

BP INTERNATIONAL LIMITED

ANNUAL REPORT AND ACCOUNTS - 1988

542515

Board of Directors:- D.A.G. Simon - Chairman
S.J. Ahearne
M.T. Bentley
C.P. King
S.W. Percy
A.P. Ravenscroft

REPORT OF THE DIRECTORS

The directors submit their report and the accounts for the year ended 31 December 1988.

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

Financial review

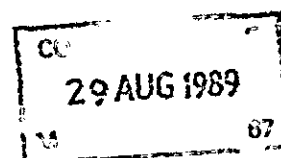
The profit for the year was £954 million. An interim dividend of £900 million was paid in respect of 1988 and the balance of retained profit at 31 December 1988 of £252 million is being carried forward.

Review of activities

Oil activities comprise Head Office costs (less recoveries) of BP's Refining and Marketing business, as well as certain international business sectors which are managed in London. They showed an operating loss of £43 million (1987 £57 million) which reflects a recovery in industry refining margins from the depressed 1987 levels and an improved trading performance. Results from marketing petroleum products were unchanged.

The chemicals trading result for 1988 represents an outstanding performance with operating profits of £217 million compared with £97 million in the previous year. Growth in demand for bulk petrochemical products combined with lower feedstock costs improved margins significantly. In addition worldwide production was below capacity as certain plant shut-downs, notably for ethylene and acetic acid, added to a tight supply position.

Income from corporate activities of £1,241 million includes dividends from subsidiary companies of £1,084 million.



BP INTERNATIONAL LIMITED

REPORT OF THE DIRECTORS

Directors

The present directors of the company are listed on the previous page. Mr. D.A.G. Simon, Mr. S.J. Ahearne, Mr. M.T. Bentley, Mr. R.F. Chase and Mr. A.P. Ravenscroft served throughout the financial year. Mr. C.P. King was appointed on 14 April 1988. Dr. J.G. St. C. Buchanan resigned on 17 October 1988 and Mr. M.W. Press was appointed on the same date. 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. In accordance with the Articles of Association Mr. S.W. Percy now retires and, being eligible, offers himself for re-election. The directors have resolved to appoint Mr. R.A. McGimpsey a director with effect from 22 August 1989 and a resolution proposing his election will be put to the members at the annual general meeting.

The interests of the directors holding office on 31 December 1988 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 1988 or date of appointment	31 December 1988
S.J. Ahearne	25p ordinary	4596	5996
M.T. Bentley	25p ordinary	6147	6992
R.F. Chase	25p ordinary	3450	8364
C.P. King	25p ordinary	9515	11902
M.W. Press	25p ordinary	nil	nil
A.P. Ravenscroft	25p ordinary	16200	17271

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 1988.

Auditors

Ernst & Whinney, who have expressed their willingness to continue in office as auditors, will be merging their practice with Arthur Young on 1 September 1989 and from that date will practice in the name of Ernst & Young. Until then the firm continues to practice as Ernst & Whinney and therefore a resolution proposing the re-appointment of Ernst & Whinney 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.
21 August 1989

BP INTERNATIONAL LIMITED

REPORT OF THE AUDITORS

To the Members of BP International Limited

We have audited the accounts set out on pages 4 to 19 in accordance with approved auditing standards. The accounts have been prepared under the historical cost convention.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1988 and of the profit and source and application of funds for the year then ended and comply with the Companies Act 1985.

ERNST & WHINNEY
Chartered Accountants
London
21 August 1989

BP INTERNATIONAL LIMITED

ACCOUNTING POLICIES

Changes in accounting policies and presentation

From 1 January 1988 accounting for leases has been changed consequent upon the adoption of Statement of Standard Accounting Practice No. 21 - Accounting for leases and hire purchase contracts. This change had no effect on reported income for 1987. Previous years' figures have been restated to conform with the 1988 presentation.

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.

