

BP CAPITAL MARKETS P.L.C.

(Registered No.01290444)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

Board of Directors: J A Hodgson
N M Staunton
R Wheatley

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

STRATEGIC REPORT

Results

The profit for the year after taxation was \$92 million which, when added to the retained profit brought forward at 1 January 2021 of \$135 million, gives a total retained profit carried forward at 31 December 2021 of \$227 million.

Principal activity and review of the business

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

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

	<u>2021</u>	<u>2020</u>	<u>Variance</u>
	\$m	\$m	%
Operating profit / (loss)	27	(20)	235
Profit for the year	92	7	1,214
Total equity	1,128	1,036	9
	<u>2021</u>	<u>2020</u>	<u>Variance</u>
	%	%	%
Quick ratio *	58	52	6
Return on assets**	0.2	0.01	(980)

*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.

Proceeds received by the company from external bond issuances are deposited with BP International Limited, a fully owned subsidiary of BP p.l.c. BP Capital Markets p.l.c. earns interest income on these deposits.

STRATEGIC REPORT

Principal activity and review of the business (continued)

To meet the cash funding requirements of the group, BP Capital Markets p.l.c. has issued in 2020 bonds with a total nominal value of \$15.4 billion. Of these, the company issued a number of perpetual hybrid bonds in June 2020, these are multi-currency bonds with different tenures and totalled USD \$11.9 billion equivalent. These bonds are shown as finance debt for BP Capital Markets p.l.c statutory reporting since the coupon payments are linked to the shareholder distributions of BP plc and are therefore not in the control of this company. During the year, existing bonds have been repaid with a total nominal value of \$9.5 billion (debt buybacks \$5.9 billion and debt maturities \$3.6 billion). There has been a net increase of commercial paper in the year with a nominal value of \$1.1 billion. Proceeds received by the company from external debt issuances are deposited with BP International Limited, a fully owned subsidiary of BP p.l.c., and earns interest income. The foreign exchange gain on bonds was \$0.62 billion, which is offset by \$0.58 billion foreign exchange loss on loans receivable. Finance debt at the end of the year was \$41.1 billion (2020 \$51.3 billion).

Profit after tax for the year was \$92 million, compared with a profit of \$7 million in the prior year. The profit or loss largely arises due to differences between the timing and terms of the external borrowings from banks and the deposits with BP International Limited and the changes to the IFRS 9 expected loss provision. The higher profit is mainly driven by the decrease in interest paid on debts and a reduction to the IFRS 9 expected loss.

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.
- Acting as a finance company issuing debt securities and commercial paper.

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	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.
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.
e. The desirability to maintain the company’s reputation for high standards of business conduct	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 [and oversee adherence to the bp code of conduct by the company’s employees] to ensure the Board and the company maintain a reputation for high standards of business conduct. 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.
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.

STRATEGIC REPORT

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 table below.

Stakeholders	Stakeholders' interests	How we have fostered relationships	How the fostering of relationships impacted decision making
<p>Suppliers</p>	<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>

STRATEGIC REPORT

Stakeholder engagement (continued)

Stakeholders	Stakeholders' interests	How we have fostered relationships	How the fostering of relationships impacted decision making
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 area.</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 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>
Shareholder	<p>The company is 99.99% owned by BP International 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 shareholders 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 shareholders.</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>

STRATEGIC REPORT

Stakeholder engagement (continued)

Stakeholders	Stakeholders' interests	How we have fostered relationships	How the fostering of relationships impacted decision making
Government/Regulators	For the company to create valued relationships with Government centred around ethics and transparency, and discuss relevant regulations and guidance where necessary.	The company keeps the Government informed of any significant changes to the company.	<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>

The company's principal decisions

During the period the directors continued to monitor progress against the company's strategy, as highlighted in the principal activities section of the Strategic Report of the company, and decisions made by the directors were in respect of operational matters, in furtherance of the bp group's purpose.

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

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.

STRATEGIC REPORT

Strategic and commercial risks (continued)

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.

