

**BP CHEMICALS LIMITED**  
**(Registered No. 194971)**

**ANNUAL REPORT AND ACCOUNTS 2000**

Board of directors:    B E Grote (Chairman)  
                              M C Buzzacott  
                              D K Peattie  
                              A S Mackenzie  
                              C P Saunders

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**REPORT OF THE DIRECTORS**

The directors present their report and accounts for the year ended 31 December 2000.

**Principal activity**

The company and its subsidiary undertakings operate chemicals and plastics manufacturing assets either in their own name or as agents of BP International Limited. It is the intention of the directors that the current business of the company will continue for the foreseeable future.

**Review of the business**

Gross profits have recovered slightly in 2000 due to the restart of a third production line in polystyrene and a drive to reduce manufacturing costs per tonne within the Wingles branch.

**Results**

The retained profit for the year after taxation of £2,621,000 has been added to the retained profit brought forward of £44,251,000. After an exchange loss of £217,000 retained profit of £46,655,000 was carried forward at 31 December 2000.

**Research and development**

The company, on behalf of itself and its subsidiaries, is engaged in a wide range of research and development activities in connection with the manufacture of chemicals and plastics.

**Directors**

Mr M C Buzzacott and Mr R L McNeel served as directors throughout the financial year. Changes since 1 January 2000 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
B K Sanderson		1 October 2000
B E Grote	1 October 2000	
M L Noetzel	1 February 2001	1 September 2001
D K Peattie	1 February 2001	
R L McNeel		30 December 2001
A S Mackenzie	1 September 2001	
C P Saunders	30 December 2001	



## **BP CHEMICALS LIMITED**

### **REPORT OF THE DIRECTORS**

#### **Directors' interests**

The interests of the directors holding office at 31 December 2000, other than directors of the ultimate parent undertaking, and their families, in the US \$0.25 ordinary shares of BP p.l.c., (formerly BP Amoco p.l.c.), were as set out below:

	<u>31 December 2000</u>	<u>1 January 2000</u> (or date of appointment)
M C Buzzacott	190,577	137,122
R L McNeel	11,118*	30,564*

In addition, rights to subscribe for US \$0.25 ordinary shares in BP p.l.c (formerly BP Amoco p.l.c.) were granted to, or exercised by, those directors between 1 January or date of appointment and 31 December 2000 as follows:

	<u>Granted</u>	<u>Exercised</u>
M C Buzzacott	34,000	Nil
R L McNeel	75,600*	Nil*

\* These holdings include shares held in the form of ADRs (American Depository Receipts)

No director had any interest in the shares or debentures of subsidiary undertakings of BP p.l.c (formerly BP Amoco p.l.c.) at 31 December 2000.

#### **Disabled employees**

The company gives full 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 BP group continued its policy of providing employees with information on matters of concern to them. In particular, information relating to group performance and group policies has been readily available to employees through the 'BP World' intranet web-site. A worldwide People Assurance Survey was undertaken to measure employee satisfaction levels with group leadership. Employees were invited to participate in BP share schemes.

**BP CHEMICALS LIMITED**

**REPORT OF THE DIRECTORS**

**Policy and practice with respect to payment of suppliers**

It is the company's policy to follow the CBI's prompt payment code of practice for all suppliers to the company. A copy of the code of practice may be obtained from the CBI.

The number of days' purchases represented by trade creditors at the year end was 18 days.

**Auditors**

On 28 June 2001, Ernst & Young, the Company's auditor, transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28 June 2001. Ernst & Young LLP will be re-appointed as the Company's auditor in accordance with the elective resolution passed by the Company under section 386 Companies Act 1985.

By order of the Board



Secretary

Registered Office

Britannic House  
1 Finsbury Circus  
London EC2M 7BA

*29 January 2002*

## **BP CHEMICALS LIMITED**

### **STATEMENT OF DIRECTORS RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, 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 accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors confirm that they have complied with these requirements and having a reasonable expectation that the company has, or has access within the BP Group to, adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts.

