

BP CHEMICALS LIMITED

(Registered No.00194971)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2020

Board of Directors: C A McCann

N C Dunn

M E Rudge

The directors present the strategic report, their report and the audited financial statements for the year ended 31 December 2020.

STRATEGIC REPORT**Results**

The profit for the year after taxation was £46,338,000 which, when added to the retained profit brought forward at 1 January 2020 of £124,883,000, and after deducting total paid dividends to ordinary shareholders of £65,949,000, gives a total retained profit carried forward at 31 December 2020 of £105,272,000.

Principal activities 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:

	2020	2019	Variance
	£000	£000	%
Turnover	40,004	48,709	(18)
Operating profit	47,443	38,060	25
Profit for the financial year	46,338	37,113	25
Total equity	126,496	146,107	(13)

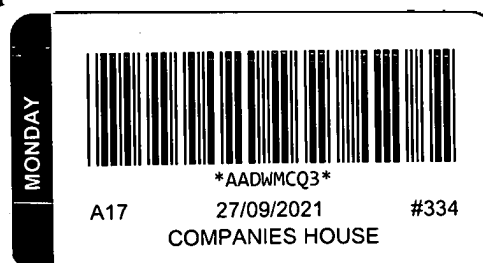
Operating profit and profit for the financial year increased mainly due to gain on disposal of intellectual property during the year.

Section 172 (1) statement

This section of the strategic report describes how the directors have had regard to the matters set out in section 172(1) (a) to (f), and forms the statement required under section 414 C of the Companies Act 2006 (the "Act").

The role of the board of directors of the company plays an integral part in demonstrating how the directors have had regard to the matters set out in section 172(1). During the course of the year the following primary tasks were undertaken by the board of directors of the company:

- Defining and establishing purpose and strategy including, where relevant, having regard to the purpose, strategy, culture and values defined by BP p.l.c.;
- Monitoring the potential significant operational challenges presented by the COVID-19 pandemic, having regard to the company's safe and reliable operations; and
- Assessing principal and emerging risks relevant to the company



STRATEGIC REPORT

Section 172 (1) statement (continued)

In light of the role of the board, and their primary tasks and considerations throughout the year (as described above), the directors have discharged their duties under section 172(1) in a way that they considered, in good faith, is most likely to promote the success of the company for the benefit of its members as a whole, having regard to the likely consequences of any decision in the long term and the broader interests of other stakeholders, as required by the Act. In doing so, the directors have considered, amongst other matters:

- a. The likely long-term consequences of the decision.
- b. The interests of the company's employees.
- c. The need to foster the company's business relationships with suppliers, customers and others.
- d. The impact of the company's operations on the community and the environment.
- e. The desire to maintain the company's reputation for high standards of business conduct.
- f. The need to act fairly between members of the company.

The directors also considered the interests of a wider set of stakeholders, including regulators, governments and businesses. Further information on the process behind how the BP p.l.c. board makes decisions that affect the stakeholders of its subsidiaries, including the company, can be found on pages 82 to 83 of BP p.l.c.'s Annual Report and Form 20-F 2020.

To support the directors in the discharge of their duties, and whilst making decisions on behalf of the company, the directors have access to bp central functions assurance support to identify matters which may have an impact on the proposed decision including, where relevant, the section 172 factors outlined above. To ensure the efficiency and effectiveness of engagement with key stakeholders identified by the company, certain stakeholder engagement is led by the bp group, particularly where the impact of a decision may impact the group's reputation.

Stakeholders

The directors believe that engagement with its shareholders and wider stakeholder groups plays a vital role throughout bp's business. During 2020, the directors reiterated their focus on engagement with key stakeholders, as well as an increased focus on environment, social and governance ("ESG") matters. The following outlines key stakeholders identified by the bp group and the company, where relevant, and how their interests were taken into consideration during the decision making process where appropriate.

Shareholders

The directors identify that engagement with shareholders is of key importance to the ongoing success of the company and, as such, when taking decisions, the directors had regard to the company's shareholders with regard to long-term value.

