

**BP CHEMICALS LIMITED****(Registered No 00194971)****ANNUAL REPORT AND ACCOUNTS 2012**

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 2012

**Results and dividends**

The profit for the year after taxation was £779,000 which, when added to the retained profit brought forward at 1 January 2012 of £14,478,000, gives a total retained profit carried forward at 31 December 2012 of £15,257,000

The company has not declared any dividends during the year (2011 £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, as well as conducting related research activities, 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

	<u>2012</u>	<u>2011</u>	<u>Variance</u>
	£000	£000	%
Turnover	90 773	77,200	18
Operating profit	1,295	1,230	5
Profit before taxation	1,054	1,230	(14)
Profit after taxation	779	795	(2)
Shareholders' funds	36,481	35,702	2
	<u>2012</u>	<u>2011</u>	<u>Variance</u>
	%	%	%
Quick ratio*	1	1	-

\*Quick ratio is defined as current assets, excluding stock and debtors receivable after one year, as a percentage of current liabilities

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

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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.

We urge you to consider carefully the risks described below. The potential impact of the occurrence or reoccurrence of any of the risks described below could have a material adverse effect on the company's business, financial position, results of operations, competitive position, cash flows, prospects, liquidity, shareholder returns and/or implementation of its strategic agenda.

Company level risks have been categorised against the following areas: strategic and commercial, 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.

Whilst the BP group recognised significant charges in the income statement since the Incident occurred in 2010, there is significant uncertainty regarding the extent and timing of the remaining costs and liabilities relating to the Incident, the potential changes in applicable regulations and the operating environment that may result from the Incident, the impact of the Incident on the reputation of the group and the resulting possible impact on the group's licence to operate including its ability to access new opportunities. The amount of claims that become payable by the BP group, the amount of fines ultimately levied on the BP group (including any potential determination of the BP group's negligence or gross negligence), the outcome of litigation, the terms of any further settlements including the amount and timing of any payments thereunder, and any costs arising from any longer-term environmental consequences of the Incident, will also impact upon the ultimate cost for the BP group.

Although the provisions recognised represent the current best estimates of expenditures required to settle certain present obligations that can be reasonably estimated at the end of the reporting period, there are future expenditures for which it is not possible to measure the obligations reliably and the total amounts payable by the BP group in relation to all obligations relating to the Incident are subject to significant uncertainty. These uncertainties are likely to continue for a significant period, increase the risks to which the group is exposed and may cause costs to increase. 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 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 2012.

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

**Principal risks and uncertainties (continued)**

**Strategic and commercial risks**

***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 the terms of access to new opportunities, licence costs and 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, or by its failure to adequately protect the company's brands and trademarks. The company's competitive position could be adversely affected if it fails to control its operating costs or manage its margins, or if it fails to sustain, develop and operate efficiently a high quality portfolio of assets.

***People and capability***

Successful recruitment of new staff, employee training, development and continuing enhancement 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. The company relies on recruiting and retaining high-quality employees to execute its strategic plans and to operate its business. The reputational damage suffered by the company as a result of the Incident and any consequent adverse impact on its business could affect employee recruitment and retention.

**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 values 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 the company's operations.

***Liabilities and provisions***

The BP group's potential liabilities resulting from pending and future claims, lawsuits, settlements and enforcement actions relating to the Gulf of Mexico oil spill, together with the potential cost and burdens of implementing remedies sought in the various proceedings, cannot be fully estimated at this time but they have had, and are expected to continue to have, a material adverse impact on the group's business and consequently may also impact the company's business. Further information is included within the BP group Annual Report and Form 20-F for the year ended 31 December 2012.

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

**Principal risks and uncertainties (continued)**

**Compliance and control risks (continued)**

***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.

**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 risk 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 while at the company's facilities or premises 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 and safety 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.

BP's group-wide operating management system (OMS) intends to address health, safety, security, environmental and operations risks, and to provide a consistent framework within which the group can analyse the performance of its activities and identify and remediate shortfalls. 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.

**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. The main underlying economic currency of the BP group's cash flows is the US dollar. This is because the BP group's major product, oil, is priced internationally in US dollars. The BP group'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.

##### **Post balance sheet event**

BP Korea Marketing Limited, a subsidiary undertaking of the company, no longer has any remaining business. The directors of BP Korea Marketing Limited approved its liquidation subsequent to the year-end on 23 April 2013, in order to simplify the group structure. This did not affect the carrying value of the investment at the year-end.

