

**BP CHEMICALS LIMITED**  
**(Registered No 00194971)**

**ANNUAL REPORT AND ACCOUNTS 2011**

Board of Directors      R M Stott  
                                     R C Harrington  
                                     C J Bowlas

**REPORT OF THE DIRECTORS**

The directors present their report and accounts for the year ended 31 December 2011

**Results and dividends**

The profit for the year after taxation was £795,000 which, when added to the retained profit brought forward at 1 January 2011 of £13,683,000, gives a total retained profit carried forward at 31 December 2011 of £14,478,000

The company has not declared any dividends during the year (2010 £Nil) The directors do not propose the payment of a dividend

**Principal activity and review of the business**

The company and its subsidiary undertakings operate chemicals and plastics manufacturing assets either in their own name or as agents of BP International Limited

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

	2011	2010	Variance
	£000	£000	%
Turnover	77,200	49,937	55
Other operating income	-	7,893	(100)
Profit before taxation	1,230	2,591	(53)
Profit after taxation	795	817	(3)
Shareholders' funds	35,702	34,907	2

	2011	2010	Variance
	%	%	
Current assets as % of current liabilities (quick ratio)	1	1	0

Turnover has increased due to higher spending on the activities carried out for its parent company, BP International Limited which are recharged back

Profit before taxation decreased due to compensation received by the company in 2010 as settlement for a breach of licence agreement, where no such amounts were received this year

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## **BP CHEMICALS LIMITED**

### **REPORT OF THE DIRECTORS**

#### **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 at a group level. Monitoring and accountability for the management of these risks occur through quarterly performance reviews at a group level.

Consider carefully the risks described below and the potential impact of their occurrence on the business, financial condition and results of operations for the company.

Company level risks have been categorised against the following areas: strategic, compliance and control, safety and operational, and financial risk management. In addition, we have also set out a further category of risk for your attention – those resulting from the 2010 Gulf of Mexico oil spill (the Incident).

#### **Gulf of Mexico oil spill**

The Gulf of Mexico oil spill has had and could continue to have a material adverse impact on BP as a group, and consequently may also have an adverse impact on BP Chemicals Limited.

There is significant uncertainty in the extent and timing of costs and liabilities relating to the Incident, the impact of the Incident on the reputation of the BP group and the resulting possible impact on the company's ability to access new opportunities. There is also significant uncertainty regarding potential changes in applicable regulations and the operating environment that may result from the Incident. These increase the risks to which the group and therefore the company are exposed to. These uncertainties are likely to continue for a significant period. Thus, the Incident has had, and could continue to have, a material adverse impact on the group's business, competitive position, financial performance, cash flows, prospects, liquidity, shareholder returns and/or implementation of its strategic agenda, particularly in the US.

The BP Group recognized charges totalling \$40.9 billion in 2010 and a credit of \$3.7 billion in 2011 as a result of the Incident. The total amounts that will ultimately be paid by BP in relation to all obligations relating to the Incident are subject to significant uncertainty and the ultimate exposure and cost to BP will be dependent on many factors. Furthermore, the amount of claims that become payable by BP, the amount of fines ultimately levied on BP (including any potential determination of BP's negligence or gross negligence), the outcome of litigation, and any costs arising from any longer-term environmental consequences of the oil spill, will also impact upon the ultimate cost for BP. Although the provision recognized is the current best estimate of expenditures required to settle certain present obligations at the end of the reporting period, there are future expenditures for which it is not possible to measure the obligation reliably. The risks associated with the Incident could also heighten the impact of the other risks to which the group is exposed as further described below. Further information on the Incident, is included within the BP group Annual Report and Form 20-F for the year ended 31 December 2011.