Insurance

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

Compliance and control risks

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

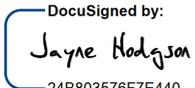
Failure to accurately report the company's data could lead to regulatory action, legal liability and reputational damage.

STRATEGIC REPORT

Financial risk management

The company is exposed to a number of different financial risks arising from natural business exposures as well as its use of financial instruments including market risks relating to foreign currency exchange rates and interest rates, liquidity risk and credit 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.

Authorized for issue on behalf of the Board

DocuSigned by:

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J A Hodgson
Director

Registered Office:

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DIRECTORS' REPORT

BP CAPITAL MARKETS P.L.C.

Directors

The present directors are listed on page 1.

J A Hodgson and R Wheatley served as directors throughout the financial year. Changes since 1 January 2021 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
K A Thomson	—	31 March 2021
N M Staunton	31 March 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.

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 event

As part of actively managing its debt portfolio, BP Capital Markets Plc bought back finance debt with an aggregate principal amount of \$4.5bn USD equivalent in the second quarter of 2022.

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.

DIRECTORS' REPORT

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 on pages 6-7.

At 31 December 2021 the company's balance sheet had net assets of \$1.1 billion, but net current liabilities amounting to \$2.5 billion. 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 BP Capital Markets p.l.c. from external borrowings via the international bond market are deposited with BP International Ltd (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.

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.

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.

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

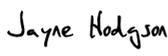
Directors' statement as to the disclosure of information to the auditor

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:

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J A Hodgson
Director

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**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.

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 2021 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 a number of multi-currency bonds.
Materiality	The materiality that we used in the current year was \$410m 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	<p>In the prior year, a Hybrid Bond Issuance by the company was identified as a key audit matter due to the judgements required in respect of the application of the accounting standards, specifically whether the instrument should be classified as a financial liability or equity. Given there have been no such additional issuances this year, we do not consider it a key audit matter in the current year.</p> <p>We have identified the early redemption of a number of multi-currency bonds held by the company as our key audit matter in the current year due to the judgements required in respect of the application of the accounting standards, specifically whether the bonds should be derecognised and the associated accounting entries required. This has increased auditor judgement and the level of audit effort required to obtain evidence to test these significant judgements. Further the derecognition of the bonds will have a material impact in the financial statements and on key performance measures.</p>

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.

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

- evaluating the financing facilities including nature of facilities and repayment terms
- evaluating the obligations related finance debt borrowings
- performing a sensitivity analysis
- assessing the accuracy and reasonability of the assumptions used to prepare forecasts prepared by management
- assessing the willingness and ability of bp group for funding and liquidity arrangement

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 multi-currency 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 \$5.9bn. The multi-currency bonds included an early redemption option which was exercised by the company. For those multi-currency bonds which did not include an early redemption option, the company made a cash tender offer to the bondholders.</p> <p>Accounting for the early redemption involves judgement in respect of the application of the accounting standards, specifically whether the 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; 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	\$410m (2020: \$508.8m)
Basis for determining materiality	1% of finance debt (2020: 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 2021 audit (2020: 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 \$20.0m (2020: \$25.4m), 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 risks of material misstatement. Our risk assessment included considering the size, composition and qualitative factors relating to account balances, classes of transactions and disclosures. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

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:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, internal audit and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:

INDEPENDENT AUDITOR'S REPORT

- 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
- 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.

INDEPENDENT AUDITOR'S REPORT

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

The director pass a resolution to appoint Deloitte as auditors for BP Capital Markets Plc. 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 4 years, covering the years ending 31 December 2018 to 31 December 2021.

14.2 Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee 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, UK

Date:

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2021

BP CAPITAL MARKETS P.L.C.

		<u>2021</u>	<u>2020</u>
	Note	\$m	\$m
Administrative expenses		—	(20)
Other operating income		27	—
Operating profit / (loss)	3	<u>27</u>	<u>(20)</u>
Interest receivable and similar income	5	1,453	1,605
Interest payable and similar expenses	6	<u>(1,388)</u>	<u>(1,578)</u>
Profit before taxation		92	7
Tax on profit	7	—	—
Profit for the financial year		<u><u>92</u></u>	<u><u>7</u></u>

The profit of \$92 million 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 CAPITAL MARKETS P.L.C.