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

**Directors**

The present directors are listed on page 1

R M Stott, R C Harrington, and C J Bowlas served as directors throughout the financial year. Changes since 1 January 2012 are as follows

	<u>Appointed</u>	<u>Resigned</u>
N R Elmslie	-	1 June 2012

**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 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

**Employee involvement**

During the year, the BP group continued its policy of providing employees with information on matters of concern to them. Executive team members hold regular town halls and webcasts to communicate with our employees around the world. We conduct an employee engagement survey to monitor employee attitudes and identify areas for improvement. In particular, information relating to group performance and group policies has been readily available to employees through the 'One BP' intranet web-site

We encourage employee share ownership. For example, through the ShareMatch plan run in around 50 countries, we match BP shares purchased by our employees

**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

*24 September* 2013

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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors confirm that they have complied with these requirements and, having a reasonable expectation that the company has adequate resources to continue in operational existence for 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 2012 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 2012 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.



William Testa (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor

London  
 24 September 2013

## **BP CHEMICALS LIMITED**

### **ACCOUNTING POLICIES**

#### **Accounting standards**

The financial statements of BP Chemicals Limited were approved for issue by the Board of Directors on *20 September* 2013

These accounts are prepared on a going concern basis and in accordance with the Companies Act 2006 and applicable UK accounting standards

#### **Accounting convention**

The accounts are prepared under the historical cost convention

#### **Basis of preparation**

At 31 December 2012 the company's balance sheet had net current liabilities amounting to £77,592,000. The company has positive net assets of £36,481,000

The directors consider it appropriate to prepare the accounts on a going concern basis

#### **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 is derived from BP group companies and is measured at the fair value of the consideration received or receivable, net of 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.

## **BP CHEMICALS LIMITED**

### **ACCOUNTING POLICIES**

#### **Research**

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

#### **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.

#### **Debtors**

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.

#### **Creditors**

Creditors are carried at payment or settlement amounts. If the effect of the time value of money is material, 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 defined benefit pension scheme is a multi-employer scheme administered by the ultimate parent company, BP plc. The company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and so the scheme has been accounted for as a defined contribution scheme as allowed by FRS 17. Contributions to the scheme are charged through the company's profit and loss account in the year in which they become payable. Detailed disclosures have been made in the financial statements of the ultimate parent company.

#### **Use of estimates**

The preparation of accounts in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

**BP CHEMICALS LIMITED**

**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

		<u>2012</u>	<u>2011</u>
	<b>Note</b>	<b>£000</b>	<b>£000</b>
<b>Turnover</b>	<b>1</b>	90,773	77,200
<b>Administration expenses</b>		<u>(89,478)</u>	<u>(75 970)</u>
<b>Operating profit</b>	<b>2</b>	1,295	1,230
<b>Loss on termination of operations</b>		<u>(241)</u>	<u>-</u>
<b>Profit before taxation</b>		1,054	1,230
<b>Taxation</b>	<b>4</b>	<u>(275)</u>	<u>(435)</u>
<b>Profit for the year</b>		<u>779</u>	<u>795</u>

The profit of £779,000 for the year ended 31 December 2012 was derived in its entirety from continuing operations

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 DECEMBER 2012**

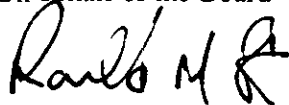
There are no recognised gains or losses attributable to the shareholders of the company other than the profit for the year

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

**BALANCE SHEET AT 31 DECEMBER 2012**

	Note	<u>2012</u> £000	<u>2011</u> £000
<b>Fixed assets</b>			
Investments	6	<u>114,073</u>	<u>114,314</u>
<b>Current asset</b>			
Cash at bank and in hand		<u>518</u>	<u>481</u>
<b>Creditors: amounts falling due within one year</b>	7	<u>(78,110)</u>	<u>(79,093)</u>
<b>Net current liabilities</b>		<u>(77,592)</u>	<u>(78,612)</u>
<b>NET ASSETS</b>		<u>36,481</u>	<u>35,702</u>
<b>Represented by</b>			
<b>Capital and reserves</b>			
Called up share capital	8	12,500	12,500
Share premium account	9	8,724	8,724
Profit and loss account	9	15,257	14,478
<b>SHAREHOLDERS' FUNDS – EQUITY INTERESTS</b>		<u>36,481</u>	<u>35,702</u>

On behalf of the Board



R M Stott  
Director

*24 September*

2013

**BP CHEMICALS LIMITED**

**NOTES TO THE ACCOUNTS**

**1. Turnover**

Turnover, which is stated net of value added tax, represents amounts invoiced to group companies

An analysis of turnover by geographical market is given below

	<u>2012</u>	<u>2011</u>
	<u>£000</u>	<u>£000</u>
By geographical area:		
UK	87 888	73,691
Rest of World	2,885	3,509
Total	<u>90,773</u>	<u>77 200</u>

**2. Operating profit**

This is stated after charging

	<u>2012</u>	<u>2011</u>
	<u>£000</u>	<u>£000</u>
Expenditure on research	<u>41,150</u>	<u>35 793</u>

**3. Auditor's remuneration**

	<u>2012</u>	<u>2011</u>
	<u>£000</u>	<u>£000</u>
Fees for the audit of the company	<u>12</u>	<u>10</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

