

BP CHEMICALS EAST CHINA INVESTMENTS LIMITED

(Registered No 4152953)

ANNUAL REPORT AND ACCOUNTS 2009

Board of Directors

R C Fearnley

R M Stott

R C Harrington

WEDNESDAY



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REPORT OF THE DIRECTORS

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

Results and dividends

The profit for the year after tax is \$20,897,000 which, when added to the retained profit brought forward at 1 January 2009 of \$71,714,000 together with total paid interim dividend to ordinary shareholders of \$50,000,000, gives a total retained profit carried forward at 31 December 2009 of \$42,611,000

During the year the company has declared and paid dividends of \$50,000,000 (2008 \$145,000,000)
The directors do not propose the payment of a final dividend

Principal activity and review of the business

The company is the holding company for the Joint Venture in Shanghai SECCO Petrochemical Company Limited

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

Principal risks and uncertainties

The company aims to deliver sustainable value by identifying and responding successfully to risks Risk management is integrated into the process of planning and performance management at a Group level Monitoring and accountability for the management of these risks occur through quarterly performance reviews at a group level

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

Strategic risks

Socio-political

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

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

BP CHEMICALS EAST CHINA INVESTMENTS LIMITED

REPORT OF THE DIRECTORS

Compliance and ethics risks

Ethical misconduct and non-compliance

Our code of conduct, which applies to all employees, defines our commitment to integrity, compliance with all applicable legal requirements, high ethical standards and the behaviours and actions we expect of our business and people wherever we operate. Incidents of ethical misconduct or non-compliance with applicable laws and regulation or ethical misconduct could be damaging to our reputation and shareholder value. Multiple events of non-compliance could call into question the integrity of our operations.

Reporting

External reporting of financial and non-financial data is reliant on the integrity of systems and people. Failure to report data accurately and in compliance with external standards could result in regulatory action, legal liability and damage to our reputation.

Financial Risk Management

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

Market risk

Market risk is the possibility that changes in foreign currency exchange rates, interest rates or oil, natural gas and power prices will adversely affect the value of the company's financial assets, liabilities or expected future cash flows. The management of such risks is performed at BP Group level. The group has developed a control framework aimed at managing the volatility inherent in certain of its natural business exposures. In accordance with this control framework the group enters into various transactions using derivatives for risk management purposes.

Foreign currency exchange risk

Fluctuations in foreign exchange rates can have significant effects on the company's reported results. The company's financial assets and liabilities give rise to transactional currency exposures. Such exposures arise from transactions in a currency other than the company's functional currency. The management of such risks is performed at BP Group level. BP's foreign exchange management policy is to minimize economic and significant transactional exposures arising from currency movements against the US dollar. The group co-ordinates the handling of foreign exchange risks centrally, by netting off naturally occurring opposite exposures wherever possible and then dealing with any material residual foreign exchange risks. For highly probable forecast capital expenditures the group locks in the US dollar cost of non US dollar supplies by using currency forwards and futures.

Future developments

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

BP CHEMICALS EAST CHINA INVESTMENTS LIMITED

REPORT OF THE DIRECTORS

Directors

The present directors are listed on page 1

R C Fearnley and R M Stott served as directors throughout the financial year. Changes since 1 January 2009 are as follows

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

Directors' indemnity

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

Policy and practice on payment of creditors

It is the company's policy to follow the CBI's prompt payment code of practice for all suppliers to the company with payments made in accordance with the relevant contractual payment terms. A copy of the code of practice may be obtained from the CBI.

The number of days' purchases represented by trade creditors at the year-end was nil

Auditors

In the absence of a notice proposing that the appointment be terminated, Ernst & Young LLP will be deemed to be re-appointed as the company's auditor for the next year

BP CHEMICALS EAST CHINA INVESTMENTS LIMITED

REPORT OF THE DIRECTORS

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

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

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditor is unaware, and
- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information

By Order of the Board



Christopher Eng

For and on behalf of
Sunbury Secretaries Limited
Company Secretary

2 August 2010

Registered Office

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

BP CHEMICALS EAST CHINA INVESTMENTS LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom accounting standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss for that period. In preparing these accounts, the directors are required to

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

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

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

BP CHEMICALS EAST CHINA INVESTMENTS LIMITED

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

We have audited the company's financial statements for the year ended 31 December 2009 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the accounting policies and the related notes 1 to 13. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). These standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2009 and of the company's profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us, or
- the company financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

WILLIAM TESTA (Senior Statutory Auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

Registered auditor

London

9 August

2010

BP CHEMICALS EAST CHINA INVESTMENTS LIMITED

ACCOUNTING POLICIES

Accounting standards

These accounts are prepared in accordance with applicable UK accounting standards

Accounting convention

The accounts are prepared under the historical cost convention

Statement of cash flows

The group accounts of the ultimate parent undertaking contain a consolidated cash flow statement. The company has taken advantage of the exemption granted by the Financial Reporting Standard No 1 (Revised), whereby it is not required to publish its own cash flow statement.

