

BP CHEMICALS LIMITED

(Registered No.194971)

ANNUAL REPORT AND ACCOUNTS 2005

Board of Directors: N R Elmslie
R M Stott
S K Welch

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2005.

Principal activity

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

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

Review of activities and future developments

The company has had a satisfactory year and the directors believe that the trend will continue. The company, on behalf of itself and its subsidiaries, is engaged in a wide range of research and development activities in connection with the manufacture of chemicals and plastics. On 1 April 2005 the company divested all of its Olefins and Derivatives business to Innovene Ltd, a company within the BP Group. The Acetyls and Aromatics business remains.

The company is in a good position to take advantage of any opportunities which may arise in the future.

Results and dividends

The profit for the year after taxation was £5,492,000, when added to the retained profit brought forward at 1 January 2005 of £124,356,000, gives a total retained profit carried forward at 31 December 2005 of £129,848,000. The directors do not propose the payment of a final dividend.



BP CHEMICALS LIMITED
REPORT OF THE DIRECTORS

Directors

The present directors are listed on page 1. All the directors served throughout the year.

Directors' interests

The interests of the directors holding office at 31 December 2005 and their families, in the US \$0.25 ordinary shares of BP p.l.c., were as set out below:

	<u>31 December 2005</u>	<u>1 January 2005</u> (or date of appointment)
N R Elmslie	41,897	32,775
R M Stott	47,099	41,706
S K Welch	72,166*	72,166*

In addition, rights to subscribe for US \$0.25 ordinary shares in BP p.l.c. were granted to, or exercised by, the following directors between 1 January 2005 and 31 December 2005.

	<u>Granted</u>	<u>Exercised</u>
N R Elmslie	Nil	Nil
R M Stott	Nil	Nil
S K Welch	Nil	328,200

*These holdings include shares held in the form of ADRs (American Depository Receipts)

No director had any interest in the shares or debentures of subsidiary undertakings of BP p.l.c. at 31 December 2005.

Policy and practice with respect to payment of suppliers

It is the company's policy to follow the CBI's prompt payment code of practice for all suppliers to the company. 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.

Disabled employees

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

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

Employee involvement

During the year the BP group continued its policy of providing employees with information on matters of concern to them. In particular, information relating to group performance and group policies has been readily available to employees through the 'BP World' intranet web-site. A worldwide People Assurance Survey was undertaken to measure employee satisfaction levels with group leadership. Employees were invited to participate in BP share schemes.

BP CHEMICALS LIMITED
REPORT OF THE DIRECTORS

Auditors

Ernst & Young LLP will continue in office as the company's auditor in accordance with the elective resolution passed by the company under Section 386 of the Companies Act 1985

By order of the Board

Rebecca Wright

ASSISTANT Secretary

Date: *31 July* 2006

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP

BP CHEMICALS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year that give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those 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 accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the company and to prevent and detect 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 AUDITORS' REPORT TO THE MEMBERS OF
BP CHEMICALS LIMITED

We have audited the company's accounts for the year ended 31 December 2005 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, accounting policies and the related notes 1 to 14. These accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 December 2005 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Ernst & Young LLP
Registered Auditor
London.

31 July 2006

BP CHEMICALS LIMITED

ACCOUNTING POLICIES

Accounting Standards

These accounts are prepared in accordance with applicable UK accounting standards. In preparing the financial statements for the current year, the company has adopted Financial Reporting Standards No. 21 'Events after the Balance Sheet Date' (FRS 21) and No. 28 'Corresponding Amounts' (FRS 28). The adoption of FRS 21 has resulted in changes in accounting policy for dividends. Dividends proposed or declared on equity instruments after the balance sheet date are now not recognised as a liability at the balance sheet date.

Accounting convention

The accounts are prepared under the historical cost convention.

Statement of cash flows

The Group financial statements 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 228(1) of the Companies Act 1985. 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.

Foreign currency transactions

Foreign currency transactions in currencies other than sterling are recorded at the exchange rate ruling on the date of transaction. Foreign currency monetary assets and liabilities in currencies other than sterling are translated into sterling at rates of exchange ruling at the balance sheet date. All exchange gains and losses on settlement or translation at closing rates of exchange of monetary assets and liabilities are included in the determination of profit/loss for the year.

