

BP CAPITAL MARKETS P.L.C.

(Registered No.01290444)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2022

Board of Directors: J A Hodgson
N M Staunton
A E Fargher

The directors present the Strategic Report, their report and the audited financial statements for the year ended 31 December 2022.

STRATEGIC REPORT

Principal activity

The company acts as a finance company issuing debt securities and commercial papers. The development of the company is largely determined by the financing requirements of the bp group.

Results

The profit for the year after taxation was \$19 million which, when added to the retained profit brought forward at 1 January 2022 of \$227 million, gives a total retained profit carried forward at 31 December 2022 of \$246 million.

Review of the business

To meet the financing requirements of the group, in 2022 the company repaid \$7.1 billion debt securities of which \$4.5 billion was related to debt buybacks and \$2.6 billion was related to debt maturities. There were no new issuances during the year. The foreign exchange gain on bonds was \$1.55 billion, which was offset in full by \$1.55 billion foreign exchange loss on deposits receivables, as the company places all proceeds from external bonds issuance as deposits with BP International Limited (BPI), a wholly owned subsidiary of BP p.l.c. There was a net decrease in commercial papers during the year of \$1.4 billion. Finance debt at the end of the year was \$31.0 billion (2021 \$41.1 billion).

Profit after tax for the year was \$19 million, compared to a profit of \$92 million in the prior year. The profit is primarily attributed to the differences between the timing and terms of the external borrowings from banks and the deposits with BP International Limited, coupled with foreign exchange gains recognised due to the strengthening of USD against GBP and EUR. The decrease in profit after tax is mainly driven by the changes to the IFRS 9 expected loss provision during the year.

STRATEGIC REPORT

Review of the business (continued)

The key financial and other performance indicators during the year are shown below. These help the board assess the company's performance and liquidity position.

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
	\$m	\$m	%
Operating (loss) / profit	(26)	27	(196)
Profit for the financial year	19	92	(79)
Total equity	1,147	1,128	2

	<u>2022</u>	<u>2021</u>	<u>Variance</u>
	%	%	%
Quick ratio *	66	58	8
Return on assets**	0.06	0.21	(0.16)

*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.

** Return on assets is defined as net profit divided by total assets.

STRATEGIC REPORT

Section 172 (1) statement

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

BP Capital Markets p.l.c. supports the bp group's strategic objectives by providing funding to the group through debt issuances and carrying out liability management activities.

In performing their duties throughout the year the directors have had regard to the Section 172 factors as follows:

(a) The likely long-term consequences of the decision

When setting and delivering on the company's strategy, the directors of the company 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 by providing funding to the bp group.

(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

During 2022, the directors of the company reiterated its focus on engagement and fostering relationships with suppliers and customers, with the need to consider partners, customers and suppliers and how we can help them, specifically addressed in the 'Who we are' belief, 'Care for others'. For example, the company engaged with banks and was available to deal with generate corporate funding requirements of the bp group.

(d) The impact of the company's operations on the community and the environment

The company supported the the general corporate funding purposes of the bp group and the directors of the company are committed to the bp group's sustainability aims and objectives – 10 aims to get bp to net zero and help the world get there too, 5 aims to improve people's lives and 5 aims to care for our planet. In 2022, each business in the bp group prepared a sustainability plan, identifying its priority aims and detailing the actions it will take to meet those.

(e) The desirability to maintain the company's reputation for high standards of business conduct

In 2022, bp continued to make progress against its sustainability aims which set out the areas where bp believes it can make the biggest difference for bp, its stakeholders and society. bp's commitment to safety, having a positive impact and doing the right thing were further enshrined in the new bp 'Who we are' beliefs which also emphasise the importance of following the bp code of conduct.

bp's code of conduct 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.

(f) The need to act fairly between members of the company

The directors of the company aim to balance the needs of its members, managing any conflicts and having regard to long term value creation, including maximising long term shareholder value.

Maintaining our license to operate

As described in the section 172(1) statement, bp's code of conduct 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.

