

**BP CHEMICALS INVESTMENTS LIMITED**

(Registered No 304682)

**ANNUAL REPORT AND ACCOUNTS 2009**

Board of Directors      R M Stott  
                                     S H Rataj  
                                     R C Harrington

**REPORT OF THE DIRECTORS**

The directors present their report and accounts for the year ended 31 December 2009

**Results and dividends**

The profit for the year after tax is £10,572,000 which, when added to the retained profit brought forward at 1 January 2009 of £91,158,000 together with total paid interim dividend to ordinary shareholders of £6,019,000, gives a total retained profit carried forward at 31 December 2009 of £95,711,000

During the year the company has declared and paid dividends of £6,019,000 (2008 £47,000,000)  
The directors do not propose the payment of a final dividend

**Principal activity and review of the business**

The company acts as an intermediate holding company, holding certain investments in European and Far Eastern chemicals companies

No applicable key financial or other performance indicators have been identified for this Company.

**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

Company level risks have been identified and classified in three categories: strategic, compliance and ethics and financial risk management.

**Strategic risks**

***Prices and markets***

Oil, gas and product prices are subject to international supply and demand. Political developments and the outcome of meetings of OPEC can particularly affect world supply and oil prices. In addition to the adverse effect on revenues, margins and profitability from any future fall in oil and natural gas price, a prolonged period of low prices or other indicators would lead to a review for impairment of the group's oil and natural gas properties. This review would reflect management's view of long-term oil and natural gas prices. Such a review could result in a charge for impairment that could have a significant effect on the company's results of operations in the period in which it occurs.

Refining profitability can be volatile, with both periodic oversupply and supply tightness in various regional markets. Sectors of the chemicals industry are also subject to fluctuations in supply and demand within the petrochemicals market, with consequent effect on prices and profitability.



## **BP CHEMICALS INVESTMENTS LIMITED**

### **REPORT OF THE DIRECTORS**

#### ***Socio-political***

We have operations in developing countries where political, economical and social transition is taking place. Some countries have experienced political instability, changes to the regulatory environment, expropriation or nationalization of property, civil strife, strikes, acts of war and insurrections. Any of these conditions occurring could disrupt or terminate our operations, causing our development activities to be curtailed or terminated in these areas or our production to decline, and could cause us to incur additional costs.

We set ourselves high standards of corporate citizenship and aspire to contribute to a better quality of life through the products and services we provide. If it is perceived that we are not respecting or advancing the economic and social progress of the communities in which we operate, our reputation and shareholder value could be damaged.

#### ***Investment efficiency***

Our organic growth is dependent on creating a portfolio of quality options and investing in the best options. Ineffective investment selection could lead to loss of value and higher capital expenditure.

#### **Compliance and ethics risks**

#### ***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 our reputation.

#### **Financial Risk Management**

The main financial risks faced by the company through its normal business activities are market risk and currency risk. The management of these financial risks is performed at BP Group level.

#### ***Market risk***

Market risk is 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 minimize economic and significant transactional exposures arising from currency movements against the Sterling. 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 Sterling cost of non Sterling supplies by using currency forwards and futures.

## **BP CHEMICALS INVESTMENTS LIMITED**

### **REPORT OF THE DIRECTORS**

#### **Future developments**

It is the intention of the directors that the business of the company will continue for the foreseeable future.

#### **Directors**

The present directors are listed on page 1.

R M Stott and S H Rataj served as directors throughout the financial year. The changes since 1 January 2009 were as follows

	<u>Appointed</u>	<u>Resigned</u>
F W M Starkie	-	30 September 2009
R C Harrington	1 October 2009	-

#### **Directors' indemnity**

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

#### **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

#### **Auditors**

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 INVESTMENTS 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 confirm 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



Jim Lafferty

For and on behalf of  
Sunbury Secretaries Limited  
Company Secretary

12 August 2010  
Registered Office:

Chertsey Road  
Sunbury on Thames  
Middlesex  
TW16 7BP  
United Kingdom

## **BP CHEMICALS INVESTMENTS 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 INVESTMENTS LIMITED**

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

We have audited the company's financial statements for the year ended 31 December 2009 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 16. 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 auditors' 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 auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, 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 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 (APB'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.

**Opinion on the 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 2009 and of the company's 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 by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company 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 behalf of Ernst & Young LLP, Statutory Auditor

Registered auditor

London

*17 August* 2010

## **BP CHEMICALS INVESTMENTS LIMITED**

### **ACCOUNTING POLICIES**

#### **Accounting standards**

These accounts are prepared in accordance with applicable UK accounting standards

#### **Accounting convention**

The accounts are prepared under the historical cost convention

#### **Basis of preparation**

At 31 December 2009 the company's balance sheet had net current liabilities amounting to £22,895,000

The directors consider it appropriate to prepare the accounts on a going concern basis, since the parent undertaking agreed to provide sufficient finance, whether directly or through subsidiaries to enable the company to meet its liabilities as they fall due for the foreseeable future.

