

BP CHEMICALS LIMITED
(Registered No 00194971)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2015

Board of Directors C J Bowlas
 T M Thornton
 A C Williamson

The directors present the strategic report, their report and the financial statements for the year ended 31 December 2015

STRATEGIC REPORT

Results

The profit for the year after taxation was £6,402,000 which, when added to the retained profit brought forward at 1 January 2015 of £34,390,000, gives a total retained profit carried forward at 31 December 2015 of £40,792,000

Principal activity and review of the business

The company and its subsidiary undertakings operate chemicals and plastics manufacturing assets, as well as conducting related research activities, either in their own name or as agents of BP International Limited

The key financial and other performance indicators during the year were as follows

	<u>2015</u>	<u>2014</u>	<u>Variance</u>
	£000	£000	%
Turnover	80,494	81,027	(1)
Operating profit	6,874	8,246	(17)
Profit for the year	6,402	7,607	(16)
Total equity	62,016	55,614	12
	"		
	<u>2015</u>	<u>2014</u>	<u>Variance</u>
	%	%	
Quick ratio*	6.88	3.11	3.77

*Quick ratio is defined as current assets excluding stock, as a percentage of current liabilities.

Turnover decreased mainly due to decrease in royalty income after offsetting the increase in the on-charges to BP International Limited which form the majority of turnover for the entity

Operating profit and profit for the year decrease is mainly due to lower royalty income (2015 £3,811,000, 2014 £5,430,000) after offsetting the increase in R&D tax credits (2015, £1,855,000 2014 £1,628,000)



BP CHEMICALS LIMITED

STRATEGIC REPORT

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 for the group.

The risks listed below, separately or in combination, could have a material adverse effect on the implementation of the company's strategy, business, financial performance, results of operations, cash flows, liquidity, prospects, shareholder value and returns and reputation. Unless stated otherwise, further details on these risks are included within the risk factors in the strategic report of the BP group Annual Report and Form 20-F for the year ended 31 December 2015.

Strategic and commercial risks

Competition

Inability to remain efficient, innovate and retain an appropriately skilled workforce could negatively impact delivery of the company's strategy in a highly competitive market.

Insurance

The BP group's insurance strategy could expose the BP group to material uninsured losses which in turn could adversely affect the company.

Safety and operational risks

Process safety, personal safety and environmental risks

The company is exposed to a wide range of health, safety, security and environmental risks that could result in regulatory action, legal liability, increased costs, damage to its reputation and potentially denial of its licence to operate.

Compliance and control risks

Ethical misconduct and non-compliance

Ethical misconduct or breaches of applicable laws by the company's businesses or its employees could be damaging to its reputation.

Reporting

Failure to accurately report the company's data could lead to regulatory action, legal liability and reputational damage.

BP CHEMICALS LIMITED

STRATEGIC REPORT

Principal risks and uncertainties (continued)

Financial risk management

The company is exposed to a number of different financial risks arising from natural business exposures as well as its use of financial instruments including market risks relating to foreign currency exchange rates. Further details on these financial risks are included within Note 28 of the BP group Annual Report and Form 20-F for the year ended 31 December 2015.

By Order of the Board



For and on behalf of
Sunbury Secretaries Limited
Company Secretary

23 September 2016

Registered Office

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

BP CHEMICALS LIMITED

DIRECTORS' REPORT

Directors

The present directors are listed on page 1

C J Bowlas and T M Thornton served as directors throughout the financial year Changes since 1 January 2015 are as follows

	<u>Appointed</u>	<u>Resigned</u>
R M Stott	-	1 January 2016
A C Williamson	10 February 2016	-

Directors' indemnity

The company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006 Such qualifying third party indemnity provisions for the benefit of the company's directors remain in force at the date of this report

Dividends

The company has not declared any dividends during the year (2014 £Nil) The directors do not propose the payment of a dividend

Financial instruments

In accordance with section 414C of the Companies Act 2006 the directors have included information regarding financial instruments as required by Schedule 7 (Part 1 6) of the Large and Medium-sized Companies and Group Regulations 2008 in the strategic report under Financial risk management

Post balance sheet event

After the balance sheet date it was approved that the Company sell a technology for an upfront payment of US\$3m plus contingent consideration The value and timing of receipt of any contingent consideration that may be received is uncertain and will not be recognised until its receipt is virtually certain

