


SEPARATOR SHEET

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COMPANIES HOUSE BARCODE



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#213

BP GAS MARKETING LIMITED**(Registered No.00908982)****ANNUAL REPORT AND FINANCIAL STATEMENTS 2021**

Board of Directors: R J Harrison
J K Tate
S H Weintraub

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

STRATEGIC REPORT**Results**

The loss for the year after taxation was £2,327,551,000 which, when deducted from the retained profit brought forward at 1 January 2021 of £368,246,000, gives a total accumulated loss carried forward at 31 December 2021 of £2,327,551,000. This excludes foreign exchange adjustments taken directly to reserves.

Principal activities and review of the business

The company's principal activity is the trading of gas, power, liquefied natural gas (LNG), emissions and other energy products in the UK and overseas. It also holds investments in subsidiary undertakings engaged in similar activities.

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

| | 2021 | 2020 | Variance |
|-----------------------------|-------------|------------------|-----------|
| | £000 | Restated £000 | £000 |
| Turnover | 4,353,130 | 2,476,326 | 1,876,804 |
| Operating loss | (2,277,512) | (110,089) | 2,167,423 |
| Loss for the financial year | (2,327,551) | (161,244) | 2,166,307 |
| Total equity | 1,409,587 | 1,802,736 | (393,149) |
| | 2021 | 2020 | Variance |
| | % | % | |
| Quick ratio* | 108 | 165 | (57) |

*Quick ratio is defined as current assets (excluding stocks, debtors falling due after one year, derivatives and other financial instruments falling due after one year and deferred tax assets) divided by current liabilities.

The increase in turnover was primarily attributable to the increased gas price due to higher demand as compared to the previous year, after the market reopened as a result of the Covid-19 vaccine rollout, and the short in global supplies due to conflict between Russia and Ukraine in last quarter of 2021. The increase in operating loss and loss for the financial year as well as the deterioration in quick ratio were due to the huge held for trading loss recorded and the disproportionate increase in derivative liabilities as compared to derivative assets, as a result of the short paper position and long physical position of liquefied natural gas (LNG) at the year end. Long physical position of LNG is not considered to meet the definition of a derivative as it is not considered capable of being net settled due to the lack of liquidity in the LNG market and therefore is accounted for on an accrual basis rather than as a derivative. The decrease in total equity was due to the increase in loss incurred for the financial year partially offset by issuance of additional share capital during the year.

STRATEGIC REPORT

Section 172 (1) statement

This section of the Strategic Report describes how the directors have had regard to the matters set out in section 172(1) (a) to (f), and forms the statement required under section 414CZA of the Companies Act 2006 (the “Act”).

During the course of the year the following primary tasks were undertaken by the Board in line with the principal activities of the company:

- Defining and establishing purpose and strategy including, where relevant, having regard to the purpose, strategy, culture and values defined by BP p.l.c.
- Monitoring the potential challenges presented by the ongoing COVID-19 pandemic, having regard to the company’s safe and reliable operations.
- Assessing principal and emerging risks relevant to the company.

The table below demonstrates how the Board has discharged their duties under section 172(1):

| Section 172(1) | Overview of performance against section 172(1) |
|---|--|
| a. The likely long-term consequences of the decision | When setting and delivering on the company’s strategy, the directors have regard to the evolving environment in which the company operates and aims to promote the long term success and sustained economic viability of the company. |
| b. The interests of the company’s employees | The company has no employees. |
| c. The need to foster the company’s business relationships with suppliers, customers and others | <p>During 2021, the directors reiterated their focus on engagement and fostering relationships with key stakeholders, as well as an increased focus on environment, social and governance (“ESG”) matters.</p> <p>In addition, the Board reviewed and considered the company’s Modern Slavery Statement and disclosed its practices in respect of the same on an annual basis.</p> <p>Furthermore, the Board reviewed and considered the company’s prompt payment reporting performance and disclosed its practices in respect of the same on a bi-annual basis.</p> |
| d. The impact of the company’s operations on the community and the environment | The directors are committed to bp’s group wide policies and aims which protect the community, environment and its people. |

STRATEGIC REPORT**Section 172 (1) statement (continued)**

| | |
|---|--|
| e. The desirability to maintain the company's reputation for high standards of business conduct | <p>In 2021 bp continued to operate under its sustainability frame launched in 2020, with aims and objectives linked to the UN Sustainable Development Goals. bp's values of safety, respect, excellence, courage and one team define how the bp group, including the company and its Board, conduct business. Furthermore, bp's code of conduct is based upon its values and it sets clear expectations for how bp, the company and the Board operate. The directors of the company continued to adhere, in good faith, to the bp code of conduct during the year to ensure the Board and the company maintain a reputation for high standards of business conduct.</p> <p>bp's code of conduct includes prohibitions on engaging in bribery or corruption in any form, in accordance with bp's group-wide anti-bribery and corruption policy and procedures. During the year, bp continued to engage suppliers and communicate expectations for managing bribery and corruption risk on behalf of bp, where relevant.</p> |
| f. The need to act fairly between members of the company | The directors aim to balance the needs of various stakeholders when setting and delivering the company's strategy, having regard to long term value creation, including maximising long term shareholder value. |

Further information on the bp group policies applicable to the company can be found in BP p.l.c.'s 2021 Annual Report and Form 20-F and the bp Sustainability Report 2021.

Stakeholder engagement

For further details on how the company has engaged with stakeholders, fostered relationships with them and how this has impacted decision making, please refer to the Engagement with Stakeholders Statement found in the Directors' Report.

The company's principal decisions

The company and the bp group have taken the view that a 'principal' decision is one which is material and strategic in nature and would affect the ability of the company to generate or preserve value over the long term.

During the period, the following principal decisions were taken by the company whilst having regard to the company's stakeholders and other relevant factors:

| Principal decision | The relevant factors taken into account during the decision making process |
|---|---|
| During the year, the directors considered, approved and allotted additional shares to its sole shareholder. | The directors considered the impact of such a decision of the company having regard to its business relationship with its sole shareholder per s172(1) whilst ensuring it conducts business to the highest standards, acting ethically and transparently as guided by bp's values and code of conduct, as per s172(1)(e). |

STRATEGIC REPORT

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 2021.

Strategic and commercial risks

Prices and markets

The company's financial performance is subject to fluctuating prices of gas and refined products, technological change, exchange rate fluctuations and the general macroeconomic outlook. Gas and product prices are subject to international supply and demand and margins can be volatile. Political developments, increased supply of gas or alternative low carbon energy sources, technological change, global economic conditions, public health situations (including the continued impact of the COVID-19 pandemic or any future epidemic or pandemic) and the influence of OPEC can impact supply and demand and prices for our products.

Geopolitical

The company is exposed to a range of political, economic and social developments and consequent changes to the operating and regulatory environment which could cause business disruption. Political instability, changes to the regulatory environment or taxation, international trade disputes and barriers to free trade, international sanctions, expropriation or nationalization of property, civil strife, strikes, insurrections, acts of terrorism, acts of war and public health situations (including the continued impact of the COVID-19 pandemic or any future epidemic or pandemic) may disrupt or curtail our operations, business activities or investments. These may in turn cause production to decline, limit our ability to pursue new opportunities, affect the recoverability of our assets and our related earnings and cash flow or cause us to incur additional costs, particularly due to the long-term nature of many of our projects and significant capital expenditure required.

Events in, or relating to Russia and the conflict in Ukraine, including trade restrictions, international sanctions or any other actions taken by governmental authorities or other relevant persons will adversely impact the company's business activities and operations in or relating to Russia, could reduce financial liquidity and adversely impact the company's finances.

Liquidity, financial capacity and financial, including credit, exposure

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

Digital infrastructure and cybersecurity

Breach or failure of the company's or third parties' digital infrastructure or cyber security, including loss or misuse of sensitive information could damage its operations and reputation or increase costs.

Current geopolitical factors have increased these risks.

Climate change and the transition to a lower carbon economy

Developments in policy, law, regulation, technology and markets including societal and investor sentiment, related to the issue of climate change could increase costs, constrain the company's operations and affect our business plans and financial performance.

STRATEGIC REPORT

Strategic and commercial risks (continued)

Competition

Inability to remain efficient, maintain a high-quality portfolio of assets, innovate and retain access to an appropriately skilled workforce (who may be employed by another bp group company), could negatively impact delivery of the company's strategy in a highly competitive market.

Crisis management and business continuity

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

Insurance

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

Safety and operational risks

Product quality

Supplying customers with off-specification products could damage the company's reputation, lead to regulatory action and legal liability, and potentially impact its financial performance.

Compliance and control risks

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.

