

**BURMAH CASTROL PLC**

**(Registered No. SC 5098)**

**ANNUAL REPORT AND ACCOUNTS 2010**

FRIDAY



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COMPANIES HOUSE

**Board of Directors:**

J J Carey  
R R Hewins  
M Johnson  
B M Puffer

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**REPORT OF THE DIRECTORS**

The directors present their report and accounts for the year ended 31 December 2010.

**Results and dividends**

The loss for year after taxation was £4,053,000 which, when deducted from the retained profit brought forward at 1 January 2010 of £58,049,000, together with total paid interim dividend to ordinary shareholder of £40,000,000 gives a total retained profit carried forward at 31 December 2010 of £13,996,000.

During the year the company has declared and paid dividends of £40,000,000 (2009: £151,363,000). The directors do not propose the payment of a final dividend.

**Principal activity and review of the business**

The company's principal activity is that of a holding company of an international group whose principal business is the global marketing and manufacturing of specialised lubricants.

No applicable key financial or other performance indicators have been identified for this company.

**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 at a group level. Monitoring and accountability for the management of these risks occur through quarterly performance reviews at a group level.

Consider carefully the risks described below, the potential impact of their occurrence on the business, financial condition and results of operations on the company.

Company level risks have been categorised against the following areas: compliance and control and financial risk management. In addition, we have also set out a further category of risk for your attention – those resulting from the Gulf of Mexico oil spill (the Incident).

**Gulf of Mexico oil spill**

The Gulf of Mexico oil spill has had and could continue to have a material adverse impact on BP as a group, and consequently may also have an adverse impact on Burmah Castrol plc.

There is significant uncertainty in the extent and timing of costs and liabilities relating to the Incident, the impact of the Incident on the reputation of the BP group and the resulting possible impact on the company's ability to access new opportunities. There is also significant

## **BURMAH CASTROL PLC**

### **REPORT OF THE DIRECTORS**

#### **Principal risks and uncertainties (continued)**

##### **Gulf of Mexico oil spill (continued)**

uncertainty regarding potential changes in applicable regulations and the operating environment that may result from the Incident. These increase the risks to which the group and therefore the company are exposed to. These uncertainties are likely to continue for a significant period. Thus, the Incident has had, and could continue to have, a material adverse impact on the group's business, competitive position, financial performance, cash flows, prospects, liquidity, shareholder returns and/or implementation of its strategic agenda, particularly in the US.

The BP group income statement for the year ended 31 December 2010 includes a pre-tax charge of \$40.9 billion in relation to the Gulf of Mexico oil spill. The total amounts that will ultimately be paid by the BP group in relation to all obligations relating to the Incident are subject to significant uncertainty and the ultimate exposure and cost to the BP group will be dependent on many factors. The risks associated with the Incident could also heighten the impact of the other risks to which the company is exposed as further described below. Further information on the Incident, is included within the BP group Annual Report and Form 20-F for the year ended 31 December 2010.

#### **Compliance and control risk**

##### ***Reporting***

External reporting of financial and non-financial data is reliant on the integrity of systems and people. Failure to report data accurately and in compliance with external standards could result in regulatory action, legal liability and damage to our reputation.

#### **Financial risk management**

The main financial risks faced by the company through its normal business activities are foreign currency exchange risk, interest rate risk. The management of these financial risks is performed at BP group level. The company seeks to maintain a financial framework to ensure that it is able to maintain an appropriate level of liquidity and financial capacity. This framework constrains the level of assessed capital at risk for the purposes of positions taken in financial instruments. Failure to accurately forecast or maintain sufficient liquidity and credit to meet these needs could impact the company's ability to operate and result in a financial loss.

##### ***Foreign currency exchange risk***

Fluctuations in foreign exchange rates can have significant effects on the company's reported results. The company's financial assets and liabilities give rise to transactional currency exposures. Such exposures arise from transactions in a currency other than the company's functional currency. The management of such risks is performed at BP group level. BP's foreign exchange management policy is to minimize economic and significant transactional exposures arising from currency movements against the US dollar. The group co-ordinates the handling of foreign exchange risks centrally, by netting off naturally occurring opposite exposures wherever possible and then dealing with any material residual foreign exchange risks. For highly probable forecast capital expenditures the group locks in the US dollar cost of non US dollar supplies by using currency forwards and futures.

