BRITANNIC ENERGY TRADING LIMITED

(Registered No.01378710)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2021

Board of Directors: B M Puffer
S H Weintraub
S R Boss-Walker

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

STRATEGIC REPORT

Results

The profit for the year after taxation was £198,439 which, when added to the retained profit brought forward at 1 January 2021 of £7,472,034, gives a total retained profit carried forward at 31 December 2021 of £7,670,473.

Principal activity and review of the business

The company is engaged as a principal and an agent for companies within the bp group involved in the trading of non-oil derivative products, including gas and power swaps and forwards. In 2021, the company ceased trading of emissions allowances due to regulatory restrictions post-Brexit.

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

	2021	2020	Variance
	£	£	£
Net trading gain	531,894	4,899,855	(4,367,961)
Operating profit	495,462	5,442,278	(4,946,816)
Profit for the year	198,439	5,179,668	(4,981,229)
Total equity	250,316,345	81,972,034	168,344,311

	2021	2020	Variance
	%	%	%
Quick ratio*	340	180	160
Return on assets**	—	2	(2)

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

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

In 2020, the company purchased emission allowances from the UK Government, which were then sold to the EU via BP Gas Marketing Limited. This purchase activity did not recur in 2021 as under post-Brexit regulations, the company is no longer able to trade with EU registered counterparties, hence resulting in an overall decline in net trading gains.

The decrease in operating profit and profit for the year are mostly due to the decrease in net trading gains explained above.

Principal activity and review of the business (continued)

The significant increase in equity is due to capital injections of £168,145,872 in order to meet regulatory capital requirements. This has resulted in increases in cash at bank and Internal Financing Accounts (IFA) balances.

The increase in quick ratio is mainly due to the capital injections as explained above.

The significant decrease in return on assets is due to the decrease in net trading gains and capital injections during the year.

Section 172 (1) statement

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

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

- Defining and establishing purpose and strategy including, where relevant, having regard to the purpose, strategy, culture and values defined by BP p.l.c.
- Monitoring the potential challenges presented by the ongoing COVID-19 pandemic, having regard to the company's safe and reliable operations.
- Assessing principal and emerging risks relevant to the company.
- Acting as an agent for companies within the bp group involved in the trading of non-oil derivative products, including gas and power swaps and forwards.

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

Section 172(1)	**Overview of performance against section 172(1)**
(a) The likely long-term consequences of a decision	When setting and delivering on the company's strategy, the directors have regard to the evolving environment in which the company operates and aims to promote the long term success and sustained economic viability of the company.
(b) The interests of the company's stakeholders	The company has no employees.
(c) The need to foster the company's business relationships with suppliers and others	During 2021, the directors reiterated their focus on engagement and fostering relationships with key stakeholders, as well as an increased focus on environment, social and governance ('ESG') matters. 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.
(d) The impact of the company's operations on the community and the environment	The directors are committed to bp's group wide policies and aims which protect the community, environment and its people.

Section 172 (1) statement (continued)

Section 172(1)	Overview of performance against section 172(1)
(e) The desirability to maintain the company's reputation for high standards of business conduct	In 2021 bp continued to operate under its sustainability frame launched in 2020, with aims and objectives linked to the UN Sustainable Development Goals. bp's values of safety, respect, excellence, courage and one team define how the bp group, including the company and its Board, conduct business. Furthermore, bp's code of conduct is based upon its values and it sets clear expectations for how bp, the company and the Board operate. The directors of the company continued to adhere, in good faith, to the bp code of conduct during the year to ensure the Board and the company maintain a reputation for high standards of business conduct. bp's code of conduct includes prohibitions on engaging in bribery or corruption in any form, in accordance with bp's group-wide anti-bribery and corruption policy and procedures. During the year, bp continued to engage suppliers and communicate expectations for managing bribery and corruption risk on behalf of bp, where relevant.
(f) The need to act fairly between stakeholders of the company	The directors aim to balance the needs of various stakeholders when setting and delivering the company's strategy, having regard to long term value creation, including maximising long term shareholder value.

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

Stakeholder engagement

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

The company's principal decisions

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

Principal risks and uncertainties

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

The risks listed below, separately or in combination, could have a material adverse effect on the implementation of the company's strategy, business, financial performance, results of operations, cash flows, liquidity, prospects, shareholder value and returns and reputation. Unless stated otherwise, further details on these risks are included within the risk factors in the strategic report of the bp group Annual Report and Form 20-F for the year ended 31 December 2021.

Strategic and commercial risks

Prices and markets

The company's financial performance is subject to fluctuating prices of gas and power, 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.