Employees

Employees are vital to the long-term success of the company. bp and its directors engage with employees and keep them informed on matters that concern them through bp's employee intranet and local sites, social media channels, annual 'Pulse' survey, town halls, site visits and webinars including topics such as quarterly results, strategy, the low carbon transition, and diversity. During 2020 restrictions associated with COVID-19, most engagements were conducted virtually. bp's 'Pulse' survey employee engagement score acts as a key performance indicator for bp.

Please refer to the employee engagement statement in the directors' report for further details on specific engagement with respect to the company.

STRATEGIC REPORT

Section 172 (1) statement (continued)

Customers and suppliers

bp aims to put customers at the heart of everything it does. In 2020 bp considered its customer's interests by engaging in global customer brand tracking and collaborating with original equipment manufacturers on future technologies.

bp considered its supplier's interests through hosting workshops, including sessions focused on net zero, people and planet. In addition, university collaborations, including the Carbon Mitigation Initiative, an independent academic research programme based at Princeton University.

The following director engagement was noted during the year with respect to the company's customers and suppliers:

- Discussions with the Oil & Gas Authority ("OGA") on the proposal for bp to become a licensee with OGA were held which included conversations with non-operating partners such as Shell, Total, ENI, government departments such as BEIS and Treasury as well as with local authorities and commercial counterparties.

Community and environment

bp consults with communities, NGOs, academics and industry associations about the future of bp, with regard to the environment and social matters and the issues facing the world, drawing on their external expertise, input and challenge. In 2020 this included providing input to the EU methane strategy and supported the UK government's planned phase out of internal combustion engines.

In 2020 bp developed its updated position on biodiversity and new measures to help restore, maintain and enhance nature with input and constructive challenge from international nature and conservation organizations and experts including Conservation International, Fauna & Flora International (FFI), UNESCO and IUCN.

bp also updated its business and human rights policy in 2020 to address emerging human rights issues relevant to our industry, clarify our human rights commitments and communicate how bp's approach to managing human rights impacts has advanced. The update was supported by consultations with a wide range of NGOs, subject matter experts and investors.

Maintaining a reputation for high standards of business conduct

In 2020 bp launched its new sustainability frame, aims and objectives linked to the UN Sustainable Development Goals. bp's values of safety, respect, excellence, courage and one team define how the group, including the company and its board of directors, conduct business. Furthermore, bp's code of conduct is based upon its values and it sets clear expectations for how bp, the company and the relevant board of directors operate. The directors of the company continued to adhere, in good faith, to the bp code of conduct during the year, and oversee adherence to the bp code of conduct by the Company's employees to ensure the board and the company maintained a reputation for high standards of business conduct.

bp's code of conduct includes prohibitions on engaging in bribery or corruption in any form, in accordance with bp's group-wide anti-bribery and corruption policy and procedures. During the year, bp continued to engage suppliers and communicate expectations for managing bribery and corruption risk on behalf of bp, where relevant, for example the customer & products business delivered a regional annual contractor forum digitally, providing awareness of bribery and corruption risks.

Stakeholder considerations have been especially pertinent during the COVID-19 pandemic, whereby the bp group and the company, where relevant, has strived to keep its business viable for its shareholders and other stakeholders.

STRATEGIC REPORT

Section 172 (1) statement (continued)

The company's principal decisions

The company has taken the view that a 'principal' decision is one which is material and strategic in nature and would affect the ability of the company to generate or preserve value over the long term. Principal decisions may typically fall into four categories, namely financial, operational, culture and/or people.

During the period, the following principal decisions were taken by the company whilst having regard to the company's stakeholders as outlined above, as well as the need to maintain a reputation for high standards of business conduct, the need to act fairly between members and the long-term consequences of the decision.

The company had approved the disposal (the "Disposal") of all of the property, rights and assets owned by the company that related exclusively to the acetyls, aromatics and related licensing business of the company, together with all liabilities, to the extent they relate to the acetyls and aromatics businesses (subject to specific exclusions set out in the sale and purchase agreement (the "SPA"), including certain pension liabilities).

