

**BPAFRICA LIMITED**  
**(Registered No.01030652)**

**ANNUAL REPORT AND FINANCIAL STATEMENTS 2018**

Board of Directors: G J J Moeyens

The directors present the strategic report, their report and the audited financial statements for the year ended 31 December 2018.

**STRATEGIC REPORT**

**Results**

The loss for the year after taxation was \$3,678,388 which, when deducted from the retained profit brought forward at 1 January 2018 of \$53,288,843, gives a total retained profit carried forward at 31 December 2018 of \$49,610,455.

**Principal activity and review of the business**

The company is an investment holding company and its main investment is in BP Mocambique Limited and BP Mocambique Limitada.

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

	<u>2018</u>	<u>2017</u>	<u>Variance</u>
	\$	\$	%
Operating loss	(5,047,253)	(29,946)	16,755
(Loss) / profit for the year	(3,678,388)	889,488	(514)
Total equity	49,610,458	53,288,846	(7)

	<u>2018</u>	<u>2017</u>	<u>Variance</u>
	%	%	
Quick ratio	126	134	(8)

In 2018, loss for the year is primarily due to the penalty of \$4,281,362 imposed by the Competition and Consumer Protection Commission to Puma Energy Zambia Plc, of which the company is held liable, and divestment expenditure of \$830,576 in relation to Project Etana. The loss is partially offset by interest income received of \$1,020,865, and guarantee fee receivable from a subsidiary undertaking of \$348,000.

**Principal risks and uncertainties**

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

The risks listed below, separately or in combination, could have a material adverse effect on the implementation of the company's strategy, business, financial performance, results of operations, cash flows, liquidity, prospects, shareholder value and returns and reputation. Unless stated otherwise, further details on these risks are included within the risk factors in the strategic report of the BP group Annual Report and Form 20-F for the year ended 31 December 2018.



## **STRATEGIC REPORT**

### **Strategic and commercial risks**

#### ***Geopolitical***

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

#### ***The impact of the UK's exit from the EU***

Following the referendum in 2016, BP has been assessing the potential impact of Brexit on group companies. BP has been preparing for different scenarios for the UK's exit from the EU but does not believe any of these scenarios will pose a significant risk to the business. The BP board's geopolitical committee discussed this, most recently in May 2019. BP continues to monitor developments in this area in line with group risk management processes and procedures.

#### ***Insurance***

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

### **Compliance and control risks**

#### ***Regulation***

Changes in the regulatory and legislative environment could increase the cost of compliance, affect the company's provisions.

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

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

#### ***Reporting***

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

### **Financial risk management**

The company is exposed to a number of different financial risks arising from natural business exposures as well as its use of financial instruments including market risks relating to 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 2018.

Authorized for issue by Order of the Board

DocuSigned by:

Melissa Atkinson

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For and on behalf of

Sunbury Secretaries Limited

Company Secretary

September 24, 2019

Registered Office:

Chertsey Road  
Sunbury on Thames  
Middlesex  
TW16 7BP  
United Kingdom

## **DIRECTORS' REPORT**

### **BP AFRICA LIMITED**

#### **Directors**

The present directors are listed on page 1.

G J J Moeyens served as a director throughout the financial year. Changes since 1 January 2018 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
B M Puffer	—	6 February 2018
T J H Rondeau	26 September 2018	24 June 2019

#### **Directors' indemnity**

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

#### **Dividends**

The company has not declared any dividends during the year (2017 \$Nil). The directors do not propose the payment of a dividend.

#### **Financial instruments**

In accordance with section 414C of the Companies Act 2006 the directors have included information regarding financial instruments as required by Schedule 7 (Part 1.6) of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 in the strategic report under Financial risk management.

#### **Future developments**

The directors aim to maintain the management policies which have resulted in the company's stability in recent years. They believe that the company is in a good position to take advantage of any opportunities which may arise in the future.

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

#### **Post balance sheet event**

In November 2018, the company received confirmation that the stay of execution pertaining to penalty imposed by the Zambian Competition and Consumer Protection Commission (the "Commission") against Puma Energy Zambia Plc ("Puma") had been lifted. As the consequence of the lifting, the company is liable to repay the penalty to Puma as warranties given in the Sales and Purchase Agreement ("SPA") by the company upon the sale of their Zambian business, relating to compliance with laws and possession of all necessary consents to operate the business were breached. The amount of the penalty was concluded and communicated to the company in January 2019. An accrual for this penalty has been made as at the financial year end.