#### **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 p.l.c., a company registered in England and Wales. The accounts present information about the company as an individual undertaking and not about the group.

#### **Dividend income**

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

#### **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

#### **Interest**

All interest is charged against income in the year in which it is incurred

## **BP CHEMICALS INVESTMENTS LIMITED**

### **ACCOUNTING POLICIES**

#### **Investments**

Fixed asset investments in subsidiaries, joint ventures and associates 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, other creditors are determined by discounting the expected future cash flows at a pre-tax rate.



**BP CHEMICALS INVESTMENTS LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

	Note	<u>2009</u> £000	<u>2008</u> £000
<b>Dividend income</b>		18,075	93,931
Administration expenses		(4,265)	(8,866)
Other income	2	-	1
<b>Profit on ordinary activities before interest and tax</b>	3	<u>13,810</u>	<u>85,066</u>
Interest payable and similar charges	4	(224)	(937)
Interest receivable and similar income	5	<u>-</u>	<u>548</u>
<b>Profit before taxation</b>		13,586	84,677
Taxation	6	(3,014)	-
<b>Profit for the year</b>		<u>10,572</u>	<u>84,677</u>

The profit of £10,572,000 for the year ended 31 December 2009 has derived in its entirety from continuing operations (2008: £84,677,000).

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 DECEMBER 2009**

There are no recognised gains or losses attributable to the shareholders of the company other than profit of £10,572,000 for the year ended 31 December 2009 (2008: £84,677,000)

**BP CHEMICALS INVESTMENTS LIMITED**

(Registered No 304682)

**BALANCE SHEET AT 31 DECEMBER 2009**

	Notes	<u>2009</u> £000	<u>2008</u> £000
<b>Fixed asset</b>			
Investments	8	155,728	155,728
<b>Current asset</b>			
Debtors	9	7,975	46,687
<b>Creditors: amounts falling due within one year</b>	10	<u>(30,870)</u>	<u>(74,135)</u>
<b>Net current liabilities</b>		<u>(22,895)</u>	<u>(27,448)</u>
<b>NET ASSETS</b>		<u>132,833</u>	<u>128,280</u>
<b>Represented by:</b>			
<b>Capital and reserves</b>			
Called up share capital	11	37,122	37,122
Profit and loss account	12	<u>95,711</u>	<u>91,158</u>
<b>SHAREHOLDERS' FUNDS – EQUITY INTERESTS</b>		<u>132,833</u>	<u>128,280</u>

On behalf of the Board



Ronald Stott

Director

12 August 2010

**BP CHEMICALS INVESTMENTS LIMITED****NOTES TO ACCOUNTS****1. Auditor's remuneration**

	<u>2009</u>	<u>2008</u>
	<u>£000</u>	<u>£000</u>
Fees for the audit of the company	<u>6</u>	<u>7</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 Investments Limited's ultimate parent, BP p.l.c., disclose non-audit fees on a consolidated basis

**2. Other income**

	<u>2009</u>	<u>2008</u>
	<u>£000</u>	<u>£000</u>
Tax incentive for dividends reinvestment in China	<u>-</u>	<u>1</u>

**3. Profit on ordinary activities before interest and tax**

This is stated after crediting / (charging)

	<u>2009</u>	<u>2008</u>
	<u>£000</u>	<u>£000</u>
Exchange gain / (loss) on foreign currency borrowings less deposits	<u>724</u>	<u>(3,335)</u>

**4. Interest payable and similar charges**

	<u>2009</u>	<u>2008</u>
	<u>£000</u>	<u>£000</u>
Interest expense on loans from group undertakings	<u>224</u>	<u>937</u>

**5. Interest receivable and similar income**

	<u>2009</u>	<u>2008</u>
	<u>£000</u>	<u>£000</u>
Interest income from group undertakings	<u>-</u>	<u>548</u>

## **BP CHEMICALS INVESTMENTS LIMITED**

### **NOTES TO ACCOUNTS**

#### **6. Taxation**

The Company is a member of a group for the purposes of relief under Section 402 of the Income & Corporation Taxes Act 1988. 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>2009</u>	<u>2008</u>
	<u>£000</u>	<u>£000</u>
Profit before taxation	13,586	84,677
Current taxation	3,014	-
Effective current tax rate	22%	0%
	<u>2009</u>	<u>2008</u>
	<u>%</u>	<u>%</u>
UK statutory corporation tax rate	28	28
Increase / (decrease) resulting from		
Non deductible expenditure / non taxable income	4	(8)
Double tax relief	-	(16)
Group relief	(10)	-
Transfer pricing adjustment	-	(4)
Effective current tax rate	<u>22</u>	<u>-</u>

#### **7. Directors and employees**

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

None of the directors received any fees or remuneration for services as a director of the company during the financial year (2008 £Nil).