BP INTERNATIONAL LIMITED

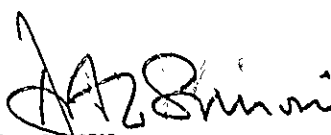

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1988

	<u>Note</u>	<u>1988</u> <u>£m</u>	<u>1987</u> <u>£m</u>
TURNOVER	1	7,533	9,404
Cost of sales		<u>7,108</u>	<u>9,171</u>
GROSS PROFIT		425	233
Distribution expenses		139	112
Administration expenses		<u>261</u>	<u>250</u>
		25	(129)
Other income	2	<u>1,382</u>	<u>1,098</u>
OPERATING PROFIT	1	1,407	969
Interest and other similar charges	3	382	320
Exchange (gain)/loss on long term loans to subsidiary companies		(91)	326
Provision against fellow subsidiary and related companies		<u>23</u>	<u>19</u>
PROFIT BEFORE TAXATION	4	1,093	304
Taxation	5	<u>139</u>	<u>96</u>
PROFIT FOR THE YEAR		<u>954</u>	<u>208</u>
<u>RETAINED PROFIT</u>			
Retained profit at 1 January		198	717
Profit for the year		954	208
Interim dividend		<u>900</u>	<u>727</u>
RETAINED PROFIT AT 31 DECEMBER		<u>252</u>	<u>198</u>

BP INTERNATIONAL LIMITED

BALANCE SHEET AT 31 DECEMBER 1988

	<u>Note</u>	<u>1988</u> £m	<u>1987</u> £m
FIXED ASSETS			
Intangible assets	6	7	11
Tangible assets	7	596	502
Investments	8	1,021	996
		<hr/>	<hr/>
		1,624	1,509
CURRENT ASSETS			
Stocks	9	126	153
Debtors	10	8,448	5,757
Investments	11	11	105
Cash at bank and in hand		3	344
		<hr/>	<hr/>
		8,588	6,359
CREDITORS - amounts falling due within one year			
Finance debt	12	423	449
Other creditors	13	8,504	6,147
		<hr/>	<hr/>
		339	237
NET CURRENT LIABILITIES			
		<hr/>	<hr/>
		1,285	1,272
TOTAL ASSETS LESS CURRENT LIABILITIES			
CREDITORS - amounts falling due after more than one year			
Finance debt	12	164	54
Other creditors	13	768	919
		<hr/>	<hr/>
PROVISIONS FOR LIABILITIES AND CHARGES			
Deferred taxation	5	100	100
		<hr/>	<hr/>
SHAREHOLDERS' INTEREST			
		253	199
Represented by:			
CAPITAL AND RESERVES			
Called up share capital	14	1	1
Profit and loss account		252	198
		<hr/>	<hr/>
		253	199
		<hr/>	<hr/>

 Director
 D.A.G. SIMON
 Director
 A.P. RAVENSCHROFT

21 August 1989

BP INTERNATIONAL LIMITED

SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31 DECEMBER 1988

	<u>1988</u> <u>£m</u>	<u>1987</u> <u>£m</u>
SOURCE OF FUNDS		
Profit after taxation	954	208
Items not involving the movement of funds (i)	107	15
	<hr/>	<hr/>
	1,061	223
Working capital movement (ii)	(307)	(261)
Book amount of fixed assets sold	125	319
Creditors due after one year (excluding finance debt)	(151)	696
	<hr/>	<hr/>
FUNDS GENERATED FROM OPERATIONS	728	977
APPLICATION OF FUNDS		
Interim dividend	900	727
Capital expenditure	347	509
	<hr/>	<hr/>
FUNDS REQUIRED	(519)	(259)
	<hr/>	<hr/>
FINANCIAL MOVEMENTS:-		
Finance debt - increase	(84)	(304)
Current asset investments - decrease	(94)	(95)
Cash at bank and in hand - (decrease)/increase	(341)	140
	<hr/>	<hr/>
	(519)	(259)
	<hr/>	<hr/>
NOTES		
(i) Items not involving the movement of funds		
Depreciation	84	73
Provision against fellow subsidiary and related companies	23	19
Provision for deferred taxation	-	(77)
	<hr/>	<hr/>
	107	15
	<hr/>	<hr/>
(ii) Working capital movement		
Stocks	27	(17)
Debtors	(2,691)	(2,778)
Creditors due within one year (excluding finance debt)	2,357	2,534
	<hr/>	<hr/>
	(307)	(261)
	<hr/>	<hr/>

BP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS

1. Turnover

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

Activity analysis	1988		1987	
	Turnover	Operating profit/ (loss) before tax	Turnover	Operating profit/ (loss) before tax
	£m	£m	£m	£m
Oil	6,134	(43)	8,269	(57)
Chemicals	1,344	217	1,195	97
Corporate	-	1,241	-	952
Other activities	146	(8)	119	(23)
Less: inter-activity sales	(91)		(179)	
	<u>7,533</u>	<u>1,407</u>	<u>9,404</u>	<u>969</u>

Corporate includes the management and financial activities of Head Office.

