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BP CHEMICALS LIMITED

ANNUAL REPORT AND ACCOUNTS - 1986

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 1986.

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 profit for the year was £43,735,000. The total cost of the dividend for 1986 was £22,527,000 which leaves a retained profit for the year of £21,208,000 which sum has been added to profits brought forward.

Subsidiary company profit margins were substantially higher throughout 1986 as a result of lower feedstock costs and firmer product demand. Benefits were also gained from the weakening of sterling against other European currencies. Comparable results for 1987 depend upon the continuing benefits of lower feedstock costs and favourable exchange rates.

On 31 March 1986 the businesses and assets of Border Chemicals Limited and Forth Chemicals Limited were sold and transferred to BP International Limited and from that time BP Chemicals Limited operated the assets and carried on the business as a managing sub-agent for BP International Limited.

On 26 January 1987 the company acquired a 25% shareholding in Acell Investments, a company marketing architectural and building products.

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.

Mr. A.J.S. Hooper was appointed to the Board on 1 July 1986. Mr. R. Bloch and Mr. S.J. Ahearne resigned from the Board on 28 February 1986 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 1986, and their families, in the shares of The British Petroleum Company p.l.c. were as set out below:

	Type of Share	1 January 1986 of date of appointment	31 December 1986
A.J.S. Hooper	25p Ordinary	1,825	2,477
R.R. Knowland	25p Ordinary	2,180	3,498
F.C. Newman	25p Ordinary	1,672	1,904
R. Saumann	-	NIL	NIL
C.H. Thompson	25p Ordinary	1,464	1,696
J.N. Turnbull	25p Ordinary	378	842

COMPANIES REGISTRATION
 - 3 SEP 1987
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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 1986.

It is the policy of the BP Group of Companies 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.

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 our normal Company practice 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.

During 1986 the ongoing theme of Quality Improvement has been predominant in employee involvement activities with emphasis being placed on highlighting the importance of individual employee contribution to the success of the business. In addition, a number of specific initiatives have been taken to enable employees to acquire a heightened awareness and understanding of the financial and economic factors influencing Company performance.

The Company does not 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 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

M. R. LEVITTON

Secretary

Belgrave House,
76 Buckingham Palace Road,
London SW1W 0SU
12 August 1987

BP CHEMICALS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1986

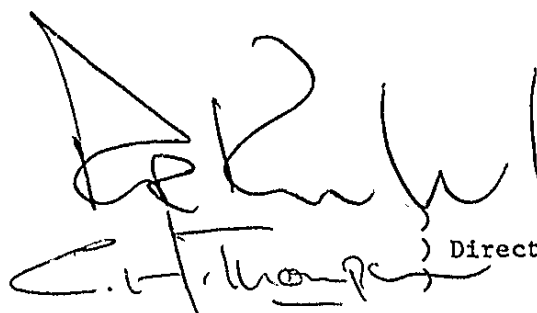
		1986 £'000	1985 £'000
Turnover	NOTE 3	286,073	252,777
Cost of sales		244,964	233,247
Gross profit		41,109	19,530
Distribution and administration expenses	4	4,237	(585)
Other income	5	12,898	910
Operating profit		49,770	21,025
Interest expense	6	156	221
Profit before taxation		49,614	20,804
Taxation	11	5,879	122
Profit for the year		43,735	20,682
Dividend	12	22,527	938
Retained profit for the year		21,208	19,744
Retained profit/(loss) brought forward		695	(19,454)
Exchange gain arising on translation of net investments in foreign currency branches		3,499	405
Retained profit at 31 December		25,402	695

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BP CHEMICALS LIMITED

BALANCE SHEET AT 31 DECEMBER 1986

	Note	1986 £'000	1986 £'000	1985 £'000
Fixed assets				
Tangible assets	13		7,351	6,880
Investments	14		46,783	49,201
Current assets				
Stocks	15	8,807		9,587
Debtors	16	143,640		163,147
Cash at bank and in hand		18,565		9,388
Less:				
Creditors amounts falling due within one year	17	178,520		216,284
Net current liabilities			(7,508)	(34,162)
Shareholders' interest			46,626	21,919
Represented by:				
Capital and reserves				
Called up share capital	18		12,500	12,500
Share premium			8,724	8,724
Profit and loss account			25,402	695
			46,626	21,919



