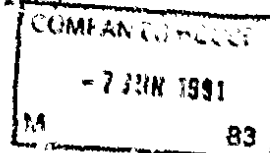


BP SHIPPING LIMITED

ANNUAL REPORT AND ACCOUNTS - 1990

Board of Directors :- L. Atkinson (Chairman)
N. Hartley (Chief Executive)
G. J. Field
R. W. Newton
W. J. Thomas



REPORT OF THE DIRECTORS

The directors submit their report and the accounts for the year ended 31 December 1990.

Any reference to 'the Company' in this Report signifies BP Shipping Limited and to 'BP Shipping' signifies BP Shipping Limited and its subsidiary undertakings.

Review of activities

The Company operates a fleet of owned and chartered tankers and LPG carriers and in addition operates three platform supply vessels and manages seven others, two of which are on behalf of another BP Group company including the SWOPS vessel 'Seillean'.

The Company had another satisfactory year in 1990. This was achieved even though the tanker market was unsettled by the invasion of Kuwait by Iraq in August. The main factors which contributed to the result were the continuing emphasis on profitable period business and tight control of costs.

BP Shipping's owned / bareboat chartered tanker fleet at 31 December 1990 totalled 25 vessels plus an LPG carrier and an offshore supply boat.

During the year the Company took delivery of two new 40,000 tonne product carriers from Mitsubishi Heavy Industries in Japan. The third vessel was launched in October 1990 and was delivered in March 1991. Finance for all three ships is provided by a sale and leaseback agreement.

The Company has maintained its involvement in North Sea support managing five vessels for third parties. The Marine Management Centre continued to market planned maintenance and other ship support systems.

The Company continues to represent the BP Group on all shipping matters connected with Australia's North West Shelf gas project, also acting as marine advisor to the project and having responsibility for supervision of the construction of one vessel.

BP SHIPPING LIMITED

Irano-British Shipping Company Limited and Irano-British Ship Service Company Limited, the joint venture companies formed between the Company and National Iranian Tanker Company were liquidated in December 1990. Liquidation proceedings continue in respect of Irano British Ship Management Company.

Financial review

The profit for the year after extraordinary income of £13,375,000 when deducted from the retained loss of £49,740,000 results in a loss carried forward at 31 December 1990 of £36,365,000. The accounts have been prepared on a going concern basis as the directors are aware that adequate finance is available to the Company to meet its financial obligations as they fall due. To the extent of £72,660,000 amounts owing to BP International Limited have been subordinated to the claims of third party creditors.

Future developments

On 7th January 1991 the tanker BP Energy was sold for trading to a third party and on 4th April 1991 the tanker BP Humber was sold to BP International Limited, a fellow subsidiary undertaking. On 29th January 1991 the offshore support vessel Northern Fortress was purchased. The financial effects of these transactions, including a substantial profit on the sales, will be recognised in the 1991 financial statements.

During the year the Company entered into seven timecharter agreements, starting late 1991 and early 1992 for five year periods, with a view to restructuring the profile of the fleet.

BP Shipping is actively pursuing opportunities in offshore support and is also marketing maintenance management systems and consultancy services to marine and onshore customers and offering specialised lay-up services to ship and rig owners.

From 1st January 1991 the Company decided to maintain its accounting records in US Dollars. Consequently the accounts will in future be stated in this currency.

Directors

Dr L. Atkinson, Mr N. Hartley and Mr C.J. Field were directors of the Company throughout the financial year. Mr K.R. Seal resigned as a director and Chairman on 1 February 1990. Mr R.W. Newton and Mr W.J. Thomas were appointed directors on 9 February 1990.

B P S H I P P I N G L I M I T E D

The interests of directors holding office at 31 December 1990 and their families in the shares of The British Petroleum Company p.l.c. were as set out below :

	Type of Share	1 January 1990 or date of appointment	31 December 1990
L. Atkinson	25p Ordinary	4,811	5,522
N. Hartley	25p Ordinary	4,503	16,970
C. J. Field	25p Ordinary	3,072	4,180
R. W. Newton	25p Ordinary	4,403	5,095
W. J. Thomas	25p Ordinary	4,192	2,717

In addition, rights to subscribe for 25p Ordinary Shares in The British Petroleum Company p.l.c. were granted to, or exercised by, the directors during the financial year as follows :

	Granted in 1990	Exercised in 1990
L. Atkinson	42,300	
N. Hartley	24,211	21,000
C. J. Field	30,000	
R. W. Newton	30,000	
W. J. Thomas	16,800	21,000

None of the directors listed above had any interest in shares or debentures of subsidiary undertakings of The British Petroleum Company p.l.c. at 31 December 1990.

