BRITANNIC ENERGY TRADING LIMITED

(Registered No.01378710)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2020

Board of Directors: B M Puffer
D J Bucknall
S H Weintraub

The directors present the strategic report, their report and the audited financial statements for the year ended 31 December 2020.

STRATEGIC REPORT

Results

The profit for the year after taxation was £5,179,668 which, when added to the retained profit brought forward at 1 January 2020 of £2,292,366, gives a total retained profit carried forward at 31 December 2020 of £7,472,034.

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, and emissions allowances.

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

	2020	2019	Variance
	£	£	£
Net trading gain	4,899,855	1,538,094	3,361,761
Operating profit	5,442,278	1,374,179	4,068,099
Profit / result for the financial year	5,179,668	1,337,064	3,842,604
Total equity	81,972,034	57,292,366	24,679,668

	2020	2019	Variance
	%	%	
Quick ratio*	180	135	45
Return on assets**	1.83	0.56	1.27

*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.

The main reason for the increase in the Quick ratio is the decrease in the intercompany creditor with BP Gas Marketing Limited.

The company continued to expand its operations in 2020, acting as a principal involved in trading gas, power and emission products in the UK. Despite the changing environment during 2020 and 2021 i.e: impact of COVID and shutdowns of industrial businesses, the company has continued to participate in long term power purchase agreements (PPA) and has engaged with additional counterparties. Some of these Long term PPA deals signed during the year included Pegasus phase 2 and Brookfield phases 1 and 2. These PPAs increased the return of assets in 2020 as well as the company's derivative balances and net trading gain. Foreign exchange gains on a total return swap (TRS) instrument denominated in USD, but with margin call payments in GBP, contributed further to the trading gain.

The increase in Operating profit of £4,068,099 is due mostly to the increase in Net trading gains explained above and the reversal of the expected loss allowance on trade debtors disclosed in Note 4.

In addition to the profit for the year, the increase in Total equity was mainly driven by the capital injection of £19,500,000 at the end of 2020.

Section 172 (1) statement

In governing the company on behalf of its shareholders and discharging their duties under section 172, the board has had regard to the factors set out in section 172 (see below) and other factors which the board considers appropriate.

Section 172 factors

Section 172 requires directors to have regard to the following in performing their duties, and as part of the process are required to consider, where relevant:

a. The likely long-term consequences of the decision.
b. The interests of the company's employees.
c. The need to foster the company's business relationships with suppliers, customers and others.
d. The impact of the company's operations on the community and the environment.
e. The desire to maintain the company's reputation for high standards of business conduct.
f. The need to act fairly between members of the company.

To support the directors in the discharge of their duties, and whilst making a decision on behalf of the company, the directors have access to functional assurance support to identify matters which may have an impact on the proposed decision including, where relevant, section 172 factors as outlined above.

The principal decisions taken by the directors during the year included maintaining licences to be able to trade with counterparties, adhering to FCA requirements and actively reviewing risk exposures. The directors approved applications to extend trading licences in different jurisdictions in order to be able to trade in a changing economic environment. This included a consideration of the impact of Brexit on the Company and the critical jurisdictions in the EU in which the company will need to operate.

The FCA requirements that are in place ensure daily monitoring of limits and risks are performed.

The relevant factors taken into account during the decision making process, in furtherance of the company's purpose, were to ensure that a robust capital management programme was in place with daily monitoring, quarterly board meetings and adapting quickly to an ever changing economic environment.

Matters identified that may affect the company's performance in the long term are set out in the principal risks disclosed in the strategic report below.

The company has engaged with key stakeholders and the outcome from such engagement has been considered by the directors during the decision making process where appropriate. Refer to the directors' report on stakeholder engagement.

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 2020.

Strategic and commercial risks

Prices and markets

The company's financial performance is subject to fluctuating prices of oil, gas, petrochemicals 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.

Geopolitical

The company is exposed to a range of political developments and consequent changes to the operating and regulatory environment could cause business disruption. These may in turn limit the company's ability to pursue new opportunities, affect the recoverability of its assets or cause it to incur additional costs. 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 a future epidemic or pandemic) may disrupt or curtail its operations or development activities.

