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BP CHEMICALS LIMITED

A copy of the audited Accounts for the year ended 31 December 1987, together with the Report of the Directors is attached.

BP Chemicals Limited is a subsidiary of BP Chemicals International Limited and acts as the holding company for investments in UK subsidiary and related companies - the more important being:-

- BP Chemicals (Additives) Limited
- EXL Plastics Limited
- Honeywill & Stein Limited
- Hythe Chemicals Limited
- Mebon Limited
- The Robert McBride Group Limited
- Youngs Paraffin Light and Mineral Oil Company (Limited)

The assets of the Company are represented by shares and loans in the subsidiary and related companies and by the tangible and current assets of its overseas branch - Produits Chimiques BP Wingles.

BP Chemicals Limited acts as a Managing Agent for BP International Limited and the Agency Fee is the major source of income for the company, together with the trading activities of PCBP Wingles.

The operating profit for the year was £'M 11 made up as follows:-

	1987	1986
	<u>£'M</u>	<u>£'M</u>
Agency Fee	43	41
Royalty Income	12	11
R & D Expenses	(40)	(39)
Amounts (provided)/released against investments	(3)	5
Other income - Dividends	-	12
- Miscellaneous	5	1
	-----	-----
	17	31
PCBP Wingles	(6)	19
	-----	-----
	11	50

It is proposed that a dividend in respect of 1987 of £4M be paid to BP Chemicals International Limited on 1 December 1988.

Dividends paid to BP Chemicals International Limited for 1986 amounted to £22.5M. These dividends were subsequently passed up to The British Petroleum Company plc to provide additional UK income and dividend cover.

The statutory accounts of BP Chemicals Limited do not reflect the trading results of the subsidiary and related companies. Nor do they include ownership of the BP Chemicals stream UK assets and the UK trading activities which are included in the statutory accounts of BP International Limited. This arrangement is primarily for UK fiscal reasons.

BP CHEMICALS LIMITED

ANNUAL REPORT AND ACCOUNTS - 1987

Board of Directors: R.R. KNOWLAND (Chairman)
A.J.S. HOOPER
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 1987.

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 £8,258,000. The Directors recommend payment of a final dividend for 1987 of £4,000,000. The balance of retained earnings has been added to profits brought forward of £25,402,000.

In 1987 earnings remained high, largely as a result of the continuing improvement in the balance between supply and demand for petrochemicals and plastics. The stability of exchange rates and of oil prices are factors which bear directly upon our future performance, but provided there is no marked downturn in worldwide economic growth, our prospects in the short term look sound.

Review of Activities

During the year the company acquired a 34% shareholding in Acell Investments Limited, a company marketing architectural and building products.

Subsequent Event

As a result of a reorganisation within the BP Group, effective 1 January 1988, BP Chemicals Limited acquired from BP Oil Limited the entire shareholding in The Robert McBride Group Limited and Young's Paraffin Light and Mineral Oil Company (Limited) and on 3 February 1988 BP Chemicals Limited transferred its shareholding in BP Chemicals (Ireland) Limited to BP Oil 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

The above named were Directors of the Company throughout the financial year. Dr. F.C. Newman resigned from the Board on 31 March 1988.

BP CHEMICALS LIMITED
REPORT OF THE DIRECTORS (Continued)

The interests of the Directors holding office on 31 December 1987, and their families, in the shares of The British Petroleum Company p.l.c. (adjusted to reflect the capitalisation issue, made on 30 April 1987, of two ordinary shares for each ordinary share held) were as set out below:

	Type of Share	1 January 1987	31 December 1987
A.J.S. Hooper	25p Ordinary	7,431	7,956
R.R. Knowland	25p Ordinary	10,494	11,019
F.C. Newman	25p Ordinary	5,712	6,237
R. Saumann	-	Nil	Nil
C.H. Thompson	25p Ordinary	5,088	5,613
J.N. Turnbull	25p Ordinary	2,526	3,576

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 1987.

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 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.

Employee Involvement

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 1987, the Company launched its Total Quality Management Programme throughout the UK and overseas. Based on the policy 'BPCI is committed to meeting customer requirements, both internal and external, for all products and services all the time', it aims to include all employees in the UK in a quality education programme by the end of 1988.

Throughout 1987, further information programmes were run for employees on UK sites on the theme "Know Your Business", designed to enable employees to identify more closely with their business, and thus contribute to its success.

BP CHEMICALS LIMITED

REPORT OF THE DIRECTORS (Continued)

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.

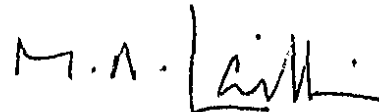
A monthly Company newspaper affords extensive coverage of business issues, as well as social, sporting and other leisure interests of employees and their families. Further information about BP Chemicals and about other Companies in the BP Group is included in the Group magazine "BP Shield" and in the 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.