Strategic and commercial risks (continued)

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.

Liquidity, financial capacity and financial, including credit, exposure

Failure to work within the financial framework set by the bp group could impact the company's ability to operate and result in financial loss. For further details see Financial instruments and financial risk factors - Note 12.

Digital infrastructure and cybersecurity

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

Current geopolitical factors have increased these risks.

Climate change and the transition to a lower carbon economy

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

Crisis management and business continuity

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

Insurance

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

Ethical misconduct and non-compliance

Ethical misconduct or breaches of applicable laws by the company's businesses could be damaging to its reputation, and could result in litigation, regulatory action and penalties.

Compliance and control risks

Regulation

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

Treasury and treasury trading activities

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

Reporting

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

Financial risk management

The company is exposed to a number of different financial risks arising from natural business exposures as well as its use of financial instruments including market risks relating to foreign currency exchange rates and interest rates; credit risk; and liquidity risk. See Note 12 for further details. Further details on these financial risks are included within Note 29 of the bp group Annual Report and Form 20-F for the year ended 31 December 2021.

Authorized for issue on behalf of the Board

DocuSigned by:
Brian Puffer
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April 22, 2022

B M Puffer
Director

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

DIRECTORS' REPORT

BRITANNIC ENERGY TRADING LIMITED

Directors

The present directors are listed on page 1.

B M Puffer and S H Weintraub served as directors throughout the financial year. Changes since 1 January 2021 are as follows:

	Appointed	Resigned
D J Bucknall	—	30 September 2021
S R Boss-Walker	20 December 2021	—

Directors' indemnity

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

Dividends

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

Financial instruments

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

Post balance sheet event

After the balance sheet date, 100,000,000 ordinary shares of £1 each for a total nominal value of £100,000,000, were allotted to the immediate parent company at par value.

Going concern

At group level, forecast liquidity has been assessed under a number of stressed scenarios, including a significant decline in oil prices over the 12-month period. Reverse stress tests performed indicated that the group will continue to operate as a going concern for at least 12 months from the date of approval of the consolidated financial statements even if the Brent price fell to zero. No material uncertainties over going concern or significant judgements or estimates in the assessment were identified.

The directors have assessed the prospects of the company over a period of at least 12 months. The directors have considered expectations of the position and performance of the company over this period, taking account of its short-term and longer-range plans. Taking into account the company's current position and its principal risks on pages 1-5, the directors have a reasonable expectation that the company will be able to continue in operation and meet its liabilities as they fall due over at least the next 12 months.

The company's business model is to enter into back-to-back deals with external counterparties and then subsequently with BP Gas Marketing Limited, reducing the company's exposure to commodity prices. This business model means that the gross margin is stable and that the company's exposure to market risk is limited. Regulatory capital requirements are addressed by capital injections from the immediate holding company, BP International Limited.

Going concern (continued)

Liquidity and financing is managed within bp under pooled group-wide arrangements which include the company. As part of assuring the going concern basis of preparation for the company, the ability and intent of the bp group to support the company has been taken into consideration. The bp group financial statements continue to be prepared on a going concern basis. Forecast liquidity extending at least twelve months from the date of approval of these financial statements has been assessed at a group level under a number of scenarios and a reverse stress test performed to support the group's going concern assertion. In addition, group management of bp have confirmed that the existing intra-group funding and liquidity arrangements as currently constituted are expected to continue for the foreseeable future, being no less than twelve months from the approval of these financial statements.

In assessing the prospects of Britannic Energy Trading 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 stability in recent years. They believe that the company is in a good position to take advantage of any opportunities which may arise in the future.

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

Financial risk management

The company is exposed to a number of different financial risks arising from natural business exposures as well as its use of financial instruments including market risks relating to foreign currency exchange rates and interest rates; credit risk; and liquidity risk. Further details on these financial risks are included within Note 29 of the bp group Annual Report and Form 20-F for the year ended 31 December 2021.

Prices and markets

The company's financial performance is subject to fluctuating prices of gas and power, technological change, exchange rate fluctuations and the general macroeconomic outlook. Political developments, increased supply of oil and gas or low carbon energy sources, technological change, global economic conditions, public health situations and the influence of OPEC can impact supply and demand and prices for our products.

Liquidity, financial capacity and financial, including credit, exposure

Failure to work within the financial framework set by the bp group could impact the company's ability to operate and result in financial loss. For further details see Financial instruments and financial risk factors - Note 12.

