BP CAPITAL MARKETS P.L.C.

(Registered No.01290444)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

Board of Directors: B Gilvary
K A Thomson
J A Hodgson
R Wheatley

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

STRATEGIC REPORT

Results

The profit for the year after taxation was $195 million which, when deducted from the accumulated loss brought forward at 1 January 2018 (after making a transitional adjustment for IFRS 9) of $229 million, gives a total accumulated loss carried forward at 31 December 2018 of $34 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.

To meet the cash funding requirements of the group, BP Capital Markets p.l.c. has issued in the year new bonds with a total nominal value of $3.6 billion, whilst existing bonds reaching maturity have been repaid with a total nominal value of $6.5 billion.

On 13 December 2018, $10.5 billion of notes previously issued by BP Capital Markets p.l.c were exchanged for new notes issued by BP Capital Markets America Inc. in order to optimize the BP group's capital structure and align revenue generation to indebtedness. This exchange was at market value and created a gain on disposal of $0.2 billion for BP Capital Markets p.l.c.

There has been a net issue of commercial paper in the year with a nominal value of $1.3 billion. The foreign exchange gain on bonds was $0.2 billion, which is offset by an equal foreign exchange loss on loans receivable. Finance debt at the end of the year was $45.0 billion (2017 $57.9 billion).

Proceeds received by BP Capital Markets p.l.c. 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.

Profit after tax for the year was $195 million, compared with a profit of $6 million in the prior year. The profit or loss arises due to small differences between the timing and terms of the external borrowings from banks and the deposits with BP International Limited.

No key financial or other performance indicators have been identified for this company.

Principal risks and uncertainties

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

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

Strategic and commercial risks

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

Liquidity, financial capacity and financial, including credit, exposure
Failure to work within the group's financial framework could impact the company's ability to operate and result in financial loss.

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

Compliance and control risks

Regulation
Changes in the regulatory and legislative environment could increase the cost of compliance.

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.

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

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

Financial risk management

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

Authorized for issue by Order of the Board

DocuSigned by:
Jonathan Miles
7252284DE7AC432...

For and on behalf of
Sunbury Secretaries Limited
Company Secretary

June 28, 2019

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.

Changes since 1 January 2018 are as follows:

	Appointed	Resigned
M F Giles	—	28 February 2019
R C Harrington	—	3 August 2018
J A Hodgson	5 September 2018	—
R Wheatley	1 March 2019	—

Directors' indemnity

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

Dividends

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

Financial instruments

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

Future developments

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

Included within current creditors is an amount payable to the company's parent, BP International Limited, of $8.8bn. Total debtors, of $55.1bn, represent amounts owed from BP International Limited, resulting in a net debtor position of $46.3bn.

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

Audit Committee

The company is exempt from the requirement to have an audit committee as it is a subsidiary of BP p.l.c., a listed company with its own audit committee.

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

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

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

Authorized for issue by Order of the Board

DocuSigned by:
Jonathan Miles
7252284DE7AC432...

For and on behalf of
Sunbury Secretaries Limited
Company Secretary

June 28, 2019

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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 Strategic Report, the Directors' Report and the financial statements in accordance with applicable UK law and regulations.

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

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

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

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

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

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of BP Capital Markets PLC (the 'company'):

- **give a true and fair view of the state of the company's affairs as at 31 December 2018 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 14

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

Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

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

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year was the exchange of debt with BP Capital Markets America Inc. This was the significant transaction for the entity in the year.
Materiality	The materiality that we used in the current year was $225.02m which was determined on the basis of 0.5% of the entity's net debt.
Scoping	Audit work to respond to the risks of material misstatements was directly performed by the engagement team.

Conclusions relating to going concern

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

We have nothing to report in respect of these matters.

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

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.