Research

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

Pensions

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

BP CHEMICALS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	<u>2005</u> Continuing Operations £'000	<u>2005</u> Discontinued Operations £'000	<u>2005</u> Total £'000	<u>2004</u> Continuing Operations £'000	<u>2004</u> Discontinued Operations £'000	<u>2004</u> Total £'000
Turnover	1	176,184	32,502	208,686	148,737	197,589	346,326
Cost of sales		(171,681)	(30,877)	(202,558)	(144,237)	(191,089)	(335,326)
Gross profit		4,503	1,625	6,128	4,500	6,500	11,000
Other income	3	-	-	-	70	-	70
Operating profit	2	4,503	1,625	6,128	4,570	6,500	11,070
Profit before taxation				6,128			11,070
Taxation	4			(636)			(431)
Profit for the year				5,492			10,639

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR YEAR ENDED 31 DECEMBER 2005**

There are no recognised gains or losses attributable to the shareholders of the company other than the profit of £5,492,000 for the year ended 31 December 2005 (2004 profit of £10,639,000).

The continuing operations show the remaining Acetyls and Aromatics business, the discontinued operations reflect the Olefins and Derivatives business which was divested on 1st April

BP CHEMICALS LIMITED

BALANCE SHEET AT 31 DECEMBER 2005

	Note	<u>2005</u> £'000	<u>2004</u> £'000
Fixed assets			
Investments	6	119,615	121,400
Current assets			
Debtors	7	44,911	5,210
Cash at bank and in hand		3,518	32,525
		<u>48,429</u>	<u>37,735</u>
Creditors: amounts falling due within one year	8	(16,972)	(13,555)
Net current assets		<u>31,457</u>	<u>24,180</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>151,072</u>	<u>145,580</u>
NET ASSETS		<u>151,072</u>	<u>145,580</u>
Represented by			
Capital and reserves			
Called up share capital	9	12,500	12,500
Share premium account	10	8,724	8,724
Profit and Loss account	10	129,848	124,356
SHAREHOLDERS' FUNDS – EQUITY INTERESTS	11	<u>151,072</u>	<u>145,580</u>

By order of the Board


Director

31 July 2006

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BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS

1. Turnover

Turnover, which is stated net of value added tax, represent amounts invoiced to third parties. An analysis of turnover by geographical market is given below

	<u>2005</u>	<u>2004</u>
	£'000	£'000
By geographical area:		
UK	194,481	314,819
Rest of Europe	2,585	16,746
USA	-	1,710
Rest of World	11,620	13,051
Total	<u>208,686</u>	<u>346,326</u>

2. Operating profit

This is stated after charging

	<u>2005</u>	<u>2004</u>
	£'000	£'000
Expenditure on research	28,449	39,540

Auditors' remuneration is dealt with in the accounts of the parent undertaking. No fees were paid to the auditors for other services.

3. Other income

	<u>2005</u>	<u>2004</u>
	£'000	£'000
Other interest and miscellaneous income	-	70
	<u>-</u>	<u>70</u>

BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS

4. 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>2005</u>	<u>2004</u>
	£'000	£'000
Profit before taxation	6,128	11,070
Current taxation	(636)	431
Effective current tax rate	10%	4%
	<u>2005</u>	<u>2004</u>
	%	%
UK statutory corporation tax rate:	30	30
Increase / (decrease) resulting from:		
Overseas withholding tax	10	4
Double tax relief	(10)	(4)
Group relief	(20)	(26)
Effective current tax rate	<u>10%</u>	<u>4%</u>

BP CHEMICALS LIMITED
NOTES TO THE ACCOUNTS

5. 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 (2004 £Nil).

