reflected in the discount rate (2022 1% to 2%). The judgement of classifying a country as higher risk and the applicable premium takes into account various economic and geopolitical factors. The pre-tax discount rate, other than for renewable power assets, typically ranged from 9% to 20% (2022 7% to 18%) depending on the risk premium and the applicable tax rate in the geographic location of the CGU.

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, production and certain resources volumes. The estimated future level of production is based on assumptions about future commodity prices, production and development costs, field decline rates, current fiscal regimes and other factors.

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

The price assumptions used for value-in-use impairment testing are based on those used for investment appraisal. bp's carbon emissions cost assumptions and their interrelationship with oil and gas prices are described in 'Judgements and estimates made in assessing the impact of climate change and the transition to a lower carbon economy' on page 12. The investment appraisal price assumptions are recommended by the senior vice president economic & energy insights after considering a range of external price sets, and supply and demand profiles associated with 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 scenarios considered include those where those goals are met as well as those where they are not met.

During the year, bp's price assumptions applied in value-in-use impairment testing (in real 2022 terms) for the near term. Brent oil assumption was held constant at \$70 per barrel to reflect near term supply constraints before declining after 2030 to \$50 per barrel by 2050 continuing to reflect the assumption that as the energy system decarbonizes, falling oil demand will cause oil prices to decline. The price assumptions for Henry Hub gas up to 2050 were held constant at \$4.00 per mmBtu reflecting an assumption that declining domestic demand in the US is offset by higher LNG exports. These price assumptions are derived from the central case investment appraisal assumptions, adjusted where applicable to reflect short-term market conditions. A summary of the group's revised price assumptions for Brent oil and Henry Hub gas, applied in 2023 and 2022, in real 2022 terms, is provided below. The assumptions represent management's best estimate of future prices at the balance sheet date, which sit within the range of external scenarios considered as appropriate for the purpose. They are considered by bp to be in line with a range of transition paths consistent with the temperature goal of the Paris climate change agreement, of holding the increase in the global average temperature to well below 2°C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5°C above pre-industrial levels. However, they do not correspond to any specific Paris-consistent scenario. An inflation rate of 2% (2022 2%) is applied to determine the price assumptions in nominal terms.

2023 price assumptions	2024	2025	2030	2040	2050
Brent oil (\$/bbl)	70	70	70	63	50
Henry Hub gas (\$/mmBtu)	4	4	4	4	4
2022 price assumptions	2023	2025	2030	2040	2050
Brent oil (\$/bbl)	78	71	71	59	46
Henry Hub gas (\$/mmBtu)	4.08	4.08	4.08	3.57	3.57

NOTES TO THE FINANCIAL STATEMENTS

Global oil production increased by 2.2% in 2023. Strong US tight oil supply and non-OPEC+ supply more than offset OPEC+ pledged additional output reductions. Global oil demand continued its recovery, increasing by 2.4% in 2023. Chinese demand growth was unexpectedly strong making up 75% of total oil demand growth, with the rest coming from other non-OECD countries. Brent dropped by nearly \$20 per barrel in 2023 as oil markets recovered from the shocks in 2022 and supply/demand was balanced. bp's long term view is for a more stable market in 2024 as the price responsiveness of shale activity, OPEC+ discipline and ample spare capacity limits the scope for large movements, even with the political tensions in the Middle East. bp's long-term assumption for oil prices is lower than the 2023 price average, based on the judgement that, in the long term, oil demand is likely to fall so that the price levels needed to encourage sufficient investment to meet declining global oil demand is also lower.

US gas prices in 2023 decreased around 60% compared to 2022, to \$2.5 per mmBtu. Prices fell as gas production growth outpaced demand. Milder than normal winter weather and an extended outage at Freeport LNG left US gas storage stocks well above historic average levels at the end of winter 2022/2023. Henry Hub prices fell during the summer which incentivized coal-to-gas switching in the power sector, and hot weather in the third-quarter helped the market avoid storage containment issues. Meanwhile gas production continued to grow, reaching record levels by the end of 2023 despite a 20% decrease in gas rigs over the first half of the year. Growth was supported by strong associated gas production as well as pipeline de-bottlenecking. Finally, mild weather in the fourth-quarter further loosened balances and storage stocks exited the year 13% above five-year average levels. The level of US gas prices in 2023 is below bp's long term price assumption based on the judgment of the price level required to incentivize new production.

