

ANNUAL REPORT AND ACCOUNTS 1989

Board of Directors:- D.A.G. Simon - Chairman

G.J. Ahearne

M.T. Bentley

C.P. King

R.A. McGimpsey

S.W. Percy

REPORT OF THE DIRECTORS

The directors submit their report and the accounts for the year ended 31 December 1989.

The company, which is based in the UK, is engaged internationally in oil, chemicals and related financing activities. It also provides services to other group companies and holds investments in subsidiary companies engaged in similar activities.

Financial review

The profit for the year was £1,780 million. Interim dividends of £1,633 million were paid in respect of 1989 and the balance of retained profit at 31 December 1989 of £399 million is being carried forward.

Review of activities

Oil activities comprise the results of BP International's refining and marketing business, as well as certain international business sectors which are managed in London. They showed an operating loss of £33 million (1988 £43 million). The improvement reflects a better refining and trading performance, which is partly offset by lower marketing margins.

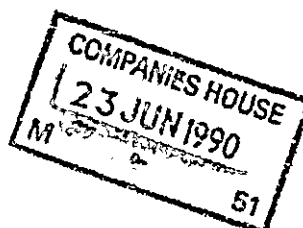
The chemicals result reflects the favourable environment for bulk petrochemicals continuing into the first half of the year from 1988. Operating profits totalled £141 million compared with £217 million for the previous year.

Expenditure on research, before recoveries, amounted to £139 million supporting mainly the company's oil, chemicals and engineering activities.

Income from corporate activities of £2,512 million includes dividends from subsidiary companies of £2,230 million.

Directors

The present directors of the company are listed above. Mr. D.A.G. Simon, Mr. S.J. Ahearne, Mr. M.T. Bentley, Mr. C.P. King and Mr. A.P. Ravenscroft served throughout the financial year. Mr. R.F. Chase resigned on 15 March 1989 and Mr. S.W. Percy was appointed on the same date. Mr. M.W. Press resigned on 20 August 1989. Mr. R.A. McGimpsey was appointed on 22 August 1989. Mr. A.P. Ravenscroft resigned on 1 May 1990.



REPORT OF THE DIRECTORS

The interests of the directors holding office on 31 December 1989 other than a director of the ultimate holding company, and their families in the shares of The British Petroleum Company p.l.c. were as set out below:-

	Type of shares	1 January 1989	
		or date of appointment	31 December 1989
S.J. Ahearne	25p ordinary	5996	6848
M.T. Bentley	25p ordinary	6992	7902
C.P. King	25p ordinary	11902	12394
R.A. McGimpsey	25p ordinary	nil	nil
S.W. Percy	25p ordinary	5268	7092
A.P. Ravenscroft	25p ordinary	17271	18769

Mr. S.W. Percy's interest was held in the form of American Depositary Shares.

None of the above had any interest in shares or debentures of subsidiary companies of The British Petroleum Company p.l.c. at 31 December 1989.

Auditors

Ernst & Whinney merged their practice with Arthur Young on 1 September 1989 to form Ernst & Young which is the name in which the audit report is signed. Ernst & Young have expressed their willingness to continue in office as auditors, and in accordance with Section 384 of the Companies Act 1985, a resolution proposing their appointment as auditors of the Company will be put to the members at the annual general meeting.

By order of the Board,

R.C. GRAYSON
Secretary

Britannic House,
Moor Lane,
London.
EC2Y 9BU

19 June 1990

REPORT OF THE AUDITORS

To the Members of BP International Limited

We have audited the accounts set out on pages 4 to 18 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 1989 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.

ERNST & YOUNG
Chartered Accountants
London
19 June 1990

ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention.

Group accounts

Group accounts are not submitted as the company is wholly-owned by The British Petroleum Company p.l.c.. Income of related companies is dealt with in the accounts of the ultimate holding company and only dividend income received is reflected in the company's accounts.

Foreign currencies

Assets and liabilities of foreign currency branches are translated into sterling at closing rates of exchange and profit and loss accounts are translated at average rates of exchange. All 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 for the year.

Stock valuation

Stocks of oil and chemicals are valued at cost including overheads, using the first-in first-out method or at net realisable value, whichever is the lower. Stores are stated at or below cost calculated mainly using the average method.

Depreciation

Depreciation on tangible fixed assets and patents and trade marks is calculated on the straight line method over their estimated useful lives.

Leases

Assets held under 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.

