CASTROL LIMITED
(Registered No.00149435)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2022

Board of Directors: A M Moore
R D Mutchell
P R Miller

The directors present the strategic report, their report and the audited financial statements for the year ended 31 December 2022.

STRATEGIC REPORT

Results

The profit for the year after taxation was £97,963,000 which, when added to the retained profit brought forward at 1 January 2022 of £3,823,741,886 and after deducting total paid interim dividends to ordinary shareholders of £3,450,000,000, gives a total retained profit carried forward at 31 December 2022 of £471,704,886.

Principal activity and review of the business

The company is a holding company and also owns the intellectual property relating to the Castrol brand, which was transferred to Lubricants UK Limited as a result of a right of use transaction in 2021. The main business of its subsidiary undertakings is primarily in lubricants operations. The lubricants operations blend and market automotive, industrial and marine lubricants.

The company receives royalty income in respect of Castrol lubricant sales but it does not trade on its own account in the United Kingdom. The company has continued its investment in research and development undertaken on its behalf by other group companies.

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

	2022	2021	Variance
	£000	£000	%
Turnover	54,353	216,967	-75
Operating profit	112,741	3,168,976	-96
Profit for the year	97,963	3,143,451	-97
Total equity	523,614	3,875,651	-86

The company entered into an inter-company legal agreement in 2021 with Lubricants UK Limited, a bp group entity to grant a licence for the right to use and sub-licence the Company's intellectual property for a period of ten years. Due to this new model the royalty income has decreased compared to 2021, as the majority of countries are paying residual fee to Lubricants UK Limited.

Operating profit and profit for the year in 2022 contains mainly dividend income. High amount in 2021 is due to the income from the intellectual property right of use transaction with Lubricants UK Limited. On 31 December 2021 the entity entered into a 10-year agreement whereby it provided to Lubricants UK Limited the right of use of certain intellectual property (IP). In 2021 there was a one-off gain of £2,879 million from the selling of the asset, in 2022 a further £38 million recurring fee has been received. This is based on the contract says Lubricants UK Limited shall have the option to obtain a licence in any new IP.

Movement in equity is due to dividend paid to Burmah Castrol and profit for the year.

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STRATEGIC REPORT

Section 172 (1) statement

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

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

(a) The likely long-term consequences of the decision
When setting and delivering on the company's strategy, the directors of the company have regard to the evolving environment in which the company operates and aims to promote the long term success and sustained economic viability of the company.

(b) The interests of the company's employees The company has no employees.

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

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

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

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

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

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

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

(f) The need to act fairly between members of the company
The company is a wholly owned subsidiary with one member and the directors aim to maximise long term shareholder value.

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Stakeholder engagement

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

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

(a) Government/Regulators
The company recognises the need to create valued relationships with the Government/Regulators centred around ethics and transparency, and the need to discuss relevant regulations and guidance where necessary.

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

(b) Shareholders
The company is committed to maximising long term shareholder value in, whatever form, when making decisions.
The company operates in accordance with the bp group’s System of Internal Control to promote long term success of the company for the shareholder.

The company’s principal decisions

The board recognises the importance of considering and having regard to the Section 172 factors when making decisions, particularly the principal decisions of the company. The company has taken the view that a ‘principal’ decision is one which is material and strategic in nature and would affect the ability of the company to generate or preserve value over the long term.

During the period, the following principal decisions were taken by the company:

Principal decision	The relevant factors taken into account during the decision making process
During the year, the Company purchased the remaining share capital of Autino Holdings Limited, thereby acquiring 100% of Autino Holdings Limited share capital.	The directors considered the impact of such a decision of the company having regard to its business relationship with the minority shareholders as per s172(1)(c) whilst ensuring it conducts business to the highest standards, acting ethically and transparently as guided by bp’s values and code of conduct, as per s172(1)(e)
During the year, the directors considered, approved and paid an interim dividend to the shareholder.	The directors considered the impact of such a decision on the long-term prospects of the company, as well as considering the financial position of the company to ensure that it had sufficient distributable reserves at the time of the dividend.