**BP CHEMICALS LIMITED**

**NOTES TO THE ACCOUNTS**

**4. Taxation**

The Company is a member of a group for the purposes of relief within Part 5, Corporation Tax Act 2010. No UK 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 UK 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>2012</u>	<u>2011</u>
	£000	£000
Profit before taxation	1,054	1,230
Current taxation	(275)	(435)
Effective current tax rate	26%	35%
	<u>2012</u>	<u>2011</u>
	%	%
UK statutory corporation tax rate	24	26
Increase / (decrease) resulting from		
Current overseas tax rate	26	35
Non-deductible expenditure / non-taxable income	(15)	(9)
Double tax relief	(26)	(35)
Free group relief	(25)	(22)
Transfer pricing adjustment	42	40
Effective current tax rate	<u>26</u>	<u>35</u>

**5. Directors and employees**

**(a) Remuneration of directors**

The total remuneration for all serving directors for their period of directorship to the company amounted to £118,000 (2011: £107,000). One director was a member of the defined benefit section of the BP Pension Fund at 31 December 2012 (2011: One) and none of the directors exercised share options over BP plc shares during the year (2011: None). Furthermore, 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.

**BP CHEMICALS LIMITED**

**NOTES TO THE ACCOUNTS**

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

**(b) Employee costs**

	<u>2012</u>	<u>2011</u>
	£000	£000
Wages and salaries	36,029	31,576
Social security costs	2,735	2,402
Pension costs	<u>10,042</u>	<u>8,239</u>
	<u>48,806</u>	<u>42,217</u>

(c) The average monthly number of employees during the year was 566 (2011 545)

**6. Investments**

	<u>Subsidiary shares</u>
	£000
<b>Cost</b>	
At 1 January 2012	119,526
Disposals	<u>(241)</u>
At 31 December 2012	<u>119,285</u>
 <b>Amounts provided</b>	
At 1 January 2012 and 31 December 2012	<u>5,212</u>
 <b>Net book amount</b>	
At 31 December 2012	<u>114,073</u>
At 31 December 2011	<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 undertakings of the company at 31 December 2012 and the percentage of equity capital held set out below are the investments which principally affected the profits or net assets of the company. To avoid a statement of excessive length, details of investments which are not significant have been omitted. The principal country of operation is generally indicated by the company's country of incorporation or by its name.

<b>Subsidiary undertakings</b>	<b>Class of share held</b>	<b>%</b>	<b>Country of incorporation</b>	<b>Principal activity</b>
BXL Plastics Limited	Deferred & Ordinary	100	England and Wales	Plastics
BP Chemicals (Korea) Limited	Ordinary	100	England and Wales	Chemicals
BP Korea Marketing Limited	Ordinary	100	England and Wales	Marketing
BP World-Wide Technical Services Limited	Ordinary	100	England and Wales	Chemicals
BP Chemicals France Holding	Ordinary	100	France	Holding company



**BP CHEMICALS LIMITED**

**NOTES TO THE ACCOUNTS**

**7. Creditors**

	<u>2012</u>	<u>2011</u>
	Within	Within
	1 year	1 year
	£000	£000
Amounts owed to group undertakings	72,228	74,398
Other creditors	5,877	4,594
Bank overdraft	5	101
	<u>78,110</u>	<u>79,093</u>

**8. Called up share capital**

	<u>2012</u>	<u>2011</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>

**9. Capital and reserves**

	Called up share capital	Share premium account	Profit and loss account	Total
	£000	£000	£000	£000
At 1 January 2012	12,500	8,724	14,478	35,702
Profit for the year	-	-	779	779
At 31 December 2012	<u>12,500</u>	<u>8,724</u>	<u>15,257</u>	<u>36,481</u>

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

	<u>2012</u>	<u>2011</u>
	£000	£000
Profit for the year	779	795
Net increase in shareholders' funds	779	795
Shareholders' funds at 1 January	35,702	34,907
Shareholders' funds at 31 December	<u>36,481</u>	<u>35,702</u>

**11. 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**

#### **12. Post balance sheet event**

BP Korea Marketing Limited, a subsidiary undertaking of the company, no longer has any remaining business. The directors of BP Korea Marketing Limited approved its liquidation subsequent to the year-end on 23 April 2013, in order to simplify the group structure. This did not affect the carrying value of the investment at the year-end.

#### **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 2011 and the date of the most recent actuarial review was 31 December 2012. During 2012, employer contributions of £550m (2011: £259m) and member contributions of £23m (2011: £19m) 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 2011, have been reflected into the disclosures required by FRS 17 for the year ended 31 December 2012, 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 is BP Chemicals Investments Limited, a company registered in England and Wales. The ultimate controlling parent undertaking is BP plc, 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 plc can be obtained from 1 St James's Square, London, SW1Y 4PD.