

BP CHEMICALS LIMITED

(Registered No.194971)

ANNUAL REPORT AND ACCOUNTS 2004

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 2004.

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. 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 £10,639,000, when added to the retained profit brought forward at 1 January 2004 of £113,717,000, gives a total retained profit carried forward at 31 December 2004 of £124,356,000. 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. Changes since 1 January 2004 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
M C Buzzacott		1 February 2004
R M Stott	1 September 2004	
N R Elmslie	1 October 2004	
R M Hookway	1 February 2004	1 October 2004
S K Welch		1 April 2004
I C Conn		30 June 2004
S K Welch	1 September 2004	
C P Saunders		1 December 2004
A S Mackenzie		31 July 2004

Directors' interests

The interests of the directors holding office at 31 December 2004, and their families, in the US \$0.25 ordinary shares of BP p.l.c., were as set out below:

	<u>31 December 2004</u>	<u>1 January 2004</u> (or date of appointment)
N R Elmslie	32,775	43,615
R M Stott	41,706	53,315
S K Welch	72,166*	72,166*

In addition, no rights to subscribe for US \$0.25 ordinary shares in BP p.l.c. were granted to, or exercised by, those directors between 1 January 2004 (or date of appointment) and 31 December 2004.

*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 2004.

BP CHEMICALS LIMITED

REPORT OF THE DIRECTORS

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.

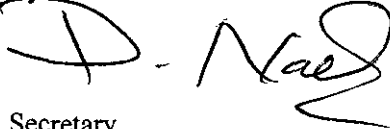
Post balance sheet events

On the 1st April 2005 BP Chemicals Limited divested all of its Olefins and Derivatives business to Innovene Ltd, a new company within the BP Group. The Acetyls and Aromatics business remains.

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



Secretary

Date: 14 October 2005

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 which 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 which disclose with reasonable accuracy at any time the financial position of the company and which 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

REPORT OF THE AUDITORS TO THE MEMBERS OF BP CHEMICALS LIMITED

We have audited the company's accounts for the year ended 31 December 2004 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, accounting policies and the related notes 1 to 17. 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.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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.

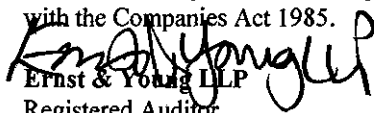
Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 of the state of affairs of the company as at 31 December 2004 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
Registered Auditor
London.

14 October 2005

BP CHEMICALS LIMITED

ACCOUNTING POLICIES

Accounting Standards

These accounts are prepared in accordance with applicable UK accounting standards.

Accounting convention

The accounts are prepared under the historical cost convention.

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 currencies

Assets and liabilities of foreign currency branches are translated into sterling/dollars at closing rates of exchange. Income statements are translated at average rates of exchange. Exchange differences resulting from the retranslation of net investments in foreign currency branches at closing rates, together with differences between income statements translated at average rates and at closing rates of exchange, are dealt with in reserves. Exchange gains and losses arising on long-term foreign currency borrowings used to finance the company's foreign currency investments are also dealt with in reserves.

All other exchange gains or 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

ACCOUNTING POLICIES

Deferred tax

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, tax with the following exceptions:

- Provision is made for tax on gains arising from the revaluation of fixed assets, and gains on disposals of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- Deferred tax assets are recognized only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates enacted or substantively enacted at the balance sheet date.

Comparative figures

Certain prior year figures have been restated to conform with the 2004 presentation.

BP CHEMICALS LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

		<u>2004</u>	<u>2003</u>	<u>2003</u>	<u>2003</u>
	Note	£'000	Continuing Operations £'000	Discontinued Operations £'000	Total £'000
Turnover	1	346,326	329,584	109,119	438,703
Cost of sales		<u>(335,326)</u>	<u>(318,589)</u>	<u>(109,746)</u>	<u>(428,335)</u>
Gross profit/(loss)		11,000	10,995	(627)	10,368
Distribution and marketing expenses		-	-	(6,856)	(6,856)
Administration expenses		-	(1,071)	(3,256)	(4,327)
Other income	3	70	65	-	65
Operating profit/(loss)	2	<u>11,070</u>	<u>9,989</u>	<u>(10,739)</u>	<u>(750)</u>
Profit on sale of operations	4	<u>-</u>			<u>1,230</u>
Profit on ordinary activities before interest and tax		11,070			480
Interest payable and similar charges	5	<u>-</u>			<u>(343)</u>
Profit before taxation		11,070			137
Taxation	6	<u>(431)</u>			<u>(1,605)</u>
Retained profit/(loss) for the year		<u>10,639</u>			<u>(1,468)</u>