During the year insurance was purchased and maintained by the ultimate holding company for the directors and officers of the Company against the financial consequences of actions brought against them by outside parties for their acts or omissions in the performance of their duties.

Auditors

Ernst & Young have expressed their willingness to continue in office as auditors and in accordance with Section 385 of the Companies Act 1985 a resolution proposing their reappointment as auditors of the Company will be put to the members at the annual general meeting.

By order of the Board

Gillian Tong
Secretary

Britannic Tower,
Moor Lane,
London,
EC2Y 9BU

2 May 1991

K P S H I P P I N G L I M I T E D

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1990

	Note	1990 £000	1989 £000 (Restated)
Turnover	2	276,426	243,770
Cost of sales		251,094	223,647
Gross profit		25,332	20,123
Administration expenses	3	12,073	9,952
Other income	4	13,259	10,171
Profit on sale of fixed assets		4,595	7,797
		-	5,423
Operating profit		17,854	23,381
Interest expense	5	4,416	4,486
Provision against amounts due from subsidiary undertakings		63	(17)
Profit before taxation		13,375	18,912
Taxation	11	-	(2)
Profit before extraordinary items ...		13,375	18,914
Extraordinary income	12	-	12,864
Profit for the year		13,375	31,778
Deficit at 1 January .		(50,647)	(82,358)
Prior year adjustment	13	907	840
As restated		(49,740)	(81,518)
Deficit at 31 December		(36,365)	(49,740)

B P S H I P P I N G L I M I T E D

BALANCE SHEET AS AT 31 DECEMBER 1990

	Note	1990 £000	1989 £000 (Restated)
Fixed assets			
Tangible assets	14	77,720	55,288
Investments	15	169	169
		<u>77,889</u>	<u>55,457</u>
Current assets			
Stocks	16	2,745	2,459
Debtors	17	33,431	33,457
Cash at bank and in hand		2,602	1,565
		<u>38,778</u>	<u>37,481</u>
Creditors - amounts falling due within one year	18	(73,282)	(85,602)
Net current liabilities		<u>(34,504)</u>	<u>(48,121)</u>
Total assets less current liabilities		43,385	7,336
Creditors - amounts falling due after more than one year	18	(75,750)	(53,076)
Net liabilities		<u>(32,365)</u>	<u>(45,740)</u>
Represented by :			
Capital and reserves			
Called up share capital	19	4,000	4,000
Profit and loss account		(36,365)	(49,740)
		<u>(32,365)</u>	<u>(45,740)</u>

L. Atkinson } DIRECTOR
}

2 May 1991



B P S H I P P I N G L I M I T E D

SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED
31 DECEMBER 1990

	1990 £000	1989 £000 (Restated)
Source of funds		
Profit before extraordinary items	13,375	18,914
Extraordinary items	-	12,864
Items not involving movement of funds		
Depreciation	4,597	4,976
Working capital movements		
Stocks	(286)	(1,175)
Debtors	26	(2,460)
Creditors due within one year, excluding finance debt	(12,173)	4,197
Net book amount of assets sold	37,650	870
Creditors due after one year, excluding finance debt	35,679	(7,767)
	<hr/>	<hr/>
Funds generated from operations	78,868	30,419
 Application of funds		
Capital expenditure	64,679	11,779
Fixed assets- group transfers	-	5,631
Investment in subsidiary undertaking	-	124
	<hr/>	<hr/>
Funds generated	14,189	12,885
	<hr/>	<hr/>
 Financial movements		
Finance debt- decrease	13,152	11,453
Cash at bank and in hand		
- increase	1,037	1,432
	<hr/>	<hr/>
	14,189	12,885
	<hr/>	<hr/>