The impact of the UK's exit from the EU

The board have assessed the potential impact of Brexit on the business and identified a significant risk associated with the future plans of the company. Under the post-Brexit regulations the company is unable to trade with EU registered counterparties. The company is in the process of setting up a new regulated entity in the EU to continue this line of trade. Despite this, the directors still judge the company to be a going concern as the majority of trading activity continues to be in the UK. Further details of the going concern consideration are provided in the directors' report.

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.

The impact of coronavirus (COVID-19)

The spread of COVID-19 has caused a significant drop in the oil and gas prices and refining margins. bp's future financial performance will be impacted by the extent and duration of the current market conditions and the effectiveness of the actions that it and others take, including its financial interventions. bp's financial frame is designed to be robust to periods of low price, with flexibility to reduce cost and capital expenditure if required. We continue to assess the impact of COVID-19 on our operations and have instigated appropriate mitigation plans.

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.

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.

Compliance and control risks

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.

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 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.

The impact of reinventing bp on the organization
Last year it was announced that we are reinventing bp to help deliver our ambition. This significant reorganization includes a new structure, a new leadership team, new ways of working and a reduction in the size of bp's office based workforce. The risks associated with these changes have been identified, assessed and managed with the support of project management offices. As part of bp's three lines of defence, our businesses, integrators, enablers and internal audit are working to deliver clear accountabilities and the associated planned workload reduction. All individuals changing roles or leaving bp are required to complete a management of change.

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; 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 2020.

Authorized for issue on behalf of the Board

DocuSigned by:
Brian Puffer
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B M Puffer
Director
22-Apr-21

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, served as director throughout the financial year. Changes since 1 January 2020 are as follows:

	Appointed	Resigned
A H Haywood	—	31 March 2020
D J Bucknall	16 July 2020	—
G P Robinson	—	1 December 2020
S H Weintraub	16 July 2020	—
C Howle	—	16 July 2020
R S Lawson	—	13 January 2020

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 (2019 £Nil). The directors do not propose the payment of a dividend.

Financial instruments

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

Post balance sheet events

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

Going concern

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 3-5, 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.

Since 1 January 2020, there has been a significant drop in the oil and gas prices and refining margins, in large part due to the impact of the international spread of COVID-19 (Coronavirus) and geopolitical factors. The impact of COVID-19 and the current economic environment on the basis of preparation of these financial statements has been considered.

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.

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.

Post-Brexit, without an EU MIFID legal entity, or equivalence status in any EU/UK deal, the company will be unable to market to customers in the EU, with the exception of Ireland. The directors have noted further that transactions could be offered on a reverse solicitation basis with some existing customers, though this is dependent on local legislation for each EU country. bp are setting up a new regulated entity in Spain to continue the line of business in that jurisdiction. The majority of the company's trading activity continues to be in the UK.

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 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

Engagement with other stakeholders

The company aims to build enduring relationships with governments, customers, partners, suppliers and communities in the countries where it operates. The company works with its business partners in an honest, respectful and responsible way and seeks to work with others who share the company’s commitments to safety and ethics and compliance.

The company’s activities affect a wide variety of individuals and organizations. The company engages with these stakeholders and listens to their differing needs and priorities as an everyday part of its business and uses the input and feedback to inform its decision making process.

On behalf of the company, the bp group participates in 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, to understanding tax liabilities, to collaborating on community initiatives.

During the year the directors continued with the implementation of the company's strategy, as highlighted in the strategic report in respect of the principal activities of the company, and decisions made by the directors were in respect of operational matters, in furtherance of the bp group purpose.

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 2020.

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 s418 of the Companies Act 2006.

Authorized for issue on behalf of the Board

DocuSigned by:
Brian Puffer
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B M Puffer
Director
22-Apr-21

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

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 2020 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 and those charged with governance 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. These included the MiFID II regulations and company's regulatory capital requirements.

We discussed among the audit engagement team including relevant internal specialists such as valuations, IT and industry 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.

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 internal 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 and reviewing internal audit reports.