The Disposal was on the terms and subject to the conditions set out in the SPA which was entered into between, among others, BP p.l.c. and the company, as sellers, and INEOS Holding AG ("INEOS"), as purchaser. The Disposal forms part of a wider transaction in which bp, together with certain of its affiliates (including the company), will sell its global aromatics and acetyls business to INEOS.

The relevant factors taken into account during the decision making process, in furtherance of the company's purpose, were: long term consequences of the decision for bp's petrochemicals business and impact on the company in the long term and its strategy.

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 2020.

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.

Geopolitical

The company is exposed to a range of political developments and consequent changes to the operating and regulatory environment may disrupt or curtail the company's operations or development activities. These may in turn cause production to decline, limit the company's ability to pursue new opportunities, affect the recoverability of our assets or cause us to incur additional costs. Political developments may include international sanctions, expropriation or nationalization of property, civil strife, strikes, insurrections, acts of terrorism or war and public health situations (including an outbreak of an epidemic or pandemic).

The impact of the UK's exit from the EU

bp have been assessing the potential impact on the group of Brexit and the UK's future global relationships and have not identified any significant risk to the business.

STRATEGIC REPORT

Strategic and commercial risks (continued)

The impact of coronavirus (COVID-19)

The spread of COVID-19 has caused a significant drop in the oil and gas prices and refining margins. bp's future financial performance will be impacted by the extent and duration of the current market conditions and the effectiveness of the actions that it and others take, including its financial interventions. bp's financial frame is designed to be robust to periods of low price, with flexibility to reduce cost and capital expenditure if required. We continue to assess the impact of COVID-19 on our staff and operations and have instigated appropriate mitigation plans.

Competition

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

Climate change and the transition to a lower carbon economy

Developments in policy, law, regulation, technology and markets including societal and investor sentiment, related to the issue of climate change could increase costs, constrain the company's operations and affect our business plans and financial performance.

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 cause harm to people, the environment, the company's assets and result in regulatory action, legal liability, business interruption, increased costs, damage to its reputation and potentially denial of its licence to operate.

Compliance and control risks

Ethical misconduct and non-compliance

Ethical misconduct or breaches of applicable laws by the company's businesses or its employees could be damaging to its reputation, and could result in litigation, regulatory action and penalties.

Regulation

Changes in the law and regulation could increase costs, constrain the company's operations and affect its business plans and financial performance.

Reporting

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

The impact of reinventing bp on the organization

Last year it was announced that we are reinventing bp to help deliver our ambition. This significant reorganization includes a new structure, a new leadership team, new ways of working and a reduction in the size of bp's office based workforce. The risks associated with these changes have been identified, assessed and managed with the support of project management offices. As part of bp's three lines of defence, our businesses, integrators, enablers and internal audit are working to deliver clear accountabilities and the associated planned workload reduction. All individuals changing roles or leaving bp are required to complete a management of change.

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 risk 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 2020.

Authorized for issue on behalf of the Board

Madeline Rudge Sep-2021

M E Rudge
Director

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

DIRECTORS' REPORT**BP CHEMICALS LIMITED****Directors**

The present directors are listed on page 1.

C A McCann, T M Thornton and N C Dunn served as directors throughout the financial year. Changes since 1 January 2020 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
T M Thornton	—	1 February 2021
M E Rudge	1 February 2021	—

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

During the year the company has declared and paid dividends of £65,949,000 (2019 £Nil). The directors do not propose the payment of a final 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.

Going concern

The directors believe that the company is no longer a going concern, but the company remains in a net asset position and has the ability to meet all the company's liabilities as they fall due. It is the intention of the directors that the company will remain open until future direction of the company is decided. The financial statements have been prepared on a basis other than going concern.

Future developments

INEOS acquired the assets of the company as part of the global petrochemicals transaction in 2020. Whilst the company is not being sold, all the significant business activities and investments currently held by BP Chemicals Limited were transferred to INEOS. After the transfer, the company ceased to trade on 1 January 2021.

The directors believe that the company is no longer a going concern, but the company remains in a net asset position and has the ability to meet all the company's liabilities as they fall due. The financial statements have been prepared on a basis other than going concern.