Regulation

Changes in the law and regulation could increase costs, constrain the company's operations and affect its business plans and financial performance.

Treasury and treasury trading activities

Ineffective oversight of treasury and trading activities could lead to business disruption, financial loss, regulatory intervention or damage to the company's reputation.

Reporting

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

Financial risk management

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

STRATEGIC REPORT

Authorized for issue on behalf of the Board

DocuSigned by:

Robert Harrison

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R J Harrison

Director

September 27, 2022

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

DIRECTORS' REPORT

BP GAS MARKETING LIMITED

Directors

The present directors are listed on page 1.

There have been no director appointments or resignations since 1 January 2021.

Directors' indemnity

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

Dividends

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

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 6.1) of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 in the strategic report under Financial risk management.

Going concern

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

Liquidity and financing is managed within the bp group under pooled group-wide arrangements which include the company. As part of the going concern basis of preparation for the company, the ability and intent of the bp group to support the company has also been taken into consideration. The most recent bp group financial statements continue to be prepared on a going concern basis. Forecast liquidity of the bp group has been assessed under a number of stressed scenarios, including a significant decline in oil prices over the 12-month period from the date these financial statements were approved. Reverse stress tests performed indicated that the bp group will continue to operate as a going concern for at least 12 months from the date of approval of the financial statements even if the Brent price fell to zero. In addition, bp group management have confirmed the existing intra-group funding and liquidity arrangements as currently constituted are expected to be maintained for the foreseeable future, being no less than twelve months from the approval of these financial statements. No material uncertainties over going concern or significant judgements or estimates on the assessment were identified. Accordingly, the company will be able to draw on support from the bp group for the foreseeable future and these financial statements have therefore been prepared on a going concern basis. For further information on financial risk factors, including credit risk and liquidity risk, see page 5.

The company enters into derivative transactions in the normal course of business to buy and sell gas products at a future point in time. These derivatives lock in a gain/loss and as such are used to minimize market risk.

DIRECTORS' REPORT

Going concern (continued)

The company has a substantial and growing physical LNG trading business. Under IFRS, physical LNG is not accounted for as a derivative and future profit or loss is only recognised as it is realised, whereas mark to market gains and losses on financial hedges against the physical LNG contracts are fully recognised on a mark to market basis. This accounting asymmetry is a structural anomaly and can give rise to volatility in the reported results of the company during periods when gas commodity prices are volatile. The company is an integral part of the wider bp group strategy and continues to be internally funded, consequently the company will expect to be able to meet its liabilities during such volatile periods. To ensure that the company remains a going concern, bp has and will continue to take appropriate measures, such as providing liquidity to meet exchange margin calls or injecting additional equity, to ensure that the company continues to meet its obligations.

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

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

Future developments

The directors consider that, despite the uncertainties deriving from the current economic environment and the loss reported for the year, the company has adequate resources to continue in operational existence for at least the next 12 months from the date these financial statements were approved.

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

Stakeholder statement

Engagement with other stakeholders

The Board recognises the importance of considering and having regard to key stakeholders and their interests when making decisions. By thoroughly understanding the company's key stakeholder groups, the Board can successfully consider and address the needs of these stakeholders and foster good business relationships with them. The company considers its governments, shareholders, customers, suppliers and communities within the countries it operates.

The Board are committed to doing business ethically and transparently, using bp's values and code of conduct to guide them when engaging and working with business partners. The company's activities, and the decisions of its Board, affect a wide variety of individuals and organisations. The Board engages with its stakeholders, listening to their differing needs and priorities as an everyday part of business, and utilising the feedback received to inform the Board's decision-making.

As noted in the section 172(1) statement within the Strategic Report, responsibility for decisions that impact the entire bp group are taken by the Board of BP p.l.c. On behalf of the company, the bp group is a member of industry associations that offer opportunities to share good practices and collaborate on issues of importance. Additionally, the bp group works with governments on a range of issues that are relevant to its business, from regulatory compliance and understanding tax liabilities, to collaborating on community initiatives.

DIRECTORS' REPORT**Stakeholder statement (continued)****Engagement with other stakeholders (continued)**

Regularly engaging with stakeholders is a priority for the company and the below table describes how the Board had regard to the need to foster relationships with the company's key stakeholders, how outcomes were considered and how concerns were identified and addressed during the reporting period. Further details of these decisions, and if applicable any principal decisions in relation to the stakeholders, are discussed in the section 172(1) statement:

| Stakeholders | Stakeholders' interests | How we have fostered relationships | How the fostering of relationships impacted decision making |
|------------------|---|--|---|
| Suppliers | <p>For the company to understand, and where feasible, meet the suppliers' needs and expectations.</p> <p>For the company to provide regular support to the suppliers in order to improve suppliers' systems and avoid defects and/or operational issues where feasible.</p> <p>To be part of a fair and respectful tender and supplier selection process.</p> <p>To be part of a valued supplier relationship centred around ethics and transparency.</p> | <p>The company maintains a number of bp group wide policies to ensure fair treatment of its current and potential suppliers.</p> <p>The bp group also conducts supplier site visits to build relationships and monitor how work is being carried out, ensuring that it meets the suppliers' and the bp group's expectations.</p> | <p>Management and/or, where significant, the Board are provided with updates on renewals and negotiations for existing and/or new supplier agreements. The information received supports effective decision making by the Board when considering the long term consequences on relationships with suppliers.</p> <p>On an exceptional basis, the directors will engage with suppliers through means of the procurement teams in the case of any escalation.</p> <p>bp's supplier site visits are intended to be mutually beneficial in terms of improvement and learning opportunities.</p> |

DIRECTORS' REPORT

| | | | |
|------------------|---|--|---|
| Customers | <p>For the company to provide its customers with top quality services.</p> <p>For the company to build a trusted relationship with its customers.</p> <p>Ensuring the safe execution of products and services provided to its customers and that any claims in relation to the same, are addressed and resolved.</p> <p>Ensuring that customer data is kept in a secure environment and only for the duration and purposes that the data is required for.</p> | <p>The company maintains a number of bp group wide policies to ensure the ongoing security of customer data, safe execution and quality of the products and services and a continued trusted relationship with its customers.</p> <p>On behalf of the company, the bp group also seeks to engage with customers through forums such as social media, focus bp groups and in-depth interviews with customers to better understand customer's needs and seek their feedback.</p> | <p>Management and/or, where significant, the Board are provided with updates on renewals and negotiations for existing and/or new customer contracts. The information received supports effective decision making by the Board when considering the long term consequences on relationships with its customers.</p> <p>By obtaining customer feedback and understanding our customers, it has allowed us to clarify the company's vision for future growth and ways to continually add brand value.</p> |
|------------------|---|--|---|

DIRECTORS' REPORT

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|----------------------------------|--|--|---|
| Community and environment | <p>The directors' relationships on behalf of the company with respect to communities are important for all its activities, but particularly for major new projects where its presence may bring about changes in the local areas, such as jobs and support for community development, changes in the physical landscape, changes to the local ecosystem.</p> <p>For the company to deliver high quality products and services in an energy efficient and environmentally responsible manner.</p> <p>To conduct business in a manner to minimise negative impact on the surrounding area and be respectful and conscientious of the environment/ the financial environment.</p> <p>To take into account the interest of the local community when considering future investments and business decisions.</p> | <p>The company maintains a number of bp group wide policies to promote sustainable and environmentally friendly business and operational practises.</p> <p>The directors engage with local communities through public consultations and meetings with local representatives and complete impact assessments where relevant. The directors also consult with NGOs, academics and industry associations, drawing on their external expertise, input and challenge.</p> | <p>Management and/or, where significant, the Board are provided with updates on the environmental impact of the company's business operations. The information received supports effective decision making by the Board when considering the long term consequences on the environment and local communities.</p> <p>By following and implementing the bp group wide sustainability policy, the company has been able to measure and manage its impact on the community and environment in which it operates.</p> |
|----------------------------------|--|--|---|

DIRECTORS' REPORT

| | | | |
|------------------------------|---|---|---|
| Shareholder | <p>The company is 100% owned by BP Exploration Operating Company Limited.</p> <p>The company is committed to maximising long term shareholder value, in whatever form, when taking its decisions.</p> | <p>bp group functions, across Tax, Treasury and Finance, in conjunction with senior management, make recommendations to declare dividends, where relevant, via a thorough feasibility analysis process as part of its System of Internal Control, ensuring the appropriate amount of dividend and associated impact are duly considered.</p> <p>The company reports to its shareholder on a regular basis in the form of its financial statements and, where applicable, its business, strategic plans and key risks.</p> | <p>One of the company's strategic aims is to pursue strategic growth to maximise long term value for its shareholder.</p> <p>The company's compliance with the bp group's System of Internal Control assists the Board when considering whether to declare dividends, the amount of dividend and any associated impact. Specifically, the Board will review relevant internal functional assurance advice notes when considering the declaration of a dividend to its shareholder.</p> |
| Government/Regulators | <p>For the company to create valued relationships with Government/Regulators centred around ethics and transparency, and discuss relevant regulations and guidance where necessary.</p> | <p>The company keeps the Government/Regulators informed of any significant changes to the company.</p> | <p>Management and/or, where significant, the Board are provided with updates on changes in regulation and/or legislation impacting the company. The information received supports effective decision making by the Board when considering the company's compliance with said regulations and/or legislation.</p> <p>The company continually engages with local government bodies and/or regulators to ensure it is conducting itself in accordance with relevant laws/regulation to ensure its good standing, trust and respect in society and longevity.</p> |

Streamlined Energy & Carbon Reporting (SECR)

As a UK subsidiary of a UK parent company which prepares a group directors' report, SECR reporting details are included in the strategic report of the bp group Annual Report and Form 20-F for the year ended 31 December 2021.

