

**BP CHEMICALS EAST CHINA INVESTMENTS LIMITED**  
**(Registered No. 4152953)**

**ANNUAL REPORT AND ACCOUNTS 2010**

Board of Directors      R C Fearnley  
                                     R M Stott  
                                     R C Harrington

**REPORT OF THE DIRECTORS**

The directors present their report and accounts for the year ended 31 December 2010

**Results and dividends**

The profit for the year after taxation was \$5,268,000 which, when added to the retained profit brought forward at 1 January 2010 of \$42,611,000 gives a total retained profit carried forward at 31 December 2010 of \$47,879,000

The company has not declared any dividends during the year (2009: \$50,000,000) The directors do not propose the payment of a 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 and 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.

Consider carefully the risks described below, the potential impact of their occurrence on the business, financial condition and results of operations on the company

Company level risks have been categorised against the following areas strategic, compliance and control and financial risk management In addition, we have also set out a further category of risk for your attention - those resulting from the Gulf of Mexico oil spill (the Incident).

WEDNESDAY



\*R08G1UTR\*  
RM      08/06/2011      228  
COMPANIES HOUSE

## **BP CHEMICALS EAST CHINA INVESTMENTS LIMITED**

### **REPORT OF THE DIRECTORS**

#### **Principal risks and uncertainties (continued)**

##### **Gulf of Mexico oil spill**

The Gulf of Mexico oil spill has had and could continue to have a material adverse impact on BP as a group, and consequently may also have an adverse impact on BP Chemicals East China Investments Limited

There is significant uncertainty in the extent and timing of costs and liabilities relating to the Incident, the impact of the Incident on the reputation of the BP group and the resulting possible impact on the company's ability to access new opportunities. There is also significant uncertainty regarding potential changes in applicable regulations and the operating environment that may result from the Incident. These increase the risks to which the group and therefore the company are exposed to. These uncertainties are likely to continue for a significant period. Thus, the Incident has had, and could continue to have, a material adverse impact on the group's business, competitive position, financial performance, cash flows, prospects, liquidity, shareholder returns and/or implementation of its strategic agenda, particularly in the US.

The BP group income statement for the year ended 31 December 2010 includes a pre-tax charge of \$40.9 billion in relation to the Gulf of Mexico oil spill. The total amounts that will ultimately be paid by the BP group in relation to all obligations relating to the Incident are subject to significant uncertainty and the ultimate exposure and cost to the BP group will be dependent on many factors. The risks associated with the Incident could also heighten the impact of the other risks to which the company is exposed as further described below. Further information on the Incident, is included within the BP group Annual Report and Form 20-F for the year ended 31 December 2010.

#### **Strategic risks**

##### ***Socio-political***

The diverse nature of the company's operations around the world exposes it to a wide range of political developments and consequent changes to the operating environment, regulatory environment and law.

The company has operations in countries where political, economic and social transition is taking place. Some countries have experienced political instability, changes to the regulatory environment, expropriation or nationalisation of property, civil strife, strikes, acts of war and insurrections. Any of these conditions could disrupt or terminate the company's operations, causing its development activities to be curtailed or terminated, or its production to decline, and could cause it to incur additional costs. In particular, the company's investments in the US, Russia, Iraq, Libya, Egypt and other countries could be adversely affected by heightened political and economic environment risks.

#### **Compliance and control risks**

##### ***Ethical misconduct and non-compliance***

The code of conduct, which applies to all employees, defines the company's commitment to integrity, compliance with all applicable legal requirements, high ethical standards and the behaviours and actions the company expects of its businesses and people wherever it operates. Incidents of ethical misconduct or non-compliance with applicable laws and regulations, including non-compliance with anti-bribery, anti-corruption and other applicable laws could be damaging to the company's reputation and shareholder value. Multiple events of non-compliance could call into question the integrity of the company's operations.