Research and development

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

DIRECTORS' REPORT

Disabled employees

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

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

Stakeholder statements

Employee engagement

Employees are informed of information on matters of concern to them as employees through bp's employee intranet and local sites, social media channels, town halls, site visits and webinars including topics such as quarterly results, strategy, the low carbon transition and diversity. The bp group has a number of employee-led forums and business resource groups (BRGs) and aim to build constructive relationships with labour unions formally representing some employees. On an ongoing basis bp, and the board of directors of the company, hears directly from employees on a range of topics, including bp's new purpose and strategy, employee sentiment – particularly during the reorganisation of bp – the impact of COVID-19 on operations and wellbeing, diversity and career progression. In light of the COVID-19 pandemic, and to ensure the safety of its employees, bp employees were told to work from home where able to which constituted a principal decision of bp including the company.

Employee share ownership is encouraged and there are a number of employee share plans in BP p.l.c. which are in place at bp group level. For example, the bp group operates a ShareMatch plan in more than 50 countries, matching BP p.l.c. shares purchased by employees. The bp group also operates a group-wide discretionary share plan, which allows employee participation at different levels globally and is linked to the bp group's performance.

Employees are consulted on a regular basis through regular team and one-to-one meetings, bp's annual 'Pulse' survey and 'Keeping Connected' firmwide webcasts where the bp CEO Bernard Looney and featured guests from across the organisation discuss a range of topics throughout the year. The 'Pulse' employee engagement score acts as a key performance indicator for bp. In response to the 'Pulse' survey feedback, and specifically the feedback related to increased anxiety in employees, bp's CEO Bernard Looney led a 'Keeping Connected' webcast focused on reducing mental health stigma and encouraging employees to ask for help. bp also increased the frequency of mental health awareness training for managers.

bp, including the company, took the principal decision to undergo a reorganization, retiring the previous strategy and replacing it with a business model which is more focused, more integrated and faces the energy transition head on, 'Reinventing bp'. bp made the difficult decision to endorse the reinvention with associated job losses, which will ultimately see around 10,000 employees leave bp. bp, the company and its board of directors, considered this to be the right decision and assurances were sought from executives across the bp business to ensure that the redundancy process was fair, transparent and objective with an environment of honesty, trust and cooperation. As a result of this engagement and transparency with its employees, bp and the company's board of directors put the care and wellbeing of employees at the heart of the process. The reduction in the workforce was conducted in a manner which protected bp and the company's safe and reliable operations. Support was made available for the life transition associated with redundancy through the newly established myFuture programme and discretionary enhanced redundancy terms were offered, where relevant.

DIRECTORS' REPORT

Stakeholder statements (continued)

Employee engagement (continued)

A stakeholder review is conducted during the decision making process and employee's views are taken into account in decisions likely to affect their interests. Employee engagement is discussed and considered by the directors at board meetings on a regular basis.

Engagement with other stakeholders

The board of directors of the company aims to foster enduring relationships with governments, customers, partners, suppliers and communities in the countries where it operates. The directors work with business partners in an honest, respectful and responsible way and seek to work with others who share the company's commitments to safety and ethics and compliance.

The company's activities, and the decisions of its directors, affect a wide variety of individuals and organizations. The directors engage with these stakeholders and listen to their differing needs and priorities as an everyday part of business, utilising the input and feedback to inform the directors' decision making process on behalf of the company.

As noted in the section 172 (1) statement, responsibility for decisions that impact the entire group is taken at BP p.l.c. level. On behalf of the company, the bp group is a member of industry associations that offer opportunities to share good practices and collaborate on issues of importance. Additionally, the bp group works with governments on a range of issues that are relevant to its business, from regulatory compliance, to understanding tax liabilities, to collaborating on community initiatives.

The bp group also seeks to engage with customers through forums such as social media, focus groups and in-depth interviews with customers to better understand customer's needs and seek their feedback.

In relation to the company's relationship and engagement with governments, regulators, community and environment, please refer to the company's section 172 (1) statement.

For further information on the process behind how the BP p.l.c. board makes decisions that affect the stakeholders of its subsidiaries, including the company, please refer to the section 172 (1) statement available in the BP p.l.c. Annual Report and Form 20-F 2020.

