



ANNUAL REPORT AND FINANCIAL STATEMENTS 2014

Board of Directors: R M Stott
C J Bowlas
T M Thornton

The directors present the strategic report, their report and the financial statements for the year ended 31 December 2014.

STRATEGIC REPORT

Results

The profit for the year after taxation was £7,607,000 which, when added to the retained profit brought forward at 1 January 2014 of £26,783,000, gives a total retained profit carried forward at 31 December 2014 of £34,390,000.

Principal activity and review of the business

The company and its subsidiary undertakings operate chemicals and plastics manufacturing assets, as well as conducting related research activities, 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:

	2014	2013	Variance
	£000	Restated £000	%
Turnover	81,027	87,904	(8)
Operating profit	8,246	5,984	38
Profit for the year	7,607	6,863	11
Total equity	55,614	48,007	16

	2014	2013	Variance
	%	%	
Quick ratio*	3.11	0.81	2.3

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

In 2014 a new mechanism for the extraction and allocation of research and development costs between legal entities in the BP group was introduced. This resulted in a significant decrease in administration expenditure for the company and equally a decrease in the on-charges to BP International Limited which form the majority of turnover for the entity.

Operating profit increased due to higher royalties received in 2014. Royalty income is retained by the company after a review of the business in the year identified BP Chemicals Limited as the beneficial owner of all intellectual property relating to the business. Income for 2013 and 2012 has been retrospectively adjusted for comparative purposes. In addition, R&D tax credits of £1,628,000 were recognised above the line in 2014 which further increased operating profit for the period.

Profit for the year in 2013 included an exceptional item of £1,162,000 relating to profit on liquidation of a subsidiary. As a result, profit for the year in 2014 shows a smaller overall increase in comparison.

BP CHEMICALS LIMITED

STRATEGIC REPORT

Principal risks and uncertainties

The company aims to deliver sustainable value by identifying and responding successfully to risks. Risk management is integrated into the process of planning and performance management for the group.

The risks listed below, separately or in combination, could have a material adverse effect on the implementation of the company's strategy, business, financial performance, results of operations, cash flows, liquidity, prospects, shareholder value and returns and reputation. Unless stated otherwise, further details on these risks are included within the risk factors in the strategic report of the BP group Annual Report and Form 20-F for the year ended 31 December 2014.

Gulf of Mexico oil spill

On 2 July 2015, BP Exploration and Production Inc. signed agreements in principle to settle all federal and state claims, and claims made by more than 400 local government entities, arising from the oil spill. These agreements are subject to the execution of definitive agreements and court approval of the Consent Decree relating to such settlement. There continues to be uncertainty regarding the extent and timing of the remaining costs and liabilities relating to the 2010 Gulf of Mexico oil spill not covered by the agreements in principle.

Strategic and commercial risks

Competition

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

Insurance

The BP group's insurance strategy could expose the BP group to material uninsured losses which in turn could adversely affect the company.

Safety and operational risks

Process safety, personal safety and environmental risks

The company is exposed to a wide range of health, safety, security and environmental risks that could result in regulatory action, legal liability, increased costs, damage to its reputation and potentially denial of its licence to operate.

Compliance and control risks

US government settlements

The BP group's settlements with legal and regulatory bodies in the US in respect of certain charges related to the Gulf of Mexico oil spill may expose the BP group to further penalties, liabilities and private litigation, which in turn could have adverse impacts on the company or could result in suspension or debarment of the company.

Ethical misconduct and non-compliance

Ethical misconduct or breaches of applicable laws by the company's businesses or its employees could be damaging to its reputation.

Reporting

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

BP CHEMICALS LIMITED

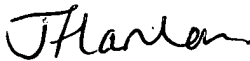
STRATEGIC REPORT

Principal risks and uncertainties (continued)

Financial risk management

The company is exposed to a number of different financial risks arising from natural business exposures including market risks relating to foreign currency exchange rates. Further details on these financial risks are included within Note 27 of the BP group Annual Report and Form 20-F for the year ended 31 December 2014.

By Order of the Board



For and on behalf of
Sunbury Secretaries Limited
Company Secretary

17 SEPTEMBER 2015

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

BP CHEMICALS LIMITED

DIRECTORS' REPORT

Directors

The present directors are listed on page 1.

C J Bowlas and R M Stott served as directors throughout the financial year. Changes since 1 January 2014 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
R C Harrington	-	7 October 2014
T M Thornton	7 October 2014	-

Directors' indemnity

The company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006. Such qualifying third party indemnity provisions for the benefit of the company's directors remain in force at the date of this report.