B P S H I P P I N G L I M I T E D

NOTES TO THE ACCOUNTS

(1) Accounting policies

- (a) The accounts are prepared under the historical cost convention.
- (b) The accounts have been prepared on a going concern basis as the directors are aware that adequate finance is available to meet all obligations as they fall due.
- (c) Group accounts are not submitted as BP Shipping Limited is wholly-owned by The British Petroleum Company p.l.c. Dividend income from subsidiary undertakings, both received and receivable is reflected in the company's accounts. Provisions are made against accumulated losses of subsidiary and associated undertakings where it is considered that such losses will not be extinguished in the foreseeable future.
- (d) Assets and liabilities in currencies other than sterling are translated into sterling at closing rates of exchange. 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 for the year.
- (e) Freight income is normally accounted for on a commenced loading basis. Income relating to uncompleted round voyages at the year-end has been apportioned on a time basis to match costs incurred on those voyages to 31 December.
- (f) The estimated cost of dry-dockings and special surveys are provided for on a time apportioned basis over the period between such events.
- (g) Tankers are depreciated on a straight line basis over their estimated useful lives.
- (h) Stores are valued at or below cost calculated using the following methods :-

Bunkers and stores on board - First-in, first-out
- (i) Deferred taxation is calculated using the liability method. Provision is made where timing differences are expected to reverse in the foreseeable future.

B P S H I P P I N G L I M I T E D

NOTES TO THE ACCOUNTS (continued)

(1) (continued)

- (j) Leases which result in the company receiving substantially all risks and rewards of ownership (finance leases) are capitalised as tangible fixed assets at the estimated present value of underlying lease payments. The corresponding finance lease obligation is included with borrowings. Rentals under operating leases are charged against income as incurred. Income from a vessel held by a fellow subsidiary undertaking under a finance lease is allocated to accounting periods to provide a constant rate of return on the funds invested; the capital element of future rentals is included within debtors.
- (k) Pension costs, including the amortisation of actuarial surpluses and deficiencies, are charged to income over the expected average remaining service lives of employees. The difference between the charge for pensions and total contributions is included within pension provisions or debtors as appropriate.
- (2) Turnover comprises gross charter income of the Company's fleet of tankers, together with the recovery of fees for the supply of manpower and expertise and includes £184,606,000 (1989 £162,087,000) from BP Group undertakings. Also included is £35,143,000 operating lease income (1989 £27,217,000).
- (3) Administration expenses of £12,073,000 (1989 £9,952,000) represent the head office costs in operating the BP Shipping Limited fleet, including a proportion of BP Group central overhead costs.

(4) Other income

	1990 £000	1989 £000
Financial foreign exchange profits/ (losses).....	3,500	(93)
Finance lease income.....	1,095	1,228
Dividend received from a subsidiary undertaking.....	-	6,662
	<u>4,595</u>	<u>7,797</u>

24

B P S H I P P I N G L I M I T E D

NOTES TO THE ACCOUNTS (continued)

(5) Interest expense

	1990	1989
	£000	£000
Fellow subsidiary undertaking loans	3,124	3,831
Bank loans - other	-	262
Finance charges	-	3
Capitalised lease interest.....	1,292	390
	<u>4,416</u>	<u>4,486</u>

- (6) Depreciation charge for the year £4,597,000 (1989 £4,975,000) includes depreciation on leased assets of £1,697,000 (1989 £2,263,000).

(7) Hire charges

Tanker charters £20,402,000 (1989 £9,386,000)

(8) Auditors' remuneration

Fees and expenses £76,600 (1989 £69,726)

(9) Directors and employees

a) Employee costs

All BP Shipping head office staff are employees of The British Petroleum Company p.l.c.

Seafaring cadets costs are as follows;

	1990	1989
	£000	£000
Salary costs	298	118
National Health Insurance contributions	14	4
Pension contributions	35	10
Average Numbers employed	52	28

b) Directors

Directors received no fees from this Company. Other emoluments not including pension contributions, were £187,810 (1989 £93,038). The Chairman and two other directors are senior executives of, and are remunerated by, subsidiaries of The British Petroleum Company p.l.c. and received no remuneration for services to this company or its subsidiaries. The highest paid director received £102,461 (1989 £93,038). Directors of the company were remunerated as follows :

111

B P S H I P P I N G L I M I T E D

NOTES TO THE ACCOUNTS (continued)

(9) (continued)

	1990	1989
£ 85,001 - £ 90,000	1	-
£ 90,001 - £ 95,000	-	1
£100,001 - £105,000	1	-

Pensions to past and present directors are paid from a funded BP Group pension scheme.