STRATEGIC REPORT

Stakeholder engagement

By understanding the company's key stakeholders, the board can consider and address the needs of these stakeholders and foster good business relationships with them. The board has taken time to identify the key interests of the stakeholders and establish regular engagement methods to help the board to consider and balance stakeholder interests when making decisions.

In addition to the stakeholders set out above, the company considers its key stakeholders groups to include:

(a) Government/Regulators

The company recognises the need to create valued relationships with the Government/Regulators such as Financial Conduct Authority centred around ethics and transparency, and the need to discuss relevant regulations and guidance where necessary.

The board is provided with updates on changes in regulation and/or legislation impacting the company and is committed to keeping the Government/Regulators informed of any significant changes to the company.

(b) Shareholders

The company is committed to maximising long term shareholder value in, whatever form, when making decisions.

The company operates in accordance with the bp group's System of Internal Control, the Policy etc, to promote long term success of the company for the shareholders.

(c) Banks

The company establishes and opens one or more bank accounts as is deemed necessary or desirable in order to conduct business in the name of the company.

The company's principal decisions

The board recognises the importance of considering and having regard to the Section 172 factors when making decisions, particularly the principal decisions of the company. The company has 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:

Principal decision	The relevant factors taken into account during the decision making process
The company entered into the updated European Debt Issuance Programme in order to continue to participate in the Programme and execute drawdowns.	The directors considered the impact of such a decision of the company having regard to its financing requirements of the bp group as per s172(1)(c) 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).
The company redeemed outstanding notes under its US Shelf debt issuance programme in accordance with and subject to the terms of the indenture in relation to that programme and the terms of the notes.	

STRATEGIC REPORT

Principal risks and uncertainties

The bp group manages, monitors and reports on the principal risks and uncertainties that can impact the group's ability to deliver its strategy. The group's system of internal control includes policies, processes, management systems, organizational structures, culture and standards of conduct employed to manage bp's business and associated risks.

Throughout the year, bp management, the leadership team, the board and relevant committees provide oversight of how principal risks to bp are identified, assessed and managed. They support appropriate governance of risk management including having relevant policies in place to help manage risks. Such oversight may include internal audit reports, group risk reports and reviews of the outcomes of business processes including strategy, planning and resource and capital allocation. bp's group risk team analyses the group's risk profile and maintains the group's risk management system. bp's internal audit team provides independent assurance to the chief executive and board as to whether the group's system of internal control is adequately designed and operating effectively to respond appropriately to the risks that are significant to bp.

The company aims to deliver sustainable value by identifying and responding successfully to risks in line with the group's risk management process.

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 2022.

Strategic and commercial risks

Geopolitical

The group 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.

Liquidity, financial capacity and financial, including credit, exposure

Failure to work within the financial framework set by the bp group could impact the bp group as well as the company's ability to operate and result in financial loss. Credit rating downgrades could potentially increase financing costs and limit access to financing or engagement in the company's trading activities on acceptable terms, which could put pressure on the group's liquidity.

For further details see Note 29 of the bp group Annual Report and Form 20-F for the year ended 31 December 2022.

STRATEGIC REPORT

Strategic and commercial risks (continued)

Digital infrastructure and cybersecurity

The energy industry is subject to fast-evolving risks, including ransomware, from cyber threat actors, including nation states, criminals, terrorists, hacktivists and insiders. Current geopolitical factors have increased these risks. There is also growing regulation around data protection and data privacy. A breach or failure of our or third parties' digital infrastructure – including control systems – due to breaches of our cyber defences, or those of third parties, negligence, intentional misconduct or other reasons, could seriously disrupt our operations. This could result in the loss or misuse of data or sensitive information, including employees' and customers' personal data, injury to people, disruption to our business, harm to the environment or our assets, legal or regulatory breaches, legal liability and significant costs including fines, cost of remediation or reputational consequences. Furthermore, the rapid detection of attempts to gain unauthorized access to our digital infrastructure, often through the use of sophisticated and co-ordinated means, is a challenge and any delay or failure to detect could compound these potential harms.

