Britoil plc
(Registered in Scotland No 77750)

ANNUAL REPORT AND ACCOUNTS 2003

Board of Directors:-	J H Bartlett
	J C Skipper
	T D Summers
	D J Blackwood
	S G Peacock

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2003.

Principal activity

The company is engaged in exploration for, and production of, oil and natural gas mainly in the United Kingdom.

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. During the year the company disposed of its interests in the Thistle and Pickerill fields.

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 amounts to £365.2 million before dividends of £395.0 million. The resulting loss of £29.8 million, together with other gains of £56.0 million, when added to the retained profit brought forward at 1 January 2003 of £396.2 million gives a total retained profit carried forward at 31 December 2003 of £422.4 million. The directors do not propose the payment of a final dividend.

Directors

The present directors are listed above.

Mr J C Skipper and Mr J H Bartlett served as directors throughout the financial year. Changes since 1 January 2003 are as follows:

	Appointed	Resigned
M R Bly		3 February 2003
S D Urban		1 June 2003
C J Warner	1 April 2003	1 December 2003
T D Summers	1 April 2003	
D J Blackwood	1 October 2003	
S G Peacock	1 January 2004	

Britoil plc

REPORT OF THE DIRECTORS

Directors' interests

The interests of the directors holding office at 31 December 2003, and their families, in the US $0.25 ordinary shares of BP p.l.c., were as set out below:

	31 December 2003	1 January 2003 or date of appointment
J H Bartlett	69,709	64,392
J C Skipper	2,593	2,453
T D Summers	12,718	11,537
D J Blackwood	76,419*	76,419*

In addition, 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 (or date of appointment) and 31 December 2003 as follows:

	Granted	Exercised
J H Bartlett	29,646	10,156
J C Skipper	5,392	-
T D Summers	43,642	-
D J Blackwood	-	-

*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 2003.

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 30.

Auditors

A resolution to reappoint Ernst & Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

By order of the Board

Secretary

29 July 2004

Registered Office:
Burnside Road
Farburn Industrial Estate
Dyce
ABERDEEN
AB21 7PB

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.

REPORT OF THE AUDITORS TO THE MEMBERS OF BRITOIL plc

We have audited the accounts for the year ended 31 December 2003 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, accounting policies and related notes 1 to 27. 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 transcations with the company is not disclosed.

We read the Director's 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 2003 and of the results of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
ABERDEEN

28 July 2004

ACCOUNTING POLICIES

Accounting standards

The accounts are prepared in accordance with the applicable UK accounting standards.

In addition to the requirements of accounting standards, the accounting for exploration and production activities is governed by the Statement of Recommended Practice ('SORP') 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities' issued by the UK Oil Industry Accounting Committee on 7 June 2001.

These accounts have been prepared in accordance with the SORP's provisions except:

1) The SORP recommends that oil and gas reserve quantities be disclosed. The Company is a wholly owned subsidiary of BP p.l.c. and, as such, the oil and gas reserve quantities of the company are included in the consolidated oil and gas quantities disclosed in the Annual Report and Accounts of BP p.l.c. Consequently the directors have elected not to publish this information for the Company.

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.

Stock valuation

Stocks are valued at cost to the company, using the first-in first-out method or at net realisable value, whichever is the lower.

Foreign currencies

Transactions in currencies other than sterling are recorded at the rate ruling at the date of the transaction. 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/loss for the year.

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ACCOUNTING POLICIES

Depreciation

Oil and gas production assets are depreciated using a unit-of-production method based upon estimated proved reserves. Production assets under construction are not depreciated until brought into use. Other tangible and intangible assets are depreciated on the straight line method over their estimated useful lives.
The company undertakes a review for impairment of a fixed asset or goodwill if events or changes in circumstances indicate that the carrying amount of the fixed asset or goodwill may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, that is the higher of net realisable value and value in use, the fixed asset or goodwill is written down to its recoverable amount. The value in use is determined from estimated discounted future net cash flows.

Exploration expenditure

Exploration expenditure is accounted for in accordance with the successful efforts method. Exploration and appraisal drilling expenditure is initially classified as an intangible fixed asset. When proved reserves of oil and gas are determined and development is sanctioned, the relevant expenditure is transferred to tangible production assets. All exploration expenditure determined as unsuccessful is charged against income. Exploration licence acquisition costs are amortised over the estimated period of exploration. Geological and geophysical exploration costs are charged against income as incurred.