**BP CHEMICALS LIMITED**  
**REPORT OF THE DIRECTORS**

**Principal risks and uncertainties (continued)**

**Strategic risk**

***Competition***

The company's strategy depends upon continuous innovation in a highly competitive market

The oil, gas and petrochemicals industries are highly competitive. There is strong competition, both within the oil and gas industry and with other industries, in supplying the fuel needs of commerce, industry and the home. Competition puts pressure on product prices, affects oil products marketing and requires continuous management focus on reducing unit costs and improving efficiency, while ensuring safety and operational risk is not compromised. The implementation of the BP group strategy requires continued technological advances and innovation including advances in exploration, production, refining, petrochemicals manufacturing technology and advances in technology related to energy usage. The company's performance could be impeded if competitors developed or acquired intellectual property rights to technology that it required or if its innovation lagged the industry.

**Compliance and control risks**

***Ethical misconduct and non-compliance***

The code of conduct, which applies to all employees, defines the company's commitment to integrity, compliance with all applicable legal requirements, high ethical standards and the behaviours and actions the company expects of its businesses and people wherever it operates. The renewed values, which were launched in 2011, are intended to guide the way the company and its employees behave and do business. Incidents of ethical misconduct or non-compliance with applicable laws and regulations, including non-compliance with anti-bribery, anti-corruption and other applicable laws could be damaging to the company's reputation and shareholder value. Multiple events of non-compliance could call into question the integrity of our operations.

***Liabilities and provisions***

The company remains exposed to changes in the external environment, such as new laws and regulations (whether imposed by international treaty or by national or local governments in the jurisdictions in which we operate), changes in tax or royalty regimes, price controls, government actions to cancel or renegotiate contracts, market volatility or other factors. Such factors could reduce the company's profitability from operations in certain jurisdictions, limit its opportunities for new access, require it to divest or write-down certain assets or affect the adequacy of its provisions for pensions, tax, environmental and legal liabilities. Potential changes to pension or financial market regulation could also impact funding requirements of the company.

***Reporting***

External reporting of financial and non-financial data is reliant on the integrity of systems and people. Failure to report data accurately and in compliance with external standards could result in regulatory action, legal liability and damage to the company's reputation.

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## **BP CHEMICALS LIMITED**

### **REPORT OF THE DIRECTORS**

#### **Principal risks and uncertainties (continued)**

##### **Safety and operational risks**

###### ***Process safety, personal safety and environmental risks***

The nature of the company's operations exposes it to a wide range of significant health, safety, security and environmental risks. The scope of these risks is influenced by the geographic range, operational diversity and technical complexity of the company's activities. There are risks of technical integrity failure as well as risks of natural disasters and other adverse conditions in many of the areas in which the company operates, which could lead to loss of containment of hydrocarbons and other hazardous material, as well as the risk of fires, explosions or other incidents.

In addition, inability to provide safe environments for the company's workforce and the public could lead to injuries or loss of life and could result in regulatory action, legal liability and damage to the company's reputation.

The company's operations are often conducted in difficult or environmentally sensitive locations, in which the consequences of a spill, explosion, fire or other incident could be greater than in other locations. These operations are subject to various environmental laws, regulations and permits and the consequences of failure to comply with these requirements can include remediation obligations, penalties, loss of operating permits and other sanctions. Accordingly, inherent in the company's operations is the risk that if it fails to abide by environmental and safety and protection standards, such failure could lead to damage to the environment and could result in regulatory action, legal liability, material costs and damage to the company's reputation or licence to operate.

To help address health, safety, security, environmental and operations risks, and to provide a consistent framework within which the BP group can analyse the performance of its activities and identify and remediate shortfalls, BP implemented a group-wide operating management system (OMS). Work on the application of OMS in individual operating businesses continues and following the Gulf of Mexico oil spill an enhanced safety and operational risk (S&OR) function has been established, reporting directly to the BP group chief executive. There can be no assurance that OMS will adequately identify all process safety, personal safety and environmental risk or provide the correct mitigations, or that all operations will be in conformance with OMS at all times.