Principal risks and uncertainties

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

Principal risks and uncertainties (continued)

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

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

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

Strategic and commercial risks

Prices and markets

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

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

Exchange rate fluctuations can create currency exposures and impact underlying costs and revenues.

Major project delivery

Poor investment choice, efficiency or delivery, or operational challenges at any major project that underpins production or production growth, could adversely affect our financial performance.

The company seeks to manage this risk through the bp group projects organization which includes the centre of expertise for appraisal and optimization, expertise to manage the design and build of projects and programmes to ensure project objectives are met. This process is systematically reviewed and continuously improved.

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

Digital infrastructure and cybersecurity

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

Climate change and the transition to a lower carbon economy

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

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

Competition

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

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Strategic and commercial risks (continued)

Insurance

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

Compliance and control risks

Ethical misconduct and non-compliance

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

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

Regulation

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

Treasury and treasury trading activities

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

Reporting

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

Financial risk management

The company is exposed to a number of different financial risks arising from natural business exposures as well as its use of financial instruments including market risks relating to foreign currency exchange rates and interest rates. 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 2022.

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

DocuSigned by:
Andrew Moore
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September 29, 2023

A M Moore
Director

Registered Office:

Technology Centre
Whitchurch Hill
Pangbourne
Reading
RG8 7QR

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DIRECTORS' REPORT

CASTROL LIMITED

Directors

The present directors are listed on page 1.

A M Moore and R D Mutchell served as directors throughout the financial year. Changes since 1 January 2022 are as follows:

	Appointed	Resigned
R A Subramaniam		31 August 2022
P R Miller	1 January 2023	

Directors' indemnity

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

Dividends

During the year the company has declared and paid dividends of £3,450,000,000 (2021: £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.

Going concern

The directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements. The current economic and geopolitical environment were considered as part of the going concern assessment.
The new Residual model has an impact on the company's performance through decreased royalty income received due to fewer companies are paying royalty to Castrol Limited. The new model also means lower dividend income to be paid by its subsidiaries.

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

Going concern (continued)

In assessing the prospects of Castrol 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.

Research and development

The company has continued its investment in research and development undertaken on its behalf by other group companies.

Stakeholder statements

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

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

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

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

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

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.

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

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

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of the auditor's report of which the company's auditor is unaware; and

- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information.

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

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

DocuSigned by:
Andrew Moore
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September 29, 2023

A M Moore
Director

Registered Office:

Technology Centre
Whitchurch Hill
Pangbourne
Reading
RG8 7QR

STATEMENT OF DIRECTORS’ RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

CASTROL 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.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CASTROL LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Castrol Limited (the 'company'):

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

We have audited the financial statements which comprise:

- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 17.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of directors
As explained more fully in the statement of directors' responsibilities in respect of the financial statements, 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, internal audit and the directors, about their own identification and assessment of the risks of irregularities including those that are specific to company's business sector.

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

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

We discussed among the audit engagement team 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, internal audit and external 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.

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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:

David Paterson

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September 29, 2023

David Paterson, 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 2022

CASTROL LIMITED

	Note	2022	2021
		£000	£000
Turnover	**3**	54,353	216,967
Gross profit		54,353	216,967
Dividend income	**3**	179,973	224,733
Administrative expenses		(156,223)	(128,753)
Other operating income	**3**	37,874	2,879,000
Profit on sale of investment	**11**	—	3,279
Impairment of loan	**4**	(2,384)	(19,443)
Impairment of fixed asset investments	**11**	(852)	(6,807)
Operating profit	**4**	112,741	3,168,976
Interest receivable and similar income	**6**	12,131	1,248
Interest payable and similar expenses	**7**	(9,880)	(2,770)
Profit before taxation		114,992	3,167,454
Tax on profit	**8**	(17,029)	(24,003)
Profit for the financial year		97,963	3,143,451

The profit of £97,963,000 for the year ended 31 December 2022 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