Decommissioning

Provision for decommissioning is recognised in full at the commencement of oil and natural gas production. The amount recognised is the present value of the estimated future expenditure determined in accordance with the local conditions and requirements. A corresponding tangible fixed asset of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the capital costs of the production and transportation facilities. Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset.

Petroleum revenue tax

The charge for petroleum revenue tax is calculated using a unit-of-production method.

Changes in unit-of-production factors

Changes in factors which affect unit-of-production calculations are dealt with prospectively, not by immediate adjustment of prior years' amounts.

Environmental liabilities

Environmental expenditures that relate to current or future revenues are expensed or capitalised as appropriate. Expenditures that relate to an existing condition caused by past operations and that do not contribute to current or future earnings are expensed.

Liabilities for environmental costs are recognised when environmental assessments or clean-ups are probable and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites.

Leases

Rentals under operating leases are charged against income as incurred.

Research

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

ACCOUNTING POLICIES

Interest

Interest is capitalised gross 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.

Revenue Recognition

Revenues associated with the sale of oil, natural gas liquids, liquefied natural gas, petroleum and chemical products and all other items are recognised when the title passes to the customer. Generally, revenues from the production of natural gas and oil properties in which the company has an interest with other producers are recognised on the basis of the company's working interest in those properties (the entitlement method). Differences between the production sold and the group's share of production are not significant.

Deferred taxation

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 asset 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.

Discounting

The unwinding of the discount on provisions is included within interest expense. Any change in the amount recognized for environmental and other provisions arising through changes in discount rates in included within interest expense.

Comparative figures

Certain prior year figures have been restated to conform with the 2003 presentation. This restatement relates to the reclassification of certain items from Administration Expenses to Cost of Sales and has no effect on the results for the year.

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003	2002 Restated
		£'000	£'000
Turnover	1	820,228	981,513
Cost of sales		(314,044)	(415,332)
Gross profit		506,184	566,181
Exploration expense		(82)	(1,100)
Distribution and marketing expenses		(1,278)	(1,484)
Administration expenses		(1)	(1,499)
		504,823	562,098
Other income	3	811	15,101
Operating profit	2	505,634	577,199
Continuing activities:			
Profit on disposal of fixed assets	4	13,628	4,399
Profit on ordinary activities before interest and tax		519,262	581,598
Interest payable and similar charges	5	(22,157)	(29,716)
Profit before taxation		497,105	551,882
Taxation	6	(131,900)	(257,200)
Profit for the year		365,205	294,682
Distributions to shareholders	8	(395,000)	(400,000)
Retained loss for the year		(29,795)	(105,318)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31 DECEMBER 2003

	Note	2003 £'000	2002 £'000
Profit for the year		365,205	294,682
Currency translation differences (net of taxation)	19	55,979	84,866
Total recognised gains and losses		421,184	379,548

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BALANCE SHEET AT 31 DECEMBER 2003

	Note	2003 £'000	2002 £'000
Fixed assets			
Intangible assets	9	50,705	53,669
Tangible assets	10	1,119,748	1,161,525
		1,170,453	1,215,194
Current assets			
Stock		10,296	13,794
Debtors - amounts falling due:			
within one year	12	1,690,037	1,218,654
after more than one year	12	21,576	24,476
Cash at bank and in hand		7,614	369,161
		1,729,523	1,626,085
Creditors - amounts falling due within one year			
Finance debt	13	-	(373,177)
Other creditors	14	(1,177,211)	(561,291)
Net current assets		552,312	691,617
Total assets less current liabilities		1,722,765	1,906,811
Creditors - amounts falling due after more than one year	14	(670,486)	(768,750)
Provisions for liabilities and charges			
Deferred taxation	6	(182,600)	(198,600)
Other provisions	17	(227,071)	(323,037)
NET ASSETS		642,608	616,424
Represented by			
Capital and reserves			
Called up share capital	18	150,892	150,892
Share premium account	19	69,283	69,283
Profit and loss account	19	422,433	396,249
SHAREHOLDERS' FUNDS - EQUITY INTERESTS		642,608	616,424

Director

28 July 2004

NOTES TO THE ACCOUNTS

1. Turnover

Turnover represents the selling value of petroleum products produced during the year attributable to the company and of petroleum purchased for resale, both of which are continuing, stated net of value added tax where applicable. The country of origin and destination is substantially the UK.