Auditors

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

DIRECTORS' REPORT

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

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

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

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

Authorized for issue on behalf of the Board

DocuSigned by:

Robert Harrison

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R J Harrison

Director

September 27, 2022

Registered Office:

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TW16 7BP
United Kingdom

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT
OF THE FINANCIAL STATEMENTS
BP GAS MARKETING 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 GAS MARKETING LIMITED

Report on the audit of the financial statements

Opinion

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

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

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 24.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- An assessment of whether material uncertainties existed that could cast significant doubt on the entity's ability to continue as a going concern for least 12 months after the date of approval of the financial statements;
- An assessment of the funds that can be made available to the company through bp group treasury channels;
- An assessment of the management's identified potential mitigating actions and the appropriateness of the inclusion of these in the going concern assessment;
- An assessment of the disclosures made within the financial statements.

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

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

INDEPENDENT AUDITOR'S REPORT

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and 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 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.

INDEPENDENT AUDITOR'S REPORT

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.

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:

Rizwan Majid

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Rizwan Majid, ACA

(Senior Statutory Auditor)

for and on behalf of

Deloitte LLP, Statutory Auditor

London, United Kingdom

September 28, 2022

PROFIT AND LOSS ACCOUNT**FOR THE YEAR ENDED 31 DECEMBER 2021****BP GAS MARKETING LIMITED**

| | | 2021 | 2020 |
|--|-----------|--------------------|------------------|
| | Note | £000 | Restated £000 |
| Turnover | 3 | 4,353,130 | 2,476,326 |
| Cost of sales | | (5,849,627) | (2,031,440) |
| Gross (loss) / profit | | (1,496,497) | 444,886 |
| Dividend income | | 11,839 | — |
| Distribution and marketing expenses | | (648,835) | (547,038) |
| Administrative expenses | | (144,019) | (18,945) |
| Other operating income | | — | 14,357 |
| Impairment of fixed asset investments | 12 | — | (3,349) |
| Operating loss | 4 | (2,277,512) | (110,089) |
| Interest receivable and similar income | 6 | 5,426 | 6,934 |
| Interest payable and similar expenses | 7 | (55,465) | (58,089) |
| Loss before taxation | | (2,327,551) | (161,244) |
| Tax on loss | 8 | — | — |
| Loss for the financial year | | <u>(2,327,551)</u> | <u>(161,244)</u> |

The loss of £2,327,551,000 for the year ended 31 December 2021 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME**FOR THE YEAR ENDED 31 DECEMBER 2021****BP GAS MARKETING LIMITED**

| | <u>2021</u> | <u>2020</u> |
|--|---------------------------|-------------------------|
| Note | £000 | £000 |
| Loss for the financial year | <u>(2,327,551)</u> | <u>(161,244)</u> |
| Other comprehensive income | | |
| Items that may be reclassified subsequently to profit or loss | | |
| Currency translation differences | <u>(65,598)</u> | <u>(114,668)</u> |
| Other comprehensive income for the year net of tax | <u>(65,598)</u> | <u>(114,668)</u> |
| Total comprehensive income for the year | <u><u>(2,393,149)</u></u> | <u><u>(275,912)</u></u> |

BALANCE SHEET**31 DECEMBER 2021****BP GAS MARKETING LIMITED****(Registered No.00908982)**

| | Note | 2021 £000 | 2020 £000 |
|--|------|-------------------------|-------------------------|
| Fixed assets | | | |
| Intangible assets | 10 | 47,194 | 36,770 |
| Tangible assets | 11 | 946,744 | 974,364 |
| Investments | 12 | 98,217 | 100,200 |
| | | <u>1,092,155</u> | <u>1,111,334</u> |
| Current assets | | | |
| Stocks | 13 | 516,322 | 159,276 |
| Debtors – amounts falling due: | | | |
| within one year | 14 | 6,675,781 | 3,384,781 |
| after one year | 14 | 4,651 | 19,190 |
| Derivatives and other financial instruments: | | | |
| within one year | 19 | 2,288,345 | 476,912 |
| after one year | 19 | 689,118 | 179,816 |
| Cash and cash equivalents | 15 | 1,720,365 | 269,616 |
| | | <u>11,894,582</u> | <u>4,489,591</u> |
| Creditors: amounts falling due within one year | 16 | (5,600,427) | (1,595,810) |
| Derivatives and other financial instruments due within one year | 19 | (4,035,098) | (700,609) |
| Lease liabilities | 17 | (253,416) | (200,356) |
| Net current assets | | <u>2,005,641</u> | <u>1,992,816</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>3,097,796</u> | <u>3,104,150</u> |
| Creditors: amounts falling due after more than one year | 16 | (2,422) | (148) |
| Derivatives and other financial instruments due after more than one year | 19 | (839,973) | (282,468) |
| Lease liabilities | 17 | (793,832) | (815,909) |
| Provisions for liabilities and charges | | | |
| Other provisions | 20 | (51,982) | (202,889) |
| NET ASSETS | | <u><u>1,409,587</u></u> | <u><u>1,802,736</u></u> |
| Capital and reserves | | | |
| Called up share capital | 21 | 3,065,000 | 1,065,000 |
| Share premium account | 22 | 552 | 552 |
| Foreign currency translation reserve | 22 | 352,187 | 368,938 |
| Profit and loss account | 22 | (2,008,152) | 368,246 |
| TOTAL EQUITY | | <u><u>1,409,587</u></u> | <u><u>1,802,736</u></u> |

BALANCE SHEET

Authorized for issue on behalf of the Board

DocuSigned by:

Robert Harrison

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R J Harrison

Director

September 27, 2022

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

BP GAS MARKETING LIMITED

| | Called up share capital (Note 21) £000 | Share premium account (Note 22) £000 | Foreign currency translation reserve (Note 22) £000 | Profit and loss account (Note 22) £000 | Total £000 |
|--|--|--|--|--|------------------|
| Balance at 1 January 2020 | 1,065,000 | 552 | 483,606 | 529,490 | 2,078,648 |
| Loss for the financial year | — | — | — | (161,244) | (161,244) |
| Other comprehensive income for the year | — | — | (114,668) | — | (114,668) |
| Total comprehensive income for the year | — | — | (114,668) | (161,244) | (275,912) |
| Balance at 31 December 2020 | 1,065,000 | 552 | 368,938 | 368,246 | 1,802,736 |
| Loss for the financial year | — | — | — | (2,327,551) | (2,327,551) |
| Other comprehensive income for the year | — | — | (65,598) | — | (65,598) |
| Total comprehensive income for the year | — | — | (65,598) | (2,327,551) | (2,393,149) |
| Reclassification of foreign currency translation | — | — | 48,847 | (48,847) | — |
| Issue of share capital | 2,000,000 | — | — | — | 2,000,000 |
| Balance at 31 December 2021 | <u>3,065,000</u> | <u>552</u> | <u>352,187</u> | <u>(2,008,152)</u> | <u>1,409,587</u> |

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2021****BP GAS MARKETING 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 Gas Marketing Limited for the year ended 31 December 2021 were approved by the board of directors on 27 September 2022 and the balance sheet was signed on the board's behalf by R J Harrison. BP Gas Marketing Limited is a private company, limited by shares incorporated, domiciled and registered in England and Wales (registered number 00908982). The company's registered office is at Chertsey Road, Sunbury on Thames, Middlesex, United Kingdom, 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, modified to include the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The accounting policies that follow have been consistently applied to all years presented, 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 24 to the financial statements.