Group accounts

Group accounts are not submitted as the company is exempt from the obligation to prepare group accounts under Section 400 (1) of the Companies Act 2006. The results of subsidiary and associated undertakings are dealt with in the consolidated accounts of the ultimate parent undertaking, BP plc, a company registered in England and Wales. The accounts present information about the company as an individual undertaking and not about the group.

Dividend income

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

Foreign currency transactions

Foreign currency transactions are initially recorded in dollars by applying the exchange rate ruling on the date of transaction. Foreign currency monetary assets and liabilities are translated into dollars at the rate of exchange ruling at the balance sheet date. Exchange differences are included in the profit and loss account.

Interest

Interest is charged against income in the year in which it is incurred.

Dividends payable

Final dividends are recorded in the accounts in the year in which they are approved by the company's shareholders. Interim dividends are recorded in the year in which they are approved and paid.

Investments

Fixed asset investment in the joint venture is included in the accounts at cost. The company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

BP CHEMICALS EAST CHINA INVESTMENTS LIMITED

ACCOUNTING POLICIES

Other debtors

Other debtors are carried at the original invoice amount, less allowances made for doubtful receivables. Provision is made when there is objective evidence that the company will be unable to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Other creditors

Other creditors are carried at payment or settlement amounts. If the effect of the time value of money is material, other creditors are determined by discounting the expected future cash flows at a pre-tax rate.

BP CHEMICALS EAST CHINA INVESTMENTS LIMITED

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2009

	Note	<u>2009</u>	<u>2008</u>
		<u>\$000</u>	<u>\$000</u>
Dividend income		27,079	181,071
Administration expenses		(6,246)	(7,034)
Profit on ordinary activities before interest and tax		<u>20,833</u>	<u>174,037</u>
Interest receivable and similar income	2	64	2,914
Profit before taxation		<u>20,897</u>	<u>176,951</u>
Taxation	3	-	-
Profit for the year		<u>20,897</u>	<u>176,951</u>

The profit of \$20,897,000 for the year ended 31 December 2009 has derived in its entirety from continuing operations

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

There are no recognised gains or losses attributable to the shareholders of the company other than the profit of \$20,897,000 for the year ended 31 December 2009 (2008 \$176,951,000)

BP CHEMICALS EAST CHINA INVESTMENTS LIMITED

(Registered No 4152953)

BALANCE SHEET AT 31 DECEMBER 2009

	Note	<u>2009</u> \$000	<u>2008</u> \$000
Fixed assets			
Investments	5	450,720	450,720
Current assets			
Debtors	6	44,932	73,753
Creditors: amounts falling due within one year	7	(2,321)	(2,039)
Net current assets		<u>42,611</u>	<u>71,714</u>
NET ASSETS		<u>493,331</u>	<u>522,434</u>
Represented by:			
Capital and reserves			
Called up share capital	8	450,720	450,720
Profit and loss account	9	<u>42,611</u>	<u>71,714</u>
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		<u>493,331</u>	<u>522,434</u>

On behalf of the Board

Ronald M. Stott

Director

2 August 2010

Ronald Stott

BP CHEMICALS EAST CHINA INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

1. Auditor's remuneration

	<u>2009</u>	<u>2008</u>
	<u>\$000</u>	<u>\$000</u>
Fees for audit of the company	<u>6</u>	<u>4</u>

Fees paid to the company's auditor, Ernst & Young LLP, and its associates for services other than the statutory audit of the company are not disclosed in these accounts since the consolidated accounts of BP Chemicals East China Investments Limited's ultimate parent, BP plc, are required to disclose non-audit fees on a consolidated basis

2. Interest receivable and similar income

	<u>2009</u>	<u>2008</u>
	<u>\$000</u>	<u>\$000</u>
Interest income from group undertakings	<u>64</u>	<u>2,914</u>

3. Taxation

The Company is a member of a group for the purposes of relief under Section 402 of the Income & Corporation Taxes Act 1988. No corporation tax has been provided because another group company, BP International Limited, has undertaken to procure the claim or surrender of group relief to the extent it is required and to provide for any current or deferred tax that arises without charge.