Please refer to the strategic report evidencing how the bp group and the company, where relevant, engages with its key stakeholders when taking principal decisions of the company, where applicable, which includes suppliers, customers, and other business relationships.

Streamlined Energy & Carbon Reporting (SECR)

As a UK subsidiary of a UK parent company which prepares a group directors' report, SECR reporting details are included in the strategic report of the bp group Annual Report and Form 20-F for the year ended 31 December 2020.

Auditors

Pursuant to section 487 of the Companies Act 2006, Deloitte LLP have expressed their willingness to continue in office as auditors and are therefore deemed reappointed as auditors.

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.

This confirmation is given and should be interpreted in accordance with section 418 of the Companies Act 2006.

Authorized for issue on behalf of the Board

Madeline Rudge
24 Sep-2021

M E Rudge
Director

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT
OF THE FINANCIAL STATEMENTS**

BP CHEMICALS LIMITED

The directors are responsible for preparing the Annual 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. Details of the directors' assessment of going concern are provided in the directors' report.

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 2020 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.

Emphasis of matter - Financial statements prepared other than on a going concern basis

We draw attention to Note 2 in the financial statements, which indicates that the financial statements have been prepared on a basis other than that of going concern. Our opinion is not modified in respect of this matter.

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 contained within the annual report. 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.

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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

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.

INDEPENDENT AUDITOR'S REPORT

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.

Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the company's industry and its control environment, and reviewed the company's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the company operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the UK Companies Act and relevant tax legislation; and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty.

We discussed among the audit engagement team including relevant internal specialists such as tax, valuations, pensions, IT, forensic and industry specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in-house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

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.

INDEPENDENT AUDITOR'S REPORT

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.

David Holtam 27-Sep-2021

David Holtam FCA (Senior Statutory Auditor)
for and on behalf of Deloitte LLP Statutory Auditor
London, United Kingdom

PROFIT AND LOSS ACCOUNT**FOR THE YEAR ENDED 31 DECEMBER 2020****BP CHEMICALS LIMITED**

		2020	2019
	Note	£000	£000
Turnover	3	40,004	48,709
Dividend income		—	33,000
Administrative expenses		(35,000)	(44,408)
Other operating income	3	791	759
Profit on sale of operations	6	41,648	—
Operating profit	4	47,443	38,060
Taxation	7	(1,105)	(947)
Profit for the financial year		<u>46,338</u>	<u>37,113</u>

The profit of £46,338,000 for the year ended 31 December 2020 was derived in its entirety from the discontinued operations.

STATEMENT OF COMPREHENSIVE INCOME**FOR THE YEAR ENDED 31 DECEMBER 2020**

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

BALANCE SHEET**AS AT 31 DECEMBER 2020****BP CHEMICALS LIMITED****(Registered No.00194971)**

	Note	2020 £000	2019 £000
Current assets			
Investments	9	23,675	87,571
Debtors: amounts falling due within one year	10	102,294	63,035
Cash at bank and in hand		534	394
		<u>126,503</u>	<u>151,000</u>
Creditors: amounts falling due within one year	11	(7)	(4,893)
NET ASSETS		<u><u>126,496</u></u>	<u><u>146,107</u></u>
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	105,272	124,883
TOTAL EQUITY		<u><u>126,496</u></u>	<u><u>146,107</u></u>

Authorized for issue on behalf of the Board

Madeline Rudge 27-Sep-2021M E Rudge
Director

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

BP CHEMICALS LIMITED

	Called up share capital (Note 12)	Share premium account (Note 13)	Profit and loss account (Note 13)	
	£000	£000	£000	£000
Balance at 1 January 2019	12,500	8,724	87,770	108,994
Profit for the financial year, representing total comprehensive income	—	—	37,113	37,113
Balance at 31 December 2019	12,500	8,724	124,883	146,107
Profit for the financial year, representing total comprehensive income	—	—	46,338	46,338
Dividends paid	—	—	(65,949)	(65,949)
Balance at 31 December 2020	<u>12,500</u>	<u>8,724</u>	<u>105,272</u>	<u>126,496</u>

NOTES TO THE FINANCIAL STATEMENTS**FOR THE YEAR ENDED 31 DECEMBER 2020****BP CHEMICALS LIMITED****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 2020 were approved by the board of directors on 27 September 2021 and the balance sheet was signed on the board's behalf by M E Rudge. 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 on a basis other than that of a going concern and all balance sheet items have been moved to current and have been presented at the net realisable value as at the end of the reporting period.