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 2022

CASTROL LIMITED
(Registered No.00149435)

	Note	2022 £000	2021 £000
Fixed assets			
Intangible assets	**10**	7,695	8,768
Investments	**11**	582,629	582,394
		590,324	591,162
Current assets			
Debtors - amounts falling due:			
within one year	**12**	415,933	3,634,019
		415,933	3,634,019
Creditors: amounts falling due within one year	**13**	(482,643)	(380)
Net current (liabilities)/assets		(66,710)	3,633,639
TOTAL ASSETS LESS CURRENT LIABILITIES		523,614	4,224,801
Creditors: amounts falling due after more than one year	**13**	—	(349,150)
NET ASSETS		523,614	3,875,651
Capital and reserves			
Called up share capital	**14**	7,864	7,864
Share premium account	**15**	44,045	44,045
Profit and loss account	**15**	471,705	3,823,742
TOTAL EQUITY		523,614	3,875,651

Authorized for issue on behalf of the Board

DocuSigned by:
Andrew Moore
588318B9E717492...

September 29, 2023
A M Moore

Director

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

CASTROL LIMITED

	Called up share capital (Note 14)	Share premium account (Note 15)	Profit and loss account (Note 15)	Total
	£000	£000	£000	£000
Balance at 1 January 2021	7,864	44,045	680,291	732,200
Profit for the year, representing total comprehensive income	—	—	3,143,451	3,143,451
Balance at 31 December 2021	7,864	44,045	3,823,742	3,875,651
Profit for the year, representing total comprehensive income	—	—	97,963	97,963
Dividends paid	—	—	(3,450,000)	(3,450,000)
Balance at 31 December 2022	7,864	44,045	471,705	523,614

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

The financial statements of Castrol Limited for the year ended 31 December 2022 were approved by the board of directors on 28 September 2023 and the balance sheet was signed on the board's behalf by A M Moore. Castrol Limited is a private limited company by shares, domiciled and registered in England and Wales (registered number 00149435). These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the provisions of the Companies Act 2006.

2. Significant accounting policies, judgements, estimates and assumptions

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

Basis of preparation

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

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

These financial statements are separate financial statements. The company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare consolidated financial statements, because it is included in the group financial statements of BP p.l.c. Details of the parent in whose consolidated financial statements the company is included are shown in Note 17 to the financial statements.

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

(a) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
(b) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
    (i) paragraph 79(a)(iv) of IAS 1;
    i. paragraph 118(e) of IAS 38 Intangible Assets;
    ii. paragraph 76 and 79(d) of IAS 40 Investment Property;
(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 requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c)-135(e) of IAS 36, Impairment of Assets;

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

Basis of preparation (continued)

(h) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement;
(i) 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 17.
The financial statements are presented in GBP sterling and all values are rounded to the nearest thousand pounds (£000).

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 area requiring the most significant judgement and estimation in the preparation of the financial statements is the recoverability of asset carrying values.

Judgements and estimates, not all of which are significant, made in assessing the current economic and geopolitical environment, and climate change and the transition to a lower carbon economy 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.

Judgements and estimates made in assessing the impact of the geopolitical and economic environment
In preparing the financial statements, the following areas involving judgement and estimates were identified as most relevant with regards to the impact of the current geopolitical and economic environment.

Discount rate assumptions
The discount rates used for impairment testing and provisions were reassessed during the year in light of changing economic and geopolitical outlooks. Impairment discount rates were increased from those reported in 2021. See significant judgements and estimates: recoverability of asset carrying values for further information.

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

Significant accounting policies

Going concern

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

The new Residual model has an impact on the company's performance through decreased royalty income received due to fewer companies are paying royalty to Castrol Limited. The new model also means lower dividend income to be paid by its subsidiaries.

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

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

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

Foreign currency

The 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)

Investments

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

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

All other fixed asset investments are stated in the financial statements at cost less provisions for impairment.

Significant judgements and estimates: impairment of investments

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

Management judgement is required to determine whether an indicator of potential impairment/reversal exists in relation to the company's investments. Indicators have been identified during the current year, impairment test has been performed. Details are provided in Note 11.