Future developments

The directors aim to maintain the management policies which have resulted in the company's stability in recent years They believe that the company is in a good position to take advantage of any opportunities which may arise in the future

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

Research and development

The research centre carries out a varying number of tasks including product support, development of existing products and research into new innovative technology

BP CHEMICALS LIMITED

DIRECTORS' REPORT

Disabled employees

The company gives full and fair consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

Employee involvement

During the year, the BP group continued its policy of providing employees with information on matters of concern to them. Executive team members hold regular town halls and webcasts to communicate with our employees around the world. We conduct an employee engagement survey to monitor employee attitudes and identify areas for improvement. In particular, information relating to group performance and group policies has been readily available to employees through the 'One BP' intranet web-site.

We encourage employee share ownership. For example, through the ShareMatch plan run in around 50 countries, we match BP shares purchased by our employees.

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



For and on behalf of
Sunbury Secretaries Limited
Company Secretary

23 September 2016

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Chertsey Road
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BP CHEMICALS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice). 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 financial statements, 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 adequate 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 financial statements.

BP CHEMICALS LIMITED

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
BP CHEMICALS LIMITED**

We have audited the financial statements of BP Chemicals Limited for the year ended 31 December 2015 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 16. 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) including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 auditor's 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 auditor

As explained more fully in the Statement of Directors' Responsibilities set out on page 6, 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). Those standards require us to comply with the Auditing Practices Board'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. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on 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 2015 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 101 'Reduced Disclosure Framework', 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 Strategic Report and 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 or returns adequate for our audit have not been received from branches not visited by us, or
- the 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

Jacqueline Ann Geary (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

26 September 2016

BP CHEMICALS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2015

		<u>2015</u>	<u>2014</u>
	Note	£000	£000
Turnover	3	80,494	81,027
Administrative expenses		(75,475)	(74,409)
Other operating income		1,855	1,628
Operating profit	4	<u>6,874</u>	<u>8,246</u>
Taxation	6	(472)	(639)
Profit for the year		<u>6,402</u>	<u>7,607</u>

The profit of £6,402,000 for the year ended 31 December 2015 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2015

There is no comprehensive income attributable to the shareholders of the company other than the profit for the year

BP CHEMICALS LIMITED
(Registered No 00194971)

BALANCE SHEET AT 31 DECEMBER 2015

	Note	<u>2015</u> £000	<u>2014</u> £000
Fixed assets			
Investments	8	108,810	108,073
Current assets			
Debtors	9	3,058	1,255
Cash at bank and in hand		<u>400</u>	<u>430</u>
		3,458	1,685
Creditors: amounts falling due within one year	10	<u>(50,252)</u>	<u>(54,144)</u>
Net current liabilities		<u>(46,794)</u>	<u>(52,459)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>62,016</u>	<u>55,614</u>
NET ASSETS		<u>62,016</u>	<u>55,614</u>
Capital and reserves			
Called up share capital	11	12,500	12,500
Share premium account	12	8,724	8,724
Profit and loss account	12	40,792	34,390
TOTAL EQUITY		<u>62,016</u>	<u>55,614</u>

On behalf of the Board



T M Thornton
 Director

23 September 2016

BP CHEMICALS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2015

	Called up share capital (Note 11) £000	Share premium account (Note 12) £000	Profit and loss account (Note 12) £000	Total £000
Balance at 1 January 2014	12,500	8,724	26,783	48,007
Profit for the year, representing total comprehensive income	-	-	7,607	7,607
Balance at 31 December 2014	12,500	8,724	34,390	55,614
Profit for the year, representing total comprehensive income	-	-	6,402	6,402
Balance at 31 December 2015	12,500	8,724	40,792	62,016

BP CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2015**

1. Authorisation of financial statements and statement of compliance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101)

The financial statements of BP Chemicals Limited for the year ended 31 December 2015 were approved by the board of directors on ~~23 September~~ 2016 and the balance sheet was signed on the board's behalf by T M Thornton. BP Chemicals Limited is a limited company incorporated in England and Wales. These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101) and the provisions of the Companies Act 2006.

Significant accounting policies, judgements, estimates and assumptions

The significant accounting policies and critical accounting judgements, estimates and assumptions of the company are set out below.