Dividends

The company has not declared any dividends during the year (2013: £Nil). The directors do not propose the payment of a dividend.

Financial instruments

In accordance with section 414C of the Companies Act 2006 the directors have included information regarding financial instruments as required by Schedule 7 (Part 1.6) of the Large and Medium Companies and Group Regulations 2008 in the strategic report under Financial risk management.

Post balance sheet event

After the balance sheet date, BP Chemicals Limited signed a memorandum of understanding and paid EUR 1,000,000 to Titan Wood Limited in return for the option to invest in one or both of the company and/or its Tricoya plant.

Future developments

The directors aim to maintain the management policies which have resulted in the company's stability in recent years. They believe that the company is in a good position to take advantage of any opportunities which may arise in the future.

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

Research and development

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

BP CHEMICALS LIMITED

DIRECTORS' REPORT

Disabled employees

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

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

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 Share Match plan run in around 50 countries, we match BP shares purchased by our employees.

Directors' statement as to the disclosure of information to the auditor

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditor, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of 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

17 SEPTEMBER 2015

Registered Office:

Chertsey Road
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BP CHEMICALS LIMITED

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

The directors are responsible for preparing the Strategic Report, 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 applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors confirm that they have complied with these requirements and, having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the financial statements.

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 2014 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 19. 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) including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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 6, 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). Those 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 Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2014 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 Strategic Report and 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

Jacqueline Ann Geary (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor

London

21 September 2015

BP CHEMICALS LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 £000	2013 Restated £000
Turnover	3	81,027	87,904
Administrative expenses		(74,409)	(81,920)
Other operating income	4	1,628	-
Operating profit	4	8,246	5,984
Profit on liquidation of subsidiary undertaking	6	-	1,162
Profit before taxation		8,246	7,146
Taxation	7	(639)	(283)
Profit for the year		7,607	6,863

The profit of £7,607,000 for the year ended 31 December 2014 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

There is no other comprehensive income 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 2014**

		2014	2013	2012
	Note	<u>£000</u>	<u>Restated £000</u>	<u>Restated £000</u>
Fixed assets				
Investments	9	108,073	108,073	114,073
Current assets				
Debtors	10	1,255	-	-
Cash at bank and in hand		430	488	518
		<u>1,685</u>	<u>488</u>	<u>518</u>
Creditors: amounts falling due within one year	11	<u>(54,144)</u>	<u>(60,554)</u>	<u>(73,447)</u>
Net current liabilities		<u>(52,459)</u>	<u>(60,066)</u>	<u>(72,929)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>55,614</u>	<u>48,007</u>	<u>41,144</u>
NET ASSETS		<u>55,614</u>	<u>48,007</u>	<u>41,144</u>
Capital and reserves				
Called up share capital	12	12,500	12,500	12,500
Share premium account	13	8,724	8,724	8,724
Profit and loss account	13	<u>34,390</u>	<u>26,783</u>	<u>19,920</u>
TOTAL EQUITY		<u>55,614</u>	<u>48,007</u>	<u>41,144</u>

On behalf of the Board

C J Bowlas
Director

17 SEPTEMBER 2015

BP CHEMICALS LIMITED

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Called up share capital (Note 12) £000	Share premium account (Note 13) £000	Profit and loss account (Note 13) £000	Total £000
Balance at 1 January 2013	12,500	8,724	15,257	36,481
Prior year adjustment (note 17)	-	-	4,663	4,663
Balance at 1 January 2013 (restated)	12,500	8,724	19,920	41,144
 Profit for the year, representing total comprehensive income	 -	 -	 6,863	 6,863
Balance at 31 December 2013	12,500	8,724	26,783	48,007
Profit for the year, representing total comprehensive income	-	-	7,607	7,607
Balance at 31 December 2014	12,500	8,724	34,390	55,614

BP CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

1. Authorisation of financial statements and statement of compliance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101)

The financial statements of BP Chemicals Limited for the year ended 31 December 2014 were approved by the board of directors on 11 September 2015 and the balance sheet was signed on the board's behalf by C J Bowlas. BP Chemicals Limited is a limited company incorporated in England and Wales. The company meets the definition of a qualifying entity under Financial Reporting Standard 100 (FRS 100) issued by the Financial Reporting Council. Accordingly, in the year ended 31 December 2014 the company has changed its accounting framework from previously extant United Kingdom Generally Accepted Accounting Practice (UK GAAP) to FRS 101 as issued by the Financial Reporting Council. These financial statements were prepared in accordance with FRS 101 and the provisions of the Companies Act 2006. A qualifying entity may apply FRS 101 for accounting periods beginning on or after 1 January 2015, however early application is permitted by the standard and as such BP Chemicals Limited has elected to apply FRS 101 early.

