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BP CHEMICALS LIMITED  
ANNUAL REPORT AND ACCOUNTS - 1985

Board of Directors

R.R. KNOWLAND (Chairman)  
A.J.S. HOOPER  
F.C. NEWMAN  
R. SAUMANN  
C.H. THOMPSON  
J.N. TURNBULL

REPORT OF THE DIRECTORS

The Directors submit their report and accounts for the year ended 31 December 1985.

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

The results of most subsidiary companies and businesses operated by the company in its own name were substantially the same as 1984. The outlook for 1986 is for some improvement in margins due to lower feedstock costs.

Bakelite UK Limited ceased manufacturing activities at the end of February 1985. Despite the efforts of management and staff, losses were predicted to remain at an unacceptable level. The company continued its sales activities, completing outstanding orders, until the end of May 1985 when trading ceased.

On 31 March 1986 the businesses and assets of Border Chemicals Limited and Forth Chemicals Limited were sold and transferred to BP International Limited. During the year the Company acquired the entire share capital of Mebon plc and an additional 50% shareholding in Orobis Limited now renamed BP Chemicals (Additives) Limited.

The profit for the year was £20,682,000. The total cost of the dividend for 1985 was £938,000 which leaves a retained profit for the year of £19,744,000 which sum has been deducted from losses brought forward.

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.

Dr. F. C. Newman and Mr. A. J. S. Hooper were appointed to the Board on 1 March 1985 and 1 July 1986 respectively. Mr. R. Bloch and Mr. S. J. Ahearne resigned from the Board on 28 February and 30 June, 1986 respectively. The others named above were Directors of the Company throughout the financial year.

The interests of the Directors holding office on 31 December 1985, and their families, in the shares of The British Petroleum Company p.l.c. were as set out below:

	Type of Share	of date of appointment	
		1 January 1985	31 December 1985
S.J. Ahearne	25p Ordinary	884	1,177
R. Bloch	-	NIL	NIL
R.R. Knowland	25p Ordinary	1,991	2,180
F.C. Newman	25p Ordinary	1,483	1,672
R. Saumann	-	NIL	NIL
C.H. Thompson	25p Ordinary	1,213	1,213
J.N. Turnbull	25p Ordinary	NIL	378



BP CHEMICALS LIMITED

REPORT OF THE DIRECTORS (Continued)

None of the Directors had any interest in the shares or the debentures of subsidiary companies of The British Petroleum Company p.l.c. at 31 December 1985.

It is the policy of the group to develop a working environment and to offer terms and conditions of service to enable disabled persons, with the appropriate skills and qualifications, to have equal opportunities to seek and maintain employment with the group. We shall retain in employment, whenever practicable, employees who become disabled and in line with our general company policy we shall give all such people equal consideration for training and career development to enable them to fulfil their promotion potential within the group.

The aim of BP Chemicals Limited's employee involvement policies is to secure good relations between management and all employees, 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.

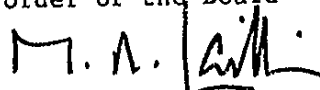
The Company does not impose a uniform set of arrangements, preferring that managers adopt, in consultation with their employees, arrangements best suited to the particular circumstances. There is however emphasis at the work-unit level on regular manager/employee discussion on work-related and other 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.

A monthly Company newspaper affords extensive coverage of business issues, as well as 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 on this basis receive all information available to BP Group shareholders.

Ernst & Whinney have expressed their willingness to continue in office as Auditors and in accordance with Section 384 of the Companies Act 1985 a resolution proposing their reappointment as Auditors of the Company will be put to the members at the annual general meeting.

By order of the Board



Secretary

Belgrave House,  
76 Buckingham Palace Road,  
London SW1W 0SU  
24 July 1986

## BP CHEMICALS LIMITED

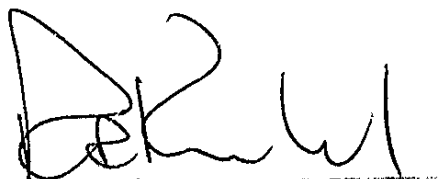
## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1985

		1985 £'000	1984 £'000
Turnover	NOTE 3	252,777	232,951
Cost of sales		<u>233,247</u>	<u>214,810</u>
Gross profit		19,530	18,141
Distribution and administration expenses	4	(585)	26,887
Other income	5	<u>910</u>	<u>1,574</u>
Operating profit/(loss)		21,025	(7,172)
Interest expense	6	<u>221</u>	<u>393</u>
Profit/(Loss) before taxation		20,804	(7,565)
Taxation	11	<u>122</u>	<u>92</u>
Profit/(Loss) for the year		20,682	(7,657)
Dividend	12	<u>938</u>	<u>-</u>
Retained profit/(loss) for the year		19,744	(7,657)
Deficit at 1 January		(19,454)	(12,435)
Exchange gain arising on translation of net investments in foreign currency branches		<u>405</u>	<u>638</u>
Retained profit/(loss) at 31 December		<u><u>695</u></u>	<u><u>(19,454)</u></u>