Oil and natural gas reserves

In addition to oil and natural gas prices, significant technical and commercial assessments are required to determine the company'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 or probable.

NOTES TO THE FINANCIAL STATEMENTS

Sensitivity analyses

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

As the Foinaven CGU is already written down to \$Nil, no sensitivity analysis was performed for BP Amoco Exploration (Faroes) Limited.

Stock

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

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

Financial assets

Financial assets are recognized initially at fair value, normally being the transaction price. In the case of financial assets not at fair value through profit or loss, directly attributable transaction costs are also included. The subsequent measurement of financial assets depends on their classification, as set out below. The company derecognizes financial assets when the contractual rights to the cash flows expire or the 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. 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 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.

NOTES TO THE FINANCIAL STATEMENTS

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

Financial liabilities

Financial liabilities are recognized when the company becomes party to the contractual provisions of the instrument. The company derecognizes financial liabilities when the obligation specified in the contract is discharged, cancelled or expired. 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. 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

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 4% (2022 3.5%).

Decommissioning

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

NOTES TO THE FINANCIAL STATEMENTS

and requirements. The provision for the costs of decommissioning wells, production facilities and pipelines at the end of their economic lives is estimated using existing technology, at future prices, depending on the expected timing of the activity, and discounted using a nominal discount rate.

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

Significant judgements and estimates: provisions

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

If oil and natural gas production facilities and pipelines are sold to third parties, judgement is required to assess whether the new owner will be unable to meet their decommissioning obligations, whether the company would then be responsible for decommissioning, and if so the extent of that responsibility. This typically requires assessment of the local legal requirements and the financial standing of the owner. If the standing deteriorates significantly, for example, bankruptcy of the owner, a provision may be required. The company has assessed that no significant decommissioning provisions should be recognized as at 31 December 2023 (2022 no significant provisions) for assets previously sold to third parties where the sale transferred the decommissioning obligation to the new owner.

The timing and amount of future expenditures relating to decommissioning liabilities are reviewed annually. The interest rate used in discounting the cash flows is reviewed quarterly. The nominal interest rate used to determine the balance sheet obligations at the end of 2023 was 4% (2022 3.5%), which was based on long-dated US government bonds. The weighted average period over which decommissioning costs are generally expected to be incurred is estimated to be approximately 5 years (2022 5 years). Costs at future prices are determined by applying an inflation rate of 1.5% (2022 1.5%) to decommissioning costs and 2% (2022 2%) for all other provisions. A lower rate is typically applied to decommissioning as certain costs are expected to remain fixed at current or past prices.

The estimated phasing of undiscounted cash flows in real terms for the upstream decommissioning is approximately \$34 million (2022 \$33 million) within the next 10 years and there is no remainder amount after 10 years. The timing and amount of decommissioning cash flows are inherently uncertain and therefore the phasing is management's current best estimate but may not be what will ultimately occur.

Further information about the company's provisions is provided in Note 15. Changes in assumptions in relation to the company's provisions are not expected to result in a material change in their carrying amounts within the next financial year. A 1.0 percentage point increase in the nominal discount rate applied could decrease the company's provision balances by approximately \$1 million (2022: \$1 million). The pre-tax impact on the company's income statement would be \$1 million (2022: \$1 million). This level of change reflects past experience of a reasonable change in rate that could arise within the next financial year.

NOTES TO THE FINANCIAL STATEMENTS

The discounting impact on the company's decommissioning provisions of a two-year change in the timing of expected future decommissioning expenditures would not be material. Management currently does not consider a change of greater than two years to be reasonably possible in the next financial year. Management currently does not consider a change of greater than two years to be reasonably possible in the next financial year and therefore the timing of upstream decommissioning expenditure is not a key source of estimation uncertainty. If all expected future decommissioning expenditures were 10% higher, then these decommissioning provisions would increase by approximately \$3 million (2022 \$4 million) with a pre-tax charge of \$3 million (2022 \$4 million).