There were no measurement or recognition adjustments on the adoption of FRS 101.

2. Significant accounting policies, judgements, estimates and assumptions

The significant accounting policies and critical accounting judgements, estimates and assumptions of the company are set out below.

Basis of preparation

These financial statements have been prepared in accordance with FRS 101. The financial statements have been prepared under the historical cost convention. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The accounting policies that follow have been consistently applied to all years presented.

These financial statements are separate financial statements. The company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare consolidated financial statements, because it is included in the group financial statements of BP p.l.c. Details of the parent in whose consolidated financial statements the company is included in are shown in Note 19 to the financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to:

- (a) the requirements of IFRS 7 Financial Instruments: Disclosures;
- (b) the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements;
- (c) the requirements of paragraphs 134(d)-134(f) and 135c-135e of IAS 36, Impairment of Assets;
- (d) the requirements of IAS 7 Statement of Cash Flows;
- (e) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement;
- (f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective;
- (g) the requirements of paragraph 17 of IAS 24 Related Party Disclosures; and
- (h) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.

BP CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

Basis of preparation (continued)

Where required, equivalent disclosures are given in the group financial statements of BP p.l.c. The group financial statements of BP p.l.c. are available to the public and can be obtained as set out in Note 19.

The financial statements are presented in GBP sterling and all values are rounded to the nearest thousand pounds (£000).

Critical accounting policies: use of judgements, estimates and assumptions

Inherent in the application of many of the accounting policies used in preparing the financial statements is the need for management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual outcomes could differ from the estimates and assumptions used. The critical judgements and estimates that could have a significant impact on the results of the company are set out below and should be read in conjunction with the information provided in the Notes to the financial statements:

Interests in other entities

Judgement is required in assessing the level of control obtained in a transaction to acquire an interest in another entity: depending upon the facts and circumstances in each case, the company may obtain control, joint control or significant influence over the entity or arrangement. Transactions which give the company control of a business are business combinations. If the company obtains joint control of an arrangement, judgement is also required to assess whether the arrangement is a joint operation or a joint venture. If the company has neither control nor joint control, it may be in a position to exercise significant influence over the entity, which is then accounted for as an associate held at cost.

Deferred tax

Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with an assessment of the net effect of future tax planning strategies.

Going concern

The directors consider it appropriate to prepare the accounts on a going concern basis as, despite the uncertainties deriving from the current economic environment, the company is in an overall net assets position and therefore will be able to meet its liabilities as they fall due for the foreseeable future.

BP CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2014**

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

Foreign currency

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

Transactions in foreign currencies are initially recorded in the functional currency by applying the rate of exchange ruling at the date of the transaction, where this is not practical and exchange rates do not fluctuate materially the average rate has been used. Monetary assets and liabilities denominated in foreign currencies are retranslated into the functional currency at the rate of exchange ruling at the balance sheet date. Any resulting exchange differences are included in the profit and loss account. Non-monetary assets and liabilities, other than those measured at fair value, are not retranslated subsequent to initial recognition.

Investments

Fixed asset investments in subsidiaries are held at cost. The company assesses investments for an impairment indicator annually. If any such indication of possible impairment exists, the company makes an estimate of the investment's recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

Where these circumstances have reversed the impairment previously made is reversed to the extent of the original cost of the investment.

Financial assets

Financial assets are classified as loans and receivables; financial assets at fair value through profit or loss; derivatives designated as hedging instruments in an effective hedge; held-to-maturity financial assets; or as available-for-sale financial assets, as appropriate. Financial assets may include cash and cash equivalents, trade receivables, other receivables, loans, other investments, and derivative financial instruments. The company determines the classification of its financial assets at initial recognition. Financial assets are recognised initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The subsequent measurement of financial assets depends on their classification, as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognised in the profit and loss account when the loans and receivables are derecognised or impaired, as well as through the amortisation process. This category of financial assets includes trade and other receivables. Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value and have a maturity of three months or less from the date of acquisition.

