

STRATEGIC REPORT

Section 172 (1) statement

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

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

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

When setting and delivering on the company's strategy, the directors of the company have regard to the evolving environment in which the company operates and aims to promote the long term success and sustained economic viability of the company.

(b) The interests of the company's employees

The company has no employees.

(c) The need to foster the company's business relationships with suppliers, customers and others

During 2022, the directors of the company reiterated its focus on engagement and fostering relationships with suppliers and customers, with the need to consider partners, customers and suppliers and how we can help them, specifically addressed in the 'Who we are' belief, 'Care for others'.

In addition, the board reviewed and considered the company's Modern Slavery Statement and disclosed its practices in respect of the same on an annual basis.

Furthermore, the board reviewed and considered the company's prompt payment reporting performance and disclosed its practices in respect of the same on a bi-annual basis.

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

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

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

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

bp's Code of Conduct sets clear expectations for how bp, the company and the board operate. The directors of the company continued to adhere, in good faith, to the bp code of conduct during the year to ensure the Board and the company maintain a reputation for high standards of business conduct.

The board considered its impact and decision making in light of the war in Ukraine and bp's announcement of its position in Russia.

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

The company is a wholly owned subsidiary with one member and the directors aim to maximise long term shareholder value.

STRATEGIC REPORT

Section 172 (1) statement (continued)

Stakeholder engagement

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

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

(a) Government/Regulators

The company recognises the need to create valued relationships with the government/regulators centred around ethics and transparency, and the need to discuss relevant regulations and guidance where necessary.

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

(b) Shareholders

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

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

The company's principal decisions

During the period the directors of the company 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 of the company were in respect of routine board matters, in furtherance of the bp group's purpose and were not considered to be principal in nature.

Principal risks and uncertainties

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

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

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

STRATEGIC REPORT

Principal risks and uncertainties (continued)

The risks listed below, separately or in combination, could have a material adverse effect on the implementation of the company's strategy, business, financial performance, results of operations, cash flows, liquidity, prospects, shareholder value and returns and reputation. Unless stated otherwise, further details on these risks are included within the risk factors in the Strategic Report of the bp group Annual Report and Form 20-F for the year ended 31 December 2022.

Strategic and commercial risks

Prices and markets

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

Decreases in oil, gas or product prices could have an adverse effect on revenue, margins, profitability and cash flows. If these reductions are significant or for a prolonged period, bp management may have to write down assets and reassess the viability of certain projects, which may impact future cash flows, profit, capital expenditure, the ability to maintain the company's long-term investment programme. Conversely, an increase in oil, gas and product prices may not improve margin performance as there could be increased fiscal take, cost inflation and more onerous terms for access to resources.

Exchange rate fluctuations can create currency exposures and impact underlying costs and revenues. Crude oil prices are generally set in US dollars, while products vary in currency. Many of the company's major project development costs are denominated in local currencies, which may be subject to fluctuations against the US dollar.

Geopolitical

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

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

Liquidity, financial capacity and financial, including credit, exposure

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

STRATEGIC REPORT

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

Strategic and commercial risks (continued)

Digital infrastructure and cybersecurity

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

Climate change and the transition to a lower carbon economy

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

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

Technological improvements or innovations that support the transition to a lower carbon economy, and customer preferences or regulatory incentives that alter fuel or power choices, could impact demand for oil and gas.

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

Policy, legal regulatory, technological and market developments related to climate change could also affect future price assumptions used in the assessment of recoverability of asset carrying values including investments and trade and other debtors, the judgement as to the useful economic lives of tangible assets used for the calculation of depreciation as well as the judgement whether there is continued intent to develop exploration and appraisal intangible assets, the timing of decommissioning of assets and the useful economic lives of assets used for the calculation of amortization.

Competition

The bp group strategic progress and performance could be impeded if we are unable to control our development and operating costs and margins, if we fail to scale our businesses at pace, or to sustain, develop and operate a high-quality portfolio of assets efficiently. Furthermore, as the bp group transitions from an international oil company to an integrated energy company, we face an expanded and rapidly evolving range of competitors in the sectors in which we operate.

We could be adversely affected if our innovation in areas such as new low carbon technologies, digital and customer offer lags behind those of our competitors.

STRATEGIC REPORT

Strategic and commercial risks (continued)

Crisis management and business continuity

The bp group's reputation and business activities could be negatively impacted if the management does not respond, or is perceived not to respond, in an appropriate manner to any major crisis.

Insurance

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

Safety and operational risks

Security

Acts of terrorism, piracy, sabotage, activism and similar activities directed against the company's operations could cause harm to people and severely disrupt operations. The company's activities could also be severely affected by conflict, civil strife or political unrest.

Product quality

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

Compliance and control risks

Ethical misconduct and non-compliance

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

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

Regulation

Changes in the law and regulation, including how they are interpreted and enforced, could increase costs, constrain the company's operations and affect its business plans and financial performance.

Treasury and treasury trading activities

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

Reporting

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

Financial risk management

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

STRATEGIC REPORT

included within Note 29 of the bp group Annual Report and Form 20-F for the year ended 31 December 2022.

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

DocuSigned by:

Robert John Harrison

5A9EF25F62F94CD...

September 28, 2023

R J Harrison

Director

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

DIRECTORS' REPORT**BP GAS MARKETING LIMITED****Directors**

The present directors are listed on page 1.

R J Harrison, J K Tate and S H Weintraub served as directors throughout the financial year. Changes since 1 January 2022 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
S H Weintraub	—	1 July 2023
E P Skinner-Reid	1 July 2023	—

Directors' indemnity

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

Dividends

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

Financial instruments

In accordance with section 414C of the Companies Act 2006 the directors have included information regarding financial instruments as required by Schedule 7 (Part 6.1) of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 in the Strategic Report under Financial risk management.

Going concern

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

Liquidity and financing is managed within the bp group under pooled group-wide arrangements which include the company. As part of the going concern basis of preparation for the company, the ability and intent of the bp group to support the company has also been taken into consideration. The most recent bp group financial statements continue to be prepared on a going concern basis. Forecast liquidity of the bp group has been assessed under a number of stressed scenarios, including a significant decline in oil prices over the 12-month period from the date these financial statements were approved. Reverse stress tests performed indicated that the bp group will continue to operate as a going concern for at least 12 months from the date of approval of the financial statements even if the Brent price fell to zero. In addition, bp group management have confirmed the existing intra-group funding and liquidity arrangements as currently constituted are expected to be maintained for the foreseeable future, being no less than twelve months from the approval of these financial statements. No material uncertainties over going concern or significant judgements or estimates on the assessment were identified. Accordingly, the company will be able to draw on support from the bp group for the foreseeable future and these financial statements have therefore been prepared on a going concern basis. For further information on financial risk factors, including credit risk and liquidity risk, see pages 4-6.

DIRECTORS' REPORT

Going concern (continued)

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

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

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

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

Future developments

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

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

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

Stakeholder statements

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

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

The board is committed to doing business ethically and transparently, using bp's values and code of conduct to guide them when engaging and working with business partners. The company's activities, and the decisions of the Board, affect a wide variety of individuals and organisations. The directors engage with the company's stakeholders, listening to their differing needs and priorities as part of their role as a senior leader at bp and use the feedback received to inform the Board's decision-making.