Climate change and the transition to a lower carbon economy

Laws, regulations, policies, obligations, government actions, social attitudes and customer preferences relating to climate change and the transition to a lower carbon economy, including the pace of change to any of these factors, and also the pace of the transition itself, could have adverse impacts on our business including on our access to and realization of competitive opportunities in any of our strategic focus areas, a decline in demand for, or constraints on our ability to sell certain products, constraints on production and supply, adverse litigation and regulatory or litigation outcomes, increased costs from compliance and increased provisions for environmental and legal liabilities.

Changes in investor preferences and sentiment could affect our access to capital markets and our attractiveness to potential investors, potentially resulting in reduced access to financing, increased financing costs and impacts upon our business plans and financial performance.

Depending on the nature and speed of any such changes and our response, these changes could increase costs, reduce the company's profitability, reduce demand for certain products, limit our access to new opportunities, require us to write down certain assets or curtail or cease certain operations, and affect investor sentiment, our access to capital markets, our competitiveness and financial performance.

Insurance

The bp group generally purchases insurance only in situations where this is legally and contractually required. Some risks are insured with third parties and reinsured by group insurance companies. Uninsured losses could have a material adverse effect on the bp group financial position which in turn could adversely affect the company.

Compliance and control risks

Ethical misconduct and non-compliance

Incidents of ethical misconduct or non-compliance with applicable laws and regulations, including anti-bribery and corruption, competition and antitrust, and anti-fraud laws, trade restrictions or other sanctions, could damage the company's reputation, and result in litigation, regulatory action, penalties and potentially affect our licence to operate.

In relation to trade restrictions or other sanctions, current geopolitical factors have increased these risks.

Regulation

Changes in the law and regulation, including how they are interpreted and enforced, 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, fines or damage to the company's reputation.

STRATEGIC REPORT

Compliance and control risks (continued)

Reporting

External reporting of financial and non-financial data relies on the integrity of the control environment, bp group's systems and people operating them. Failure to report data accurately and in compliance with applicable standards could result in regulatory action, legal liability and reputational damage.

Financial risk management

The company is exposed to a number of different financial risks arising from natural business exposures as well as its use of financial instruments including market risks relating to foreign currency exchange rates, interest rates, credit risk and liquidity risk. Further details on these financial risks are included within Note 29 of the bp group Annual Report and Form 20-F for the year ended 31 December 2022.

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

DocuSigned by:

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J A Hodgson
Director

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

DIRECTORS' REPORT

BP CAPITAL MARKETS P.L.C.

Directors

The present directors are listed on page 1.

J A Hodgson and N M Staunton served as directors throughout the financial year. Changes since 1 January 2022 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
R Wheatley	—	13 October 2022
A E Fargher	14 February 2023	—

Directors' indemnity

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

Dividends

The company has not declared any dividends during the year (2021 \$Nil). The directors do not propose the payment of a dividend (2021 \$Nil).

Capital structure

The company's capital structure as at 31 December 2022 is as follows:

- Share capital: \$678 million
- Share premium account: \$223 million
- Profit or loss account: \$246 million
- Total equity: \$1,147 million
- Long-term debt: \$28,500 million
- Total liabilities and equity: \$33,545 million

The company's share capital represents the aggregate nominal value of all ordinary shares in issue. The share premium account represents the amount of money paid for shares above their nominal value. Profit or loss account represent the company's retained profits after paying dividends to shareholders. Long-term debt represents the company's borrowings that have a maturity of more than one year.

The company's capital structure is considered to be strong and balanced. The company has a significant level of equity, which provides a cushion against unexpected losses. The company also has a manageable level of debt, which allows it to finance its growth plans.

The company's directors are responsible for ensuring that the company's capital structure is appropriate for its business and financial needs. The directors will review the company's capital structure on a regular basis and make changes as necessary.

DIRECTORS' REPORT

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.