BP CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

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

Financial liabilities

Financial liabilities are classified as financial liabilities at fair value through profit or loss; derivatives designated as hedging instruments in an effective hedge; or as financial liabilities measured at amortised cost, as appropriate. Financial liabilities may include trade and other payables, accruals, most items of finance debt and derivative financial instruments. The company determines the classification of its financial liabilities at initial recognition. The measurement of financial liabilities depends on their classification, as follows:

Financial liabilities measured at amortised cost

Financial liabilities are initially recognised at fair value. For interest-bearing loans and borrowings this is the fair value of the proceeds received net of issue costs associated with the borrowing.

After initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognised respectively in interest and other income and finance costs. This category of financial liabilities includes trade and other payables.

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

Pensions

The defined benefit pension scheme is a multi-employer scheme administered by the ultimate parent company, BP p.l.c. The company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and so the scheme has been accounted for as a defined contribution scheme as allowed by IAS 19 "Employee Benefits". 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.

Deferred tax

Deferred tax liabilities are recognised for all taxable temporary differences except where the deferred tax liability arises on the initial recognition of goodwill or on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

BP CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **FOR THE YEAR ENDED 31 DECEMBER 2014**

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

Deferred tax (continued)

Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised except where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit or loss nor taxable profit or loss.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Deferred income tax assets and liabilities are offset, only if a legally enforcement right exists to set off taxation assets against taxation liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the company to make a single net payment.

Turnover

Turnover is derived from BP group companies and is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, and sales taxes.

Research

Research costs are expensed as incurred.

Exceptional items

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

3. Turnover

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

	2014	2013
		Restated
	£000	£000
Rendering of services	75,597	83,271
Royalty revenues	5,430	4,633
	<u>81,027</u>	<u>87,904</u>

BP CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

3. Turnover (continued)

During the year, the business has refined the methodology of extracting and allocating research and development expenses between the entity and BP International Limited. This has resulted in a decrease of £8,778,000 in both research and development costs for the year and turnover (being costs on-charged to BP International Limited).

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

	2014	2013
	£000	Restated £000
By geographical area:		
UK	75,597	83,271
USA	1,197	1,185
Rest of World	4,233	3,448
Total	<u>81,027</u>	<u>87,904</u>

4. Operating profit

This is stated after charging/(crediting):

	2014	2013
	£000	£000
Expenditure on research	34,527	43,305
Other operating income	<u>(1,628)</u>	<u>-</u>

Other operating income represents R&D tax credits on qualifying R&D expenditure.

5. Auditor's remuneration

	2014	2013
	£000	£000
Fees for the audit of the company	<u>10</u>	<u>13</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 financial statements since the consolidated financial statements of BP Chemicals Limited's ultimate parent, BP p.l.c., are required to disclose non-audit fees on a consolidated basis.

The fees were borne by another group company.

BP CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

6. Profit on liquidation of subsidiary undertaking

	<u>2014</u>	<u>2013</u>
	£000	£000
Profit on liquidation of subsidiary undertaking	-	1,162

In 2013, profit was made on liquidation of the company's subsidiary undertaking, BP Korea Marketing Limited where all the subsidiary's distributable reserves were paid up to the company and the share capital of the subsidiary was cancelled, resulting in net profit on liquidation as disclosed above.

7. Taxation

The company is a member of a group for the purposes of relief within Part 5, Corporation Tax Act 2010. In the prior year, no UK corporation tax had been provided because another group company, BP International Limited, had undertaken to procure the claim or surrender of group relief to the extent it was required and to provide for any current or deferred UK tax that arose without charge. During the period that agreement was terminated and as a result for 2014 UK corporation tax has been provided in this company.

The taxation charge in the profit and loss account is made up as follows:

	<u>2014</u>	<u>2013</u>
	£000	£000
<u>Current tax</u>		
UK tax underprovided in prior years	379	-
Overseas tax on income for the year	266	283
Total current tax charged	645	283
<u>Deferred tax</u>		
Origination and reversal of temporary differences	(6)	-
Total deferred tax credited	(6)	-
Tax charged on profit on ordinary activities	639	283

(a) Reconciliation of the effective tax rate

The tax assessed on the profit for the year is lower than the standard rate of corporation tax in the UK of 21% for the year ended 31 December 2014 (2013: 23%). The differences are reconciled below:

	<u>2014</u>	<u>2013</u>
	UK	UK
	£000	£000
Profit on ordinary activities before tax	8,246	7,146
Taxation	639	283
Effective tax rate	8%	4%

