

BP CHEMICALS LIMITED

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ANNUAL REPORT AND ACCOUNTS - 1989

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 1989.

Principal Activity

The company and its subsidiaries 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 £36,741,000 which has been added to profits brought forward of £27,135,000. An interim dividend for 1989 of £6,000,000 was declared and paid. The Directors recommend payment of a final dividend for the year of £20,000,000.

The company returned to profitable trading in 1989 with the overseas branch maintaining a high level of demand but with the benefit of lower raw material costs. The fee income for the year increased in accordance with the provisions of the agency agreement with BP International Limited.

Recent Developments

In February 1990 the ownership of the company was transferred from BP Chemicals (International) Limited to BP Chemicals Investments Limited, itself a wholly owned subsidiary of BP Chemicals (International) Limited. Also in February 1990 the company acquired the entire shareholding of BP Chemicals Technical Services Limited, and in April 1990 it acquired the entire shareholding of BP Chemicals Trading Limited. In May 1990 the entire shareholding of Young's Paraffin and Mineral Oil Co. (Ltd.) was transferred from the company to Robert McBride Group Ltd. Also in May 1990 it acquired a 50% shareholding in Kooltherm Insulation Products Limited, which is operated as a joint venture with Pilkington Brothers Limited.

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

Mr J N Turnbull resigned and Mr J D Campbell was appointed as a Director on 1 September 1989. Mr R R Knowland resigned and Mr B K Sanderson 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 remained a Director throughout the year.

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BP CHEMICALS LIMITED

REPORT OF THE DIRECTORS (Continued)

The interests of the Directors holding office on 31 December 1989, and their families, in the shares of The British Petroleum Company p.l.c. were as set out below:

	Type of Share	1 January 1989 or date of appointment	31 December 1989
J D Campbell	American Depository Shares	200	461
A.J.S. Hooper	25p Ordinary	8,898	8,193
R.R. Knowland	25p Ordinary	11,531	12,706
C.H. Thompson	25p Ordinary	6,125	6,617

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 1989.

Equal Opportunity

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.

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.

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.

BP CHEMICALS LIMITED

REPORT OF THE DIRECTORS (Continued)

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.

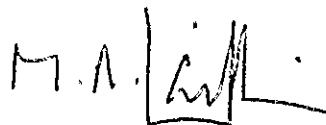
Two Company periodicals give extensive coverage to business issues, as well as social, sporting and other leisure interests of employees and their families. Further information about BP Chemicals and about other Companies in the BP Group is included in the Group magazine "BP Shield" and in the Group's 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/or SAYE share option scheme, and on this basis receive all information available to BP Group shareholders.

Auditors

Ernst and Whinney merged their practice with Arthur Young on 1 September 1989 to form Ernst & Young, which is the name in which the audit report is signed. Ernst & Young have expressed their willingness to act as auditors and their appointment at the Annual General Meeting is proposed in accordance with section 384(1) of the Companies Act 1985.

By order of the Board



Secretary

Belgrave House
76 Buckingham Palace Road
London SW1W 0SU

26 November 1990

BP CHEMICALS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1989

	NOTE	1989 £'000	1988 £'000
Turnover	3	376,009	338,988
1988 Management fee adjustment		7,767	-
Cost of sales		333,663	333,959
Gross profit		<u>50,113</u>	<u>5,029</u>
Distribution and administration expenses	4	8,474	7,463
Other income	5	1,088	2,171
Operating profit/(loss)		<u>42,727</u>	<u>(263)</u>
Interest expense	6	5,319	3,294
Profit/(loss) before taxation		<u>37,408</u>	<u>(3,557)</u>
Taxation	11	667	(1,849)
Profit/(loss) for the year		<u>36,741</u>	<u>(1,708)</u>
Dividends	12	26,000	2,000
Retained profit/(loss) for the year		<u>10,741</u>	<u>(3,708)</u>
Retained profit brought forward		27,135	29,792
Exchange (loss)/gain arising on translation of net investments in the foreign currency branch		(3,545)	1,051
Retained profit at 31 December		<u><u>34,331</u></u>	<u><u>27,135</u></u>

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BP CHEMICALS LIMITED

BALANCE SHEET AT 31 DECEMBER 1989

		1989 £'000	1989 £'000	1988 £'000
	Note			
Fixed assets				
Tangible assets	13		13,865	7,327
Investments	14		62,280	53,519
Current assets				
Stocks	15	11,996		13,815
Debtors	16	193,339		191,872
Cash at bank and in hand		949		238
Less:				
Creditors amounts falling due within one year	17	226,874		218,412
Net current liabilities			(20,590)	(12,487)
Shareholders' interest			<u>55,555</u>	<u>48,359</u>
Represented by:				
Capital and reserves				
Called up share capital	18		12,500	12,500
Share premium			8,724	8,724
Profit and loss account			34,331	27,135
			<u>55,555</u>	<u>48,359</u>

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D.J.S. Hooper

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) Directors
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20 November 1990