2. Operating profit

This is stated after charging :

	2003 £'000	2002 £'000
Operating lease rentals:		
Plant and machinery	61,511	88,049
Land and buildings	58	58
Depreciation of owned fixed assets (incl. amortisation on intangibles)	183,057	190,477
Exchange (gain)/loss on foreign currency borrowings less deposits	6,693	6,521

Auditors' remuneration is dealt with in the accounts of the ultimate parent undertaking. No fees were paid to the auditors for other services.

3. Other income

	2003 £'000	2002 £'000
Interest income from parent and fellow subsidiary undertakings	-	14,510
Other interest and miscellaneous income	811	591
	811	15,101

4. Exceptional items

Exceptional items comprise the profit on disposal of fixed assets as follows:

	2003 £'000	2002 £'000
Profit on disposal of fixed assets	13,628	4,399
Exceptional items	13,628	4,399
Taxation charge:-	(5,451)	(1,760)
Exceptional items, net of tax	8,177	2,639

The profit on disposal of fixed assets of £13.6 million arose as a result of the disposal of the company's interests in the Thistle and Pickerill fields.

5. Interest payable and similar charges

	2003 £'000	2002 £'000
Group undertakings:		
Loans wholly repayable within 5 years	15,477	22,536
Non-group:		
Other loans	447	162
Unwinding of discount on provisions	6,233	7,018
	22,157	29,716

6. Taxation

The Company is a member of a group for the purposes of relief under Section 402 of the Income & Corporation Taxes Act 1998.

Details of corporation tax that has been provided in respect of the company's oil extraction activity in the UK and UK Continental Shelf are shown below.

In respect of the other company's activities, no corporation tax has been provided because another group company, BP International Limited, has undertaken to procure the claim or surrender of free group relief to the extent it is required and to provide for any current or deferred tax that arises.

(a) Tax on profit on ordinary activities

	2003 £'000	2002 £'000
Current tax:		
UK Corporation tax on income for the period	171,900	185,200
UK tax (overprovided)/underprovided in previous years	(24,000)	-
	147,900	185,200
Overseas taxation on income for the period	-	-
Total current tax	147,900	185,200
Deferred tax:		
Current year timing differences	26,900	32,600
Adjustment to prior year timing differences	(42,900)	(2,800)
Change in tax rate	-	42,200
Total deferred tax	(16,000)	72,000
Tax on profit on ordinary activities	131,900	257,200

6. Taxation (continued)

(b) Tax included in statement of total recognized gains and losses

	2003 £'000	2002 £'000
Current tax:		
UK corporation tax on income for the period	24,000	-
UK tax (overprovided)/underprovided in previous years	-	-
	24,000	-
Overseas taxation on income for the period	-	-
Total current tax	24,000	-
Deferred tax:		
Current year timing differences	-	-
Adjustment to prior year timing differences	-	-
Change in tax rate	-	-
Total deferred tax	-	-
Tax included in statement of total recognised gains and losses	24,000	-

6. Taxation (continued)

(c) Factors affecting the current tax charge

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

	2003 £'000	2002 £'000
Profit before taxation	497,105	551,882
Current tax	147,900	185,200
Effective tax rate	30%	34%

% of profit before tax	**%**	**%**
UK statutory corporation tax rate	30	30
Increase/(decrease) resulting from:		
UK supplementary tax at 10% on North Sea profits	9	7
Adjustments in respect of prior years	(5)	-
Tax on ORF profit provided in BP International	-	(1)
Other permanent differences	-	2
Capital allowances in excess of depreciation	(4)	(6)
Other timing differences	-	2
Effective current tax rate	30	34

(d) Deferred tax

	2003 £'000	2002 £'000
Analysis of provision:		
Depreciation	306,400	318,600
Petroleum revenue tax	(27,400)	(23,500)
Other short term timing differences	6,000	7,300
Decommissioning	(102,400)	(103,800)
	182,600	198,600

	2003 £'000
Analysis of movements during the year:	
At 1 January	198,600
Charge for the year on ordinary activities	(16,000)
At 31 December	182,600

7. Directors

None of the directors received any fees or remuneration for services as a director of the company during the financial year (2002 £nil).

