

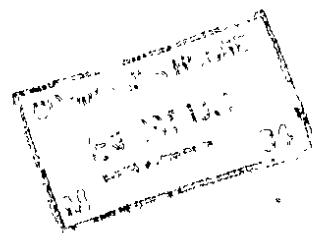


BP CHEMICALS

BP CHEMICALS LIMITED

ANNUAL REPORT AND ACCOUNTS 1990

REGISTERED NUMBER : 194971



BP CHEMICALS LIMITED
ANNUAL REPORT AND ACCOUNTS - 1990

Board of Directors : B.K.SANDERSON (Chairman)
 J.G.BUCHANAN
 J.D.CAMPBELL
 A.J.S.HOOPER

REPORT OF THE DIRECTORS

The Directors submit their report and accounts for the year ended 31 December 1990.

Principal Activity

The Company and its subsidiary undertakings operated their chemicals and plastics manufacturing assets either in their own name or as agents of BP International Limited.

Financial Review

The profit for the year was £32,759,000 which has been added to profits brought forward of £34,331,000. An interim dividend for 1990 of £5,000,000 was declared and paid. The Directors recommend payment of a final dividend for the year of £25,000,000.

Review of Activities

The market for bulk chemicals weakened from the exceptional levels in previous years which together with the rise in feedstock costs and the shutdown of a number of plants for maintenance resulted in a reduction in operating profit in 1990. From the commencement of 1990, the Company extended its agency activity to include the operations of BP Advanced Materials Limited assets acquired by BP International Limited. In May 1990 the Company sold its shareholding in BP France to The British Petroleum Company p.l.c. at book value. In June 1991 the company acquired the entire shareholding of BP Chemicals Trading Limited. The Company acquired a 60% shareholding in Nexton Chemical Company Limited in July 1991.

Research and Development

The Company, on behalf of itself and its subsidiaries, was engaged in a wide range of research and development activities in connection with the manufacture of chemicals and plastics.

Directors

The present directors of the Company are listed above. Mr R R Knowland resigned and Mr B K Sander-son was appointed as Chairman on 11 March 1990. Mr C H Thompson resigned on 30 April 1990 and Dr J G Buchanan was appointed on 12 July 1990. Mr A J S Hooper and Mr J D Campbell were directors of the Company throughout the year.

BP CHEMICALS LIMITED

REPORT OF THE DIRECTORS (continued)

Directors

The interests of the Directors holding office on 31 December 1990, and their families, in the shares of The British Petroleum Company p.l.c. were as set out below :

	Type of Share	1 January 1990 or date of appointment	31 December 1990
B.K.Sanderson	25p Ordinary	2,207	3,157
J.G.Buchanan	25p Ordinary	5,923	6,308
J.D.Campbell	American Depository Shares *	200	200
A.J.S.Hooper	25p Ordinary	8,193	11,087

* 12 25p Ordinary shares represent 1 American Depository Share.

Rights to subscribe for 25p Ordinary Shares were granted to, or exercised by, the directors between 1 January or the date of their appointment and 31 December 1990 as follows:-

	Granted	Exercised
B.K.Sanderson	1,411	Nil
J.G.Buchanan	Nil	2,310
J.D.Campbell	48,000	Nil
A.J.S.Hooper	37,888	3,237

None of the Directors had any interest in the shares or the debentures of subsidiary undertakings of The British Petroleum Company p.l.c. at 31 December 1990.

During the year insurance was purchased and maintained by the ultimate parent undertaking for the directors and officers of the Company against the financial consequences of actions brought against them by outside parties for their acts or omissions in the performance of their duties.

Equal Opportunity

It is the policy of the BP Group to develop and maintain a working environment, terms and conditions, and employment practices and procedures which will ensure that no job applicant or employee receives less favourable treatment on the grounds of race, religion, colour, nationality, ethnic or national origins, sex or marital status.

Employment of Disabled Persons

With respect to disabled persons, the aim is to enable those with the appropriate skills and qualifications to have equal opportunities to seek and maintain employment with the Company. Wherever practicable, the Company will retain in employment those employees who become disabled and, in line with the Company's normal practice they will be given equal consideration to all other employees for training and career development, to enable them to fulfil their potential.