(10) 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 defined 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. Particulars of the most recent actuarial valuation of The BP Pension Fund as at 1 January 1990 are included within the financial statements of the ultimate holding company.

The credit to profit for the year for pensions is £170,000 (1989 £170,000). Debtors include a pension prepayment of £1,915,000 (1989 £911,000).

B P S H I P P I N G L I M I T E D

NOTES TO THE ACCOUNTS (continued)

(11) Taxation

	1990	1989
	£000	£000
Overseas tax	-	(2)

The company is a member of a group for the purposes of relief under section 402 of the Income and Corporation Taxes Act 1988. Owing to the availability of group relief, no provision for corporation tax has been made in the accounts of this company. The group's current corporation tax liability has been provided in the accounts of BP International Limited, a fellow subsidiary undertaking.

Provision for deferred taxation has been made in the accounts of BP International Limited having regard to the group's deferred taxation position.

The gross potential liability of this company for deferred taxation at 31 December 1990 of £12,860,000 (1989 £9,170,000) comprises tax at 33% (1989 35%) on timing differences principally between the accounting and tax treatment of depreciation. If provision for deferred taxation had been made in the accounts on the basis of the gross potential liability, there would have been a charge for the year of £3,690,000 (1989 £4,350,000).

(12) Extraordinary income in 1989 mainly represents the write back of amounts charged in 1985 as extraordinary items in excess of costs actually incurred.

(13) Prior year adjustment arises from the correction in accounting treatment, from a cash basis to an accruals basis, for the rebate arising under the terms of a vessel's finance lease.

B P S H I P P I N G L I M I T E D

NOTES TO THE ACCOUNTS (continued)

(14) Tangible assets

	Vessels £000	Other equip- ment £000	Total £000	Includes: Assets under construction £000
Cost				
At 1 January 1990	289,126	1,520	290,646	17,817
Transfers				(34,241)
Additions	64,253	426	64,679	25,489
Deletions	(37,649)	(5)	(37,654)	
	-----	-----	-----	-----
At 31 December 1990	315,730	1,941	317,671	9,065
	-----	-----	-----	-----
Depreciation				
At 1 January 1990	234,316	1,042	235,358	
Charge for the year	4,208	389	4,597	
Deletions	(3)	(1)	(4)	
	-----	-----	-----	
At 31 December 1990	238,521	1,430	239,951	
	-----	-----	-----	
Net book amount				
At 31 December 1990	77,209	511	77,720	
At 31 December 1989	54,810	478	55,288	

Annual rates of depreciation varies between 5% and 33%

Included within above assets :

	Cost £000	Depreciation £000	Net £000
Capitalised interest			
At 31 December 1990	11,467	10,221	1,246
At 31 December 1989	11,467	10,123	1,344
	-----	-----	-----
Capitalised leases			
At 31 December 1990	54,977	15,256	39,721
At 31 December 1989	17,326	13,560	3,766
	-----	-----	-----

B P S H I P P I N G L I M I T E D

NOTES TO THE ACCOUNTS (continued)

(15) Fixed assets - investments

	Subsidiary undertaking shares £000	Associated undertaking shares £000	Total £000
Cost			
At 1 January 1990	135	34	169
At 31 December 1990	135	34	169

Subsidiary undertakings held by BP Shipping Limited :

	%	Country of Incorporation	Principal activity
BP Shipcare Sdn. Bhd.	100	Malaysia	Lay-up service for ships.
BP Shipping International Limited (In Liquidation)	100	Bahamas	Dormant.
BP Rigcare Limited	100	England	Lay-up service for rigs.
Pinnacle Technical Management Services Limited	100	England	Engaged in marine consultancy.
Marine Management Centre Limited	100	England	Computerised management systems.
Border Energy Marine Limited	100	Bahamas	Ship owning

B P S H I P P I N G L I M I T E D

NOTES TO THE ACCOUNTS (continued)

(15) (continued)

In the opinion of the directors, the aggregate value of shares in the company's subsidiary undertakings is not less than the amounts at which these are shown in the balance sheet.