Intangible assets

Intangible assets, other than goodwill, are stated at the amount initially recognized, less accumulated amortization and accumulated impairment losses. Intangible assets are carried initially at cost unless acquired as part of a business combination. Any such asset is measured at fair value at the date of the business combination and is recognized separately from goodwill if the asset is separable or arises from contractual or other legal rights.

Intangible assets with a finite life are amortized on a straight-line basis over their expected useful lives. For patents, licences and trademarks, expected useful life is the shorter of the duration of the legal agreement and economic useful life, and can range from three to fifteen years. The expected useful life of biogas rights agreements is the shorter of the duration of the legal agreement and economic useful life and can be up to 50 years. Digital asset costs generally have a useful life of three to five years.

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

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

Significant judgement: licencing arrangements for intellectual property

The Company has a number of licensing arrangements for the use of its intellectual property. Judgment is required to decide whether these arrangements provide the licensee with a right to use or a right to access the intellectual property. Where the contract with the licensee requires, or the counterparty reasonably expects that the Company will undertake activities that significantly affect the intellectual property under contract, or where the rights granted by the license directly expose the customer to any positive or negative effects of the Company's activities that significantly affect the intellectual property under the contract, and those activities do not result in the transfer of a good or a service to the licensee as those activities occur, the arrangement is considered a right to access the intellectual property and revenue from the arrangement is recognized over the term of the license. Where these criteria are not met, the contract is a right to use the intellectual property and the revenue from the arrangement is recognized at the point the license is granted.

NOTES TO THE FINANCIAL STATEMENT

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

Impairment of intangible assets

The company assesses assets or groups of assets, called cash-generating units (CGUs) for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, for example, changes in the company's business plans. If any such indication of impairment exists, the company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets.

An asset group's recoverable amount is the higher of its fair value less costs to sell and its value in use. If it is probable that the value of the CGU will primarily be recovered through a disposal transaction, the expected disposal proceeds are considered in determining the recoverable amount. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount.

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

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

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

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

Significant judgements and estimates: recoverability of asset carrying values

Discount rates

For discounted cash flow calculations, future cash flows are adjusted for risks specific to the CGU. Value-in-use calculations are typically discounted using a pre-tax discount rate based upon the cost of funding the bp group derived from an established model, adjusted to a pre-tax basis and incorporating a market participant capital structure and country risk premiums. Fair value less costs of disposal calculations use the post-tax discount rate. The discount rates applied in impairment tests are reassessed each year and in 2022 the post-tax discount rate used was 7% (2021 6%), while the pre-tax discount rate was 9% (2021 7%) for UK companies. For other countries we used rates applicable to them.

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 amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in the profit and loss account when the loans and receivables are derecognized or impaired and when interest is recognized using the effective interest method. This category of financial assets includes trade and other receivables.

Impairment of financial assets measured at amortized cost

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

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

2. **Significant accounting policies, judgements, estimates and assumptions (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.

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

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.

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

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

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

Taxation (continued)

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

In respect of deductible temporary differences associated with investments in group undertakings and associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable or increased to the extent that it is probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

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

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

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

Judgement is required when determining whether a particular tax is an income tax or another type of tax (for example a production tax). Accounting for deferred tax is applied to income taxes as described above but is not applied to other types of taxes; rather such taxes are recognized in the profit and loss account in accordance with the applicable accounting policy such as Provisions and contingent liabilities.

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.

Dividend income

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

Royalty income

Royalty income is recognized when the Company's right to receive the payment is established.

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

Other operating income

Other operating income from Lubricants UK Limited is recognized at the point the licence is granted.

Research costs

Research costs are expensed as incurred.

Finance costs

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

Dividends payable

Final dividends are recorded in the financial statements in the year in which they are approved by the company's shareholders. Interim dividends are recorded in the year in which they are approved and paid.