Auditors

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
1988

BP CHEMICALS LIMITED

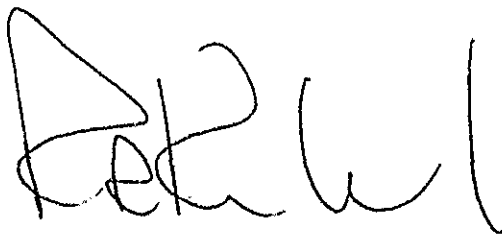
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1987

		1987 £'000	1986 £'000
	NOTE		
Turnover	3	323,362	286,073
Cost of sales		305,416	244,964
Gross profit		<u>17,946</u>	<u>41,109</u>
Distribution and administration expenses	4	11,988	4,237
Other income	5	5,192	12,898
Operating profit		<u>11,150</u>	<u>49,770</u>
Interest expense	6	1,226	156
Profit before taxation		<u>9,924</u>	<u>49,614</u>
Taxation	11	1,666	5,879
Profit for the year		<u>8,258</u>	<u>43,735</u>
Dividend	12	4,000	22,527
Retained profit for the year		<u>4,258</u>	<u>21,208</u>
Retained profit brought forward		25,402	695
Exchange gain arising on translation of net investments in foreign currency branches		132	3,499
Retained profit at 31 December		<u><u>29,792</u></u>	<u><u>25,402</u></u>

BP CHEMICALS LIMITED

BALANCE SHEET AT 31 DECEMBER 1987

		1987 £'000	1987 £'000	1986 £'000
	Note			
Fixed assets				
Tangible assets	13		6,458	7,351
Investments	14		48,229	46,783
Current assets				
Stocks	15	13,652		8,807
Debtors	16	129,766		143,640
Cash at bank and in hand		13,330		18,565
Less:				
Creditors amounts falling due within one year	17	160,419		178,520
Net current assets/(liabilities)			(3,671)	(7,508)
Shareholders' interest			51,016	46,626
Represented by:				
Capital and reserves				
Called up share capital	18		12,500	12,500
Share premium			8,724	8,724
Profit and loss account			29,792	25,402
			51,016	46,626



John Timbom

Directors

20 SEPTEMBER 1988

BP CHEMICALS LIMITED

SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1987

	1987 £'000	1986 £'000
SOURCE OF FUNDS		
Profit for the year	8,258	43,735
Disposal of investment in subsidiary company	-	9,000
Disposal of investment in related company	1,740	-
Items not involving movements of funds		
Depreciation	1,738	1,832
Release of amounts provided against investments	-	(6,661)
Deletions in subsidiary companies	414	79
Net book amounts of assets sold	21	36
Exchange adjustments	564	2,487
Working capital movements		
Stocks	(4,845)	780
Debtors	13,874	19,507
Creditors due within one year	(18,101)	(37,764)
Funds (required)/generated from operations	3,663	33,031
APPLICATION OF FUNDS		
Capital expenditure	(1,298)	(1,327)
Dividend	(4,000)	(22,527)
Investment in related company	(3,600)	-
Funds (applied)/generated	(5,235)	9,177
Financed by		
Cash at bank and in hand - (decrease)/increase	(5,235)	9,177

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.

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BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (Continued)

(1) Accounting policies (continued)

- (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.

- (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.

	1987	1986
	£'000	£'000

(3) Turnover

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

Geographical analysis

United Kingdom	203,526	186,388
Rest of Europe	119,836	99,685
	<u>323,362</u>	<u>286,073</u>

(4) Distribution and administration expenses

Distribution	8,107	7,802
Administration	1,286	1,227
Release of amounts provided against investments	-	(6,661)
Amounts provided against debts due from subsidiary companies	2,595	1,869
	<u>11,988</u>	<u>4,237</u>

BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (Continued)

	1987 £'000	1986 £'000		
(5) Other Income				
Surplus on disposal of related company	3,960	-		
Surplus on dissolution of subsidiary companies	284	-		
Subsidiary company - dividends	-	11,734		
Related companies - dividends	173	173		
Trade investment - dividend	16	17		
Other interest	741	865		
Miscellaneous income	18	109		
	<u>5,192</u>	<u>12,898</u>		
(6) Interest expense				
Fellow subsidiary company	1,210	-		
Bank overdraft	16	156		
	<u>1,226</u>	<u>156</u>		
(7) Depreciation				
Depreciation charged for year	<u>1,738</u>	<u>1,832</u>		
(8) Auditors' remuneration				
Overseas fees and expenses	<u>25</u>	<u>25</u>		
The cost of UK audit fees and expenses is borne by BP International Limited				
(9) Research				
Expenditure on research	<u>39,950</u>	<u>39,283</u>		
(10) Directors and employees				
Employee costs				
Wages and salaries	85,859	78,545		
Social security costs	8,219	7,609		
Pension costs	19,160	22,087		
	<u>113,238</u>	<u>108,241</u>		
Average employee numbers				
	1987		1986	
	UK	Non-UK	UK	Non-UK
Manufacturing	4,580	316	4,545	319
Distribution and marketing	300	46	305	47
Administration	227	38	237	38
	<u>5,107</u>	<u>400</u>	<u>5,087</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 five directors amounted to £482,542 (1986 - 6 - £466,171). Of these the highest paid director received £124,826 - (1986 - £117,441). 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:-