BP CHEMICALS LIMITEDSOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1989

	1989 £'000	1988 £'000
SOURCE OF FUNDS		
Profit/(loss) for the year	36,741	(1,708)
Disposal of investment in subsidiary company	453	416
Items not involving movements of funds		
Depreciation	1,402	1,126
Net book amounts of assets sold	149	52
Exchange adjustments	(4,825)	1,593
Working capital movements		
Stocks	1,819	(163)
Debtors	(1,467)	(62,106)
Creditors due within one year	8,462	57,993
Funds generated/ (required) from operations	<u>42,734</u>	<u>(2,797)</u>
APPLICATION OF FUNDS		
Capital expenditure	(6,809)	(2,589)
Dividend	(26,000)	(2,000)
Investment in subsidiary company	-	(4,897)
Investment in related company	(9,214)	(809)
Funds generated/ (applied)	<u>711</u>	<u>(13,092)</u>
Financed by		
Cash at bank and in hand - increase (decrease)	<u>711</u>	<u>(13,092)</u>

BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS

(1) Accounting policies

- (a) From 1 January 1989 accounting for pensions has been changed consequent upon the adoption of Statement of Standard Accounting Practice No. 24 - Accounting for pension costs. Actuarial surpluses and deficiencies arising on the adoption of the Standard are being spread over the expected average remaining service lives of employees.

There was no effect on the profit for the year as all costs and income are recoverable from BP International Limited in accordance with the terms of the agency agreement.

- (b) The accounts are prepared under the historical cost convention.
- (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 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.

- (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 are not submitted as BP Chemicals Limited is wholly-owned by BP Chemicals Investments 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.
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	1989 £'000	1988 £'000
(3) Turnover		
Turnover comprises gross proceeds, royalties, recoverable expenditure and management fee.		
Geographical analysis		
United Kingdom	255,424	213,306
Rest of Europe	128,352	125,682
	<u>383,776</u>	<u>338,988</u>
(4) Distribution and administration expenses		
Distribution	6,923	6,342
Administration	1,250	950
Amounts provided against debts due from subsidiary companies	301	171
	<u>8,474</u>	<u>7,463</u>
(5) Other Income		
Surplus on disposal of related company	-	658
Subsidiary company - dividends	272	1,159
Trade investment - dividend	10	17
Other interest	799	307
Miscellaneous income	7	30
	<u>1,088</u>	<u>2,171</u>
(6) Interest expense		
Fellow subsidiary company	5,314	3,286
Bank overdraft	5	8
	<u>5,319</u>	<u>3,294</u>
(7) Depreciation		
Depreciation charged for year	1,402	1,126
(8) Auditors' remuneration		
Overseas fees and expenses	24	22
The cost of UK audit fees and expenses is borne by BP International Limited		
(9) Research		
Expenditure on research	<u>50,318</u>	<u>43,538</u>

BP CHEMICALS LIMITED

(10) Directors and employees

	1989 £'000	1988 £'000
Employee costs		
Wages and salaries	107,081	94,072
Social security costs	10,479	9,081
Pension costs	(3,084)	18,973
	<u>114,476</u>	<u>122,126</u>

Average employee numbers

	1989		1988	
	UK	Non-UK	UK	Non-UK
Manufacturing	4,874	318	4,749	318
Distribution and marketing	308	42	276	43
Administration	273	35	248	37
	<u>5,455</u>	<u>395</u>	<u>5,273</u>	<u>398</u>

Directors' emoluments (not including pension contributions) in respect of four directors amounted to £542,098 (1988-5-£504,579). Of these the highest paid director received £200,443 (1988 - £160,953). 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:-

£	£	1989	1988
120,001 - 125,000			
115,001 - 120,000	(part period only)	1	-
100,001 - 105,000		1	-
95,001 - 100,000		1	1
90,001 - 95,000		-	1
45,001 - 50,000	(part period only)	-	1

Pensions to past and present directors are paid from The BP Pension Fund. The number of employees in the UK whose emoluments exceeded £30,000 were in the following groups:

£	£	1989	1988
90,001 - 95,000			
85,001 - 90,000			
80,001 - 85,000		-	1
75,001 - 80,000		1	2
70,001 - 75,000		2	-
65,001 - 70,000		4	2
60,001 - 65,000		5	2
55,001 - 60,000		15	6
50,001 - 55,000		14	14
45,001 - 50,000		8	10
40,001 - 45,000		17	16
35,001 - 40,000		50	27
30,001 - 35,000		76	64
		106	70
		160	89

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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. Particulars of the most recent actuarial valuation of the BP Pension Fund as at 1 January 1989 are included within the financial statements of the ultimate holding company. Debtors include a pension pre-payment of £17,644,000.

