

**BP CHEMICALS (KOREA) LIMITED**

(Registered No.02316280)

**ANNUAL REPORT AND FINANCIAL STATEMENTS 2017**

Board of Directors: T M Thornton

C A McCann

N C Dunn

The directors present the strategic report, their report and the financial statements for the year ended 31 December 2017.

**STRATEGIC REPORT**

**Results**

The profit for the year after taxation was £3,678,000 which, when added to the retained profit brought forward at 1 January 2017 of £55,191,000, gives a total retained profit carried forward at 31 December 2017 of £58,869,000.

**Principal activity and review of the business**

The company acts as an intermediate holding company, holding certain investments in Korean chemical companies.

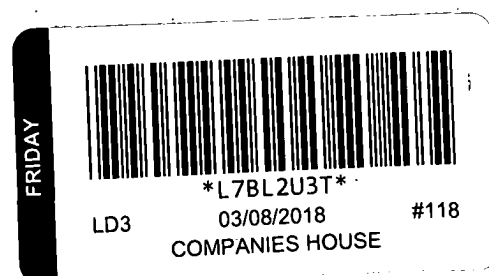
The key financial and other performance indicators during the year were as follows:

	2017	2016	Variance
	£000	£000	%
Dividend income	5,494	9,650	(43)
Operating profit	3,752	8,438	(56)
Profit for the year	3,678	8,227	(55)
Total equity	104,169	100,491	4

	2017	2016	Variance
	%	%	%
Return on average capital employed*	4	9	(56)

\*Return on average capital employed is defined as profit for the year after adding back interest, divided by average capital employed. Capital employed is defined as total equity plus gross debt, excluding goodwill and cash.

The overall decrease in profit for the year and return on average capital employed is due to decrease in dividends received from the company's joint venture, LOTTE BP Chemical Co., Ltd coupled with an increase in administrative expenses. The increase in administrative expenses is mainly due to the new cost allocation arrangement of joint venture expenses as a result of a new employment to the corporate office.



## **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 2017.

### **Strategic and commercial risks**

#### ***Joint arrangements and contractors***

The company may have limited control over the standards, operations and compliance of its partners, contractors and sub-contractors.

#### ***Insurance***

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

### **Compliance and control risks**

#### ***Regulation***

Changes in the regulatory and legislative environment could increase the cost of compliance.

#### ***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, and could result in litigation, regulatory action and penalties.

#### ***Reporting***

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

### **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 and interest rates. Further details on these financial risks are included within Note 27 of the BP group Annual Report and Form 20-F for the year ended 31 December 2017.

## STRATEGIC REPORT

By Order of the Board



For and on behalf of  
Sunbury Secretaries Limited  
Company Secretary

18 July 2018

Registered Office:

Chertsey Road  
Sunbury on Thames  
Middlesex  
TW16 7BP  
United Kingdom

## **DIRECTORS' REPORT**

### **BP CHEMICALS (KOREA) LIMITED**

#### **Directors**

The present directors are listed on page 1.

T M Thornton and C A McCann served as directors throughout the financial year. Changes since 1 January 2017 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
N C Dunn	11 January 2017	—
J H Bartlett	—	11 January 2017

#### **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 (2016: £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 Groups (Accounts and Reports) Regulations 2008 in the strategic report under Financial risk management.

#### **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.


## **DIRECTORS' REPORT**

### **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 the auditor's 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

18 July 2018

Registered Office:

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**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT**  
**OF THE FINANCIAL STATEMENTS**  
**BP CHEMICALS (KOREA) LIMITED**

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable UK 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 United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 'Reduced Disclosure Framework'. 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 at least the next 12 months from the date these financial statements were approved, continue to adopt the going concern basis in preparing the financial statements.

## **INDEPENDENT AUDITOR'S REPORT**

### **TO THE MEMBERS OF BP CHEMICALS (KOREA) LIMITED**

#### **Opinion**

We have audited the financial statements of BP Chemicals (Korea) Limited for the year ended 31 December 2017 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 14, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Use of our report**

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.