Interest

Interest is capitalised during the period of construction where it relates either to the financing of major projects with long periods of development or to dedicated financing of other projects. All other interest is charged against income.

Research

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

Deferred taxation

Deferred taxation is calculated using the liability method. Provision is made where timing differences are expected to reverse in the foreseeable future.

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1989

		<u>£ million</u>	
	<u>Note</u>	<u>1989</u>	<u>1988</u>
TURNOVER	1	9,266	7,533
Cost of sales		8,851	7,108
		<hr/>	<hr/>
GROSS PROFIT		415	425
Distribution expenses		120	139
Administration expenses		267	261
		<hr/>	<hr/>
Other income	2	28 2,577	25 1,382
		<hr/>	<hr/>
OPERATING PROFIT	1	2,605	1,407
Interest and other similar charges	3	366	382
Exchange loss/(gain) on long-term loans to holding and subsidiary companies		248	(91)
Provision against related company investment		-	23
		<hr/>	<hr/>
PROFIT BEFORE TAXATION		1,991	1,093
Taxation	6	211	139
		<hr/>	<hr/>
PROFIT FOR THE YEAR		1,780	954
		<hr/>	<hr/>
RESERVES			
Retained reserves at 1 January		252	198
Profit for the year		1,780	954
Interim dividends		1,633	900
		<hr/>	<hr/>
RETAINED RESERVES AT 31 DECEMBER		399	252
		<hr/>	<hr/>

BALANCE SHEET

AT 31 DECEMBER 1989

£ million

	<u>Note</u>	<u>1989</u>	<u>1988</u>
Fixed assets			
Intangible assets	7	11	7
Tangible assets	8	694	596
Investments	9	1,036	1,021
		<hr/>	<hr/>
		1,741	1,624
		<hr/>	<hr/>
Current assets			
Stocks	10	274	126
Debtors	11	10,136	8,448
Investments	12	2	11
Cash at bank and in hand		5	3
		<hr/>	<hr/>
		10,417	8,588
Creditors - amounts falling due within one year			
Finance debt	13	814	423
Other creditors	14	8,738	8,504
		<hr/>	<hr/>
Net current assets/(liabilities)		865	(339)
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		2,606	1,285
Creditors - amounts falling due after more than one year			
Finance debt	13	280	164
Other creditors	14	1,809	768
		<hr/>	<hr/>
Provisions for liabilities and charges			
Deferred taxation	6	117	100
		<hr/>	<hr/>
SHAREHOLDERS' INTEREST		400	253
		<hr/>	<hr/>
REPRESENTED BY			
Capital and reserves			
Called up share capital	15	1	1
Reserves		399	252
		<hr/>	<hr/>
		400	253
		<hr/>	<hr/>

D.A.G. SIMON

Director.

S.J. AHEARNE

Director.

6

19 June 1990

SOURCE AND APPLICATION OF FUNDS STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1989

	<u>£ million</u>	
	<u>1989</u>	<u>1988</u>
Profit after taxation	1,780	954
Items not involving the movement of funds (i)	118	107
	<hr/>	<hr/>
Working capital movement (ii)	1,898	1,061
Other movements (iii)	(1,602)	(307)
	1,217	(26)
	<hr/>	<hr/>
FUNDS GENERATED FROM OPERATIONS	1,513	728
Capital expenditure	394	347
Dividends paid	1,633	900
	<hr/>	<hr/>
FUNDS REQUIRED	(514)	(519)
	<hr/>	<hr/>
FINANCIAL MOVEMENTS		
Finance debt - increase	(507)	(84)
Current asset investments - decrease	(9)	(94)
Cash at bank and in hand - increase/(decrease)	2	(341)
	<hr/>	<hr/>
	(514)	(519)
	<hr/>	<hr/>
NOTES:		
(i) Items not involving the movement of funds		
Depreciation	101	84
Provision against related company investment	-	23
Provision for deferred taxation	17	-
	<hr/>	<hr/>
	118	107
	<hr/>	<hr/>
(ii) Working capital movement		
Stocks	(148)	27
Debtors	(1,688)	(2,691)
Creditors due within one year		
(excluding finance debt)	234	2,357
	<hr/>	<hr/>
	(1,602)	(307)
	<hr/>	<hr/>
(iii) Other movements		
Book amount of fixed assets sold	176	125
Creditors due after one year		
(excluding finance debt)	1,041	(151)
	<hr/>	<hr/>
	1,217	(26)
	<hr/>	<hr/>

NOTES ON ACCOUNTS

1 TURNOVER

Turnover comprises sales and other operating revenue, all of which falls within the UK geographic area.