Crude oil prices are generally set in US dollars, while sales of refined products may be in a variety of currencies. Fluctuations in exchange rates can therefore give rise to foreign exchange exposures, with a consequent impact on underlying costs and revenues.

## **BURMAH CASTROL PLC**

### **REPORT OF THE DIRECTORS**

#### **Principal risks and uncertainties (continued)**

#### **Financial risk management (continued)**

##### ***Interest rate risk***

The company is exposed to interest rate risk from the possibility that changes in interest rates will affect future cash flows or the fair values of its financial instruments, principally finance debt.

#### **Future developments**

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

#### **Going concern**

The directors consider that, despite the uncertainties deriving from the current economic environment and the loss reported for the year, the company has adequate resources to continue in operational existence for the foreseeable future.

#### **Directors**

The present directors are listed on page 1.

M Johnson and R R Hewins served as directors throughout the financial year. Changes since 1 January 2010 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
R C Harrington	-	8 March 2010
L P Waterman	-	1 June 2010
J J Carey	1 June 2010	
B M Puffer	8 March 2010	
<b>Directors' indemnity</b>		

The company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006.

#### **Policy and practice with respect to payment of suppliers**

It is the company's policy to follow the CBI's prompt payment code of practice for all suppliers to the company with payments made in accordance with the relevant contractual payment terms. A copy of the code of practice may be obtained from the CBI.

The number of days' purchases represented by trade creditors at the year-end was nil.

#### **Auditors**

In the absence of a notice proposing that the appointment be terminated, Ernst & Young LLP will be deemed to be re-appointed as the company's auditor for the next year.

**BURMAH CASTROL PLC**

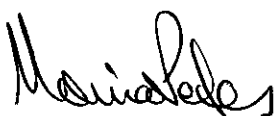
**REPORT OF THE DIRECTORS**

**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 their 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. By Order of the Board



Monica Peters  
For and on behalf of  
Sunbury Secretaries Limited  
Company Secretary

13 JUNE 2011

Registered Office:

1 Wellheads Avenue  
Dyce  
Aberdeen  
AB21 7PB  
United Kingdom

## **BURMAH CASTROL PLC**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable 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). 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 accounts, 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 proper 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 and, having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts.

## **BURMAH CASTROL PLC**

### **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF** **BURMAH CASTROL PLC**

We have audited the company's financial statements for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the accounting policies and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice).

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 auditors' 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.

#### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

#### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

#### **Opinion on the financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of the company's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

#### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company 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.

*Ernst & Young LLP*

William Testa

( Senior Statutory Auditor )

for and behalf of Ernst & Young LLP, Statutory Auditor  
Registered auditor  
London

*16 June* 2011

## **BURMAH CASTROL PLC**

### **ACCOUNTING POLICIES**

#### **Accounting standards**

These accounts are prepared in accordance with applicable UK accounting standards.

#### **Accounting convention**

The accounts are prepared under the historical cost convention.

#### **Statement of cash flows**

The group accounts of the ultimate parent undertaking contain a consolidated cash flow statement. The company has taken advantage of the exemption granted by the Financial Reporting Standard No. 1 (Revised), whereby it is not required to publish its own cash flow statement.

#### **Group accounts**

Group accounts are not submitted as the company is exempt from the obligation to prepare group accounts under Section 400 (1) of the Companies Act 2006. The results of subsidiary and associated undertakings are dealt with in the consolidated accounts of the ultimate parent undertaking, BP p.l.c., a company registered in England and Wales. These accounts present information about the company as an individual undertaking and not about the group.

#### **Foreign currency transactions**

Foreign currency transactions are initially recorded in sterling by applying the exchange rate ruling on the date of transaction. Foreign currency monetary assets and liabilities are translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange differences are included in the profit and loss account.

#### **Interest**

Interest is charged against income in the year in which it is incurred.

#### **Dividends payable**

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

#### **Investments**

Fixed asset investments in subsidiaries, joint ventures and associates are held at cost. The company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the company makes an estimate of its 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.

**BURMAH CASTROL PLC**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2010**

	Note	<u>2010</u> £000	<u>2009</u> £000
Administration expenses		(1,614)	(470)
Exchange (losses) / gains		(2,009)	82,294
Loss on derivatives		-	(54,914)
<b>Operating (loss) / profit</b>	<b>1</b>	<u>(3,623)</u>	<u>26,910</u>
Interest payable and similar charges	<b>3</b>	(2,202)	(8,263)
Interest receivable and similar income	<b>4</b>	1,655	5,009
Other income		117	92
<b>(Loss)/profit on ordinary activities before taxation</b>		<u>(4,053)</u>	<u>23,748</u>
Taxation	<b>5</b>	-	-
<b>(Loss) / profit for the year</b>		<u>(4,053)</u>	<u>23,748</u>

The loss of £4,053,000 for the year ended 31 December 2010 has derived in its entirety from continuing operations.