###### ***People and capability***

Successful recruitment of new staff, employee training, development and long-term renewal of skills, in particular technical capabilities such as petroleum engineers and scientists, are key to implementing the company's plans. Inability to develop human capacity and capability, both across the organisation and in specific operating locations, could jeopardise performance delivery.

##### **Financial risk management**

The main financial risks faced by the company through its normal business activities are market risk and foreign currency exchange risk. The management of these financial risks is performed at BP group level. The company seeks to maintain a financial framework to ensure that it is able to maintain an appropriate level of liquidity and financial capacity. This framework constrains the level of assessed capital at risk for the purposes of positions taken in financial instruments. Failure to accurately forecast or maintain sufficient liquidity and credit to meet these needs could impact the company's ability to operate and result in a financial loss.

**BP CHEMICALS LIMITED**  
**REPORT OF THE DIRECTORS**

**Principal risks and uncertainties (continued)**

**Financial risk management (continued)**

***Market risk***

Market risk is the risk or uncertainty arising from possible market price movements and their impact on the future performance of a business. This includes the possibility that changes in foreign currency exchange rates, interest rates or oil, natural gas and power prices will adversely affect the value of the company's financial assets, liabilities or expected future cash flows. The management of such risks is performed at BP group level. The group has developed a control framework aimed at managing the volatility inherent in certain of its natural business exposures. In accordance with this control framework the group enters into various transactions using derivatives for risk management purposes.

***Foreign currency exchange risk***

Fluctuations in foreign exchange rates can have significant effects on the company's reported results. The company's financial assets and liabilities give rise to transactional currency exposures. Such exposures arise from transactions in a currency other than the company's functional currency. The management of such risks is performed at BP group level. BP's foreign exchange management policy is to minimise economic and significant transactional exposures arising from currency movements against the US dollar. The group co-ordinates the handling of foreign exchange risks centrally, by netting off naturally occurring opposite exposures wherever possible and then dealing with any material residual foreign exchange risks. For highly probable forecast capital expenditures the group locks in the US dollar cost of non US dollar supplies by using currency forwards and futures.

Crude oil prices are generally set in US dollars, while sales of refined products may be in a variety of currencies. Fluctuations in exchange rates can therefore give rise to foreign exchange exposures, with a consequent impact on underlying costs and revenues.

**Research and development**

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

**Future developments**

The directors aim to maintain the management policies which have resulted in the company's growth 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.

**BP CHEMICALS LIMITED**  
**REPORT OF THE DIRECTORS**

**Directors**

The present directors are listed on page 1

R M Stott and R C Harrington served as directors throughout the financial year. Changes since 1 January 2011 are as follows -

	<u>Appointed</u>	<u>Resigned</u>
N R Elmslie	1 April 2011	1 June 2012
S H Rataj	-	1 April 2011
C J Bowlas	19 October 2011	-

**Directors' indemnity**

The company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006

**Disabled employees**

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

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

**Employee involvement**

During the year, the BP group continued its policy of providing employees with information on matters of concern to them. In particular, information relating to group performance and group policies has been readily available to employees through the 'BP World' intranet web-site. Employees were invited to participate in BP share schemes

**Policy and practice on payment of creditors**

It is the company's policy to follow the CBI's prompt payment code of practice for all suppliers to the company with payments made in accordance with the relevant contractual payment terms. A copy of the code of practice may be obtained from the CBI

The number of days' purchases represented by trade creditors at the year-end was nil

**Auditor**

In the absence of a notice proposing that the appointment be terminated, Ernst & Young LLP will be deemed to be re-appointed as the company's auditor for the next year

**BP CHEMICALS LIMITED**

**REPORT OF THE DIRECTORS**

**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 their report of which the company's auditor is unaware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information

By Order of the Board



For and on behalf of  
Sunbury Secretaries Limited  
Company Secretary

6 SEPTEMBER 2012

Registered Office

Chertsey Road  
Sunbury on Thames  
Middlesex  
TW16 7BP  
United Kingdom

## **BP CHEMICALS LIMITED**

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

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable 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). 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 accounts, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and estimates that are reasonable and prudent,
- state whether applicable 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 proper 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 the foreseeable future, continue to adopt the going concern basis in preparing the accounts.



