

BP EUROPE LIMITED
(Registered No. 263889)

ANNUAL REPORT AND ACCOUNTS 1997

Board of Directors: Dr J G S Buchanan
D P Chapman
M de Fabiani

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 1997.

Principal activity

The company is a parent undertaking for BP Group investments in European subsidiary undertakings.

It is the intention of the directors that the above business of the company will continue for the foreseeable future.

Review of the business

During the year the authorised share capital was increased by £1 billion by the creation of 1 billion ordinary shares of £1 each, 670 million of which were issued at par to the parent undertaking, The British Petroleum Company p.l.c..

Results

The profit for the year after taxation of £31,372,000, added to the retained profit brought forward at 1 January 1997 of £151,933,000 gives a total retained profit carried forward at 31 December 1997 of £183,305,000. The directors do not propose payment of a final dividend.

Fixed assets

During the year the company acquired a further 7.4% interest in a fellow subsidiary undertaking BP France increasing its equity holding to 100%.

The company has invested a further £670 million in BP Holdings BV thereby increasing its shareholding to £794,984,753.

Details of the company's fixed assets are shown in note 6 of the accounts.

Directors

Dr J G S Buchanan, Mr D P Chapman and Mr P G Backhouse served as directors of the company throughout the financial year. Mr J J Watts resigned as a director of the company on 23 May 1997. Dr C S Gibson-Smith resigned as a director of the company on 31 August 1997 and Mr M de Fabiani was appointed on 1 September 1997. Mr P G Backhouse resigned as a director of the company on 4 February 1998.



BP EUROPE LIMITED

REPORT OF THE DIRECTORS

Directors' interests (continued)

The interests of the directors holding office at 31 December 1997, other than a director 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:

	<u>31 December 1997</u>	<u>1 January 1997</u> <u>or date of appointment</u>
P G Backhouse	62,070	47,682
D P Chapman	29,258	14,656
M de Fabiani	nil	nil

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 1997 as follows:

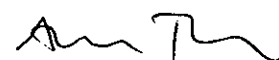
	<u>Granted</u>	<u>Exercised</u>
P G Backhouse	none	50,400
D P Chapman	1,790	16,800
M de Fabiani	none	none

No director had any interest in the shares or debentures of subsidiary undertakings of The British Petroleum Company p.l.c. at 31 December 1997.

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



Secretary

Registered Office
Breakspear Park
Breakspear Way
Hemel Hempstead
Herts HP2 4UL

18 June 1998

BP EUROPE LIMITED

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 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.

BP EUROPE LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF BP EUROPE LIMITED

We have audited the accounts on pages 5 to 11 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 5.

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.

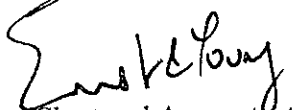
Basis of opinion

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 1997 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Chartered Accountants
Registered Auditor
London

18 June , 1998

BP EUROPE LIMITED

ACCOUNTING POLICIES

Accounting convention

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

As the ultimate parent undertaking has published a group cash flow statement in compliance with Financial Reporting Standard No.1 (Revised), a cash flow statement is not presented in these accounts.

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.

Foreign currencies

Transactions in foreign currencies 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 with the exception of fixed assets which are translated at the rate of exchange ruling at the date of acquisition. 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.

Deferred taxation

Deferred taxation is calculated using the liability method, in respect of timing differences arising primarily from the different accounting and tax treatment of depreciation. Provision is made, or recovery anticipated, where timing differences are expected to reverse in the foreseeable future.

BP EUROPE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

	<u>Note</u>	<u>1997</u> £000	<u>1996</u> £000
Dividend income	1	29,120	258,190
Administration expenses		19	(200)
Profit before taxation	2	29,101	258,390
Taxation	3	2,271	(165)
Profit for the year		31,372	258,555
Distribution to shareholders		0	350,000
Retained profit/(loss) for the year		31,372	(91,445)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 1997

There are no recognised gains or losses attributable to the shareholders of the company other than the profit for the year of £31,372,000 (1996 profit £258,555,000).

BP EUROPE LIMITED

BALANCE SHEET AT 31 DECEMBER 1997

	<u>Note</u>	<u>1997</u> £000	<u>1996</u> £000
Fixed assets			
Investments	6	1,997,214	1,270,270
Current assets			
Debtors	7	31,909	57,636
Cash at bank and in hand		952	-
		<u>32,861</u>	<u>57,636</u>
Creditors - amounts falling due within one year	8	855	58
Net current assets		<u>32,006</u>	<u>57,578</u>
SHAREHOLDERS' INTEREST		<u>2,029,220</u>	<u>1,327,848</u>
Represented by Capital and reserves			
Called up share capital	9	1,845,915	1,175,915
Reserves	10	183,305	151,933
SHAREHOLDERS' FUNDS - EQUITY INTEREST		<u>2,029,220</u>	<u>1,327,848</u>

 Director

18 June, 1998

BP EUROPE LIMITED

NOTES TO THE ACCOUNTS

1. **Dividend income**

	<u>1997</u> £000	<u>1996</u> £000
Dividends from subsidiary undertakings	29,120	258,190
	<u> </u>	<u> </u>