## **BP CHEMICALS EAST CHINA INVESTMENTS LIMITED**

### **REPORT OF THE DIRECTORS**

#### **Principal risks and uncertainties (continued)**

#### **Compliance and control risks (continued)**

##### ***Reporting***

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

#### **Financial risk management**

The main financial risks faced by the company through its normal business activities are market risk and foreign currency exchange risk. The management of these financial risks is performed at BP group level. The company seeks to maintain a financial framework to ensure that it is able to maintain an appropriate level of liquidity and financial capacity. This framework constrains the level of assessed capital at risk for the purposes of positions taken in financial instruments. Failure to accurately forecast or maintain sufficient liquidity and credit to meet these needs could impact the company's ability to operate and result in a financial loss.

##### ***Market risk***

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

##### ***Foreign currency exchange risk***

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

Crude oil prices are generally set in US dollars, while sales of refined products may be in a variety of currencies. Fluctuations in exchange rates can therefore give rise to foreign exchange exposures, with a consequent impact on underlying costs and revenues.

#### **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.

**BP CHEMICALS EAST CHINA INVESTMENTS LIMITED**

**REPORT OF THE DIRECTORS**

**Directors**

The present directors are listed on page 1

There have been no director appointments or resignations since 1 January 2010

**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 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



Pritul Shah  
For and on behalf of  
Sunbury Secretaries Limited  
Company Secretary

26 MAY 2011

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 financial statements of BP Chemicals East China Investments Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the accounting policies and the related notes 1 to 14. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom accounting standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an 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 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). These standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**Scope of the audit of the financial statements**

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

**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 2010 and of its profit for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**

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

**Matters on which we are required to report by exception**

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

- adequate accounting records have not been kept 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

London  
*31 May* 2011

## **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. These 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 sterling by applying the exchange rate ruling on the date of transaction. Foreign currency monetary assets and liabilities are translated into sterling at the rate of exchange ruling at the balance sheet date. Exchange differences are included in the profit and loss account.

#### **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 investments in subsidiaries, joint ventures and associates are held at cost. The company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.



---

**BP CHEMICALS EAST CHINA INVESTMENTS LIMITED**

**ACCOUNTING POLICIES**

**Trade and other debtors**

Trade and 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.

**Trade and other creditors**

Trade and 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 2010**

		2010	2009
	<b>Note</b>	<b>\$000</b>	<b>\$000</b>
<b>Dividend income</b>		11,967	27,079
Administration expenses		(5,565)	(6,246)
Other operating income	<b>2</b>	50	-
<b>Profit on ordinary activities before interest and taxation</b>		6,452	20,833
Interest receivable and similar income	<b>3</b>	13	64
<b>Profit before taxation</b>		6,465	20,897
Taxation	<b>4</b>	(1,197)	-
<b>Profit for the year</b>		5,268	20,897

The profit of \$5,268,000 for the year ended 31 December 2010 has derived in its entirety from continuing operations


**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 DECEMBER 2010**

There are no recognised gains or losses attributable to the shareholders of the company other than the profit of \$5,268,000 for the year ended 31 December 2010 (2009 \$20,897,000)

**BP CHEMICALS EAST CHINA INVESTMENTS LIMITED****(Registered No 4152953)****BALANCE SHEET AT 31 DECEMBER 2010**

		<u>2010</u>	<u>2009</u>
	<b>Note</b>	<b>\$000</b>	<b>\$000</b>
<b>Fixed assets</b>			
Investments	<b>6</b>	<u>450,720</u>	<u>450,720</u>
<b>Current assets</b>			
Debtors	<b>7</b>	48,810	44,932
<b>Creditors: amounts falling due within one year</b>	<b>8</b>	<u>(931)</u>	<u>(2,321)</u>
<b>Net current assets</b>		<u>47,879</u>	<u>42,611</u>
<b>NET ASSETS</b>		<u>498,599</u>	<u>493,331</u>
<b>Represented by</b>			
<b>Capital and reserves</b>			
Called up share capital	<b>9</b>	450,720	450,720
Profit and loss account	<b>10</b>	47,879	42,611
<b>SHAREHOLDERS' FUNDS – EQUITY INTERESTS</b>		<u>498,599</u>	<u>493,331</u>