**BP CHEMICALS LIMITED**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
**BP CHEMICALS LIMITED**

We have audited the financial statements of BP Chemicals Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the accounting policies and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

**Respective responsibilities of directors and auditor**

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

**Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

*Ernst & Young LLP*

**WILLIAM TESTA** (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor

London

*6 September* 2012

## **BP CHEMICALS LIMITED**

### **ACCOUNTING POLICIES**

#### **Accounting standards**

The financial statements of BP Chemicals Limited were approved for issue by the Board of Directors on **6 SEPTEMBER** 2012

These accounts are prepared in accordance with applicable UK accounting standards

#### **Accounting convention**

The accounts are prepared under the historical cost convention

#### **Statement of cash flows**

The group accounts of the ultimate parent undertaking contain a consolidated cash flow statement. The company has taken advantage of the exemption granted by the Financial Reporting Standard No 1 (Revised), whereby it is not required to publish its own cash flow statement.

#### **Group accounts**

Group accounts are not submitted as the company is exempt from the obligation to prepare group accounts under Section 400 (1) of the Companies Act 2006. The results of subsidiary and associated undertakings are dealt with in the consolidated accounts of the ultimate parent undertaking, BP plc, a company registered in England and Wales. These accounts present information about the company as an individual undertaking and not about the group.

#### **Revenue recognition**

Revenue arising from the sale of goods is recognised when the significant risks and rewards of ownership have passed to the buyer and it can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods provided in the normal course of business, net of discounts, customs duties and sales taxes.

#### **Foreign currency transactions**

Foreign currency transactions are initially recorded in sterling by applying the exchange rate ruling on the date of transaction. Foreign currency monetary assets and liabilities are translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange differences are included in the profit and loss account.

#### **Research**

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

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## **BP CHEMICALS LIMITED**

### **ACCOUNTING POLICIES**

#### **Investments**

Fixed asset investments in subsidiaries are held at cost. The company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the company makes an estimate of its 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.

#### **Other debtors**

Other debtors are carried at the original invoice amount, less allowances made for doubtful receivables. Provision is made when there is objective evidence that the company will be unable to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

#### **Other creditors**

Other creditors are carried at payment or settlement amounts. If the effect of the time value of money is material, trade and other creditors are determined by discounting the expected future cash flows at a pre-tax rate.

#### **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 period end are valued on an actuarial basis using the projected unit credit method and amortised on a straight line basis over the service period until the award vests. The accounting policy for pensions and other post-retirement benefits is described below.

#### **Pensions**

The disclosures of Financial Reporting Standard No. 17 "Retirement Benefits" have been made in the accounts of the ultimate parent undertaking.

**BP CHEMICALS LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

		<u>2011</u>	<u>2010</u>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
<b>Turnover</b>	<b>1</b>	77,200	49,937
Administration expenses		(75,970)	(55,239)
Other operating income	<b>4</b>	-	7,893
<b>Profit before taxation</b>	<b>2</b>	1,230	2,591
Taxation	<b>5</b>	(435)	(1,774)
<b>Profit for the year</b>		<u>795</u>	<u>817</u>

The profit of £795,000 for the year ended 31 December 2011 has derived in its entirety from continuing operations

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

There are no recognised gains or losses attributable to the shareholders of the company other than the profit of £795,000 for the year ended 31 December 2011 (2010 profit of £817,000)