Further information on this penalty is included in Note 11 to the financial statements.

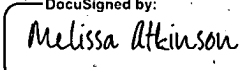
## **DIRECTORS' REPORT**

### **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.

Authorized for issue by Order of the Board

DocuSigned by:  
  
4AC705258B834F4...  
For and on behalf of  
Sunbury Secretaries Limited  
Company Secretary  
September 24, 2019

### **Registered Office:**

Chertsey Road  
Sunbury on Thames  
Middlesex  
TW16 7BP  
United Kingdom

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

**BPAFRICA LIMITED**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable UK law and regulations.

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

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

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

The directors confirm that they have complied with these requirements and, having a reasonable expectation that the company has adequate resources to continue in operational existence for at least the next 12 months from the date these financial statements were approved, continue to adopt the going concern basis in preparing the financial statements.

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF BP AFRICA LIMITED**

#### **Report on the audit of the financial statements**

##### **Opinion**

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

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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 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.

##### **Conclusions relating to going concern**

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorized for issue.

We have nothing to report in respect of these matters.

##### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

## **INDEPENDENT AUDITOR'S REPORT**

### **Responsibilities of directors**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

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

#### **Matters on which we are required to report by exception**

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

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

We have nothing to report in respect of these matters.

#### **Use of our report**

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

DocuSigned by:

David Holtam

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David Holtam

(Senior Statutory Auditor)

for and on behalf of Deloitte LLP Statutory Auditor

London, United Kingdom

September 24, 2019

**PROFIT AND LOSS ACCOUNT****FOR THE YEAR ENDED 31 DECEMBER 2018****BPAFRICA LIMITED**

		<u>2018</u>	<u>2017</u>
	Note	\$	\$
Administrative expenses		19,565	—
Loss on sale or termination of operations	5	(5,066,818)	(29,946)
Operating loss	3	(5,047,253)	(29,946)
Interest receivable and similar income	6	1,368,865	919,434
(Loss) / profit before taxation		(3,678,388)	889,488
Tax on (loss) / profit	7	—	—
(Loss) / profit for the year		<u>(3,678,388)</u>	<u>889,488</u>

The loss of \$3,678,388 for the year ended 31 December 2018 was derived in its entirety from continuing operations.

**STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2018**

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 2018****BPAFRICA LIMITED**  
**(Registered No.01030652)**

	Note	2018 \$	2017 \$
<b>Fixed assets</b>			
Investments	9	41,367,244	41,367,244
<b>Current assets</b>			
Debtors: amounts falling due within one year	10	63,036,878	65,519,332
Creditors: amounts falling due within one year	11	(50,206,380)	(48,965,326)
<b>Net current assets</b>		12,830,498	16,554,006
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		54,197,742	57,921,250
<b>Provisions for liabilities and charges</b>			
Other provisions	13	(4,587,284)	(4,632,404)
<b>NET ASSETS</b>		49,610,458	53,288,846
<b>Capital and reserves</b>			
Called up share capital	14	3	3
Profit and loss account	15	49,610,455	53,288,843
<b>TOTAL EQUITY</b>		49,610,458	53,288,846

Authorized for issue on behalf of the Board

DocuSigned by:

*Guy Moeyens*3DBC203D6F5F478...  
G J J Moeyens

Director

September 24, 2019

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2018**

**BP AFRICA LIMITED**

	Called-up share capital (Note 14)	Profit and loss account (Note 15)	Total
	\$	\$	\$
Balance at 1 January 2017	3	52,399,355	52,399,358
Profit for the year, representing total comprehensive income	—	889,488	889,488
Balance at 31 December 2017	3	53,288,843	53,288,846
Loss for the year, representing total comprehensive income	—	(3,678,388)	(3,678,388)
Balance at 31 December 2018	3	49,610,455	49,610,458

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2018**

#### **BP AFRICA LIMITED**

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

The financial statements of BP Africa Limited for the year ended 31 December 2018 were approved by the board of directors on 23 September 2019 and the balance sheet was signed on the board's behalf by G J J Moeyens. BP Africa Limited is a private company, limited by shares incorporated, domiciled and registered in England and Wales (registered number 01030652). The company's registered office is at Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP. These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the provisions of the Companies Act 2006.