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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Rizwan Majid, ACA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP,
Statutory Auditor
London, United Kingdom
22-Apr-21 2021

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2020

BRITANNIC ENERGY TRADING LIMITED

	Note	2020 £	2019 £
Net trading gain	**3**	4,899,855	1,538,094
Administrative expenses		—	(163,915)
Administrative income		542,423	—
Operating profit	**4**	5,442,278	1,374,179
Interest receivable and similar income	**6**	26,013	—
Interest payable and similar expenses	**7**	(288,623)	(37,115)
Profit before taxation		5,179,668	1,337,064
Tax on profit / result	**8**	—	—
Profit / result for the financial year		5,179,668	1,337,064

The profit of £5,179,668 for the year ended 31 December 2020 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

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 2020

BRITANNIC ENERGY TRADING LIMITED
(Registered No.01378710)

	Note	2020 £	2019 £
Current assets			
Debtors – amounts falling due:			
within one year	**10**	28,097,055	32,422,847
Derivatives and other financial instruments:			
within one year	**13**	32,861,463	71,770,283
after one year	**13**	98,402,538	17,486,497
Cash at bank and in hand		123,199,642	117,409,392
		282,560,698	239,089,019
Creditors: amounts falling due within one year	**11**	(69,392,757)	(92,512,914)
Derivatives and other financial instruments due within one year	**13**	(33,064,152)	(71,916,816)
Net current assets		180,103,789	74,659,289
TOTAL ASSETS LESS CURRENT LIABILITIES		180,103,789	74,659,289
Derivatives and other financial instruments due after more than one year	**13**	(98,131,755)	(17,366,923)
NET ASSETS		81,972,034	57,292,366
Capital and reserves			
Called up share capital	**15**	74,500,000	55,000,000
Profit and loss account	**16**	7,472,034	2,292,366
TOTAL EQUITY		81,972,034	57,292,366

Authorized for issue on behalf of the Board

DocuSigned by:
Brian Puffer
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B M Puffer
Director
22-Apr-21 2021

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

BRITANNIC ENERGY TRADING LIMITED

	Called up share capital (Note 15)	Profit and loss account (Note 16)	Total
	£	£	£
Balance at 1 January 2019	45,000,000	955,302	45,955,302
Profit for the year, representing total comprehensive income	—	1,337,064	1,337,064
Issue of share capital	10,000,000	—	10,000,000
Balance at 31 December 2019	55,000,000	2,292,366	57,292,366
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

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 2020 were approved by the board of directors on 21 April 2021 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 (£).

NOTES TO THE FINANCIAL STATEMENTS

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.

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

Significant accounting policies

Going concern

The directors 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.

Financial assets

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

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

Financial assets measured at amortized cost

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

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.

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 and finance debt.

Derivative financial instruments

The company uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates, interest rates and commodity prices as well as for trading purposes. 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 contract term 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.

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

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.

Net trading gain / (loss)

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 / (loss).

Taxation

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

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

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

Interest income

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

Finance costs

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

Impact of new International Financial Reporting Standards

bp adopted 'Interest Rate Benchmark Reform – Phase I – Amendments to IFRS 9 'Financial instruments' and IFRS 7 'Financial instruments: Disclosures' with effect from 1 January 2020. 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 I – Amendments to IFRS 9 'Financial instruments' and IFRS 7 'Financial instruments: Disclosures' has had no material impact on the company's financial statements.

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):

	2020	2019
	£	£
Net foreign exchange (gains)	(1,323,504)	(161,285)
Expected loss allowance on trade debtors[a]	(547,552)	344,920

[a]Amount is included in Administrative income / expenses.

5. Auditor's remuneration

	2020	2019
	£	£
Fees for the audit of the company	26,119	5,292

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

	2020	2019
	£	£
Interest income from other financial assets measured at amortized cost	26,013	—

Interest income relates to the interest on the company's margin call of the TRS instrument, which was put in place at the end of December 2019.