There are no recognised gains or losses attributable to the shareholders of the company other than the loss of £4,053,000 for the year ended 31 December 2010 (2009 profit of £23,748,000).



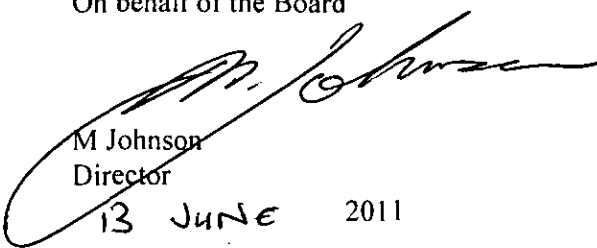
**BURMAH CASTROL PLC**

( Registered No. SC5098)

**BALANCE SHEET AT 31 DECEMBER 2010**

	Note	<u>2010</u> £000	<u>2009</u> £000
<b>Fixed assets</b>			
Investments	7	<u>312,900</u>	<u>312,900</u>
<b>Current assets</b>			
Debtors	8	551,574	485,562
Cash at bank and in hand		<u>5,170</u>	<u>4,293</u>
<b>Creditors: amounts falling due within one year</b>	9	<u>(476,244)</u>	<u>(365,302)</u>
<b>Net current assets</b>		<u>80,500</u>	<u>124,553</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		393,400	437,453
<b>NET ASSETS</b>		<u>393,400</u>	<u>437,453</u>
<b>Represented by:</b>			
<b>Capital and reserves</b>			
Called up share capital	10	75,167	75,167
Share premium account	11	126,227	126,227
Capital redemption reserve	11	178,010	178,010
Profit and loss account	11	13,996	58,049
<b>SHAREHOLDERS' FUNDS – EQUITY INTERESTS</b>		<u>393,400</u>	<u>437,453</u>

On behalf of the Board

  
M Johnson  
Director

13 JUNE 2011

# BURMAH CASTROL PLC

## NOTES TO THE ACCOUNTS

### 1. Operating (loss) / profit

This is stated after charging / (crediting):

	<u>2010</u>	<u>2009</u>
	£000	£000
Exchange (loss) / gain on foreign currency borrowings and deposits	<u>(2,009)</u>	<u>82,294</u>

### 2. Auditor's remuneration

	<u>2010</u>	<u>2009</u>
	£000	£000
Fees for the audit of the company	<u>6</u>	<u>7</u>

Fees paid to the company's auditor, Ernst & Young LLP, and its associates for services other than the statutory audit of the company are not disclosed in these accounts since the consolidated accounts of Burmah Castrol p.l.c.'s ultimate parent, BP p.l.c., are required to disclose non-audit fees on a consolidated basis.

The fees for 2010 were borne by another group company.

### 3. Interest payable and similar charges

	<u>2010</u>	<u>2009</u>
	£000	£000
Interest expense on:		
Bank loans and overdrafts	-	4,194
Loans from group undertakings	<u>2,202</u>	<u>4,069</u>
	<u>2,202</u>	<u>8,263</u>

### 4. Interest receivable and similar income

	<u>2010</u>	<u>2009</u>
	£000	£000
Interest income from group companies	<u>1,655</u>	<u>5,009</u>
	<u>1,655</u>	<u>5,009</u>

# BURMAH CASTROL PLC

## NOTES TO THE ACCOUNTS

### 5. Taxation

The Company is a member of a group for the purposes of relief within Part V, Corporation Tax Act 2010. No corporation tax has been provided because another group company, BP International Limited, has undertaken to procure the claim or surrender of group relief to the extent it is required and to provide for any current or deferred tax that arises without charge.

