BP CHEMICALS LIMITED

(Registered No.00194971)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2018

Board of Directors: C A McCann
N C Dunn
T M Thornton

The directors present the strategic report, their report and the audited financial statements for the year ended 31 December 2018.

STRATEGIC REPORT

Results

The profit for the year after taxation was £13,265,000 which, when added to the retained profit brought forward at 1 January 2018 of £74,505,000, gives a total retained profit carried forward at 31 December 2018 of £87,770,000.

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.

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

	2018	2017	Variance
	£000	£000	%
Turnover	47,035	59,700	(21)
Operating profit	13,534	49,614	(73)
Profit for the year	13,265	48,784	(73)
Total equity	108,994	95,729	14

Turnover decreased mainly due to lower on-charges to BP International Limited (2018 £44,817,000; 2017 £57,773,000).

Profit decreased due to the absence of the £42.6m gain on dissolution of investment, partly offset by a dividend of £10m from BP Chemicals (Korea) Limited.

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 BP 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 2018.

Strategic and commercial risks

Major project delivery
Failure to invest in the best opportunities or deliver major projects successfully could adversely affect the company's financial performance.

The impact of the UK's exit from the EU
Following the referendum in 2016, BP has been assessing the potential impact of Brexit on group companies. BP has been preparing for different scenarios for the UK's exit from the EU but does not believe any of these scenarios will pose a significant risk to the business. The BP board's geopolitical committee discussed this, most recently in May 2019. BP continues to monitor developments in this area in line with group risk management processes and procedures.

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

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.

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STRATEGIC REPORT

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 29 of the BP group Annual Report and Form 20-F for the year ended 31 December 2018.

Authorized for issue by Order of the Board

DocuSigned by:
Melissa Atkinson
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For and on behalf of
Sunbury Secretaries Limited
Company Secretary

September 27, 2019

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

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DIRECTORS' REPORT

BP CHEMICALS LIMITED

Directors

The present directors are listed on page 1.

A C Williamson and T M Thornton served as directors throughout the financial year. Changes since 1 January 2018 are as follows:

	Appointed	Resigned
N C Dunn	21 February 2019	1 September 2018
C A McCann	18 September 2018	—
A C Williamson	—	21 February 2019

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 (2017: £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.

Research and development

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

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.

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DIRECTORS' REPORT

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 website.

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 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.

Authorized for issue by Order of the Board

DocuSigned by:
Melissa Atkinson
4AC705258B834F4...

For and on behalf of
Sunbury Secretaries Limited
Company Secretary

September 27, 2019

Registered Office:

Chertsey Road
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STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

BP CHEMICALS 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.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BP CHEMICALS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of BP Chemicals Limited (the company):

- give a true and fair view of the state of the company's affairs as at 31 December 2018 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.

We have audited the financial statements 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, including Financial Reporting Standard 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

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.

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 Financial Reporting Council's (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.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in 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 authorized for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

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INDEPENDENT AUDITOR'S REPORT

Responsibilities of directors
As explained more fully in the statement of directors' responsibilities, 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

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 the directors' report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

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.

DocuSigned by:
David Holtam
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David Holtam (Senior Statutory Auditor)
for and on behalf of Deloitte LLP Statutory Auditor
London, United Kingdom
September 27, 2019

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PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2018

BP CHEMICALS LIMITED

	Note	2018 £000	2017 £000
Turnover	3	47,035	59,700
Dividend income		10,000	—
Administrative expenses		(44,223)	(55,692)
Other operating income		722	3,019
Gain on dissolution of investment	6	—	42,587
Operating profit	4	13,534	49,614
Tax on profit	7	(269)	(830)
Profit for the year		13,265	48,784

The profit of £13,265,000 for the year ended 31 December 2018 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

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

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BALANCE SHEET

AS AT 31 DECEMBER 2018

BP CHEMICALS LIMITED
(Registered No.00194971)

	Note	2018 £000	2017 £000
Fixed assets			
Investments	9	82,636	81,826
Current assets			
Debtors: amounts falling due within one year	10	30,109	19,693
Cash at bank and in hand		460	327
		30,569	20,020
Creditors: amounts falling due within one year	11	(4,211)	(6,117)
Net current assets		26,358	13,903
NET ASSETS		108,994	95,729
Capital and reserves			
Called up share capital	12	12,500	12,500
Share premium account	13	8,724	8,724
Profit and loss account	13	87,770	74,505
TOTAL EQUITY		108,994	95,729

Authorized for issue on behalf of the Board

DocuSigned by:
Thornton Terry M
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T M Thornton
Director
September 27, 2019

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STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

BP CHEMICALS LIMITED

	Called up share capital (Note 12)	Share premium account (Note 13)	Profit and loss account (Note 13)	Total
	£000	£000	£000	£000
Balance at 1 January 2017	12,500	8,724	25,721	46,945
Profit for the year, representing total comprehensive income	—	—	48,784	48,784
Balance at 31 December 2017	12,500	8,724	74,505	95,729
Profit for the year, representing total comprehensive income	—	—	13,265	13,265
Balance at 31 December 2018	12,500	8,724	87,770	108,994

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1. Authorization 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 2018 were approved by the board of directors on 27 September 19 and the balance sheet was signed on the board's behalf by T M Thornton. BP Chemicals Limited is a private company, limited by shares incorporated, domiciled and registered in England and Wales (registered number 00194971). 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, except where otherwise indicated.

