

BP INTERNATIONAL LIMITED

ANNUAL REPORT AND ACCOUNTS 1995

Board of Directors:-
E J P Browne - Chairman
S J Ahearne
Dr D C Allen
Dr J G Buchanan
F W M Starkie

REPORT OF THE DIRECTORS

The directors present their report and the accounts for the year ended 31 December 1995.

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

Financial review

The profit for the year was £788 million. An interim dividend of £500 million was paid and the balance of retained profit at 31 December 1995 of £288 million is being carried forward. No final dividend is proposed.

Review of activities

Oil activities comprise the results of BP International's Refining and Marketing business as well as certain international business sectors with head offices in the United Kingdom. These showed an operating profit for the year of £42 million.

Reduced costs and competitive assets, together with the favourable market conditions within the petrochemicals business, resulted in a Chemicals profit of £290 million.

Expenditure on research, before recoveries, amounted to £49 million supporting mainly the company's oil, chemicals and engineering activities.

Income from corporate and other activities of £863 million includes dividends from subsidiary undertakings of £709 million.

Directors

Mr S J Ahearne, Mr F W M Starkie and Dr P R Vaight were directors throughout the financial year. Sir David Simon resigned on 9 June 1995 and Mr E J P Browne was appointed on 10 June 1995. Mr G C Greve resigned on 31 August 1995 and Dr J G Buchanan was appointed on 1 September 1995. Dr P R Vaight resigned on 30 June 1996 and Dr D C Allen was appointed on 1 July 1996.



REPORT OF THE DIRECTORS

The interests of the directors holding office at 31 December 1995, other than directors of the ultimate parent undertaking, and their families, in the 25p ordinary shares of The British Petroleum Company p.l.c., were as set out below:

	31 December 1995	1 January 1995 or date of appointment
Dr J G Buchanan	55,397	52,579
F W M Starkie	7,840	5,312
Dr P R Vaight	17,736	16,871

None of the above had any interest in shares or debentures of subsidiary undertakings of The British Petroleum Company p.l.c. at 31 December 1995.

In addition, rights to subscribe for 25p ordinary shares in The British Petroleum Company p.l.c. were granted to, or exercised by, those directors between 1 January or date of appointment and 31 December 1995 as follows:-

	Granted	Exercised
Dr J G Buchanan	Nil	2,823
F W M Starkie	Nil	988
Dr P R Vaight	Nil	Nil

Pursuant to Section 310 of the Companies Act 1985, for the year ended 31 December 1995, policies of insurance have been purchased and maintained by the ultimate parent undertaking 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 as directors or officers of the company.

Auditors

In accordance with Section 386 of the Companies Act 1985, the company has elected to dispense with the obligation to appoint auditors annually and Ernst & Young continue in office.

By order of the Board

 (B. P. Vaight)
ASSISTANT Secretary

Registered Office
Britannic House
1 Finsbury Circus
London
EC2M 7BA

2 September 1996

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 responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to 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 BP INTERNATIONAL LIMITED

We have audited the accounts on pages 5 to 18 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 5 and 6.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

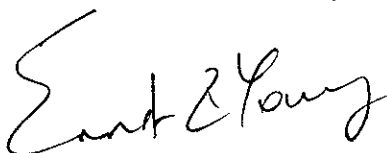
Basis of opinion

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 1995 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

 ERNST & YOUNG

Chartered Accountants
Registered Auditor
London

2 September 1996

ACCOUNTING POLICIES

Basis of preparation

The accounts are prepared under the historical cost convention and in accordance with applicable UK accounting standards.

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, The British Petroleum Company p.l.c., a company registered in England and Wales.

As the ultimate parent undertaking has published a group cash flow statement in compliance with Financial Reporting Standard No.1, a cash flow statement is not presented with these 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 are valued at cost to the company, 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

Tangible and intangible fixed assets, other than freehold land, are depreciated on the straight line method over their estimated useful lives.

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.