The following table provides a reconciliation of the UK statutory corporation tax rate to the effective current tax rate on profit before taxation:

	<u>2010</u>	<u>2009</u>
	£000	£000
(Loss) / profit before taxation	(4,053)	23,748
Current taxation	-	-
Effective current tax rate	0%	0%
	<u>2010</u>	<u>2009</u>
	%	%
UK statutory corporation tax rate:	28	28
Decrease resulting from:		
Non-deductible expenditure / non-taxable income	-	1
Other timing differences	(7)	1
Free group relief	(125)	(23)
Transfer pricing adjustments	104	(7)
Effective tax rate	<u>-</u>	<u>-</u>

### 6. Directors and employees

#### (a) Remuneration of directors

J J Carey and R R Hewins are directors of Lubricants UK Limited in whose accounts information required by the Companies Act 2006 as regards to emoluments is given. The remaining directors are senior executives of the BP Plc Group and received no remuneration for services to this company or its subsidiary undertakings.

#### (b) Employee Costs

The company had no employees during the year (2009: Nil).

**BURMAH CASTROL PLC**  
**NOTES TO THE ACCOUNTS**

**7. Investments**

	Subsidiary shares	Total
Cost	£000	£000
At 1 January 2010	731,835	731,835
Disposals	(1,658)	(1,658)
At 31 December 2010	<u>730,177</u>	<u>730,177</u>
<b>Amounts provided</b>		
At 1 January 2010	(418,935)	(418,935)
Disposals	1,658	1,658
At 31 December 2010	<u>(417,277)</u>	<u>(417,277)</u>
<b>Net book amount</b>		
At 31 December 2010	<u>312,900</u>	<u>312,900</u>
At 31 December 2009	<u>312,900</u>	<u>312,900</u>

The investments in subsidiaries are unlisted. The most significant subsidiary undertakings of the company at 31 December 2010 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.

Subsidiary undertakings	Class of share held	%	Country of incorporation	Principal activity
Burmah Castrol Holdings Ltd	Ordinary	100	England	Holding company
J.H.C. Realisations Ltd (in liquidation)	Ordinary	100	Scotland	Holding Company
Fosroc Expandite Ltd	Ordinary	100	England	Holding Company

**8. Debtors**

	2010	2009
	Within 1 year £000	Within 1 year £000
Amounts owed by group undertakings	551,474	485,454
Other debtors	100	108
	<u>551,574</u>	<u>485,562</u>

# **BURMAH CASTROL PLC**

## **NOTES TO THE ACCOUNTS**

### **9. Creditors**

	<u>2010</u>	<u>2009</u>
	Within 1 year £000	Within 1 year £000
Amounts owed to group undertakings	474,826	363,867
Other creditors	1,418	1,435
	<u>476,244</u>	<u>365,302</u>

### **10. Called up share capital**

	<u>2010</u>	<u>2009</u>
	£000	£000
Allotted, and called up 178,969,183 Ordinary shares of 42p each for a total nominal value £75,167,057	75,167	75,167

### **11. Capital and reserves**

	Called up share capital	Share premium account	Profit and loss account	Total
	£000	£000	£000	£000
At 1 January 2010	75,167	304,237	58,049	437,453
Loss for the year	-	-	(4,053)	(4,053)
Dividends – current year interim paid			(40,000)	(40,000)
At 31 December 2010	<u>75,167</u>	<u>304,237</u>	<u>13,996</u>	<u>393,400</u>

In 2010 the company has paid interim ordinary dividends for £40,000,000.  
The dividend per share was £0.22 (2009: £0.85).

### **12. Reconciliation of movements in shareholders' funds**

	<u>2010</u>	<u>2009</u>
	£000	£000
(Loss) / profit for the year	(4,053)	23,748
Dividends – current year interim paid	(40,000)	(151,363)
Net decrease in shareholders' interests	(44,053)	(127,615)
Shareholders' funds at 1 January	437,453	565,068
Shareholders' funds at 31 December	<u>393,400</u>	<u>437,453</u>

### **13. Related party transactions**

The company has taken advantage of the exemption contained within Financial Reporting Standard No 8 "Related Party Disclosures", and has not disclosed transactions entered into with group companies. There were no other related party transactions in the year.

## BURMAH CASTROL PLC

### NOTES TO THE ACCOUNTS

#### **14. Pensions**

The company does not directly employ any staff and therefore does not directly bear any pension charge.

#### **15. Immediate and ultimate parent undertaking**

The immediate and ultimate parent undertaking of the group of undertakings for which group accounts are drawn up, and of which the company is a member, is BP p.l.c., a company registered in England and Wales. Copies of BP p.l.c.'s accounts can be obtained from 1 St James's Square, London, SW1Y 4PD.