**BP CHEMICALS LIMITED**(Registered No 00194971)**BALANCE SHEET AT 31 DECEMBER 2011**

	Note	<u>2011</u> £000	<u>2010</u> £000
<b>Fixed assets</b>			
Investments	7	<u>114,314</u>	<u>114,314</u>
<b>Current assets</b>			
Cash at bank and in hand		<u>481</u>	<u>504</u>
<b>Creditors: amounts falling due within one year</b>	8	<u>(79,093)</u>	<u>(79,911)</u>
<b>Net current liabilities</b>		<u>(78,612)</u>	<u>(79,407)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>35,702</u>	<u>34,907</u>
<b>NET ASSETS</b>		<u>35,702</u>	<u>34,907</u>
<b>Represented by</b>			
<b>Capital and reserves</b>			
Called up share capital	9	12,500	12,500
Share premium account	10	8,724	8,724
Profit and loss account	10	14,478	13,683
<b>SHAREHOLDERS' FUNDS – EQUITY INTERESTS</b>		<u>35,702</u>	<u>34,907</u>

On behalf of the Board



Roger Harrington  
Director

6 SEPTEMBER 2012

**BP CHEMICALS LIMITED**

**NOTES TO THE ACCOUNTS**

**1. Turnover**

Turnover, which is stated net of value added tax, represents amounts invoiced to group companies. Turnover is attributable to the manufacturing and selling petrochemicals.

An analysis of turnover by geographical market is given below:

	<u>2011</u>	<u>2010</u>
	£000	£000
By geographical area		
UK	73,691	44,909
Rest of World	3,509	5,028
Total	<u>77,200</u>	<u>49,937</u>

**2. Profit before taxation**

This is stated after charging:

	<u>2011</u>	<u>2010</u>
	£000	£000
Expenditure on research	<u>35,793</u>	<u>16,078</u>

**3. Auditor's remuneration**

	<u>2011</u>	<u>2010</u>
	£000	£000
Fees for the audit of the company	<u>10</u>	<u>9</u>

Fees paid to the company's auditor, Ernst & Young LLP, and its associates for services other than the statutory audit of the company are not disclosed in these accounts since the consolidated accounts of BP Chemicals Limited's ultimate parent, BP plc, are required to disclose non-audit fees on a consolidated basis.

The fees were borne by another group company.

**4. Other operating income**

	<u>2011</u>	<u>2010</u>
	£000	£000
Miscellaneous income	<u>-</u>	<u>7,893</u>

Other operating income in 2010 comprised compensation received by the company as settlement for a breach of licence agreement.

## **BP CHEMICALS LIMITED**

### **NOTES TO THE ACCOUNTS**

#### **5. Taxation**

The Company is a member of a group for the purposes of relief within Part 5, Corporation Tax Act 2010. No corporation tax has been provided because another group company, BP International Limited, has undertaken to procure the claim or surrender of group relief to the extent it is required and to provide for any current or deferred tax that arises without charge.

The following table provides a reconciliation of the UK statutory corporation tax rate to the effective current tax rate on profit before taxation.

	<u>2011</u>	<u>2010</u>
	£000	£000
Profit before taxation	1,230	2,591
Current taxation	(435)	(1,774)
Effective current tax rate	35%	68%
	<u>2011</u>	<u>2010</u>
	%	%
UK statutory corporation tax rate	26.5	28
Increase / (decrease) resulting from		
Current overseas tax rate	35	69
Non-deductible expenditure / non-taxable income	(9)	(19)
Double tax relief	(35)	(69)
Free group relief	(22)	56
Transfer pricing adjustment	40	4
Effective current tax rate	<u>35</u>	<u>68</u>

#### **6. Directors and employees**

##### **(a) Remuneration of directors**

The total remuneration for all serving directors for their period of directorship to the company amounted to £107,000. A number of directors are senior executives of the BP plc Group and received no remuneration for services to this company or its subsidiary undertakings.

One director was a member of the defined benefit section of the BP Pension Fund at 31 December 2011.

None of the directors exercised share options over BP plc shares during the year.