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

DIRECTORS' REPORT

Streamlined Energy & Carbon Reporting (SECR)

As a UK subsidiary of a UK parent company which prepares a group directors' report, SECR reporting details are included in the Strategic Report of the bp group Annual Report and Form 20-F for the year ended 31 December 2022.

Corporate Governance Statement

In 2022, the bp group continued to operate under the corporate governance framework (the "Framework") implemented in 2020. The Framework closely aligns with bp's purpose - reimagining energy for people and our planet - and strategy. The Framework also defines bp's role, to promote the long-term sustainable success of the company, generating value for its shareholders while having regard to its other stakeholders, the impact of its operations on the communities within which it operates and the environment.

The core of the company's governance arrangements come from bp's System of Internal Control, Global Subsidiary Corporate Governance Policy (the "Policy") and Code of Conduct, details of which are set out below.

System of Internal Control

The System of Internal Control is the holistic set of management systems, organisational structures, processes, standards and behaviours that are employed to conduct the bp group's business. These processes enable the company to achieve its objectives and purpose by ensuring that it responds appropriately to business, operational, financial and other risks and opportunities.

Further, the System of Internal Control requires the maintenance of proper records and processes that generate a flow of timely, relevant and reliable information from within and outside the organisation which helps to ensure the quality of internal and external reporting. The System of Internal Control helps to ensure compliance with laws and regulations, bp's Code of Conduct and other internal policies.

The Policy

The Policy has been established by BP p.l.c. and implemented by its subsidiaries, including the company, to establish common standards in corporate governance across the group. These standards cover the role and responsibilities of the board and the directors, its processes and its relationship with executive management, shareholders and other stakeholders.

The Policy is reviewed on a regular basis both in respect of compliance and alignment with best practice governance and the content of formal corporate governance codes for private companies. It is a comprehensive set of rules and recommendations designed to standardise and promote best practice subsidiary governance through:

- i. The mitigation of legal and reputational risk and preserving the integrity of the bp group's corporate structure;
- ii. The selection and training of directors to ensure that they understand and execute their statutory duties in a manner that promotes the success of the company for the benefit of its shareholders whilst having regard to the company's other stakeholders;
- iii. Requiring any decisions in respect of the formation and change of entity form, financing of intra-group activities, transfer of ownership and dissolution to be made pursuant to bp's System of Internal Controls; and
- iv. Specifying which of the bp group's businesses and functions are accountable for the various aspects of administration, internal controls and corporate governance of subsidiaries.

DIRECTORS' REPORT**Corporate Governance Statement (continued)*****The Policy (continued)***

The Policy sets out the responsibilities of all directors and officers of each of the bp group's subsidiaries and the primary tasks of the board, including consideration and execution of long-term strategy, monitoring of the subsidiary's performance and ensuring that the principal risks to the subsidiary are identified and that appropriate systems of risk management and control are in place. As a result, the company has not considered it necessary to adopt a formal corporate governance code.

The Policy requires directors to:

- i. Attend induction training upon appointment and are recommended to refresh their training annually;
- ii. Not engage in any activity that is, or could reasonably be perceived to be, in conflict with the interests of the company and are further required to act in the best interests of the company, which may not necessarily coincide with the best interest of the bp group;
- iii. Consult in advance of conflicts of duties in order to identify and implement steps to avoid or mitigate such conflicts; and
- iv. Retain responsibility for the approval of financial statements.

Decision making rests with the directors of the company and delegation of specific powers or decisions is documented in writing, setting out the reasons for the scope as well as limitation of such delegation, supported by a form of bp group authority. Delegations are monitored and reviewed by the board on a regular basis.

The Code of Conduct

bp's code of conduct is based on bp's values and beliefs, and sets clear expectations for how all employees at bp should work, including directors of the company. The code is designed to be a clear set of expectations to enable all employees to make choices in a consistent way.

The code of conduct includes sections covering:

- i. Safety and sustainability, including operating safely and securely and delivering bp's sustainability frame;
- ii. People, including diversity, equity and inclusion;
- iii. Business partners, including building and maintaining strong relationships and proactively managing conflicts of interest;
- iv. Governments and communities, including human rights, community engagement and public communications; and
- v. Assets and financial integrity, including the need to record and maintain accurate and complete information.

Application of the system of governance

The directors have applied this system of governance by:

- a. Regularly reviewing its board's composition to ensure that it has an appropriately diverse balance of skills, backgrounds, experience and knowledge and ensuring that individual directors have sufficient capacity to make valuable contributions. The board, where appropriate, and in accordance with the Policy, retains a minimum of three directors, promotes independent and objective challenge through the appointment of directors who are not directly or indirectly responsible for the management function of the company and may nominate a designated Chair to provide leadership of the board.

DIRECTORS' REPORT

Corporate Governance Statement (continued)

Application of the system of governance (continued)

- b. Undertaking training on a regular basis to ensure that they have a clear understanding of their responsibilities and accountabilities. To support effective decision-making in their capacity as directors, the board considers the System of Internal Control, the bp Code of Conduct and the company's purpose and how it furthers the bp group's purpose, aims and ambitions.
- c. In accordance with the Policy, the board is supported by the System of Internal Control to identify opportunities to create and preserve value. Refer to the principal risks and uncertainties in the Strategic Report.
- d. Having regard to and fostering good stakeholder relationships. Refer to the company's section 172 statement in the Strategic Report for further information.

Auditors

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


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

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

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

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

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

DocuSigned by:

5A9EF25F62F94CD...

September 28, 2023

R J Harrison
Director

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

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

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable UK law and regulations.

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

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

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

The directors confirm that they have complied with these requirements. Details of the directors' assessment of going concern are provided in the directors' report.

INDEPENDENT AUDITOR'S REPORT**TO THE MEMBERS OF BP GAS MARKETING LIMITED****Report on the audit of the financial statements****Opinion**

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

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

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 27.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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.

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 course of 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.

INDEPENDENT AUDITOR'S REPORT

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.

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

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

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

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and the directors about their own identification and assessment of the risks of irregularities, including those that are specific to the company's business sector.

We obtained an understanding of the legal and regulatory framework(s) that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included UK Companies Act and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty

We discussed among the audit engagement team including relevant internal specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified that the greatest potential for fraud in the following area, and our specific procedures performed to address the risk of fraud are described below:

- Valuation of Level 3 Financial Instruments: In addressing the risk we tested management's valuation controls; and performed substantive valuation testing procedures at interim and year-end balance sheet dates. The substantive procedures included comparing management's input assumptions against the expected assumptions of other market participants and observable market data; evaluating management's valuation methodologies against standard valuation practice; analyzing whether a consistent framework is applied across the business period over period; and engaging the Deloitte valuation specialists to challenge models, develop fair value estimates and verify consistency in management's modelling and input assumptions throughout the year. Our independent estimates were established using independently sourced inputs (where available). We evaluated whether the differences between our independent estimates and management's estimates were within a reasonable range. In situations where we utilized management's inputs, these were compared to external data sources to determine whether they are reasonable. Based on the procedures performed we concluded that Level 3 Financial Instruments were appropriately valued at 31 December 2022.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

INDEPENDENT AUDITOR'S REPORT

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

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management, and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception


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

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

We have nothing to report in respect of these matters.

Use of our report

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

DocuSigned by:

C13EABB87270442...