## **BP CHEMICALS LIMITED**

### **REPORT OF THE AUDITORS TO THE MEMBERS OF BP CHEMICALS LIMITED**

We have audited the company's financial statements for the year ended 31 December 2000 which comprise the Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Reconciliation of Shareholders' Funds and the related notes 1 to 20. These financial statements have been prepared on the basis of the accounting policies set out therein.

#### **Respective responsibilities of directors and auditors**

As described on page 4, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

#### **Basis of opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

#### **Opinion**

In our opinion the accounts give a true and fair view of the state of the company's affairs as at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*

Registered Auditor  
London

*29 January* 2002

*ECY*

## **BP CHEMICALS LIMITED**

### **ACCOUNTING POLICIES**

#### **Accounting convention**

The accounts have been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

#### **Group accounts**

Group accounts are not submitted as the company is exempt from the obligation to prepare group accounts under Section 228(1) of the Companies Act 1985. The results of subsidiary and associated undertakings are dealt with in the consolidated accounts of the ultimate parent undertaking, BP p.l.c., a company registered in England and Wales.

As the ultimate parent undertaking has published a group cash flow statement in compliance with Financial Reporting Standard No. 1 (Revised), a cash flow statement is not presented in these accounts.

#### **Stock valuation**

Stocks are valued at cost using the first-in, first-out method, or at net realisable value, whichever is the lower. Stores are stated at or below cost calculated mainly using the average method.

#### **Foreign currencies**

Assets and liabilities of foreign currency branches are translated into sterling at closing rates of exchange. Income statements are translated at average rates of exchange.

Exchange differences resulting from the retranslation of net investments in foreign currency branches at closing rates, together with differences between income statements translated at average rates and at closing rates of exchange, are dealt with in reserves. Exchange gains and losses arising on long-term foreign currency borrowings used to finance the company's foreign currency investments are also 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.

#### **Depreciation**

Tangible and intangible assets, other than freehold land, are depreciated on the straight line method over their estimated useful lives.

#### **Research expenditure**

Expenditure on research is written off in the year in which it is incurred.

#### **Pensions**

Pension costs represent the contributions made to The BP Pension Fund.

The cost of providing pensions is charged to income on a systematic basis, with pension surpluses and deficits amortised over the expected average remaining service lives of current employees. The difference between the amounts charged to income and contributions made to the pension plans is included within other provisions or debtors as appropriate.

**BP CHEMICALS LIMITED**

**ACCOUNTING POLICIES**

**Deferred taxation**

Deferred taxation is calculated using the liability method, in respect of timing differences arising primarily from the different accounting and tax treatment of depreciation. Provision is made or recovery anticipated where timing differences are expected to reverse in the foreseeable future.

**BP CHEMICALS LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2000**

	Note	<u>2000</u> £000	<u>1999</u> £000
<b>Turnover</b>	1	293,057	314,019
Cost of sales		(281,053)	(302,406)
<b>Gross Profit</b>		12,004	11,613
Administration expenses		(3,333)	(3,101)
Distribution and marketing expenses		(5,056)	(5,033)
Other income	2	373	1,183
<b>Operating profit</b>	3	3,988	4,662
Profit/(loss) on disposal of fixed assets	4	11	(34)
Reorganisation/restructuring costs	4	-	(8,735)
Interest payable and similar charges	5	(1,962)	(958)
<b>Profit/(loss) before taxation</b>		2,037	(5,065)
Taxation	6	584	(1,877)
<b>Retained profit/(loss) for the year</b>		2,621	(6,942)

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 DECEMBER 2000**

	<u>2000</u> £000	<u>1999</u> £000
Retained profit/(loss) for the year	2,621	(6,942)
Currency translation differences	(217)	(1,263)
<b>Total recognised gains and losses for the year</b>	2,404	(8,205)