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BP CHEMICALS LIMITED  
BALANCE SHEET AT 31 DECEMBER 1985

	Note	1985 £'000	1985 £'000	1984 £'000
<b>Fixed assets</b>				
Tangible assets	13		6,880	7,221
Investments	14		49,201	35,924
<b>Current assets</b>				
Stocks	15	9,587		10,353
Debtors	16	163,147		174,346
Cash at bank and in hand		9,388		7,469
<b>Less:</b>				
Creditors amounts falling due within one year	17	216,284		233,543
<b>Net current liabilities</b>			(34,162)	(41,375)
<b>Shareholders' interest</b>			21,919	1,770
<b>Represented by:</b>				
<b>Capital and reserves</b>				
Called up share capital	18		12,500	12,500
Share premium			8,724	8,724
Profit and loss account			695	(19,454)
			21,919	1,770

  
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 C. H. Thompson ) Directors

24 July 1986

## BP CHEMICALS LIMITED

SOURCE AND APPLICATION OF FUNDS  
FOR THE YEAR ENDED 31 DECEMBER 1985

	1985 £'000	1984 £'000
Profit/(loss) for the year	20,682	(7,657)
Items not involving movements of funds		
Depreciation	1,655	1,606
Amount written off goodwill	-	421
Disposal of shares in subsidiary company	150	1,197
Release of amounts provided against investments	(1,489)	(1,716)
Net book amounts of assets sold	11	55
Exchange adjustments	186	90
Working capital movements		
Stocks	766	(695)
Debtors	11,199	(42,233)
Creditors due within one year	(17,259)	57,367
Funds generated from operations	15,901	8,435
Capital expenditure	(1,106)	(1,533)
Investment in subsidiary companies	(11,938)	-
Dividend	(938)	-
Funds generated	1,919	6,902
Financed by		
Cash at bank and in hand	<u>(1,919)</u>	<u>(6,902)</u>

## NOTES TO THE ACCOUNTS

## (1) Accounting policies

- (a) The accounts are prepared under the historical cost convention.
- (b) Depreciation on tangible assets is calculated on a straight line basis over their estimated useful lives.
- (c) Stocks of products are valued at the lower of cost, including overheads where applicable, and net realisable value.
- (d) 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 reserves.

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.

- (e) Deferred taxation is calculated using the liability method.

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## BP CHEMICALS LIMITED

## NOTES TO THE ACCOUNTS (Continued)

- (2) Group accounts are not submitted as BP Chemicals Limited is wholly owned by BP Chemicals International Limited. Income of related companies is dealt with in the accounts of the ultimate holding company. Only dividend income received from these companies is reflected in these accounts. Provisions are made against accumulated losses of subsidiary and related companies where it is considered that such losses will not be eliminated in the foreseeable future.

	1985	1984
	£'000	£'000

## (3) Turnover

Turnover comprises gross proceeds, royalties, recoverable expenditure and management fee.

## Geographical analysis

United Kingdom	162,494	146,401
Rest of Europe	90,283	86,550
	<u>252,777</u>	<u>232,951</u>

## (4) Distribution and administration expenses

Distribution	6,396	6,653
Administration	1,270	1,518
Release of amounts provided against investments	(1,489)	(1,716)
Amounts (released)/provided against debts due from subsidiary companies	(6,762)	20,432
	<u>(585)</u>	<u>26,887</u>

## (5) Other Income

Subsidiary company - dividends	250	425
Related companies - dividends	152	783
Trade investment - dividend	8	7
Other interest	479	309
Miscellaneous income	21	50
	<u>910</u>	<u>1,574</u>

## (6) Interest expense

Bank overdraft	<u>221</u>	<u>393</u>
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## BP CHEMICALS LIMITED

## NOTES TO THE ACCOUNTS (Continued)

	1985 £'000	1984 £'000		
<b>(7) Depreciation</b>				
Depreciation charged for year	<u>1,655</u>	<u>1,606</u>		
<b>(8) Auditors' remuneration</b>				
Fees and expenses	<u>23</u>	<u>21</u>		
The cost of UK audit fees and expenses is borne by BP International Limited				
<b>(9) Research</b>				
Expenditure on research	<u>26,592</u>	<u>26,146</u>		
<b>(10) Directors and employees</b>				
Employee costs				
Wages and salaries	71,925	68,931		
Social security costs	6,063	5,976		
Pension costs	21,112	19,494		
	<u>99,100</u>	<u>94,401</u>		
Average employee numbers				
	1985	1984		
	UK	Non-UK	UK	Non-UK
Manufacturing	4,691	319	4,883	311
Distribution and marketing	297	47	322	51
Administration	266	38	271	40
	<u>5,254</u>	<u>404</u>	<u>5,476</u>	<u>402</u>