Updates to significant accounting policies

In the current year, the company has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

Impact of new International Financial Reporting Standards

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

3. Turnover

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

	2022	2021
	£000	£000
Royalty income	54,353	216,967
	54,353	216,967
Other operating income (Note 4)	37,874	2,879,000
Dividend income	179,973	224,733
Interest receivable and similar income (Note 6)	12,131	1,248
	284,331	3,321,948

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

	2022	2021
	£000	£000
Class of business:		
customers & products	54,353	216,967
Total	54,353	216,967

3. Turnover (continued)

An analysis of turnover by geographical market is set out below:

	2022	2021
	£000	£000
UK	—	82,888
Rest of World	54,353	134,079
Total	54,353	216,967

4. Operating profit

This is stated after charging / (crediting):

	2022	2021
	£000	£000
IP Rights sale*	(37,874)	(2,879,000)
Research and development costs expensed	76,092	92,420
Net foreign exchange losses**	42,169	2,378
Impairment of loan***	2,384	19,443
Amortization of intangible assets	1,180	1,178
Impairment of investments	852	6,807
Profit on disposal of investments	—	(3,279)

*In 2022 a further fee has been received in connection with the Lubricant Intellectual Property Licence Agreement signed last year. Based on the agreement, each year the counterparty shall have the option to obtain further right of use of any new IPs at market rate and similar terms as last year. As Lubricants UK Ltd exercised this right, the related income of £38m was recognised in 2022. This additional IP right of use will terminate on the same day as last year's sale, being 31 December 2031.
**Amount is included in Administrative expenses.
*** Castrol had a loan with Autino Holding Limited (one of its subsidiary). Last year it is decided to liquidate Autino, so £19.4m impairment has been posted for 2021. The actual impairment has been £21.8m during 2022, so the £2.4m difference is showed on this line for 2022.

5. Auditor's remuneration

	2022	2021
	£000	£000
Fees for the audit of the company	58	54

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

The audit fees were borne by another group company.

6. Interest receivable and similar income

	2022	2021
	£000	£000
Interest income from amounts owed by group undertakings	12,131	1,248
Total interest receivable and similar income	12,131	1,248

7. Interest payable and similar charges

	2022	2021
	£000	£000
Loans from group undertakings	9,880	2,770
Total interest expense	9,880	2,770

8. Taxation

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

The taxation charge in the profit and loss account is made up as follows:

	2022	2021
Current tax	£000	£000
Overseas tax on income for the year	17,029	24,003
Total current tax charged	17,029	24,003
Tax charged on profit	17,029	24,003

In 2022 the total tax charge recognized within other comprehensive income was Nil (2021: Nil) and the total tax charge recognized directly in equity was Nil (2021: Nil).

(a) Reconciliation of the effective tax rate

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

	2022	2021
	UK	UK
	£000	£000
Profit before tax	114,992	3,167,454
Tax charge	17,029	24,003
Effective tax rate	15 %	1 %

	2022	2021
	UK	UK
	%	%
UK corporation tax rate:	19	19
Increase / (decrease) resulting from:		
Non-deductible expenditure / (non-taxable income)	(30)	(5)
Transfer pricing adjustment	2	—
Overseas tax	14	1
Free group relief	10	(14)
	(4)	(18)
Effective tax rate	15	1

8. Taxation (continued)

The reconciling items shown above are those that arise for UK corporation tax purposes, rather than overseas tax purposes.

Change in corporation tax rate

On 3 March 2021, the UK Government announced an increase in the UK's main corporation tax rate from 19% to 25%, effective from 1 April 2023. This will increase the company's future current tax charge accordingly. The rate change was substantively enacted on 24 May 2021 and has therefore been applied when calculating the company's deferred tax balances at the balance sheet date.

(b) Provision for deferred tax

No material UK deferred tax has arisen in either year. The impact of the above mentioned increase is not expected to have a material impact on deferred tax given all tax recognised arises from overseas.