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

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, at the time of the transaction, affects neither accounting profit nor taxable profit or loss and, at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.

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

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.

NOTES TO THE FINANCIAL STATEMENTS

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

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

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

Interest income

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

Finance costs

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

Updates to material accounting policy information

In the current year, the company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2023.

Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Impact of new International Financial Reporting Standards

The following pronouncements from the IASB have not been adopted by the company in these financial statements as they will only become effective for future financial reporting periods. There are no other standards, amendments or interpretations in issue but not yet adopted that the directors anticipate will have a material effect on the reported income or net assets of the company.

IAS 12 Income Taxes - International Tax Reform - Pillar Two Model Rules

In May 2023 the IASB issued International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12 Income Taxes to clarify the application of IAS 12 to tax legislation enacted or substantively enacted to implement Pillar Two of the Organisation for Economic Co-operation and Development's Base Erosion and Profit Shifting project, which aims to address the tax challenges arising from the digitalisation of the economy. The amendments include a mandatory temporary exception from accounting for deferred tax on such tax law. In July 2023 the UK government enacted legislation to implement the Pillar Two rules. The legislation is effective for bp from 1 January 2024 and includes an income inclusion rule and a domestic minimum tax, which together are designed to ensure a minimum effective tax rate of 15% in each country in which the group operates. Similar legislation is being enacted by other governments around the world. In line with the amendments to IAS 12, the exception from accounting for deferred tax for the Pillar Two rules has been applied and there are no impacts on the financial statements for 2023.

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

Revenue from contracts with customers, which is stated net of value added tax, represents amounts where the performance obligation of a contract has been met with third parties and group companies.

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

	2023	2022
	\$000	\$000
Interest receivable and similar income (Note 6)	5,093	2,150

No revenue was recorded in 2023 and 2022 as production was suspended in 2021.

4. Operating profit/(loss)

This is stated after (crediting) / charging:

	2023	2022
	\$000	\$000
Net foreign exchange losses	1,295	78
Depreciation of tangible assets	14	9
Impairment of tangible assets ^a	922	—
Reversal of impairment of tangible assets ^a	—	(5,272)

^a Please refer to Note 11 for further details.

5. Auditor's remuneration

	2023	2022
	\$000	\$000
Fees for the audit of the company	25	21

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 Amoco Exploration (Faroes) Limited's ultimate parent, BP p.l.c., are required to disclose non-audit fees on a consolidated basis.

The fees were borne by another group company.

6. Interest receivable and similar income

	2023	2022
	\$000	\$000
Interest income from amounts owed by group undertakings	5,093	2,150
Total interest receivable and similar income	5,093	2,150

Interest income was received on the Company's Internal Finance Account (IFA). During 2023 the increase of \$2.9 million is due to higher average interest rates (2023: 5.06%, 2022: 1.9%).

NOTES TO THE FINANCIAL STATEMENTS**7. Interest payable and similar expenses**

	<u>2023</u>	<u>2022</u>
	\$000	\$000
Unwinding of discount on provisions (Note 15)	857	700
Total interest payable and similar charges	<u>857</u>	<u>700</u>

8. Taxation

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

The company has applied the temporary exception, introduced in May 2023, from the accounting requirements for deferred taxes in IAS 12, so that the company neither recognizes nor discloses information about deferred tax assets and liabilities related to Pillar Two income taxes.

The taxation (credit) / charged in the profit and loss account is made up as follows:

	<u>2023</u>	<u>2022</u>
	\$000	\$000
<u>Current tax</u>		
UK tax overprovided in prior years	—	(1,812)
Total current tax credited	—	(1,812)
<u>Deferred tax</u>		
Origination and reversal of temporary differences	(187)	4,533
Effect of changes in tax rate	—	33
Total deferred tax (credited) / charged	<u>(187)</u>	<u>4,566</u>
Tax (credited) / charged on profit	<u>(187)</u>	<u>2,754</u>

NOTES TO THE FINANCIAL STATEMENTS

(a) Reconciliation of the effective tax rate

The tax assessed on the profit for the year is lower (2022: lower) than the the weighted average rate of corporate tax in the UK of 75% for the year ended 31 December 2023 (2022: 55%). The differences are reconciled below:

	2023	2022
	\$000	\$000
Profit before taxation	3,731	6,476
Tax (credit) / charged	(187)	2,754
Effective tax rate	(5)%	43 %

	2023	2022
	%	%
UK statutory corporation tax rate:	75	55
Increase / (decrease) resulting from:		
Non-taxable income	1	—
Free group relief claimed / (surrendered)	(87)	42
Ring fence tax rate differences	6	(26)
Adjustments to tax charge in respect of previous years	—	(28)
Effective tax rate	(5)	43

Change in corporation tax rate

On 3 March 2021, the UK Government announced an increase in the UK's main corporation tax rate from 19% to 25%, effective from 1 April 2023. This will increase the company's future current tax charge accordingly. This rate change was substantively enacted on 24 May 2021 and has therefore been applied when calculating the company's deferred tax balances at the balance sheet date.

On 26 May 2022, the UK Government announced the introduction of the Energy Profits Levy (EPL), which was subsequently enacted on 14 July 2022. EPL is effective from the date of announcement and was intended to be applicable until 31 December 2025. The Autumn Finance Bill on 17 November 2022 announced that the EPL rate would increase to 35% from 1 January 2023 and the period over which EPL would apply was extended to 31 March 2028. The Finance Bill was substantively enacted on 30 November 2022.

EPL is applied to profits, or losses, that arise from UK oil and gas extraction or rights (Ring fence profits). EPL is levied at 35% on ring fence profits from 1 January 2023. EPL is in addition to the existing Ring Fence Corporation Tax (30%) and Supplementary Charge (10%), increasing the headline rate of tax to 75%.

Ring fence profits, or losses, are subject to EPL, but no relief is available for Ring Fence Corporation Tax losses carried forward, decommissioning expenditure or finance costs. An 80% EPL Investment Allowance is given for capital expenditure incurred after 26 May 2022 up to 31 December 2022. The EPL Investment Allowance is reduced to 29% from 1 January 2023.

NOTES TO THE FINANCIAL STATEMENTS**(b) Provision for deferred tax**

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

	Profit and loss account		Balance sheet	
	2023	2022	2023	2022
Deferred tax asset	\$000	\$000	\$000	\$000
Decommissioning and other provisions	(255)	4,467	11,975	11,720
Investment allowance	—	—	102	102
IFRS 16 spreading	85	(24)	64	149
Net (credit) / charge for deferred tax assets	(170)	4,443	12,141	11,971

	Profit and loss account		Balance sheet	
	2023	2022	2023	2022
Deferred tax liability	\$000	\$000	\$000	\$000
Accelerated capital allowances	(17)	122	(203)	(220)
Net (credit) / charge for deferred tax liabilities	(17)	122	(203)	(220)
Net deferred tax (credit) / charge and net deferred tax asset	(187)	4,565	11,938	11,751

Analysis of movements during the year:

	2023
At 1 January 2023	\$000
Deferred tax credit in the profit and loss account	11,751
At 31 December 2023	187
	11,938

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

None of the directors received any fees or remuneration for qualifying services as a director of the company during the financial year (2022: \$Nil).

(b) Employee costs

The company had no employees during the year (2022: None).

NOTES TO THE FINANCIAL STATEMENTS

10. Intangible assets

	Exploration and appraisal expenditure \$000
Cost	
At 1 January 2023	1,471
Additions	244
Disposals	(244)
At 31 December 2023	<u>1,471</u>
Amortization	
At 1 January 2023	(1,471)
Disposals	244
Impairment	(244)
At 31 December 2023	<u>(1,471)</u>
Net book value	
At 31 December 2023	<u>—</u>
	<u>—</u>
At 31 December 2022	<u>—</u>

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

	Oil & gas properties
Cost - owned tangible asset	<u>\$000</u>
At 1 January 2023	218,146
Changes in decommissioning provision (Note 15)	996
At 31 December 2023	<u>219,142</u>
Depreciation - owned tangible assets	
1 January 2023	(218,016)
Charge for the year	(14)
Impairment	(922)
At 31 December 2023	<u>(218,952)</u>
Owned tangible assets - net book value	
31 December 2023	<u>190</u>
Right-of-use assets - net book value	
31 December 2023	<u>—</u>
Total tangible assets net book value	
At 31 December 2023	<u>190</u>
Total net book value	
At 31 December 2022	<u>130</u>

During the year the company has recognized impairment charge of \$0.9m (impairment reversal of \$5.3m in 2022) relating to changes in the decommissioning provision (Note 15).