Other activities include gas (except for LPG), coal, solar energy, engineering and technical activities.

2. Other income

	<u>1988</u> £m	<u>1987</u> £m
Subsidiary companies		
Dividends	1,084	748
Other interest and miscellaneous income	256	249
	<u>1,340</u>	<u>997</u>
Interest from fellow subsidiary companies	23	8
Other interest and miscellaneous income	19	93
	<u>1,382</u>	<u>1,098</u>

BP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

3. Interest and other similar charges	<u>1988</u> <u>£m</u>	<u>1987</u> <u>£m</u>
Interest expense		
Non-group loans wholly repayable		
within 5 years	49	92
Group and fellow subsidiary loans	319	213
Finance leases	6	-
	<hr/>	<hr/>
	374	305
Factoring charge payable to BP Capital p.l.c.	8	15
	<hr/>	<hr/>
	<u>382</u>	<u>320</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 and audit costs	<u>1988</u> <u>£m</u>	<u>1987</u> <u>£m</u>
Profit before taxation is arrived at after charging:		
Depreciation	84	73
Hire charges under operating leases:		
Plant and machinery	20	17
Land and buildings	4	3
	<hr/>	<hr/>
	<u>24</u>	<u>20</u>

Auditors' remuneration amounted to £478,000 (1987 £435,000).

BP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

5. Taxation

	<u>1988</u> £m	<u>1987</u> £m
United Kingdom corporation tax		
- Current at 35%	343	240
- Overseas taxation relief	(340)	(80)
	—	—
	3	160
- Advance corporation tax write off	100	—
- Deferred at 35%	—	(77)
	—	—
	103	83
Overseas taxation	36	13
	—	—
	139	96
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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, £3 million (1987 £160 million) has been provided for UK corporation tax at 35% after taking account of overseas taxation relief attributable to this company. No provision for deferred taxation (1987 write back of £77 million) has been made in the current year. The provision in respect of deferred taxation and the gross potential liability at 31 December 1988 in respect of the group's non-North Sea activities are £100 million and £314 million respectively (1987 £100 million and £233 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 1988 comprises tax at 35% (1987 35%) in respect of:-

	<u>1988</u> £m	<u>1987</u> £m
Depreciation	103	103
Other items	(22)	—
	—	—
	81	103
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Advance corporation tax of £21 million, net after the above £100 million write off, (1987 £60 million) has not been deducted from the potential amounts of deferred taxation. This item is included in debtors - taxation recoverable.

BP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

6. Intangible assets

	Patents & trade marks
Cost	£m
At 1 January 1988	25
At 31 December 1988	25
Depreciation	
At 1 January 1988	14
Charge for the year	4
At 31 December 1988	18
Net book amount	
At 31 December 1988	7
At 31 December 1987	11
Principal rate of depreciation	20%

BP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

7. Tangible assets - property, plant and equipment

	Chemicals £m	Oil £m	Corporate and other £m	Total £m	of which: Assets under construction £m
Cost					
At 1 January 1988	804	7	235	1,046	170
Additions	247	2	49	298	120
Reclassifications	-	-	-	-	(30)
Deletions	(116)	(1)	(16)	(133)	(116)

At 31 December 1988	935	8	268	1,211	144
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Depreciation

At 1 January 1988	421	3	120	544	
Charge for the year	48	2	30	80	
Deletions	(1)	(1)	(7)	(9)	

At 31 December 1988	468	4	143	615	
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Net book amount

At 31 December 1988	467	4	125	596	144
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At 31 December 1987	383	4	115	502	170
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Principal rates of depreciation

5-20%	10-25%	10-25%
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Included with above assets:

	Leased assets			Capitalised interest			Freehold land
	Cost £m	Dep'n £m	Net £m	Cost £m	Dep'n £m	Net £m	£m
At 31 December 1988	116	1	115	7	4	3	3
At 31 December 1987	5	3	2	7	4	3	3

BP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

8. Fixed assets - investments

	Subsidiary companies shares £m	Related companies shares £m	loans £m	Other loans £m	Total £m
Cost					
At 1 January 1988	961	33	-	6	1,000
Additions	4	36	7	2	49
Deletions	(1)	-	-	-	(1)
At 31 December 1988	964	69	7	8	1,048
Amounts provided					
At 1 January 1988	2	-	-	2	4
Provided in the year	-	23	-	-	23
At 31 December 1988	2	23	-	2	27
Net book amount					
At 31 December 1988	962	46	7	6	1,021
At 31 December 1987	959	33	-	4	996

The more important investments in subsidiary and related companies as at 31 December 1988 are set out in note 20.