BP CHEMICALS LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2004

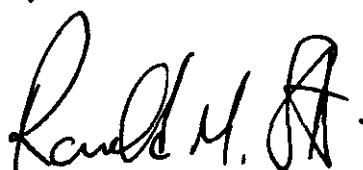
	<u>2004</u>	<u>2003</u>
	£'000	£'000
Profit/(loss) for the year	10,639	(1,468)
Currency translation differences	<u>-</u>	<u>3,555</u>
Total recognised gains and losses for the year	<u>10,639</u>	<u>2,087</u>

BP CHEMICALS LIMITED

BALANCE SHEET AT 31 DECEMBER 2004

	Note	<u>2004</u> £'000	<u>2003</u> £'000
Fixed assets			
Investments	8	<u>121,400</u>	<u>121,400</u>
Current assets			
Debtors – <i>amounts falling due:</i>			
<i>Within one year</i>	9	5,199	3,649
<i>After more than one year</i>	9	11	11
Cash at bank and in hand		32,525	18,491
Creditors – amounts falling due within one year	10	(13,555)	(8,610)
Net current assets		<u>24,180</u>	<u>13,541</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		145,580	134,941
NET ASSETS		<u>145,580</u>	<u>134,941</u>
Represented by			
Capital and reserves			
Called up share capital	11	12,500	12,500
Share premium account	12	8,724	8,724
Profit and Loss account	12	<u>124,356</u>	<u>113,717</u>
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		<u>145,580</u>	<u>134,941</u>

By order of the Board



Director

16 October
Date 2005



BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS

1. Turnover

Turnover, which is stated net of value added tax, comprises of amounts invoiced to third parties. An analysis of turnover by geographic area is given below.

	<u>Turnover</u>	
	<u>2004</u>	<u>2003</u>
	£'000	£'000
By geographical area:		
UK	314,819	339,432
Rest of Europe	16,746	70,620
USA	1,710	8,093
Rest of World	13,051	20,558
Total	<u>346,326</u>	<u>438,703</u>

2. Operating profit/(loss)

This is stated after charging:

	<u>2004</u>	<u>2003</u>
	£'000	£'000
Expenditure on research	39,540	35,665
Depreciation of owned fixed assets	-	3,869
Amounts provided against fixed asset investments	-	1,000
Auditors' remuneration:		
Audit fees – Overseas	-	24
	<u>-</u>	<u>24</u>

The UK 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>2004</u>	<u>2003</u>
	£'000	£'000
Other interest and miscellaneous income	70	65
	<u>70</u>	<u>65</u>

BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS

4. Exceptional items

Exceptional items comprise the profit on disposal of intangible and tangible fixed assets, and on the disposal of operations:

	<u>2004</u> £'000	<u>2003</u> £'000
Profit on sale of operations	-	1,230
	<u>-</u>	<u>1,230</u>

The profit on sale or termination of operations of £1,230,000 arose due to the company's decision to sell its Wingles branch.

5 Interest payable and similar charges

	<u>2004</u> £'000	<u>2003</u> £'000
Interest expense on:		
Loans from fellow subsidiary undertakings	<u>-</u>	<u>343</u>
Total charged against profit	<u>-</u>	<u>343</u>

BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS

6. Taxation

UK 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 UK tax that arises without charge.