£	£	1987	1986
90,001 - 95,000		2	1
85,001 - 90,000		2	-
80,001 - 85,000		-	1
75,001 - 80,000		-	1
55,001 - 60,000 (part period only)		-	1
35,001 - 40,000 (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:

£	£	1987	1986
80,001 - 85,000		1	-
75,001 - 80,000		1	-
70,001 - 75,000		2	1
65,001 - 70,000		2	4
60,001 - 65,000		7	3
55,001 - 60,000		8	6
50,001 - 55,000		12	7
45,001 - 50,000		21	19
40,001 - 45,000		24	27
35,001 - 40,000		78	37
30,001 - 35,000		56	85

(11) Taxation

	1987 £'000	1986 £'000
United Kingdom Taxation		
Current at 35% (36.25%)	947	4,933
Overseas Tax Relief	(947)	(4,933)
	<hr/>	<hr/>
Tax Credit on UK Dividends Received	NIL	NIL
Overseas taxation	4	1,034
Less: Exchange Difference non-taxable	947	4,845
	(91)	-
Payment on account for the surrender of Group relief by a subsidiary company	806	-
	<hr/>	<hr/>
	1,666	5,879
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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 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, provision has only been made in the accounts of this company for the balance of the liability in so far as it represents payments for group relief. 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 1987 of £663,000 (1986 £1,047,000) 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 £384,000 (1986 credit of £369,000).

(12) Dividends

The Directors recommend payment of a dividend for 1987 of £4,000,000. This dividend if declared will be paid on 1 December 1988. Interim dividends paid during 1986 amounted to £22,527,849.

(13) Tangible assets

	£'000
Chemicals assets	
Cost	
At 1 January 1987	20,292
Exchange adjustments	(1,193)
Additions	1,298
Deletions	(262)
	20,135
At 31 December 1987	20,135
Depreciation:	
At 1 January 1987	12,941
Exchange adjustments	(761)
Provided for year	1,738
Deletions	(241)
	13,677
At 31 December 1987	13,677
Net book amount	
At 31 December 1987	6,458
At 31 December 1986	7,351
Depreciation rates: 5% to 25%	

Included within above assets:

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BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (Continued)

(13) Tangible assets (continued)

Freehold Land at net book amount	£'000
At 31 December 1986	777
Exchange adjustment	(46)
At 31 December 1987	<u>731</u>

(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 1987	46,603	-	2,240	-	157	49,000
Additions	-	-	3,600	-	-	3,600
Disposals	-	-	(2,240)	-	-	(2,240)
Deletions	(614)	-	-	-	-	(614)
At 31 December 1987	<u>45,989</u>	<u>-</u>	<u>3,600</u>	<u>-</u>	<u>157</u>	<u>49,746</u>
Amounts provided						
At 1 January 1987	1,717	-	500	-	-	2,217
Released for year	-	-	-	-	-	-
Deletions	(200)	-	(500)	-	-	(700)
At 31 December 1987	<u>1,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,517</u>
Net book amount						
At 31 December 1987	<u>44,472</u>	<u>Nil</u>	<u>3,600</u>	<u>Nil</u>	<u>157</u>	<u>48,229</u>
At 31 December 1986	<u>44,886</u>	<u>Nil</u>	<u>1,740</u>	<u>Nil</u>	<u>157</u>	<u>46,783</u>

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 1987, 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:

Acell Investments Ltd.	England	Ordinary	34
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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 1987.

	Capital and reserves £'000	Profit/(loss) for year £'000
Acell Investments Ltd	1,703	(526)

The 49% shareholding in Synthite Limited was disposed of during the year.

(15) Stocks

	1987 £'000	1986 £'000
Raw materials	4,133	2,577
Finished products	8,352	5,010
Stores	1,167	1,220
	<u>13,652</u>	<u>8,807</u>

(16) Debtors

	1987		1986	
	Due within 1 Year £'000	Due after 1 Year £'000	Due within 1 Year £'000	Due after 1 Year £'000
Trade	7,810	-	7,561	-
Subsidiaries	31,803	-	41,292	-
Holding company	69,969	-	86,143	-
Fellow Subsidiaries	6,892	-	-	-
Other	8,735	4,557	3,958	4,686
	<u>125,209</u>	<u>4,557</u>	<u>138,954</u>	<u>4,686</u>

BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS (Continued)

(17) Creditors

	1987 Within 1 Year £'000	1986 Within 1 Year £'000
Bank overdraft	212	270
Trade	3,979	2,277
Subsidiaries	3,893	5,439
Holding and fellow subsidiaries	144,963	161,351
Taxation	-	4,996
Accruals	321	394
Proposed dividend	4,000	-
Other	3,051	3,793
	<u>160,419</u>	<u>178,520</u>

(18) Called up share capital - ordinary shares

	1987 Shares	1987 £'000	1986 Shares	1986 £'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 £1,573,000 (1986 - £503,000) including approximately £504,000 (1986 - £261,000) 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.

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 13 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 of the company at 31 December 1987 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-2

Ernest W. H. H. H. H.

Chartered Accountants,
London

20 SEPTEMBER 1988