BP CHEMICALS LIMITED

REPORT OF THE DIRECTORS (Continued)

Employee Involvement

The aim of BP Chemicals Limited's employee involvement policies is to promote a better understanding of the issues influencing the Company's business, to improve performance and productivity, to enhance the quality of working life, and to gain the commitment of all concerned to the Company's objectives, and to provide opportunities for employees to express their views on workplace and other matters of interest or concern to them.

However the Company does not, in general, impose a uniform set of employee involvement arrangements, preferring that Managers adopt, in consultation with their employees, arrangements best suited to the particular circumstances. There is emphasis at the work-unit level on regular Manager/employee discussion on work-related and other issues, and there is a wide range and variety of consultative committees, at some of which general topics can be and are discussed while others are for dealing with particular subjects such as health and safety, pension arrangements, or catering facilities.

Further opportunities for employee involvement are provided by the system of Quality Work Group meetings which are established throughout the Company as a key element of the Total Quality Management Programme.

Two Company periodicals give extensive coverage to business issues, as well social, sporting and other leisure interests of employees and their families. Further information about BP Chemicals and about other Companies in the BP Group is included in the Group magazine "BP Shield" and in the Group's quarterly video programme "Pipeline", both of which are readily available to all employees.

A high proportion of employees take part in the BP Group Participating Share Scheme and/or SAYE share option scheme, and on this basis receive all information available to BP Group shareholders.

Auditors

Ernst & Young have expressed their willingness to continue as auditors and their re-appointment at the Annual General Meeting is proposed in accordance with section 385 of the Companies Act 1985.

By order of the Board


Secretary

Belgrave House
76 Buckingham Palace Road
London SW1W 0SU
1991

BP CHEMICALS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1990

		1990 £'000	1989 £'000
Turnover	NOTE 3	405,414	376,009
1988 Management fee adjustment		<u>-</u>	<u>7,767</u>
		405,414	383,776
Cost of Sales		<u>359,179</u>	<u>333,663</u>
Gross profit		46,235	50,113
Distribution and administration expenses	4	7,451	8,474
Other income	5	<u>395</u>	<u>1,088</u>
Operating profit		39,179	42,727
Interest expense	6	4,611	5,319
Amounts written off investments		<u>1,419</u>	<u>-</u>
Profit on ordinary activities before taxation		33,149	37,408
Taxation	11	<u>390</u>	<u>667</u>
Profit for the year		32,759	36,741
Dividends	12	<u>30,000</u>	<u>26,000</u>
Retained profit for the year		2,759	10,741
Retained profit at 1 January		34,331	27,135
Exchange gain/(loss)		<u>1,080</u>	<u>(3,545)</u>
Retained profit at 31 December		<u><u>38,170</u></u>	<u><u>34,331</u></u>

BP CHEMICALS LIMITED

BALANCE SHEET AT 31 DECEMBER 1990

		1990 £'000	1989 £'000
	Note		
Fixed assets			
Tangible assets	13	21,691	13,865
Investments	14	64,411	62,280
		<u>86,102</u>	<u>76,145</u>
Current assets			
Stocks	15	13,749	11,996
Debtors	16	193,712	193,339
Cash at bank and In hand		15,290	949
		<u>222,751</u>	<u>206,284</u>
Less :			
Creditors amounts falling due within one year	17	247,457	224,872
Net current liabilities		<u>(24,706)</u>	<u>(18,588)</u>
Total assets less current liabilities		<u>61,396</u>	<u>57,557</u>
Creditors amounts falling due after more than one year	17	2,002	2,002
Shareholders' interest		<u><u>59,394</u></u>	<u><u>55,555</u></u>
Represented by :			
Capital and reserves			
Called up share capital	18	12,500	12,500
Share premium account		8,724	8,724
Profit and loss account		38,170	34,331
		<u><u>59,394</u></u>	<u><u>55,555</u></u>