**BP CHEMICALS LIMITED**

**BALANCE SHEET AT 31 DECEMBER 2000**

	Note	<u>2000</u> £000	<u>1999</u> £000
<b>Fixed assets</b>			
Intangible assets	8	201	275
Tangible assets	8	40,241	42,299
Investments	9	78,546	78,546
		<hr/>	<hr/>
		118,988	121,120
<b>Current assets</b>			
Stocks	10	15,405	12,244
Debtors - amounts falling due:			
Within one year	11	25,959	21,341
After more than one year	11	385	419
Cash at bank and in hand		9,041	1,935
<b>Creditors - amounts falling due within one year</b>	12	(99,205)	(86,632)
		<hr/>	<hr/>
<b>Net current liabilities</b>		(48,415)	(50,693)
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		70,573	70,427
<b>Creditors - amounts falling due after more than one year</b>	12	(232)	(13)
<b>Provision for liabilities and charges</b>	13	(2,462)	(4,939)
		<hr/>	<hr/>
		67,879	65,475
		<hr/>	<hr/>
<b>Represented by</b>			
<b>Capital and reserves</b>			
Called-up share capital	14	12,500	12,500
Share premium	15	8,724	8,724
Reserves	15	46,655	44,251
		<hr/>	<hr/>
<b>SHAREHOLDERS FUNDS-EQUITY INTERESTS</b>		67,879	65,475
		<hr/>	<hr/>

*Cf Seaton*

Director

29 January 2002

**BP CHEMICALS LIMITED**

**NOTES TO THE ACCOUNTS**

**1. Turnover**

Turnover is attributable to one continuing activity and comprises gross proceeds, royalties, recoverable expenditure and management fee.

	<u>2000</u> £000	<u>1999</u> £000
Geographical analysis:		
United Kingdom	156,609	215,767
Rest of Europe	103,099	75,008
Rest of World	33,349	23,244
	<hr/> 293,057 <hr/>	<hr/> 314,019 <hr/>

**2. Other income**

	<u>2000</u> £000	<u>1999</u> £000
Other interest and miscellaneous income	77	1,243
Share of partnership profits/(losses)	296	(60)
	<hr/> 373 <hr/>	<hr/> 1,183 <hr/>

**3. Operating profit**

This is stated after charging:

	<u>2000</u> £000	<u>1999</u> £000
Expenditure on research written off	29,957	37,843
Depreciation of owned fixed assets	3,312	3,076
Auditors' remuneration:		
Overseas fees	21	25
	<hr/> <hr/>	<hr/> <hr/>

The UK auditors' remuneration is dealt with in the accounts of the parent undertaking.

**BP CHEMICALS LIMITED**

**NOTES TO THE ACCOUNTS**

**4. Exceptional items**

Exceptional items comprise the profit/(loss) on disposal of fixed assets, and restructuring costs as follows:

	<u>2000</u> £000	<u>1999</u> £000
Profit/(loss) on disposal of fixed assets	11	(34)
Reorganisation/restructuring costs	-	(8,735)
Exceptional items	-----	-----
Taxation credit/(charge):	-	-
Exceptional items, net of tax	----- 11	----- (8,769)

The reorganisation/restructuring costs of £8,735,000 in 1999 arose due to the fundamental restructuring of the company's operations.

**5. Interest payable and similar charges**

	<u>2000</u> £000	<u>1999</u> £000
Group interest	1,962	958

**BP CHEMICALS LIMITED**

**NOTES TO THE ACCOUNTS**

**6. Taxation**

United Kingdom taxation

The company is a member of a group for the purposes of relief under section 402 of the Income and Corporation Taxes Act 1988. No UK corporation tax liability tax arises.

Provision for UK deferred taxation is not required (1999 – Nil)

Overseas taxation

	<u>2000</u>	<u>1999</u>
	£000	£000
Corporation tax at 33.33% (1999 33.33%)	(18)	-
Other overseas taxation (current and prior)	1,911	386
Deferred tax – France	(2,477)	1,491
	<u>(584)</u>	<u>1,877</u>

**BP CHEMICALS LIMITED**

**NOTES TO THE ACCOUNTS**

**7. Directors and employees**

**(a) Remuneration of directors**

None of the directors received any fees or remuneration for services as a director of the company during the financial year (1999 £Nil).