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 16 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
(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
(j) the requirement of the second sentence of paragraph 110 and paragraphs 113(a), 114, 115, 118, 119(a) to (c), 120 to 127 and 129 of IFRS 15 Revenue from Contracts with Customers

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

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 16.

The financial statements are presented in GBP 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 judgement: interests in other entities
Judgement is required in assessing the level of control or influence over another entity in which the company holds an interest. 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.

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 2018 the post-tax discount rate used was 6% (2017 6%) and the pre-tax discount rate was 9% (2017 9%). Where the asset is located in a country which is judged to be higher risk an additional 2% premium was added to the discount rate (2017 2%). The judgement of classifying a country as higher risk takes into account various economic and geopolitical factors.

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 judgement: deferred tax
Management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits. Details of deferred tax balances are provided in Note 7.

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NOTES TO THE FINANCIAL STATEMENTS

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

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 GBP. 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 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 subsidiaries and associates 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.

Interests in associates
An associate is an entity over which the company has significant influence, through the power to participate in the financial and operating policy decisions of the investee, but which is not a subsidiary or a joint arrangement.

Financial assets

Financial assets are recognized initially at fair value, normally being the transaction price. In the case of financial assets not at fair value through profit or loss, directly attributable transaction costs are also included.

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. This includes the derecognition of receivables for which discounting arrangements are entered into.

From 1 January 2018, the company classifies its financial assets as measured at amortized cost or fair value through profit or loss. The classification depends on the business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

077

NOTES TO THE FINANCIAL STATEMENTS

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

Financial assets (continued)

Financial assets measured at amortized cost
Financial assets are classified as measured at amortized cost when they are held in a business model the objective of which is to collect contractual cash flows and the contractual cash flows represent solely payments of principal and interest. Such assets are carried at amortized cost. This category of financial assets includes trade and other receivables.

Impairment of financial assets measured at amortized cost

The company assesses on a forward looking basis the expected credit losses associated with financial assets classified as measured at amortized cost at each balance sheet date. Expected credit losses are measured based on the maximum contractual period over which the company is exposed to credit risk. Since this is typically less than 12 months, there is no significant difference between the measurement of 12-month and lifetime expected credit losses for the company's in-scope financial assets. The measurement of expected credit losses is a function of the probability of default, loss given default and exposure at default. The expected credit loss is estimated as the difference between the asset's carrying amount and the present value of the future cash flows the company expects to receive, discounted at the financial asset's original effective interest rate. The carrying amount of the asset is adjusted, with the amount of the impairment gain or loss recognized in the profit and loss account.

A financial asset or group of financial assets classified as measured at amortized cost is considered to be credit-impaired if there is reasonable and supportable evidence that one or more events that have a detrimental impact on the estimated future cash flows of the financial asset (or group of financial assets) have occurred. Financial assets are written off where the company has no reasonable expectation of recovering amounts due.

Financial liabilities

The measurement of financial liabilities is as follows:

Financial liabilities measured at amortized cost
Financial liabilities are initially recognized at fair value, net of directly attributable transaction costs. For interest-bearing loans and borrowings this is typically equivalent to 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 amortized cost. This category of financial liabilities includes trade and other payables and finance debt.

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 realize 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.

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

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 balance sheet date are valued on an actuarial basis using the projected unit credit method and amortized on a straight-line basis over the service period until the award vests. The accounting policies 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 p.l.c. 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, BP p.l.c.

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. 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.
- 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.

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

Taxation (continued)

In respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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 or increased to the extent that it is 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.

Turnover

Revenue from contracts with customers is recognized when or as the company satisfies a performance obligation of a promised service to a customer. The company principally satisfies its performance obligations at a point in time; the amounts of revenue recognized relating to performance obligations satisfied over time are not significant.

Revenue is recognized when the service is performed, in accordance with the terms of the contractual arrangements and in the accounting period in which the services are rendered.

When, or as, a performance obligation is satisfied, the company recognizes as revenue the amount of the transaction price that is allocated to that performance obligation. The transaction price is the amount of consideration to which the company expects to be entitled. The transaction price is allocated to the performance obligations in the contract based on standalone selling prices of the services promised.

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.

Royalty revenues are recognized on an accrual basis in accordance with the substance of the relevant agreement and when it can be reliably measured.