September 28, 2023

Christopher Jones, MA FCA (Senior Statutory Auditor)

for and on behalf of **Deloitte LLP, Statutory Auditor**

London, United Kingdom

PROFIT AND LOSS ACCOUNT**FOR THE YEAR ENDED 31 DECEMBER 2022****BP GAS MARKETING LIMITED**

		2021
	<u>2022</u>	<u>Restated</u>
	£000	£000
Turnover	3 16,091,925	4,162,224
Cost of sales	(11,129,634)	(5,849,627)
Gross profit / (loss)	4,962,291	(1,687,403)
Dividend income	101,849	11,839
Distribution and marketing expenses	(1,171,983)	(648,835)
Administrative expenses	(324,516)	(144,019)
Other operating income	1,242	—
Impairment of fixed asset investments	12 (33,482)	—
Operating profit / (loss)	4 3,535,401	(2,468,418)
Interest receivable and similar income	6 83,437	5,426
Interest payable and similar expenses	7 (137,566)	(55,465)
Profit / (loss) before taxation	3,481,272	(2,518,457)
Tax on profit / (loss)	8 —	—
Profit / (loss) for the financial year	<u>3,481,272</u>	<u>(2,518,457)</u>

The profit of £3,481,272,000 for the year ended 31 December 2022 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME**FOR THE YEAR ENDED 31 DECEMBER 2022****BP GAS MARKETING LIMITED**

	2022	2021
Note	£000	Restated £000
Profit / (loss) for the financial year	<u>3,481,272</u>	<u>(2,518,457)</u>
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	139,203	(65,598)
Other comprehensive income for the year net of tax	<u>139,203</u>	<u>(65,598)</u>
Total comprehensive income for the year	<u><u>3,620,475</u></u>	<u><u>(2,584,055)</u></u>

BALANCE SHEET**31 DECEMBER 2022****BP GAS MARKETING LIMITED****(Registered No.00908982)**

		2021
	2022	Restated
Note	£000	£000
Fixed assets		
Intangible assets	10 61,500	47,194
Tangible assets	11 1,157,666	946,744
Investments	12 64,735	98,217
	<u>1,283,901</u>	<u>1,092,155</u>
Current assets		
Stocks	13 922,303	516,322
Debtors – amounts falling due:		
within one year	14 16,938,512	6,675,781
after one year	14 10,369	4,651
Derivatives and other financial instruments:		
within one year	20 6,288,129	2,290,417
after one year	20 3,613,443	689,118
Cash and cash equivalents	15 1,696,949	1,720,365
	<u>29,469,705</u>	<u>11,896,654</u>
Creditors: amounts falling due within one year	16 (11,512,936)	(5,600,427)
Derivatives and other financial instruments due within one year	20 (6,752,293)	(4,284,761)
Lease liabilities	17 (373,883)	(253,416)
Net current assets	<u>10,830,593</u>	<u>1,758,050</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>12,114,494</u>	<u>2,850,205</u>
Creditors: amounts falling due after more than one year	16 (6,198)	(2,422)
Derivatives and other financial instruments due after more than one year	20 (1,373,901)	(839,972)
Lease liabilities	17 (844,685)	(793,833)
Provisions for liabilities and charges		
Other provisions	21 (7,239)	(51,982)
NET ASSETS	<u>9,882,471</u>	<u>1,161,996</u>
Capital and reserves		
Called up share capital	22 8,165,000	3,065,000
Share premium account	23 552	552
Foreign currency translation reserve	23 491,390	352,187
Profit and loss account	23 1,225,529	(2,255,744)
TOTAL EQUITY	<u>9,882,471</u>	<u>1,161,995</u>

BALANCE SHEET

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

DocuSigned by:

Robert John Harrison

5A9EF25F62F94CD...

September 28, 2023

R J Harrison

Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

BP GAS MARKETING LIMITED

	Called up share capital (Note 22) £000	Share premium account (Note 23) £000	Foreign currency translation reserve (Note 23) £000	Profit and loss account (Note 23) £000	Total £000
Balance at 1 January 2021 (as previously stated)	1,065,000	552	368,938	368,246	1,802,736
Prior year adjustment	—	—	—	(56,685)	(56,685)
Balance at 1 January 2021 (restated)	1,065,000	552	368,938	311,561	1,746,051
Loss for the financial year (restated) (Note 25)	—	—	—	(2,518,457)	(2,518,457)
Other comprehensive income for the year	—	—	(65,598)	—	(65,598)
Total comprehensive income for the year (restated)	—	—	(65,598)	(2,518,457)	(2,584,055)
Reclassification of foreign currency translation	—	—	48,847	(48,847)	—
Issue of share capital	2,000,000	—	—	—	2,000,000
Balance at 31 December 2021 (restated)	3,065,000	552	352,187	(2,255,743)	1,161,996
Balance at 1 January 2022	3,065,000	552	352,187	(2,255,743)	1,161,996
Profit for the financial year	—	—	—	3,481,272	3,481,272
Other comprehensive income for the year	—	—	139,203	—	139,203
Total comprehensive income for the year	—	—	139,203	3,481,272	3,620,475
Issue of share capital	5,100,000	—	—	—	5,100,000
Balance at 31 December 2022	8,165,000	552	491,390	1,225,529	9,882,471

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2022****BP GAS MARKETING LIMITED****1. Authorisation of financial statements and statement of compliance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101)**

The financial statements of BP Gas Marketing Limited for the year ended 31 December 2022 were approved by the board of directors on 27 September 2023 and the balance sheet was signed on the board's behalf by R J Harrison. BP Gas Marketing Limited is a private company, limited by shares incorporated, domiciled and registered in England and Wales (registered number 00908982) under the Companies Act 2006. The company's registered office is at Chertsey Road, Sunbury on Thames, Middlesex, United Kingdom, TW16 7BP. These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the provisions of the Companies Act 2006.

2. Significant accounting policies, judgements, estimates and assumptions

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

Basis of preparation

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

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

These financial statements are separate financial statements. The company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare consolidated financial statements, because it is included in the group financial statements of BP p.l.c. Details of the parent in whose consolidated financial statements the company is included are shown in Note 27 to the financial statements.

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

- (a) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- (b) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1;
 - (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment;
 - (iii) paragraph 74 A(b) of IAS 16 Property, Plant and Equipment;
 - (iv) paragraph 118(e) of IAS 38 Intangible Assets;
- (c) the requirements of IAS 7 Statement of Cash Flows;
- (d) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective;
- (e) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;

NOTES TO THE FINANCIAL STATEMENTS

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

Basis of preparation (continued)

- (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) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c)-135(e) of IAS 36, Impairment of Assets;
- (h) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (i) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement;
- (j) the requirement of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers;;
- (k) the requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases;
- (l) the requirements of paragraph 58 of IFRS 16 Leases, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

Where required, equivalent disclosures are given in the group financial statements of BP p.l.c. The group financial statements of BP p.l.c. are available to the public and can be obtained as set out in Note 27.

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

Significant accounting policies: use of judgements, estimates and assumptions

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

The accounting judgements and estimates that have a significant impact on the results of the company are set out within the boxed text below, and should be read in conjunction with the information provided in the Notes to the financial statements.