Post balance sheet events

As part of actively managing its debt portfolio, BP Capital Markets plc bought back finance debt with an aggregate principal amount of \$1.68 billion USD equivalent in the second quarter of 2023.

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 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 pages 5-7.

At 31 December 2022 the company's balance sheet had net assets of \$1,147 million, but with total liabilities of \$32,398 million. Repayment of those liabilities as they fall due will be via the overall funding arrangements of the bp group, or the company raising new debt in the bond markets.

Proceeds received by the company from external borrowings via the international bond market are deposited with BPI, a fully owned subsidiary of BP p.l.c., with the same maturity profiles and on similar terms. As the principal in-house bank for the bp group, BPI has very strong access to callable funds which provides assurance to bp businesses that have deficit balances that there is little likelihood that their debt should be called. Similarly, entities holding a surplus with BPI can be assured that access to their funds, called at short notice, could confidently be expected.

In assessing the prospects of BP Capital Markets p.l.c., 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.

DIRECTORS' REPORT

Future developments

The directors aim to maintain the management policies which have resulted in the company's stability in recent years.

They believe that the company is in a good position to take advantage of any opportunities which may arise in the future.

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

Stakeholder statements

Statement of engagement with suppliers, customers and others in a business relationship with the company

The board recognises the importance of considering and having regard to key stakeholders and their interests when making decisions. By understanding the company's key stakeholders, the board can consider and address the needs of these stakeholders and foster good business relationships with them.

The board is 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 the board, affect a wide variety of individuals and organisations. The directors engage with the company's stakeholders, listening to their differing needs and priorities as part of their role as a senior leader at bp and use the feedback received to inform the board's decision-making.

The company's section 172(1) statement in the Strategic Report demonstrates how the directors have had regard to the need to foster business relationships with suppliers, customers and other stakeholders when making decisions on behalf of the company.

Auditors

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

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

The directors who were members of the board at the time of approving the directors' report 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.

DIRECTORS' REPORT

Directors' statement as to the disclosure of information to the auditor (continued)

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

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

DocuSigned by:

24B803576F7E440...
J A Hodgson
Director

Registered Office:

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United Kingdom

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

BP CAPITAL MARKETS P.L.C.

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.

Responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company;
- the strategic report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that they face; and
- the financial statements, are fair, balanced and understandable and provide the information necessary for shareholders to assess the company's position and performance, business model and strategy.

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

DocuSigned by:

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J A Hodgson
Director

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF BP CAPITAL MARKETS P.L.C.

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of BP Capital Markets p.l.c. (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 15.

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).

2. 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, as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that we have not provided any non-audit services prohibited by the FRC's Ethical Standard to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	We have identified a key audit matter in relation to the early redemption of USD bonds.
Materiality	The materiality that we used in the current year was \$310m which was determined on the basis of 1% of finance debt.
Scoping	Audit work to respond to the risks of material misstatements was directly performed by the engagement team.
Significant changes in our approach	There were no significant changes in our approach from prior year.

INDEPENDENT AUDITOR'S REPORT

4. 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.

The company is a subsidiary of the group headed by BP PLC (the 'bp group') and the going concern of the company is closely linked to the group. Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting has therefore been performed at the group level, supplemented with procedures specific to the company, and included:

- evaluating the financing facilities including nature of facilities and repayment terms;
- evaluating the obligations related finance debt borrowings;
- assessing the accuracy and reasonability of the assumptions used to prepare forecasts prepared by management;
- reperforming management's sensitivity analysis;
- testing of clerical accuracy of those forecasts and our assessment of the historical accuracy of forecasts prepared by management;
- assessing the willingness and ability of bp group for funding and liquidity arrangement; and
- assessing 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.

5. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITOR'S REPORT

5.1 Early redemption of USD bonds

Key audit matter description	<p>During the current period, the company entered into the early redemption of a number of multi-currency bonds totalling \$4.5bn. The USD bonds included an early redemption option which was exercised by the company.</p> <p>Accounting for the early redemption involves judgement in respect of the application of the accounting standards, specifically which bonds should be derecognised and the associated accounting entries required. The derecognition of the bonds will have a material impact in the financial statements and on key performance measures. Accordingly, we have identified the accounting for the early redeemed bonds as a key audit matter. Refer to Note 10 of the financial statements for further details on the finance debt balance.</p>
How the scope of our audit responded to the key audit matter	<p>In testing the accounting treatment of the early redemption of the bonds we have:</p> <ul style="list-style-type: none">• Obtained an understanding of the relevant controls related to the accounting treatment of the transactions;• Obtained an understanding of the commercial rationale of the transactions through reading transaction documents and discussion with management;• Assessed the appropriateness of the accounting treatment and resulting accounting entries with respect to the derecognition of the bonds and recognition of related interest and discount/premia in line with IFRS 9 Financial instruments; and• Traced the actual outflow of payments made to the bank statement.
Key observations	<p>Based on the procedure that have been performed and the evidence obtained, we determined that the accounting adopted for the early redemption of the bonds by the company was appropriate.</p>

6. Our application of materiality

6.1 Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	\$310.0m (2021: 410.0m)
Basis for determining materiality	1% of finance debt (2021: 1%)
Rationale for the benchmark applied	The company's primary purpose is to issue debt for bp plc to help meet the group's funding requirements. External finance debt serves as the main driver of the entity's activity and is key to users of the financial statements, making it the most relevant base for materiality.

6.2 Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2022 audit (2021: 70%). In determining performance materiality, we considered our assessment of the entity's control environment, our understanding of the entity and the entity's role of issuing debt for the bp group. We also considered the low level of corrected and uncorrected misstatements identified in the previous audit.

6.3 Error reporting threshold

We agreed with those charged with governance that we would report to them all audit differences in excess of \$15.5m (2021: \$20.0m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to those charged with governance on disclosure matters that we identified when assessing the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT

7. An Overview of the scope of our audit

7.1 Scoping

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal controls, and assessing the risk of material misstatement. Our risk assessment included considering the size, composition and qualitative factors relating to account balances, classes of transactions and disclosures.

7.2 Our consideration of the control environment

In understanding the company's control environment, we considered the control environment of bp group to the extent that it was relevant to the company.

We determined that there are two IT systems directly or indirectly relevant to the entity's financial reporting system. We tested the General IT Controls (GITCs) associated with these systems. We also tested relevant treasury controls.

8. 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.

9. Responsibilities of directors

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

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

10. 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.

11. 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.

11.1 Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

INDEPENDENT AUDITOR'S REPORT

- the nature of the industry and sector, control environment and business performance ;
- results of our enquiries of management, internal audit the directors and those charged with governance about their own identification and assessment of the risks of irregularities, including those that are specific to the company's sector;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations.
- the matters discussed among the audit engagement team and relevant internal specialists, including regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act 2006 and Tax legislation.

In addition, we considered provisions of other laws and regulations that 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.

11.2 Audit response to risks identified

As a result of performing the above, we did not identify any key audit matters related to the potential risk of fraud or non-compliance with laws and regulations.

Our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings held by the directors; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. 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.

13. Matters on which we are required to report by exception.

13.1 Adequacy of explanations received and accounting records

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

- we have not received all the information and explanations we require for our audit; or

INDEPENDENT AUDITOR'S REPORT

- 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.

We have nothing to report in respect of these matters.

13.2 Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

14. Other matters which we are required to address

14.1 Auditor tenure

Those charged with governance have passed a resolution to appoint Deloitte as auditors for BP Capital Markets P.l.c. The appointment took place on 11 December 2018 for the audit of the of the financial statements for the year ending 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 5 years, covering the years ending 31 December 2018 to 31 December 2022.

14.2 Consistency of the audit report with the additional report to Those charged with governance

Our audit opinion is consistent with the additional report to those charged with governance we are required to provide in accordance with ISAs (UK).

15. Use of our report

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

DocuSigned by:


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Tom Millar

(Senior Statutory Auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2022

BP CAPITAL MARKETS P.L.C.