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

BALANCE SHEET

AT 31 DECEMBER 2021

BP CAPITAL MARKETS P.L.C.

(Registered No.01290444)

	Note	<u>2021</u> \$m	<u>2020</u> \$m
Current assets			
Debtors – amounts falling due:			
within one year	9	3,425	7,894
after one year	9	40,012	53,095
Derivative and other financial instruments receivable after more than one year		<u>7</u>	<u>7</u>
		43,444	60,996
Creditors: amounts falling due within one year	10	(5,928)	(15,040)
		<u>37,516</u>	<u>45,956</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			
Creditors: amounts falling due after more than one year	10	(36,381)	(44,913)
Derivatives and other financial instruments due after more than one year		(7)	(7)
		<u>1,128</u>	<u>1,036</u>
NET ASSETS			
Capital and reserves			
Called up share capital	11	678	678
Share premium account	12	223	223
Profit and loss account	12	227	135
		<u>1,128</u>	<u>1,036</u>
TOTAL EQUITY			

Authorized for issue on behalf of the Board

DocuSigned by:

Jayne Hodgson

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J A Hodgson

Director

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

BP CAPITAL MARKETS P.L.C.

	Called up share capital (Note 11) \$m	Share premium account (Note 12) \$m	Profit and loss account (Note 12) \$m	Total \$m
Balance at 1 January 2020	678	223	128	1,029
Profit for the financial year, representing total comprehensive income	—	—	7	7
Balance at 31 December 2020	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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

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 2021 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 incorporated, domiciled and registered in England and Wales (registered number 01290444). 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 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;
- g. requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c)-135(e) of IAS 36, Impairment of Assets;
- h. the requirements of IFRS 7 Financial Instruments: Disclosure;
- i. 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.

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.

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.

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 on pages 6-7.

At 31 December 2021 the company's balance sheet had net assets of \$1.1 billion, but net current liabilities amounting to \$2.5 billion. 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.

NOTES TO THE FINANCIAL STATEMENTS

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

Going concern (continued)

Proceeds received by BP Capital Markets p.l.c. from external borrowings via the international bond market are deposited with BP International Ltd (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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

Financial assets (continued)

Financial assets measured at amortized cost

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

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 maturity 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

All 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 respectively in interest receivable and similar income and interest payable and similar expenses respectively. This category of financial liabilities includes amounts owed to parent undertakings, other payables and finance debts.

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.

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.

Interest expense

All interest expenses are recognised 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

Impact of new International Financial Reporting Standards

bp adopted amendments to IFRS9 "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.

'Interest Rate Benchmark Reform – Phase II'

The replacement of key interest rate benchmarks such as the London Inter-bank Offered Rate (LIBOR) with alternative benchmarks in the US, UK, EU and other territories occurred at the end of 2021 for most benchmarks with remaining USD LIBOR tenors expected to cease in 2023. bp is primarily exposed to 3 month USD LIBOR that will be available until June 2023.

Amendments to IFRS 9, IFRS 16 and other IFRSs were issued by the IASB in August 2020 to provide practical expedients and reliefs when changes are made to contractual cash flows or hedging relationships because of the transition from Inter-bank Offered Rates to alternative risk-free rates. bp adopted these amendments from 1 January 2021 and they were applied prospectively from that date.

bp has an internal working group on interest rate benchmark reform to monitor market developments and manage the transition to alternative benchmark rates. The impacts on contracts and arrangements that are linked to interest rate benchmarks, for example, borrowings, leases and derivative contracts, have been assessed and transition plans have either been executed or are being developed. bp is also participating on external committees and task forces dedicated to interest rate benchmark reform.