The remaining tangible assets relate to the West of Shetlands Pipeline System (WOSPS).

12. Stocks

	2023	2022
	<u>\$000</u>	<u>\$000</u>
Raw materials and consumables	120	217
	<u>120</u>	<u>217</u>

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

13. Debtors

Amounts falling due within one year:

	2023	2022
	<u>\$000</u>	<u>\$000</u>
Amounts owed from group undertakings	104,668	101,935
Other debtors	6	412
Prepayments	—	95
Taxation	1,812	1,812
	<u>106,486</u>	<u>104,254</u>

NOTES TO THE FINANCIAL STATEMENTS

Amounts falling due after one year:

	2023	2022
	\$000	\$000
Deferred tax asset	11,938	11,751
	<u>11,938</u>	<u>11,751</u>
Total debtors	<u>118,424</u>	<u>116,005</u>

The amounts owed from group undertakings comprise an Internal Funding Account (IFA) of \$104.7m receivable from BP International Limited (2022: \$92.0m).

This balance forms a key part of the bp group's liquidity and funding arrangements under its centralised treasury funding model and it can be accessed by BP International Limited at short notice. Whilst IFA balances are legally repayable on demand, in practice they have no termination date.

Interest is accrued on a monthly basis based on overnight SOFR plus 6 basis points.

Prior to June 2023, the main benchmark interest rate to which bp was exposed was 3 month USD LIBOR, primarily in relation to finance debt and derivative contracts. During 2023, bp's internal working group for IBOR reform continued to monitor market developments and managed to transition to alternative benchmark rates. Publication of USD LIBOR tenors, including 3 month USD LIBOR, ceased from 30 June 2023. For further information in relation to LIBOR transition see Note 29 of the bp group Annual Report and Form 20-F for the year ended 31 December 2023.

14. Creditors

Amounts falling due within one year:

	2023	2022
	\$000	\$000
Trade creditors	—	119
Amounts owed to group undertakings	563	1,638
Other creditors	213	1,192
	<u>776</u>	<u>2,949</u>

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

Amounts falling due after one year

	2023	2022
	\$000	\$000
Obligations under leases	—	1
Total creditors	<u>776</u>	<u>2,950</u>

NOTES TO THE FINANCIAL STATEMENTS**15. Other provisions**

	<u>Decommissioning</u>
	<u>\$000</u>
At 1 January 2023	29,299
New or increased provisions:	
Recognized within tangible assets (Note 11) ^a	996
Unwinding of discount	857
Utilization	(1,215)
At 31 December 2023	<u>29,937</u>
At 31 December 2023	
Non-current	<u>29,937</u>
	<u>29,937</u>
At 31 December 2022	
Current	972
Non-current	<u>28,327</u>
	<u>29,299</u>

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

16. Called up share capital

	<u>2023</u>	<u>2022</u>
	<u>\$000</u>	<u>\$000</u>
Issued and fully paid:		
37,346,259 Ordinary shares of £1 each for a total nominal value of £37,346,259	<u>60,192</u>	<u>60,192</u>

17. Reserves*Called up share capital*

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

Profit and loss account

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

18. Related party transactions

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

NOTES TO THE FINANCIAL STATEMENTS

19. Post balance sheet events

As the production ceased on Foinaven field in 2022 and to achieve significant efficiency within the organization, the company's 5% license interest in the Foinaven main field (and 1.868% ownership interest in the West of Shetland Gas Pipeline (WOSPS)) and all related assets and liabilities were transferred on 2 May 2024 to Britoil Limited for a cash consideration to be paid by the company of \$30 million.

20. 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 smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of BP p.l.c. can be obtained from its registered address: 1 St James's Square, London, SW1Y 4PD.