LUBRICANTS UK LIMITED

(Registered No.00097216)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2020

Board of Directors: P J Mather
W D Carlisle
R Tavoletti
A M Moore

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

STRATEGIC REPORT

Results

The loss for the year after taxation was £53,324,000 which, when added to the accumulated loss brought forward at 1 January 2020 of £568,024,000 together with the net actuarial loss of £1,193,000 and the income tax relating to cumulative actuarial gains and losses of £227,000 gives a total accumulated loss carried forward at 31 December 2020 of £ 622,315,000.

Principal activity and review of the business

The company is involved in the blending and marketing of lubricants for many applications, which are sold mainly under the Castrol brand, as well as undertaking research and product development on behalf of Castrol Limited and recovering these costs as other income. The company also provides management services to a number of other companies in the bp group.

Expenditure on research and development is undertaken on behalf of Castrol Limited and in 2020 amounted to £54,820,175 (2019: £50,684,000). These activities include the research and development of new additives, in association with additives manufacturers, and new formulations of lubricants and the testing of these under normal and extreme conditions.

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

	2020	2019	Variance
	£000	£000	%
Turnover	187,697	216,363	(13)
Operating profit (loss)	(55,447)	75,487	(173)
Profit (loss) for the year	(53,324)	74,046	(172)
Total equity	213,785	261,774	(18)

The 2020 sales volume was lower by 12% mainly due to Covid and the resulting lockdown, which led to entities customers taking a stock reduction approach. The additional loss of one key customer account also led to lower sale volume. Furthermore the sales realization was also lower by 20 cpl in our main business (Auto-Industrial) due to slow market environment. The cost of sales also reduced by 20 cpl in the Auto-Industrial business due to better supplier negotiation and supplier chain efficiencies. These factors led to lower gross profit of £15.8m (11%). In 2020 bp decided to undergo a reorganization, retiring the previous strategy and replacing it with a new business model which is more focused, more integrated and faces the energy transition head on, 'Reinventing bp'. bp made the difficult decision to endorse the reinvention with associated job losses, which will ultimately see around 10,000 employees leave bp. The main driver of the significant loss in 2020 is the Reinvent bp ratex charge of £85m. The split of this charge is £71m for Castrol Operating Model and £14m for UK employees rationalisation costs.

STRATEGIC REPORT

Section 172 (1) statement

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

The role of the board of directors of the company plays an integral part in demonstrating how the directors have had regard to the matters set out in section 172(1). During the course of the year the following primary tasks were undertaken by the board of directors of the company:

- Defining and establishing purpose and strategy including, where relevant, having regard to the purpose, strategy, culture and values defined by BP p.l.c.;
- Monitoring the potential significant operational challenges presented by the COVID-19 pandemic, having regard to the company's safe and reliable operations; and
- Assessing principal and emerging risks relevant to the company

In light of the role of the board, and their primary tasks and considerations throughout the year (as described above), the directors have discharged their duties under section 172(1) in a way that they considered, in good faith, is most likely to promote the success of the company for the benefit of its members as a whole, having regard to the likely consequences of any decision in the long term and the broader interests of other stakeholders, as required by the Act. In doing so, the directors have considered, amongst other matters:

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.

The directors also considered the interests of a wider set of stakeholders, including regulators, the UK Governments and businesses. Further information on the process behind how the BP p.l.c. board makes decisions that affect the stakeholders of its subsidiaries, including the company, can be found on pages 82 to 83 of BP p.l.c.'s Annual Report and Form 20-F 2020.

Section 172 (1) statement (continued)

To support the directors in the discharge of their duties, and whilst making decisions on behalf of the company, the directors have access to bp central functions assurance support to identify matters which may have an impact on the proposed decision including, where relevant, the section 172 factors outlined above. To ensure the efficiency and effectiveness of engagement with key stakeholders identified by the company, certain stakeholder engagement is led by the bp group, particularly where the impact of a decision may impact the group's reputation.

Stakeholders

The directors believe that engagement with its shareholders and wider stakeholder groups plays a vital role throughout bp's business. During 2020, the directors reiterated their focus on engagement with key stakeholders, as well as an increased focus on environment, social and governance ("ESG") matters. The following outlines key stakeholders identified by the bp group and the company, where relevant, and how their interests were taken into consideration during the decision making process where appropriate.

Shareholders

The directors identify that engagement with shareholders is of key importance to the ongoing success of the company and, as such, when taking decisions, the directors had regard to the company's shareholders with regard to long-term value.

Employees

Employees are vital to the long-term success of the company. bp and its directors engage with employees and keep them informed on matters that concern them through bp's employee intranet and local sites, social media channels, annual 'Pulse' survey, town halls, site visits and webinars including topics such as quarterly results, strategy, the low carbon transition, and diversity. During 2020 restrictions associated with COVID-19, most engagements were conducted virtually. bp's 'Pulse' survey employee engagement score acts as a key performance indicator for bp.

bp, including the company, took the principal decision to undergo a reorganization, retiring the previous strategy and replacing it with a business model which is more focused, more integrated and faces the energy transition head on, 'Reinventing bp'. bp made the difficult decision to endorse the reinvention with associated job losses, which will ultimately see around 10,000 employees leave bp. bp's redundancy process and the directors engagement with employees was fair, transparent and objective with an environment of honesty, trust and co-operation that put the care and wellbeing of bp employees at the heart of the process. The reduction in the workforce was conducted in a manner which protected bp and the company's safe and reliable operations. Support was made available for the life transition associated with redundancy through the newly established myFuture programme and discretionary enhanced redundancy terms were offered, where relevant.

Please refer to the employee engagement statement in the directors' report for further details on specific engagement with respect to the company.

Customers and suppliers

bp aims to put customers at the heart of everything it does. In 2020 bp considered its customer's interests by engaging in global customer brand tracking and collaborating with original equipment manufacturers on future technologies.

bp considered its supplier's interests through hosting workshops, including sessions focused on net zero, people and planet. In addition, university collaborations, including the Carbon Mitigation Initiative, an independent academic research programme based at Princeton University.

Section 172 (1) statement (continued)

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.

Community and environment
bp consults with communities, NGOs, academics and industry associations about the future of bp, with regard to the environment and social matters and the issues facing the world, drawing on their external expertise, input and challenge. In 2020 this included providing input to the EU methane strategy and supported the UK government's planned phase out of internal combustion engines.

In 2020 bp developed its updated position on biodiversity and new measures to help restore, maintain and enhance nature with input and constructive challenge from international nature and conservation organizations and experts including Conservation International, Fauna & Flora International (FFI), UNESCO and IUCN.

bp also updated its business and human rights policy in 2020 to address emerging human rights issues relevant to our industry, clarify our human rights commitments and communicate how bp's approach to managing human rights impacts has advanced. The update was supported by consultations with a wide range of NGOs, subject matter experts and investors.