Pensions

Actuarial surpluses and deficiencies of the BP Pension Fund relating to employees of certain fellow UK subsidiaries are dealt with in the accounts of the company having regard to the overall position of the Fund. The difference between total pension costs and contributions in respect of those UK subsidiaries is included within pension provisions or debtors as appropriate.

ACCOUNTING POLICIES (Cont.)

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, in respect of timing differences arising primarily from the difference between the accounting and tax treatment of depreciation. Provision is made, or recovery anticipated, where timing differences are expected to reverse in the foreseeable future.

INCOME STATEMENT

For the year ended 31 December 1995

£ million

	Note	1995	1994
Turnover	1	15,651	12,936
Cost of sales		(15,044)	(12,566)
Gross profit		607	370
Distribution and administration expenses		(296)	(375)
Other income	2	871	716
Operating profit		1,182	711
Profit/(loss) on sale of operations	3	13	(12)
Profit before interest and tax	1	1,195	699
Interest expense	4	(408)	(519)
Profit before taxation		787	180
Taxation credit	9	1	105
Profit for the year		788	285
Distribution to shareholder		500	100
Retained profit for the year		288	185

There are no recognised gains or losses attributable to the shareholders of the company other than the profit (1994 - profit) for the year.

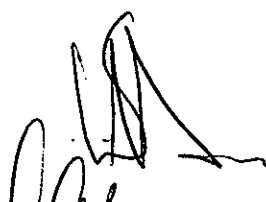
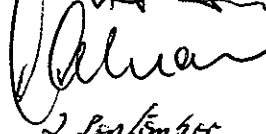
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BALANCE SHEET

At 31 December 1995

£ million

	Note	1995	1994
Fixed assets			
Intangible assets	10	2	2
Tangible assets	11	994	1,055
Investments	12	2,084	1,362
		<hr/>	<hr/>
		3,080	2,419
Current assets			
Stocks	13	261	271
Debtors - amounts falling due:			
Within one year	14	10,003	11,106
After more than one year	14	4,077	3,077
Investments		35	-
Cash at bank and in hand		149	6
		<hr/>	<hr/>
		14,525	14,460
Creditors - amounts falling due within one year			
Finance debt	15	25	23
Other creditors	16	10,863	9,301
		<hr/>	<hr/>
Net current assets		3,637	5,136
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		6,717	7,555
Creditors - amounts falling due after more than one year			
Finance debt	15	888	806
Other creditors	16	4,731	5,939
		<hr/>	<hr/>
Provision for liabilities and charges			
Deferred taxation	9	37	37
		<hr/>	<hr/>
SHAREHOLDERS' INTEREST		1,061	773
		<hr/>	<hr/>
Represented by			
Capital and reserves			
Called up share capital	17	1	1
Reserves	18	1,060	772
		<hr/>	<hr/>
		1,061	773
		<hr/>	<hr/>


 Director

 Director
 2 September 1996

(J.P. BROWNE)

(S.J. ATTERNE)

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NOTES ON ACCOUNTS

1 Turnover

Turnover comprises sales and other operating revenue, all of which falls within the UK geographic area and also includes the UK based international oil and gas activities.

Activity analysis	Turnover		Profit before interest and tax	
	1995	1994	1995	1994
Oil	13,725	11,448	42	38
Chemicals	1,826	1,402	290	47
Corporate and other	221	194	863	614
Less: inter-activity sales	(121)	(108)	-	-
	<u>15,651</u>	<u>12,936</u>	<u>1,195</u>	<u>699</u>

Corporate includes management and financial activities, and other activities include gas and nutrition operations.

Corporate operating profit includes an exchange gain in respect of exchange translation on long term assets and liabilities of £5 million (1995 £56 million profit).