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;
 - (iv) paragraph 118(e) of IAS 38 Intangible Assets;
- (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;
- (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;

NOTES TO THE FINANCIAL STATEMENTS

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

Basis of preparation (continued)

- (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 requirement of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers
- (i) the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- (j) the requirements of paragraph 58 of IFRS 16 Leases, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

Where required, equivalent disclosures are given in the group financial statements of BP p.l.c. The group financial statements of BP p.l.c. are available to the public and can be obtained as set out in Note 24.

The financial statements are presented in Pound Sterling and all values are rounded to the nearest thousand pounds (£000), except where otherwise indicated.

Significant accounting policies: use of judgements, estimates and assumptions

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

The areas requiring the most significant judgement and estimation in the preparation of the financial statements are on the impairment of investments and derivative financial instruments.

The COVID-19 pandemic, 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 bp group consolidated financial statements. These issues are not expected to have significant impacts on the currently reported amounts of the company's assets and liabilities.

Significant accounting policies

Going concern

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

NOTES TO THE FINANCIAL STATEMENTS**2. Significant accounting policies, judgements, estimates and assumptions (continued)****Going concern (continued)**

Liquidity and financing is managed within the bp group under pooled group-wide arrangements which include the company. As part of the going concern basis of preparation for the company, the ability and intent of the bp group to support the company has also been taken into consideration. The most recent bp group financial statements continue to be prepared on a going concern basis. Forecast liquidity of the bp group has been assessed under a number of stressed scenarios, including a significant decline in oil prices over the 12-month period from the date these financial statements were approved. Reverse stress tests performed indicated that the bp group will continue to operate as a going concern for at least 12 months from the date of approval of the financial statements even if the Brent price fell to zero. In addition, bp group management have confirmed the existing intra-group funding and liquidity arrangements as currently constituted are expected to be maintained for the foreseeable future, being no less than twelve months from the approval of these financial statements. No material uncertainties over going concern or significant judgements or estimates on the assessment were identified. Accordingly, the company will be able to draw on support from the bp group for the foreseeable future and these financial statements have therefore been prepared on a going concern basis. For further information on financial risk factors, including credit risk and liquidity risk, see page 5.

The company enters into derivative transactions in the normal course of business to buy and sell gas products at a future point in time. These derivatives lock in a gain/loss and as such are used to minimize market risk.

The company has a substantial and growing physical LNG trading business. Under IFRS, physical LNG is not accounted for as a derivative and future profit or loss is only recognised as it is realised, whereas mark to market gains and losses on financial hedges against the physical LNG contracts are fully recognised on a mark to market basis. This accounting asymmetry is a structural anomaly and can give rise to volatility in the reported results of the company during periods when gas commodity prices are volatile. The company is an integral part of the wider bp group strategy and continues to be internally funded, consequently the company will expect to be able to meet its liabilities during such volatile periods. To ensure that the company remains a going concern, bp has and will continue to take appropriate measures, such as providing liquidity to meet exchange margin calls or injecting additional equity, to ensure that the company continues to meet its obligations.

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

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

Foreign currency

The functional and presentation currency of the financial statements is Pound Sterling. 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.

NOTES TO THE FINANCIAL STATEMENTS

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

Foreign currency (continued)

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.

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

Investments

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

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

Interests in associates

An associate is an entity over which the company has significant influence, through the power to participate in the financial and operating policy decisions of the investee, but which is not a subsidiary or a joint arrangement.

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 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 12.

Intangible assets

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

Intangible assets with a finite life are amortized on a straight-line basis over their expected useful lives. Computer software costs generally have a useful life of three to five years.

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

NOTES TO THE FINANCIAL STATEMENTS**2. Significant accounting policies, judgements, estimates and assumptions (continued)****Intangible assets (continued)**

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

Tangible assets

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

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

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

Corporate and other

| | |
|-----------------------|---------|
| Office equipment | 4 years |
| Fixtures and fittings | 4 years |

Transportation

| | |
|---------|----------------|
| Vessels | up to 15 years |
|---------|----------------|

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Impairment of intangible and tangible assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Stocks

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

Stocks held for short-term trading purposes are stated at fair value less costs to sell and any changes in fair value are recognized in the profit and loss account.

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

Leases

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

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

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

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

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

Agreements may include both lease and non-lease components. Payments for lease and non-lease components are allocated on a relative stand-alone selling price basis.

If the lease term at commencement of the agreement is less than 12 months, a lease liability and right-of-use asset are not recognized, and a lease expense is recognized in the income statement on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

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

Leases (continued)

If a significant event or change in circumstances, within the control of bp, arises that affects the reasonably certain lease term or there are changes to the lease payments, the present value of the lease liability is remeasured using the revised term and payments, with the right-of use asset adjusted by an equivalent amount.

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

The company as lessor

The company enters into lease agreements as a lessor to other companies in the bp group with respect to certain of its vessels. Leases for which the company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases. As an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term. When a contract includes both lease and non-lease components, the company applies the accounting policy for turnover as disclosed below.

Finance leases are capitalized at the commencement of the lease term at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Finance charges are allocated to each period so as to achieve a constant rate of interest on the remaining balance of the liability and are charged directly against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term.

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.

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 some trade and other receivables, cash and cash equivalents, loans to associates, amounts owed from fellow subsidiaries and amounts owed from associates.

NOTES TO THE FINANCIAL STATEMENTS

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

Financial assets (continued)

Financial assets measured at fair value through profit or loss

Financial assets are classified as measured at fair value through profit or loss when the asset does not meet the criteria to be measured at amortized cost. Such assets are carried on the balance sheet at fair value with gains or losses recognized in the profit and loss account. Derivatives, other than those designated as effective hedging instruments, are included in this category.

Cash equivalents

Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value and generally have a maturity of three months or less from the date of acquisition. Cash equivalents are classified as financial assets measured at amortized cost or, in the case of certain money market funds, fair value through profit or loss.

Impairment of financial assets measured at amortized cost

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

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

Financial liabilities

The measurement of financial liabilities is as follows:

Financial liabilities measured at fair value through profit or loss

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

Financial liabilities measured at amortized cost

All other 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, amounts owed to parent undertakings, amounts owed to fellow subsidiaries and amounts owed to associates.

NOTES TO THE FINANCIAL STATEMENTS

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

Derivative financial instruments

The company uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates, interest rates and commodity prices as well as for trading purposes. These derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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

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

Fair value measurement

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

Significant estimate and judgement: derivative financial instruments

In some cases the fair values of derivatives are estimated using internal models due to the absence of quoted prices or other observable, market-corroborated data. This primarily applies to the company's longer-term derivative contracts. The majority of these contracts are valued using models with inputs that include price curves for each of the different products that are built up from available active market pricing data (including volatility and correlation) and modelled using the maximum available external information. Additionally, where limited data exists for certain products, prices are determined using historical and long-term pricing relationships. The use of alternative assumptions or valuation methodologies may result in significantly different values for these derivatives. A reasonably possible change in the price assumptions used in the models relating to index price would not have a material impact on net assets and the profit and loss account primarily as a result of offsetting movements between derivative assets and liabilities. For more information, including the carrying amounts of level 3 derivatives, see Note 19.

In some cases, judgement is required to determine whether contracts to buy or sell commodities meet the definition of a derivative. In particular, longer-term contracts to buy and sell Liquefied Natural Gas ("LNG") are not considered to meet the definition as they are not considered capable of being net settled due to a lack of liquidity in the LNG market and so are accounted for on an accruals basis, rather than as a derivative.

NOTES TO THE FINANCIAL STATEMENTS

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

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 2.0% (2020 2.5%).

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.
- In respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, where the company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS**2. Significant accounting policies, judgements, estimates and assumptions (continued)****Taxation (continued)**

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 deductive temporary differences.

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

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

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

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

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

Customs duties and sales taxes

Customs duties and sales taxes that are passed on or charged to customers are excluded from turnover and expenses. Assets and liabilities are recognized net of the amount of customs duties or sales tax except:

- Customs duties or sales taxes incurred on the purchase of goods and services which are not recoverable from the taxation authority are recognized as part of the cost of acquisition of the asset.
- Receivables and payables are stated with the amount of customs duty or sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included within receivables or payables in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

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

Turnover

Revenue from contracts with customers is recognized when or as the company satisfies a performance obligation by transferring control of a promised good or service to a customer. The transfer of control of natural gas, natural gas liquids, LNG, petroleum and chemical products, and other items usually coincides with title passing to the customer and the customer taking physical possession. The company principally satisfies its performance obligations at a point in time; the amounts of revenue recognized relating to performance obligations satisfied over time are not significant.

When, or as, a performance obligation is satisfied, the company recognizes as revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the company expects to be entitled. The transaction price is allocated to the performance obligations in the contract based on standalone selling prices of the goods or services promised.