Basis of preparation

These financial statements have been prepared in accordance with FRS 101. The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The accounting policies that follow have been consistently applied to all years presented.

These financial statements are separate financial statements. The company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare consolidated financial statements, because it is included in the group financial statements of BP plc. Details of the parent in whose consolidated financial statements the company is included are shown in Note 15 to the financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to

- (a) the requirements of IFRS 7 Financial Instruments Disclosures.
- (b) the requirements of paragraphs 10(d), 10(f), 40(a), 111 and 134-136 of IAS 1 Presentation of Financial Statements.
- (c) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1.
- (d) the requirements of IAS 7 Statement of Cash Flows.
- (e) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective.
- (f) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures.
- (g) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member, and
- (h) the requirements of paragraphs 134(d)-134(f) and 135(c)-135(e) of IAS 36, Impairment of Assets.

BP CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2015**

2. Significant accounting policies, judgements, estimates and assumptions (continued)

Basis of preparation (continued)

Where required, equivalent disclosures are given in the group financial statements of BP plc. The group financial statements of BP plc are available to the public and can be obtained as set out in Note 15.

The financial statements are presented in GBP sterling and all values are rounded to the nearest thousand pounds (£000)

Critical accounting policies: use of judgements, estimates and assumptions

Inherent in the application of many of the accounting policies used in preparing the financial statements is the need for management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual outcomes could differ from the estimates and assumptions used. The critical judgements and estimates that could have a significant impact on the results of the company are set out below and should be read in conjunction with the information provided in the Notes to the financial statements.

Interests in other entities

Judgement is required in assessing the level of control obtained in a transaction to acquire an interest in another entity depending upon the facts and circumstances in each case, the company may obtain control, joint control or significant influence over the entity or arrangement. Transactions which give the company control of a business are business combinations. If the company obtains joint control of an arrangement, judgement is also required to assess whether the arrangement is a joint operation or a joint venture. If the company has neither control nor joint control, it may be in a position to exercise significant influence over the entity, which is then accounted for as an associate held at cost.

Deferred tax

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the net effect of future tax planning strategies.

Going concern

At 31 December 2015 the company's balance sheet had net current liabilities amounting to £46,794,000.

The directors consider it appropriate to prepare the financial statement on a going concern basis as, despite the uncertainties deriving from the current economic environment, the company is in an overall net assets position and therefore will be able to meet its liabilities as they fall due for the foreseeable future.

BP CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

2. Significant accounting policies, judgements, estimates and assumptions (continued)

Foreign currency

The functional and presentation currency of the financial statements is GBP sterling. The functional currency is the currency of the primary economic environment in which an entity operates and is normally the currency in which the entity primarily generates and expends cash.

Transactions in foreign currencies are initially recorded in the functional currency by applying the rate of exchange ruling at the date of the transaction, where this is not practical and exchange rates do not fluctuate materially the average rate has been used. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are included in the profit and loss account. Non-monetary assets and liabilities, other than those measured at fair value, are not retranslated subsequent to initial recognition.

Investments

Fixed asset investments in subsidiaries are held at cost. The company assesses investments for an impairment indicator annually. If any such indication of possible impairment exists, the company makes an estimate of the investment's 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.

Where these circumstances have reversed the impairment previously made is reversed to the extent of the original cost of the investment.

All other fixed asset investments are stated in the financial statements at cost less provisions for impairment.

Financial assets

Financial assets within the scope of IAS 39 are classified as loans and receivables, financial assets at fair value through profit or loss, derivatives designated as hedging instruments in an effective hedge, held-to-maturity financial assets, or as available-for-sale financial assets, as appropriate. Financial assets may include cash and cash equivalents, trade receivables, other receivables, loans, other investments, and derivative financial instruments. The company determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

BP CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2015**

2. Significant accounting policies, judgements, estimates and assumptions (continued)

Financial assets (continued)

The subsequent measurement of financial assets depends on their classification, as follows

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process. This category of financial assets includes trade and other receivables. Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value and have a maturity of three months or less from the date of acquisition.

Impairment of financial assets

The company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Loans and receivables

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognised in the profit and loss account.