Maintaining a reputation for high standards of business conduct
In 2020 bp launched its new sustainability frame, aims and objectives linked to the UN Sustainable Development Goals. bp's values of safety, respect, excellence, courage and one team define how the group, including the company and its board of directors, conduct business. Furthermore, bp's code of conduct is based upon its values and it sets clear expectations for how bp, the company and the relevant board of directors operate. The directors of the company continued to adhere, in good faith, to the bp code of conduct during the year, *and oversee adherence to the bp code of conduct by the Company's employees* to ensure the board and the company maintained a reputation for high standards of business conduct.

bp's code of conduct includes prohibitions on engaging in bribery or corruption in any form, in accordance with bp's group-wide anti-bribery and corruption policy and procedures. During the year, bp continued to engage suppliers and communicate expectations for managing bribery and corruption risk on behalf of bp, where relevant, for example the customer & products business delivered a regional annual contractor forum digitally, providing awareness of bribery and corruption risks.

Stakeholder considerations have been especially pertinent during the COVID-19 pandemic, whereby the bp group and the company, where relevant, has strived to keep its business viable for its shareholders and other stakeholders.

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

Principal risks and uncertainties
The company aims to deliver sustainable value by identifying and responding successfully to risks. Risk management is integrated into the process of planning and performance management for the bp group.
The risks listed below, separately or in combination, could have a material adverse effect on the implementation of the company's strategy, business, financial performance, results of operations, cash flows, liquidity, prospects, shareholder value and returns and reputation. Unless stated otherwise, further details on these risks are included within the risk factors in the strategic report of the bp group Annual Report and Form 20-F for the year ended 31 December 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.

Major project delivery

Failure to invest in the best opportunities or deliver major projects successfully could adversely affect the company's financial performance.

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 cause production to decline, 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

bp have been assessing the potential impact on the group of Brexit and the UK's future global relationships and have not identified any significant risk to the business.

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.

The impact of coronavirus (COVID-19)

The spread of COVID-19 has caused significant volatility 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 staff and operations and have instigated appropriate mitigation plans.

Joint arrangements and contractors

The company may have varying levels of control over the standards, operations and compliance of its partners, contractors and sub-contractors which could result in legal liability and reputational damage.

Digital infrastructure and cybersecurity

Breach of the company's digital security or failure of its digital infrastructure could damage its operations and reputation.

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.

Principal risks and uncertainties (continued)

Competition
Inability to remain efficient, maintain a high-quality portfolio of assets, innovate and retain an appropriately skilled workforce could negatively impact delivery of the company's strategy in a highly competitive market.

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.

Safety and operational risks

Process safety, personal safety and environmental risks
The company is exposed to a wide range of health, safety, security and environmental risks that could cause harm to people, the environment, the company's assets and result in regulatory action, legal liability, business interruption, increased costs, damage to its reputation and potentially denial of its licence to operate.

Security
Hostile acts against the company's staff and activities could cause harm to people and disrupt its operations.

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

Compliance and control risks

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

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 including market risks relating to commodity prices, foreign currency exchange rates and interest rates; credit risk; and liquidity risk. Further details on these financial risks are 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:
Andrew Moore 28-Sep-2021
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A M Moore
Director

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

Directors

The present directors are listed on page 1.

P J Mather and A M Moore served as directors throughout the financial year. Changes since 1 January 2020 are as follows:

	Appointed	Resigned
W D Carlisle	7 January 2020	—
R Tavoletti	7 January 2020	—
D C Odogwu		7 January 2020
P I W Turner		7 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.

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 4-7, 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 significant volatility 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 acts as a cost allocation hub for the global lubricants business, which had a decrease in performance and volume due to the effects of the COVID-19 pandemic. As a result, less costs were allocated through the company and hence less income has been generated by this cost allocation process. The company also runs trading activities with external customers and vendors, which also decreased in 2020. Since the company has more than 600 employees and has various further regular expenses, it relies on the group funding as necessary in order to cover these liabilities.
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.

Going concern (continued)

In assessing the prospects of Lubricants UK 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.

Research and development

The research and development activity is undertaken in the interest of developing the Castrol brand. These costs are charged to Castrol Limited.

Financial risk management

The company is exposed to a number of different financial risks arising from natural business exposures as well as its use of financial instruments including market risks relating to commodity prices, foreign currency exchange rates and interest rates; credit risk; and liquidity risk. Further details on these financial risks are included within Note 29 of the bp group Annual Report and Form 20-F for the year ended 31 December 2020.

Disabled employees

The company gives full and fair consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

Stakeholder statements

Employee engagement

Employees are informed of information on matters of concern to them as employees through bp's employee intranet and local sites, social media channels, town halls, site visits and webinars including topics such as quarterly results, strategy, the low carbon transition and diversity. The bp group has a number of employee-led forums and business resource groups (BRGs) and aim to build constructive relationships with labour unions formally representing some employees. On an ongoing basis bp, and the board of directors of the company, hears directly from employees on a range of topics, including bp's new purpose and strategy, employee sentiment – particularly during the reorganisation of bp – the impact of COVID-19 on operations and wellbeing, diversity and career progression. In light of the COVID-19 pandemic, and to ensure the safety of its employees, bp employees were told to work from home where able to which constituted a principal decision of bp including the company.

Employee share ownership is encouraged and there are a number of employee share plans in BP p.l.c. which are in place at bp group level. For example, the bp group operates a ShareMatch plan in more than 50 countries, matching BP p.l.c. shares purchased by employees. The bp group also operates a group-wide discretionary share plan, which allows employee participation at different levels globally and is linked to the bp group's performance.

Employees are consulted on a regular basis through regular team and one-to-one meetings, bp's annual 'Pulse' survey and 'Keeping Connected' firmwide webcasts where the bp CEO Bernard Looney and featured guests from across the organisation discuss a range of topics throughout the year. The 'Pulse' employee engagement score acts as a key performance indicator for bp. In response to the 'Pulse' survey feedback, and specifically the feedback related to increased anxiety in employees, bp's CEO Bernard Looney led a 'Keeping Connected' webcast focused on reducing mental health stigma and encouraging employees to ask for help. bp also increased the frequency of mental health awareness training for managers.

bp, including the company, took the principal decision to undergo a reorganization, retiring the previous strategy and replacing it with a business model which is more focused, more integrated and faces the energy transition head on, 'Reinventing bp'. bp made the difficult decision to endorse the reinvention with associated job losses, which will ultimately see around 10,000 employees leave bp. bp, the company and its board of directors, considered this to be the right decision and assurances were sought from executives across the bp business to ensure that the redundancy process was fair, transparent and objective with an environment of honesty, trust and cooperation. As a result of this engagement and transparency with its employees, bp and the company's board of directors put the care and wellbeing of employees at the heart of the process. The reduction in the workforce was conducted in a manner which protected bp and the company's safe and reliable operations. Support was made available for the life transition associated with redundancy through the newly established myFuture programme and discretionary enhanced redundancy terms were offered, where relevant.

A stakeholder review is conducted during the decision making process and employee's views are taken into account in decisions likely to affect their interests. Employee engagement is discussed and considered by the directors at board meetings on a regular basis.

Engagement with other stakeholders

The board of directors of the company aims to foster enduring relationships with governments, customers, partners, suppliers and communities in the countries where it operates. The directors work with business partners in an honest, respectful and responsible way and seek to work with others who share the company's commitments to safety and ethics and compliance.