Dividend income

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

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

Research costs

Research costs are expensed as incurred.

Exceptional items

The company discloses as exceptional items those material items impacting the profit and loss account which, because of the nature and expected infrequency of the events giving rise to them, merit separate disclosure to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

Impact of new International Financial Reporting Standards

The company adopted two new accounting standards issued by the IASB with effect from 1 January 2018, IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers'. There are no other new or amended standards or interpretations adopted during the year that have a significant impact on the financial statements.

The adoption of IFRS 9 and IFRS 15 has had no material impact on the company's financial statements.

3. Turnover

An analysis of the company's turnover is as follows:

	2018	2017
	£000	£000
Rendering of services	44,817	57,773
Royalty revenues	2,218	1,927
	47,035	59,700
Other operating income	722	3,019
	47,757	62,719

An analysis of turnover by geographical market is set out below:

	2018	2017
	£000	£000
By geographical area:		
UK	44,817	57,773
USA	1,537	1,447
Rest of World	681	480
Total	47,035	59,700

4. Operating profit

This is stated after charging / (crediting):

	2018	2017
	£000	£000
Net foreign exchange losses / (gains)	703	(713)
Research costs expensed	13,758	11,997

DTT

NOTES TO THE FINANCIAL STATEMENTS

5. Auditor's remuneration

	2018	2017
	£000	£000
Fees for the audit of the company	7	15

Fees paid to the company's auditor, Deloitte LLP (2017 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 p.l.c., are required to disclose non-audit fees on a consolidated basis.

The fees were borne by another group company.

6. Exceptional items

Exceptional items in prior year comprise of the gain from the dissolution of BP Chemicals France Holding, an investment of the company as follows:

	2018	2017
	£000	£000
Gain on dissolution of investment	—	42,857

There is no tax effect on this dissolution of investment.

7. 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:

	2018	2017
Current tax	£000	£000
UK corporation tax on income for the year	137	141
UK tax underprovided in prior years	—	461
	137	602
Overseas tax on income for the year	45	36
Total current tax charged	182	638
Deferred tax		
Origination and reversal of temporary differences	87	(128)
Adjustments in prior year temporary differences	—	320
Total deferred tax charged	87	192
Tax charged on profit	269	830

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NOTES TO THE FINANCIAL STATEMENTS

7. 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% for the year ended 31 December 2018 (2017 19.25%). The differences are reconciled below:

	2018	2017
	UK	UK
	£000	£000
Profit before tax	13,534	49,614
Tax charge	269	830
Effective tax rate	2%	1.67%

	2018	2017
	UK	UK
	%	%
UK corporation tax rate:	19	19.25
Increase / (decrease) resulting from:		
Non-taxable income	(15)	(17.39)
Free group relief	(3)	(1.79)
Adjustments to tax charge in respect of previous years	—	1.58
Deferred tax provided at lower rates	—	0.02
R&D expenditure credits	1	—
Effective tax rate	2	1.67

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 2018.

(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	
Deferred tax asset	2018	2017	2018	2017
	£000	£000	£000	£000
Other deductible temporary differences	87	192	141	228

Analysis of movements during the year

	2018
	£000
At 1 January 2018	228
Deferred tax charge in the profit and loss account	(87)
At 31 December 2018	141

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7. Taxation (continued)

(b) Provision for deferred tax (continued)

Deferred tax has not been recognised on £2,880,696 of deductible temporary differences (2017 £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.

8. Directors and employees

(a) Remuneration of directors

A number of directors are senior executives of the BP p.l.c. Group and received no remuneration for qualifying services to this company or its subsidiary undertakings.

The following details relate to the directors who received remuneration for their qualifying services to the company and so are in scope for this this disclosure.

The total remuneration for these qualifying directors for their period of directorship to the company amounted to £140,800 (2017 £468,800). Included in this figure is £Nil relating to remuneration for loss of office (2017 £200,000).

None of these directors received non-cash benefits in relation to qualifying services.

One of the qualifying directors was an active member of the defined benefit section of the BP Pension Fund at 31 December 2018 (2017 One).

None of the qualifying directors exercised share options over BP p.l.c. shares during the year (2017 Two).

Disclosures relating to the highest paid director are not required in 2018 as the threshold for reporting is not met. In 2017, the highest paid director received £289,000. Included in this figure is £200,000 relating to remuneration for loss of office. The accrued pension of the highest paid director at 31 December 2017 was £42,000. The highest paid director exercised share options over BP p.l.c. shares during 2017.

(b) Employee costs

	2018	2017
	£000	£000
Wages and salaries	28,636	39,377
Social security costs	3,104	3,668
Other pension costs	4,593	7,155
	36,333	50,200

(c) The average monthly number of employees during the year was 361 (2017 439).