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

Going concern

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

NOTES TO THE FINANCIAL STATEMENTS

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

Going concern (continued)

Liquidity and financing is managed within the bp group under pooled group-wide arrangements which include the company. As part of the going concern basis of preparation for the company, the ability and intent of the bp group to support the company has also been taken into consideration. The most recent bp group financial statements continue to be prepared on a going concern basis. Forecast liquidity of the bp group has been assessed under a number of stressed scenarios, including a significant decline in oil prices over the 12-month period from the date these financial statements were approved. Reverse stress tests performed indicated that the bp group will continue to operate as a going concern for at least 12 months from the date of approval of the financial statements even if the Brent price fell to zero. In addition, bp group management have confirmed the existing intra-group funding and liquidity arrangements as currently constituted are expected to be maintained for the foreseeable future, being no less than twelve months from the approval of these financial statements. No material uncertainties over going concern or significant judgements or estimates on the assessment were identified. Accordingly, the company will be able to draw on support from the bp group for the foreseeable future and these financial statements have therefore been prepared on a going concern basis. For further information on financial risk factors, including credit risk and liquidity risk, see pages 4-6.

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

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

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

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

Foreign currency

The company comprises several foreign operations, of which the functional currencies are Pound Sterling, Euro and US Dollars. The functional currency is the currency of the primary economic environment in which the foreign operation operates and is normally the currency in which the foreign operation primarily generates and expends cash. The presentation currency of the financial statements is Pound Sterling.

NOTES TO THE FINANCIAL STATEMENTS

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

Foreign currency (continued)

Transactions in foreign currencies are initially recorded in the functional currency of the foreign operations at the spot exchange rate on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated into functional currency at the spot exchange rate on the balance sheet date. Any resulting exchange differences are included in the income statements. Non-monetary items, other than those measured at fair value, are not retranslated subsequent to initial recognition.

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

Investments

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

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

Significant judgements and estimates: impairment of investments

Determination as to whether, and how much, an investment is impaired involves management estimates on highly uncertain matters such as the effects of inflation and deflation on operating expenses, discount rates, production profiles, reserves and resources, and future commodity prices, including the outlook for global or regional market supply-and-demand conditions for natural gas and refined products.

Management judgement is required to determine whether an indicator of potential impairment exists in relation to the company's investments. No such indicators have been identified during the current year and therefore no impairment test has needed to be performed. Accordingly, the recoverable amount of the investment has not needed to be estimated, nor any assumptions made, and no sensitivity analysis has been required. Details of the carrying value of the investments are provided in Note 12.

Intangible assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Tangible assets

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

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

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

Corporate and other

Office equipment	4 years
Fixtures and fittings	4 years

Transportation

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

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

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

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

Impairment of intangible and tangible assets

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

NOTES TO THE FINANCIAL STATEMENTS

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

Impairment of intangible and tangible assets (continued)

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

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

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

Stocks

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Leases

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Leases (continued)

The company as lessor

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

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

Financial assets

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

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

Financial assets measured at amortized cost

Financial assets are classified as measured at amortized cost when they are held in a business model the objective of which is to collect contractual cash flows and the contractual cash flows represent solely payments of principal and interest. This category of financial assets includes trade and other receivables, cash and cash equivalents, amounts owed from fellow subsidiaries and amounts owed from associates.

Financial assets measured at fair value through profit or loss

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

Cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

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

Financial assets (continued)

Impairment of financial assets measured at amortized cost

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

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

Financial liabilities

The measurement of financial liabilities is as follows:

Financial liabilities measured at fair value through profit or loss

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

Financial liabilities measured at amortized cost

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

After initial recognition, these financial liabilities are subsequently measured at amortized cost. This category of financial liabilities includes trade and other payables, amounts owed to parent undertakings, amounts owed to fellow subsidiaries and amounts owed to associates.

Derivative financial instruments

The company is exempt from the disclosure requirements of IFRS 7 "Financial Instruments: Disclosures" and IFRS 13 "Fair value measurement" as the company is included in the consolidated financial statements of the ultimate parent undertaking, BP p.l.c., which include the disclosures on a group basis that comply with these standards. Relevant disclosures as required by the Companies Act 2006 in relation to instruments held at fair value have been included in these financial statements.

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

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

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

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

Fair value measurement

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

NOTES TO THE FINANCIAL STATEMENTS

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

Significant judgements and estimates: derivative financial instruments

In some cases the fair values of derivatives are estimated using internal models due to the absence of quoted prices or other observable, market-corroborated data. This primarily applies to the company's longer-term derivative contracts. The majority of these contracts are valued using models with inputs that include price curves for each of the different products that are built up from available active market pricing data (including volatility and correlation) and modelled using the maximum available external information. Additionally, where limited data exists for certain products, prices are determined using historical and long-term pricing relationships. The use of alternative assumptions or valuation methodologies may result in significantly different values for these derivatives. A reasonably possible change in the price assumptions used in the models relating to index price would not have a material impact on net assets and the profit and loss account primarily as a result of offsetting movements between derivative assets and liabilities. For more information, including the carrying amounts of level 3 derivatives, see Note 20.

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

Offsetting of financial assets and liabilities

Financial assets and liabilities are presented gross in the balance sheet unless both of the following criteria are met: the company currently has a legally enforceable right to set off the recognized amounts; and the company intends to either settle on a net basis or realize the asset and settle the liability simultaneously. If both of the criteria are met, the amounts are set off and presented net. A right of set off is the company's legal right to settle an amount payable to a creditor by applying against it an amount receivable from the same counterparty. The relevant legal jurisdiction and laws applicable to the relationships between the parties are considered when assessing whether a current legally enforceable right to set off exists.

Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect the risks specific to the liability.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax risk-free rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized in the profit and loss account. Provisions are discounted using a nominal discount rate of 3.5% (2021 2.0%).

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.

NOTES TO THE FINANCIAL STATEMENTS

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

Taxation (continued)

Deferred tax is provided, using the balance sheet method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences except:

- Where the deferred tax liability arises on the initial recognition of an asset or liability in a transaction that is not a business combination, at the time of the transaction, affects neither accounting profit nor taxable profit or loss and, at the time of the transaction, does not give rise to equal taxable and deductible temporary differences.
- In respect of taxable temporary differences associated with investments in group undertakings and associates and interests in joint arrangements, where the company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. An exception is where the deferred tax asset relates to the deductible temporary difference arising from the initial recognition of an asset or liability in a transaction that is not a business combination, at the time of the transaction, affects neither accounting profit nor taxable profit or loss and, at the time of the transaction, does not give rise to equal taxable and deductive temporary differences.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

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

Customs duties and sales taxes

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

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

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

Turnover

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

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

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

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

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

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

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

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

Interest income

Interest income is recognized as the interest accrues.

Dividend income

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

Finance costs

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

Updates to significant accounting policies

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

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

Impact of new International Financial Reporting Standards

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

3. Turnover

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

	2022	2021
	£000	Restated £000
Revenue from contracts with customers	12,645,508	5,040,011
Other operating revenues	2,230,845	1,020,959
Group gain sharing arrangements	5,581,967	4,931,897
Held for trading loss	(4,366,395)	(6,830,643)
	<u>16,091,925</u>	<u>4,162,224</u>
Dividend income	101,849	11,839
Other operating income	1,242	—
Interest receivable and similar income (Note 6)	83,437	5,426
	<u><u>16,278,453</u></u>	<u><u>4,179,489</u></u>

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

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

	<u>2022</u>	<u>2021</u>
	£000	Restated £000
Class of business:		
gas & low carbon energy	15,891,625	4,081,323
customers & products	200,300	80,901
Total	<u>16,091,925</u>	<u>4,162,224</u>

4. Operating profit / (loss)

This is stated after charging / (crediting):

	<u>2022</u>	<u>2021</u>
	£000	£000
Net foreign exchange gains	(161,326)	(6,470)
Amortization of intangible assets		
- Internally generated ^a	11,667	8,092
Depreciation of right-of-use assets	277,779	224,677
Impairment of investments	33,482	—
Reversal of impairment of investments	—	(6,016)
Expected loss allowance	174	—
Reversal of expected loss allowance	—	(2,089)

^a Amount is included in administrative expenses.