Stakeholder statements

Engagement with other stakeholders

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

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

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

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

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

Stakeholder statements (continued)

Engagement with other stakeholders (continued)

Stakeholders	Stakeholders' interests	How we have fostered relationships	How the fostering of relationships impacted decision making
Customers	For the company to provide its customers with top quality services. For the company to build a trusted relationship with its customers. Ensuring the safe execution of products and services provided to its customers and that any claims in relation to the same, are addressed and resolved. Ensuring that customer data is kept in a secure environment and only for the duration and purposes that the data is required for.	The company maintains a number of bp group wide policies to ensure the ongoing security of customer data, safe execution and quality of the products and services and a continued trusted relationship with its customers. On behalf of the company, the bp group also seeks to engage with customers through forums such as social media, focus bp groups and in-depth interviews with customers to better understand customer's needs and seek their feedback.	Management and/or, where significant, the Board are provided with updates on renewals and negotiations for existing and/or new customer contracts. The information received supports effective decision making by the Board when considering the long term consequences on relationships with its customers. By obtaining customer feedback and understanding our customers, it has allowed us to clarify the company's vision for future growth and ways to continually add brand value.
Community and environment	The directors' relationships on behalf of the company with respect to communities are important for all its activities, but particularly for major new projects where its presence may bring about changes in the local areas, such as jobs and support for community development, changes in the physical landscape, changes to the local ecosystem. For the company to deliver high quality products and services in an energy efficient and environmentally responsible manner. To conduct business in a manner to minimise negative impact on the financial environment. To take into account the interest of the local community when considering future investments and business decisions.	The company maintains a number of bp group wide policies to promote sustainable and environmentally friendly business and operational practises. The directors engage with local communities through public consultations and meetings with local representatives and complete impact assessments where relevant. The directors also consult with NGOs, academics and industry associations, drawing on their external expertise, input and challenge.	Management and/or, where significant, the Board are provided with updates on the environmental impact of the company's business operations. The information received supports effective decision making by the Board when considering the long term consequences on the environment and local communities. By following and implementing the bp group wide sustainability policy, the company has been able to measure and manage its impact on the community and environment in which it operates.

Stakeholder statements (continued)

Engagement with other stakeholders (continued)

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

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.

Authorized for issue on behalf of the Board

DocuSigned by:
Brian Puffer
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April 22, 2022

B M Puffer
Director

Registered Office:

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Middlesex
TW16 7BP
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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

BRITANNIC ENERGY TRADING 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 BRITANNIC ENERGY TRADING LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Britannic Energy Trading Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its 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 19.

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included 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 regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

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

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.

INDEPENDENT AUDITOR'S REPORT

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

DocuSigned by:
Rizwan Majid
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April 22, 2022

Rizwan Majid, ACA (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 2021

BRITANNIC ENERGY TRADING LIMITED

	Note	2021	2020
		£	£
Net trading gain	**3**	531,894	4,899,855
Administrative expenses		(36,432)	—
Other operating income		—	542,423
Operating profit	**4**	495,462	5,442,278
Interest receivable and similar income	**6**	4,543	26,013
Interest payable and similar expenses	**7**	(301,566)	(288,623)
Profit before taxation		198,439	5,179,668
Tax on profit	**8**	—	—
Profit for the year		198,439	5,179,668

The profit of £198,439 for the year ended 31 December 2021 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

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

BALANCE SHEET

AS AT 31 DECEMBER 2021

BRITANNIC ENERGY TRADING LIMITED

(Registered No.01378710)

	Note	2021 £	2020 £
Current assets			
Debtors: amounts falling due within one year	**10**	93,355,218	28,097,055
Derivatives and other financial instruments:			
within one year	**13**	49,433,182	32,861,463
after one year	**13**	186,340,419	98,402,538
Cash at bank and in hand		211,578,954	123,199,642
		540,707,773	282,560,698
Creditors: amounts falling due within one year	**11**	(54,658,919)	(69,392,757)
Derivatives and other financial instruments due within one year	**13**	(49,458,099)	(33,064,152)
Net current assets		436,590,755	180,103,789
TOTAL ASSETS LESS CURRENT LIABILITIES		436,590,755	180,103,789
Derivatives and other financial instruments due after more than one year	**13**	(186,274,410)	(98,131,755)
NET ASSETS		250,316,345	81,972,034
Capital and reserves			
Called up share capital	**15**	242,645,872	74,500,000
Profit and loss account	**16**	7,670,473	7,472,034
TOTAL EQUITY		250,316,345	81,972,034

Authorized for issue on behalf of the Board

DocuSigned by:

Brian Puffer

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April 22, 2022

B M Puffer

Director

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

BRITANNIC ENERGY TRADING LIMITED

	Called up share capital (Note 15)	Profit and loss account (Note 16)	Total
	£	£	£
Balance at 1 January 2020	55,000,000	2,292,366	57,292,366
Profit for the year, representing total comprehensive income	—	5,179,668	5,179,668
Issue of share capital	19,500,000	—	19,500,000
Balance at 31 December 2020	74,500,000	7,472,034	81,972,034
Balance at 1 January 2021	74,500,000	7,472,034	81,972,034
Profit for the year, representing total comprehensive income	—	198,439	198,439
Issue of share capital	168,145,872	—	168,145,872
Balance at 31 December 2021	242,645,872	7,670,473	250,316,345

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

BRITANNIC ENERGY TRADING LIMITED

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

The financial statements of Britannic Energy Trading Limited for the year ended 31 December 2021 were approved by the board of directors on 22 April 2022 and the balance sheet was signed on the board's behalf by B M Puffer. Britannic Energy Trading Limited is a private limited company, limited by shares incorporated, domiciled and registered in England and Wales (registered number 01378710). The company's registered office is at Chertsey Road, Sunbury on Thames, Middlesex, 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 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.

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

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 19.

The financial statements are presented in GBP sterling and all values are rounded to the nearest whole number in pounds (£).

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

Significant accounting policies: use of judgements, estimates and assumptions

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

Judgements and estimates, not all of which are significant, made in assessing the impact of the COVID-19 pandemic, and climate change and the energy transition on the financial statements are also set out in boxed text below. Where an estimate has a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year this is specifically noted within the boxed text.

The COVID-19 pandemic, climate change, the energy transition, bp's strategy to 2030 and ambition to become a net-zero company by 2050 or sooner were considered in preparing the bp group consolidated financial statements. These issues are not expected to have significant impacts on the currently reported amounts of the company's assets and liabilities.

Impairment of financial assets measured at amortized cost

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 and no significant impact was determined relative to the total expected credit loss allowances recognized as at 31 December 2021. Management does not consider the calculation of expected credit loss allowances to be a significant accounting estimate. See Notes 4 and 10 for further information.

Significant accounting policies

Going concern

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

For further detail on the directors' going concern assessment, please refer to the directors' report.

Foreign currency

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

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

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

Significant accounting policies (continued)

Financial assets

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

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

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

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

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

Impairment of financial assets measured at amortized cost

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

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

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

Significant accounting policies (continued)

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 using the effective interest method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized in interest receivable and similar income and interest payable and similar charges respectively. This category of financial liabilities includes trade and other payables.

Derivative financial instruments

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

Contracts to buy or sell a non-financial item (for example 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. 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.

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

Significant accounting policies (continued)

Fair value measurement

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

Significant estimate and judgement: derivative financial instruments

In some cases the fair values of derivatives are estimated using internal models due to the absence of quoted prices or other observable, market-corroborated data. This primarily applies to the company's longer-term derivative contracts. The majority of these contracts are valued using models with inputs that include price curves for each of the different products that are built up from available active market pricing data (including volatility and correlation) and modelled using the maximum available external information. Additionally, where limited data exists for certain products, prices are determined using historical and long-term pricing relationships. The use of alternative assumptions or valuation methodologies may result in significantly different values for these derivatives. A reasonably possible change in the price assumptions used in the models relating to index price would not have a material impact on net assets and the profit and loss account primarily as a result of offsetting movements between derivative assets and liabilities. For more information, including the carrying amounts of level 3 derivatives, see Note 13.

Offsetting of financial assets and liabilities

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

Taxation

Income tax expense represents the sum of current tax and deferred tax.

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

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

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

Significant accounting policies (continued)

Net trading gain

Physical exchanges with counterparties in the same line of business and to facilitate sales to customers are reported net, as are sales and purchases made with a common counterparty, as part of an arrangement similar to a physical exchange.

Where the company acts as agent on behalf of a third party to procure or market energy commodities, any associated fee income is recognized but no purchase or sale is recorded.

All derivative sales / purchases of natural gas, power and emissions are included on a net basis in net trading gain.

Interest income

Interest income is recognized as the interest accrues.

Finance costs

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

Updates to significant accounting policies

Impact of new International Financial Reporting Standards

bp adopted ‘Interest Rate Benchmark Reform – Phase II – Amendments to IFRS 9 ‘Financial instruments’, IFRS 16 'Leases' and other IFRSs with effect from 1 January 2021. There are no other new or amended standards or interpretations adopted during the year that have a significant impact on the company’s financial statements.