Director's

Byron H. Sanderson

30 September 1991

BP CHEMICALS LIMITED

**SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1990**

	1990 £'000	1989 £'000
SOURCE OF FUNDS		
Profit on ordinary activities before taxation	33,149	37,408
Adjustment for items not involving the movement of funds :		
Depreciation	1,570	1,402
Net book amounts of assets sold	4	149
Amounts written off investments	1,419	-
Exchange adjustments	1,770	(4,825)
TOTAL GENERATED FROM OPERATIONS	<u>37,912</u>	<u>34,134</u>
FUNDS FROM OTHER SOURCES		
Proceeds of disposals of investments	312	453
Taxation refund	1,268	6,000
Repayment of company loans	-	3,650
	<u>1,580</u>	<u>10,103</u>
FUNDS GENERATED	<u>39,492</u>	<u>44,237</u>
APPLICATION OF FUNDS		
Purchase of tangible assets	10,090	6,809
Purchase of investment in subsidiary undertakings	2,000	9,523
Purchase of investment in associated undertakings	1,862	-
Dividends paid	25,000	6,000
Loans to companies	-	3,341
	<u>38,952</u>	<u>25,673</u>
INCREASE IN WORKING CAPITAL	<u>540</u>	<u>18,564</u>
COMPONENTS OF INCREASE IN WORKING CAPITAL		
Stock	1,753	(1,819)
Debtors	373	1,467
Creditors	(17,600)	16,286
	<u>(15,474)</u>	<u>15,934</u>
MOVEMENT IN NET LIQUID FUNDS		
Cash at bank and in hand	<u>16,014</u>	<u>2,630</u>
	<u>540</u>	<u>18,564</u>

BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS

(1) Accounting policies

- (a) The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.
- (b) Expenditure on research is written off in the year in which it is incurred.
- (c) Depreciation on tangible assets is calculated on a straight line basis over their estimated useful lives.
- (d) Stocks of products are valued at the lower of cost, including overheads where applicable, and net realisable value.
- (e) Assets and liabilities of foreign currency branches are translated into sterling at closing rates of exchange; profit and loss accounts are translated at average rates of exchange. Exchange differences resulting from the translation at closing rates of net investments in foreign currency branches, together with differences between profit and loss accounts translated at average rates and at closing rates, are dealt with in retained profits. All other exchange gains or losses on settlement or translation at closing rates of exchange of monetary assets and liabilities are included in the determination of profit for the year.
- (f) Deferred taxation is calculated using the liability method. Provision is made where timing differences are expected to reverse in the foreseeable future.
- (g) Pension costs, including the amortisation of actuarial surpluses and deficiencies, are charged to income over the expected average remaining service lives of employees. The difference between the charge for pensions and total contributions is included within pension provisions or debtors as appropriate.

(2) Group Accounts

Group accounts are not submitted as BP Chemicals Limited is a wholly-owned subsidiary in the BP Group of companies. Income of associated undertakings is dealt with in the accounts of the ultimate parent undertaking and only net income received is reflected in these accounts.

BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (Continued)	1990 £'000	1989 £'000
(3) Turnover		
Turnover comprises gross proceeds, royalties, recoverable expenses and management fee.		
Geographical analysis		
United Kingdom	285,433	255,424
Rest of Europe	119,981	128,352
	<u>405,414</u>	<u>383,776</u>
(4) Distribution and administration expenses		
Distribution	5,984	6,923
Administration	1,374	1,250
Amounts provided against debts due from subsidiary undertakings	93	301
	<u>7,451</u>	<u>8,474</u>
(5) Other Income		
Subsidiary undertakings - dividends	57	272
Trade investment - dividend	24	10
Other interest	314	799
Miscellaneous income	-	7
	<u>395</u>	<u>1,088</u>
(6) Interest expense		
Fellow subsidiary undertakings	4,601	5,314
Bank overdraft	-	5
Other interest	10	-
	<u>4,611</u>	<u>5,319</u>
(7) Depreciation		
Depreciation charged for year	<u>1,570</u>	<u>1,402</u>
(8) Auditors' remuneration		
Overseas fees and expenses	<u>27</u>	<u>24</u>
The cost of UK audit fees and expenses is borne by BP International Limited		.
(9) Research and Development		
Expenditure on research	<u>63,681</u>	<u>50,318</u>

BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (Continued)

(10) Directors and employees	1990	1989
	£'000	£'000
Employee costs		
Wages and salaries	129,268	107,081
Social security costs	12,510	10,479
Pension costs	(3,665)	(3,084)
	<u>138,113</u>	<u>114,476</u>

Average employee numbers

	1990		1989	
	UK	Non-UK	UK	Non-UK
Manufacturing	5,331	322	4,874	318
Distribution and marketing	334	43	308	42
Administration	287	35	273	35
	<u>5,952</u>	<u>400</u>	<u>5,455</u>	<u>395</u>

The Chairman and the remaining directors are senior executives of, and are remunerated by The British Petroleum Company p.l.c. or a subsidiary thereof and received no remuneration for services provided to this company or its subsidiaries.