Contracts for the sale of commodities are typically priced by reference to quoted prices. Revenue from term commodity contracts is recognized based on the contractual pricing provisions for each delivery. Certain of these contracts have pricing terms based on prices at a point in time after delivery has been made. Revenue from such contracts is initially recognized based on relevant prices at the time of delivery and subsequently adjusted as appropriate. All revenue from these contracts, both that recognized at the time of delivery and that from post-delivery price adjustments, is disclosed as revenue from contracts with customers.

Sales and purchase of commodities accounted for under IFRS 15 are presented on a gross basis in Revenue from contracts with customers and Purchases respectively. Physically settled derivatives which represent trading or optimization activities are presented net alongside financially settled derivative contracts in Other operating revenues within Sales and other operating income. Certain physically settled sale and purchase derivative contracts which are not part of trading and optimization activities are presented gross within Other operating revenues and Purchases respectively. Changes in the fair value of derivative assets and liabilities prior to physical delivery are also classified as other operating revenues.

Certain contracts entered into by the company that result in physical delivery of products such as natural gas and refined products are required by IFRS 9 to be accounted for as derivative financial instruments. The company's counterparties in these transactions may, however, meet the IFRS 15 definition of a customer. Revenue recognized relating to such contracts when physical delivery occurs is, therefore, measured at the contractual transaction price and presented together with revenue from contracts with customers. Changes in the fair value of derivative assets and liabilities prior to physical delivery are excluded from revenue from contracts with customers and are classified as other operating revenues.

Where forward sale and purchase contracts for natural gas or power have been determined to be for short-term trading purposes, the associated sales and purchases are reported net within sales and other operating revenues whether or not physical delivery has occurred.

Revenue associated with the sale of natural gas liquids, liquefied natural gas, petroleum and chemical products, natural gas forward sales / purchase contracts and sales / purchases of trading stock is included on a net basis in turnover.

NOTES TO THE FINANCIAL STATEMENTS

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

Interest income

Interest income is recognized as the interest accrues.

Dividend income

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

Finance costs

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

Updates to significant accounting policies

Impact of new International Financial Reporting Standards

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

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

Other changes to significant accounting policies

Voluntary change in accounting policy - Net presentation of revenues and purchases relating to physically settled derivative contracts from 1 January 2021

bp routinely enters into transactions for the sale and purchase of commodities that are physically settled and meet the definition of a derivative financial instrument. These contracts are within the scope of IFRS 9 and as such, prior to settlement, changes in the fair value of these derivative contracts are presented as gains and losses within other operating revenues. The group previously presented revenues and purchases for such contracts on a gross basis in the income statement upon physical settlement.

These transactions have historically represented a substantial portion of the revenues and purchases reported in the group's consolidated financial statements. The change in strategic direction of the group supported by organisational changes to implement the strategy from 1 January 2021, resulted in the group determining that the revenue and corresponding purchases relating to such transactions should be presented net, as gains or losses within other operating revenues, from that date. Physically settled derivative contracts were previously presented on a gross basis and included in other operating revenues and purchases; however, under the new accounting policy, such contracts will be presented on a net basis within other operating revenues to the extent that they relate to trading or optimization activities.

NOTES TO THE FINANCIAL STATEMENTS**2. Significant accounting policies, judgements, estimates and assumptions (continued)****Other changes to significant accounting policies (continued)**

Additionally, the group's trading activity has continued to evolve over time from one of capturing third-party physical trades to provide flow assurance to one with increasing levels of optimisation, taking advantage of price volatility and fluctuations in demand and supply, which will continue under the new strategy, further supporting the change in presentation. The new presentation provides reliable and more relevant information for users of the accounts as the group's revenue recognition is more closely aligned with its assessment of 'Scope 3' emissions from its products, its 'Net Zero' ambition and how management monitors and manages performance of such contracts.

As a result of the group's change in accounting policy, the company's comparative information for turnover and cost of sales for 2020 has been restated as shown in the table below. There is no impact on comparative information for loss for the financial year.

| | 2020 As previously reported | 2020 As restated | Presentational adjustments |
|---------------|--------------------------------|---------------------|-------------------------------|
| | £000 | £000 | £000 |
| Turnover | 4,216,121 | 2,476,326 | (1,739,795) |
| Cost of sales | (3,771,235) | (2,031,440) | 1,739,795 |

3. Turnover and other income

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

| | 2021 | 2020 Restated |
|---|-------------|------------------|
| | £000 | £000 |
| Revenue from contracts with customers | 5,040,011 | 1,835,982 |
| Other operating revenues | 1,020,959 | 214,520 |
| Group gain / (loss) sharing arrangements | 5,122,803 | (81,492) |
| Held for trading (loss) / gain | (6,830,643) | 507,316 |
| | 4,353,130 | 2,476,326 |
| Dividend income | 11,839 | — |
| Other operating income | — | 14,357 |
| Interest receivable and similar income (Note 6) | 5,426 | 6,934 |
| | 4,370,395 | 2,497,617 |

As detailed in Note 2, the comparative information for 2020 has been restated to reflect the voluntary change in accounting policy - Net presentation of revenues and purchases relating to physically settled derivative contracts.

NOTES TO THE FINANCIAL STATEMENTS**3. Turnover (continued)**

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

| | 2021 | 2020 |
|----------------------------------|------------------|------------------|
| | £000 | £000 |
| Class of business ^a : | | |
| gas & low carbon energy | 4,233,504 | 1,433,876 |
| oil production & operations | — | 1,018,628 |
| customers & products | 119,626 | 23,822 |
| Total | <u>4,353,130</u> | <u>2,476,326</u> |

^a Information for 2021 has been presented to reflect the changes in the bp group reportable segments. For more information see Note 1 of the bp group Annual Report and Form 20-F for the year ended 31 December 2021.

4. Operating loss

This is stated after charging / (crediting):

| | 2021 | 2020 |
|---------------------------------------|--------------|--------------|
| | £000 | £000 |
| Net foreign exchange (gains) / losses | (6,470) | 29,246 |
| Amortization of intangible assets | | |
| - Internally generated ^a | 8,092 | 8,805 |
| Depreciation of right-of-use assets | 224,677 | 186,896 |
| Impairment of investments | — | 3,349 |
| Reversal of impairment of investments | (6,016) | — |
| Expected loss allowance | <u>2,089</u> | <u>2,973</u> |

^a Amount is included in Administrative expenses.

5. Auditor's remuneration

| | 2021 | 2020 |
|-----------------------------------|-----------|-----------|
| | £000 | £000 |
| Fees for the audit of the company | <u>56</u> | <u>32</u> |

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

| | 2021 | 2020 |
|---|--------------|--------------|
| | £000 | £000 |
| Bank interest receivable | 116 | 1,482 |
| Interest income from amounts owed by group undertakings | 166 | 3,870 |
| Interest income from associates | 5,144 | — |
| Interest income from loan to group undertakings | — | 1,582 |
| Total interest receivable and similar income | <u>5,426</u> | <u>6,934</u> |

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

| | 2021 | 2020 |
|---|--------|--------|
| | £000 | £000 |
| Interest expense on: | | |
| Lease liabilities | 36,301 | 41,610 |
| Loans from group undertakings | 16,975 | 13,147 |
| Total interest expense | 53,276 | 54,757 |
| Unwinding of discount on provisions | 2,189 | 3,332 |
| Total interest payable and similar expenses | 55,465 | 58,089 |

8. Taxation

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

(a) Reconciliation of the effective tax rate

The tax assessed on the profit for the year is lower than the standard rate of corporation tax in the UK of 19% for the year ended 31 December 2021 (2020 19%). The differences are reconciled below:

| | 2021 | 2020 |
|--|-------------|-----------|
| | £000 | £000 |
| Profit before tax | (2,327,551) | (161,244) |
| Tax charge / (credit) | — | — |
| Effective tax rate | — | — |
| | 2021 | 2020 |
| | % | % |
| UK statutory corporation tax rate: | 19 | 19 |
| Decrease resulting from: | | |
| Non-taxable income | — | (1) |
| Free group relief | (19) | (17) |
| Movements in unrecognised deferred tax | — | (1) |
| Effective tax rate | — | — |

Change in corporation tax rate

On 3 March 2021, the UK Government announced an increase to the UK's main corporation tax rate from 19% to 25%, effective from 1 April 2023. On 23 September 2022, the Chancellor of the Exchequer announced that the planned corporation tax rate change to 25% would no longer be implemented and that the main rate would remain at 19%. This change has yet to be substantively enacted. As the company has not recognised a deferred tax asset at the balance sheet date, the impact of this rate change has not been calculated.