Activity analysis

	<u>Operating profit/ (loss) before tax</u>		<u>£ million</u> <u>Turnover</u>	
	<u>1989</u>	<u>1988</u>	<u>1989</u>	<u>1988</u>
Oil	(33)	(43)	8,147	6,134
Chemicals	141	217	1,456	1,344
Corporate	2,512	1,241	-	-
Other activities	(15)	(8)	182	146
Less: inter-activity sales			(519)	(91)
	<u>2,605</u>	<u>1,407</u>	<u>9,266</u>	<u>7,533</u>

Corporate includes management and financial activities.

Other activities include gas, coal, solar energy, engineering and technical activities.

2 OTHER INCOME

	<u>£ million</u>	
	<u>1989</u>	<u>1988</u>
Subsidiary companies		
Dividends	2,230	1,084
Other interest and miscellaneous income	275	256
	<u>2,505</u>	<u>1,340</u>
Related company dividends	23	-
Interest from fellow subsidiary companies	31	23
Other interest and miscellaneous income	18	19
	<u>2,577</u>	<u>1,382</u>

NOTES ON ACCOUNTS

3 INTEREST AND OTHER SIMILAR CHARGES

£ Million

	<u>1989</u>	<u>1988</u>
Interest expense		
Non-group loans wholly repayable		
within 5 years	54	49
Group and fellow subsidiary loans	264	319
Finance leases	14	6
	<u>332</u>	<u>374</u>
Factoring charge payable to BP Capital p.l.c.	34	8
	<u>366</u>	<u>382</u>

The factoring charge payable to BP Capital p.l.c. arises under an agreement in respect of certain of the company's debtors.

4 DEPRECIATION, HIRE, RESEARCH AND AUDIT COSTS

£ million

	<u>1989</u>	<u>1988</u>
Depreciation	101	84
Depreciation of capitalised leased assets		
included above	3	-
Hire charges under operating leases:		
Plant and machinery	23	20
Land and buildings	7	4
	<u>30</u>	<u>24</u>
Expenditure on research before recoveries	139	124

Auditors' remuneration amounted to £498,000 (1988 £478,000).

5 PENSIONS

BP International Limited does not directly employ any staff and therefore does not directly bear any pension charge.

NOTES ON ACCOUNTS

6 TAXATION

	<u>£ million</u>	
	<u>1989</u>	<u>1988</u>
United Kingdom corporation tax		
Current at 35%	989	343
Overseas taxation relief	(950)	(340)
	—	—
	39	3
Advance corporation tax written off	57	100
Deferred at 35%	17	—
	—	—
	113	103
Overseas taxation	98	36
	—	—
	211	139
	—	—

United Kingdom taxation - the company is a member of a group for the purposes of group relief under Section 402 of the Income and Corporation Taxes Act 1988.

Having regard to the BP group tax position of non-North Sea activities, £39 million (1988 £3 million) has been provided for UK corporation tax at 35% after taking account of overseas taxation relief attributable to this company. A provision for deferred taxation of £17 million has been made in the current year (1988 Nil). The provision in respect of deferred taxation and the gross potential liability at 31 December 1989 in respect of the group's non-North Sea activities are £117 million and £398 million respectively (1988 £100 million and £314 million).

The corporation tax liability of this company, which has been included in the above amounts, is partially covered by double taxation relief. The benefit of underlying overseas taxation available under Section 799 of the Income and Corporation Taxes Act 1988 has been included in the overseas taxation relief but not included in the overseas taxation charge. The gross potential liability for deferred taxation at 31 December 1989 comprises tax at 35% (1988 35%) in respect of:-

	<u>£ million</u>	
	<u>1989</u>	<u>1988</u>
Depreciation	139	103
Other items	(9)	(22)
	—	—
	130	81
	—	—

Advance corporation tax of £155 million, (1988 £21 million) net after £57 million (1988 £100 million) written off, has not been deducted from the potential amounts of deferred taxation. This item is included in debtors - taxation recoverable.