 Directors

12 August 1987

BP CHEMICALS LIMITED

SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1986

	1986 £'000	1985 £'000
Profit for the year	43,735	20,682
Items not involving movements of funds		
Depreciation	1,832	1,655
Release of amounts provided against investments	(6,661)	(1,489)
Net book amounts of assets sold	36	11
Exchange adjustments	2,487	186
Working capital movements		
Stocks	780	766
Debtors	19,507	11,199
Creditors due within one year	(37,764)	(17,259)
Funds generated from operations	23,952	15,751
Capital expenditure	(1,327)	(1,106)
Deletions/(investment) in subsidiary companies	79	(11,938)
Disposal of investment in subsidiary company	9,000	150
Dividend	(22,527)	(938)
Funds generated	9,177	1,919
Financed by		
Cash at bank and in hand	<u>(9,177)</u>	<u>(1,919)</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. Provision is made where timing differences are expected to reverse in the foreseeable future.

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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. Dividend income from subsidiaries both received and receivable 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.

	1986	1985
	£'000	£'000

(3) Turnover

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

Geographical analysis

United Kingdom	186,388	162,494
Rest of Europe	99,685	90,283
	<u>286,073</u>	<u>252,777</u>

(4) Distribution and administration expenses

Distribution	7,802	6,396
Administration	1,227	1,270
Release of amounts provided against investments	(6,661)	(1,489)
Amounts provided/(released) against debts due from subsidiary companies	1,869	(6,762)
	<u>4,237</u>	<u>(585)</u>

(5) Other Income

Subsidiary company - dividends	11,734	250
Related companies - dividends	173	152
Trade investment - dividend	17	8
Other interest	865	479
Miscellaneous income	109	21
	<u>12,898</u>	<u>910</u>

(6) Interest expense

Bank overdraft	<u>156</u>	<u>221</u>
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BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (Continued)

	1986 £'000	1985 £'000		
(7) Depreciation				
Depreciation charged for year	<u>1,832</u>	<u>1,655</u>		
(8) Auditors' remuneration				
Overseas fees and expenses	<u>25</u>	<u>23</u>		
The cost of UK audit fees and expenses is borne by BP International Limited				
(9) Research				
Expenditure on research	<u>39,283</u>	<u>29,396</u>		
(10) Directors and employees				
Employee costs				
Wages and salaries	78,545	71,925		
Social security costs	7,609	6,063		
Pension costs	22,087	21,112		
	<u>108,241</u>	<u>99,100</u>		
Average employee numbers				
	1986	1985		
	UK	Non-UK	UK	Non-UK
Manufacturing	4,545	319	4,691	319
Distribution and marketing	305	47	297	47
Administration	237	38	266	38
	<u>5,087</u>	<u>404</u>	<u>5,254</u>	<u>404</u>

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BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (Continued)

(10) Directors and Employees (continued)

Directors' emoluments (not including pension contributions) in respect of six directors amounted to £466,171 (1985 - 6 - £407,077). Of these the highest paid director received £117,441- (1985 - £99,199). The remaining two directors received no emoluments from this Company as they were senior executives of an overseas registered fellow subsidiary company. The others were in the groups set out below:-

£	£	1986	1985
90,001 - 95,000		1	-
80,001 - 85,000		1	1
75,001 - 80,000		1	-
70,001 - 75,000		-	2
60,001 - 65,000	(part period only)	-	1
55,001 - 60,000	(part period only)	1	-
35,001 - 40,000	(part period only)	1	-
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:

£	£	1986	1985
70,001 - 75,000		1	1
65,001 - 70,000		4	-
60,001 - 65,000		3	1
55,001 - 60,000		6	4
50,001 - 55,000		7	7
45,001 - 50,000		19	16
40,001 - 45,000		27	20
35,001 - 40,000		37	37
30,001 - 35,000		85	53

(11) Taxation

	1986 £'000	1985 £'000
United Kingdom Taxation		
Current	4,933	122
Overseas Tax Relief	(4,933)	(122)
	<u>NIL</u>	<u>NIL</u>
Tax Credit on UK Dividends Received	1,034	-
Overseas taxation	4,845	122
	<u>5,879</u>	<u>122</u>

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BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (Continued)

(11) Taxation (continued)

The company is a member of a group for the purposes of group 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 1986 of £1,047,000 (1985 £1,416,000) 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 £369,000 (1985 £257,000).