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## **INDEPENDENT AUDITOR'S REPORT**

### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

### **Matters on which we are required to report by exception**

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which 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.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement 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, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

*Ernst & Young LLP*

Oxana Dorrington (Senior Statutory Auditor)

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

London

*20 July* 2018



**PROFIT AND LOSS ACCOUNT**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

**BP CHEMICALS (KOREA) LIMITED**

		2017	2016
	Note	£000	£000
<b>Dividend income</b>		5,494	9,650
Administrative expenses		(1,742)	(1,212)
<b>Operating profit</b>	<b>3</b>	<b>3,752</b>	<b>8,438</b>
Interest receivable and similar income	<b>5</b>	201	272
<b>Profit before taxation</b>		<b>3,953</b>	<b>8,710</b>
Taxation	<b>6</b>	(275)	(483)
<b>Profit for the year</b>		<b>3,678</b>	<b>8,227</b>

The profit of £3,678,000 for the year ended 31 December 2017 was derived in its entirety from continuing operations.

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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

**BALANCE SHEET**

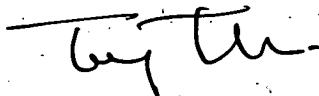
**AT 31 DECEMBER 2017**

**BP CHEMICALS (KOREA) LIMITED**

**(Registered No.02316280)**

		<u>2017</u>	<u>2016</u>
	Note	£000	£000
<b>Fixed assets</b>			
Investments	8	<u>20,493</u>	<u>20,493</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	9	84,555	80,547
Cash at bank and in hand		<u>1</u>	<u>1</u>
		84,556	80,548
<b>Creditors: amounts falling due within one year</b>	10	<u>(880)</u>	<u>(550)</u>
<b>Net current assets</b>		83,676	79,998
<b>NET ASSETS</b>		<u><u>104,169</u></u>	<u><u>100,491</u></u>
<b>Capital and reserves</b>			
Called up share capital	11	45,300	45,300
Profit and loss account	12	58,869	55,191
<b>TOTAL EQUITY</b>		<u><u>104,169</u></u>	<u><u>100,491</u></u>

On behalf of the Board



T M Thornton

Director

18 July 2018

**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**  
**BP CHEMICALS (KOREA) LIMITED**

	Called up share capital (Note 11)	Profit and loss account (Note 12)	Total
	£000	£000	£000
<b>Balance at 1 January 2016</b>	45,300	46,964	92,264
Profit for the year, representing total comprehensive income	—	8,227	8,227
<b>Balance at 31 December 2016</b>	45,300	55,191	100,491
Profit for the year, representing total comprehensive income	—	3,678	3,678
<b>Balance at 31 December 2017</b>	<u>45,300</u>	<u>58,869</u>	<u>104,169</u>

## **NOTES TO THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2017**

#### **BP CHEMICALS (KOREA) LIMITED**

#### **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 (Korea) Limited for the year ended 31 December 2017 were approved by the board of directors on 28 June 2018 and the balance sheet was signed on the board's behalf by T M Thornton. BP Chemicals (Korea) Limited is a private company, limited by shares incorporated, domiciled and registered in England and Wales (registered number 02316280). The company's registered office is at Chertsey Road, Sunbury on Thames, Middlesex, TW16 7BP. 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.

#### **2. 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 p.l.c. Details of the parent in whose consolidated financial statements the company is included are shown in Note 14 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 91 – 99 of IFRS 13 Fair Value Measurement;
- (c) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements;
- (d) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1;
- (e) the requirements of IAS 7 Statement of Cash Flows;
- (f) 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;
- (g) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures;
- (h) 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
- (i) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c)-135(e) of IAS 36, Impairment of Assets.

Where required, equivalent disclosures are given in the group financial statements of BP p.l.c. The group financial statements of BP p.l.c. are available to the public and can be obtained as set out in Note 14.

## **NOTES TO THE FINANCIAL STATEMENTS**

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

#### **Basis of preparation (continued)**

The financial statements are presented in British pounds and all values are rounded to the nearest thousand pounds (£000), except where otherwise indicated.

#### **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.

#### ***Significant judgements and estimates: impairment of investments***

Determination as to whether, and how much, an investment is impaired involves management estimates on highly uncertain matters such as the effects of inflation and deflation on operating expenses, discount rates, production profiles, reserves and resources, and future commodity prices, including the outlook for global or regional market supply-and-demand conditions for crude oil, natural gas and refined products.

For value in use calculations, future cash flows are adjusted for risks specific to the cash-generating unit and are discounted using a pre-tax discount rate. The pre-tax discount rate is based upon the cost of funding the group derived from an established model, adjusted to a pre-tax basis. Fair value less costs of disposal calculations use the post-tax discount rate. The discount rates applied in impairment tests are reassessed each year.