5. Auditor's remuneration

	<u>2022</u>	<u>2021</u>
	£000	£000
Fees for the audit of the company	<u>101</u>	<u>56</u>

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

The audit fee for the financial year ended 31 December 2021 of £56,000 was initially borne by another group entity. During the course of the current year, a group decision was taken for the company to bear its own audit fees starting from the financial year ended 31 December 2021. Therefore, the 2021 audit fee has been recharged to the company in the current year.

6. Interest receivable and similar income

	<u>2022</u>	<u>2021</u>
	£000	£000
Bank interest receivable	14,837	116
Interest income from amounts owed by group undertakings	68,600	166
Interest income from associates	—	5,144
Total interest receivable and similar income	<u>83,437</u>	<u>5,426</u>

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

	<u>2022</u>	<u>2021</u>
	£000	£000
Interest expense on:		
Lease liabilities	36,764	36,301
Loans from group undertakings	100,249	16,975
Total interest expense	<u>137,013</u>	<u>53,276</u>
Unwinding of discount on provisions	553	2,189
Total interest payable and similar expenses	<u><u>137,566</u></u>	<u><u>55,465</u></u>

8. Taxation

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

(a) Reconciliation of the effective tax rate

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

	<u>2022</u>	<u>2021</u>
	£000	£000
Profit / (loss) before tax	3,481,272	(2,518,457)
Tax charge / (credit)	—	—
Effective tax rate	— %	— %
	<u>2022</u>	<u>2021</u>
	%	%
UK statutory corporation tax rate:	19	19
Decrease resulting from:		
Non-taxable income	(1)	—
Free group relief	(18)	(18)
Amounts not recognised	—	(1)
Effective tax rate	<u><u>—</u></u>	<u><u>—</u></u>

Change in corporation tax rate

On 3 March 2021, the UK Government announced an increase to the UK's main corporation tax rate from 19% to 25%, effective from 1 April 2023. This will increase the company's future current tax charge accordingly. The rate change was substantively enacted on 24 May 2021. As the company has not recognised a deferred tax asset at the balance sheet date, the impact of this rate change has not been calculated.

(b) Provision for deferred tax

Deferred tax has not been recognised on deductible temporary differences relating to fixed assets of £27,551,000 (2021 £24,633,000), short-term timing differences of £472,000 (2021 £571,000) and tax losses of £35,062,000 (2021 £35,062,000) with no fixed expiry date on the basis that they are not expected to give rise to any future tax benefit.

NOTES TO THE FINANCIAL STATEMENTS**9. Directors and employees**

(a) Remuneration of directors

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

(b) Employee costs

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

10. Intangible assets

	Other intangibles
Cost	<u>£000</u>
At 1 January 2022	158,510
Additions	25,973
At 31 December 2022	<u><u>184,483</u></u>
Amortization	
At 1 January 2022	111,316
Charge for the year	11,667
At 31 December 2022	<u><u>122,983</u></u>
Net book value	
At 31 December 2022	<u><u>61,500</u></u>
At 31 December 2021	<u><u>47,194</u></u>

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

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

	Corporate & other £000	Transportation £000	Total £000
Cost - owned tangible assets			
At 1 January 2022	18,117	—	18,117
At 31 December 2022	<u>18,117</u>	<u>—</u>	<u>18,117</u>
Depreciation - owned tangible assets			
At 1 January 2022	18,112	—	18,112
At 31 December 2022	<u>18,112</u>	<u>—</u>	<u>18,112</u>
Owned tangible assets - net book value			
At 31 December 2022	<u>5</u>	<u>—</u>	<u>5</u>
Right-of-use assets - net book value			
At 31 December 2022	<u>—</u>	<u>1,157,661</u>	<u>1,157,661</u>
Owned tangible assets - net book value			
At 31 December 2021	<u>5</u>	<u>—</u>	<u>5</u>
Right-of-use assets - net book value			
At 31 December 2021	<u>—</u>	<u>946,739</u>	<u>946,739</u>
Total tangible assets net book value			
31 December 2022	<u>5</u>	<u>1,157,661</u>	<u>1,157,666</u>
31 December 2021	<u>5</u>	<u>946,739</u>	<u>946,744</u>
Depreciation charge for the year on right-of-use assets			
2022	<u>—</u>	<u>277,779</u>	<u>277,779</u>
2021	<u>—</u>	<u>224,677</u>	<u>224,677</u>

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

	Investment in subsidiaries	Investment in associates	Loans to associates	Total
Cost	£000	£000	£000	£000
At 1 January 2021	291,485	500	8,000	299,985
Reclassification to other debtors	—	—	(8,000)	(8,000)
At 31 December 2021	<u>291,485</u>	<u>500</u>	<u>—</u>	<u>291,985</u>
At 1 January 2022	291,485	500	—	291,985
Deletion	—	(500)	—	(500)
At 31 December 2022	<u>291,485</u>	<u>—</u>	<u>—</u>	<u>291,485</u>
Impairment losses				
At 1 January 2021	193,268	500	6,017	199,785
Reclassification to other debtors	—	—	(6,017)	(6,017)
At 31 December 2021	<u>193,268</u>	<u>500</u>	<u>—</u>	<u>193,768</u>
At 1 January 2022	193,268	500	—	193,768
Charge for the year	33,482	—	—	33,482
Deletion	—	(500)	—	(500)
At 31 December 2022	<u>226,750</u>	<u>—</u>	<u>—</u>	<u>226,750</u>
Net book amount				
At 31 December 2022	<u>64,735</u>	<u>—</u>	<u>—</u>	<u>64,735</u>
At 31 December 2021	<u>98,217</u>	<u>—</u>	<u>—</u>	<u>98,217</u>

The loan to associates has been reclassified to other debtors in Note 14 in the previous year. This loan is unsecured, bears interest of 120 basis points per annum and settled on 11 January 2022.

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

The investments in the subsidiary undertakings are unlisted.

The group undertakings of the company at 31 December 2022 and the percentage of equity capital held are set out below. The principal country of operation is generally indicated by the company's country of incorporation or by its name.

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

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

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

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

13. Stocks

	<u>2022</u>	<u>2021</u>
	£000	£000
Emission certificates	22,570	14,339
Natural gas	186,328	146,127
Supplies	66,851	25,202
Trading stocks	646,554	330,654
	<u>922,303</u>	<u>516,322</u>

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

14. Debtors

Amounts falling due within one year:

	<u>2022</u>	<u>2021</u>
	£000	£000
Trade debtors	2,570,055	2,213,204
Amounts owed from group undertakings	14,332,551	4,335,130
Amounts owed from associates	—	69,056
Other debtors	28,086	41,742
Prepayments	3,045	2,853
Finance sublease receivables	4,775	13,796
	<u>16,938,512</u>	<u>6,675,781</u>

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

Amounts falling due after one year:

	<u>2022</u>	<u>2021</u>
	£000	£000
Prepayments	10,369	—
Finance sublease receivables	—	4,651
	<u>10,369</u>	<u>4,651</u>
Total debtors	<u>16,948,881</u>	<u>6,680,432</u>

Included in the amounts owed from group undertakings is an Internal Funding Account (IFA) of £13,226,812,000 receivable from BP International Limited (2021 £1,836,734,000).