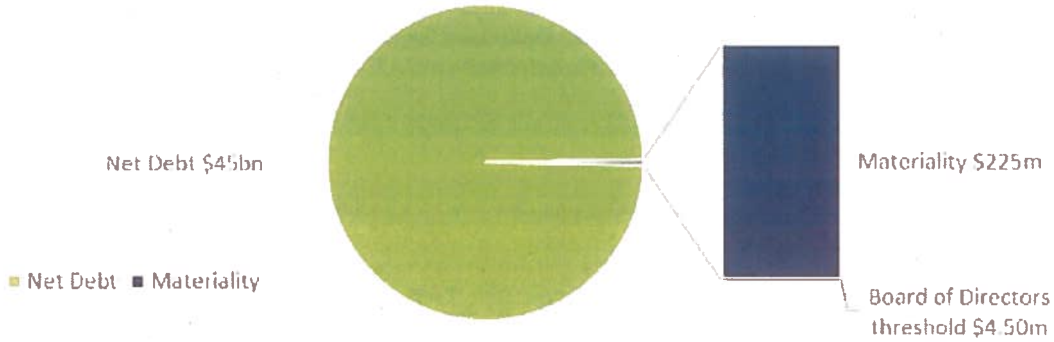
Exchange of debt with BP Capital Markets America Inc.	
Key audit matter description	As disclosed in note 4, on 12 December 2018, $10.5 billion of notes previously issued by the company were exchanged for new notes issued by BP Capital Markets America Inc. in order to optimize the BP group's capital structure and align revenue generation to indebtedness. The exchange represents a one-off transaction for the entity. Given the issuance of debt is the primary purpose of the company, this represents key information for users of the financial statements. The transaction was at fair value and created a gain on disposal of $192 million for the company and is biggest driver of the profit for the company. Consequently, the entity's profit significantly increased in the financial period. The debt securities are valued at amortised cost as required under IFRS 9: Financial Instruments. Refer to the accounting policy in relation to the financial liabilities and fair value measurement in note 1 and the gain on this exchange of debt in note 4.
How the scope of our audit responded to the key audit matter	To respond to this: We evaluated the design and implementation of the key controls pertaining to debt issuance; We inspected the exchange agreement and the relevant governance committee minutes to identify the appropriate approval for the transaction; We recalculated the par value of the debt that was transferred which involved assessing the calculation methodology and key inputs used; We tested the fair value of the debt on transfer by comparing the quoted prices to market data; We assessed the completeness of the debt security population by obtaining a listing of all debt issued by the entity. We then obtained a market listing of all debt issued by the entity to ensure that those securities that had been deemed to be transferred were no longer issued by BP Capital Markets plc; and We reviewed and challenged management on the disclosure and presentation of the transaction in the company's financial statements.
Key observations	We concluded that the exchange of debt and the related disclosures are reasonable as reported.

Our application of 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	$225.02m (predecessor auditor in 2017: $297m)
Basis for determining materiality	0.5% of Net Debt
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. We believe that net debt thus 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.



We agreed with the board of directors that we would report to them on all audit differences in excess of $4.5m (predecessor auditor in 2017: $14.9m), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the board of directors on disclosure matters that we identified when assessing the overall presentation of the financial statements.

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the Company and its environment, including internal controls, and assessing risks of material misstatements. The company has no branches with operations based in the United Kingdom. Audit work to respond to risks of material misstatement was performed directly by the audit engagement team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report including the Strategic report and the Directors report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

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

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

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, our procedures included the following:

- enquiring of management and the board of directors including obtaining and reviewing supporting documentation, concerning the company's 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 related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team and involving relevant internal specialists, including IT specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the exchange of debt with BP Capital Markets America Inc.
- obtaining an understanding of the legal and regulatory framework that the company operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the company. The key laws and regulations we considered in this context included the UK Companies Act 2006 and tax legislation.

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 relevant laws and regulations discussed above;
- enquiring of management, the board of directors 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 board of directors;
- 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

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records
Under the Companies Act 2006 we are required to report to you if, in our opinion:

We have nothing to report in respect of these matters.

- 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.

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.

Other matters

Auditor tenure
The entity's parent, BP plc, held a board of directors meeting to appoint Deloitte as auditors with effect from 29 March 2018. BP plc then recommended that Deloitte be appointed auditors for its subsidiaries. The appointment took place on 11 December 2018 for the audit of the financial statements for the year ending 31 December 2018 and subsequent financial periods. The period of total uninterrupted engagement including previous engagement and reappointments of the firm is accordingly one year.

Consistency of the audit report with the additional report to the board of directors
Our audit opinion is consistent with the additional report to the board of directors we are required to provide in accordance with ISAs (UK).

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:
Tom Millar
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June 28, 2019

Tom Millar (Senior Statutory Auditor)
for and on behalf of Deloitte LLP Statutory Auditor
London

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2018

BP CAPITAL MARKETS P.L.C.