#### **2. Significant accounting policies, judgements, estimates and assumptions**

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

##### **Basis of preparation**

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

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

These financial statements are separate financial statements. The company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare consolidated financial statements, because it is included in the group financial statements of BP p.l.c. Details of the parent in whose consolidated financial statements the company is included are shown in Note 20 to the financial statements.

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

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures
- (b) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement
- (c) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements
- (d) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1
- (e) the requirements of IAS 7 Statement of Cash Flows
- (f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective
- (g) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- (h) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- (i) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c)-135(e) of IAS 36, Impairment of Assets

Where required, equivalent disclosures are given in the group financial statements of BP p.l.c. The group financial statements of BP p.l.c. are available to the public and can be obtained as set out in Note 20.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies, judgements, estimates and assumptions (continued)

#### **Basis of preparation (continued)**

The financial statements are presented in US dollars and all values are rounded to the nearest whole number in dollars (\$).

#### **Critical accounting policies: use of judgements, estimates and assumptions**

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

#### ***Significant judgements and estimates: impairment of investments***

Determination as to whether, and how much, an investment is impaired involves management estimates on highly uncertain matters such as the effects of inflation and deflation on operating expenses, discount rates, 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.

Management judgement is required to determine whether an indicator of potential impairment exists in relation to the company's investments. No such indicators have been identified during the current year and therefore no impairment test has needed to be performed. Accordingly, the recoverable amount of the investment has not needed to be estimated, nor any assumptions made, and no sensitivity analysis has been required. Details of the carrying value of the investments are provided in Note 9.

#### ***Significant judgements and estimates: provisions***

The company holds provisions for tax audit completion for period prior to the economic date for the disposal of the company's downstream interests in Tanzania and Zambia. The tax audit is not expected to be settled within one year. 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 the provision.

The company performs periodic reviews of the status of the provision for any changes in facts and circumstances that might require changes to the provision amount recognized.

The provision for tax audit is estimated based on estimation prepared by local tax agent. Actual costs and cash outflows can differ from current estimates because of changes in laws and regulations and outcome of the tax audit.

The timing and amount of future expenditures relating to the tax audit liabilities are reviewed annually.

Further information on the company's provisions is provided in Note 13. Changes in assumptions in relation to the company's provisions could result in a material change in their carrying amounts within the next financial year.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies, judgements, estimates and assumptions (continued)

#### Significant accounting policies

##### Going concern

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

##### 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.

As the company is considered to be an intermediate holding company, and therefore an extension of its parent company, its functional currency is the same as its parent company.

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

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

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

##### 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 financial asset is transferred to a third party. This includes the derecognition of receivables for which discounting arrangements are entered into.

From 1 January 2018, 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:

## **NOTES TO THE FINANCIAL STATEMENTS**

### **2. Significant accounting policies, judgements, estimates and assumptions (continued)**

#### **Financial assets (continued)**

##### ***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. 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. Since this is typically less than 12 months, there is no significant difference between the measurement of 12-month and lifetime expected credit losses for the company's in-scope financial assets. The measurement of expected credit losses is a function of the probability of default, loss given default and exposure at default. The expected credit loss is estimated as the difference between the asset's carrying amount and the present value of the future cash flows the company expects to receive, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is adjusted, with the amount of the impairment gain or loss recognized in the profit and loss account.

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

#### **Financial liabilities**

The measurement of financial liabilities is as follows:

##### ***Financial liabilities measured at amortized cost***

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

After initial recognition, these financial liabilities are subsequently measured at amortized cost. 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.

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Significant accounting policies, judgements, estimates and assumptions (continued)

#### **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 3.0% (2017 2.5%).

Provisions are split between amounts expected to be settled within 12 months of the balance sheet date (current) and amounts expected to be settled later (non-current).

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

#### **Taxation**

Income tax 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.

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

#### **Interest income**

Interest income is recognized as the interest accrues.

#### **Exceptional items**

The company discloses as exceptional items those material items impacting the profit and loss account which, because of the nature and expected infrequency of the events giving rise to them, merit separate disclosure to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

**NOTES TO THE FINANCIAL STATEMENTS****2. Significant accounting policies, judgements, estimates and assumptions (continued)****Impact of new International Financial Reporting Standards**

The company adopted two new accounting standards issued by the IASB with effect from 1 January 2018, IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers'. There are no other new or amended standards or interpretations adopted during the year that have a significant impact on the financial statements.