This balance forms a key part of the bp group's liquidity and funding arrangements under its centralised treasury funding model and it can be accessed by BP International Limited at short notice. Whilst IFA balances are legally repayable on demand, in practice they have no termination date.

Interest is accrued on a monthly basis based on USD LIBOR, GBP LIBOR and EURIBOR.

From 31 December 2021 some USD LIBOR tenors, and all EUR, GBP and CHF LIBOR tenors ceased to be published. The remaining USD LIBOR tenors, including 3 month USD LIBOR, will continue to be published until June 2023. For further information in relation to LIBOR transition see Note 29 of the bp group Annual Report and Form 20-F for the year ended 31 December 2022.

The IFRS 9 expected credit loss carried forward was £3,698,000 (2021 £2,089,000). The measurement of expected credit losses is a function of the probability of default, loss given default and exposure at default. The current economic environment and future credit risk outlook have been considered in updating the estimate of expected credit loss allowances on financial assets measured at amortized cost.

Trade and other receivables are predominantly non-interest bearing.

15. Cash and cash equivalents

	<u>2022</u>	<u>2021</u>
	£000	£000
Cash	669,592	495,843
Cash equivalents	1,027,357	1,224,522
	<u>1,696,949</u>	<u>1,720,365</u>

Cash and cash equivalents at 31 December 2022 includes £1,027,357,000 (2021 £1,224,522,000) that is restricted. The restricted cash balances include amounts required to cover initial margin on trading exchanges.

NOTES TO THE FINANCIAL STATEMENTS**16. Creditors**

Amounts falling due within one year:

	<u>2022</u>	<u>2021</u>
	£000	£000
Trade creditors	4,556,329	2,669,357
Amounts owed to group undertakings	5,715,379	2,031,409
Other creditors	535,854	216,438
Other taxes and social security costs	13,316	11,653
Accruals	157,387	443,217
Deferred income	534,671	228,353
	<u>11,512,936</u>	<u>5,600,427</u>

Amounts falling after one year:

	<u>2022</u>	<u>2021</u>
	£000	£000
Amounts owed to group undertakings	148	148
Other creditors	6,050	2,274
	<u>6,198</u>	<u>2,422</u>
Total creditors	<u>11,519,134</u>	<u>5,602,849</u>

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

17. Loans and obligations under leases

Loans repayable and obligations under leases are analysed as follows:

Within 5 years

	<u>2022</u>	<u>2021</u>
	Lease liabilities £000	Lease liabilities £000
Due within		
1 year	373,883	253,416
1 to 2 years	311,128	226,406
2 to 5 years	388,687	373,744
	<u>1,073,698</u>	<u>853,566</u>

After 5 years

	<u>2022</u>	<u>2021</u>
	Lease liabilities £000	Lease liabilities £000
Not wholly repayable	144,870	193,682
	<u>144,870</u>	<u>193,682</u>

NOTES TO THE FINANCIAL STATEMENTS**18. Leases**

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

The total undiscounted amount for future commitments for leases not yet commenced as at 31 December 2022 is £478,710,000 (2021 £149,878,000).

	<u>2022</u>	<u>2021</u>
	£000	£000
Short-term lease expense ^a	176,926	73,863
Additions to right-of-use assets in the period	338,826	237,626
Total cash outflow for amounts included in lease liabilities ^b	<u>342,267</u>	<u>245,416</u>

^a A short-term lease is a lease that, at the commencement date, has a lease term of 12 months or less.

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

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

19. Financial instruments and financial risk factors***Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements***

The following table shows the gross amounts of recognized financial assets and liabilities including those which are subject to offsetting arrangements on a gross basis, and the amounts offset in the balance sheet.

Amounts which cannot be offset under IFRS, but which could be settled net under the terms of master netting agreements if certain conditions arise, and collateral received or pledged, are also shown in the table to show the total net exposure of the company. The amounts owed from group undertakings under Internal Funding Accounts (IFA) are subject to netting.

NOTES TO THE FINANCIAL STATEMENTS**19. Financial instruments and financial risk factors (continued)**

	Gross amounts of recognized financial assets (liabilities)	Amounts set off	Net amounts presented on the balance sheet	Related amounts not set off in the balance sheet		Net amount
				Master netting arrangements	Cash collateral (received) pledged	
	£000	£000	£000	£000	£000	£000
At 31 December 2022						
Derivative assets	15,148,384	(5,246,812)	9,901,572	(683,421)	(87,776)	9,130,375
Derivative liabilities	(13,373,006)	5,246,812	(8,126,194)	683,421	27,144	(7,415,629)
Trade receivables	3,922,643	(1,352,588)	2,570,055	(28,419)	(30,926)	2,510,710
Trade payables	(5,908,917)	1,352,588	(4,556,329)	28,419	492	(4,527,418)
At 31 December 2021 (restated)						
Derivative assets	7,921,023	(4,941,488)	2,979,535	(950,842)	(48,110)	1,980,583
Derivative liabilities	(10,033,961)	4,909,228	(5,124,733)	950,842	16,587	(4,157,304)
Trade receivables	3,003,497	(790,293)	2,213,204	(136,444)	—	2,076,760
Trade payables	(3,459,650)	790,293	(2,669,357)	136,444	—	(2,532,913)

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the company's business activities may not be available. The company's liquidity is managed centrally with operating units forecasting their cash and currency requirements to the central treasury function. Unless restricted by local regulations, group undertakings pool their cash surpluses to treasury, which will then arrange to fund other group undertakings' requirements, or invest any net surplus in the market or arrange for necessary external borrowings, while managing the company's overall net currency positions.

The company manages liquidity risk associated with derivative contracts based on the expected maturity of both derivative assets and liabilities as indicated in Note 20. Management does not currently anticipate any cash flows that could be of a significantly different amount, or could occur earlier than the expected maturity analysis provided.

NOTES TO THE FINANCIAL STATEMENTS

20. Derivatives and other financial instruments

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

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

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

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

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

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

Derivatives held for trading

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

NOTES TO THE FINANCIAL STATEMENTS**20. Derivatives and other financial instruments (continued)**

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

	2022	2022	2021	2021
	Fair value asset £000	Fair value liability £000	Fair value asset £000	Fair value liability £000
Derivatives held for trading				
- Currency derivatives	428,577	(546,539)	151,270	(72,737)
- Natural gas price derivatives	7,835,325	(5,562,089)	1,833,339	(3,434,537)
- Power price derivatives	1,637,670	(2,017,566)	994,925	(1,617,460)
	<u>9,901,572</u>	<u>(8,126,194)</u>	<u>2,979,534</u>	<u>(5,124,734)</u>
Of which:				
- current derivatives with third parties	4,350,799	(5,204,187)	1,683,613	(3,290,870)
- current intercompany derivatives with group undertakings	1,937,330	(1,548,106)	606,803	(993,891)
- non-current derivatives with third parties	3,323,197	(612,783)	370,647	(608,050)
- non-current intercompany derivatives with group undertakings	290,246	(761,118)	318,472	(231,922)
	<u>9,901,572</u>	<u>(8,126,194)</u>	<u>2,979,535</u>	<u>(5,124,733)</u>