(b) Employee costs

	<u>2005</u>	<u>2004</u>
	£'000	£'000
Wages and salaries	79,733	140,576
Termination Payments	7,762	34,745
Social security costs	6,674	10,832
Pension costs	12,243	34,971
	<u>106,412</u>	<u>221,124</u>

(c) Average number of employees during the year

	<u>2005</u>	<u>2004</u>
	No.	No.
Manufacturing	1,011	1,886
Distribution & Marketing	17	20
Administration	278	571
	<u>1,306</u>	<u>2,477</u>

6. Fixed assets - investments

	Subsidiary Undertakings Shares £'000
Cost	
At 1 January 2005	122,677
Deletions	(2,062)
At 31 December 2005	<u>120,615</u>
Amounts provided	
At 1 January 2005	1,277
Deletions	(277)
At 31 December 2005	<u>1,000</u>
Net book amount	
At 31 December 2005	119,615
At 31 December 2004	121,400

The investments in the subsidiary and associated undertakings are unlisted.

The more important subsidiary and associated undertakings, joint ventures and joint arrangements of the company at 31 December 2005 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. A complete list of investments in subsidiary and associated undertakings will be attached to the parent company's annual return made to the Registrar of Companies.

BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS

6. Fixed assets – investments (continued)

Subsidiary Undertakings	%	Country of incorporation	Principal activity
BXL Plastics Ltd	100	England and Wales	Plastics
BP Chemicals (Korea) Ltd	100	England and Wales	Chemicals
BP Korea Marketing Ltd	100	England and Wales	Marketing
BP World Wide Technical Services Ltd	100	England and Wales	Chemicals
BP Sutton Ltd	100	England and Wales	Chemicals
BP Chemicals France Holdings SAS	100	France	Holding company
Neath Canal Navigation	84.6	England and Wales	Chemicals

7. Debtors

	2005	2005	2004	2004
	Within	After	Within	After
	1 year	1 year	1 year	1 year
	£'000	£'000	£'000	£'000
Parent and fellow subsidiary undertakings	44,911	-	5,102	-
Other	-	-	97	11
	<u>44,911</u>		<u>5,199</u>	<u>11</u>

8. Creditors – amounts falling due within 1 year

	2005	2004
	£'000	£'000
Other	16,972	13,555
	<u>16,972</u>	<u>13,555</u>

9. Called up share capital

	2005	2004
	£'000	£'000
Authorised, allotted, called up and fully paid: 12,500,000 Ordinary shares of £1 each	12,500	12,500
	<u>12,500</u>	<u>12,500</u>

10. Reconciliation of shareholders' funds and movements on reserves

	Equity share capital	Share premium account	Profit & loss account	Total
	£'000	£'000	£'000	£'000
At 1 January 2004	12,500	8,724	124,356	145,580
Profit for the year			5,492	5,492
At 31 December 2005	<u>12,500</u>	<u>8,724</u>	<u>129,848</u>	<u>151,072</u>

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BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS

11. Reconciliation of movements in shareholders' interest

	<u>2005</u>	<u>2004</u>
	£'000	£'000
Profit for the year	5,492	10,639
Net increase in shareholders' interests	5,492	10,639
Shareholders' interest at 1 January	145,580	134,941
Shareholders' interest at 31 December	<u>151,072</u>	<u>145,580</u>

12. Related party transactions

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

13. Pensions

The company is a participating employer in the BP Group's principal UK pension plan (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. Contributions are made to the BP Pension Fund on the basis of advice from independent actuaries using actuarial methods, the objective of which is 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 pension plan is reviewed annually by the independent actuaries and subject to a formal actuarial valuation at least every three years.

The date of the latest actuarial valuation for the UK was 1 January 2003 and the date of the most recent actuarial reviews was 31 December 2004. During 2005, contributions of £12.2 million (2004: £35.0 million) were made to the BP Pension Fund.

Actuarial surpluses and deficiencies are amortised over the expected remaining service lives of members and charged or credited to income as appropriate in the accounts of BP Plc, having regard to the overall position of the 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 on a consistent and reasonable basis. Therefore the Company's pension contributions 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.

Particulars of the most recent actuarial valuation of the BP Pension Fund as at 1 January 2004, together with the disclosures required by FRS 17 for the year ended 31 December 2005, are included within the financial statements of the ultimate parent undertaking BP p.l.c.

BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS

14. Ultimate parent undertaking

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 p.l.c , a company registered in England and Wales. Copies of BP p.l.c.'s accounts can be obtained from 1 St James's Square, London, SW1Y 4PD.