The adoption of IFRS 9 and IFRS 15 has had no material impact on the company's financial statements.

**3. Operating loss**

This is stated after crediting:

	2018	2017
	\$	\$
Net foreign exchange gains	19,565	—

**4. Auditor's remuneration**

	2018	2017
	\$	\$
Fees for the audit of the company	20,845	21,875

Fees paid to the company's auditor, Deloitte LLP (2017 Ernst & Young LLP), and its associates for services other than the statutory audit of the company are not disclosed in these financial statements since the consolidated financial statements of BP Africa Limited's ultimate parent, BP p.l.c., are required to disclose non-audit fees on a consolidated basis.

The fees were borne by another group company.

**5. Exceptional items****Loss on termination of operations**

The following items represent expenses arising from the sale of investments in prior years:

	2018	2017
	\$	\$
Divestment expenditure	(830,576)	—
Write-back of unused provision	45,120	497,987
Increase in provision	—	(230,386)
Post disposal settlements reached	—	(297,547)
Penalty	(4,281,362)	—
Loss on disposal of operations	(5,066,818)	(29,946)
Loss on disposal of operations (net of tax)	(5,066,818)	(29,946)



**NOTES TO THE FINANCIAL STATEMENTS****6. Interest receivable and similar income**

	2018	2017 Restated
	\$	\$
Interest income from amounts owed by group undertakings	1,020,865	701,142
Guarantee fees from subsidiary undertakings	348,000	218,292
Total interest receivable and similar income	<u>1,368,865</u>	<u>919,434</u>

**7. Taxation**

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

**Reconciliation of the effective tax rate**

The tax assessed on the loss for the year is lower than the standard rate of corporation tax in the UK of 19% for the year ended 31 December 2018 (2017 19.25%). The differences are reconciled below:

	2018	2017
	\$	\$
(Loss) / profit before tax	(3,678,388)	889,488
Tax charge / (credit)	—	—
Effective tax rate	—%	—%
	<u>2018</u>	<u>2017</u>
	%	%
UK statutory corporation tax rate:	19	19.25
Increase / (decrease) resulting from:		
(Non-taxable income) / non-deductible expenditure	(26)	0.65
Free group relief	3	(17.05)
Transfer pricing adjustment	4	(2.85)
Effective tax rate	<u>—</u>	<u>—</u>

**Change in corporation tax rate**

The UK corporation tax rate reduced to 19% with effect from 1 April 2017, and will further reduce to 17% from 1 April 2020.

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

None of the directors received any fees or remuneration for qualifying services as a director of the company during the financial year (2017 \$Nil).

**(b) Employee costs**

The company had no employees during the year (2017 None).

**NOTES TO THE FINANCIAL STATEMENTS****9. Investments**

	<u>Investment in subsidiaries</u>
<b>Cost</b>	<b>\$</b>
At 1 January 2017	14,648,210
Additions	26,719,034
At 31 December 2017	<u>41,367,244</u>
At 1 January 2018	<u>41,367,244</u>
At 31 December 2018	<u>41,367,244</u>
<b>Net book amount</b>	
At 31 December 2018	<u>41,367,244</u>
At 31 December 2017	<u>41,367,244</u>

The investment in subsidiaries are all stated at cost less provision for impairment.

The subsidiary undertakings of the company at 31 December 2018 and the percentage of equity capital held are set out below. The principal country of operation is generally indicated by the company's country of incorporation or by its name.

All voting rights are equal to percentage of share capital owned unless otherwise noted below.

**Subsidiary undertakings**

<b>Company name</b>	<b>Class of share held</b>	<b>%</b>	<b>Registered address</b>	<b>Principal activity</b>
BP Mocambique Limited	Ordinary shares	100	Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom.	Marketing
BP Mocambique Limitada	Ordinary shares	98.27	Society and Geography Avenue, Plot No.269, Third Floor, Maputo, Mozambique.	Marketing

**Significant holdings in undertakings other than subsidiary undertakings**

In accordance with Section 409 of the Companies Act 2006, disclosed below is a full list of related undertakings in which the company holds an interest of 20% or greater not already disclosed above.