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

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

2022	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	£000	£000	£000	£000	£000	£000	£000
- Currency derivatives	424,068	4,465	41	3	—	—	428,577
- Natural gas price derivatives	5,230,304	2,492,986	112,002	13	20	—	7,835,325
- Power and emission price derivatives	633,757	395,495	142,096	83,272	67,738	315,312	1,637,670
	<u>6,288,129</u>	<u>2,892,946</u>	<u>254,139</u>	<u>83,288</u>	<u>67,758</u>	<u>315,312</u>	<u>9,901,572</u>

NOTES TO THE FINANCIAL STATEMENTS**20. Derivatives and other financial instruments (continued)**

2021	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	£000	£000	£000	£000	£000	£000	£000
- Currency derivatives	106,526	44,744	—	—	—	—	151,270
- Natural gas price derivatives	1,532,708	253,334	26,321	1,706	2,463	16,807	1,833,339
- Power and emission price derivatives	651,182	121,926	46,761	28,918	21,945	124,193	994,925
	<u>2,290,416</u>	<u>420,004</u>	<u>73,082</u>	<u>30,624</u>	<u>24,408</u>	<u>141,000</u>	<u>2,979,534</u>

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

2022	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	£000	£000	£000	£000	£000	£000	£000
- Currency derivatives	(482,552)	(63,874)	(34)	(39)	(40)	—	(546,539)
- Natural gas price derivatives	(5,042,096)	(498,196)	(16,321)	(3,495)	(1,981)	—	(5,562,089)
- Power and emission price derivatives	(1,227,645)	(183,192)	(130,176)	(92,689)	(74,877)	(308,987)	(2,017,566)
	<u>(6,752,293)</u>	<u>(745,262)</u>	<u>(146,531)</u>	<u>(96,223)</u>	<u>(76,898)</u>	<u>(308,987)</u>	<u>(8,126,194)</u>

2021	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	£000	£000	£000	£000	£000	£000	£000
- Currency derivatives	(71,950)	(787)	—	—	—	—	(72,737)
- Natural gas price derivatives	(3,049,264)	(347,001)	(15,845)	(2,344)	(2,887)	(17,196)	(3,434,537)
- Power and emission price derivatives	(1,163,547)	(237,504)	(29,906)	(29,286)	(26,284)	(130,933)	(1,617,460)
	<u>(4,284,761)</u>	<u>(585,292)</u>	<u>(45,751)</u>	<u>(31,630)</u>	<u>(29,171)</u>	<u>(148,129)</u>	<u>(5,124,734)</u>

NOTES TO THE FINANCIAL STATEMENTS**20. Derivatives and other financial instruments (continued)**

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

2022	Less than 1	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	year						
	£000	£000	£000	£000	£000	£000	£000
Fair value of derivative assets							
Level 2	10,958,911	3,271,531	186,601	17,204	14,750	26,503	14,475,500
Level 3	64,637	106,215	92,059	66,084	53,008	288,809	670,812
	<u>11,023,548</u>	<u>3,377,746</u>	<u>278,660</u>	<u>83,288</u>	<u>67,758</u>	<u>315,312</u>	<u>15,146,312</u>
Less: netting by counterparty	(4,735,419)	(484,800)	(24,521)	—	—	—	(5,244,740)
	<u>6,288,129</u>	<u>2,892,946</u>	<u>254,139</u>	<u>83,288</u>	<u>67,758</u>	<u>315,312</u>	<u>9,901,572</u>
Fair value of derivative liabilities							
Level 2	(11,222,718)	(1,202,459)	(144,516)	(69,214)	(55,433)	(197,459)	(12,891,799)
Level 3	(17,403)	(27,601)	(26,537)	(27,009)	(21,465)	(111,528)	(231,543)
	<u>(11,240,121)</u>	<u>(1,230,060)</u>	<u>(171,053)</u>	<u>(96,223)</u>	<u>(76,898)</u>	<u>(308,987)</u>	<u>(13,123,342)</u>
Less: netting by counterparty	4,487,828	484,798	24,522	—	—	—	4,997,148
	<u>(6,752,293)</u>	<u>(745,262)</u>	<u>(146,531)</u>	<u>(96,223)</u>	<u>(76,898)</u>	<u>(308,987)</u>	<u>(8,126,194)</u>
Net fair value	<u>(464,164)</u>	<u>2,147,684</u>	<u>107,608</u>	<u>(12,935)</u>	<u>(9,140)</u>	<u>6,325</u>	<u>1,775,378</u>

NOTES TO THE FINANCIAL STATEMENTS**20. Derivatives and other financial instruments (continued)**

2021	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	£000	£000	£000	£000	£000	£000	£000
Fair value of derivative assets							
Level 2 (restated*)	6,785,573	793,981	88,700	13,570	8,932	33,053	7,723,809
Level 3	16,048	23,658	16,862	17,174	15,476	107,947	197,165
	<u>6,801,621</u>	<u>817,639</u>	<u>105,562</u>	<u>30,744</u>	<u>24,408</u>	<u>141,000</u>	<u>7,920,974</u>
Less: netting							
by counterparty (restated*)	(4,511,204)	(397,635)	(32,480)	(120)	—	—	(4,941,439)
	<u>2,290,417</u>	<u>420,004</u>	<u>73,082</u>	<u>30,624</u>	<u>24,408</u>	<u>141,000</u>	<u>2,979,535</u>
Fair value of derivative liabilities							
Level 2 (restated*)	(8,728,533)	(972,510)	(74,570)	(26,615)	(23,764)	(111,336)	(9,937,328)
Level 3	(10,750)	(10,416)	(3,662)	(5,136)	(5,406)	(36,793)	(72,163)
	<u>(8,739,283)</u>	<u>(982,926)</u>	<u>(78,232)</u>	<u>(31,751)</u>	<u>(29,170)</u>	<u>(148,129)</u>	<u>(10,009,491)</u>
Less: netting							
by counterparty (restated*)	4,454,523	397,634	32,481	121	(1)	—	4,884,758
	<u>(4,284,760)</u>	<u>(585,292)</u>	<u>(45,751)</u>	<u>(31,630)</u>	<u>(29,171)</u>	<u>(148,129)</u>	<u>(5,124,733)</u>
Net fair value	<u>(1,994,343)</u>	<u>(165,288)</u>	<u>27,331</u>	<u>(1,006)</u>	<u>(4,763)</u>	<u>(7,129)</u>	<u>(2,145,198)</u>

* Refer to Note 25 for further details.

NOTES TO THE FINANCIAL STATEMENTS**20. Derivatives and other financial instruments (continued)***Level 3 derivatives*

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

	<u>Total</u>
	£000
Net fair value of contracts as at 1 January 2022	157,265
Gains recognized in the profit and loss account	287,618
Settlements	(5,614)
Net fair value of contracts as at 31 December 2022	<u>439,269</u>

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

Derivative gains and losses

Gains and losses on derivative contracts are included within 'Turnover' in the profit and loss account. The total amount relating to these derivative contracts was a net loss of £4,366,395,000 (2021 (restated) net loss of £6,830,643,000).