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

‘Interest Rate Benchmark Reform – Phase II’

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

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

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

Updates to significant accounting policies (continued)

Impact of new International Financial Reporting Standards - Not yet adopted

The following pronouncements from the IASB have not been adopted by the group in these financial statements as they will only become effective for future financial reporting periods. There are no other 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 group.

IFRS 17 ' Insurance Contracts'

IFRS 17 'Insurance Contracts' provides a new general model for accounting for contracts where the issuer accepts significant insurance risk from another party and agrees to compensate that party if a future uncertain event adversely affects them. IFRS 17 replaces IFRS 4 'Insurance Contracts' and will be effective for bp for the financial reporting period commencing 1 January 2023. The standard has not yet been endorsed by the UK and the EU. bp's assessment of the impact of IFRS 17 is at an initial stage but it is not expected to have a significant effect on future financial reporting.

3. Net trading gain

Net trading gain, which is stated net of value added tax, represents amounts invoiced to and from third parties and group companies.

The country of origin and destination is substantially the UK geographic area.

4. Operating profit

This is stated after charging / (crediting):

	2021	2020
	£	£
Net foreign exchange losses / (gains)	208,581	(1,323,504)
Expected loss allowance on trade debtors[a]	36,432	(547,552)

[a]Amount is included in administrative expenses / other operating income.

5. Auditor's remuneration

	2021	2020
	£	£
Fees for the audit of the company	38,034	26,119

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 Britannic Energy Trading Limited's ultimate parent, BP p.l.c., are required to disclose non-audit fees on a consolidated basis.

The fees were borne by another group company.

6. Interest receivable and similar income

	2021	2020
	£	£
Interest income from other financial assets measured at amortized cost	4,543	26,013

7. Interest payable and similar expenses

	2021	2020
	£	£
Interest expense on:		
Liabilities measured at amortized cost	—	11,416
Loans from group undertakings	294,644	270,482
Other loans	6,922	6,725
Total interest payable and similar expenses	301,566	288,623

8. Taxation

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

Reconciliation of the effective tax rate

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

	2021	2020
	£	£
Profit before taxation	198,439	5,179,668
Tax charge	—	—
Effective tax rate	0 %	0 %

	2021	2020
	%	%
UK statutory corporation tax rate:	19	19
Decrease resulting from:		
Non-taxable income	(2)	—
Free group relief	(16)	(19)
Movements in unrecognised deferred tax	(1)	—
Effective tax rate	—	—

Change in corporation tax rate

On 3 March 2021, the UK Government announced an increase to the UK's main corporation tax rate from 19% to 25%, effective from 1 April 2023. 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.

A deferred tax asset has not been recognised in respect of short timing difference in respect of IFRS 9 adjustment of £16,273 (2020: £14,428) with no fixed expiry date on the basis they are unlikely to have value in the future.

9. Directors and employees

(a) Remuneration of directors

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

9. Directors and employees (continued)

(b) Employee costs

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

10. Debtors

Amounts falling due within one year:

	2021	2020
	£	£
Trade debtors	10,044,824	19,085,086
Amounts owed from parent undertakings	78,658,893	—
Amounts owed from fellow subsidiaries	4,651,501	8,993,176
Taxation	—	18,793
	93,355,218	28,097,055

The amounts owed from parent undertakings comprises variable rate Internal Financing Accounts (IFAs) of £78,648,425 (2020 £Nil) with BP International Limited. Interest is accrued on a monthly basis based on IBOR, primarily based on GBP IBOR.

Regulators have undertaken a review of GBP IBOR and replaced it with an alternative benchmark on 31 December 2021. However, GBP IBOR rates are expected to be published until at least mid 2023. All IBORs used for intra-group financing are expected to transition to alternative benchmark rates in 2023.

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

The IFRS 9 expected credit loss carried forward was £129,536 (2020 £93,104).

Trade and other receivables are predominantly non-interest bearing. See Note 12 for further information.

11. Creditors

Amounts falling due within one year:

	2021	2020
	£	£
Trade creditors	13,858,919	—
Amounts owed to parent undertakings	—	60,054,946
Amounts owed to fellow subsidiaries	—	8,862,235
Other creditors	40,800,000	475,576
	54,658,919	69,392,757

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.

Included within other creditors are collateral from third parties of £40,800,000 (2020 £Nil).

The amounts owed to parent undertakings comprised variable Internal Financing Account of £Nil (2020 £60,054,946). Interest was accrued on a monthly basis based on IBOR, primarily GBP IBOR.

12. Financial instruments and financial risk factors

The accounting classification of each category of financial instruments, and their carrying amounts, are set out below.