NOTES TO THE FINANCIAL STATEMENTS

3. Operating profit/(loss)

	<u>2021</u>	<u>2020</u>
	\$m	\$m
Reversal of loss allowance on debtors ^a	23	—
Expected loss allowance on debtors ^a	<u>—</u>	<u>19</u>

^a Amount is included in other operating income or administrative expenses

4. Auditor's remuneration

	<u>2021</u>	<u>2020</u>
	\$000	\$000
Fees for the audit of the company	<u>45</u>	<u>39</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>2021</u>	<u>2020</u>
	\$m	\$m
Interest income from amounts owed by parent undertakings	<u>1,453</u>	<u>1,605</u>

The sole class of business of the company was issuing debt securities and commercial paper. 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>2021</u>	<u>2020</u>
	\$m	\$m
Interest expense on:		
Bonds and overdraft	1,323	1,501
Guarantee fee from group undertakings	65	77
Total interest payable and similar expenses	<u>1,388</u>	<u>1,578</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 2021 (2020 19%). The differences are reconciled below:

	<u>2021</u>	<u>2020</u>
	\$m	\$m
Profit before taxation	92	7
Tax charge / (credit)	—	—
Effective tax rate	— %	— %

	<u>2021</u>	<u>2020</u>
	%	%
UK statutory corporation tax rate:	19	19
Increase / (decrease) resulting from:		
Non-deductible expenditure	—	48
Income not taxable	(4)	—
Free group relief	(15)	(67)
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 (2020 \$Nil).

(b) Employee costs

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

NOTES TO THE FINANCIAL STATEMENTS

9. Debtors

Amounts falling due within one year:

	2021	2020
	\$m	\$m
Loans to group undertakings	3,425	7,894

Amounts falling due after one year:

	2021	2020
	\$m	\$m
Loans to group undertakings	40,012	53,095
Total debtors	43,437	60,989

The loans to group undertakings represents variable rate loans of \$43,437 million (2020 \$60,989 million), of which the average interest rate is 2.462% (ranging from 0.863% to 4.926%) and average maturity is February 2026 (from March 2022 to November 2034).

Included in the debtors balance is the total expected credit loss provision per IFRS 9 of \$55 million (2020 \$78 million).

10. Creditors

Amounts falling due within one year:

	2021	2020
	\$m	\$m
Amounts owed to parent undertakings	766	8,037
Accruals	451	617
Finance debt - borrowings	4,711	6,386
	5,928	15,040

Amounts falling after one year:

	2021	2020
	\$m	\$m
Amounts falling due after one year:		
Finance debt - borrowings	36,381	44,913
Total creditors	42,309	59,953

Included in the amounts owed to parent undertakings is an Internal Financing Account (IFA) of \$550 million (2020 \$7,886 million). Interest is accrued on a monthly basis based on IBOR, primarily USD IBOR.

Borrowings comprise bonds totalling \$38,929 million (2020 \$50,351 million) and issued commercial paper of \$2,163 million (2020 \$948 million). Accrued interest is reported as accruals.

Total finance debt of \$41,092 million (2020 \$51,299 million) decreased mainly due to the maturities and buybacks that have taken place during the year of \$9,500 million.

NOTES TO THE FINANCIAL STATEMENTS

10. Creditors (continued)

(i) Analysis of borrowings by year of repayment:

	2021	2020
	\$m	\$m
Amount repayable:		
Within 1 year or on demand	4,711	6,386
Between 1 and 2 years	3,072	3,616
Between 2 and 5 years	10,531	13,172
Thereafter	22,778	28,125
Total	41,092	51,299

Amounts due after five years from 31 December 2021, due either wholly or partially as defined in the various bonds, have interest rates ranging from 0.8% to 4.0% with a weighted average of 2.2%. Of debts due in more than 5 years, amounts due are payable up to 12 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

	2021	2020
	\$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
	678	678

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.

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 event

As part of actively managing its debt portfolio, BP Capital Markets Plc bought back finance debt with an aggregate principal amount of \$4.5bn USD equivalent in the second quarter of 2022.

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 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.