Pensions

The company is a participating employer in the BP Group's principal UK pension plan (The BP Pension Fund). The BP Pension Fund is separately funded and provides defined benefits that are computed based on an employee's years of service and final pensionable salary. Contributions are made to The BP Pension Fund on the basis of advice from independent actuaries, using actuarial methods the objective of which is to provide adequate funds to meet pension costs in respect of all members of the fund.

BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (Continued)

(11) Taxation

	1990 £'000	1989 £'000
United Kingdom Taxation		
Current at 34.25% (35%)	382	633
Overseas Tax Relief	<u>(382)</u>	<u>(633)</u>
	-	-
Tax Credit on UK Dividends Received	6	3
Overseas taxation	<u>384</u>	<u>664</u>
	<u>390</u>	<u>667</u>

The company is a member of a group for the purposes of relief under Section 402 of the Income and Corporation Taxes Act 1988. The corporation tax liability for the year has been partially covered by double tax relief and owing to the availability of group relief, no provision has been made in the accounts of this company for the balance of the liability. The group's current corporation tax liability has been provided in the accounts of BP International Limited, a fellow subsidiary undertaking.

Provision for deferred taxation has been made in the accounts of BP International Limited, having regard to the group deferred taxation position.

The gross potential liability of this company for deferred taxation at 31 December 1990 of £2,065,000 (1989 £654,000) comprises tax at 33% (1989 - 35%) on timing differences principally between the accounting and tax treatment of depreciation. If provision for deferred taxation had been made in the accounts there would have been a charge for the year of £1,411,000 (1989 £225,000).

(12) Dividends

The directors recommend a final dividend for 1990 of £25,000,000. This dividend if declared will be paid on 1st November 1991. An interim dividend paid during 1990 amounted to £5,000,000.

BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (Continued)

(13) Tangible assets

Chemicals Fixed Assets	£'000
Cost	
At 1 January 1990	30,709
Exchange adjustments	(1,531)
Additions	10,090
Deletions	(138)
At 31 December 1990	<u>39,130</u>
Depreciation	
At 1 January 1990	16,844
Exchange adjustments	(841)
Provided for year	1,570
Deletions	(134)
At 31 December 1990	<u>17,439</u>
Net book amount	
At 31 December 1990	<u>21,691</u>
At 31 December 1989	<u>13,865</u>
Depreciation rates : 5% to 25%	
Included within above assets :	
Freehold land at net book amount	
At 31 December 1989	787
Exchange adjustment	(40)
At 31 December 1990	<u>747</u>

2-7

BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (Continued)

(14) Fixed assets - Investments

	Subsidiary undertakings Shares £'000	Associated undertakings Shares £'000	Trade Investment Shares £'000	Total £'000
Cost :				
At 1 January 1990	50,017	13,623	157	63,797
Additions	2,000	1,862	-	3,862
Disposal	(312)	-	-	(312)
At 31 December 1990	51,705	15,485	157	67,347
Amounts provided				
At 1 January 1990	1,517	-	-	1,517
Provided in the year	-	1,419	-	1,419
At 31 December 1990	1,517	1,419	-	2,936
Net book amount				
At 31 December 1990	50,188	14,066	157	64,411
At 31 December 1989	48,500	13,623	157	62,280

In the opinion of the directors, the value of shares in the company's subsidiary undertakings is not less than the amounts at which these are shown in the balance sheet.

Listed below are the more important subsidiary and associated undertakings at 31 December 1990, directly held all of which are engaged in chemical activities. A full list of investments in subsidiary undertakings will be attached to the Company's annual return.

The investments in subsidiary and associated undertakings are entirely unlisted. The trade investment is valued by the directors at cost.