NOTES ON ACCOUNTS

7 INTANGIBLE ASSETS

£ million

Patents &
trade marks

Cost	
At 1 January 1989	25
Additions	6
	—
At 31 December 1989	31
	—
Depreciation	
At 1 January 1989	18
Charge for the year	2
	—
At 31 December 1989	20
	—
Net book amount	
At 31 December 1989	11
	—
At 31 December 1988	7
	—
Principal rate of depreciation	20%

NOTES ON ACCOUNTS

8 TANGIBLE ASSETS - PROPERTY, PLANT AND EQUIPMENT

£ million

	<u>Chemicals</u>	<u>Oil</u>	<u>Corporate and other</u>	<u>Total</u>	<u>of which: Assets under construction</u>
Cost					
At 1 January 1989	935	8	268	1,211	144
Additions	253	4	66	323	136
Reclassifications	(5)	5	-	-	-
Deletions	(114)	-	(51)	(165)	(99)
At 31 December 1989	1,069	17	283	1,369	181
Depreciation					
At 1 January 1989	468	4	143	615	
Charge for the year	52	3	44	99	
Reclassifications	(2)	2	-	-	
Deletions	(10)	-	(29)	(39)	
At 31 December 1989	508	9	158	675	
Net book amount					
At 31 December 1989	561	8	125	694	181
At 31 December 1988	467	4	125	596	144

Principal rates of
depreciation

5-20% 10-25% 10-25%

Assets held under finance leases, capitalised interest and land at net book amount
included above:

	<u>Leased assets</u>			<u>Capitalised interest</u>			<u>Freehold land</u>
	<u>Cost</u>	<u>Dep'n</u>	<u>Net</u>	<u>Cost</u>	<u>Dep'n</u>	<u>Net</u>	
At 31 December 1989	211	3	208	7	5	2	5
At 31 December 1988	116	1	115	7	4	3	3

NOTES ON ACCOUNTS

9 FIXED ASSETS - INVESTMENTS

£ million

	<u>Subsidiary companies</u> <u>Shares</u>	<u>Related companies</u> <u>Shares</u>	<u>Loans</u>	<u>Other Loans</u>	<u>Total</u>
Cost					
At 1 January 1989	964	69	7	8	1,048
Additions	23	14	-	28	65
Deletions	-	(66)	(7)	-	(73)
At 31 December 1989	987	17	-	36	1,040
Amounts provided					
At 1 January 1989	2	23	-	2	27
Deletions	-	(23)	-	-	(23)
At 31 December 1989	2	-	-	2	4
Net book amount					
At 31 December 1989	985	17	-	34	1,036
At 31 December 1988	962	46	7	6	1,021

The more important investments in subsidiary and related companies as at 31 December 1989 are set out in note 20.

10 STOCKS

£ million

	<u>1989</u>	<u>1988</u>
Oil	139	11
Chemicals	104	88
	—	—
	243	99
Stores	31	27
	—	—
	274	126
	—	—
Replacement cost	282	138
	—	—

NOTES ON ACCOUNTS

11 DEBTORS

£ million

	Within 1 Year	1989 After 1 Year	Within 1 Year	1988 After 1 Year
Trade	425	-	301	-
Subsidiary companies	5,125	2,764	5,228	2,529
Holding and fellow subsidiary companies	327	1,176	277	9
Related companies	2	-	1	-
Prepayments and accrued income	84	-	39	1
Advance corporation tax recoverable	155	-	21	-
Other	78	-	42	-
	<u>6,196</u>	<u>3,940</u>	<u>5,909</u>	<u>2,539</u>

12 CURRENT ASSETS -- INVESTMENTS

£ million

	1989	1988
Listed - UK	2	8
- Foreign	-	3
	-	-
	2	11
	-	-
Stock exchange value of listed investments	3	16
	-	-

13 FINANCE DEBT

£ million

	Within 1 Year	1989 After 1 Year	Within 1 Year	1988 After 1 Year
Bank loans and overdrafts	812	46	423	49
Obligations under finance leases	2	234	-	115
	<u>814</u>	<u>280</u>	<u>423</u>	<u>164</u>

There were no bank loans and overdrafts payable after 5 years.

The company had borrowing facilities available amounting to £2,795 million (1988 £3,315 million) none of which had been taken up at 31 December 1989.