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## BP CHEMICALS LIMITED

## NOTES TO THE ACCOUNTS (Continued)

Directors' emoluments in respect of six directors amounted to £407,077 (1984 - 6 - £358,633). Of these the highest paid director received £99,199 - (1984 - £83,737). The remaining director received no emoluments from this Company as he was a senior executive of an overseas registered fellow subsidiary company. The others were in the groups set out below:-

	1985 £'000	1984 £'000
80,001 - 85,000	1	1
75,001 - 80,000	-	1
70,001 - 75,000	2	-
65,001 - 70,000	-	1
60,001 - 65,000 (part period only)	1	-
20,001 - 25,000 (part period only)	-	2
10,001 - 15,000 (part period only)	1	-

Pensions to past and present directors are paid from a funded BP Group Pension Scheme.

The number of employees in the UK whose emoluments exceeded £30,000 were in the following groups:

	1985 £'000	1984 £'000
70,001 - 75,000	1	-
60,001 - 65,000	1	-
55,001 - 60,000	4	2
50,001 - 55,000	7	4
45,001 - 50,000	16	9
40,001 - 45,000	20	17
35,001 - 40,000	37	26
30,001 - 35,000	53	53

## (11) Taxation

	1985 £'000	1984 £'000
United Kingdom Taxation		
Current	122	92
Overseas Tax Relief	(122)	(92)
	<u>NIL</u>	<u>NIL</u>
Overseas taxation	122	92
	<u>122</u>	<u>92</u>
	<u><u>122</u></u>	<u><u>92</u></u>

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## BP CHEMICALS LIMITED

## NOTES TO THE ACCOUNTS (Continued)

The company is a member of a group for the purposes of relief under Section 258 of the Income and Corporation Taxes Act 1970. The UK 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 company.

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 1985 of £1,416,000 (1984 £1,673,000) comprises tax at 35% on timing differences principally between the accounting and tax treatment of depreciation. If provision for deferred taxation had been made in the accounts on the basis of the gross potential liability there would have been a credit for the year of £257,000 (1984 £291,000).

## (12) Dividends

A final dividend for 1985 of £937,500 (1984 - NIL) was paid on 30 May 1986.

## (13) Tangible assets

Chemicals assets	£'000
Cost	
At 1 January 1985	15,173
Exchange adjustments	461
Additions	1,106
Deletions	38
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At 31 December 1985	16,702
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## BP CHEMICALS LIMITED

## NOTES TO THE ACCOUNTS (Continued)

## (13) Tangible assets (continued) £'000

Depreciation:	
At 1 January 1985	7,952
Exchange adjustments	242
Provided for year	1,655
Deletions	27

At 31 December 1985 9,822

Net book amount  
At 31 December 1985 6,880

At 31 December 1984 7,221

Depreciation rates:  
Buildings 5%-10%, Plant and Machinery 7½%-12½%, Motor Vehicles 25%.

Included within above assets:

Freehold Land at net book amount £'000

At 31 December 1984 657  
Exchange adjustment 20

At 31 December 1985 677

## (14) Fixed assets - Investments

	Subsidiary		Related Companies		Trade Investment	
	Shares £'000	Loans £'000	Shares £'000	Loans £'000	Shares £'000	Total £'000
Cost:						
At 1 January 1985	34,883	8,000	3,251	5,501	157	51,792
Additions	11,938	-	-	-	-	11,938
Disposals	(150)	-	-	-	-	(150)
Transfers	1,011	-	(1,011)	-	-	-
At 31 December 1985	<u>47,682</u>	<u>8,000</u>	<u>2,240</u>	<u>5,501</u>	<u>157</u>	<u>63,580</u>
Amounts provided						
At 1 January 1985	1,867	8,000	500	5,501	-	15,868
Released for year	(150)	(1,339)	-	-	-	(1,489)
At 31 December 1985	<u>1,717</u>	<u>6,661</u>	<u>500</u>	<u>5,501</u>	<u>-</u>	<u>14,379</u>
Net book amount						
At 31 December 1985	<u>45,965</u>	<u>1,339</u>	<u>1,740</u>	<u>Nil</u>	<u>157</u>	<u>49,201</u>
At 31 December 1984	<u>33,016</u>	<u>Nil</u>	<u>2,751</u>	<u>Nil</u>	<u>157</u>	<u>35,924</u>

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## BP CHEMICALS LIMITED

## NOTES TO THE ACCOUNTS (Continued)

## (14) Fixed Assets - Investments (Continued)

In the opinion of the directors, the aggregate value of shares in and amounts owing from the company's subsidiaries is not less than the amounts at which these are shown in the balance sheet.