8. Distribution to shareholders

	2003 £'000	2002 £'000
Ordinary - interim	395,000	400,000

9. Intangible assets

	Exploration expenditure £'000
Cost	
At 1 January 2003	53,669
Additions	1,042
Transfers	-
Deletions	(4,006)
Disposals	-
At 31 December 2003	50,705
Net book amount	
At 31 December 2003	50,705
At 31 December 2002	53,669

10. Tangible assets

	Production assets £'000	Other assets £'000	Total £'000
Cost			
At 1 January 2003	2,864,187	23,317	2,887,504
Additions	136,309	-	136,309
Disposals	(372,120)	-	(372,120)
At 31 December 2003	2,628,376	23,317	2,651,693
Depreciation			
At 1 January 2003	1,703,888	22,091	1,725,979
Charge for the year	183,057	-	183,057
Disposals	(377,091)	-	(377,091)
At 31 December 2003	1,509,854	22,091	1,531,945
Net book amount			
At 31 December 2003	1,118,522	1,226	1,119,748
At 31 December 2002	1,160,299	1,226	1,161,525

Included within tangible assets:

	Cost £'000	Depreciation £'000	Net book amount £'000
Capitalised interest			
At 31 December 2003	93,403	52,168	41,235
At 31 December 2002	93,403	47,093	46,310

11. Investments

During the year the company acquired one £1 share in Central Graben Exploration Limited which was formally incorporated on 19 December 2003.

12. Debtors

	2003		2002	
	Within 1 year £'000	After 1 year £'000	Within 1 year £'000	After 1 year £'000
Trade	95,124	-	59,265	-
Parent and fellow subsidiary undertakings	1,446,772	-	655,747	-
Other	148,141	21,576	503,642	24,476
	1,690,037	21,576	1,218,654	24,476

13. Finance debt

	2003 Within 1 year £'000	2002 Within 1 year £'000
Bank overdraft	-	373,177

14. Other creditors

	2003		2002	
	Within 1 year £'000	After 1 year £'000	Within 1 year £'000	After 1 year £'000
Trade	26,487	-	28,892	-
Parent and fellow subsidiary undertakings	636,321	667,039	151,544	768,750
Royalties	742	-	11,482	-
Petroleum revenue tax	18,860	-	17,088	-
Corporation tax	356,800	-	184,900	-
Accruals	47,057	3,447	52,213	-
Other creditors	90,944	-	115,172	-
	1,177,211	670,486	561,291	768,750

The amounts owing to the parent undertaking and fellow subsidiary undertakings are not subject to any fixed repayment terms. Interest at 1.2% above the average 3 month LIBOR rate is levied on such long term funding.

15. Financial Liabilities

Analysis of borrowings by year of repayment

	2003 £'000	2002 £'000
Due after 5 years	667,039	768,750
Due within 5 years	-	-
Due within 4 years	-	-
Due within 3 years	-	-
Due within 2 years	-	-
Due within 1 year	894,241	416,343
	1,561,280	1,185,093

Borrowings included above represent funding accounts and bank overdrafts. Certain short term creditors have been excluded from the analysis as permitted by Financial Reporting Standard 13.

Analysis of borrowings by currency

	Floating rate Weighted interest rate %	2003 Total £'000	2002 Total £'000
Sterling	4	936,584	486,239
US dollars	2	624,696	698,854
		1,561,280	1,185,093

Management of the balance between fixed and floating interest rates is performed at a group level (BP p.l.c. Group). Interest rates on the floating rate debt are linked to LIBOR. Sensitivity to interest rates is also monitored at a group level.

Fair value and carrying amounts of borrowings

	2003 Fair value £'000	2003 Carrying amount £'000	2002 Fair value £'000	2002 Carrying amount £'000
Short term borrowings	894,241	894,241	416,343	416,343
Long term borrowings	667,039	667,039	768,750	768,750
	1,561,280	1,561,280	1,185,093	1,185,093

16. Derivatives and Other Financial Instruments

The company is not party to any derivative financial instruments (derivatives). The management of financial risk is performed at a group (BP p.l.c. Group) level.