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss, derivatives designated as hedging instruments in an effective hedge, or as financial liabilities measured at amortised cost, as appropriate. Financial liabilities may include trade and other payables, accruals, most items of finance debt and derivative financial instruments. The company determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities depends on their classification, as follows.

Financial liabilities measured at amortised cost

All financial liabilities are initially recognised at fair value. For interest-bearing loans and borrowings, this is the fair value of the proceeds received net of issue costs associated with the borrowing.

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in interest receivable and similar income and interest payable and similar charges. This category of financial liabilities includes trade and other payables and finance debt.

BP CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2015**

2. Significant accounting policies, judgements, estimates and assumptions (continued)

Offsetting of financial assets and liabilities

Financial assets and liabilities are presented gross in the balance sheet unless both of the following criteria are met: the company currently has a legally enforceable right to set off the recognised amounts, and the company intends to either settle on a net basis or realise the asset and settle the liability simultaneously. If both of the criteria are met, the amounts are set off and presented net.

Employee benefits

Wages, salaries, bonuses, social security contributions, paid annual leave and sick leave are accrued in the period in which the associated services are rendered by employees of the company. Deferred bonus arrangements that have a vesting date more than 12 months after the period end are valued on an actuarial basis using the projected unit credit method and amortised on a straight-line basis over the service period until the award vests. The accounting policies for share-based payments and for pensions and other post-retirement benefits are described below.

Pensions

The defined benefit pension scheme is a scheme that shares risks between entities under common control and is administered by the ultimate parent company BP plc. The company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and so the scheme has been accounted for as a defined contribution scheme as allowed by FRS 101. Contributions to the scheme are charged through the company's profit and loss account in the year in which they become payable. Detailed disclosures have been made in the financial statements of the ultimate parent company.

Deferred tax

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises on the initial recognition of goodwill or on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit or loss nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

BP CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

2. Significant accounting policies, judgements, estimates and assumptions (continued)

Deferred tax (continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off taxation assets against taxation liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Turnover

Turnover is derived from BP group companies and is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales taxes.

Research and development costs

Research and development costs are expensed as incurred.

3. Turnover

An analysis of the company's turnover is as follows

	<u>2015</u>	<u>2014</u>
	£000	£000
Rendering of services	76,683	75,597
Royalty revenues	3,811	5,430
	<u>80,494</u>	<u>81,027</u>
Other operating income	1,855	1,628
	<u>82,349</u>	<u>82,655</u>

An analysis of turnover by geographical market is set out below

	<u>2015</u>	<u>2014</u>
	£000	£000
By geographical area		
UK	76,683	75,597
USA	1,104	1,197
Rest of World	2,707	4,233
Total	<u>80,494</u>	<u>81,027</u>

BP CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

4. Operating profit

This is stated after charging / (crediting)

	<u>2015</u>	<u>2014</u>
	£000	£000
Net foreign exchange losses	14	-
Research and development costs expensed	27,469	34,527
Other operating income	<u>(1,855)</u>	<u>(1,628)</u>

Other operating income represents R&D tax credits on qualifying R&D expenditure

5. Auditor's remuneration

	<u>2015</u>	<u>2014</u>
	£000	£000
Fees for the audit of the company	<u>5</u>	<u>10</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 financial statements since the consolidated financial statements of BP Chemicals Limited's ultimate parent, BP plc, are required to disclose non-audit fees on a consolidated basis

The fees were borne by another group company

6. Taxation

The company is a member of a group for the purposes of relief within Part 5, Corporation Tax Act 2010

The taxation charge in the profit and loss account is made up as follows

	<u>2015</u>	<u>2014</u>
	£000	£000
<u>Current tax</u>		
UK corporation tax on income for the year	-	-
UK tax underprovided in prior years	399	379
	399	379
Overseas tax on income for the year	420	266
Total current tax charged	<u>819</u>	<u>645</u>
<u>Deferred tax</u>		
Origination and reversal of temporary differences	(347)	(6)
Total deferred tax credited	<u>(347)</u>	<u>(6)</u>
Tax charged on profit on ordinary activities	<u>472</u>	<u>639</u>

BP CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

6. Taxation (continued)

(a) Reconciliation of the effective tax rate

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 20% for the year ended 31 December 2015 (2014 21%) The differences are reconciled below