At 31 December 2021	Note	Measured at amortized cost	Mandatorily measured at fair value through profit or loss	Total carrying amount
		£	£	£
Financial assets				
Trade and other debtors	10	93,355,218	—	93,355,218
Derivative financial instruments	13	—	235,773,601	235,773,601
Cash at bank and in hand		211,578,954	—	211,578,954
Financial liabilities				
Trade and other creditors	11	(54,658,919)	—	(54,658,919)
Derivative financial instruments	13	—	(235,732,509)	(235,732,509)
		250,275,253	41,092	250,316,345

At 31 December 2020	Note	Measured at amortized cost	Mandatorily measured at fair value through profit or loss	Total carrying amounts
		£	£	£
Financial assets				
Trade and other debtors	10	28,078,262	—	28,078,262
Derivative financial instruments	13	—	131,264,001	131,264,001
Cash at bank and in hand		123,199,642	—	123,199,642
Financial liabilities				
Trade and other creditors	11	(69,392,757)	—	(69,392,757)
Derivative financial instruments	13	—	(131,195,907)	(131,195,907)
		81,885,147	68,094	81,953,241

For all financial instruments, the carrying amount is either the fair value, or approximates the fair value.

Information on gains and losses on derivative financial assets and financial liabilities classified as measured at fair value through profit or loss is provided in the derivative gains and losses section of Note 13. Fair value gains and losses related to other assets and liabilities classified as measured at fair value through profit or loss totalled £897,557 (2020 £1,168,745).

Interest expenses arising on financial instruments are disclosed in Note 7.

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12. Financial instruments and financial risk factors (continued)

Financial risk factors

The management of financial risks is performed at bp group level. The main risk factors applicable to the company are market risk (including commodity price risk) and credit risk. Further details on these financial risks are included within Note 29 of the bp group Annual Report and Form 20-F for the year ended 31 December 2021.

Market risk

The company, as part of the bp group, measures commodity price risk exposure arising from its trading positions in liquid periods using value-at-risk techniques. These techniques make a statistical assessment of the market risk arising from possible future changes in market prices over a one-day holding period. The value-at-risk measure is supplemented by stress testing. Trading activity occurring in liquid periods is subject to value-at-risk limits for each trading activity and for this trading activity in total. The bp group board has delegated a limit of $100 million value at risk at group level in support of this trading activity. Alternative measures are used to monitor exposures which are outside liquid periods and which cannot be actively risk-managed.

The company's business model is to enter into back to back deals with external counterparties and then subsequently with BP Gas Marketing Limited, reducing the company's exposure to commodity prices. This business model means that the gross margin is stable and that the company's exposure to market risk is limited.

Interest rate risk

The entity is exposed to benchmark interest rate components; primarily GBP IBOR. For further information in relation to IBOR transition see notes 10 and 11.

Credit risk

The maximum credit exposure associated with financial assets is equal to the carrying amount. The company does not aim to remove credit risk entirely but expects to experience a certain level of credit losses.

Management information used to monitor credit risk, which reflects the impact of collateral held, indicates that the risk profile of financial assets which are subject to review for impairment under IFRS 9 is as set out below.

	As at 31 December 2021	As at 31 December 2020
	%	%
A+ to A-	100	100

The company monitors credit risk daily, calculating and comparing its exposure against the regulatory requirements. Stress tests are also performed each day, with a range of different scenarios being considered. Additional monitoring is performed where the results of the stress tests indicate that the company may not meet the regulatory requirements.

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12. Financial instruments and financial risk factors (continued)

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 (i.e. before offsetting) 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 group.

					Related amounts not set off in the balance sheet	
	Gross amounts of recognised financial assets (liabilities)	Amounts set off	Net amounts presented on the balance sheet	Master netting arrangements	Cash collateral received	Net amount
At At 31 December 2021	£	£	£	£	£	£
Derivative assets	235,804,481	(30,880)	235,773,601	—	—	235,773,601
Derivative liabilities	(235,763,389)	30,880	(235,732,509)	—	—	(235,732,509)
Trade receivables	10,044,824	—	10,044,824	—	(8,483,796)	1,561,028
Trade payables	(54,658,919)	—	(54,658,919)	—	—	(54,658,919)
At 31 December 2020						
Derivative assets	132,876,310	(1,612,309)	131,264,001	363,343	—	131,627,344
Derivative liabilities	(132,808,216)	1,612,309	(131,195,907)	(363,343)	—	(131,559,250)
Trade receivables	19,085,086	—	19,085,086	—	—	19,085,086

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, subsidiaries pool their cash surpluses to treasury, which will then arrange to fund other subsidiaries' 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 13. 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.