The company's activities, and the decisions of its directors, affect a wide variety of individuals and organizations. The directors engage with these stakeholders and listen to their differing needs and priorities as an everyday part of business, utilising the input and feedback to inform the directors' decision making process on behalf of the company.

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

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.

Auditors

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

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

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

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

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

Authorized for issue on behalf of the Board

DocuSigned by:
Andrew Moore
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28-Sep-2021

A M Moore
Director

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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

LUBRICANTS UK 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 LUBRICANTS UK LIMITED

Report on the audit of the financial statements

Opinion
In our opinion the financial statements of Lubricants UK 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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 "Reduced Disclosure Framework"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:
- the profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity; and
- the related notes 1 to 27

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

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

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

Conclusions relating to going concern

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

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

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

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

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

We have nothing to report in this regard.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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 the UK Companies Act, pensions legislation and tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialist such as tax, pensions and IT 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, 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.

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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28-Sep-2021

David Paterson ACA (Senior Statutory Auditor)

for and on behalf of Deloitte LLP, Statutory Auditor

London, United Kingdom

PROFIT AND LOSS ACCOUNT

THE YEAR ENDED 31 DECEMBER 2020

LUBRICANTS UK LIMITED

	Note	2020 £000	2019 £000
Turnover	**3**	187,697	216,363
Cost of sales		(63,132)	(76,021)
Gross profit (loss)		124,565	140,342
Distribution and marketing expenses		(279,042)	(166,399)
Castrol restructuring (costs) / credit	**7**	(85,473)	22,893
Other distribution and marketing expenses		(193,569)	(189,292)
Administrative expenses		(7,293)	(4,712)
Other operating income	**4**	105,792	106,261
Profit / (loss) on disposal of fixed assets	**7**	531	(5)
Operating profit (loss)	**5**	(55,447)	75,487
Interest receivable and similar income	**8**	115	122
Interest payable and similar expenses	**9**	(4)	(15)
Other finance expense	**10**	(557)	(747)
Profit (loss) before taxation		(55,893)	74,847
Tax on profit	**11**	2,569	(801)
Profit (loss) for the year		(53,324)	74,046

The loss of £53,324,000 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

LUBRICANTS UK LIMITED

	Note	2020 £000	2019 £000
Profit (loss) for the year		(53,324)	74,046
Items that will not be reclassified to profit or loss			
Re-measurements of the net pension and other post-retirement benefit liability or asset	**25**	(1,193)	(1,205)
Tax on actuarial gain/loss relating to pensions	**11**	227	205
Other comprehensive income (loss) for the year net of tax		(966)	(1,000)
Total comprehensive income/(loss) for the year		(54,290)	73,046

BALANCE SHEET

AS AT 31 DECEMBER 2020

LUBRICANTS UK LIMITED

(Registered No.00097216)

	Note	2020 £000	2019 £000
Fixed assets			
Intangible assets	**13**	35,583	37,838
Tangible assets	**14**	30,353	30,756
Investments	**15**	—	146
		65,936	68,740
Current assets			
Stocks	**16**	3,709	5,014
Debtors	**17**	412,281	371,697
Debtors - amounts falling due:			
within one year	**17**	394,767	343,072
after one year	**17**	17,514	28,625
Deferred tax assets	**11**	16,595	12,474
Cash at bank and in hand		594	6,157
		433,179	395,342
Creditors: amounts falling due within one year	**18**	(242,470)	(165,415)
Lease liabilities		(151)	(266)
Other provisions - current	**20**	(14,723)	(8,970)
Net current assets / (liabilities)		175,835	220,691
TOTAL ASSETS LESS CURRENT LIABILITIES		241,771	298,431
Creditors: amounts falling due after more than one year	**18**	(7)	—
Other provisions - non current	**20**	—	(142)
Net assets excluding pension and other post-retirement benefit		241,764	289,289
Other post-retirement benefit plan deficit	**25**	(27,979)	(27,515)
NET ASSETS / (LIABILITIES)	**23**	213,785	261,774
Capital and reserves			
Called up share capital	**22**	750,000	750,000
Share premium account	**23**	894	894
Profit and loss account	**23**	(622,315)	(568,024)
Other distributable reserve		85,206	78,904
TOTAL EQUITY		213,785	261,774

Authorized for issue on behalf of the Board

DocuSigned by:
Andrew Moore
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28-Sep-2021

A M Moore
Director

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STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

LUBRICANTS UK LIMITED

	Called up share capital (Note 22)	Share premium account (Note 23)	Other reserves (Note 23)	Profit and loss account (Note 23)	Total
	£000	£000	£000	£000	£000
Balance at 1 January 2019	750,000	894	70,610	(641,070)	180,434
Profit for the year	—	—	—	74,046	74,046
Other comprehensive loss for the year	—	—	—	(1,000)	(1,000)
Total comprehensive income for the year	—	—	—	73,046	73,046
Capital contribution for equity-settled share-based payments	—	—	8,294	—	8,294
Balance at At 1 January 2020	750,000	894	78,904	(568,024)	261,774
Profit / (loss) for the year	—	—	—	(53,324)	(53,324)
Other comprehensive income / (loss) for the year	—	—	—	(966)	(966)
Total comprehensive income / (loss) for the year	—	—	—	(54,290)	(54,290)
Capital contribution for equity-settled share-based payments	—	—	6,302	—	6,302
Rounding difference	—	—	—	(1)	(1)
Balance at 31 December 2020	750,000	894	85,206	(622,315)	213,785

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

The financial statements of Lubricants UK Limited for the year ended 31 December 2020 were approved by the board of directors on 28 September 2021 and the balance sheet was signed on the board's behalf by A M Moore. Lubricants UK Limited is a private limited company, limited by shares incorporated, domiciled and registered in England and Wales (registered number 00097216). The company's registered office is at Chertsey Road,Sunbury on Thames, Middlesex, TW16 7BP, United Kingdom. These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the provisions of the Companies Act 2006.

2. Significant accounting policies, judgements, estimates and assumptions

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

Basis of preparation

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

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

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

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 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations;
(b) the requirements of IFRS 7 Financial Instruments: Disclosures;
(c) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement;
(d) the requirements of paragraphs 10(d), 10(f), 40A, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
(e) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of
    (i) paragraph 79(a)(iv) of IAS 1;
    (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment
    (iii) paragraph 118(e) of IAS 38 Intangible Assets
(f) the requirements of IAS 7 Statement of Cash Flows;
(g) 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;
(h) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
(i) 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;

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

(j) 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
(k) The requirements of paragraph 52, the second sentence of paragraph 89, and paragraphs 90, 91 and 93 of IFRS 16 Leases.
(l) The requirements of paragraph 58 of IFRS 16 Leases, provided that the disclosure of details of indebtedness required by paragraph 61(1) of Schedule 1 to the Regulations is presented separately for lease liabilities and other liabilities, and in total.

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

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

Significant accounting policies: use of judgements, estimates and assumptions

Inherent in the application of many of the accounting policies used in preparing the financial statements is the need for management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual outcomes could differ from the estimates and assumptions used. The accounting judgements and estimates that have a significant impact on the results of the company are set out within the boxed text below, and should be read in conjunction with the information provided in the Notes to the financial statements.