	<u>2015</u>	<u>2014</u>
	UK	UK
	£000	£000
Profit on ordinary activities before tax	6,874	8,246
Tax charge	472	639
Effective tax rate	7%	8%
	<u>2015</u>	<u>2014</u>
	UK	UK
	%	%
UK corporation tax rate	20	21
Increase / (decrease) resulting from		
Non-taxable income	(5)	(4)
Double tax relief	(6)	(3)
Overseas tax	6	3
Free group relief	(15)	(14)
Deferred tax provided at lower rates	1	-
Adjustments to tax charge in respect of previous years	6	5
Effective tax rate	<u>7</u>	<u>8</u>

The reconciling items shown above are those that arise for UK corporation tax purposes, rather than overseas tax purposes

Change in corporation tax rate

The UK corporation tax rate was reduced from 21% to 20% with effect from 1 April 2015, and will further reduce to 19% from 1 April 2017 and to 18% from 1 April 2020. Deferred tax has been measured using the rates substantively enacted at 31 December 2015

(b) Provision for deferred tax

The deferred tax included in the profit and loss account and balance sheet is as follows

	Profit and loss account		Balance sheet	
<u>Deferred tax asset</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	£000	£000	£000	£000
Capital allowances in excess of depreciation	-	(6)	6	6
Other deductible temporary differences	(347)	-	347	-
Net credit for deferred tax assets	<u>(347)</u>	<u>(6)</u>	<u>353</u>	<u>6</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

6. Taxation (continued)

(b) Provision for deferred tax (continued)

Analysis of movements during the year

	2015
	£000
At 1 January 2015	6
Deferred tax credit in the profit and loss account	347
At 31 December 2015	353

Deferred tax has not been recognised on £2,880,696 of deductible temporary differences (2014 £2,880,696) relating to connected party capital losses with no fixed expiry date, which are not expected to give rise to any future tax benefit

7. Directors and employees

(a) Remuneration of directors

The total remuneration for all serving directors for their period of directorship to the company amounted to £134,000 (2014 £132,000) Furthermore, a number of directors are senior executives of the BP plc Group and received no remuneration for services to this company or its subsidiary undertakings

All three directors are members of the defined benefit section of the BP Pension Fund at 31 December 2015 (2014 Three) and none of the directors exercised share options over BP plc shares during the year (2014 None)

(b) Employee costs

	2015	2014
	£000	£000
Wages and salaries	49,005	39,545
Social security costs	3,218	3,378
Other pension costs	10,739	9,964
	62,962	52,887

(c) The average monthly number of employees during the year was 627 (2014 641)

BP CHEMICALS LIMITED

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FOR THE YEAR ENDED 31 DECEMBER 2015

8. Investments

	Investment in subsidiaries	Other Investment	Total
	£000	£000	£000
Cost			
At 1 January 2014 / 31 December 2014	<u>113,285</u>	<u>-</u>	<u>113,285</u>
At 1 January 2015	113,285	-	113,285
Additions	<u>-</u>	<u>737</u>	<u>737</u>
At 31 December 2015	<u>113,285</u>	<u>737</u>	<u>114,022</u>
Impairment losses			
At 1 January 2014 / 31 December 2014	<u>5,212</u>	<u>-</u>	<u>5,212</u>
At 1 January 2015 / 31 December 2015	<u>5,212</u>	<u>-</u>	<u>5,212</u>
Net book amount			
At 31 December 2015	<u>108,073</u>	<u>737</u>	<u>108,810</u>
At 31 December 2014	<u>108,073</u>	<u>-</u>	<u>108,073</u>

The investments in subsidiaries are all stated at cost less provision for impairment

The investments in the subsidiary undertakings are unlisted

The subsidiary undertakings of the company at 31 December 2015 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
BXL Plastics Limited*	Deferred & Ordinary shares	100	England and Wales	Plastics
BP Chemicals (Korea) Limited*	Ordinary shares	100	England and Wales	Chemicals
BP World-Wide Technical Services Limited*	Ordinary shares	100	England and Wales	Chemicals
BP Chemicals France Holding*	Ordinary shares	100	France	Holding company

*Those investments held directly by the company are marked with an asterisk.