9. Directors and employees

(a) Remuneration of directors

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

(b) Employee costs

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

10. Intangible assets

	Total
Cost	£000
At 1 January 2022	13,701
Transfers	7,676
At 31 December 2022	21,377
Amortization	
At 1 January 2022	(4,933)
Charge for the year	(1,180)
Transfers	(7,569)
At 31 December 2022	(13,682)
Net book value	
At 31 December 2022	7,695
At 31 December 2021	8,768

Intangible asset valued at amortized cost is related to intellectual property and are all related to software.

During the year, the Company received the remaining Intangible Assets of Autino Holdings Limited, this is showed on Transfers.

11. Investments

	Investment in subsidiaries	Investment in associates	Other investments	Total
Cost	£000	£000	£000	£000
At 1 January 2021	591,235	60,675	(179)	651,731
Additions	—	18,585	—	18,585
Disposals	—	(59,542)	—	(59,542)
At 31 December 2021	591,235	19,718	(179)	610,774
At 1 January 2022	591,235	19,718	(179)	610,774
Additions	103	984	—	1,087
At 31 December 2022	591,338	20,702	(179)	611,861
Impairment losses				
At 1 January 2021	(21,573)	(46,652)	—	(68,225)
Charge for the year	(6,807)	—	—	(6,807)
Reversal	—	46,652	—	46,652
At 31 December 2021	(28,380)	—	—	(28,380)
At 1 January 2022	(28,380)	—	—	(28,380)
Charge for the year	(103)	(749)	—	(852)
At 31 December 2022	(28,483)	(749)	—	(29,232)
Net book amount				
At 31 December 2022	562,855	19,953	(179)	582,629
At 31 December 2021	562,855	19,718	(179)	582,394

The investments in subsidiaries, associates and joint ventures are all stated at cost less provision for impairment. The investments in the subsidiary and associated undertakings and joint ventures are unlisted. The group undertakings of the company at 31 December 2022 and the percentage of equity capital held are set out below. The principal country of operation is generally indicated by the company's country of incorporation or by its name.

Investment additions relate to 1% purchase of Limited liability company Setra Lubricants for £984 thousand and purchase of the remaining share capital of Autino Holdings Limited for £103 thousand.

During the year the total purchased investment of Autino Holdings Limited has been impaired, as the company has been liquidated and all the remaining asset has been transferred to Castrol Limited. Setra Lubricants balance has also been impaired with the amount of £749 thousand.

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

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11. Investments (continued)

Subsidiary undertakings

Company name	Class of share held	%	Registered address	Principal activity
Castrol (Shanghai) Management Co., Ltd	Ordinary	100	Floor 3, Building 5 255 Guiqiao Road Shanghai Pilot Trade Zone China	Sales Marketing and Distribution
Castrol (Ireland) Limited	Ordinary	100	6th Floor, 2 Grand Canal Square, Dublin 2 Ireland	Lubricants
MES TECNOLOGIA EN SERVICIOS Y ENERGIA, S.A. DE C.V.	Ordinary	100	Av. Santa Fe No. 505 Piso 10 Col. Cruz Manca Santa Fe Deleg. CuajimalpaC.P. 05349 México D.F. Mexico	Shared service company
Castrol India Limited	Ordinary	51	Technopolis Knowledge Park, Mahakali Caves Road, Mumbai India	Lubricants
BP Japan KK	Ordinary	100	15th Fl. Roppongi Hills Mori Tower 10-1 Roppongi 6-chome Minato-ku Tokyo106-6115 Japan	Lubricants
TJKK	Ordinary	100	15th Fl. Roppongi Hills Mori Tower 10-1 Roppongi 6-chome Minato-ku Tokyo106-6115 Japan	Lubricants
BP Korea Limited	Ordinary	100	2nd Floor, Woojin Bldg. 76-4, Jamwon-dong Seocho-gu Seoul 137-909 Republic of Korea	Lubricants
Burmah Castrol South Africa (Pty) Limited	Ordinary	100	BP House 10 Junction Avenue Parktown Johannesburg 2193 South Africa	Lubricants
BP Malaysia Holdings Sdn. Bhd.	Ordinary	70	Level 9, Tower 5, Avenue 7 The Horizon Bangsar South City No. 8, Jalan Kerinchi 59200 Kuala Lumpur Malaysia	Lubricants
BP Marine Limited	Ordinary	100	Chertsey Road Sunbury on Thames Middlesex TW16 7BP United Kingdom	Lubricants
BP Castrol KK	Ordinary	53	East Tower 20F, Gate CIty Ohsaki 1-11-2 Osaki Shinagawa-ku Tokyo Japan	Lubricants