	Note	2018 $m	2017 $m
Administrative expenses		(14)	—
Profit on disposal of finance debt	4	192	—
Operating profit		178	—
Interest receivable and similar income	5	1,628	1,622
Interest payable and similar expenses	6	(1,611)	(1,616)
Profit before taxation		195	6
Taxation	7	—	—
Profit for the year		195	6

The profit of $195 million for the year ended 31 December 2018 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

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 2018

BP CAPITAL MARKETS P.L.C.
(Registered No.01290444)

	Note	2018 $m	2017 $m
Current assets			
Debtors – amounts falling due:			
within one year	9	6,484	7,462
after one year	9	48,601	51,845
Derivative and other financial instruments receivable after more than one year		107	115
		55,192	59,422
Creditors: amounts falling due within one year	10	(16,646)	(7,765)
TOTAL ASSETS LESS CURRENT LIABILITIES		38,546	51,657
Creditors: amounts falling due after more than one year	10	(37,572)	(50,795)
Derivatives and other financial instruments due after more than one year		(107)	(115)
NET ASSETS		867	747
Capital and reserves			
Called up share capital	11	678	678
Share premium account	12	223	223
Profit and loss account		(34)	(154)
TOTAL EQUITY		867	747

Authorized for issue on behalf of the Board

DocuSigned by:
Jayne Hodgson
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J A Hodgson
Director

June 28, 2019

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

BP CAPITAL MARKETS P.L.C.

	Called up share capital	Share premium account	Profit and loss account	Total
	Note 11	Note 12	Note 12	
	$m	$m	$m	$m
Balance at 1 January 2017	678	223	(160)	741
Profit for the year, representing total comprehensive income	—	—	6	6
Balance at 31 December 2017	678	223	(154)	747
Adjustment on adoption of IFRS 9, net of tax	—	—	(75)	(75)
Balance at 1 January 2018	678	223	(229)	672
Profit for the year, representing total comprehensive income	—	—	2	2
Balance at 31 December 2018	678	223	(227)	674

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 2018 were approved by the board of directors on 28 June 2019 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.

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

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

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 14.

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

Critical accounting policies: use of judgements, estimates and assumptions

Inherent in the application of many of the accounting policies used in preparing the financial statements is the need for management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual outcomes could differ from the estimates and assumptions used.

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

Foreign currency

The functional and presentation currency of the financial statements is US dollars.

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

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 trade and other receivables.

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 charges. This category of financial liabilities includes trade and other payables and finance debt.

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. Such 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 relating to unquoted equity instruments are carried at cost where it is not possible to reliably measure their fair value subsequent to initial recognition. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

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 sum of current tax and deferred tax.

Income tax is recognized in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the related tax is recognized in other comprehensive income or directly in equity.

Current tax is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the profit and loss account because it is determined in accordance with the rules established by the applicable taxation authorities. It therefore excludes items of income or expense that are taxable or deductible in other periods as well as items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

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.

Impact of new International Financial Reporting Standards

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

The adoption of IFRS 15 has had no impact on the company's accounts.

IFRS 9 'Financial Instruments'

IFRS 9 'Financial Instruments' was issued in July 2014 and replaced IAS 39 'Financial Instruments: Recognition and Measurement'. The company adopted IFRS 9 and the related consequential amendments to other IFRSs in the financial reporting period commencing 1 January 2018. The company has applied the new standard in accordance with the transition provisions of IFRS 9. Comparatives have not been restated and adjustments on transition have been reported in opening retained earnings at 1 January 2018.

The company's revised accounting policies in relation to financial instruments are provided above.

The overall impact on transition to IFRS 9, was a reduction of $75 million in net assets, net of tax. This adjustment mainly related to additional loss allowances on receivables required under the new standard's expected loss model. As comparatives have not been restated the closing balance at 31 December 2017 for certain line items in the balance sheet differ from the opening balance at 1 January 2018 (as summarized below).

			$ million
	31 December 2017	**1 January 2018**	**Adjustment on adoption of IFRS 9**
Non-current			
Amounts owed by parent undertakings	51,845	51,780	(65)
Current			
Amounts owed by parent undertakings	7,462	7,452	(10)
	59,307	59,232	(75)
Reserves			
Profit and loss account	(154)	(229)	(75)
	(154)	(229)	(75)

Classification and measurement
IFRS 9 provides a single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. For financial liabilities the existing classification and measurement requirements of IAS 39 are largely retained.

The table below illustrates the classification and carrying amounts of financial assets under IFRS 9 and IAS 39 at the date of initial application, 1 January 2018. There were no differences in classification or carrying amounts for financial liabilities.