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 paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64(q)(ii), B66 and B67 of IFRS 3 Business Combinations
- (b) the requirements of IFRS 7 Financial Instruments: Disclosures
- (c) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement
- (d) 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
- (e) 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
- (f) the requirements of IAS 7 Statement of Cash Flows
- (g) 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
- (h) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- (i) 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
- (j) 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
- (k) 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

NOTES TO THE FINANCIAL STATEMENTS

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

Basis of preparation (continued)

Where required, equivalent disclosures are given in the group financial statements of BP 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 Pound Sterling and all values are rounded to the nearest thousand pounds (£000), except where otherwise indicated.

Significant 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 accounting judgements and estimates that have a significant impact on the results of the company are set out within the boxed text below, and should be read in conjunction with the information provided in the Notes to the financial statements.

The areas requiring the most significant judgement and estimation in the preparation of the financial statements are: impairment of investments.

Climate change; the energy transition, bp's strategy to 2030 and ambition to become a net-zero company by 2050 or sooner were considered in preparing the bp group consolidated financial statements. These issues are not expected to have significant impacts on the currently reported amounts of the company's assets and liabilities.

Significant accounting policies

Going concern

INEOS acquired the assets of the company as part of the global petrochemicals transaction in 2020. Whilst the company is not being sold, all the significant business activities and investments currently held by BP Chemicals Limited were transferred to INEOS. After the transfer, the company ceased to trade on 1 January 2021.

The financial statements have been prepared on a basis other than going concern. No material adjustments arose as a result of ceasing to apply the going concern basis. All balance sheet items have been presented at the net realizable value as at the end of the reporting period. The company remains in a net asset position and has the ability to meet all the company's liabilities as they fall due.

For further detail on the directors' going concern assessment, please refer to the directors' report.

Foreign currency

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

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 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.

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.

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.

Management judgement is required to determine whether an indicator of potential impairment exists in relation to the company's investments. No such indicators have been identified during the current year and therefore no impairment test has needed to be performed. Accordingly, the recoverable amount of the investment has not needed to be estimated, nor any assumptions made, and no sensitivity analysis has been required. Details of the carrying value of the investments are provided in Note 9.

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 rights to receive cash flows have been transferred to a third party along with either substantially all of the risks and rewards or control of the asset. This includes the derecognition of receivables for which discounting arrangements are entered into.

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.

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 amount owed from parent undertakings and fellow subsidiaries.

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. As lifetime expected credit losses are recognized for trade receivables and the tenor of substantially all other in-scope financial assets is less than 12 months there is no significant difference between the measurement of 12-month and lifetime expected credit losses for the company. 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 accruals.

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.

NOTES TO THE FINANCIAL STATEMENTS

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. The accounting policies for pensions and other post-retirement benefits are described below.

Pensions

The sponsoring employer for the BP Pension Fund is BP p.l.c. The directors have assessed in accordance with IAS 19 Employee Benefits that BP p.l.c. applies defined benefit pension accounting for this defined benefit plan that shares risks between entities under common control. There is no contractual agreement or stated policy in place for charging to individual group entities. The net defined benefit cost for the plan as a whole is measured in accordance with IAS 19 and as a result, the Company recognizes only a cost equal to the contribution payable for the period as if they were contributions to a defined contribution scheme. Relevant disclosures in relation to the plan are included in the accounts of 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. Actuarial gains and losses are recognized in full in this company's statement of total recognized gains and losses in the period in which they occur.

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 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.

NOTES TO THE FINANCIAL STATEMENTS

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 within the carrying amount of the applicable tax asset or liability 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. 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 goods or services promised.