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11. Investments (continued)

Subsidiary undertakings

Company name	Class of share held	%	Registered address	Principal activity
Castrol Colombia Limitada	Ordinary	99	Oficina 401 Carrera 14 N° 93B -45 Bogotá Colombia	Lubricants
Castrol Del Peru S.A.	Ordinary	99	Av. Camino Real 111Torre BOficina 603San Isidro Lima Peru	Lubricants
Castrol Mexico S.A. de C.V.	Ordinary	100	Av. Santa Fe No. 505 Piso 10 Col. Cruz Manca Santa Fe Deleg. CuajimalpaC.P. 05349 México D.F. Mexico	Lubricants
Castrol Philippines Inc	Common	100	32/F LKG Tower Ayala Avenue Makati City 6801 Philippines	Lubricants
Castrol (China) Limited	Ordinary	100	Unit 807 Tower B, Manulife Financial Centre 223 Wai Yip Street Kwun Tong Kowloon Hong Kong	Lubricants
BP Danmark A/S	Ordinary	100	Arne Jacobsens Allé 7, 5th Floor 2300 Copenhagen Denmark	Holding company
BP Taiwan Marketing Limited	Common	100	7FNo. 71Sec. 3Min Sheng East Road Taipei Taiwan	Lubricants
Castrol (U.K.) Limited	Ordinary	100	Chertsey Road Sunbury on Thames Middlesex TW16 7BP United Kingdom	Lubricants
Castrol Sweden AB	Ordinary	100	Regeringsgatan 29, 111 53 Stockholm, Sweden	Lubricants
Latin Energy Argentina S.A.	Ordinary	95	Av. Cordoba 315 Piso 8 Buenos Aires 1054 Argentina	Lubricants
PT Castrol Indonesia	Ordinary	68	Perkantoran Hijau Arkadia, Tower B9th Floor, Jl. Let. Jenderal TB. Simatupang Kav. 88, Jakarta12520, Indonesia	Lubricants
BP Fuels & Lubricants AS	Ordinary	100	P.O.Box 153 Skøyen 0212 Oslo Norway	Lubricants

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11. Investments (continued)

Associated undertakings

Company name	Class of share held	%	Registered address	Principal activity
Aspac Lubricants (Malaysia) Sdn. Bhd.	Ordinary	42	Level 26 Axiata Tower No.9 Jalan Stesen Sentral 5 Kuala Lumpur Sentral 50470 Kuala Lumpur Malaysia	Lubricants
BP - Castrol (Thailand) Limited	Ordinary	35	23rd Fl. Rajanakarn Bldg 3 South Sathon Road Yannawa South Sathon Bangkok 10120 Thailand	Lubricants
Castrol Egypt Lubricants S.A.E.	Ordinary	49	First floor of building located at Plot 28- the first Sector, City Center, New Cairo, Cairo, Egypt	Lubricants

12. Debtors

Amounts falling due within one year:

	2022	2021
	£000	£000
Amounts owed from fellow subsidiaries	413,898	3,637,732
Other debtors	2,035	1,377
Amounts owed from fellow subsidiaries impaired	—	(5,090)

Amounts falling due after one year:

	2022	2021
	£000	£000
Amounts owed from fellow subsidiaries	—	14,353
Amounts owed from fellow subsidiaries	—	(14,353)
Total debtors	415,933	3,634,019

The debtor amount includes the following balances:

- Variable rate funding account of £341 million (2021 £709 million). Interest is accrued on a monthly basis based on GBP LIBOR. Whilst IFA (Internal Financing Account) are legally repayable on demand, in practice they have no termination date.
- Group debtor receivable of £72 million (2021 £2,923 million) is mainly in connection with the further amount Lubricants UK Limited needs to pay for the usage of the IP right (last year the high amount was granting of the right to use to Lubricants UK Limited) and open invoices for royalty with immediate payment terms and those are non-interest bearing.