					$ million
1 January 2018	**Classification under IAS 39**	**Classification under IFRS 9**	**Carrying amount under IAS 39**	**Measurement attribute adjustment on transition**	**Carrying amount under IFRS 9**
Financial assets					
Amounts owed by parent undertakings	Loans and receivables	Amortized cost	59,307	(75)	59,232

Adjustments to the carrying amount of financial assets classified as measured at amortized cost under IFRS 9 relate entirely to the additional loss allowance required by the new standard's expected credit loss model. There were no financial assets or financial liabilities which the company had previously designated as at FVTPL under IAS 39 that were required to be reclassified, or which the company has elected to reclassify upon the application of IFRS 9. The company did not elect to designate at FVTPL any financial assets or financial liabilities at the date of initial application of IFRS 9.

Impairment
The financial asset impairment requirements of IFRS 9 introduce a forward-looking expected credit loss model that results in earlier recognition of credit losses than the incurred loss model of IAS 39. The adjustment to the 2018 opening balance sheet relating to expected credit loss reduced both the carrying amounts of financial assets and the profit and loss account reserve.

The table below reconciles the ending impairment allowances in accordance with IAS 39 and the provisions in accordance with IAS 37 to the opening loss allowances determined in accordance with IFRS 9.

					$ million
1 January 2018	**Classification under IAS 39**	**Classification under IFRS 9**	**IAS 39 loss allowance**	**Measurement attribute adjustment on transition**	**IFRS 9 loss allowance**
Financial assets					
Amounts owed by parent undertakings	Loans and receivables	Amortized cost	—	(75)	(75)
Total loss allowance			—	(75)	(75)

3. **Auditor's remuneration**

	2018	2017
	$000	$000
Fees for the audit of the company	23	23

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

4. **Exceptional items**

On 12 December 2018, $10.5 billion of notes previously issued by BP Capital Markets p.l.c were exchanged for new notes issued by BP Capital Markets America Inc. in order to optimize the BP group's capital structure and align revenue generation to indebtedness. This exchange was at market value and created a gain on disposal of $192 million for BP Capital Markets p.l.c.

There is no tax effect on this transaction.

5. **Interest receivable and similar income**

	2018	2017
	$m	$m
Interest income from amounts owed by group undertakings	1,628	1,622

The sole class of business of the company during the year was issuing debt security and commercial paper. These debt proceeds are deposited with BP International Ltd whereby the company generates interest receivable. The geographical segment from which the company's income is generated is the United Kingdom.

6. **Interest payable and similar expenses**

	2018	2017
	$m	$m
Interest expense on:		
Guarantee fee from group undertakings	83	113
Other loans	1,528	1,503
Total interest payable and similar expenses	1,611	1,616

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 2018 (2017 19.25%). The differences are reconciled below:

	2018	2017
	$m	$m
Profit before taxation	195	6
Tax charge	—	—
Effective tax rate	0%	0%

	2018	2017
	%	%
UK statutory corporation tax rate:	19	19.25
Increase / (decrease) resulting from:		
Free group relief	(20)	(19.25)
Non-deductible expenditure	1	0
Effective tax rate	0	0

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

8. **Directors and employees**

(a) Remuneration of directors

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

(b) Employee costs

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

9. **Debtors**

Amounts falling due within one year:

	2018	2017
	$m	$m
Amounts owed from parent undertakings	6,484	7,462
	6,484	7,462

Amounts falling due after one year:

	2018	2017
	$m	$m
Amounts owed from parent undertakings	48,601	51,845
Total debtors	55,085	59,307

10. Creditors

Amounts falling due within one year:

	2018	2017
	$m	$m
Amounts owed to parent undertakings	8,782	113
Finance debt - borrowings	7,432	7,142
Accruals and deferred income	432	510
	16,646	7,765

Amounts falling after one year:

	2018	2017
	$m	$m
Finance debt - borrowings	37,572	50,795
	37,572	50,795
Total creditors	54,218	58,560

Borrowings are comprised of long-term bonds totalling $42,964 million (2017 $57,193 million) and issued commercial paper of $2,040 million (2017 $744 million). Finance debt does not include accrued interest, which is reported within accruals and deferred income.

Total finance debt of $45,004 million (2017 $57,937 million) decreased primarily due to the transaction detailed in Note 4.

(i) Analysis of borrowings by year of repayment:

	2018	2017
	$m	$m
Amount repayable:		
Within 1 year or on demand	7,432	7,142
Between 1 and 2 years	5,423	5,423
Between 2 and 5 years	14,090	20,211
Thereafter	18,059	25,160
Total	45,004	57,937

Interest rates on borrowings due, either wholly or partly, more than five years from 31 December 2018 range from 0.8% to 4.8% with a weighted average of 2.3%.

11. Called up share capital

	2018	2017
	$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 accumulated losses of the company.

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

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. 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.