7. Interest payable and similar expenses

	2020	2019
	£	£
Interest expense on:		
Liabilities measured at amortized cost	11,416	37,115
Loans from group undertakings	270,482	—
Other loans	6,725	—
Total interest payable and similar expenses	288,623	37,115

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 2020 (2019 19%). The differences are reconciled below:

	2020	2019
	£	£
Profit before taxation	5,179,668	1,337,064
Tax charge	—	—
Effective tax rate	0 %	0 %

	2020	2019
	%	%
UK statutory corporation tax rate:	19	19
Free group relief	(19)	(19)
Effective tax rate	—	—

Change in corporation tax rate

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%. Deferred tax assets/(liabilities) as at 31 December 2020 have been calculated based on this rate of 19%.

In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. This will have a consequential effect on the company's future tax charge.

A deferred tax asset has not been recognised in respect of short timing difference in respect of IFRS 9 adjustment of £14,428 (2019: £14,754) 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 (2019 £Nil).

b) Employee costs

The company had no employees during the year (2019 None).

c) Financial Conduct Authority

As a Financial Conduct Authority (FCA) regulated entity, Britannic Energy Trading Limited is subject to the provisions of the IFPRU Remuneration Code rules in the FCA Handbook. While the entity does not employ individuals directly, the directors and other senior management employed by BP p.l.c. are either Senior Managers or Certified Persons under the FCA Senior Managers & Certification regime and are registered as Approved Persons for Britannic Energy Trading Limited under the FCA Approved Person regime and are therefore subject to the Remuneration Code rules, including disclosure requirements. For further information on how Britannic Energy Trading Limited complies with the Remuneration Code please review the disclosures on the bp website: https://www.bp.com/en/global/trading/regulatory-disclosures/crd.html.

10. Debtors

Amounts falling due within one year:

	2020	2019
	£	£
Trade debtors	19,085,086	15,554,082
Amounts owed from fellow subsidiaries	8,993,176	16,868,765
Taxation	18,793	—
	28,097,055	32,422,847

The IFRS 9 expected credit loss carried forward at 31 December 2020 was £93,104 (2019 £640,656).

11. Creditors

Amounts falling due within one year:

	2020	2019
	£	£
Trade creditors	—	19,572,345
Amounts owed to parent undertakings	60,054,946	40,161,252
Amounts owed to fellow subsidiaries	8,862,235	32,737,172
Other creditors	475,576	—
Other taxes and social security costs	—	42,145
	69,392,757	92,512,914

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 amounts owed to parent undertakings is a funding account of £60,054,946 (2019 £40,161,252) with BP International Limited, with interest being charged based on the daily GBP LIBOR overnight rate plus 15 basis points, callable on demand.

Included within the amounts owed to fellow subsidiaries are intercompany derivative liabilities of £8,862,235 (2019 £32,737,172).

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 2020	Note	Measured at amortized cost	Mandatorily measured at fair value through profit or loss	Total carrying amount
		£	£	£
Financial assets				
Trade and other debtors	10	28,078,262	—	28,078,262
Derivative financial instruments	13	—	131,264,001	131,264,001
Cash and cash equivalents		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

At 31 December 2019	Note	Measured at amortized cost	Mandatorily measured at fair value through profit or loss	Total carrying amounts
		£	£	£
Financial assets				
Trade and other debtors	10	32,422,847		32,422,847
Derivative financial instruments	13		89,256,780	89,256,780
Cash and cash equivalents		117,409,392		117,409,392
Financial liabilities				
Trade and other creditors	11	(92,512,914)		(92,512,914)
Derivative financial instruments	13		(89,283,739)	(89,283,739)
		57,319,325	(26,959)	57,292,366

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 £1,168,745 (2019 £804,586).

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

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 2020.

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 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.

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 2020	As at 31 December 2019
	%	%
CCC+ and below	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.

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 2020	£	£	£	£	£	£
Derivative assets	132,876,310	(1,612,309)	131,264,001	363,343	204,623	131,831,967
Derivative liabilities	(132,808,216)	1,612,309	(131,195,907)	(363,343)		(131,559,250)
Trade receivables	19,085,086		19,085,086		275,504	19,360,590
Trade payables	—	—	—			—
At 31 December 2019						
Derivative assets	103,122,070	(13,865,290)	89,256,780	275,114	(1,505,380)	88,026,514
Derivative liabilities	(103,149,027)	13,865,288	(89,283,739)	(275,114)		(89,558,853)
Trade receivables	21,454,790	(5,900,708)	15,554,082		(14,568,784)	985,298
Trade payables	(25,473,053)	5,900,708	(19,572,345)			(19,572,345)

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.