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7. Taxation (continued)

(a) Reconciliation of the effective tax rate (continued)

	<u>2014</u>	<u>2013</u>
	UK	UK
	%	%
UK corporation tax rate:	21	23
Increase / (decrease) resulting from:		
Non-taxable income	(4)	(22)
Transfer pricing adjustment	-	1
Double tax relief	(3)	(4)
Overseas tax	3	4
Free group relief	(14)	2
Adjustments to tax charge in respect of previous years	5	-
Effective tax rate	<u>8</u>	<u>4</u>

The permanent and temporary differences shown in the tax rate reconciliation above are those that arise for UK corporation tax purposes, rather than overseas tax purposes.

Change in corporation tax rate

The UK corporation tax rate was reduced from 23% to 21% effective 1 April 2014 and will reduce to 20% from 1 April 2015. Deferred tax has been measured using the rates substantively enacted at 31 December 2014.

(b) Provision for deferred tax

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

<u>Deferred tax asset</u>	Profit and loss account		Balance sheet	
	2014	2013	2014	2013
	£000	£000	£000	£000
Other deductible temporary differences	6	-	6	-
Net credit for deferred tax assets	<u>6</u>	<u>-</u>	<u>6</u>	<u>-</u>

Analysis of movements during the year

	<u>2014</u>
	£000
At 1 January 2014	-
Deferred tax credit in the profit and loss account	6
At 31 December 2014	<u>6</u>

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8. Directors and employees

(a) Remuneration of directors

The total remuneration for all serving directors for their period of directorship to the company amounted to £132,000 (2013: £123,000). Furthermore, a number of directors are senior executives of the BP p.l.c. Group and received no remuneration for services to this company or its subsidiary undertakings.

All three directors are members of the defined benefit section of the BP Pension Fund at 31 December 2014 (2013: Three) and none of the directors exercised share options over BP p.l.c. shares during the year (2013: None).

(b) Employee costs

	<u>2014</u>	<u>2013</u>
	£000	£000
Wages and salaries	39,545	35,329
Social security costs	3,378	3,218
Other pension costs	9,964	10,388
	<u>52,887</u>	<u>48,935</u>

(c) The average monthly number of employees during the year was 641 (2013: 597).

9. Investments

	<u>Investment in subsidiaries</u>
	£000
Cost	
At 1 January 2013	119,285
Disposals	(6,000)
At 31 December 2013	<u>113,285</u>
At 1 January 2014 / 31 December 2014	<u>113,285</u>
Impairment losses	
At 1 January 2013 and 31 December 2013	<u>5,212</u>
At 1 January 2014 and 31 December 2014	<u>5,212</u>
Net book amount	
At 31 December 2014	<u>108,073</u>
At 31 December 2013	<u>108,073</u>
At 1 January 2013	<u>114,073</u>

BP CHEMICALS LIMITED

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9. Investments (continued)

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

The investments in the subsidiary undertakings are unlisted.

The subsidiary undertakings of the company at 31 December 2014 and the percentage of equity capital held set out below. The principal country of operation is generally indicated by the company's country of incorporation or by its name.

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

* Those investments held directly by the company are marked with an asterisk.

The list of significant holdings is as below:

Related undertaking	Country name	Holding (%)	Principal activity
Asian Acetyls Co., Ltd	Republic of South Korea	34	Chemicals
Samsung-BP Chemicals Co., Ltd	Republic of South Korea	51	Chemicals

10. Debtors

Amount falling due within one year:

	2014	2013	2012
		Restated	Restated
	£000	£000	£000
Taxation	1,255	-	-

11. Creditors

Amounts falling due within one year:

	2014	2013	2012
		Restated	Restated
	£000	£000	£000
Amounts owed to group undertakings	48,092	54,570	67,565
Other creditors	6,040	5,972	5,877
Bank overdraft	12	12	5
Total creditors	54,144	60,554	73,447

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12. Called up share capital

	<u>2014</u>	<u>2013</u>	<u>2012</u>
	£000	£000	£000
Issued and fully paid: 12,500,000 Ordinary shares of £1 each for a total nominal value of £12,500,000	<u>12,500</u>	<u>12,500</u>	<u>12,500</u>

13. Reserves

Called up share capital

The balance on the called up share capital account represents the aggregate nominal value of all ordinary shares in issue.

Share premium account

The balance on the share premium account represents the amounts received in excess of the nominal value of the ordinary shares.