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.

Research costs

Research costs are expensed as incurred.

Dividends payable

Final dividends are recorded in the financial statements in the year in which they are approved by the company's shareholders. Interim dividends are recorded in the year in which they are approved and paid.

NOTES TO THE FINANCIAL STATEMENTS**2. Significant accounting policies, judgements, estimates and assumptions (continued)****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.

Updates to significant accounting policies**Impact of new International Financial Reporting Standards**

bp adopted 'Interest Rate Benchmark Reform – Phase I – Amendments to IFRS 9 'Financial instruments' and IFRS 7 'Financial instruments: Disclosures' with effect from 1 January 2020. There are no other new or amended standards or interpretations adopted during the year that have a significant impact on the company's financial statements.

The adoption of 'Interest Rate Benchmark Reform – Phase I – Amendments to IFRS 9 'Financial instruments' and IFRS 7 'Financial instruments: Disclosures' has had no material impact on the company's financial statements.

3. Turnover

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

	2020	2019
	£000	£000
Rendering of services	36,850	45,077
Royalty revenues	3,154	3,632
	40,004	48,709
Other operating income	791	759
	40,795	49,468

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

	2020	2019
	£000	£000
By geographical area:		
UK	36,850	45,077
USA	1,368	1,519
Rest of World	1,786	2,113
Total	40,004	48,709

4. Operating profit

This is stated after charging:

	2020	2019
	£000	£000
Net foreign exchange losses ^a	—	391
Research costs expensed ^a	12,829	15,564

^a Amount is included in Administrative expenses.

NOTES TO THE FINANCIAL STATEMENTS**5. Auditor's remuneration**

	2020	2019
	£000	£000
Fees for the audit of the company	7	7

Fees paid to the company's auditor, Deloitte 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 comprise of the profit on sale of operations as follows:

	2020	2019
	£000	£000
Profit on sale of operations	41,648	—
Exceptional items	41,648	—

Sale of the petrochemicals business

On 29 June 2020 bp announced that it had agreed to sell its global petrochemicals business to INEOS for a total consideration of \$5 billion, subject to customary closing adjustments. The assets and liabilities of the business were classified as held for sale from that date until the disposal completed on 31 December 2020.

A gain on sale of intellectual property of £41.648 million was recognised in the fourth quarter 2020.

There is a tax charge of £7,913,000 arising on the gain on sale of the intellectual property which is offset by the bp group relief in Note 7.

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:

	2020	2019
	£000	£000
<u>Current tax</u>		
UK corporation tax on income for the year	791	759
Overseas tax on income for the year	314	47
Total current tax charged	1,105	806
 Deferred tax		
Origination and reversal of temporary differences	—	141
 Tax charged on profit	1,105	947

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 2020 (2019 19%). The differences are reconciled below:

	2020	2019
	£000	£000
Profit before tax	47,443	38,060
Tax charge	1,105	947
Effective tax rate	2%	2 %
	2020	2019
	%	%
UK corporation tax rate:	19	19
(Decrease)/ increase resulting from:		
Non-taxable income	—	(17)
Free group relief	(16)	(1)
Movements in unrecognised deferred tax	(1)	1
Effective tax rate	2	2

Change in corporation tax rate

A UK corporation rate of 19% (effective 1 April 2020) was substantively enacted on 17 March 2020, reversing the previously enacted reduction in the rate from 19% to 17%.

In the 3 March 2021 Budget it was announced that the UK tax rate will increase to 25% from 1 April 2023. Given the intention of the directors to cease trading, this is not expected to have an impact on the company.

(b) Provision for deferred tax

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

Deferred tax asset	Profit and loss account		Balance sheet	
	2020	2019	2020	2019
	£000	£000	£000	£000
Other deductible temporary differences	—	141	—	—

Deferred tax has not been recognised on deductible temporary differences of £2,880,696 (2019: £2,880,696) relating to connected party capital losses with no fixed expiry date.

NOTES TO THE FINANCIAL STATEMENTS**8. Directors and employees****(a) Remuneration of directors**

None of the directors received any fees or remuneration for qualifying services as a director of the company during the financial year (2019 £Nil).