Subsidiary undertakings :	Country of Registration	Shares held	Percentage
BP Chemicals (Additives) Ltd.	England & Wales	Ordinary	100
BXL Plastics Ltd.	England & Wales	Ordinary	100
BXL Plastics Ltd.	England & Wales	Deferred	100
Honeywill & Stein Ltd.	England & Wales	Ordinary	100
Hythe Chemicals Ltd.	England & Wales	Ordinary	100
Mebon Holdings Ltd.	England & Wales	Ordinary	100
Mebon Holdings Ltd.	England & Wales	Preference	100
The Robert McBride Group Ltd.	England & Wales	Ordinary	100
The Robert McBride Group Ltd.	England & Wales	Preference	100
BP Chemicals (Korea) Limited	England & Wales	Ordinary	100
BP Chemicals Marketing Limited	England & Wales	Ordinary	100
BP Chemicals Technical Services Limited	England & Wales	Ordinary	100

BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (Continued)

(14) Fixed Assets - Investments (continued)

Associated undertakings :	Country of Registration	Shares held	Percentage
Acell Investments Ltd.	England & Wales	Ordinary	40
Kooltherm Insulation Products Ltd	England & Wales	Ordinary	50

The aggregate amount of the capital and reserves, together with profits or losses of the above associated undertakings are as shown below. The figures quoted represent the position shown in the latest annual accounts received in respect of Kooltherm Insulation Products Limited for the year ended 31 March 1990 and in respect of Acell Investments Limited for the year ended 31 September 1990.

	Capital and reserves £'000	Profit /(loss) for year £'000
Acell Investments Ltd.	1,590	(3,256)
Kooltherm Insulation Products Ltd.	941	676

In December 1990 additional share capital was subscribed by the shareholders of Acell Investments Limited to restore the solvency of the company.

(15) Stocks

	1990 £'000	1989 £'000
Raw materials	2,974	3,013
Finished products	9,315	7,718
Stores	1,460	1,265
	<u>13,749</u>	<u>11,996</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

(16) Debtors

	1990		1989	
	Due within 1 Year £'000	Due after 1 Year £'000	Due within 1 Year £'000	Due after 1 Year £'000
Trade	252	-	230	-
Subsidiary undertakings	69,466	68,709	62,396	-
Parent undertakings	870	-	68,610	-
Fellow subsidiary undertakings	28,413	-	23,074	-
Taxation recoverable	8,372	2,770	-	6,709
Pension prepayment	8	-	-	17,644
Other	10,705	4,147	10,331	4,345
	<u>118,086</u>	<u>75,626</u>	<u>164,641</u>	<u>28,698</u>

BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (Continued)

(17) Creditors

	1990		1989	
	Within 1 Year £'000	Over 1 Year £'000	Within 1 Year £'000	Over 1 Year £'000
Bank overdrafts	954		2,627	
Trade	2,484		3,630	
Bills of exchange payable	1,599		-	
Subsidiary undertakings	25,565	2,002	30,122	2,002
Fellow subsidiary undertakings	124,346		59,406	
Parent undertakings	54,312		95,572	
Accruals	33		587	
Proposed dividend	25,000		20,000	
Taxation payable	8,325		6,667	
Social security cost	905		-	
Other	3,934		6,261	
	<u>247,457</u>	<u>2,002</u>	<u>224,872</u>	<u>2,002</u>

(18) Called up share capital - ordinary shares

	1990	1990	1989	1989
	Shares	£'000	Shares	£'000
Authorised	12,500,000	12,500	12,500,000	12,500
Allotted and fully paid	<u>12,500,000</u>	<u>12,500</u>	<u>12,500,000</u>	<u>12,500</u>

(19) Capital commitments

Authorised future capital expenditure is estimated at £20,113,000 (1989 - £18,832,000) including approximately £10,108,000 (1989 - £6,876,000) for which contracts have been placed.

(20) Ultimate parent undertaking

The ultimate parent undertaking of the group of undertakings for which group accounts are drawn up and of which the company is a member is The British Petroleum Company p.l.c., a company registered in England and Wales. Copies of the accounts of The British Petroleum Company p.l.c. can be obtained from the Company Secretary at The British Petroleum Company p.l.c., Britannic House, 1 Finsbury Circus, London, EC2M 7BA.

BP CHEMICALS LIMITED
REPORT OF THE AUDITORS TO THE MEMBERS
OF BP CHEMICALS LIMITED

We have audited the accounts on pages 4 to 14 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1990 and of the profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Simon M. Manning

Chartered Accountants,
London
1991

22 September 1991