2 Other income

	£ million	
	1995	1994
Subsidiary undertakings		
Dividends	709	564
Interest and miscellaneous income	52	64
	<u>761</u>	<u>628</u>
Interest from associated undertakings	-	2
Interest from parent and fellow subsidiary undertakings	60	52
Other interest and miscellaneous income	50	34
	<u>871</u>	<u>716</u>

3 Exceptional item

The profit on sale of operations in 1995 relates mainly to the group's disposal of its oil marketing assets in Portugal. The loss in 1994 arose from the group's disposal of its remaining nutrition operations.

NOTES ON ACCOUNTS

4 Interest and other similar charges	£ million	
	1995	1994
Interest expense		
Non-group loans wholly repayable within five years	-	12
Parent and fellow subsidiary undertakings	352	473
Finance leases	47	21
Other	8	-
	<hr/>	<hr/>
	407	506
Factoring charge payable to BP Capital p.l.c.	1	13
	<hr/>	<hr/>
	408	519
	<hr/>	<hr/>

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

5 Depreciation, hire, research and audit costs	£ million	
	1995	1994
Depreciation	113	139
	<hr/>	<hr/>
Depreciation of capitalised leased assets included above	44	32
	<hr/>	<hr/>
Hire charges under operating leases:		
Plant and machinery	2	3
Land and buildings	12	12
	<hr/>	<hr/>
	14	15
	<hr/>	<hr/>
Expenditure on research	49	53
	<hr/>	<hr/>
Auditors' remuneration:		
	£'000	£'000
Audit fees	835	832
For other services to the company and its UK subsidiary undertakings	573	5,464
	<hr/>	<hr/>

6 Employees

BP International Limited does not directly employ any staff.

NOTES ON ACCOUNTS

7 Pensions

The BP Group's principal UK pension plan (the BP Pension Fund) is separately funded and provides benefits that are computed based on an employee's years of service and final pensionable salary. Contributions are made to the BP Pension Fund by certain fellow UK subsidiary undertakings 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. Having regard to the overall position of the fund, actuarial surpluses and deficiencies are amortised over the expected remaining service lives of members and charged or credited to income as appropriate in the accounts of this company. Particulars of the most recent actuarial valuation of the BP Pension Fund as at 1 January 1995 are included within the financial statements of the ultimate parent undertaking. On 1 January 1994 the Britoil Pension fund was merged with the BP Pension fund and the Pension prepayment of £26 million transferred from Britoil to this company.

The credit to profit for the year for pensions is £50 million (1994 £25 million).

8 Directors' emoluments

The chairman and one other director are directors of The British Petroleum Company p.l.c. (the ultimate parent undertaking) in whose accounts the information required by the Companies Act 1985, as to emoluments, is given. The remaining directors are senior executives of, and are remunerated by, The British Petroleum Company p.l.c. and received no remuneration for services to this company or its subsidiary undertakings.

9 Taxation

	£ million	
	1995	1994
United Kingdom corporation tax		
Current at 33%	417	-
Overseas taxation relief	(298)	-
	<hr/>	<hr/>
	119	-
Deferred at 33%	-	-
Advance corporation tax	(120)	(110)
	<hr/>	<hr/>
	(1)	(110)
Overseas taxation	-	5
	<hr/>	<hr/>
	(1)	(105)
	<hr/>	<hr/>

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.

A £1 million (1994 £105 Million) current tax credit has arisen in respect of the group's taxable profits derived from non-North Sea activities, after taking account of the attributable overseas taxation relief and writeback of ACT. Deferred taxation provided in the year is £Nil (1994 £Nil).

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NOTES ON ACCOUNTS

9 Taxation (continued)

The gross potential liability for deferred taxation in respect of the group's non-North Sea activities at 31 December 1995 was £264 million (1994 £237 million). If provision had been made in the accounts on the basis of the gross potential liability there would have been a charge of £27 million (1994 £11 million).

The gross potential liability for deferred taxation for the company at 31 December 1995 comprises tax in respect of:-

	£ million	
	1995	1994
Depreciation	91	97
Other items	(7)	(11)
	<hr/>	<hr/>
	84	86
	<hr/>	<hr/>

If provision had been made in the accounts of the company on the basis of the gross potential liability there would have been a credit of £2 million (1994 £10 million charge).