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

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.

Judgements and estimates made in assessing the impact of the COVID-19 pandemic and the 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 COVID-19 pandemic and current economic environment.

Going concern
Forecast liquidity for the bp group has been assessed under a number of stressed scenarios and a reverse stress test was performed to support the going concern assertion. No material uncertainties over going concern or significant judgements or estimates in the assessment were identified.

Pensions and other post-retirement benefits
The volatility in the financial markets during 2020 impacted the assumptions used for determining the fair value of plan assets and the present value of defined benefit obligations in the group’s defined benefit pension plans. See significant estimate: pensions and other post-retirement benefits and note 25 for further information.

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

Restructuring provisions
The reinvent bp programme, expected to reduce headcount by around 10,000 positions, the majority of which occurred during 2020, has resulted in recognition of provisions where a detailed formal plan exists, and valid expectation of risk of redundancy has been made to those affected but where the specific outcomes remain uncertain. Where formal redundancy offers have been made, the obligations for those amounts are reported as payables and not as provisions if unpaid at the year-end.

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.

Investments

Fixed asset investments in subsidiaries 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.

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.

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

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. Computer software costs generally have a useful life of three to ten 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.

Tangible assets

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

Exchanges of assets are measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. The cost of the acquired asset is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. Where fair value is not used, the cost of the acquired asset is measured at the carrying amount of the asset given up. The gain or loss on derecognition of the asset given up is recognized in profit or loss.

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

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

Land and buildings	
Land improvements	15 to 25 years
Buildings	20 to 50 years
Corporate and other	
Office equipment	3 to 7 years
Fixtures and fittings	
Fixtures and fittings	5 to 15 years

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

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

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

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

Impairment of intangible and tangible assets

The company assesses assets or groups of assets, called cash-generating units (CGUs) for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, for example, changes in the company's business plans, or increases in estimated future development expenditure or decommissioning costs. 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. 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 to sell is identified as 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.

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 recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset 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 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 revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Significant judgements and estimates: recoverability of asset carrying values

Determination as to whether, and how much, an asset, CGU, or group of CGUs containing goodwill is impaired involves management estimates on highly uncertain matters such as the effects of inflation and deflation on operating expenses, discount rates, capital expenditure, 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. Judgement is required when determining the appropriate grouping of assets into a CGU or the appropriate grouping of CGUs for impairment testing purposes. For example, individual oil and gas properties may form separate CGUs whilst certain oil and gas properties with shared infrastructure may be grouped together to form a single CGU. Alternative groupings of assets or CGUs may result in a different outcome from impairment testing.

The recoverable amount of an asset is the higher of its value in use and its fair value less costs of disposal. Fair value less costs of disposal may be determined based on expected sales proceeds or similar recent market transaction data.

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

Stocks

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

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

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

Leases

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

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

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

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

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

Leases (continued)

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

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

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

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

The company recognizes the full lease liability, rather than its working interest share, for leases entered into on behalf of a joint operation if the company has the primary responsibility for making the lease payments. In such cases, the company's working interest share of the right-of-use asset is recognized if it is jointly controlled by the company and the other joint operators, and a receivable is recognized for the share of the asset transferred to the other joint operators. If the company is a non-operator, a payable to the operator is recognized if they have the primary responsibility for making the lease payments and the company has joint control over the right-of-use asset, otherwise no balances are recognized.

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.

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

Impairment of financial assets measured at amortized cost

The company assesses on a forward-looking basis the expected credit losses associated with financial assets 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.

Provisions and contingent liabilities

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

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax risk-free rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized in the profit and loss account. Provisions are discounted using a nominal discount rate of 2.5% (2019 2.5%).

Contingent liabilities are possible obligations whose existence will only be confirmed by future events not wholly within the control of the company, or present obligations where it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured with sufficient reliability. Contingent liabilities are not recognized in the financial statements but are disclosed unless the possibility of an outflow of economic resources is considered remote.

Restructuring provisions

The reinvent bp programme, expected to reduce the group headcount by around 10,000 positions, the majority of which occurred during 2020, has resulted in recognition of provisions where a detailed formal plan exists, and valid expectation of risk of redundancy has been made to those affected but where the specific outcomes remain uncertain. Where formal redundancy offers have been made, the obligations for those amounts are reported as payables and, if not, as provisions if unpaid at the year-end.

Significant judgements and estimates: provisions

The provision held in the company is created for redundancy payments due to restructuring projects in line with the bp group strategy. The calculation of these provisions are based on the inputs of the management responsible for these restructuring projects and the related HR teams in accordance with the current labour law regulations. Further details are provided in Note 20.

Employee benefits

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the company. The accounting policies for share-based payments and for pensions and other post-retirement benefits are described below.

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

Share-based payments

Equity-settled transactions
The cost of equity-settled transactions with employees of the company is measured by reference to the fair value at the date at which equity instruments are granted and is recognized as an expense over the vesting period, which ends on the date on which the employees become fully entitled to the award. A corresponding credit is recognized within equity. Fair value is determined by using an appropriate valuation model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the company (market conditions). Non-vesting conditions, such as the condition that employees contribute to a savings-related plan, are taken into account in the grant-date fair value, and failure to meet a non-vesting condition, where this is within the control of the employee, is treated as a cancellation and any remaining unrecognized cost is expensed.

Cash-settled transactions
The cost of cash-settled transactions is recognized as an expense over the vesting period, measured by reference to the fair value of the corresponding liability which is recognized on the balance sheet. The liability is re-measured at fair value at each balance sheet date until settlement, with changes in fair value recognized in the profit and loss account.

Pensions

The sponsoring employer for the BP Pension Fund is BP p.l.c.. The directors have assessed in accordance with IAS 19 Employee Benefits that BP p.l.c applies defined benefit pension accounting for this defined benefit plan that shares risks between entities under common control. There is no contractual agreement or stated policy in place for charging to individual group entities. The net defined benefit cost for the plan as a whole is measured in accordance with IAS 19 and as a result, the Company recognizes only a cost equal to the contribution payable for the period as if they were contributions to a defined contribution scheme. Relevant disclosures in relation to the plan are included in the accounts of BP p.l.c.

In the BP p.l.c. accounts, pension plan assets are measured at fair value and pension plan liabilities are measured on an actuarial basis using the projected unit credit method and discounted at an interest rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the plan liabilities. Actuarial gains and losses are recognized in full in this company's statement of total recognized gains and losses in the period in which they occur.

The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method, which attributes entitlement to benefits to the current period to determine current service cost and to the current and prior periods to determine the present value of the defined benefit obligation. Past service costs, resulting from either a plan amendment or a curtailment (a reduction in future obligations as a result of a material reduction in the plan membership), are recognized immediately when the company becomes committed to a change.

Net interest expense relating to pensions and other post-retirement benefits, which is recognized in the profit and loss account, represents the net change in present value of plan obligations and the value of plan assets resulting from the passage of time, and is determined by applying the discount rate to the present value of the benefit obligation at the start of the year, and to the fair value of plan assets at the start of the year, taking into account expected changes in the obligation or plan assets during the year.