BP CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015

8. Investments (continued)

Other significant holdings of the company at 31 December 2015 and the percentage of equity capital held set out below

Significant holdings

Related undertakings	Holding	Country name	Principal activity
Asian Acryls Co Ltd	34%	Republic of South Korea	Chemicals
LOTTE BP Chemicals Co , Ltd (formerly Samsung-BP Chemicals Co , Ltd)	51%	Republic of South Korea	Chemicals

Other investment of the company as at 31 December 2015 relates to a memorandum of understanding signed between the company and Titan Wood Limited for the option to invest in one or both of the subsidiary technology licensing company and/or its Tricoya plant in UK

9. Debtors

Amounts falling due within one year

	<u>2015</u>	<u>2014</u>
	£000	£000
Deferred taxation	353	6
Taxation	<u>2,705</u>	<u>1,249</u>
	<u>3,058</u>	<u>1,255</u>

10. Creditors

Amounts falling due within one year

	<u>2015</u>	<u>2014</u>
	£000	£000
Amounts owed to group undertakings	35,645	48,092
Other creditors	609	614
Accruals and deferred income	13,998	5,426
Bank overdraft	<u>-</u>	<u>12</u>
	<u>50,252</u>	<u>54,144</u>

Accruals and deferred income include the severance pay accrual of £6,444,000 (2014 £nil), recognised in 2015 as a result of the restructuring programme announced in 4Q 2015

11. Called up share capital

	<u>2015</u>	<u>2014</u>
	£000	£000
Issued and fully paid. 12,500,000 Ordinary shares of £1 each for a total nominal value of £12,500,000	<u>12,500</u>	<u>12,500</u>

BP CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
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12. Reserves

Called up share capital

The balance on the called up share capital account represents the aggregate nominal value of all ordinary shares in issue

Share premium account

The balance on the share premium account represents the amounts received in excess of the nominal value of the ordinary shares

Profit and loss account

The balance held on this reserve is the retained profits of the company

13. Post balance sheet event

After the balance sheet date it was approved that the Company sell a technology for an upfront payment of US\$3m plus contingent consideration. The value and timing of receipt of any contingent consideration that may be received is uncertain and will not be recognised until its receipt is virtually certain

14. Pensions

The company is a participating employer in the BP Pension Fund. The BP Pension Fund is separately funded and provides benefits that are computed based on an employee's years of service and final pensionable salary. The level of contributions made to the BP Pension Fund is the amount needed to provide adequate funds to meet pension obligations as they fall due, and are based on pension costs in respect of all members of the fund.

The obligation and the cost of providing pensions are assessed annually using the projected unit credit method. The date of the latest actuarial valuation for the BP Pension Fund was 31 December 2014. The date of the most recent actuarial review was 31 December 2015. During 2015, employer contributions of £480m (2014: £425m) and member contributions of £18m (2014: £21m) were made to the BP Pension Fund.

The BP Pension Fund is operated in a way that does not allow the individual participating employing companies in the Pension Fund to identify their share of the underlying assets and liabilities of the fund. Therefore the company's payments in respect of pension current service cost have been accounted for as an expense as if they were contributions to a defined contribution scheme and no further FRS 101 disclosures made in these accounts.

The results of the most recent actuarial valuation of the BP Pension Fund as at 31 December 2014, have been reflected into the disclosures required by FRS 101 for the year ended 31 December 2015 and are included within the accounts of ultimate parent undertaking BP plc.

In the BP plc accounts, pension plan assets are measured at fair value and pension plan liabilities are measured on an actuarial basis using the projected unit credit method and discounted at an interest rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the plan liabilities. Remeasurements of the defined benefit liability and asset, comprising actuarial gains and losses, and the return on plan assets (excluding amounts included in net interest) are recognised within this company's statement of total recognised gains and losses in the period in which they occur.

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FOR THE YEAR ENDED 31 DECEMBER 2015

15. Comparative figures

Certain prior year figures have been reclassified to conform to the 2015 presentation. This has no impact on the profit and loss for the year or net assets.

16. Immediate and ultimate controlling parent undertaking

The immediate parent undertaking is BP Chemicals Investments Limited, a company registered in England and Wales. The ultimate controlling parent undertaking is BP plc, a company registered in England and Wales, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of BP plc can be obtained from 1 St James's Square, London, SW1Y 4PD.