NOTES ON ACCOUNTS

Finance debt (continued)

Obligations under finance leases:

	<u>£ million</u>	
	<u>1989</u>	<u>1988</u>
Minimum future lease payments		
Payable within:		
1 year	2	1
2 to 5 years	58	29
Thereafter	683	340
	<hr/>	<hr/>
	743	370
Less finance charges	507	255
	<hr/>	<hr/>
Net obligations	236	115
	<hr/>	<hr/>

14 OTHER CREDITORS

	<u>£ million</u>			
	<u>Within</u>	<u>1989</u>	<u>Within</u>	<u>1988</u>
	<u>1 Year</u>	<u>After</u>	<u>1 Year</u>	<u>After</u>
	<u>1 Year</u>	<u>1 Year</u>	<u>1 Year</u>	<u>1 Year</u>
Trade	615	-	316	-
Subsidiary companies	3,269	1,139	3,423	660
Holding and fellow subsidiary companies (including 1988 interim dividend)	4,393	659	4,257	105
Related companies	2	-	26	-
Taxation on profits	284	-	325	-
Accruals and deferred income	92	-	62	-
Other	83	11	95	3
	<hr/>	<hr/>	<hr/>	<hr/>
	8,738	1,809	8,504	768
	<hr/>	<hr/>	<hr/>	<hr/>

Included in amounts due to holding and fellow subsidiary companies for 1988 was £43 million 12½ debentures redeemable 31 December 2007.

NOTES ON ACCOUNTS

15 CALLED UP SHARE CAPITAL

£ million

1989 1988

Authorised, allotted and fully paid
1,000,000 ordinary shares of £1 each

1 1
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16 CONTINGENT LIABILITIES

There were contingent liabilities at 31 December 1989 in respect of guarantees and indemnities entered into as part of, and claims arising from, the ordinary course of the company's business, upon which no material losses are likely to arise.

17 CAPITAL COMMITMENTS

Authorised future capital expenditure is estimated at £606 million (1988 £248 million) including approximately £40 million (1988 £57 million) for which contracts have been placed.

18 LEASE COMMITMENTS

Annual commitments under operating leases:

£ million

	<u>1989</u>		<u>1988</u>	
	<u>Land and buildings</u>	<u>Other</u>	<u>Land and buildings</u>	<u>Other</u>
Expiring within:				
2 to 5 years	-	2	-	2
Thereafter	7	-	5	-
	-	-	-	-
	7	2	5	2
	=	=	=	=

19 DIRECTORS

Directors of the company are a managing director or senior executives of The British Petroleum Company p.l.c in whose accounts information required by the Companies Act 1985, as to emoluments, is shown.

NOTES ON ACCOUNTS

20 SUBSIDIARY AND RELATED COMPANIES

The more important subsidiary and related companies of the company at 31 December 1989 and the percentage of equity share capital held (to the nearest whole number) are set out below. Those held directly by the company are marked with an asterisk.

Subsidiary companies	%	Country of incorporation	Principal activities
INTERNATIONAL			
*BP Chemicals (International)	100	England	Chemicals
*BP Coal	100	England	Coal production and marketing
*BP Exploration	100	Scotland	Exploration and production
*BP Nutrition	100	England	Nutrition
*BP Oil International	100	England	Integrated oil operations
BP Petroleum Development	100	England	Exploration and production
EUROPE			
UK			
*BP Capital	100	England	Finance
BP Chemicals	100	England	Chemicals
*BP Oil UK	100	England	Refining and marketing
NETHERLANDS			
BP Capital	100	Netherlands	Finance
BP Nederland	100	Netherlands	Refining and marketing
Hendrix International	100	Netherlands	Nutrition
REPUBLIC OF IRELAND			
BP Ireland	100	Ireland	Marketing
AUSTRALASIA			
AUSTRALIA			
BP Developments Australia	100	USA	Exploration and production
NEW ZEALAND			
BP New Zealand	100	New Zealand	Natural gas production and oil marketing
WESTERN HEMISPHERE			
USA			
*BP America) Standard Oil)	100	USA	Exploration and production, refining and marketing, pipelines, coal, chemicals, minerals and nutrition

NOTES ON ACCOUNTS

Subsidiary and related companies (continued)

Related companies	%	Country of incorporation	Principal activity	Issued Share Capital
AFRICA				
Consolidated Petroleum	50	England	Marketing	350,000 shares of £10
JAPAN				
County NatWest Securities Japan	25	England	Finance	99 million shares of Yen 100
UK				
BP Bitor	50	England	Marketing	1 million shares of £5

The investments in subsidiary and related companies are unlisted.

21 ULTIMATE HOLDING COMPANY

The ultimate holding company is The British Petroleum Company p.l.c., a company incorporated in England.