Re-measurements of the post-retirement benefit liability, comprising actuarial gains and losses, (excluding amounts included in interest described above) are recognized within other comprehensive income in the period in which they occur and are not subsequently reclassified to profit and loss.

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

The post-retirement benefit plan deficit recognized in the balance sheet comprises of the present value of the post-retirement benefit obligation (using a discount rate based on high quality corporate bonds).

Significant estimate: pensions and other post-retirement benefits

The defined benefit pension scheme is a scheme that shares risks between entities under common control and is administered by the ultimate parent company BP p.l.c. The company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and so the scheme has been accounted for as a defined contribution scheme as allowed by FRS 101. Contributions to the scheme are charged through the company's profit and loss account in the year in which they become payable. Detailed disclosures have been made in the financial statements of the ultimate parent company.

Accounting for defined benefit pensions and other post-retirement benefits involves making significant estimates when measuring the company's pension plan surpluses and deficits. These estimates require assumptions to be made about many uncertainties.

Pension and other post-retirement benefit assumptions are reviewed by management at the end of each year. These assumptions are used to determine the projected benefit obligation at the year end and hence the surpluses and deficits recorded on the company's balance sheet, and pension and other post-retirement benefit expense for the following year.

The assumptions that are the most significant to the amounts reported are the discount rate, inflation rate, salary growth and mortality levels. Assumptions about these variables are based on the environment in each country. The assumptions used vary from year to year, with resultant effects on future net income and net assets. Changes to some of these assumptions, in particular the discount rate and inflation rate, could result in material changes to the carrying amounts of the company's pension and other post-retirement benefit obligations within the next financial year. Any differences between these assumptions and the actual outcome will also affect future net income and net assets. The pension and other post-retirement benefit assumptions at 31 December 2020 and 2019 are provided in Note 25.

The values ascribed to these assumptions and a sensitivity analysis of the impact of changes in the assumptions on the benefit expense and obligation is provided in the group financial statements of BP p.l.c.

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.

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

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

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

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

In respect of deductible temporary differences associated with investments in subsidiaries, 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.

Customs duties and sales taxes

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

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

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

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

Turnover

In line with IFRS 15, turnover is associated with the sale of lubricants and is recognized when the title passes to the customer. Revenue from contracts with customers is recognized when or as the company satisfies a performance obligation by transferring control of a promised good or service to a customer. The transfer of control of lubricant products usually coincides with title passing to the customer and the customer taking physical possession. The company principally satisfies its performance obligations at a point in time; the amounts of revenue recognized relating to performance obligations satisfied over time are not significant.
When, or as, a performance obligation is satisfied, the company recognizes as revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the company expects to be entitled. The transaction price is allocated to the performance obligations in the contract based on standalone selling prices of the goods or services promised.
The company also provides management services to a number of other companies within the bp group. These revenues are recognized at the time when the underlying services have been provided.
Revenue is recognized when the service is performed, in accordance with the terms of the contractual arrangements and in the accounting period in which the services are rendered.

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

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.

Research costs

Research costs are expensed as incurred.

Development costs

Development costs for internally developed intangible assets are expensed as incurred unless all of the following criteria are met:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale.
- There is an intention and the ability to complete, and use or sell, the intangible asset.
- It can be demonstrated how the intangible asset will generate probable future economic benefits.
- Adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available.
- The expenditure attributable to the intangible asset during its development can be reliably measured.

These costs are capitalized as an intangible asset and amortized over 3-15 years.

Exceptional items

The company discloses as exceptional items those material items impacting the profit and loss account which, because of the nature and expected infrequency of the events giving rise to them, merit separate disclosure to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

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

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. Turnover

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

	2020	2019
	£000	£000
Sales of goods	91,871	110,951
Rendering of services	95,826	105,412
	187,697	216,363
Other operating income*	105,792	106,261
Interest receivable and similar income	115	107
	293,604	322,731

*Other operating income details are provided further below in note 4

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

	2020	2019
	£000	£000
Class of business:		
Downstream	187,697	216,363
Total	187,697	216,363

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

	2020	2019
	£000	£000
By geographical area:		
UK	126,811	146,846
Rest of Europe	41,336	44,969
USA	8,306	11,535
Rest of World	11,244	13,013
Total	187,697	216,363

4. Other operating income

	2020	2019
	£000	£000
Research and marketing costs recharged to group companies	101,243	93,410
Miscellaneous	4,549	12,851
	105,792	106,261

Other operating income represents amounts recharged to other BP p.l.c. group companies for research and marketing costs incurred by the company. Miscellaneous income represents the tax reclaims due to research and development activities and value in kind related income.

5. Operating profit

This is stated after charging / (crediting):

	2020	2019
	£000	£000
Research and development costs expensed	54,820	50,684
Amortization of intangible assets		
- Other*	14,740	7,620
Depreciation of tangible assets	1,599	4,834
Cost of stock recognized as an expense**	62,206	74,164
Profit/ loss on disposal of tangible assets***	—	5

*Amount is included in Distribution and Marketing expenses.
**Amount is included in Cost of sales
***Amount is included in Profit on disposal of fixed assets

6. Auditor’s remuneration

	2020	2019
	£000	£000
Fees for the audit of the company	63	95

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

7. Exceptional items

Exceptional items comprise as follows:

	2020	2019
	£000	£000
Castrol restructuring costs / (credit)	71,159	(22,893)
Company restructuring costs	14,314	—
Loss / (profit) on disposal of fixed assets	(531)	5
Exceptional items	84,942	(22,888)

The profit on disposal of fixed assets in 2020 arose due to the Nexcel write off. Ratex related provision for UK employees is £14m, further disclosure in Note 20. In respect of Ratex Castrol new operating model a cost of £71.2m has also been recognised in 2020 which has been recorded with accruals.

8. Interest receivable and similar income

	2020	2019
	£000	£000
Interest income from amounts owed by group undertakings	115	122

9. Interest payable and similar charges

	2020	2019
	£000	£000
Interest expense on:		
Lease liabilities	4	15
Total interest payable and similar expenses	4	15

10. Other finance expense

	2020	2019
	£000	£000
Interest on pension plan and other post-retirement benefits	557	747

11. Taxation

The company is a member of a group for the purposes of relief within Part 5, Corporation Tax Act 2010. The taxation charge / (credit) in the profit and loss account is made up as follows:

	2020	2019
Current tax	£000	£000
UK corporation tax on income for the year		466
UK tax (overprovided) / underprovided in prior years	72	(6)
Overseas tax on income for the year	1,253	743
Total current tax charged / (credited)	1,325	1,204
Deferred tax		
Origination and reversal of temporary differences	(3,466)	566
Effect of (increased) / decreased tax rate on opening liability / asset	(1,358)	(969)
Adjustments in prior year temporary differences	929	—
Total deferred tax (increased) / decreased	(3,894)	(403)
Tax charged / (credited) on profit	(2,569)	801