(b) Employee costs

	2020	2019
	£000	£000
Wages and salaries	23,591	28,484
Social security costs	3,286	3,269
Other pension costs	3,824	3,750
	<u>30,701</u>	<u>35,503</u>

(c) The average monthly number of employees during the year was 338 (2019 339).

	2020	2019
	No.	No.
Downstream - UK	<u>338</u>	<u>339</u>

9. Investments

	Investment in subsidiaries	Investment in associates	Total
	£000	£000	£000
Cost			
At 1 January 2019	74,187	13,661	87,848
Additions	—	4,935	4,935
At 31 December 2019	<u>74,187</u>	<u>18,596</u>	<u>92,783</u>
At 1 January 2020	74,187	18,596	92,783
Additions	—	2,053	2,053
Disposals	(45,300)	(20,649)	(65,949)
At 31 December 2020	<u>28,887</u>	<u>—</u>	<u>28,887</u>
Impairment losses			
At 1 January 2019	5,212	—	5,212
At 31 December 2019	<u>5,212</u>	<u>—</u>	<u>5,212</u>
At 1 January 2020	5,212	—	5,212
At 31 December 2020	<u>5,212</u>	<u>—</u>	<u>5,212</u>
Net book amount			
At 31 December 2020	<u>23,675</u>	<u>—</u>	<u>23,675</u>
At 31 December 2019	<u>68,975</u>	<u>18,596</u>	<u>87,571</u>

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

The investments in the subsidiary undertakings are unlisted.

NOTES TO THE FINANCIAL STATEMENTS**9. Investments (continued)**

Disposal of investments to BP International Limited during the year were done by way of non-cash dividends of £65,949,000, which is equivalent to the carrying amount. These investments are related to the acetyls, aromatics and related licensing business of the company and included in the sale of petrochemicals business to INEOS.

The subsidiary of the company at 31 December 2020 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

10. Debtors

Amounts falling due within one year:

	2020	2019
	£000	£000
Amounts owed from parent undertakings	96,503	25,393
Amounts owed from fellow subsidiaries	—	33,000
Taxation	5,791	4,642
	<u>102,294</u>	<u>63,035</u>

11. Creditors

Amounts falling due within one year:

	2020	2019
	£000	£000
Accruals	<u>7</u>	<u>4,893</u>

12. Called up share capital

	2020	2019
	£000	£000
Issued and fully paid:		
12,500,000 ordinary shares of £1 each for a total nominal value of £12,500,000	<u>12,500</u>	<u>12,500</u>

NOTES TO THE FINANCIAL STATEMENTS

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:

NOTES TO THE FINANCIAL STATEMENTS

Related party	Sales to related party £000
BP YPC Acetyls Company (Nanjing) Limited	
Joint venture	
Chemicals	
2020	1,093
2019	1,316
Yangtze River Acetyls Co., Ltd	
Joint venture	
Chemicals	
2020	158
2019	192
LOTTE BP Chemical Co., Ltd	
Joint venture	
Chemicals	
2020	165
2019	188
Formosa BP Chemicals Corporation	
Joint venture	
Chemicals	
2020	235
2019	236
BP Petronas Acetyls Sdn. Bhd.	
Joint venture	
Chemicals	
2020	135
2019	182

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, and a valuation as at 31 December 2020 is currently underway. The date of the most recent actuarial review was 31 December 2020. During 2020, employer contributions of £137m (2019: £170m) and member contributions of £4m (2019: £5m) 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.

NOTES TO THE FINANCIAL STATEMENTS

The BP Pension Fund is operated in a way that does not allow the individual participating employing companies in the Pension Fund to identify their share of the underlying assets and liabilities of the fund. Therefore the company's payments in respect of pension current service cost have been accounted for as an expense as if they were contributions to a defined contribution scheme and no further FRS 101 disclosures 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 2020, 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 recognised within this company's statement of total recognised gains and losses in the period in which they occur.

16. Immediate and ultimate controlling parent undertaking

The immediate parent undertaking is BP International 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.