13. Creditors

Amounts falling due within one year:

	2022	2021
	£000	£000
Amounts owed to fellow subsidiaries	482,515	222
Other creditors	128	158
	482,643	380

Amounts falling due after one year:

	2022	2021
	£000	£000
Amounts owed to fellow subsidiaries	—	349,150
	—	349,150
Total creditors	482,643	349,530

The amounts owed to fellow subsidiaries comprise a variable rate loan of $450 million / £373 million (2021 $450 million / £333 million) with maturity date 30 December 2023 for which interest is due on a quarterly basis based on USD LIBOR. It also comprise a variable rate loan of $21 million / £18 million (2021 $21 million / £16 million) with maturity date 28 October 2023 for which interest is due on a quarterly basis based on USD LIBOR. The GBP value of the loans has increased due to higher revaluation caused by change in forex rates. The mentioned loans were in the falling due after one year category in 2021. The balance also contains Marketing & Technology recharge of £76 million (2021 £92 million) and Global Cost Contribution Agreement recharge of £7 million (2021 £5 million) that needs to pay to Lubricants UK Limited.

14. Called up share capital

	2022	2021
	£000	£000
Issued and fully paid:		
15,728,291 ordinary shares of £0.50 each for a total nominal value of £7,864,146	7,864	7,864
	7,864	7,864

15. Reserves

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

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

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

In 2022, the company paid interim ordinary dividends of £3,450,000,000 (2021: £Nil). The dividend per share was £219 (2021: £Nil).

16. Related party transactions

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

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

Related party	Relationship	Description	Sales to related party	Amounts owed from related party
			£000	£000
Royalty Income				
Castrol India Limited	Subsidiary	Royalty income		
2022			11,634	10,051
2021			9,891	—
AsPac Lubricants (Malaysia) Sdn. Bhd	Associate	Royalty income		
2022			8,759	1,905
2021			6,824	2,769
Castrol BP Petco Limited Liability Company	Subsidiary	Royalty income		
2022			8,032	8,032
2021			4,155	—
BP Castrol KK	Subsidiary	Royalty income		
2022			3,354	—
2021			3,518	—
BP Castrol (Thailand) Limited	Associate	Royalty income		
2022			2,671	—
2021			2,639	—
PT Castrol Indonesia	Subsidiary	Royalty income		
2022			2,175	—
2021			1,501	—
Castrol Egypt Lubricants S.A.E.	Associate	Royalty income		
2022			324	—
2021			177	—
Limited liability company Setra Lubricants	Associate	Royalty income		
2022			434	—
2021			10,497	—
Dividend income				
Castrol India Limited	Subsidiary	Dividend income		
2022			31,880	—
2021			27,077	—
BP Castrol (Thailand) Limited	Associate	Dividend income		
2022			5,901	—
2021			6,008	—
BP Castrol KK	Subsidiary	Dividend income		
2022			4,705	—
2021			5,583	—
AsPac Lubricants (Malaysia) Sdn.	Associate	Dividend income		
2022			4,006	—
2021			3,208	—

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16. Related party transactions (continued)

Related party	Relationship	Description	Sales to related party	Amounts owed from related party
			£000	£000
PT Castrol Indonesia	Subsidiary	Dividend income		
2022			2,432	—
2021			1,534	—
BP Malaysia Holding Sdn Bhd	Subsidiary	Dividend income		
2022			2,357	—
2021			869	—
Castrol BP Petco Limited Liability Company	Subsidiary	Dividend income		
2022			1,789	—
2021			2,288	—

17. Immediate and ultimate controlling parent undertaking

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