The company's principal financial instruments comprise bank loans and overdrafts, funding from other group undertakings, and debentures. The main purpose of these financial instruments is to raise finance for the company's operations. The company also has financial assets comprising fixed asset investments and debtors both long term and falling due within one year.

Certain short term debtors and creditors, which arise directly from the company's operations, have been excluded from the disclosures in this note as permitted by Financial Reporting Standard 13. These debtors and creditors have been disclosed under their appropriate headings in note 12 and note 14 of these accounts.

Interest rate risk

The interest rate and currency profile of the financial liabilities of the company at 31 December 2003 is set out in note 15. This type of risk arises from fluctuations in the base lending rate over time. The management of the balance between fixed and floating interest rates paid on borrowings is performed at group level. The group does use derivatives to manage these risks.

Currency Risk

The company issued US$ 1,100 million of listed Euronotes on 25 May 1999 as part of a restructuring of the company's long term debt finance. These will give rise to currency risk, this risk is managed at group level.

In addition the company's short term debtors give rise to transactional currency exposures. Such exposures arise from sales in a currency other than the company's functional currency. The management of such risks is performed at group level by the Oil Trading Division, which uses derivatives to optimise the value of the group's equity production.

Liquidity Risk

Liquidity risk is the risk that sources of funding for the company's business activities may not be available. As part of the BP p.l.c. Group, the company will have access to the resources of the group. The group has long term debt ratings of Aa1 and AA+ assigned respectively by Moody's and Standard and Poor's. Therefore the group manages this type of risk on the company's behalf.

16 Derivatives and Other Financial Instruments (continued)

Analysis of the above financial liabilities by balance sheet caption:	2003 £'000	2002 £'000
Finance debt		
-Bank overdraft	361,548	373,177
Creditors – amounts falling due within one year		
-Parent and fellow subsidiary undertakings	532,693	43,166
Creditors – amounts falling due after more than one year		
-Parent and fellow subsidiary undertakings	667,039	768,750
	1,561,280	1,185,093

Analysis of financial assets by currency

The interest rate and currency profile of the financial assets of the company at 31 December 2003.

	Floating rate			Interest free	
	Weighted average interest rate %	Amount £'000	Weighted average time to maturity Years	Amount £'000	Total £'000
Sterling	-	-	-	21,576	21,576
US dollars	-	-	-	67,148	67,148
		-	-	88,724	88,724

If a financial asset has no defined maturity date, the time to maturity is disclosed as none.

16. Derivatives and Other Financial Instruments (continued)

Analysis of financial assets by balance sheet caption:

	2003 £'000	2002 £'000
Debtors – amounts falling due within one year:		
-trade- third party	67,302	52,857
-trade - intercompany	(154)	(11,624)
Debtors – amounts due after more than one year:		
-Other	21,576	24,476
	88,724	65,709

Maturity profile of financial liabilities

The profile of financial liabilities included in the company's balance sheet at 31 December 2003 is shown in the table below.

Carrying amount of financial liabilities

		2003 £'000	2002 £'000
Due within	1 year	894,241	416,343
	1 to 2 years	-	-
	2 to 5 years	-	-
	Due after 5 years	667,039	768,750
		1,561,280	1,185,093

Fair value of financial assets and liabilities

The estimated fair value of the financial instruments is shown in the table below. The table also shows the "net carrying amount" of the financial assets and liabilities. This amount represents the net book value.

Current maturities of long term finance debt are included under short term borrowings.

16. Derivatives and Other Financial Instruments (continued)

	2003 Net fair value asset (liability) £'000	2003 Net carrying amount asset (liability) £'000
Primary financial instruments		
Current assets		
Debtors - amounts falling due within one year	67,148	38,433
Debtors - amounts falling due after more than one year	21,576	21,576
Finance Debt		
Short term borrowings	-	-
Other Creditors		
Short term borrowings	(894,241)	(894,241)
Long term borrowings	(667,039)	(667,039)

The following methods and assumptions were used to estimate the above fair value disclosures.

Current assets – Debtors. The fair value of debtors is estimated not to be materially different from its carrying value.

Finance Debt. The carrying amounts of the group's short term borrowings approximates to their fair value.