The following table provides a reconciliation of the UK statutory corporation tax rate to the effective current tax rate on profit before taxation

	<u>2009</u>	<u>2008</u>
	<u>\$000</u>	<u>\$000</u>
Profit before taxation	20,897	176,951
Current taxation	-	-
Effective current tax rate	0%	0%
	<u>2009</u>	<u>2008</u>
UK statutory corporation tax rate	28%	28%
Decrease resulting from		
Non taxable income / non deductible expenditure	(13%)	1%
Group relief	(15%)	(29%)
Effective current tax rate	<u>-</u>	<u>-</u>

BP CHEMICALS EAST CHINA INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

4. Directors and employees

a) Remuneration of directors

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

(b) Employee costs

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

5 Fixed assets – investments

	Joint ventures shares
	<u>\$000</u>
Cost	
At 1 January 2009 / 31 December 2009	<u>450,720</u>
Net book amount	
At 31 December 2009 / 31 December 2008	<u>450,720</u>

The investment in the joint venture is unlisted

The joint venture of the company at 31 December 2009 and the percentage of equity capital held are set out below The principal country of operation is China

Joint Venture	%	Country of incorporation	Principal activity
Shanghai SECCO Petrochemical Company Limited	50	China	Chemicals

6 Debtors

	2009	2008
	Within	Within
	1 year	1 year
	\$000	\$000
Amounts owed by group undertakings	44,907	73,728
Other	25	25
	<u>44,932</u>	<u>73,753</u>

BP CHEMICALS EAST CHINA INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

7. Creditors

	<u>2009</u>	<u>2008</u>
	Within	Within
	1 year	1 year
	\$000	\$000
Trade Creditors	41	-
Amounts owed to group undertakings	1,350	1,350
Accruals and deferred income	<u>930</u>	<u>689</u>
	<u>2,321</u>	<u>2,039</u>

8. Called up share capital

	<u>2009</u>	<u>2008</u>
	\$000	\$000
Allotted and called up		
263,675,378 Ordinary shares of £1 each for a total nominal value of £263,675,378	<u>450,720</u>	<u>450,720</u>

9. Capital and reserves

	<u>Equity share capital</u>	<u>Profit and loss account</u>	<u>Total</u>
	\$000	\$000	\$000
At 1 January 2009	450,720	71,714	522,434
Profit for the year	-	20,897	20,897
Dividends – current year interim paid	-	(50,000)	(50,000)
At 31 December 2009	<u>450,720</u>	<u>42,611</u>	<u>493,331</u>

In 2009 the company has paid interim ordinary dividends of \$50,000,000 The dividend per share was \$0.19 (2008 dividend per share \$0.55)

10. Reconciliation of movements in shareholders' funds

	<u>2009</u>	<u>2008</u>
	\$000	\$000
Profit for the year	20,897	176,951
Dividends – interim paid	<u>(50,000)</u>	<u>(145,000)</u>
Net (decrease)/ increase in shareholders' interests	(29,103)	31,951
Shareholders' interest at 1 January	522,434	490,483
Shareholders' interest at 31 December	<u>493,331</u>	<u>522,434</u>

BP CHEMICALS EAST CHINA INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

11. Related party transactions

The company has taken advantage of the exemption contained within Financial Reporting Standard No 8 "Related Party Disclosures", and has not disclosed transactions with group companies

During the year the company received dividends of \$27,079,000 (2008 \$181,071,000) from its joint venture company Shanghai SECCO Petrochemical Company Limited in which it holds 50%

No amounts are outstanding in respect of the above transaction at the balance sheet date (2008 \$Nil)

12. Pensions

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

13. Immediate and ultimate parent undertaking

The immediate parent undertaking of this company is BP Global Investments Limited, a company registered in England and Wales. The ultimate parent undertaking of the group of undertakings for which group accounts are drawn up, and of which the company is a member, is BP plc, a company registered in England and Wales. Copies of BP plc's accounts can be obtained from 1 St James's Square, London, SW1Y 4PD