2. **Profit before taxation**

This is stated after charging/(crediting):

	<u>1997</u> £000	<u>1996</u> £000
Auditors' remuneration		
Audit fees - current year	1	3
Exchange (Gain) on foreign currency borrowings less deposits	(1)	(211)
	<u> </u>	<u> </u>

3. **Taxation**

	<u>1997</u> £000	<u>1996</u> £000
United Kingdom corporation tax @ 31.5% (1996 33%)	12,552	21,286
Less: overseas tax relief	(12,552)	(21,286)
	<u> </u>	<u> </u>
Overseas tax credit	(2,271)	(165)
	<u> </u>	<u> </u>
	<u>(2,271)</u>	<u>(165)</u>

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

The benefit of overseas underlying taxation as computed under Section 799 of the Income and Corporation Taxes Act of 1988 has been included in the overseas tax relief but not included in the overseas tax credit.

Provision for deferred taxation is not required.

BP EUROPE LIMITED

NOTES TO THE ACCOUNTS

4. **Directors and employees**

None of the directors received any fees or remuneration for services as a director of the company during the financial year (1996 £Nil). The company has no employees.

5. **Distribution to shareholders**

	<u>1997</u>	<u>1996</u>
	<u>£000</u>	<u>£000</u>
Ordinary - interim	0	350,000

6. **Fixed assets - investments**

	<u>Subsidiary undertaking Shares £000</u>
Cost	
At 1 January 1997	1,270,270
Additions	726,944
Deletions	-
	<hr/>
At 31 December 1997	1,997,214
	<hr/>
Net book amount	
At 31 December 1997	1,997,214
	<hr/>
At 31 December 1996	1,270,270
	<hr/>

The investments in subsidiary undertakings are unlisted.

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

BP EUROPE LIMITED

NOTES TO THE ACCOUNTS

6. Fixed assets - investments (continued)

The subsidiary undertakings of the company at 31 December 1997 and the percentage of equity capital held are set out below. The principal country of operation is generally indicated by the company's country of incorporation or by its name.

	<u>Percentage</u>	<u>Country of incorporation</u>	<u>Principal activities</u>
ABP NV/SA	100	Belgium	Investment holding
Baltic Petroleum	52	Russia	Marketing
BP Belgium Holdings Limited	100	England & Wales	Investment holding
BP Espana SA	48*	Spain	Refining & marketing
BP Europe Holdings Limited	100	England & Wales	Investment holding
BP France	100	France	Refining, marketing and chemicals
BP Finland OY	100	Finland	Marine
BP Greece Limited	100	England & Wales	Marketing
BP Holdings BV	100	Netherlands	Investment holdings
BP Italia spa	100	Italy	Nutrition & Chemicals
BP Neft AO	100	Russia	Marketing
BP Oil (Gibraltar) Ltd	100	Gibraltar	Marketing
BP (Switzerland)	100	Switzerland	Marketing

*52% of the equity capital of BP Espana SA is held by a fellow subsidiary undertaking.

7. Debtors

	<u>1997</u> £000	<u>1996</u> £000
Fellow subsidiary undertaking	31,908	57,636
Other	1	-
	<u>31,909</u>	<u>57,636</u>

8. Creditors - amounts falling due within one year

	<u>1997</u> £000	<u>1996</u> £000
Fellow subsidiary undertaking	-	55
Other	855	3
	<u>855</u>	<u>58</u>

BP EUROPE LIMITED

NOTES TO THE ACCOUNTS

9. Called up share capital

	<u>1997</u> £000	<u>1996</u> £000
Authorised:		
2,500,000,000 ordinary shares of £1 each	2,500,000	1,500,000

On the 12 December 1997, the authorised share capital of the company was increased to £2,500,000,000.

Allotted and fully paid:		
1,845,914,807 ordinary shares of £1 each	1,845,915	1,175,915

On the 23 December 1997, 670,000,000 ordinary shares of £1 each, were issued fully paid at par, in order to help finance investments in subsidiary undertakings. There were no share issues in 1996.

10. Reconciliation of shareholders' funds and movements on reserves

	<u>Share capital</u> £000	<u>Profit & loss account</u> £000	<u>Total</u> £000
At 1 January 1996	1,175,915	243,378	1,419,293
Profit for the year	-	258,555	258,555
Distribution to shareholders	-	(350,000)	(350,000)
At 1 January 1997	1,175,915	151,933	1,327,848
Profit for the year		31,372	31,372
Share capital issued	670,000	-	670,000
At 31 December 1997	1,845,915	183,305	2,029,220

11. Related party transactions

The company has taken advantage of the exemption contained within FRS 8, and has not disclosed transactions with group companies. There are no other related party transactions in the year.

12. Pensions

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

13. 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., registered in England and Wales. Copies of The British Petroleum Company p.l.c.'s accounts can be obtained from Britannic House, 1 Finsbury Circus, London EC2M 7BA.

BP EUROPE LIMITED

1997 statutory accounts

Filed on CAB//1997LondonStats

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Please keep this page for updating purposed.

Annette

March 27, 1998