(12) Dividends

Interim dividends paid during 1986 amounted to £22,527,849 (1985 - final - £937,500)

(13) Tangible assets

	£'000
Chemicals assets	
Cost	
At 1 January 1986	16,702
Exchange adjustments	2,457
Additions	1,327
Deletions	(194)
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At 31 December 1986	20,292
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Depreciation:	
At 1 January 1986	9,822
Exchange adjustments	1,445
Provided for year	1,832
Deletions	(158)
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At 31 December 1986	12,941
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Net book amount	
At 31 December 1986	7,351
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At 31 December 1985	6,880
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Depreciation rates:
Buildings 5%-10%, Plant and Machinery 7½%-12½%, Motor Vehicles 25%.

Included within above assets:

Figures

BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (Continued)

(13) Tangible assets (continued)

Freehold Land at net book amount	£'000
At 31 December 1985	677
Exchange adjustment	100
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At 31 December 1986	777
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(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 1986	47,682	8,000	2,240	5,501	157	63,580
Deletions	(79)	-	-	-	-	(79)
Disposals	-	-	-	(5,501)	-	(5,501)
Transfers	(1,000)	(8,000)	-	-	-	(9,000)
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At 31 December 1986	46,603	-	2,240	-	157	49,000
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Amounts provided						
At 1 January 1986	1,717	6,661	500	5,501	-	14,379
Released for year	-	(6,661)	-	-	-	(6,661)
Disposals	-	-	-	(5,501)	-	(5,501)
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At 31 December 1986	1,717	-	500	-	-	2,217
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Net book amount						
At 31 December 1986	44,886	Nil	1,740	Nil	157	46,783
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At 31 December 1985	45,965	1,339	1,740	Nil	157	49,201
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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 and related companies at 31 December 1986, 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.

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

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BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (Continued)

(14) Fixed Assets - Investments (Continued)

Subsidiary Companies	Country of Incorporation	Shares held	Percentage
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
Honeywill & Stein Ltd.	England	Ordinary	100
Hythe Chemicals Ltd.	England	Ordinary	100
Mebon Ltd.	England	Ordinary	100
Mebon Ltd.	England	Preference	100

Related Companies	Country of Incorporation	Shares held	Percentage
Synthite Ltd.	England	Ordinary	49

The aggregate amount of the capital and reserves, together with profits or losses of the above related company is 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 1986:

	Capital and reserves £'000	Profit for Year £'000
Synthite Limited	6,644	1,273

(15) Stocks

	1986 £'000	1985 £'000
Raw materials	2,577	2,501
Finished products	5,010	6,072
Stores	1,220	1,014
	<u>8,807</u>	<u>9,587</u>

(16) Debtors

	1986		1985	
	Due within 1 Year £'000	Due after 1 Year £'000	Due within 1 Year £'000	Due after 1 Year £'000
Trade	7,561	-	7,572	-
Subsidiaries	41,292	-	57,680	-
Holding company	86,143	-	87,049	-
Other	3,958	4,686	6,085	4,761
	<u>138,954</u>	<u>4,686</u>	<u>158,386</u>	<u>4,761</u>

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BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (Continued)

(17) Creditors

	1986	1985
	Within	Within
	1 Year	1 Year
	£ '000	£ '000
Bank overdraft	270	3,564
Trade	2,277	1,847
Subsidiaries	5,439	6,680
Holding and fellow subsidiaries	161,351	199,913
Dividend-Holding Company	-	938
Taxation	4,996	-
Other	394	-
Accruals	3,793	3,342
	<u>178,520</u>	<u>216,284</u>

(18) Called up share capital - ordinary shares

	1986	1986	1985	1985
	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) Financial commitments

Authorised future capital expenditure is estimated at £503,000 (1985 - £839,000) including approximately £261,000 (1985 - £259,000) 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.

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BP CHEMICALS LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS
OF BP CHEMICALS LIMITED

We have audited the accounts set out on pages 3 to 12 in accordance with approved auditing standards. The accounts have been prepared under the historical cost convention.

In our opinion the accounts give a true and fair view of the state of affairs at 31 December 1986 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
12 August 1987

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