##### **(b) Employee costs**

The company had no employees during the year (2008: Nil).

**BP CHEMICALS INVESTMENTS LIMITED**

**NOTES TO ACCOUNTS**

**8. Fixed assets – investments**

	<b>Subsidiary shares</b>	<b>Joint ventures shares</b>	<b>Investment in associate's shares</b>	<b>Total</b>
<b>Cost</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 January /31 December 2009</b>	<b>89,021</b>	<b>58,883</b>	<b>7,924</b>	<b>155,828</b>
<b>Amounts provided</b>				
<b>At 1 January/31 December 2009</b>	<b>(100)</b>	<b>-</b>	<b>-</b>	<b>(100)</b>
<b>Net book amount</b>				
<b>At 31 December 2009</b>	<b>88,921</b>	<b>58,883</b>	<b>7,924</b>	<b>155,728</b>
<b>At 31 December 2008</b>	<b>88,921</b>	<b>58,883</b>	<b>7,924</b>	<b>155,728</b>

The investments in the subsidiary, associated undertakings and joint ventures are unlisted

The subsidiary and associated undertakings and joint ventures of the company at 31 December 2009 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>
BP Chemicals Trading Limited	100	England and Wales	Chemicals
BP Chemicals (Ireland) Limited	100	England and Wales	Chemicals
BP Chemicals Limited	100	England and Wales	Chemicals
BP Aromatics Holdings Limited	100	England and Wales	Chemicals
<b>Associated Undertakings</b>	<b>%</b>	<b>Country of Incorporation</b>	<b>Principal activity</b>
Ethylene Malaysia Sdn Bhd	15	Malaysia	Chemicals
<b>Joint Ventures</b>	<b>%</b>	<b>Principal place of business</b>	<b>Principal activities</b>
Yangzte River Acetyls Co Ltd	51	China	Chemicals
Polyethylene Malaysia Sdn Bhd	60	Malaysia	Chemicals
BP-YPC Acetyls Company Limited	50	China	Chemicals

**BP CHEMICALS INVESTMENTS LIMITED**

**NOTES TO ACCOUNTS**

**9. Debtors**

	<u>2009</u>	<u>2008</u>
	Within 1 year £000	Within 1 year £000
Amounts owed by group undertakings	<u>7,975</u>	<u>46,687</u>

**10. Creditors**

	<u>2009</u>	<u>2008</u>
	Within 1 year £000	Within 1 year £000
Amounts owed to group undertakings	30,807	74,018
Accruals and deferred income	63	117
	<u>30,870</u>	<u>74,135</u>

**11. Called up share capital**

	<u>2009</u>	<u>2008</u>
	£000	£000
Allotted and called up 37,122,000 Ordinary shares of £1 each for a total nominal value of £37,122,000	<u>37,122</u>	<u>37,122</u>

**12. Capital and reserves**

	<u>Equity share capital £000</u>	<u>Profit and loss account £000</u>	<u>Total £000</u>
At 1 January 2009	37,122	91,158	128,280
Profit for the year	-	10,572	10,572
Dividends – current year interim paid	-	(6,019)	(6,019)
At 31 December 2009	<u>37,122</u>	<u>95,711</u>	<u>132,833</u>

In 2009 the company has paid interim ordinary dividends for £6,019,000 (2008: £47,000,000) The dividend per share was £0 16 (2008 dividend per share. £1 27)

## **BP CHEMICALS INVESTMENTS LIMITED**

### **NOTES TO ACCOUNTS**

#### **13. Reconciliation of movements in shareholders' funds**

	<u>2009</u> £000	<u>2008</u> £000
Profit for the year	10,572	84,677
Dividends current year interim paid	<u>(6,019)</u>	<u>(47,000)</u>
Net increase in shareholders' interests	4,553	37,677
Shareholders' interest at 1 January	128,280	90,603
Shareholders' interest at 31 December	<u>132,833</u>	<u>128,280</u>

#### **14. 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 with group companies

During the year the company received dividends from its associated undertaking Ethylene Malaysia Sdn Bhd of £12,056,000 (2008: £21,553,000)

No amounts are outstanding in respect of the above transactions at the balance sheet date (2008 £Nil)

#### **15. Pensions**

The company does not directly employ any staff and therefore does not directly bear any pension charge

#### **16. Immediate and ultimate parent undertaking**

The immediate parent undertaking of this company is BP International Limited, a company registered in England and Wales. The ultimate parent undertaking of the group of undertakings for which group accounts are drawn up, and of which the company is a member, is BP 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