In 2020 the total tax credit recognized within other comprehensive income was £227,000 (2019: £205,000) and the total tax charge / credit recognized directly in equity was £Nil (2019: £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 2020 (2019: 19%). The differences are reconciled below:

	2020	2019
	£000	£000
Profit / (loss) before tax	(55,893)	74,847
Tax charge / (credit)	(2,569)	801
Effective tax rate	5 %	1 %

	2020	2019
	UK	UK
	%	%
UK corporation tax rate:	19	19
Overseas corporation tax rate:	—	—
Increase / (decrease) resulting from:		
Non-deductible expenditure / (non-taxable income)	(2)	2
Deferred tax provided at lower rates	2	—
Transfer pricing adjustment	—	—
Overseas tax	(2)	1
Free group relief	(11)	(20)
Adjustments to tax charge in respect of previous years	(2)	(1)
Movements in unrecognised deferred tax	—	—
Effective tax rate	5	1

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

11. Taxation (continued)

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 at 31 December 2020 have been calculated at 19% (2019: 17%). An increase in the UK corporation rate from 19% to 25% (effective 1 April 2023) was substantively enacted on 24 May 2021. This will increase the company's future current tax charge accordingly and would increase the deferred tax asset disclosed above by £5,252,630.

(b) Provision for deferred tax

The deferred tax included in the profit and loss account and balance sheet is as follows:

	Profit and loss account		Balance sheet	
Deferred tax asset	2020	2019	2020	2019
	£000	£000	£000	£000
Decommissioning and other provisions	(967)	(2,074)	6,778	5,583
Tax losses carried forward	(2,926)	1,671	9,816	6,890
Net credit for deferred tax assets	(3,894)	(403)	16,595	12,473

Analysis of movements during the year

	2020
	£000
Opening deferred tax asset / (liability) at 1 January 2020	12,473
Deferred tax (charged) / credited to the P&L	3,894
(Charge)/credit for the year in equity	227
Closing deferred tax asset / (liability) at 31 December 2020	16,595

Deferred tax has not been recognized on deductible temporary differences of £9,112,000 (2019: £9,112,000) in respect of capital losses which do not have an expiry date on the basis that they are not expected to give rise to any future tax benefit.

12. 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) and none of the directors have exercised share options at the parent company level during the year (2019: none).

(b) Employee costs

	2020	2019
	£000	£000
Wages and salaries	89,813	111,566
Social security costs	6,842	10,334
Share-based payment charge (Note 21)	7,086	9,425
	103,741	131,325

(c) The average monthly number of employees during the year was 663 (2019: 650). All employees worked in Downstream segment in current year and in prior year.

13. Intangible assets

	Software & other	Of which AUC*
Cost	£000	£000
At 1 January 2020	99,839	13,374
Additions - acquired intangible assets	733	733
Additions - internal development	13,696	10,783
Disposals	(5,985)	—
Transfers	—	(15,763)
At 31 December 2020	108,282	9,126
Amortization		
At 1 January 2020	62,000	—
Disposals	(4,041)	—
Charge for the year	14,740	—
At 31 December 2020	72,699	—
Net book value		
At 31 December 2020	35,583	9,126
At 31 December 2019	37,839	13,374

*AUC = assets under construction. Assets under construction are not depreciated.

14. Tangible assets

	Land & buildings	Fixtures & fittings	Plant & machinery	Total	Of which AUC*
Cost - owned tangible assets	£000	£000	£000	£000	£000
At 1 January 2020	27,272	15,296	39,129	81,697	6,562
Additions	790	521	2,901	4,212	4,212
Disposals	(1,006)	(685)	(1,007)	(2,698)	—
Transfers	—	162	(162)	—	(5,393)
At 31 December 2020	27,056	15,294	40,861	83,211	5,381
Depreciation - owned tangible assets					
At 1 January 2020	15,023	11,359	24,855	51,237	—
Charge for the year	1,216	1,466	(1,083)	1,599	—
Impairment**	—	—	2,493	2,493	
Disposals	(682)	(651)	(990)	(2,323)	—
At 31 December 2020	15,557	12,174	25,275	53,006	—
Owned tangible assets - net book value					
At 31 December 2020	11,499	3,120	15,586	30,205	5,381
Right-of-use assets - net book value					
At 31 December 2020	148	0	0	148	0
Total tangible assets net book value					
At 31 December 2020	11,647	3,120	15,586	30,353	5,381
Total net book value					
At 31 December 2019	12,546	3,937	14,274	30,756	6,562
Assets held under finance leases at net book amount included above					
At 31 December 2019	298	—	—	298	—

*AUC = assets under construction. Assets under construction are not depreciated.
**The impairment charge of £2,4m represents the full carrying amount of certain assets that are no longer being utilised by the entity.

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NOTES TO THE FINANCIAL STATEMENTS

15. Investments

	Investment in subsidiaries
Cost	£000
At 1 January 2019	146
At 31 December 2019	146
At 1 January 2020	146
At 31 December 2020	—
Impairment losses	
At 1 January 2019	
At 31 December 2019	—
At 1 January 2020	
At 31 December 2020	—
Net book amount	
At 31 December 2020	—
At 31 December 2019	146

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

The investments in the subsidiary undertakings are unlisted.

The subsidiary undertakings of the company at 31 December 2020 and the percentage of equity capital held are set out below. The principal country of operation is generally indicated by the company's country of incorporation or by its name.

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

Subsidiary undertakings

Company name	Class of share held	%	Registered address	Principal activity
Castrol Offshore Limited	Ordinary	100	Chertsey Road Sunbury on Thames Middlesex TW16 7BP United Kingdom	Dormant

16. Stocks

	2020	2019
	£000	£000
Trading stocks	3,709	5,014
	3,709	5,014

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

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NOTES TO THE FINANCIAL STATEMENTS

17. Debtors

Amounts falling due within one year:

	2020	2019
	£000	£000
Trade debtors	10,470	4,982
Amounts owed from parent undertakings	86,522	40,416
Amounts owed from fellow subsidiaries	260,627	270,893
Other debtors	16,433	15,342
Prepayments and accrued income	19,426	11,439
Taxation	1,289	—
	394,767	343,072

The amounts owed from fellow subsidiaries contain the following balances:

- Variable rate funding account of £173m (2019 £137m). Interest is accrued on a monthly basis based on IBOR. The interest rate at year end was LIBOR -0.14% (2019 LIBOR -0.11%). The account is on standard IFA (Internal Financing Account) terms and is repayable on demand.
- All other amounts have immediate settlement payment terms.

Amounts falling due after one year:

	2020	2019
	£000	£000
Prepayments and accrued income	17,514	28,625
	17,514	28,625
Total debtors	412,281	371,697

18. Creditors

Amounts falling due within one year:

	2020	2019
	£000	£000
Trade creditors	31,119	23,310
Amounts owed to fellow subsidiaries	112,426	106,431
Other creditors	11,896	4,521
Taxation	2,688	2,616
Accruals and deferred income	84,341	28,537
	242,470	165,415

Amounts owed to fellow subsidiaries contain £79m intercompany balance repayable on demand and £33m with immediate payment terms and non-interest bearing.