Advance corporation tax recoverable has not been deducted from the potential amounts of deferred taxation. This item is included in debtors.

10 Intangible assets

	£ million
	Patents & trade marks
Cost	
At 1 January 1995 and 31 December 1995	27
	<hr/>
Depreciation	
At 1 January 1995 and 31 December 1995	25
	<hr/>
Net book amount	
At 31 December 1995	2
	<hr/>
At 31 December 1994	2
	<hr/>
Principal rate of depreciation	20%

£27

NOTES ON ACCOUNTS

11 Tangible assets - property, plant and equipment

£ million

	Chemicals	Oil	Corporate and other	Total	of which: Assets under construction
Cost					
At 1 January 1995	1,805	105	151	2,061	37
Additions	51	2	8	61	43
Deletions	(26)	(4)	(14)	(44)	-
Transfers	(1)	(4)	5	-	(34)
At 31 December 1995	1,829	99	150	2,078	46
Depreciation					
At 1 January 1995	876	45	85	1,006	
Charge for year	86	12	15	113	
Deletions	(20)	(4)	(11)	(35)	
Transfers	(1)	-	1	-	
At 31 December 1995	941	53	90	1,084	
Net book amount					
At 31 December 1995	888	46	60	994	46
At 31 December 1994	929	60	66	1,055	37
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:

	Leased assets			Capitalised interest			Freehold land
	Cost	Dep'n	Net	Cost	Dep'n	Net	
At 31 December 1995	686	163	523	7	7	-	1
At 31 December 1994	686	119	567	7	7	-	1

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NOTES ON ACCOUNTS

12 Fixed assets - investments

£ million

	Subsidiary undertakings Shares	Associated undertakings Shares	Other Loans	Total
Cost				
At 1 January 1995	1,457	4	20	1,481
Additions	761	1	16	778
Deletions	(21)	(1)	(33)	(55)
At 31 December 1995	2,197	4	3	2,204
Amounts provided				
At 1 January 1995	119	-	-	119
Provided in the year	1	-	-	1
At 31 December 1995	120	-	-	120
Net book amount				
At 31 December 1995	2,077	4	3	2,084
At 31 December 1994	1,338	4	20	1,362

The more important investments in subsidiary and associated undertakings as at 31 December 1995 are set out in note 22.

13 Stocks

£ million

	1995	1994
Oil	111	120
Chemicals	98	99
	—	—
	209	219
Stores	52	52
	—	—
	261	271
	—	—
Replacement cost	291	249
	—	—

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NOTES ON ACCOUNTS

14 Debtors

£ million

	Within 1 Year	1995 After 1 Year	Within 1 Year	1994 After 1 Year
Trade	1,234	-	787	-
Subsidiary undertakings	7,562	323	7,720	408
Parent and fellow subsidiary undertakings	858	3,240	2,398	2,210
Prepayments and accrued income	244	-	95	-
Pension prepayment	-	508	-	458
Advance corporation tax recoverable	64	-	64	-
Other	41	6	42	1
	<u>10,003</u>	<u>4,077</u>	<u>11,106</u>	<u>3,077</u>

15 Finance debt

£ million

	Within 1 Year	1995 After 1 Year	Within 1 Year	1994 After 1 Year
Bank loans and overdrafts	2	3	13	4
Obligations under finance leases	23	885	10	802
	<u>25</u>	<u>888</u>	<u>23</u>	<u>806</u>

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

The company had borrowing facilities available amounting to £1,282 million (1994 £1,282 million) none of which had been taken up at 31 December 1995.