13. 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 and foreign currency exchange rates consistent with risk management policies and objectives.

For information on significant estimates and judgements made in relation to the valuation of derivatives, see 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.

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13. Derivatives and other financial instruments (continued)

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

	2021	2021	2020	2020
	Fair value asset	Fair value liability	Fair value asset	Fair value liability
	£	£	£	£
Derivatives held for trading				
- Natural gas price derivatives	23,354,556	(23,613,794)	16,921,840	(35,362,836)
- Power and emission price derivatives	212,163,477	(212,118,715)	95,833,070	(95,833,071)
- Other derivatives	255,568	—	18,509,091	—
	235,773,601	(235,732,509)	131,264,001	(131,195,907)
Of which:				
– current derivatives with third parties	12,454,000	(37,839,101)	9,455,453	(20,039,002)
– current intercompany derivatives with subsidiary undertaking	36,979,182	(11,618,998)	23,406,010	(13,025,150)
– non-current derivatives with third parties	21,868,972	(164,374,558)	64,978,458	(33,505,722)
– non-current intercompany derivatives with subsidiary undertaking	164,471,447	(21,899,852)	33,424,080	(64,626,033)
	235,773,601	(235,732,509)	131,264,001	(131,195,907)

13. Derivatives and other financial instruments (continued)

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

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

2021	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	£	£	£	£	£	£	£
Natural gas price derivatives	19,043,650	4,310,906	—	—	—	—	23,354,556
Power and emission price derivatives	30,133,964	30,603,722	20,813,991	18,786,141	15,386,166	96,439,493	212,163,477
Other derivatives	255,568	—	—	—	—	—	255,568
	49,433,182	34,914,628	20,813,991	18,786,141	15,386,166	96,439,493	235,773,601

2020	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	£	£	£	£	£	£	£
Natural gas price derivatives	13,020,335	3,297,773	603,732	—	—	—	16,921,840
Power and emission price derivatives	1,332,037	5,196,618	7,814,914	8,190,721	8,058,843	65,239,937	95,833,070
Other derivatives	18,509,091	—	—	—	—	—	18,509,091
	32,861,463	8,494,391	8,418,646	8,190,721	8,058,843	65,239,937	131,264,001

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

2021	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	£	£	£	£	£	£	£
Natural gas price derivatives	(19,339,939)	(4,273,855)	—	—	—	—	(23,613,794)
Power and emission price derivatives	(30,118,160)	(30,574,764)	(20,813,991)	(18,786,141)	(15,386,166)	(96,439,493)	(212,118,715)
	(49,458,099)	(34,848,619)	(20,813,991)	(18,786,141)	(15,386,166)	(96,439,493)	(235,732,509)

13. Derivatives and other financial instruments (continued)

2020	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	£	£	£	£	£	£	£
Natural gas price derivatives	(31,732,115)	(3,066,895)	(563,826)	—	—	—	(35,362,836)
Power and emission price derivatives	(1,332,037)	(5,196,618)	(7,814,914)	(8,190,721)	(8,058,844)	(65,239,937)	(95,833,071)
	(33,064,152)	(8,263,513)	(8,378,740)	(8,190,721)	(8,058,844)	(65,239,937)	(131,195,907)

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

2021	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	£	£	£	£	£	£	£
Fair value of derivative assets							
Level 2	47,342,701	30,805,098	18,347,099	16,921,877	13,736,349	84,661,024	211,814,148
Level 3	2,090,481	4,140,410	2,466,892	1,864,264	1,649,817	11,778,469	23,990,333
	49,433,182	34,945,508	20,813,991	18,786,141	15,386,166	96,439,493	235,804,481
Less: netting by counterparty	—	(30,880)	—	—	—	—	(30,880)
	49,433,182	34,914,628	20,813,991	18,786,141	15,386,166	96,439,493	235,773,601
Fair value of derivative liabilities							
Level 2	(21,396,351)	(8,385,307)	(2,466,892)	(1,864,264)	(1,649,817)	(11,778,469)	(47,541,100)
Level 3	(28,061,748)	(26,494,192)	(18,347,099)	(16,921,877)	(13,736,349)	(84,661,024)	(188,222,289)
	(49,458,099)	(34,879,499)	(20,813,991)	(18,786,141)	(15,386,166)	(96,439,493)	(235,763,389)
Less: netting by counterparty	—	30,880	—	—	—	—	30,880
	(49,458,099)	(34,848,619)	(20,813,991)	(18,786,141)	(15,386,166)	(96,439,493)	(235,732,509)
Net fair value	(24,917)	66,009	—	—	—	—	41,092