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

The total amount relating to all these items (excluding gains and losses on realized physical derivative contracts that have been reflected gross in the profit and loss account within Turnover) was a net gain of £2,716,828,000 (2021 (restated) net loss of £9,983,961,000). This number does not include gains and losses on realized physical derivative contracts that have been reflected gross in the profit and loss account within sales and purchases or the change in value of transportation and storage contracts, but does include the associated financially settled contracts. The net amount for actual gains and losses relating to derivative contracts and all related items therefore may differ significantly from the amount disclosed above.

NOTES TO THE FINANCIAL STATEMENTS**21. Other provisions**

	<u>Total</u>
	£000
At 1 January 2022	51,982
Changes during the year	<u>(44,743)</u>
At 31 December 2022	<u><u>7,239</u></u>

The balance of the provisions as of 1 January 2022 related to four onerous contracts, split between two contracts for storage of gas and two contracts for pipeline capacity. Following the increase in the demand for storage and capacity across Europe, one gas storage contract and one pipeline capacity were reviewed and concluded that these are no longer onerous contracts. The provision relating to Viking as of 31 December 2022 was £Nil due to the reduction of gas supplies from Russia to Europe and the increase of the value of gas storage assets in anticipation of a cold winter. However, Viking will remain onerous due to the long term nature of the Viking contract as the contract cost outweighs the economic benefits. The Viking provision relates to the gas caverns in Germany with a contract expiry of 2046. Consequently, at 31 December 2022, other provisions comprise one onerous contracts for pipeline capacity (Trans-Austrian Gasline, TAG).

The TAG provision relates to the supply of the gas capacity through the TAG with a contract expiry of 2029.

The decrease of £44,743,000 during the year mainly relates to the write-back of unused provisions for the two contracts no longer deemed to be onerous, coupled with changes to the valuation of the Viking storage contract, discounting and foreign exchange movements.

22. Called up share capital

	<u>2022</u>	<u>2021</u>
	£000	£000
Issued and fully paid:		
8,165,000,000 (2021 3,065,000,000) ordinary shares of £1 each for a total nominal value of £8,165,000,000 (2021 £3,065,000,000)	<u>8,165,000</u>	<u>3,065,000</u>
	<u><u>8,165,000</u></u>	<u><u>3,065,000</u></u>

On 15 December 2022, 5,100,000,000 ordinary shares of £1 each for a total nominal value of £5,100,000,000 were allotted to the parent company at par value.

23. Reserves*Called up share capital*

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

Share premium account

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

Foreign currency translation reserve

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

Profit and loss account

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

NOTES TO THE FINANCIAL STATEMENTS**24. Related party transactions**

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

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

Related party	Sales to related party	Purchases from related party	Amounts owed from related party	Amounts owed to related party
	<u>£000</u>	<u>£000</u>	<u>£000</u>	<u>£000</u>
BP Trinidad and Tobago LLC				
Group undertakings				
Gas				
2022	—	32,616	9,665	—
2021	—	—	—	—
BP India Private Limited				
Group undertakings				
Miscellaneous				
2022	—	—	—	17
2021	—	—	—	13
Aker BP ASA				
Group undertakings				
Exploration				
2022	—	—	—	451,399
2021	—	—	—	185,948
Bahia de Bizkaia Electricidad				
Subsidiary				
Gas				
2022	145,976	—	—	—
2021	54,369	—	—	14,402

NOTES TO THE FINANCIAL STATEMENTS**25. Prior year adjustment**

Mark to market derivatives with bp group of companies amounting to a total of £247,592,000 were erroneously excluded from the accounts in prior years. This resulted in an understatement of turnover and profit and loss account and an overstatement in derivatives and other financial instruments within one year. As a consequence, comparative information for the year ended 31 December 2021 presented in these financial statements have been restated.

	2021 £000	£000	2021 £000
	As previously stated	Adjustment	Restated
Turnover	4,353,130	(190,906)	4,162,224
Operating loss	(2,277,512)	(190,906)	(2,468,418)
Loss for the financial year	(2,327,551)	(190,906)	(2,518,457)

	2021 £000	£000	2021 £000
	As previously stated	Adjustment	Restated
Current assets			
Derivatives and other financial instruments within one year	2,288,345	2,072	2,290,417
Current liabilities			
Derivatives and other financial instruments within one year	(4,035,098)	(249,663)	(4,284,761)
Net current asset	2,005,641	(247,592)	1,758,049
TOTAL ASSETS LESS CURRENT LIABILITIES	3,097,796	(247,592)	2,850,204
NET ASSETS	1,409,587	(247,592)	1,161,995

Capital and reserves

Profit and loss account	(2,008,152)	(247,592)	(2,255,744)
TOTAL EQUITY	1,409,587	(247,592)	1,161,995

<u>Statement of changes in equity</u>	<u>Profit and loss account</u> £000	<u>Total equity</u> £000
Balance at 1 January 2021 (as previously stated)	368,246	1,802,736
Prior year adjustment	(56,685)	(56,685)
Balance at 31 December 2021 (restated)	311,561	1,746,051

NOTES TO THE FINANCIAL STATEMENTS**26. Comparative figures**

Certain prior year figures within Note 20 have been restated to conform to the 2022 presentation. The prior year amounts were restated to include the amounts related to intercompany derivative assets and liabilities and deferred day one gains / losses, which is consistent with the 2022 presentation. This had no impact on the profit and loss for the year or net assets.

2021	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	£000	£000	£000	£000	£000	£000	£000
Fair value of derivative assets							
Level 2							
As previously stated	6,178,819	574,705	52,995	6,798	6,013	20,298	6,839,628
Adjustment	606,754	219,276	35,705	6,772	2,919	12,755	884,181
As restated	<u>6,785,573</u>	<u>793,981</u>	<u>88,700</u>	<u>13,570</u>	<u>8,932</u>	<u>33,053</u>	<u>7,723,809</u>
Less: netting by counterparty							
As previously stated	(3,906,522)	(178,359)	3,225	6,652	2,919	12,755	(4,059,330)
Adjustment	(604,682)	(219,276)	(35,705)	(6,772)	(2,919)	(12,755)	(882,109)
As restated	<u>(4,511,204)</u>	<u>(397,635)</u>	<u>(32,480)</u>	<u>(120)</u>	<u>—</u>	<u>—</u>	<u>(4,941,439)</u>
Fair value of derivative liabilities							
Level 2							
As previously stated	(7,776,722)	(927,836)	(46,905)	(9,508)	(9,737)	(23,931)	(8,794,639)
Adjustment	(951,811)	(44,674)	(27,665)	(17,107)	(14,027)	(87,405)	(1,142,689)
As restated	<u>(8,728,533)</u>	<u>(972,510)</u>	<u>(74,570)</u>	<u>(26,615)</u>	<u>(23,764)</u>	<u>(111,336)</u>	<u>(9,937,328)</u>
Less: netting by counterparty							
As previously stated	3,752,374	351,947	3,803	(19,417)	(16,940)	(112,299)	3,959,468
Adjustment	702,149	45,687	28,678	19,538	16,939	112,299	925,290
As restated	<u>4,454,523</u>	<u>397,634</u>	<u>32,481</u>	<u>121</u>	<u>(1)</u>	<u>—</u>	<u>4,884,758</u>

NOTES TO THE FINANCIAL STATEMENTS

27. Immediate and ultimate controlling parent undertaking

The immediate parent undertaking is BP Exploration Operating Company Limited, a company registered in England and Wales. The ultimate controlling parent undertaking is BP p.l.c., a company registered in England and Wales, which is the 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.