	<u>2000</u> £000	<u>1999</u> £000
<b>(b) Employee costs</b>		
Wages and salaries	122,055	134,116
Termination payments	7,274	10,951
Social Security costs	23,843	20,983
Pension costs	(39,512)	(42,270)
	<hr/> 113,660	<hr/> 123,780
	<hr/> <hr/>	<hr/> <hr/>

**(c) Average number of employees during the year**

	<u>2000</u>		<u>1999</u>	
	UK	Non-UK	UK	Non-UK
Manufacturing	2,636	124	2,843	246
Distribution & marketing	308	17	300	26
Administration	206	52	190	45
	<hr/> 3,150	<hr/> 193	<hr/> 3,333	<hr/> 317
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**BP CHEMICALS LIMITED**  
**NOTES TO THE ACCOUNTS**

**8a. Intangible assets**

	<u>Software</u> £000
<b>Cost</b>	
At 1 January 2000	722
Transfers from tangible assets	25
Exchange adjustments	1
	<hr/>
<b>At 31 December 2000</b>	<b>748</b>
	<hr/>
<b>Depreciation</b>	
At 1 January 2000	447
Charge for the year	98
Exchange adjustments	2
	<hr/>
<b>At 31 December 2000</b>	<b>547</b>
	<hr/>
<b>Net book value</b>	
At 31 December 2000	201
	<hr/>
At 31 December 1999	275
	<hr/>
Depreciation rate: 20%	

**BP CHEMICALS LIMITED**

**NOTES TO THE ACCOUNTS**

**8b. Tangible assets**

	<u>Land and buildings</u> £000	<u>Plant and machinery</u> £000	<u>Total</u> £000
<b>Cost</b>			
At 1 January 2000	4,054	75,927	79,981
Exchange adjustments	-	13	13
Additions	88	1,514	1,602
Deletions	(110)	(1,641)	(1,751)
Transfers to intangible assets	-	(25)	(25)
<b>At 31 December 2000</b>	<u>4,032</u>	<u>75,788</u>	<u>79,820</u>
<b>Depreciation</b>			
At 1 January 2000	2,340	35,342	37,682
Exchange adjustments	2	44	46
Provided for year	116	3,098	3,214
Deletions	(60)	(1,303)	(1,363)
<b>At 31 December 2000</b>	<u>2,398</u>	<u>37,181</u>	<u>39,579</u>
<b>Net book value</b>			
At 31 December 2000	<u>1,634</u>	<u>38,607</u>	<u>40,241</u>
At 31 December 1999	<u>1,714</u>	<u>40,585</u>	<u>42,299</u>
Depreciation rates: 5% to 25%			

Included in land and buildings is freehold land valued at £1,112,000 (1999- £1,036,000) which is not depreciated.

# **BP CHEMICALS LIMITED**

## **NOTES TO THE ACCOUNTS**

### **9. Fixed assets - investments**

	<u>Subsidiary undertakings</u> £000
<b>Cost</b>	
At 1 January 2000 and 31 December 2000	78,546
	<hr/>
<b>Amounts provided</b>	
At 1 January 2000 and 31 December 2000	-
	<hr/>
<b>Net book value</b>	
At 31 December 2000 and 1999	78,546
	<hr/>

In the opinion of the directors, the value of shares and loans in the company's associated and subsidiary undertakings is not less than the amounts at which they are shown in the balance sheet.

The more important subsidiary and associated undertakings of the company at 31 December 2000 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. A complete list of investments in subsidiary and associated undertakings will be attached to the parent company's annual return made to the Registrar of Companies.

<b>Subsidiary undertakings</b>	<b>%</b>	<b>Country of incorporation</b>	<b>Shares held</b>
BXL Plastics Ltd	100	England & Wales	Ordinary
BXL Plastics Ltd	100	England & Wales	Deferred
BP Chemicals (Korea) Ltd	100	England & Wales	Ordinary
BP Korea Marketing Ltd	100	England & Wales	Ordinary
BP Chemicals Asia Pacific Services Ltd	100	England & Wales	Ordinary
BP World-Wide Technical Services Ltd	100	England & Wales	Ordinary

### **10. Stocks**

	<u>2000</u> £000	<u>1999</u> £000
Raw materials	5,592	3,843
Finished products	8,268	6,988
Stores	1,545	1,413
	<hr/>	<hr/>
	15,405	12,244
	<hr/>	<hr/>

The difference between the carrying value of stocks and their replacement cost is not material.