Associated undertakings :

Set out below are the associated undertakings showing the percentage of equity share capital held :-

		Country of % incorporation	Shares held
Irano-British Shipping Co. Ltd.	50	Bermuda	Ordinary
Irano-British Ship Management Co.	50	Iran	Ordinary

The liquidation of these companies, following the termination in 1987 of the joint venture agreement between the National Iranian Tanker Company and BP Shipping Limited, is almost complete. All anticipated future losses for which BP Shipping was liable under the joint venture agreement have been provided against.

The investments in subsidiary and associated undertakings are unlisted.

(16) Stocks

	1990 £000	1989 £000
Stores and bunkers on board ships:		
Owned and demise hire vessels	2,113	1,949
Time chartered vessels	632	510
	<u>2,745</u>	<u>2,459</u>

B P S H I P P I N G L I M I T E D

NOTES TO THE ACCOUNTS (continued)

(17) Debtors - amounts falling due

	1990		1989	
	Within 1 year £000	After 1 year £000	Within 1 year £000	After 1 year £000
Trade	3,675		3,063	-
Subsidiary undertakings .	1,429		885	-
Fellow subsidiary undertakings	5,743		9,348	-
Associated undertakings .	33		-	-
Net investment in finance lease	1,449	13,492	1,312	14,941
Prepayments and accrued income	5,236		2,023	-
Other	2,374		1,885	-
	<u>19,939</u>	<u>13,492</u>	<u>18,516</u>	<u>14,941</u>

(18) Creditors - amounts falling due

	1990		1989	
	Within 1 year £000	After 1 year £000	Within 1 year £000	After 1 year £000
Trade	10,996		16,513	-
Subsidiary undertakings .	1,902		929	-
Group undertakings	43,385	25,279	52,986	38,284
Associated undertakings .	30		45	-
Capitalised lease liability	1,957	39,682	1,845	2,977
Other	15,012	10,789	13,284	11,815
	<u>73,282</u>	<u>75,750</u>	<u>85,602</u>	<u>53,076</u>

Included within the amounts due to Group undertakings are unsecured loans of £36,584,000 (1989 £49,736,000) repayable by 1994. These loans carry a rate of interest of 7.5% p.a.

BP International Limited, a fellow subsidiary undertaking, has to the extent of £72,660,000, subordinated its claim to those of third party creditors.

B P S H I P P I N G L I M I T E D

NOTES TO THE ACCOUNTS (continued)

(19) Called up share capital

	1990	1989
	£000	£000
Authorised, allotted and fully paid 4,000,000 ordinary shares of £1 each ...	4,000	4,000

(20) Capital commitments

Authorised future capital expenditure is estimated at £7,666,000 (1989 £30,894,000) including approximately £6,890,000 (1989 £30,349,000) for which contracts have been placed.

(21) Leases

Operating lease rentals - included in hire charges - (note 7)

	1990	1989
	£000	£000
	20,359	9,318
Commitments under operating leases:		
	1990	1989
	£000	£000
Annual commitments - expiring within		
1 year	2,499	7,884
2 to 5 years	15,083	7,599
Thereafter	4,927	-
	22,509	15,483
Further commitments		
2 to 5 years	168,897	23,794
over 5 years	52,620	-
	244,026	39,277

Net commitments under finance leases :

	1990	1989
	£000	£000
Payable within		
1 year	4,401	2,107
2 to 5 years	18,483	3,158
Thereafter	102,469	-
	125,353	5,265
Less finance charges	83,714	443
Net commitments	41,639	4,822

- 17 -
B P S H I P P I N G L I M I T E D

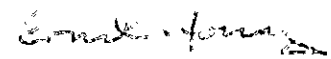
NOTES TO THE ACCOUNTS (continued)

- (22) The ultimate holding company is The British Petroleum Company p.l.c., a company incorporated in England.
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REPORT OF THE AUDITORS TO THE MEMBERS OF BP SHIPPING LIMITED

We have audited the accounts on pages 4 to 17 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the Company at 31 December 1990 and of the profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985


Chartered Accountants
LONDON

2 May 1991