(b) Provision for deferred tax

Deferred tax has not been recognised on deductible temporary differences relating to fixed assets of £24,633,000 (2020: £90,442,000), short-term timing differences of £571,000 (2020: £2,733,000) and tax losses of £35,062,000 (2020: £140,246,000) with no fixed expiry date on the basis that they are not expected to give rise to any future tax benefit.

NOTES TO THE FINANCIAL STATEMENTS**9. Directors and employees****(a) Remuneration of directors**

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

(b) Employee costs

The company had no employees during the year (2020 None).

10. Intangible assets

| | Other intangibles |
|---------------------------|----------------------|
| Cost | <u>£000</u> |
| At 1 January 2021 | 139,994 |
| Additions | 18,516 |
| At 31 December 2021 | <u>158,510</u> |
| Amortization | |
| At 1 January 2021 | 103,224 |
| Charge for the year | 8,092 |
| At 31 December 2021 | <u>111,316</u> |
| Net book value | |
| At 31 December 2021 | <u>47,194</u> |
| At 31 December 2020 | <u>36,770</u> |

Included within intangible assets are costs capitalized in relation to computer software. These costs are amortized over the remaining useful life of three to five years.

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

| | Corporate & other £000 | Transportation £000 | Total £000 |
|--|------------------------------|------------------------|---------------|
| Cost - owned tangible assets | | | |
| At 1 January 2021 | 18,117 | — | 18,117 |
| At 31 December 2021 | 18,117 | — | 18,117 |
| Depreciation - owned tangible assets | | | |
| At 1 January 2021 | 18,112 | — | 18,112 |
| At 31 December 2021 | 18,112 | — | 18,112 |
| Owned tangible assets - net book value | | | |
| At 31 December 2021 | 5 | — | 5 |
| Right-of-use assets - net book value | | | |
| At 31 December 2021 | — | 946,739 | 946,739 |
| Owned tangible assets - net book value | | | |
| At 31 December 2020 | 5 | — | 5 |
| Right-of-use assets - net book value | | | |
| At 31 December 2020 | — | 974,359 | 974,359 |
| Total tangible assets net book value | | | |
| At 31 December 2021 | 5 | 946,739 | 946,744 |
| At 31 December 2020 | 5 | 974,359 | 974,364 |
| Depreciation charge for the year on right-of-use assets | | | |
| 2021 | — | 224,677 | 224,677 |
| 2020 | — | 186,896 | 186,896 |

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

| | Investment in subsidiaries | Investment in associates | Loans to associates | Total |
|-----------------------------------|-------------------------------|-----------------------------|------------------------|---------|
| Cost | £000 | £000 | £000 | £000 |
| At 1 January 2020 | 266,568 | 500 | 8,000 | 275,068 |
| Additions | 24,917 | — | — | 24,917 |
| At 31 December 2020 | 291,485 | 500 | 8,000 | 299,985 |
| At 1 January 2021 | 291,485 | 500 | 8,000 | 299,985 |
| Reclassification to other debtors | — | — | (8,000) | (8,000) |
| At 31 December 2021 | 291,485 | 500 | — | 291,985 |
| Impairment losses | | | | |
| At 1 January 2020 | 189,919 | 500 | 5,536 | 195,955 |
| Charge for the year | 3,349 | — | — | 3,349 |
| FV movement | — | — | 481 | 481 |
| At 31 December 2020 | 193,268 | 500 | 6,017 | 199,785 |
| At 1 January 2021 | 193,268 | 500 | 6,017 | 199,785 |
| Reclassification to other debtors | — | — | (6,017) | (6,017) |
| At 31 December 2021 | 193,268 | 500 | — | 193,768 |
| Net book amount | | | | |
| At 31 December 2021 | 98,217 | — | — | 98,217 |
| At 31 December 2020 | 98,217 | — | 1,983 | 100,200 |

The investments in subsidiaries and associates are all stated at cost less provision for impairment.

The investments in the subsidiary and associated undertakings are unlisted.

The loan to associates is unsecured, bears interest of 120 basis points per annum and expected to be repaid in full on the termination date of 19 December 2022. The tenure of the loan is 5 years. During the year, the loan was reclassified to other debtors in Note 14.

The subsidiary and other undertakings of the company at 31 December 2021 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.

NOTES TO THE FINANCIAL STATEMENTS**12. Investments (continued)****Subsidiary undertakings**

| Company name | Class of share held | % | Registered address | Principal activity |
|-------------------------------------|---------------------|----|---|---------------------------|
| Bahia de Bizkaia Electridad, S.L | Ordinary shares | 75 | Atraque Punta Lucero Explanada Punta Ceballos s/n Ziérbena (Vizcaya) Spain | Power Generation |
| Utilita Group Ltd ^a | Ordinary shares | 0 | Utilita Group Limited, Hutwood Court, Bournemouth Road, Chandler's Ford, Eastleigh, SO53 3QB | Retail energy provider |

^a The company holds an option to purchase 66.44% of the ordinary shares of Utilita Group Limited.

Associated undertakings

| Company name | Class of share held | % | Registered address | Principal activity |
|---------------------------------|---------------------|----|---|---------------------------|
| Blue Marble Holdings Limited | Ordinary shares | 24 | Northgate House, 2nd Floor, Upper Borough Walls, Bath, BA1 1RG, England, United Kingdom | Retail energy provider |

13. Stocks

| | 2021 | 2020 |
|-----------------------|----------------|----------------|
| | £000 | £000 |
| Emission certificates | 14,339 | 17,493 |
| Natural gas | 146,127 | 10,035 |
| Supplies | 25,202 | 12,064 |
| Trading stocks | 330,654 | 119,684 |
| | <u>516,322</u> | <u>159,276</u> |

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

14. Debtors

Amounts falling due within one year:

| | 2021 | 2020 |
|---------------------------------------|------------------|------------------|
| | £000 | £000 |
| Trade debtors | 2,213,204 | 300,972 |
| Amounts owed from fellow subsidiaries | 4,335,130 | 2,981,153 |
| Amounts owed from associates | 69,056 | 38,670 |
| Other debtors | 41,742 | 40,529 |
| Prepayments | 2,853 | 4,721 |
| Finance sublease receivables | 13,796 | 18,736 |
| | <u>6,675,781</u> | <u>3,384,781</u> |

NOTES TO THE FINANCIAL STATEMENTS**14. Debtors (continued)**

Amounts falling due after one year:

| | 2021 | 2020 |
|------------------------------|------------------|------------------|
| | £000 | £000 |
| Finance sublease receivables | 4,651 | 19,190 |
| Total debtors | <u>6,680,432</u> | <u>3,403,971</u> |

The amounts owed from fellow subsidiaries comprise a variable rate Internal Financing Account (IFA) of £1,836,734,000 (2020 £2,015,592,000). Interest is accrued on a monthly basis based on LIBOR, primarily USD, EUR and GBP LIBOR.

Whilst IFA balances are legally repayable on demand, in practice they have no termination date.

The IFRS 9 expected credit loss carried forward was £2,089,000 (2020 £2,973,000). The measurement of expected credit losses is a function of the probability of default, loss given default and exposure at default. The current economic environment and future credit risk outlook have been considered in updating the estimate of expected credit loss allowances on financial assets measured at amortized cost.

Trade and other receivables are predominantly non-interest bearing.

15. Cash and cash equivalents

| | 2021 | 2020 |
|------------------|------------------|----------------|
| | £000 | £000 |
| Cash | 495,843 | 57,288 |
| Cash equivalents | 1,224,522 | 212,328 |
| | <u>1,720,365</u> | <u>269,616</u> |

Cash and cash equivalents at 31 December 2021 includes £1,224,522,000 (2020 £212,328,000) that is restricted. The restricted cash balances include amounts required to cover initial margin on trading exchanges.