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**BP CHEMICALS LIMITED****NOTES TO THE ACCOUNTS****11. Debtors**

	<u>2000</u>		<u>1999</u>	
	Due Within 1 year £000	Due After 1 year £000	Due Within 1 year £000	Due After 1 year £000
Trade	256	-	277	-
Subsidiary undertakings	-	-	-	-
Parent and fellow subsidiary undertakings	22,003	-	15,595	-
Taxation recoverable	945	-	3,978	-
Other	2,755	385	1,491	419
	<u>25,959</u>	<u>385</u>	<u>21,341</u>	<u>419</u>

**12. Creditors**

	<u>2000</u>		<u>1999</u>	
	Due Within 1 year £000	Due After 1 year £000	Due Within 1 year £000	Due After 1 year £000
Bank overdrafts	6	-	6	-
Trade	5,239	-	2,881	-
Parent and fellow subsidiary undertakings	83,936	-	63,695	-
Taxation payable	1,055	-	3,909	-
Social security	272	-	713	-
Accruals and deferred income	7,938	-	13,075	-
Other	759	232	2,353	13
	<u>99,205</u>	<u>232</u>	<u>86,632</u>	<u>13</u>

**13. Provision for liabilities and charges**

	<u>2000</u> £000	<u>1999</u> £000
<b>Deferred taxation</b>		
UK full potential	-	1,136
Less: Double Tax Relief	-	(1,136)
	<u>-</u>	<u>-</u>
France: full potential	2,462	4,939
	<u>2,462</u>	<u>4,939</u>

The provision for deferred taxation arises from derogatory amortisation and a provision for price increases.



**BP CHEMICALS LIMITED**

**NOTES TO THE ACCOUNTS**

**14. Called up share capital**

	<u>2000</u> £000	<u>1999</u> £000
Authorised, allotted called up and fully paid 12,500,000 Ordinary shares of £1 each	12,500	12,500

**15. Reconciliation of shareholders' funds and movements on reserves**

	<u>Equity</u> <u>Share</u> <u>Capital</u> £000	<u>Share</u> <u>Premium</u> <u>Account</u> £000	<u>Profit &amp; Loss</u> <u>Account</u> £000	<u>Total</u> £000
At 1 January 1999	12,500	8,724	52,456	73,680
(Loss) for the year	-	-	(6,942)	(6,942)
Currency translation differences	-	-	(1,263)	(1,263)
At 1 January 2000	12,500	8,724	44,251	65,475
Profit for the year	-	-	2,621	2,621
Currency translation differences	-	-	(217)	(217)
At 31 December 2000	12,500	8,724	46,655	67,879

**16. Capital commitments**

Authorised and contracted future capital expenditure is estimated at £192,000 (1999 - £163,000).

**17. Operating lease commitments**

At 31 December the company had annual commitments under other non-cancellable operating leases as set out below:

	<u>2000</u> £000	<u>1999</u> £000
Expiring:		
Within 1 year	96	1,026
Between 2 to 5 years	-	1,977

## **BP CHEMICALS LIMITED**

### **NOTES TO THE ACCOUNTS**

#### **18. 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 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 obligations as they fall due, and are based on pension costs in respect of all members of the fund. Contributions have been suspended since October 1995. Actuarial surpluses and deficiencies are amortised over the expected remaining service lives of members and charged or credited to income as appropriate in the accounts of BP International Limited, a fellow subsidiary undertaking, having regard to the overall position of the Fund. Particulars of the most recent actuarial valuation of The BP Pension Fund as at 1 January 1999 are included within the financial statements of the ultimate parent undertaking.

The charge to profit for the year for pensions is £ Nil (1999 £ Nil).

#### **19. Related party transactions**

The company has taken advantage of the exemption contained within FRS 8, and has not disclosed transactions with group companies. There were no other related party transactions on the year.

#### **20. Ultimate parent undertaking**

The ultimate parent undertaking of the group of undertakings for which group accounts are drawn up, and of which the Company is a member, is BP p.l.c, a company registered in England and Wales. Copies of BP p.l.c.'s accounts can be obtained from Britannic House, 1 Finsbury Circus, London, EC2M 7BA.

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