Profit and loss account

The balance held on this reserve is the accumulated retained profits of the company.

14. Related party transactions

The company has taken advantage of the exemption contained within paragraphs 8(k) and (j) of FRS 101, and has not disclosed transactions entered into with wholly-owned group companies or key management personnel. There were no other related party transactions in the year.

15. Post balance sheet event

After the balance sheet date, BP Chemicals Limited signed a memorandum of understanding and paid EUR 1,000,000 to Titan Wood Limited in return for the option to invest in one or both of the company and/or its Tricoya plant.

16. 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 a valuation as at 31 December 2014 is currently underway. The date of the most recent actuarial review was 31 December 2014. During 2014, employer contributions of £425m (2013: £372m) and member contributions of £21m (2013: £22m) were made to the BP Pension Fund.

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16. Pensions (continued)

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 IAS 19 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 IAS 19 for the year ended 31 December 2014, and are included within the accounts of ultimate parent undertaking BP p.l.c.

In the BP p.l.c accounts, pension plan assets are measured at fair value and pension plan liabilities are measured on an actuarial basis using the projected unit credit method and discounted at an interest rate equivalent to the current rate of return on a high-quality corporate bond of equivalent currency and term to the plan liabilities. 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.

17. Prior year adjustment

In previous financial years, royalty and licensing income was passed back to another BP company. As part of business review during the year, it was concluded that the income should be retained in the company as the company is the principal and beneficial owner of all intellectual property relating to the business and is entitled to royalties, license fees and other income arising out of or related to the intellectual property.

The royalty and licensing income is now recognised in the financial statements. As it is impracticable to determine the cumulative effect of the royalty and licensing income from when the agreement was signed back in 1967, the income is adjusted retrospectively from year 2012 for comparative purposes. The royalty and licensing income for 2012 is £4,663,000 and for 2013 is £4,633,000.

During the year, the business has identified the costs related to the agency element of the business between the entity and BP International Limited. This has resulted in a decrease of £6,962,000 in both costs for the year and turnover (being costs on-charged to BP International Limited) and has no effect on net profit for the year.

BP CHEMICALS LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2014

17. Prior year adjustment (continued)

As a result, certain comparative figures have been restated in the financial statements as disclosed below.

	<u>2013</u>	<u>2013</u>	<u>2013</u>	<u>2013</u>
	As previously reported	As restated	As previously reported	As restated
	£'000	£'000	£'000	£'000
Impact on the profit and loss account:				
Turnover	92,732	87,904		
Administrative expenses	<u>(91,381)</u>	<u>(81,920)</u>		
	<u>2013</u>	<u>2013</u>	<u>2012</u>	<u>2012</u>
	As previously reported	As restated	As previously reported	As restated
	£'000	£'000	£'000	£'000
Impact on the balance sheet:				
Creditors: amounts falling due within one year	<u>(69,850)</u>	<u>(60,554)</u>	<u>(78,110)</u>	<u>(73,447)</u>
Capital and reserves				
Profit and loss account	<u>17,487</u>	<u>26,783</u>	<u>15,257</u>	<u>19,920</u>

18. Explanation of transition to FRS 101

For all periods up to and including the year ended 31 December 2013, the company prepared its financial statements in accordance with previously extant United Kingdom generally accepted accounting practice (UK GAAP). These financial statements, for the year ended 31 December 2014, are the first the company has prepared in accordance with FRS 101.

Accordingly, the company has prepared individual financial statements which comply with FRS 101 applicable for periods beginning on or after 1 January 2013 and the significant accounting policies meeting those requirements are described in the relevant notes.

On transition to FRS 101, the company has applied the requirements of paragraphs 6 – 33 of IFRS 1 'First time adoption of International Financial Reporting Standards'.

Exemptions applied

IFRS 1 allows first time adopters certain exemptions from the general requirements to apply IFRSs as effective for December 2014 year ends retrospectively. The company has taken advantage of the following exemption/s:

(a) business combinations (paragraphs C1 – C5)

There were no measurement or recognition adjustments on adoption of FRS 101.

BP CHEMICALS LIMITED

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19. Immediate and ultimate controlling parent undertaking

The immediate parent undertaking is BP Chemicals Investment Limited, a company registered in England and Wales. The ultimate controlling parent undertaking is BP p.l.c., a company registered in England and Wales, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of BP p.l.c. can be obtained from 1 St James's Square, London, SW1Y 4PD.