17. Provisions for liabilities and charges

	Decommissioning £'000	Petroleum revenue tax £'000	Total £'000
At 1 January 2003	252,328	70,709	323,037
Charged to income	-	(9,441)	(9,441)
Transfers	(788)	(93,900)	(94,688)
Unwinding of discount	(1,191)	-	(1,191)
Change in discount rate	(983)	-	(983)
Change in cost of abandonment	13,121	-	13,121
Utilised during year	(61)	-	(61)
Deletions	(2,723)	-	(2,723)
At 31 December 2003	259,703	(32,632)	227,071

The company makes full provision for the future cost of decommissioning oil and natural gas production facilities and related pipelines on a discounted basis at the commencement of production. At 31 December 2003, the provision for the costs of decommissioning these production facilities and pipelines at the end of their economic lives was £260 million (2002: £252 million). The provision has been estimated using existing technology, at current prices and discounted using a real discount rate of 2.5% (2002: 2.5%). These costs are expected to be incurred over the next 30 years. While provision is based on the best estimate of future costs and the economic lives of the facilities and pipelines, there is uncertainty regarding both the amount and the timing of incurring these costs.

18. Called up share capital

	2003 £'000	2002 £'000
Authorised share capital:		
Equity		
1,650,000,000 ordinary shares of 10p each	165,000	165,000
Non-equity		
80 redeemable cumulative preference shares of £5 million each attracting varying rates of interest	400,000	400,000
	565,000	565,000

	2003 £'000	2002 £'000
Issued and fully paid:		
Equity		
1,508,919,919 ordinary shares of 10p each	150,892	150,892

19. Reconciliation of movement in shareholders' funds and movements on reserves

	Share capital £'000	Share premium £'000	Profit and loss account £'000	Total £'000
At 1 January 2003	150,892	69,283	396,249	616,424
Profit for the year	-	-	365,205	365,205
Exchange gain on reserves (net of taxation)	-	-	55,979	55,979
Distribution to shareholders	-	-	(395,000)	(395,000)
At 31 December 2003	150,892	69,283	422,433	642,608

20. Reconciliation of movement in shareholders' interests

	2003 £'000	2002 £'000
Profit for the year	365,205	294,682
Currency translation differences (net of taxation)	55,979	84,866
Dividends	(395,000)	(400,000)
Net increase/(decrease) in shareholders' interests	26,184	(20,452)
Shareholders' interests at 1 January	616,424	636,876
Shareholders' interests at 31 December	642,608	616,424

NOTES TO THE ACCOUNTS

21. Operating lease commitments

At 31 December 2003 the company had annual commitments under non-cancellable operating leases as set out below:

	2003 Land and buildings £'000	2003 Other £'000	2002 Land and buildings £'000	2002 Other £'000
Expiring:				
Within 1 year	-	3,785	52	67,305
Between 2 to 5 years	-	32,342	-	187,756
Thereafter	-	11,726	-	-
	-	47,853	52	255,061

22. Capital commitments

Authorised and contracted for future capital expenditure is estimated at £50.4 million (2002 £122.1 million).

23. Contingent liabilities

There were contingent liabilities at 31 December 2003 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.

24. Related party transactions

The company has taken advantage of the exemption contained within Financial Reporting Standard 8 "Related Party Disclosures", and has not disclosed transactions with group companies.

25. Joint ventures

The most important joint ventures of the company at 31 December 2003 and the equity interest held by the company are:

Joint ventures	% Interest	Principal place of business	Principal activity
Harding	70.00	UK-Offshore	Exploration/Production
Foinaven	40.00	UK-Offshore	Exploration/Production
Schiehallion	29.05	UK-Offshore	Exploration/Production
Sean	25.00	UK-Offshore	Exploration/Production
Clair	0.98	UK-Offshore	Exploration/Production
Amethyst	21.35	UK-Offshore	Exploration/Production
Ravenspurn North	13.50	UK-Offshore	Exploration/Production
Viking	50.00	UK-Offshore	Exploration/Production
Hyde	45.00	UK-Offshore	Exploration/Production
Statfjord transmedian field	4.92	UK-Offshore	Exploration/Production
Statfjord UK area	33.33	UK-Offshore	Exploration/Production
West of Shetland gas pipeline	56.00	UK-Offshore	Pipeline

26. Pensions

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

27. 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.