Overseas Taxation

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	<u>2004</u> £'000	<u>2003</u> £'000
<u>Current tax:</u>		
Overseas tax on income for the period	431	1,605
Total current tax	<u>431</u>	<u>1,605</u>

(b) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2003 – 30%). The differences are reconciled below:

	<u>2004</u> UK £'000	<u>2003</u> UK £'000
Profit before taxation	11,070	137
Current tax	431	1,605
Effective current tax rate	<u>4%</u>	<u>1,172%</u>

BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS

(b) Factors affecting the current tax charge (continued)

	<u>2004</u>	<u>2003</u>
	UK	UK
	%	%
UK statutory corporation tax rate:	30	30
Increase / (decrease) resulting from:		
Overseas withholding tax	4	1,172
Timing differences	-	2,339
Non deductible / Non tax income	-	(269)
Double tax relief	(4)	(1,172)
Group relief	(26)	(927)
Effective current tax rate	<u>4%</u>	<u>1,172</u>

7. Directors and employees

(a) Remuneration of directors

None of the directors received any fees or remuneration for services as a director of the company during the financial year (2003 £Nil).

	<u>2004</u>	<u>2003</u>
	£'000	£'000
(b) Employee costs		
Wages and salaries	140,576	148,212
Termination payments	34,745	17,723
Social security costs	10,832	10,702
Pension costs	34,971	27,558
	<u>221,124</u>	<u>204,195</u>

(c) Average number of employees during the year

	<u>2004</u>	<u>2003</u>
	No.	No.
Manufacturing	1,886	1,882
Distribution & Marketing	20	28
Administration	571	597
	<u>2,477</u>	<u>2,507</u>

BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS

8. Fixed assets – investments

	Subsidiary Undertakings shares £'000
Cost	
At 1 January 2004	122,677
At 31 December 2004	<u>122,677</u>
Amounts provided	
At 1 January 2004	1,277
At 31 December 2004	<u>1,277</u>
Net book amount	
At 31 December 2004	<u>121,400</u>
At 31 December 2003	<u>121,400</u>

BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS

8. Fixed assets - investments (continued)

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 2004 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.

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 Limited	100	England and Wales	Chemicals
BP Chemicals France Holdings SAS	100	France	Holding company
Neath Canal Navigation	84.6	England and Wales	Chemicals

9. Debtors

	<u>2004</u>		<u>2003</u>	
	Within 1 year £'000	After 1 year £'000	Within 1 year £'000	After 1 year £'000
Parent and fellow subsidiary undertakings	5,102		3,538	
Other	97	11	111	11
	<u>5,199</u>	<u>11</u>	<u>3,649</u>	<u>11</u>

BP CHEMICALS LIMITED
NOTES TO THE ACCOUNTS

10. Creditors – amounts falling due within 1 year

	<u>2004</u> £'000	<u>2003</u> £'000
Other	13,555	8,610
	<u>13,555</u>	<u>8,610</u>

11. Called up share capital

	<u>2004</u> £'000	<u>2003</u> £'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>

12. Reconciliation of shareholders' funds and movements on reserves

	Equity share capital	Share premium account	Profit and Loss account	Total
	£'000	£'000	£'000	£'000
At 1 January 2004	12,500	8,724	113,717	134,941
Profit for the year			10,639	10,639
At 31 December 2004	<u>12,500</u>	<u>8,724</u>	<u>124,356</u>	<u>145,580</u>

13. Reconciliation of movements in shareholders' interest

	<u>2004</u> £'000	<u>2003</u> £'000
Profit for the year	10,639	(1,468)
Currency translation differences	-	3,555
Net increase in shareholders' interests	<u>10,639</u>	<u>2,087</u>
Shareholders' interest at 1 January	134,941	132,854
Shareholders' interest at 31 December	<u>145,580</u>	<u>134,941</u>

BP CHEMICALS LIMITED

NOTES TO THE ACCOUNTS

14. Related party transactions

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

15 Post balance sheet event

On the 1st April 2005 BP Chemicals Limited divested all of its Olefins and Derivatives business to Innovene Ltd, a new company within the BP Group. The Acetyls and Aromatics business remains.

16. 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. Contributions have been suspended since October 1995. 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 International Limited a fellow subsidiary undertaking, 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 2003, together with the disclosures required by FRS 17 for the year ended 31 December 2003, are included within the financial statements of the ultimate parent undertaking BP p.l.c.

There was no credit to profit for pension for the year ending 31 December 2004, (2003 - £1,336,469).

17. 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.