<b>Related undertaking</b>	<b>Holding %</b>	<b>Registered address</b>	<b>Direct / Indirect</b>
Central African Petroleum Refineries (Pvt) Ltd	20.75	Block 1, Tendeseka Office Park, Samora Machel Av/ Renfrew Road, Harare, Zimbabwe	Direct

## NOTES TO THE FINANCIAL STATEMENTS

## 10. Debtors

Amounts falling due within one year:

	2018	2017 Restated
	\$	\$
Amounts owed from parent undertakings	52,253,613	54,192,608
Amounts owed from fellow subsidiaries	10,783,265	11,326,724
	<u>63,036,878</u>	<u>65,519,332</u>

The amounts receivable from fellow subsidiaries include interest free and unsecured US Dollar-denominated debenture notes totalling \$10,216,974 (2017 \$10,216,974) issued to BP Mocambique Limitada and is repayable on a date as may be agreed between the parties.

## 11. Creditors

Amounts falling due within one year:

	2018	2017
	\$	\$
Amounts owed to parent undertakings	—	3,159,734
Amounts owed to fellow subsidiaries	35,708,044	35,291,071
Accruals	4,281,362	297,547
Loans (Note 12)	10,216,974	10,216,974
	<u>50,206,380</u>	<u>48,965,326</u>

The accrued penalty of \$4,281,362 pertains to amounts payable to Puma Energy Zambia Plc ("Puma") as a result of a penalty by the Zambian Competition and Consumer Protection Commission (the "Commission").

A supply agreement was put in place between the company and Puma under which the company would supply Castrol products to Puma on an exclusive basis until 2021. However in 2011, the Commission took the position that Puma did not have the authority to distribute Castrol branded products in Zambia. As a result of this decision by the Commission, Puma was fined ZMK51,292,220 equivalent to \$4,281,362.

Puma subsequently challenged the Commission's conclusion and orders in the Zambian Courts and the Zambian court had granted a stay execution on the Commission's order in 2012.

However in November 2018, the stay execution was lifted and the penalty became payable in January 2019.

## 12. Loans

Loans repayable, included within creditors, are analysed as follows:

Within 5 years

	2018	2017
	\$	\$
Wholly repayable	<u>10,216,974</u>	<u>10,216,974</u>

The amount shown as payable within five years includes an interest free US Dollar-denominated loan at a value of \$10,216,974 (2017 \$10,216,974) from BP Mocambique Limited and is repayable on a date as may be agreed between the parties.

**NOTES TO THE FINANCIAL STATEMENTS****13. Other provisions**

	Direct & Indirect Tax \$
At 1 January 2018	4,632,404
Write-back of unused provisions	(45,120)
At 31 December 2018	<u>4,587,284</u>
At 31 December 2018	
Current	—
Non-current	4,587,284
	<u>4,587,284</u>
At 31 December 2017	
Current	—
Non-current	4,632,404
	<u>4,632,404</u>

The remaining \$4,587,284 consists of provision for tax audit completion for periods prior to the economic date for the disposal of the company's downstream interests in Tanzania of \$1,985,266 and final settlement pending waiver from local tax authority in Zambia of \$2,602,018. The company has provided for those years where the liability can reliably be estimated. The amount is not expected to be settled within one year.

**14. Called up share capital**

	2018	2017
	\$	\$
Issued and fully paid:		
2 ordinary shares of £1 each for a total nominal value of £2	<u>3</u>	<u>3</u>

**15. Reserves***Called up share capital*

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

*Profit and loss account*

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

**16. 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

### 17. Post balance sheet event

In November 2018, the company received confirmation that the stay of execution pertaining to penalty imposed by the Zambia Competition and Consumer Protection Commission (the "Commission") against Puma Energy Zambia Plc ("Puma") had been lifted. As the consequence of the lifting, the company is liable to repay the penalty to Puma as warranties given in the Sales and Purchase Agreement ("SPA") by the company upon the sale of their Zambian business, relating to compliance with laws and possession of all necessary consents to operate the business were breached. The amount of the penalty was concluded and communicated to the company in January 2019. An accrual for this penalty has been made as at the financial year end.

Further information on this penalty is included in Note 11 to the financial statements.