		<u>2022</u>	<u>2021</u>
	Note	\$m	\$m
Administrative expenses		(56)	—
Other operating income		30	27
Operating (loss) / profit	3	<u>(26)</u>	<u>27</u>
Interest receivable and similar income	5	1,229	1,453
Interest payable and similar expenses	6	<u>(1,184)</u>	<u>(1,388)</u>
Profit before taxation		19	92
Tax on profit	7	—	—
Profit for the financial year		<u><u>19</u></u>	<u><u>92</u></u>

The profit of \$19 million for the year ended 31 December 2022 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

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

BALANCE SHEET

AS AT 31 DECEMBER 2022

BP CAPITAL MARKETS P.L.C.

(Registered No.01290444)

	Note	<u>2022</u> \$m	<u>2021</u> \$m
Current assets			
Debtors – amounts falling due:			
within one year	9	2,524	3,425
after one year	9	30,980	40,012
Derivative and other financial instruments:			
within one year		41	—
after one year		—	7
		<u>33,545</u>	<u>43,444</u>
Creditors: amounts falling due within one year	10	(3,857)	(5,928)
Derivatives and other financial instruments due within one year		(41)	—
		<u>29,647</u>	<u>37,516</u>
Net current assets			
		<u>29,647</u>	<u>37,516</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<u>29,647</u>	<u>37,516</u>
Creditors: amounts falling due after more than one year	10	(28,500)	(36,381)
Derivatives and other financial instruments due more than one year		—	(7)
		<u>1,147</u>	<u>1,128</u>
NET ASSETS			
		<u>1,147</u>	<u>1,128</u>
Capital and reserves			
Called up share capital	11	678	678
Share premium account	12	223	223
Profit and loss account	12	246	227
		<u>1,147</u>	<u>1,128</u>
TOTAL EQUITY			
		<u>1,147</u>	<u>1,128</u>

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

DocuSigned by:

24B803576F7E440...
J A Hodgson
Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

BP CAPITAL MARKETS P.L.C.

	Called up share capital (Note 11)	Share premium account (Note 12)	Profit and loss account (Note 12)	Total
	\$m	\$m	\$m	\$m
Balance at 1 January 2021	678	223	135	1,036
Profit for the financial year, representing total comprehensive income	—	—	92	92
Balance at 31 December 2021	678	223	227	1,128
Profit for the financial year, representing total comprehensive income	—	—	19	19
Balance at 31 December 2022	678	223	246	1,147

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

BP CAPITAL MARKETS P.L.C.

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

The financial statements of BP Capital Markets p.l.c. for the year ended 31 December 2022 were approved by the board of directors on _____ and the balance sheet was signed on the board's behalf by J A Hodgson. BP Capital Markets p.l.c. is a public limited company, limited by shares incorporated, domiciled and registered in England and Wales (registered number 01290444) under the Companies Act 2006. The company's registered office is at Chertsey Road, Sunbury on Thames, Middlesex ,TW16 7BP, United Kingdom. These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the provisions of the Companies Act 2006.

2. Significant accounting policies, judgements, estimates and assumptions

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

Basis of preparation

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

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

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

- (a) the requirements of 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: paragraph 79(a)(iv) of IAS 1;
- (c) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
- (d) 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;
- (e) 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;
- (f) the requirements of IFRS 7 Financial Instruments: Disclosure;
- (g) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement.

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 15.

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

NOTES TO THE FINANCIAL STATEMENTS

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

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.

There were no critical accounting judgements or estimates identified that would have a significant impact on the amounts recognized in the financial statements, or create a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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 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 pages 5-7.

At 31 December 2022 the company's balance sheet had net assets of \$1,147 million, but with total liabilities of \$32,398 million. Repayment of those liabilities as they fall due will be via the overall funding arrangements of the bp group, or the company raising new debt in the bond markets.