16. Creditors

Amounts falling due within one year:

| | 2021 | 2020 |
|---------------------------------------|------------------|------------------|
| | £000 | £000 |
| Trade creditors | 2,669,357 | 187,017 |
| Amounts owed to parent undertakings | 31,845 | 257,306 |
| Amounts owed to fellow subsidiaries | 1,999,564 | 847,426 |
| Amounts owed to associates | — | 524 |
| Other creditors | 216,438 | 235,786 |
| Other taxes and social security costs | 11,653 | 5,241 |
| Accruals | 443,217 | 47,073 |
| Deferred income | 228,353 | 15,437 |
| | <u>5,600,427</u> | <u>1,595,810</u> |

NOTES TO THE FINANCIAL STATEMENTS**16. Creditors (continued)**

Amounts falling after one year:

| | 2021 | 2020 |
|-------------------------------------|------------------|------------------|
| | £000 | £000 |
| Amounts owed to fellow subsidiaries | 148 | 148 |
| Other creditors | 2,274 | — |
| | <u>2,422</u> | <u>148</u> |
| Total creditors | <u>5,602,849</u> | <u>1,595,958</u> |

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

17. Loans and obligations under leases

Loans repayable and obligations under leases are analysed as follows:

Within 5 years

| | 2021 | 2020 |
|----------------------|-------------------|-------------------|
| | Lease liabilities | Lease liabilities |
| | £000 | £000 |
| Not wholly repayable | 853,566 | 762,254 |
| | <u>853,566</u> | <u>762,254</u> |

After 5 years

| | 2021 | 2020 |
|----------------------|-------------------|-------------------|
| | Lease liabilities | Lease liabilities |
| | £000 | £000 |
| Not wholly repayable | 193,682 | 254,011 |
| | <u>193,682</u> | <u>254,011</u> |

18. Leases

The company leases a number of assets as part of its activities. This primarily includes vessel charters across the bp group. Time charters are typically negotiated for an average initial fixed term of 4 years. Certain leases contain options to extend the lease period at the company's discretion. The payments for these future periods are only included in the measurement of the lease liability and right-of-use asset if the company is reasonably certain to exercise the option.

The total undiscounted amount for future commitments for leases not yet commenced as at 31 December 2021 is £149,878,000 (2020 £287,963,000).

NOTES TO THE FINANCIAL STATEMENTS**18. Leases (continued)**

| | 2021 | 2020 |
|---|----------------|----------------|
| | £000 | £000 |
| Additions to right-of-use assets in the period | 237,626 | 115,231 |
| Total cash outflow for amounts included in lease liabilities ^b | <u>245,416</u> | <u>214,866</u> |

^b The cash outflows for amounts not included in lease liabilities approximate the income statement expense disclosed above.

An analysis of right-of-use assets and depreciation is provided in Note 11. An analysis of lease interest expense is provided in Note 7.

19. Derivatives and other financial instruments

In the normal course of business, the company enters into derivative financial instruments (derivatives), to manage its normal business exposures in relation to commodity prices, foreign currency exchange rates and interest rates, including management of the balance between floating rate and fixed rate debt consistent with risk management policies and objectives.

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

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

Exchange traded derivatives are valued using closing prices provided by the exchange as at the balance sheet date. These derivatives are categorized within level 1 of the fair value hierarchy. Over-the-counter (OTC) financial swaps and physical commodity sale and purchase contracts are generally valued using readily available information in the public markets and quotations provided by brokers and price index developers. These quotes are corroborated with market data and are categorized within level 2 of the fair value hierarchy.

In certain less liquid markets, or for longer-term contracts, forward prices are not as readily available. In these circumstances, OTC financial swaps and physical commodity sale and purchase contracts are valued using internally developed methodologies that consider historical relationships between various commodities, and that result in management's best estimate of fair value. These contracts are categorized within level 3 of the fair value hierarchy.

Financial OTC and physical commodity options are valued using industry standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and contractual prices for the underlying instruments, as well as other relevant economic factors. The degree to which these inputs are observable in the forward markets determines whether the option is categorized within level 2 or level 3 of the fair value hierarchy.

Derivatives held for trading

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

NOTES TO THE FINANCIAL STATEMENTS

19. Derivatives and other financial instruments (continued)

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

| | 2021 | 2021 | 2020 | 2020 |
|---|------------------|--------------------|----------------|------------------|
| | Fair value | Fair value | Fair value | Fair value |
| | asset | liability | asset | liability |
| | £000 | £000 | £000 | £000 |
| Derivatives held for trading | | | | |
| - Currency derivatives | 151,270 | (72,737) | 33,177 | (238,516) |
| - Natural gas price derivatives | 1,832,674 | (3,435,803) | 430,360 | (460,963) |
| - Power price derivatives | 993,519 | (1,366,531) | 193,191 | (283,598) |
| | <u>2,977,463</u> | <u>(4,875,071)</u> | <u>656,728</u> | <u>(983,077)</u> |
| Of which: | | | | |
| - current derivatives with third parties | 1,683,615 | (3,290,871) | 328,387 | (328,231) |
| - current intercompany derivatives with fellow subsidiaries | 604,731 | (744,227) | 148,525 | (372,378) |
| - non-current derivatives with third parties | 370,645 | (608,051) | 72,511 | (151,234) |
| - non-current intercompany derivatives with fellow subsidiaries | 318,472 | (231,922) | 107,305 | (131,234) |
| | <u>2,977,463</u> | <u>(4,875,071)</u> | <u>656,728</u> | <u>(983,077)</u> |

The following tables show further information on the fair value of derivatives and other financial instruments held for trading purposes.

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

| 2021 | Less than 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years | Total |
|--|------------------|----------------|---------------|---------------|---------------|----------------|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| - Currency derivatives | 106,526 | 44,744 | — | — | — | — | 151,270 |
| - Natural gas price derivatives | 1,532,043 | 253,334 | 26,321 | 1,706 | 2,463 | 16,807 | 1,832,674 |
| - Power and emission price derivatives | 649,776 | 121,926 | 46,761 | 28,918 | 21,945 | 124,193 | 993,519 |
| | <u>2,288,345</u> | <u>420,004</u> | <u>73,082</u> | <u>30,624</u> | <u>24,408</u> | <u>141,000</u> | <u>2,977,463</u> |

NOTES TO THE FINANCIAL STATEMENTS**19. Derivatives and other financial instruments (continued)**

| 2020 | Less than 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years | Total |
|--|---------------------|---------------|---------------|--------------|--------------|---------------|----------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| - Currency derivatives | 30,990 | 2,187 | — | — | — | — | 33,177 |
| - Natural gas price derivatives | 372,746 | 48,693 | 8,445 | 15 | 43 | 418 | 430,360 |
| - Power and emission price derivatives | 73,176 | 14,348 | 9,649 | 9,782 | 9,747 | 76,489 | 193,191 |
| | <u>476,912</u> | <u>65,228</u> | <u>18,094</u> | <u>9,797</u> | <u>9,790</u> | <u>76,907</u> | <u>656,728</u> |

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

| 2021 | Less than 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years | Total |
|--|---------------------|------------------|-----------------|-----------------|-----------------|------------------|--------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| - Currency derivatives | (71,950) | (787) | — | — | — | — | (72,737) |
| - Natural gas price derivatives | (3,050,530) | (347,001) | (15,845) | (2,344) | (2,887) | (17,196) | (3,435,803) |
| - Power and emission price derivatives | (912,618) | (237,504) | (29,906) | (29,286) | (26,284) | (130,933) | (1,366,531) |
| | <u>(4,035,098)</u> | <u>(585,292)</u> | <u>(45,751)</u> | <u>(31,630)</u> | <u>(29,171)</u> | <u>(148,129)</u> | <u>(4,875,071)</u> |

| 2020 | Less than 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years | Total |
|--|---------------------|------------------|-----------------|-----------------|-----------------|-----------------|------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| - Currency derivatives | (172,466) | (57,529) | (8,521) | — | — | — | (238,516) |
| - Natural gas price derivatives | (391,658) | (58,374) | (10,929) | (2) | — | — | (460,963) |
| - Power and emission price derivatives | (136,485) | (46,073) | (15,729) | (10,209) | (10,449) | (64,653) | (283,598) |
| | <u>(700,609)</u> | <u>(161,976)</u> | <u>(35,179)</u> | <u>(10,211)</u> | <u>(10,449)</u> | <u>(64,653)</u> | <u>(983,077)</u> |

NOTES TO THE FINANCIAL STATEMENTS

19. Derivatives and other financial instruments (continued)

The following table shows the fair value of derivative assets and derivative liabilities held for trading, analysed by maturity period and by methodology of fair value estimation. This information is shown on a gross basis, that is, before netting by counterparty.