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

	2020	2020	2019	2019
	Fair value asset	Fair value liability	Fair value asset	Fair value liability
	£	£	£	£
Derivatives held for trading				
- Oil price derivatives	—	—	1,125,229	(1,125,229)
- Natural gas price derivatives	16,921,840	(35,362,836)	64,782,509	(64,863,713)
- Power and emission price derivatives	95,833,070	(95,833,071)	22,853,300	(22,799,055)
- Other derivatives	18,509,091	—	495,742	(495,742)
	131,264,001	(131,195,907)	89,256,780	(89,283,739)
Of which:				
– current derivatives with third parties	9,455,453	(20,039,002)	13,370,523	(44,126,195)
– current intercompany derivatives with subsidiary undertaking	23,406,010	(13,025,150)	58,399,760	(27,790,621)
– non-current derivatives with third parties	64,978,458	(33,505,722)	8,766,665	(7,010,386)
– non-current intercompany derivatives with subsidiary undertaking	33,424,080	(64,626,033)	8,719,832	(10,356,537)
	131,264,001	(131,195,907)	89,256,780	(89,283,739)

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.

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

2019	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	£	£	£	£	£	£	£
Oil price derivatives	1,125,229	—	—	—	—	—	1,125,229
Natural gas price derivatives	62,060,357	2,263,101	212,992	246,059	—	—	64,782,509
Power and emission price derivatives	8,584,697	667,259	1,654,189	1,526,935	1,380,392	9,039,828	22,853,300
Other derivatives	—	—	—	—	—	495,742	495,742
	71,770,283	2,930,360	1,867,181	1,772,994	1,380,392	9,535,570	89,256,780

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

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)

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2019	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	£	£	£	£	£	£	£
Oil price derivatives	(1,125,229)	—	—	—	—	—	(1,125,229)
Natural gas price derivatives	(62,256,590)	(2,215,282)	(184,153)	(207,688)	—	—	(64,863,713)
Power and emission price derivatives	(8,534,997)	(669,119)	(1,656,389)	(1,528,473)	(1,380,708)	(9,029,369)	(22,799,055)
Other derivatives	—	—	—	—	—	(495,742)	(495,742)
	(71,916,816)	(2,884,401)	(1,840,542)	(1,736,161)	(1,380,708)	(9,525,111)	(89,283,739)

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.

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

2019	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	84,062,695	4,503,236	1,867,181	1,772,994	1,380,392	9,039,828	102,626,326
Level 3						495,742	495,742
	84,062,695	4,503,236	1,867,181	1,772,994	1,380,392	9,535,570	103,122,068
Less: netting by counterparty	(12,292,412)	(1,572,876)					(13,865,288)
	71,770,283	2,930,360	1,867,181	1,772,994	1,380,392	9,535,570	89,256,780
Fair value of derivative liabilities							
Level 2	(84,209,228)	(4,457,277)	(1,840,542)	(1,736,161)	(1,380,708)	(9,029,369)	(102,653,285)
Level 3	—	—	—	—	—	(495,742)	(495,742)
	(84,209,228)	(4,457,277)	(1,840,542)	(1,736,161)	(1,380,708)	(9,525,111)	(103,149,027)
Less: netting by counterparty	12,292,412	1,572,876					13,865,288
	(71,916,816)	(2,884,401)	(1,840,542)	(1,736,161)	(1,380,708)	(9,525,111)	(89,283,739)
Net fair value	(146,533)	45,959	26,639	36,833	(316)	10,459	(26,959)

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 forwards, 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 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

	2020	2019
	£	£
Issued and fully paid:		
74,500,000 ordinary shares of £1 each for a total nominal value of £74,500,000	74,500,000	55,000,000
	74,500,000	55,000,000

On 2 December 2020 19,500,000 ordinary shares of £1 each for a total nominal value of £19,500,000 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

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

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.