In cases where fair value less costs to sell is used to determine the recoverable amount of an asset, where recent market transactions for the asset are not available for reference, accounting judgements are made about the assumptions market participants would use when pricing the asset. Fair value less costs to sell may be determined based on similar recent market transaction data or using discounted cash flow techniques. Where discounted cash flow analyses are used to calculate fair value less costs to sell, the discount rate used is based upon the cost of funding the group derived from an established model.

#### **Significant accounting policies**

##### **Going concern**

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least the next 12 months from the date these financial statements were approved and the financial statements have therefore been prepared under the going concern basis.

##### **Foreign currency**

The functional and presentation currency of the financial statements is British pounds. 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.

As the company is considered to be an intermediate holding company, and therefore an extension of its parent company, its functional currency is the same as its parent company.

## **NOTES TO THE FINANCIAL STATEMENTS**

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

#### **Foreign currency (continued)**

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 spot exchange on the balance sheet date. Any resulting exchange differences are included in the profit and loss account, unless hedge accounting is applied. Non-monetary assets and liabilities, other than those measured at fair value, are not retranslated subsequent to initial recognition.

#### **Investments**

Fixed asset investments in joint ventures 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.

#### ***Interests in joint arrangements***

A joint arrangement is an arrangement in which two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

#### **Financial assets**

Financial assets are recognized 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.

The subsequent measurement of financial assets depends on their classification, as set out below. The company derecognizes financial assets when the contractual rights to the cash flows expire or the financial asset is transferred to a third party.

#### ***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. This category of financial assets includes trade and other receivables.

#### ***Cash equivalents***

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 generally have a maturity of three months or less from the date of acquisition. Cash equivalents are classified as loans and receivables, held-to-maturity financial assets or available-for-sale financial assets.

## **NOTES TO THE FINANCIAL STATEMENTS**

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

#### **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 recognized in the profit and loss account.

#### **Financial liabilities**

The measurement of financial liabilities is as follows:

#### ***Financial liabilities measured at amortised cost***

Financial liabilities are initially recognized at fair value, net of transaction costs. 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, these financial liabilities are subsequently measured at amortised cost. This category of financial liabilities includes trade and other payables and finance debt, except finance debt designated in a fair value hedge relationship.

#### **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 recognized 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. A right of set off is the company's legal right to settle an amount payable to a creditor by applying against it an amount receivable from the same counterparty. The relevant legal jurisdiction and laws applicable to the relationships between the parties are considered when assessing whether a current legally enforceable right to set off exists.

#### **Taxation**

Income tax expense represents the sum of current tax and deferred tax.

Income tax is recognized in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the related tax is recognized in other comprehensive income or directly in equity.

Current tax is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the profit and loss account because it is determined in accordance with the rules established by the applicable taxation authorities. It therefore excludes items of income or expense that are taxable or deductible in other periods as well as items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the balance sheet method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## **NOTES TO THE FINANCIAL STATEMENTS**

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

#### **Taxation (continued)**

Deferred tax liabilities are recognized for all taxable temporary differences except:

- where the deferred tax liability arises on the initial recognition of goodwill;
- where the deferred tax liability arises 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; or
- in respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, where the company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for 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 utilized. An exception is where the deferred tax asset relates to the deductible temporary difference arising 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 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 utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized 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 tax assets and liabilities are offset only when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the current tax assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

Where tax treatments are uncertain, if it is considered probable that a taxation authority will accept the company's proposed tax treatment, income taxes are recognized consistent with the company's income tax filings. If it is not considered probable, the uncertainty is reflected using either the most likely amount or an expected value, depending on which method better predicts the resolution of the uncertainty.

#### **Interest income**

Interest income is recognised as the interest accrues.

#### **Dividend income**

Dividend income from investments is recognized when the shareholders' right to receive the payment is established.



## NOTES TO THE FINANCIAL STATEMENTS

### 3. Operating profit

This is stated after charging:

	2017	2016
	£000	£000
Net foreign exchange losses	13	39

### 4. Auditor's remuneration

	2017	2016
	£000	£000
Fees for the audit of the company	12	13

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 (Korea) Limited's ultimate parent, BP p.l.c., are required to disclose non-audit fees on a consolidated basis.

The fees were borne by another group company.