On behalf of the Board

  
R C Fearnley  
Director

26 MAY 2011

**BP CHEMICALS EAST CHINA INVESTMENTS LIMITED**

**NOTES TO THE ACCOUNTS**

**1. Auditor's remuneration**

	<u>2010</u>	<u>2009</u>
	\$000	\$000
Fees for the audit of the company	<u>8</u>	<u>6</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. Other operating income**

	<u>2010</u>	<u>2009</u>
	\$000	\$000
Tax grant	<u>50</u>	<u>-</u>

**3. Interest receivable and similar income**

	<u>2010</u>	<u>2009</u>
	\$000	\$000
Interest income from group undertakings	<u>13</u>	<u>64</u>

**4. Taxation**

The Company is a member of a group for the purposes of relief within Part 5, Corporation Tax Act 2010. 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>2010</u>	<u>2009</u>
	\$000	\$000
Profit before taxation	6,465	20,897
Current taxation	1,197	-
Effective current tax rate	19%	0%
	<u>2010</u>	<u>2009</u>
	%	%
UK statutory corporation tax rate	28	28
Decrease resulting from		
Non-deductible expenditure / non-taxable income	(29)	(13)
Current overseas tax	19	-
Free group relief	1	(15)
Effective current tax rate	<u>19</u>	<u>-</u>

**BP CHEMICALS EAST CHINA INVESTMENTS 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 (2009 \$Nil)

**(b) Employee costs**

The company had no employees during the year (2009 Nil)

**6. Investments**

	Joint ventures shares
<b>Cost</b>	<b>\$000</b>
At 1 January 2010/31 December 2010	<u>450,720</u>
<b>Net book amount</b>	
At 31 December 2010/31 December 2009	<u>450,720</u>

The investment in the joint venture is unlisted

The joint venture of the company at 31 December 2010 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.

<b>Joint ventures</b>	<b>Class of share held</b>	<b>%</b>	<b>Country of incorporation</b>	<b>Principal activities</b>
Shanghai SECCO Petrochemical Company Limited	Ordinary	50	China	Chemicals

**7. Debtors**

	<u>2010</u>	<u>2009</u>
	Within	Within
	1 year	1 year
	\$000	\$000
Amounts owed by group undertakings	48,785	44,907
Other	25	25
	<u>48,810</u>	<u>44,932</u>

**BP CHEMICALS EAST CHINA INVESTMENTS LIMITED**

**NOTES TO THE ACCOUNTS**

**8. Creditors**

	<u>2010</u>	<u>2009</u>
	Within	Within
	1 year	1 year
	\$000	\$000
Trade Creditors	-	41
Amounts owed to group undertakings	336	1,350
Accruals and deferred income	<u>595</u>	<u>930</u>
	<u>931</u>	<u>2,321</u>

**9. Called up share capital**

	<u>2010</u>	<u>2009</u>
	\$000	\$000
Allotted, called up and fully paid		
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>

**10. Capital and reserves**

	<u>Called up share capital</u>	<u>Profit and loss account</u>	<u>Total</u>
	\$000	\$000	\$000
At 1 January 2010	450,720	42,611	493,331
Profit for the year	-	5,268	5,268
At 31 December 2010	<u>450,720</u>	<u>47,879</u>	<u>498,599</u>

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

	<u>2010</u>	<u>2009</u>
	\$000	\$000
Profit for the year	5,268	20,897
Dividends – current year interim paid	-	(50,000)
Net increase in shareholders' interest	<u>5,268</u>	<u>(29,103)</u>
Shareholders' interest at 1 January	493,331	522,434
Shareholders' interest at 31 December	<u>498,599</u>	<u>493,331</u>

**BP CHEMICALS EAST CHINA INVESTMENTS LIMITED**

**NOTES TO THE ACCOUNTS**

**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 entered into with group companies. There were no other related party transactions in the year.

During the year the company received a dividend of \$11,967,000 (2009 \$27,079,000) from its joint venture company Shanghai SECCO Petrochemical Company Limited in which it holds, 50% interests.

No amounts are outstanding in respect of the above transactions at the balance sheet date (2009 \$Nil).

**13. Pensions**

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

**14. 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.