| 2021 | Less than 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years | Total |
|--------------------------------------|---------------------|-----------|-----------|-----------|-----------|--------------|-------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Fair value of derivative assets | | | | | | | |
| Level 2 | 6,178,819 | 574,705 | 52,995 | 6,798 | 6,013 | 20,298 | 6,839,628 |
| Level 3 | 16,048 | 23,658 | 16,862 | 17,174 | 15,476 | 107,947 | 197,165 |
| | 6,194,867 | 598,363 | 69,857 | 23,972 | 21,489 | 128,245 | 7,036,793 |
| Less: netting by counterparty | (3,906,522) | (178,359) | 3,225 | 6,652 | 2,919 | 12,755 | (4,059,330) |
| | 2,288,345 | 420,004 | 73,082 | 30,624 | 24,408 | 141,000 | 2,977,463 |
| Fair value of derivative liabilities | | | | | | | |
| Level 2 | (7,776,722) | (927,836) | (46,905) | (9,508) | (9,737) | (23,931) | (8,794,639) |
| Level 3 | (10,750) | (9,403) | (2,649) | (2,705) | (2,494) | (11,899) | (39,900) |
| | (7,787,472) | (937,239) | (49,554) | (12,213) | (12,231) | (35,830) | (8,834,539) |
| Less: netting by counterparty | 3,752,374 | 351,947 | 3,803 | (19,417) | (16,940) | (112,299) | 3,959,468 |
| | (4,035,098) | (585,292) | (45,751) | (31,630) | (29,171) | (148,129) | (4,875,071) |
| Net fair value | (1,746,753) | (165,288) | 27,331 | (1,006) | (4,763) | (7,129) | (1,897,608) |

NOTES TO THE FINANCIAL STATEMENTS**19. Derivatives and other financial instruments (continued)**

| 2020 | Less than 1 year | 1-2 years | 2-3 years | 3-4 years | 4-5 years | Over 5 years | Total |
|--------------------------------------|---------------------|------------------|-----------------|-----------------|-----------------|-----------------|--------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Fair value of derivative assets | | | | | | | |
| Level 2 | 955,223 | 119,481 | 18,242 | 6,794 | 6,015 | 45,370 | 1,151,125 |
| Level 3 | 17,977 | 1,543 | 2,114 | 3,003 | 3,775 | 31,537 | 59,949 |
| | <u>973,200</u> | <u>121,024</u> | <u>20,356</u> | <u>9,797</u> | <u>9,790</u> | <u>76,907</u> | <u>1,211,074</u> |
| Less: netting by counterparty | <u>(496,288)</u> | <u>(55,796)</u> | <u>(2,262)</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>(554,346)</u> |
| | <u>476,912</u> | <u>65,228</u> | <u>18,094</u> | <u>9,797</u> | <u>9,790</u> | <u>76,907</u> | <u>656,728</u> |
| Fair value of derivative liabilities | | | | | | | |
| Level 2 | (1,186,639) | (213,134) | (32,827) | (5,912) | (6,843) | (31,526) | (1,476,881) |
| Level 3 | (10,256) | (4,640) | (4,614) | (4,299) | (3,606) | (33,127) | (60,542) |
| | <u>(1,196,895)</u> | <u>(217,774)</u> | <u>(37,441)</u> | <u>(10,211)</u> | <u>(10,449)</u> | <u>(64,653)</u> | <u>(1,537,423)</u> |
| Less: netting by counterparty | <u>496,286</u> | <u>55,798</u> | <u>2,262</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>554,346</u> |
| | <u>(700,609)</u> | <u>(161,976)</u> | <u>(35,179)</u> | <u>(10,211)</u> | <u>(10,449)</u> | <u>(64,653)</u> | <u>(983,077)</u> |
| Net fair value | <u>(223,697)</u> | <u>(96,748)</u> | <u>(17,085)</u> | <u>(414)</u> | <u>(659)</u> | <u>12,254</u> | <u>(326,349)</u> |

NOTES TO THE FINANCIAL STATEMENTS**19. Derivatives and other financial instruments (continued)***Level 3 derivatives*

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

| | <u>Total</u> |
|--|----------------|
| | <u>£000</u> |
| Net fair value of contracts as at 1 January 2021 | (593) |
| Gains recognized in the profit and loss account | 165,579 |
| Settlements | (7,721) |
| Net fair value of contracts as at 31 December 2021 | <u>157,265</u> |
| | |
| | <u>Total</u> |
| | <u>£000</u> |
| Net fair value of contracts as at 1 January 2020 | 16,893 |
| Losses recognized in the profit and loss account | (17,486) |
| Net fair value of contracts as at 31 December 2020 | <u>(593)</u> |

Derivative gains and losses

Gains and losses on derivative contracts are included within 'Turnover' in the profit and loss account. The total amount relating to these derivative contracts was a net loss of £6,830,643,000 (2020 net gain of £507,316,000).

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

The total amount relating to all these items (excluding gains and losses on realized physical derivative contracts that have been reflected gross in the profit and loss account within Turnover) was a net loss of £5,232,980,000 (2020 net loss of £1,052,332,000). This number does not include gains and losses on realized physical derivative contracts that have been reflected gross in the profit and loss account within sales and purchases or the change in value of transportation and storage contracts, but does include the associated financially settled contracts. The net amount for actual gains and losses relating to derivative contracts and all related items therefore may differ significantly from the amount disclosed above.

NOTES TO THE FINANCIAL STATEMENTS**20. Other provisions**

| | <u>Total</u> £000 |
|-------------------------|----------------------|
| At 1 January 2021 | 202,889 |
| Changes during the year | <u>(150,907)</u> |
| At 31 December 2021 | <u>51,982</u> |

The provisions relates to four onerous contracts which are split between two contracts for storage of gas and two contracts for pipeline capacity.

The Viking provision relates to gas caverns in Germany with a contract expiry of 2046. The Bierwang provision relates to gas caverns in Germany with a contract expiry of 2027. The Spain-France Inter-Connector provision relates to gas capacity through the Spain-France Pipeline with a contract expiry of 2023. The Trans-Austrian Gasline provision relates to the supply of gas capacity through the Trans-Austrian Gasline with a contract expiry of 2023.

Other provisions decreased by \$150,907 during the year, of which \$139,306 relates to the write-back of unused provisions on account of changes to the valuation of the Viking and Bierwang onerous provisions in light of the current gas shortages and gas price volatility in Europe, with the remaining movement relating to discounting and foreign exchange movements.

21. Called up share capital

| | <u>2021</u> £000 | <u>2020</u> £000 |
|---|---------------------|---------------------|
| Issued and fully paid: | | |
| 3,065,000,000 (2020 1,065,000,000) ordinary shares of £1 each for a total nominal value of £3,065,000,000 (2020 £1,065,000,000) | <u>3,065,000</u> | <u>1,065,000</u> |
| | <u>3,065,000</u> | <u>1,065,000</u> |

On 10 December 2021, 1,500,000,000 ordinary shares of £1 each for a total nominal value of £1,500,000,000 were allotted to the parent company at par value.

On 20 December 2021, 500,000,000 ordinary shares of £1 each for a total nominal value of £500,000,000 were allotted to the parent company at par value.

22. 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.

Share premium account

The balance on the share premium account represents the amounts received in excess of the nominal value of the ordinary shares.

Foreign currency translation reserve

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

Profit and loss account

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

NOTES TO THE FINANCIAL STATEMENTS**23. Related party transactions**

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

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

| Related party | <u>Sales to related party</u> £000 | <u>Purchases from related party</u> £000 | <u>Amounts owed from related party</u> £000 | <u>Amounts owed to related party</u> £000 |
|--|---|---|--|--|
| BP Trinidad and Tobago LLC | | | | |
| Fellow subsidiary | | | | |
| Gas | | | | |
| 2021 | — | — | — | — |
| 2020 | — | 8,590 | 6,740 | — |
| Atlantic 2/3 Holdings LLC | | | | |
| Joint venture | | | | |
| Gas | | | | |
| 2021 | — | — | — | — |
| 2020 | — | — | 11,005 | 1,150 |
| Aker BP ASA | | | | |
| Joint venture | | | | |
| Exploration | | | | |
| 2021 | — | — | — | 185,948 |
| 2020 | — | 133,175 | 841 | 27,558 |
| Atlantic 1 LNG of Trinidad and Tobago | | | | |
| Associate | | | | |
| Gas | | | | |
| 2021 | — | — | — | — |
| 2020 | — | 62,385 | — | — |
| Blue Marble Holdings LLC | | | | |
| Associate | | | | |
| 2021 | — | — | 69,056 | — |
| 2020 | 96,979 | 6,367 | 26,068 | 457 |
| Bahia de Bizkaia Electricidad | | | | |
| Subsidiary | | | | |
| 2021 | 54,369 | — | — | 14,402 |
| 2020 | 6,091 | — | 507 | 3,151 |

NOTES TO THE FINANCIAL STATEMENTS**23. Related party transactions (continued)**

| Related party | Sales to related party £000 | Purchases from related party £000 | Amounts owed from related party £000 | Amounts owed to related party £000 |
|--------------------------|-----------------------------------|--|---|---|
| BP India Private Limited | | | | |
| Fellow subsidiary | | | | |
| 2021 | — | — | — | 13 |
| 2020 | — | — | — | — |

24. Immediate and ultimate controlling parent undertaking

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