### 5. Interest receivable and similar income

	2017	2016
	£000	£000
Interest income from amounts owed by group undertakings	201	272

### 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:

	2017	2016
	£000	£000
<u>Current tax</u>		
Overseas tax on income for the year	275	483
Tax charged on profit	275	483

## NOTES TO THE FINANCIAL STATEMENTS

### 6. Taxation (continued)

#### (a) Reconciliation of the effective tax rate

The tax assessed on the profit for the year is lower than the standard rate of corporation tax in the UK of 19.25% for the year ended 31 December 2017 (2016: 20%). The differences are reconciled below:

	2017	2016
	£000	£000
Profit before tax	3,953	8,710
Tax charge	275	483
Effective tax rate	6.95%	6%

	2017	2016
	%	%
UK corporation tax rate:	19.25	20
Overseas corporation tax rate:	—	—
Increase / (decrease) resulting from:		
Non-deductible expenditure	5.06	1
Overseas tax	6.95	6
Free group relief	2.44	1
Dividends not subject to UK Tax	(26.75)	(22)
Effective tax rate	<u>6.95</u>	<u>6</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 reduced to 19% with effect from 1 April 2017, and will further reduce to 17% from 1 April 2020. Deferred tax has been measured using these rates, which have been substantively enacted at 31 December 2017.

#### (b) Provision for deferred tax

Deferred tax has not been recognised on excess management expenses of £273,962 (2016: £Nil) with no fixed expiry date on the basis that they are not expected to give rise to any future tax benefit.

### 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 (2016: £Nil).

#### (b) Employee costs

The company had no employees during the year (2016: None).

## NOTES TO THE FINANCIAL STATEMENTS

### 8. Investments

	Investment in joint ventures
<b>Cost</b>	£000
At 1 January 2016	20,493
At 31 December 2016	<u>20,493</u>
At 1 January 2017	20,493
At 31 December 2017	<u>20,493</u>
<b>Net book amount</b>	
At 31 December 2017	<u>20,493</u>
At 31 December 2016	<u>20,493</u>

The investments in joint ventures are all stated at cost less provision for impairment.

The investments in joint ventures are unlisted.

The joint venture of the company at 31 December 2017 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.

All voting rights are equal to percentage of share capital owned unless otherwise noted below.

Company name	Class of share held	%	Registered address	Principal activity
LOTTE BP Chemical Co., Ltd	Ordinary shares	51	2-2 Sangnam-ri Chungryang-myun Ulju-gun Ulsan 689-863 Republic of Korea	Chemicals

In April 2017, the company's joint venture, Asian Acetyls Co., Ltd ("ASACCO") underwent a capital reduction from 2,000,000 to 1,340,000 shares by cancelling and extinguishing 660,000 ordinary shares of Korean Won (W) 10,000 each for a total nominal value of W6,600,000,000 at par value. This increased the company's ownership in ASACCO from 34% to 50.75%.

In November 2017, a merger between ASACCO to LOTTE BP Chemical Co., Ltd ("LOTTE") resulted in the company extinguishing its shareholding in ASACCO with no changes to its shareholding in LOTTE.

### 9. Debtors

Amounts falling due within one year:

	2017	2016
	£000	£000
Amounts owed from fellow subsidiaries	<u>84,555</u>	<u>80,547</u>

## NOTES TO THE FINANCIAL STATEMENTS

### 10. Creditors

Amounts falling due within one year:

	2017	2016
	£000	£000
Amounts owed to fellow subsidiaries	880	550

### 11. Called up share capital

	2017	2016
	£000	£000
Issued and fully paid:		
45,300,000 ordinary shares of £1 each for a total nominal value of £45,300,000	45,300	45,300

### 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.

#### *Profit and loss account*

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

### 13. Related party transactions

The company has taken advantage of the exemption contained within paragraphs 8(k) and (j) of FRS 101, and has not disclosed transactions entered into with wholly-owned group companies or key management personnel.

During the year the company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 December, are as follows:

Related party	Dividend income from related party
	£000
LOTTE BP Chemical Co., Ltd	
Joint venture	
Chemicals	
2017	5,494
2016	8,654
Asian Acetyls Co., Ltd	
Joint venture	
Chemicals	
2017	—
2016	996

## NOTES TO THE FINANCIAL STATEMENTS

### **14. Immediate and ultimate controlling parent undertaking**

The immediate parent undertaking is BP Chemicals Limited, a company registered in England and Wales. The ultimate controlling parent undertaking is BP p.l.c., 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 p.l.c. can be obtained from its registered address: 1 St James's Square, London, SW1Y 4PD.