13. Derivatives and other financial instruments (continued)

2020	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	£	£	£	£	£	£	£
Fair value of derivative assets							
Level 2	34,473,772	5,155,882	2,775,197	2,825,896	3,439,610	23,129,000	71,799,357
Level 3	—	3,338,509	5,643,449	5,364,825	4,619,233	42,110,937	61,076,953
	34,473,772	8,494,391	8,418,646	8,190,721	8,058,843	65,239,937	132,876,310
Less: netting by counterparty	(1,612,309)	—	—	—	—	—	(1,612,309)
	32,861,463	8,494,391	8,418,646	8,190,721	8,058,843	65,239,937	131,264,001
Fair value of derivative liabilities							
Level 2	(34,097,760)	(6,405,404)	(6,207,275)	(5,364,825)	(4,619,233)	(42,110,937)	(98,805,434)
Level 3	(578,701)	(1,858,109)	(2,171,465)	(2,825,896)	(3,439,611)	(23,129,000)	(34,002,782)
	(34,676,461)	(8,263,513)	(8,378,740)	(8,190,721)	(8,058,844)	(65,239,937)	(132,808,216)
Less: netting by counterparty	1,612,309	—	—	—	—	—	1,612,309
	(33,064,152)	(8,263,513)	(8,378,740)	(8,190,721)	(8,058,844)	(65,239,937)	(131,195,907)
Net fair value	(202,689)	230,878	39,906	—	(1)	—	68,094

13. 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.

	Power price
	£
Net fair value of contracts as at 1 January 2021	27,074,171
Losses recognized in the profit and loss account	(190,727,426)
Settlements	(578,701)
Net fair value of contracts as at 31 December 2021	(164,231,956)

	Power price
	£
Net fair value of contracts as at 1 January 2020	—
Gains recognized in the profit and loss account	27,074,171
Net fair value of contracts as at 31 December 2020	27,074,171

Derivative gains and losses
Gains and losses relating to derivative contracts are included within net trading gain / (loss) 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.

14. Capital management

The company defines capital as total equity (which is the company's net asset value). The company typically enters into swap and option transactions with third party customers and other group entities. These transactions are typically hedged as part of the bp group's overall oil supply and trading portfolio via a combination of offsetting physical positions, exchange-traded futures and OTC derivative contracts. Hedging transactions (and the resulting profit and loss on those transactions) are undertaken through other bp group legal entities, resulting in significant net asset volatility for the company.

As such, net asset value is monitored by management on a daily basis.

The company is regulated by the Financial Conduct Authority and therefore is required to remain in a positive net asset position. The company remained solvent at all times throughout the reporting period.

Should the company's required regulatory capital approach the total equity funding of the company, then additional equity injections will be required to make sure the company has sufficient equity funding to cover the regulatory capital requirements.

Resolutions are in place for the company's immediate parent (BP International Limited) to subscribe for additional shares of £1 each at par up to an aggregate value of $200 million should such circumstances arise.

15. Called up share capital

	2021	2020
	£	£
Issued and fully paid:		
242,645,872 ordinary shares of £1 each for a total nominal value of £242,645,872	242,645,872	74,500,000
	242,645,872	74,500,000

On 6 January 2021, 36,844,626 ordinary shares of £1 each for a total nominal value of £36,844,626 were allotted to the parent company at par value.

On 10 September 2021, 21,783,328 ordinary shares of £1 each for a total nominal value of £21,783,328 were allotted to the parent company at par value.

On 14 September 2021, 34,459,748 ordinary shares of £1 each for a total nominal value of £34,459,748 were allotted to the parent company at par value.

On 29 November 2021, 75,058,170 ordinary shares of £1 each for a total nominal value of £75,058,170 were allotted to the parent company at par value.

16. 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.

Profit and loss account
The balance held on this reserve is the retained profits of the company.

17. Related party transactions

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

18. Post balance sheet events

(a) After the balance sheet date, 100,000,000 ordinary shares of £1 each for a total nominal value of £100,000,000, were allotted to the immediate parent company at par value.

(b) The 2022 conflict in Ukraine has resulted in significant disruptions to financial and commodity markets. The directors considers this to be a non-adjusting post balance sheet event as of 31 December 2021. The Russia-Ukraine conflict and the related economic and trade sanctions have not had any significant impact on the entity's main performance indicators nor on its operations. The directors continue to monitor the development of this conflict and its impact on market conditions and the entity's performance.

19. Immediate and ultimate controlling parent undertaking

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