Listed below are the more important subsidiary companies at 31 December 1985, all of which are engaged in chemical activities. A full list of investments in subsidiary companies will be attached to the Company's annual return.

	Country of Incorporation	Shares held	Percentage
Bakelite UK Ltd.	England	Ordinary	100
Border Chemicals Ltd.	England	Ordinary	100
Border Chemicals Ltd.	England	Preference	100
BP Chemicals (Additives) Ltd.	England	Ordinary	100
BP Chemicals (Ireland) Ltd.	England	Ordinary	100
BXL Plastics Ltd.	England	Ordinary	100
BXL Plastics Ltd.	England	Deferred	100
Forth Chemicals Ltd.	England	Ordinary	100
Honeywill & Stein Ltd.	England	Ordinary	100
Hythe Chemicals Ltd.	England	Ordinary	100
Mebon plc	England	Ordinary	100
Mebon plc	England	Preference	100

Listed below are the related companies, all of which are engaged in chemical activities, showing the percentage of equity share capital held:

	Country of Incorporation	Shares held	Percentage
BP-California Ltd.	England	Ordinary	50
BP-California (Grangemouth) Ltd.	England	Ordinary	50
Synthite Ltd.	England	Ordinary	49

The aggregate amount of the capital and reserves, together with profits or losses of the above related companies of which this company holds between 20% and 50% of the nominal value of the allotted share capital, are as shown below. The figures quoted represent 100% of the position shown in the latest annual accounts received in respect of periods terminating not later than 31 December 1985:

	Capital and reserves £'000	Profit for Year £'000
Synthite Limited	5,725	1,017

BP-California Limited and BP-California (Grangemouth) Limited have not traded since 1981 and appropriate provisions against these investments are included in these accounts.

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## BP CHEMICALS LIMITED

## NOTES TO THE ACCOUNTS (Continued)

## (14) Fixed Assets - Investments (Continued)

The investments in subsidiary and related companies are entirely unlisted.

The trade investment is valued by the directors at cost.

## (15) Stocks

	1985 £'000	1984 £'000
Raw materials	2,501	2,618
Finished products	6,072	6,810
Stores	1,014	925
	<u>9,587</u>	<u>10,353</u>

## (16) Debtors

	1985		1984	
	Due within 1 Year £'000	Due after 1 Year £'000	Due within 1 Year £'000	Due after 1 Year £'000
Trade	7,572	-	8,249	-
Subsidiaries	57,680	-	65,618	-
Holding company	87,049	-	90,866	-
Other	6,085	4,761	4,750	4,863
	<u>158,386</u>	<u>4,761</u>	<u>169,483</u>	<u>4,863</u>

## (17) Creditors

	1985	1984
	Within 1 Year £'000	Within 1 Year £'000
Bank overdraft	3,564	1,173
Trade	1,847	1,998
Subsidiaries	6,680	6,029
Fellow subsidiaries	199,913	221,086
Dividend-Holding Company	938	-
Other	3,342	2,977
Accruals	-	280
	<u>216,284</u>	<u>233,543</u>

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## BP CHEMICALS LIMITED

## NOTES TO THE ACCOUNTS (Continued)

## (18) Called up share capital - ordinary shares

	1985 Shares	1985 £'000	1984 Shares	1984 £'000
Authorised	12,500,000	12,500	12,500,000	12,500
Allotted and fully paid	12,500,000	12,500	12,500,000	12,500

## (19) Financial commitments

Authorised future capital expenditure is estimated at £839,000 (1984 - £451,000) including approximately £259,000 (1984 - £149,000) for which contracts have been placed.

## (20) Ultimate holding company

The ultimate holding company is The British Petroleum Company p.l.c., a company incorporated in England.

## REPORT OF THE AUDITORS TO THE MEMBERS

We have examined the accounts of BP Chemicals Limited set out on pages 3 to 13. These have been prepared under the historical cost convention. Our audit has been carried out in accordance with approved auditing standards.

In our opinion the accounts give a true and fair view of the state of affairs at 31 December 1985 and of the profit, changes in retained profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

ERNST & WHINNEY  
Chartered Accountants,  
London  
24 July 1986