(11) Taxation

	1989 £'000	1988 £'000
United Kingdom Taxation		
Current at 35% (35%)	663	-
Overseas Tax Relief	(663)	-
	<u>-</u>	<u>-</u>
Tax Credit on UK Dividends Received	3	-
Overseas taxation	664	716
Adjustment in respect of prior year	-	(2,569)
	<u>667</u>	<u>(1,849)</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 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 1989 of £654,000 (1988 £429,000) 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 charge for the year of £225,000 (1988 credit of £234,000).

(12) Dividends

The directors recommend payment of a final dividend for 1989 of £20,000,000. This dividend if declared will be paid on 12 December 1990. An interim dividend paid during 1989 amounted to £6,000,000.

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BP CHEMICALS LIMITED

(13) Tangible assets

Chemicals fixed assets	£'000
Cost	
At 1 January 1989	20,805
Exchange adjustments	3,634
Additions	6,809
Deletions	(539)
At 31 December 1989	<u>30,709</u>
Depreciation:	
At 1 January 1989	13,478
Exchange adjustments	2,354
Provided for year	1,402
Deletions	(390)
At 31 December 1989	<u>16,844</u>
Net book amount	
At 31 December 1989	<u>13,865</u>
At 31 December 1988	<u>7,327</u>
Depreciation rates: 5% to 25%	
Included within above assets:	
Freehold land at net book amount	
At 31 December 1988	670
Exchange adjustment	117
At 31 December 1989	<u>787</u>

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(14) Fixed assets - Investments

	Subsidiaries Shares £'000	Related Shares £'000	Companies Loans £'000	Trade Investment Shares £'000	Total £'000
Cost:					
At 1 January 1989	50,470	4,100	309	157	55,036
Additions	-	9,523	3,341	-	12,864
Disposals	(453)	-	-	-	(453)
Deletions	-	-	(3,650)	-	(3650)
At 31 December 1989	50,017	13,623	-	157	63,797
Amounts provided					
At 1 January 1989	1,517	-	-	-	1,517
Released for year	-	-	-	-	-
Deletions	-	-	-	-	-
At 31 December 1989	1,517	-	-	-	1,517
Net book amount					
At 31 December 1989	48,500	13,623	-	157	62,280
At 31 December 1988	48,953	4,100	309	157	53,519

In the opinion of the directors, the aggregate value of shares in 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 1989, 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.

Subsidiary Companies:	Country of Incorporation	Shares held	Percentage
BP Chemicals (Additives) 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 Holdings Ltd.	England	Ordinary	100
Mebon Holdings Ltd.	England	Preference	100
Robert McBride Group Ltd	England	Ordinary	100
Robert McBride Group Ltd	England	Preference	100
BP Chemicals (Korea) Limited	England	Ordinary	100

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(14) Fixed Assets - Investments (continued)

Related Companies:	Country of Incorporation	Shares held	Percentage
Acell Investments Ltd.	England	Ordinary	40

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 the year ended 31 December 1989.

	Capital and reserves deficit £'000	Profit/(loss) for year £'000
Acell Investments Ltd	<u>(295)</u>	<u>(2,558)</u>

In December 1989 additional share capital was subscribed by the shareholders to restore the solvency of the company.

(15) Stocks

	1989 £'000	1988 £'000
Raw materials	3,013	3,750
Finished products	7,718	9,053
Stores	1,265	1,012
	<u>11,995</u>	<u>13,815</u>

(16) Debtors

	1989		1988	
	Due within 1 Year £'000	Due after 1 Year £'000	Due within 1 Year £'000	Due after 1 Year £'000
Trade	230	-	1,650	-
Subsidiaries	62,396	-	92,961	-
Holding company	68,610	-	67,867	-
Fellow Subsidiaries	23,074	-	16,265	-
Taxation recoverable	-	6,709	-	-
Pension prepayment	-	17,644	-	-
Other	10,331	4,345	8,753	4,376
	<u>164,641</u>	<u>28,698</u>	<u>187,496</u>	<u>4,376</u>

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BP CHEMICALS LIMITED

(17) Creditors

	1989 Within 1 Year £'000	1988 Within 1 Year £'000
Bank overdrafts	2,££7	4,546
Trade	3,630	3,152
Subsidiaries	32,124	2,002
Holding and fellow subsidiaries	154,978	205,157
Accruals	587	29
Proposed dividend	20,000	-
Taxation payable	6,667	-
Other	6,261	3,526
	<hr/> 226,874 <hr/>	<hr/> 218,412 <hr/>

(18) Called up share capital - ordinary shares

	1989 Shares	1989 £'000	1988 Shares	1988 £'000
Authorised	12,500,000	12,500	12,500,000	12,500
Allotted and fully paid	<hr/> 12,500,000 <hr/>	<hr/> 12,500 <hr/>	<hr/> 12,500,000 <hr/>	<hr/> 12,500 <hr/>

(19) Capital commitments

Authorised future capital expenditure is estimated at £18,832,000 (1988 - £5,437,000) including approximately £6,876,000 (1988 - £2,505,000) 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 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 1989 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.

E.Y.

Ernst Young

Chartered Accountants,
London

27 November 1990