Proceeds received by the company from external borrowings via the international bond market are deposited with BPI, a fully owned subsidiary of BP p.l.c., with the same maturity profiles and on similar terms. As the principal in-house bank for the bp group, BPI has very strong access to callable funds which provides assurance to bp businesses that have deficit balances that there is little likelihood that their debt should be called. Similarly, entities holding a surplus with BPI can be confident that access to their funds, called at short notice, could confidently be expected.

NOTES TO THE FINANCIAL STATEMENTS

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

Going concern (continued)

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

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

Foreign currency

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

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

Segmental reporting

Management allocates resources and assesses financial performance at a company level. As such, for the purpose of financial reporting under GAAP the company operated as a single operating segment.

Financial assets

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

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

Financial assets measured at amortized cost

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

NOTES TO THE FINANCIAL STATEMENTS

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

Financial assets (continued)

Impairment of financial assets measured at amortized cost

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

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

Financial liabilities

The measurement of financial liabilities is as follows:

Financial liabilities measured at amortized cost

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

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

Derivative financial instruments

The company is exempt from the disclosure requirements of IFRS 7 "Financial Instruments: Disclosures" and IFRS 13 "Fair value measurement" as the company is included in the consolidated financial statements of the ultimate parent undertaking, BP p.l.c., which include the disclosures on a group basis that comply with these standards.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

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.

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.

Taxation

Income tax expense represents the current 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.

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.

Interest income

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

Finance costs

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

NOTES TO THE FINANCIAL STATEMENTS

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

Updates to significant accounting policies

In the current year, the company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022.

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

Impact of new International Financial Reporting Standards

There are no IASB standards, amendments or interpretations in issue but not yet adopted that the directors anticipate will have a material effect on the reported income or net assets of the company.

3. Operating profit

This is stated after charging / (crediting):

	<u>2022</u>	<u>2021</u>
	\$m	\$m
Expected loss allowance on debtors ^a	56	—
Reversal of expected loss allowance on debtors ^a	—	(23)
	<u> </u>	<u> </u>

^a Amount is included in administrative expenses and other operating income.

4. Auditor's remuneration

	<u>2022</u>	<u>2021</u>
	\$000	\$000
Fees for the audit of the company	54	45
	<u> </u>	<u> </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 Capital Markets p.l.c.'s ultimate parent, BP p.l.c., are required to disclose non-audit fees on a consolidated basis.

The fees were borne by another group company.

5. Interest receivable and similar income

	<u>2022</u>	<u>2021</u>
	\$m	\$m
Interest income from amounts owed by group undertakings	1,229	1,453
	<u> </u>	<u> </u>

The sole class of business of the company is the issuance of debt securities and commercial papers. These debt proceeds are deposited with BP International Limited whereby the company generates interest income. The geographical segment from which the company's income is generated is the United Kingdom.

NOTES TO THE FINANCIAL STATEMENTS

6. Interest payable and similar expenses

	<u>2022</u>	<u>2021</u>
	\$m	\$m
Interest expense on:		
Bonds and overdraft	1,083	1,323
Guarantee fee from group undertakings	101	65
Total interest payable and similar expenses	<u>1,184</u>	<u>1,388</u>

7. Taxation

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

Reconciliation of the effective tax rate

The tax assessed on the profit for the year is lower than the standard rate of corporation tax in the UK of 19% for the year ended 31 December 2022 (2021 19%). The differences are reconciled below:

	<u>2022</u>	<u>2021</u>
	\$m	\$m
Profit before taxation	19	92
Tax charge / (credit)	—	—
Effective tax rate	— %	— %

	<u>2022</u>	<u>2021</u>
	%	%
UK statutory corporation tax rate:	19	19
Increase / (decrease) resulting from:		
Non-deductible expenditure	56	—
Non-taxable income	—	(4)
Free group relief	(75)	(15)
Effective tax rate	<u>—</u>	<u>—</u>

Change in corporation tax rate

On 3 March 2021, the UK Government announced an increase in the UK's main corporation tax rate from 19% to 25%, effective from 1 April 2023. This will increase the company's future current tax charge accordingly. This rate change was substantively enacted on 24 May 2021. There is no impact of this rate change on the company's deferred tax position as the company had no deferred tax balances, recognised or unrecognised, at the balance sheet date.