Amounts falling due after one year:

	2020	2019
	£000	£000
Other creditors	7	—
Total creditors	242,477	165,415

19. Leases

The company leases a number of assets as part of its activities. This primarily includes office accommodation. The weighted average remaining lease term for the total lease portfolio is around 3 years. Some leases will have payments that vary with market interest or inflation rates.

The company may enter into lease arrangements a number of years before taking control of the underlying asset due to construction lead times or to secure future operational requirements. The total undiscounted amount for future commitments for leases not yet commenced as at 31 December 2020 is £0 million.

	2020
	£000
Short-term lease expense	(12)
Additions to right-of-use assets in the period	(24)

An analysis of right-of-use assets and depreciation is provided in Note 14. An analysis of lease interest expense is provided in Note 9.

20. Other provisions

	Other	Restructuring	Total
	£000	£000	£000
At 1 January 2020	142	8,970	—
Exchange Adjustments	—	15	15
New or increased provisions:			
Charged to profit and loss account	707	14,315	15,022
Write-back of unused provisions	—	—	—
Transfer to fellow subsidiaries	—	(4,265)	(4,265)
Utilisation	(250)	(4,911)	(5,161)
At 31 December 2020	600	14,123	14,723
At 31 December 2020			
Current	600	14,123	14,723
Non-current	—	—	—
	600	14,123	14,723
At 31 December 2019			
Current	—	8,970	8,970
Non-current	142	—	142
	142	8,970	9,112

Restructuring provision of £14m is related to the bp reinvent programme for UK employees. As at end Dec 2020 the provision covers a number of employees who are expected to leave by end Dec 2021. Payments for all are materially expected to be settled by end Dec 2021. Other provision relates to a legal case regarding a commission fee payment to a customer expected to be settled by end Dec 2021.

21. Share-based payments

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Effect of share-based payment transactions on the company's result and financial position

	2020	2019
	£'000	£'000
Total expense recognized for equity-settled share-based payment transactions	7,589	9,537
Total expense (credit) recognized for cash-settled share-based payment transactions	(503)	(111)
Total expense recognized for share-based payment transactions	7,086	9,426
Closing balance of liability for cash-settled share-based payment transactions	26	532
Total intrinsic value for vested cash-settled share-based payments	—	677

All share-based payments transactions relate to employee compensation.

The share-based payment plans that operated during the year are detailed below:

Share Value Plan (SVP)
The number of units granted is related to the level of seniority of employees and country of operation. The number of units converted to shares is determined by reference to performance measures over the three-year performance period. Performance measures used include BP's total shareholder return (TSR) compared with the other oil majors, balanced scorecard and individual rating. The relative weighting of these different measures is related to the level of seniority of the employee.

Restricted share unit plans (RSP)
Share unit grants under the Restricted Share Plan (RSP) are used in special circumstances such as recruitment and retention of senior employees and normally have no performance conditions.

Share unit grants under BP's other restricted share plans typically take into account the employee's performance in either the current or the prior year, track record of delivery, business and leadership skills and potential. Plans included in this category are the Restricted Share Plan (RSP), Restricted Share Plan II (RSPII), the Lower 48 Long Term Incentive Plan (L48 LTI), Annual Cash Bonus Deferral's matching element (ACBD Matching), and the Deferred Annual Bonus Plan (DAB) including IST DAB.

Savings and matching plans

BP ShareMatch Plans
These matching share plans give employees the opportunity to buy ordinary shares in BP p.l.c. and receive free matching shares in BP p.l.c., up to a predetermined limit. The plans are run in the UK and in more than 50 other countries. They are known as ShareMatch UK in the UK, and as ShareMatch Global in other countries.

BP ShareSave Plan
This plan is open to all eligible UK employees. Participants can contribute up to a maximum of £250 per month from their net salary to a savings account over a three- or five-year contractual savings period. At the end of the savings period, they are entitled to purchase shares in BP p.l.c. at a preset price determined on the date when the invitations are sent to eligible employees. This price is usually set at a discount to the market price of a share of up to 20%. The plan is shareholder approved and is settled using Treasury shares.

Share option transactions

Share option transactions for the year were as follows:

Share options transactions in the year	2020 Number of Options		2020 Weighted average exercise price	2019 Number of Options		2019 Weighted average exercise price
Outstanding at 1 January	**1,849,771**	**$**	**5.10**	1,774,099	$	4.61
Transferred in during the year	**22,144**	**$**	**5.25**	268,732	$	4.88
Transferred out during the year	**(533,308)**	**$**	**5.05**	(65,806)	$	4.45
Granted during the year	**1,255,947**	**$**	**3.39**	274,046	$	5.72
Exercised during the year	**(62,718)**	**$**	**4.26**	(330,006)	$	3.96
Expired/lapsed/cancelled during the year	**(564,059)**	**$**	**5.17**	(71,294)	$	5.33
Outstanding at 31 December	**1,967,777**	**$**	**4.03**	1,849,771	$	4.91
Exercisable at 31 December	**474,607**	**$**	**5.05**	909,272	$	4.83

Exercise price ranges and weighted average remaining contractual lives for options outstanding at 31 December 2020 are shown below:

Share options outstanding - Exercise price ranges	2020 Number of Options	2020 Weighted average remaining life years		2020 Weighted average exercise price	2019 Number of Options	2019 Weighted average remaining life years		2019 Weighted average exercise price
$3.01 - $4.00	**1,350,202**	**3.71**	**$**	**3.47**	320,525	1.91	$	3.8
$4.01 - $5.00	**29,331**	**0.16**	**$**	**4.91**	1,102,285	1.73	$	4.87
$5.01 - $6.00	**540,560**	**0.96**	**$**	**5.17**	273,650	3.48	$	5.71
$6.01 - $7.00	**47,684**	**1.87**	**$**	**6.31**	153,311	2.84		6.08
	1,967,777	**2.86**	**$**	**4.03**	1,849,771	2.11	$	4.91

Fair values and associated details for restricted share units granted

		2020		2019
Share Value Plan (SVP)				
Number of share units granted		**787,213**		1,289,031
Weighted average fair value	**$**	**3.51**	$	7.24
Fair value measurement basis		**Market value**		Market value
Restricted Share Plan (RSP)				
Number of share units granted		**9,285**		106,297
Weighted average fair value	**$**	**3.9**	$	6.7
Fair value measurement basis		**Market value**		Market value
Annual Cash Bonus Deferral (ACBD)				
Number of share units granted		**—**		—
Weighted average fair value	**$**	**—**	$	—
Fair value measurement basis		**Market value**		Market value

22. Called up share capital

	2020	2019
	£000	£000
Issued and fully paid:		
750,000,000 ordinary shares of £1 each for a total nominal value of £750,000,000	750,000	750,000
	750,000	750,000

23. Reserves

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

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

Other distributable reserve
The balance on the other distributable reserve account represents the effect of share-based payment equity settled transactions on the group's financial position.

Profit and loss account
The balance held on this reserve is the accumulated losses of the company.

In 2020, the company paid interim ordinary dividends of £nil (2019:£nil).