	2018	2017
	No.	No.
Downstream		
UK	361	439

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NOTES TO THE FINANCIAL STATEMENTS

9. Investments

	Investment in subsidiaries	Investment in associates	Other investments	Total
Cost	£000	£000	£000	£000
At 1 January 2017	113,285	—	737	114,022
Additions	—	12,114	—	12,114
Disposals	(39,098)	—	—	(39,098)
Transfers	—	737	(737)	—
At 31 December 2017	74,187	12,851	—	87,038
At 1 January 2018	74,187	12,851	—	87,038
Additions	—	810	—	810
At 31 December 2018	74,187	13,661	—	87,848
Impairment losses				
At 1 January 2017	5,212	—	—	5,212
At 31 December 2017	5,212	—	—	5,212
At 1 January 2018	5,212	—	—	5,212
At 31 December 2018	5,212	—	—	5,212
Net book amount				
At 31 December 2018	68,975	13,661	—	82,636
At 31 December 2017	68,975	12,851	—	81,826

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

The investments in the subsidiary and associated undertakings are unlisted.

The subsidiary and other undertakings of the company at 31 December 2018 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.

Subsidiary undertakings

Company name	Class of share held	%	Registered address	Principal activity
BXL Plastics Limited	Deferred & Ordinary shares	100%	Chertsey Road Sunbury on Thames Middlesex TW16 7BP United Kingdom	Plastics
BP Chemicals (Korea) Limited	Ordinary shares	100%	Chertsey Road Sunbury on Thames Middlesex TW16 7BP United Kingdom	Chemicals
BP World-Wide Technical Services Limited	Ordinary shares	100%	Chertsey Road Sunbury on Thames Middlesex TW16 7BP United Kingdom	Chemicals

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NOTES TO THE FINANCIAL STATEMENTS

9. Investments (continued)

Associated undertakings

Company name	Class of share held	%	Registered address	Principal activity
Tricoya Ventures UK Limited	Ordinary shares	31%	Brettenham House, 19 Lancaster Place, London, England, WC2E 7EN, United Kingdom	Manufacture of other products of wood; manufacture of articles of cork, straw and plaiting materials; engineering design activities for industrial process and production

On 15 March 2018, the company disposed of the 100 ordinary shares of £1 each in Saltend Chemicals Park Limited to px Limited for a total consideration of £100.

Significant holdings in undertakings other than subsidiary undertakings

In accordance with Section 409 of the Companies Act 2006, disclosed below is a full list of related undertakings in which the company holds an interest of 20% or greater not already disclosed above.

Related undertaking	Holding %	Registered address	Direct / indirect
LOTTE BP Chemical Co., Ltd	51%	2-2 Sangnam-ri Chungryang-myun Ulju-gun Ulsan 689-863 Republic of Korea	Indirect

10. Debtors

Amounts falling due within one year:

	2018	2017
	£000	£000
Amounts owed from parent undertakings	24,173	14,255
Taxation	5,795	5,210
Deferred tax	141	228
	30,109	19,693

11. Creditors

Amounts falling due within one year:

	2018	2017
	£000	£000
Accruals and deferred income	4,211	6,117

Accruals and deferred income include the severance pay accrual of £831,000 (2017 £1,765,000).

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12. Called up share capital

	2018	2017
	£000	£000
Issued and fully paid:		
12,500,000 ordinary shares of £1 each for a total nominal value of £12,500,000	12,500	12,500

13. 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.

14. 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	Sales to related party £000
BP YPC Acetyls Company (Nanjing) Limited	
Joint venture	
Chemicals	
2018	74
2017	74
Yangtze River Acetyls Co., Ltd	
Joint venture	
Chemicals	
2018	194
2017	138
LOTTE BP Chemicals Co., Ltd	
Joint venture	
Chemicals	
2018	189
2017	115

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14. Related party transactions (continued)

Formosa BP Chemicals Corporation	
Joint venture	
Chemicals	
2018	39
2017	39
BP Petronas Acetyls Sdn. Bhd.	
Joint venture	
Chemicals	
2018	185
2017	114

15. 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 formal actuarial valuation for the BP Pension Fund was 31 December 2017. The date of the most recent actuarial review was 31 December 2018. During 2018, employer contributions of £357m (2017 £384m) and member contributions of £5m (2017 £3m) were made to the BP Pension Fund. Most of the contributions made by the plan participants after 1 January 2010 into the BP Pension Fund were made under salary sacrifice.

The BP Pension Fund is both 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 are made in these accounts.

The results of the most recent actuarial valuation of the BP Pension Fund as at 31 December 2017, have been reflected into the disclosures required by FRS 101 for the year ended 31 December 2018, and are included within the accounts of the ultimate parent undertaking BP p.l.c.

In the BP p.l.c. 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 recognized within this company's statement of total recognized gains and losses in the period in which they occur.

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 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.

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