8. Directors and employees

(a) Remuneration of directors

None of the directors received any fees or remuneration for qualifying services as a director of the company during the financial year (2021 \$Nil).

(b) Employee costs

The company had no employees during the year (2021 None).

NOTES TO THE FINANCIAL STATEMENTS

9. Debtors

Amounts falling due within one year:

	2022	2021
	\$m	\$m
Amounts owed from group undertakings	9	—
Loans to group undertakings	2,515	3,425
	2,524	3,425

Amounts falling due after one year:

	2022	2021
	\$m	\$m
Loans to group undertakings	30,980	40,012
	33,504	43,437

The loans to group undertakings represent variable rate loans of \$33,495 million (2021 \$43,437 million), of which the average interest rate is 2.5% (ranging from 0.9% to 4.9%) and average maturity is October 2026 (from February 2023 to November 2034).

The IFRS 9 expected credit loss carried forward was \$111 million (2021 \$55 million). 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.

10. Creditors

Amounts falling due within one year:

	2022	2021
	\$m	\$m
Amounts owed to group undertakings	938	766
Accruals	379	451
Finance debt - borrowings	2,540	4,711
	3,857	5,928

Amounts falling after one year:

	2022	2021
	\$m	\$m
Amounts falling due after one year:		
Finance debt - borrowings	28,500	36,381
	32,357	42,309

Included in the amounts owed to group undertakings is an Internal Funding Account (IFA) of \$621 million payable to BP International Limited (2021 \$550 million).

This balance forms a key part of the bp group's liquidity and funding arrangements under its centralised treasury funding model. Whilst IFA credit balances are legally repayable on demand, in practice they have no termination date.

Interest is accrued on a monthly basis mainly based on USD LIBOR.

NOTES TO THE FINANCIAL STATEMENTS

10. Creditors (continued)

Borrowings comprise bonds totalling \$30,315 million (2021 \$38,929 million) and issued commercial papers of \$725 million (2021 \$2,163 million). Accrued interest is reported as accruals.

Total finance debt of \$31,040 million (2021 \$41,092 million) decreased mainly due to the maturities and debt buybacks that have taken place during the year of \$7,138 million, repayment of commercial papers of \$1,417 million and net movement in foreign exchange of \$1,494 million.

(i) Analysis of borrowings by year of repayment:

	<u>2022</u>	<u>2021</u>
	\$m	\$m
Amount repayable:		
Within 1 year or on demand	2,540	4,711
Between 1 and 2 years	2,451	3,072
Between 2 and 5 years	7,886	10,531
Thereafter	18,163	22,778
Total	<u>31,040</u>	<u>41,092</u>

Amounts due after five years from 31 December 2022, due either wholly or partially as defined in the various bonds, have interest rates ranging from 0.8% to 3.7% with a weighted average of 2.0%. Of debts due in more than 5 years, amounts due are payable up to 11 years with a weighted average of 2 years. The hybrid bonds issued by the company in 2020 are also included in the amounts after 5 years.

11. Called up share capital

	<u>2022</u>	<u>2021</u>
	\$m	\$m
Issued and fully paid:		
99,999,990 ordinary shares of £1 each for a total nominal value of £99,999,990	178	178
500,000,000 ordinary shares of \$1 each for a total nominal value of \$500,000,000	500	500
	<u>678</u>	<u>678</u>

12. 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. The shares have attached to them full voting, dividend and capital distribution (including on winding up) rights; they do not confer any rights of redemption.

Share premium account

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

Profit and loss account

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

NOTES TO THE FINANCIAL STATEMENTS

13. Related party transactions

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

14. Post balance sheet events

As part of actively managing its debt portfolio, BP Capital Markets plc bought back finance debt with an aggregate principal amount of \$1.68 billion USD equivalent in the second quarter of 2023.

15. Immediate and ultimate controlling parent undertaking

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