24. Related party transactions

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

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

Related party	Sales to related party	Purchases from related party	Amounts owed from related party	Amounts owed to related party
	£000	**£000**	**£000**	**£000**
Castrol India Limited				
Member of the same group				
Services				
2020	—	(40)	(14)	(10)
2019	—	(58)	(8)	73

25. Pension and Other Post-Retirement Benefits Note

The company operates a post-retirement benefit plan. The employment contract of certain present and former employees of the company entitles them to free private medical insurance post retirement. The company pays these premiums on behalf of the former employees.
In addition to participating in a defined benefit pension scheme operated by BP plc, for which the accounting treatment is outlined in note 2, the company operates a post-retirement healthcare plan which is accounted for in these financial statements using defined benefit accounting principles

The obligation and the cost of providing post-retirement benefits are assessed annually using the projected unit credit method. The date of the latest actuarial valuation for the Burmah Castrol Post-retirement Healthcare Plan was 31 December 2017. The date of the most recent actuarial review was 31 December 2020.

The material financial assumptions used to estimate the benefit obligations are set out below. The assumptions are reviewed by management at the end of each year, and are used to evaluate the accrued benefit obligation at 31 December and pension expense for the following year:

			%
	2020	**2019**	**2018**
Financial assumption used to determine benefit obligation			
Discount rate for other post-retirement pension plan liabilities	**1.4**	2.1	2.9

Our assumption for the future healthcare cost trend rate for the first year (i.e. the year after the balance sheet date) reflects the rate of actual cost increases seen in recent years. The ultimate trend rate reflects our long-term expectations of what cost inflation will stabilise at based on past healthcare cost inflation seen over a longer period of time. The assumed future healthcare cost trend rate assumptions are as follows:

			%
	2020	**2019**	**2018**
Financial assumption used to determine benefit obligation			
Initial healthcare cost trend rate	**5.10**	5.10	5.10
Ultimate healthcare cost trend rate	**5.10**	5.10	5.10
Year in which ultimate trend rate is reached	**2021**	2020	2019

In addition to the financial assumptions, we regularly review the demographic and mortality assumptions. The mortality assumptions reflect best practice in the UK, and have been chosen with regard to the latest available published tables adjusted where appropriate to reflect experience of the company and an extrapolation of past longevity improvements in the future. Our mortality assumptions as follows:

			Years
	2020	**2019**	**2018**
Mortality assumptions			
Life expectancy at age 60 for a male currently aged 60	**26.9**	27.7	27.3
Life expectancy at age 60 for a male currently aged 40	**28.4**	28.8	28.4
Life expectancy at age 60 for a female currently aged 60	**28.8**	28.7	28.7
Life expectancy at age 60 for a female currently aged 40	**30.3**	30.3	29.9

25. Pension and Other Post-Retirement Benefits Note (continued)

			£000
	2020	**2019**	2018
Analysis of the amount charged to profit before interest and taxation			
Interest on plan liabilities	**557**	747	712
Other finance expense	**557**	747	712
			—

	2020	**2019**
Analysis of the amount recognized in other comprehensive income		
Changes in demographic assumptions	**650**	95
Change in financial assumptions underlying the present value of the plan liabilities	**(2,206)**	(2,671)
Experience gains and losses arising on the plan liabilities	**363**	1,371
Remeasurements recognized in other comprehensive income	**(1,193)**	(1,205)

£000

	2020	2019
Movements in benefit obligation during the year		
Benefit obligation at 1 January	**(27,515)**	(26,713)
Interest cost on other post-retirement benefit liabilities	**(557)**	(747)
Benefit payments	**1,286**	1,150
Remeasurements	**(1,193)**	(1,205)
Benefit obligation at 31 December	**(27,979)**	(27,515)

Sensitivity analysis

The discount rate assumption and assumed healthcare cost trend rate have a significant effect on the amounts reported. A one-percentage point change, in isolation, in certain assumptions as at 31 December 2020 for the company's plan would have had the effects shown in the table below. The effects shown for the expense in 2021 represent the finance expense.

	One percentage point	
	Increase	Decrease
Discount rate		
Effect on pension and post-retirement benefit expense in 2021	**196**	**(257)**
Effect on pension and post-retirement benefit obligation at 31 December 2020	**(3,280)**	**4,034**
Healthcare cost trend rate		
Effect on pension and post-retirement benefit expense in 2021	**55**	**(46)**
Effect on pension and post-retirement benefit obligation at 31 December 2020	**3,989**	**(3,321)**

One additional year of longevity in the mortality assumptions would increase the 2021 pension and other post-retirement benefit expense by £29,000 and the pension benefit obligation at 31 December 2020 by £2,121,000.

Estimated future benefit payments and the weighted average duration of defined benefit obligations

The expected benefit payments, which exclude plan expenses, up until 2030 and the weighted average duration of the defined benefit obligations at 31 December 2020 are as follows:

Estimated future benefit payments	
2021	**1,268**
2022	**1,283**
2023	**1,302**
2024	**1,319**
2025	**1,331**
2026-2030	**6,729**
	years
Weighted average duration	**12.7**

25. Pension and Other Post-Retirement Benefits Note (continued)

The company is a participating employer in the BP Pension Fund. The BP Pension Fund is separately funded and provides benefits that are computed based on an employee's years of service and final pensionable salary. The level of contributions made to the BP Pension Fund is the amount needed to provide adequate funds to meet pension obligations as they fall due, and are based on pension costs in respect of all members of the fund.

The obligation and the cost of providing pensions are assessed annually using the projected unit credit method. The date of the latest formal actuarial valuation for the BP Pension Fund was 31 December 2017, and a valuation as at 31 December 2020 is currently underway. The date of the most recent actuarial review was 31 December 2020. During 2020, employer contributions of £137m (2019: £170m) and member contributions of £4m (2019: £5m) were made to the BP Pension Fund. Most of the contributions made by the plan participants after 1 January 2010 into the BP Pension Fund were made under salary sacrifice.

The BP Pension Fund is operated in a way that does not allow the individual participating employing companies in the Pension Fund to identify their share of the underlying assets and liabilities of the fund. Therefore the company's payments in respect of pension current service cost have been accounted for as an expense as if they were contributions to a defined contribution scheme and no further FRS 101 disclosures are made in these accounts.

The results of the most recent actuarial valuation of the BP Pension Fund as at 31 December 2017, have been reflected in the disclosures required by FRS 101 for the year ended 31 December 2020, and are included within the accounts of the ultimate parent undertaking BP p.l.c.

In the BP p.l.c. accounts, pension plan assets are measured at fair value and pension plan liabilities are measured on an actuarial basis using the projected unit credit method and discounted at an interest rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the plan liabilities. Remeasurements of the defined benefit liability and asset, comprising actuarial gains and losses, and the return on plan assets (excluding amounts included in net interest) are recognised within this company's statement of total recognised gains and losses in the period in which they occur.

26. Contingent liability

The Environmental Agency (EA) has determined that the company is liable for remediation works at a former site. The extent of the company's potential liability remains uncertain until the results of the initial inspection and tests to ascertain the extent of necessary remediation works are received. In the meantime, the EA remains accountable for the management of contamination issues at the site.

27. 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 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.