Obligations under finance leases:

£ million

	1995	1994
Minimum future lease payments		
Payable within:		
1 year	23	10
2 to 5 years	280	266
Thereafter	2,617	2,653
	<u>2,920</u>	<u>2,929</u>
Less finance charges	2,012	2,117
	<u>908</u>	<u>812</u>
Net obligations		

£87

NOTES ON ACCOUNTS

16 Other creditors

£ million

	Within 1 Year	1995 After 1 Year	Within 1 Year	1994 After 1 Year
Trade	1,455	-	1,131	-
Subsidiary undertakings	1,041	4,322	1,235	4,538
Parent and fellow subsidiary undertakings	7,643	398	6,412	1,390
Associated undertakings	5	-	2	-
Taxation on profits	318	-	200	-
Accruals and deferred income	349	-	232	-
Other	52	11	89	11
	<u>10,863</u>	<u>4,731</u>	<u>9,301</u>	<u>5,939</u>

17 Called up share capital

£ million

	1995	1994
Authorised, allotted and fully paid 1,000,000 ordinary shares of £1 each	1	1
	-	-

18 Reconciliation of movements in shareholders' interest

£ million

	1995	1994
For the year ended 31 December		
Profit for the year	788	285
Distribution to shareholders	(500)	(100)
	<u>288</u>	<u>185</u>
Movement in reserves	773	588
Shareholders' interest at 1 January	<u>1,061</u>	<u>773</u>
Shareholders' interest at 31 December		

NOTES ON ACCOUNTS

19 Contingent liabilities

There were contingent liabilities at 31 December 1995 in respect of guarantees and indemnities entered into as part of, and claims arising from, the ordinary course of the company's business, including borrowing by its subsidiary undertakings, upon which no material losses are likely to arise.

20 Capital commitments

Authorised future capital expenditure is estimated at £140 million (1994 £48 million) including approximately £18 million (1994 £5 million) for which contracts have been placed.

21 Lease commitments £ million

Annual commitments under operating leases:

	1995 Land and buildings	1994 Land and buildings
Expiring within:		
1 year	-	-
2 to 5 years	6	1
Thereafter	5	11
	—	—
	11	12
	—	—

22 Subsidiary and associated undertakings

The more important subsidiary and associated undertakings of the company at 31 December 1995 and the percentage of equity capital held (to the nearest whole number) are set out below. The principal country of operation is generally indicated by the company's country of incorporation or by its name. Those held directly by the company are marked with an asterisk. A complete list of investments in subsidiary and associated undertakings has been attached to the parent company's annual return made to the Registrar of Companies.

NOTES ON ACCOUNTS

22 Subsidiary and associated undertakings (continued)

Subsidiary undertakings	%	Country of incorporation	Principal activities	
INTERNATIONAL				
*BP Chemicals (International)	100	England & Wales	Chemicals	
*BP Exploration	100	Scotland	Exploration and production	
BP Exploration Operating Company	100	England & Wales	Exploration and production	
*BP Oil International	100	England & Wales	Integrated oil operations	
EUROPE				
UK				
*BP Capital	100	England & Wales	Finance	
BP Chemicals	100	England & Wales	Chemicals	
*BP Oil UK	100	England & Wales	Refining and marketing	
*BP Portuguesa	100	Portugal	Marketing	
AUSTRALASIA				
AUSTRALIA				
BP Developments Australia	100	USA	Exploration and production	
FAR EAST				
*BP Asia Pacific Holdings	100	England & Wales	Holding company	
WESTERN HEMISPHERE				
USA				
*BP America Holdings	100	England & Wales	Holding company for BP America	
BP America	100	USA	Exploration and production, refining and marketing, pipelines and chemicals.	
Associated undertakings	%	Country of incorporation	Principal activity	Issued Share Capital
AFRICA				
The Consolidated Petroleum Company	50	England & Wales	Marketing	350,000 shares of £10

The investments in subsidiary and associated undertakings are unlisted.

23 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 The British Petroleum Company p.l.c., a company registered in England and Wales. Copies of the accounts of The British Petroleum Company p.l.c. may be obtained from the Company Secretary, Britannic House, 1 Finsbury Circus, London EC2M 7BA.

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