### 18. Contingent liabilities

#### **Puma Zambia Arbitration**

In 2011, the Zambia Competition and Consumer Protection Commission (the "Commission") took the position against Puma Energy Zambia Plc ("Puma") that the company acquired from the company, did not have authority to distribute Castrol branded products in Zambia and Puma's business distributing Castrol products in Zambia was unlawful.

As a significant part of the Zambian business sold to Puma consisted of the distribution of Castrol branded products in Zambia, Puma claims diminution in value of Puma business as a result of an inability to supply Castrol products in Zambia. Puma seeks to claim the diminution in value from the company on the grounds that warranties given in the Sales and Purchase Agreement ("SPA") by the company upon the sale of their Zambian business, relating to compliance with laws and possession of all necessary consents to operate the business were breached.

This matter is regarded as contingent liability as Puma has not yet quantified the claim for diminution in the value of the business.

In April 2019, a claim connected with the Commission's decision was issued in the Zambian courts against Puma by Dana Oil (the company's former distributor in Zambia). Dana alleges that they should have been distributing Castrol products in place of Puma since 2011 and claims approximately \$200,000,000 in damages. Puma has notified the company that, if the claim succeeds, it will seek recovery of these sums from the company in the arbitration.

#### **Zambia Acid Pits Litigation**

On 13 March 2012, a claim was issued in the Zambian High Court in Lusaka by 94 individual plaintiffs and a Zambian NGO (the Centre for Trade, Policy and Development). The defendants to the claim are (1) Puma Energy Zambia Plc; and (2) Zambia Environmental Management Agency. The Plaintiffs alleged that as a result of unlawful dumping of acid tars in three separate sites over a number of years from the 1970s onwards, they have suffered losses as a result of pollution and general contamination of the surrounding environment. The plaintiffs seek (unquantified) damages and various orders for remediation of the sites. Although a BP-owned entity is not a direct defendant in the litigation, in a separate arrangement as part of the sale process, BP Africa agreed to indemnify Puma in respect of any claims arising out of the events pleaded in the claim. Consequently, BP is financially liable for any damages awarded to the claimants. There is also clear potential for reputational harm.

The Claimants have filed an application challenging the involvement of Puma/BP's counsel in the matter. A judgement on the application was received in July 2017 and was resolved in Puma's favour. The Claimants have appealed to the decision, which appeal was dismissed in July 2018 but the Claimants have filed a further motion for an order to vary, discharge or reverse the ruling of the court of appeal which will be opposed by

**NOTES TO THE FINANCIAL STATEMENTS****18. Contingent liabilities (continued)****Zambia Acid Pits Litigation (continued)**

Puma/BP. BP has separately filed applications seeking to strike out the claim or, in the alternative, an order that further and better particulars of the claim are provided. These applications are pending.

In the meantime, BP continues to have insufficient detail as to the nature and quantum of the claims to enable it to form a view on the extent of any exposure.

**Outstanding Tax Audits**

The company remains liable for settlement of tax audit issues for periods prior to the economic date for the disposal of the company's downstream interests in Tanzania. Potential liabilities remain until these audits are formally closed. The company has provided for those years where the liability can reliably be estimated. The tax audits also cover years where no amounts have been provided as the management is of the opinion that there will be no outflow of resources.

**19. Comparative figures**

Certain prior year figures have been reclassified to conform to the 2018 presentation. This had no impact on the profit and loss for the year or net assets.

	2017		2017
	As previously reported	Reclassification	As restated
	\$	\$	\$
Interest income from amounts owed by group undertakings	919,434	(218,292)	701,142
Guarantee fees from subsidiary undertakings	—	218,292	218,292
Total interest receivable and similar income	<u>919,434</u>		<u>919,434</u>
	\$	\$	\$
Debtors: amounts falling due within one year			
Amounts owed from parent undertakings	—	54,192,608	54,192,608
Amounts owed from fellow subsidiaries	<u>65,519,332</u>	<u>(54,192,608)</u>	<u>11,326,724</u>
	<u>65,519,332</u>		<u>65,519,332</u>

**20. Immediate and ultimate controlling parent undertaking**

The immediate parent undertaking is BP p.l.c., a company registered in England and Wales. The ultimate controlling parent undertaking is BP p.l.c., a company registered in England and Wales, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of BP p.l.c. can be obtained from its registered address: 1 St James's Square, London, SW1Y 4PD.