**BP CHEMICALS LIMITED**

**NOTES TO THE ACCOUNTS**

**6. Directors and employees (continued)**

(b) Employee costs

	<u>2011</u>	<u>2010</u>
	£000	£000
Wages and salaries	32,225	29,425
Termination payments	(649)	(2,244)
Social security costs	2,402	2,226
Pension costs	8,239	8,047
	<u>42,217</u>	<u>37,454</u>

(c) The average monthly number of employees during the year was 545 (2010 540)

**7. Investments**

	<u>Subsidiary shares</u>
<b>Cost</b>	<u>£000</u>
At 1 January 2011/ 31 December 2011	<u>119,526</u>
<b>Amounts provided</b>	
At 1 January 2011/ 31 December 2011	<u>5,212</u>
<b>Net book amount</b>	
At 31 December 2011/ 31 December 2010	<u>114,314</u>

The investments in the subsidiary undertakings are unlisted

The amounts provided against subsidiary undertakings are to reduce the carrying value of the investment to its recoverable amount

The subsidiary undertaking of the company at 31 December 2011 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

<b>Subsidiary undertakings</b>	<b>%</b>	<b>Country of incorporation</b>	<b>Principal activity</b>
BXL Plastics Limited	100	England and Wales	Plastics
BP Chemicals (Korea) Limited	100	England and Wales	Chemicals
BP Korea Marketing Limited	100	England and Wales	Marketing
BP World-Wide Technical Services Limited	100	England and Wales	Chemicals
BP Chemicals France Holdings SAS	100	France	Holding Company
The Company of Proprietors of the Neath Canal Navigation	85	England and Wales	Chemicals



**BP CHEMICALS LIMITED**

**NOTES TO THE ACCOUNTS**

**8. Creditors**

	<u>2011</u>	<u>2010</u>
	Within	Within
	1 year	1 year
	£000	£000
Amounts owed to group undertakings	74,398	76,121
Other creditors	4,594	3,744
Bank overdraft	101	46
	<u>79,093</u>	<u>79,911</u>

**9. Called up share capital**

	<u>2011</u>	<u>2010</u>
	£000	£000
Allotted, called up 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>

**10. Capital and reserves**

	Called up share capital	Share premium account	Profit and loss account	Total
	£000	£000	£000	£000
At 1 January 2011	12,500	8,724	13,683	34,907
Profit for the year	-	-	795	795
At 31 December 2011	<u>12,500</u>	<u>8,724</u>	<u>14,478</u>	<u>35,702</u>

**11. Reconciliation of movements in shareholders' funds**

	<u>2011</u>	<u>2010</u>
	£000	£000
Profit for the year	795	817
Net increase in shareholders' funds	795	817
Shareholders' funds at 1 January	34,907	34,090
Shareholders' funds at 31 December	<u>35,702</u>	<u>34,907</u>

**12. Related party transactions**

The company has taken advantage of the exemption contained within Financial Reporting Standard No 8 "Related Party Disclosures", and has not disclosed transactions entered into with group companies. There were no other related party transactions in the year.

## **BP CHEMICALS LIMITED**

### **NOTES TO THE ACCOUNTS**

#### **13. 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 actuarial valuation for the BP Pension Fund was 31 December 2008 and the date of the most recent actuarial review was 31 December 2011. During 2011, member contributions of £19m (2010: £23m) were made to the BP Pension Fund.

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 17 disclosures made in these accounts.

The results of the most recent actuarial valuation of the BP Pension Fund as at 31 December 2008, have been reflected into the disclosures required by FRS 17 for the year ended 31 December 2011, and are included within the accounts of ultimate parent undertaking BP plc.

In the BP plc 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 recognised in full in this company's statement of total recognised gains and losses in the period in which they occur.

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

The immediate parent undertaking of this company is BP Chemicals Investment Limited, a company registered in England and Wales. The ultimate controlling parent undertaking of the group of undertakings for which group accounts are drawn up, and of which the company is a member, is BP plc, a company registered in England and Wales. Copies of BP plc's accounts can be obtained from 1 St James's Square, London, SW1Y 4PD.