BP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

9. Stocks

	<u>1988</u>	<u>1987</u>
	£m	£m
Stocks of oil	11	58
Stocks of chemicals	88	73
Stores	27	22
	<hr/>	<hr/>
	126	153
	<hr/>	<hr/>
Replacement cost of stocks and stores	138	155
	<hr/>	<hr/>

10. Debtors

	1988		1987	
	Within 1 Year	After 1 Year	Within 1 Year	After 1 Year
	£m	£m	£m	£m
Trade	301	-	343	-
Subsidiary companies	5,228	2,529	2,284	2,694
Fellow subsidiary companies	277	9	243	-
Related companies	1	-	-	-
Prepayments and accrued income	39	1	98	1
Advance corporation tax recoverable	21	-	60	-
Other	42	-	33	1
	<hr/>	<hr/>	<hr/>	<hr/>
	5,909	2,539	3,061	2,696
	<hr/>	<hr/>	<hr/>	<hr/>

11. Current assets - investments

	<u>1988</u>	<u>1987</u>
	£m	£m
Listed - UK	8	6
- Foreign	3	3
	<hr/>	<hr/>
	11	9
Unlisted	-	96
	<hr/>	<hr/>
	11	105
	<hr/>	<hr/>
Stock exchange value of listed investments	16	10
	<hr/>	<hr/>

BP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

12. Finance debt

	1988		1987	
	Within 1 Year £m	After 1 Year £m	Within 1 Year £m	After 1 Year £m
Bank loans and overdrafts	423	49	449	52
Obligations under finance leases	-	115	-	2
	<hr/> 423	<hr/> 164	<hr/> 449	<hr/> 54

There were no bank loans and overdrafts payable after 5 years (1987 £20 million).

The company had borrowing facilities available amounting to £3,315 million (1987 £798 million) none of which had been taken up at 31 December 1988.

Obligations under finance leases:

	<u>1988</u> £m	<u>1987</u> £m
Minimum future lease payments		
Payable within:		
1 year	1	-
2 to 5 years	29	1
Thereafter	340	3
	<hr/> 370	<hr/> 4
Less finance charges	255	2
	<hr/> 115	<hr/> 2
Net obligations		

BP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

13. Other creditors

	1988		1987	
	Within 1 Year £m	After 1 Year £m	Within 1 Year £m	After 1 Year £m
Trade	316	-	360	-
Subsidiary companies	3,423	660	1,191	783
Holding and fellow subsidiary companies (including 1988 interim dividend)	4,257	105	3,979	133
Related companies	26	-	2	-
Taxation on profits	325	-	463	-
Accruals and deferred income	62	-	48	-
Other	95	3	104	3
	<u>8,504</u>	<u>768</u>	<u>6,147</u>	<u>919</u>

Included in amounts due to holding and fellow subsidiary companies are £43 million 12% debentures redeemable 31 December 2007 (1987 £43 million).

14. Called up share capital

	<u>1988</u> £m	<u>1987</u> £m
Authorised, allotted and fully paid 1,000,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>

15. Contingent liabilities

There were contingent liabilities at 31 December 1988 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.

16. Capital commitments

Authorised future capital expenditure is estimated at £248 million (1987 £212 million) including approximately £57 million (1987 £49 million) for which contracts have been placed.

BP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

17. Leases

Annual commitments under operating leases:

	1988		1987	
	Land and buildings £m	Other £m	Land and buildings £m	Other £m
Expiring within				
1 year	-	-	-	1
2 to 5 years	-	2	-	1
Thereafter	5	-	3	-
	-	-	-	-
	5	2	3	2
	=	=	=	=

18. 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.

19. Subsidiary and related companies

The more important subsidiary companies of the company as at 31 December 1988 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.

BP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

Subsidiary and related companies (continued)

	%	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

BP INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS (CONTINUED)

Subsidiary and related companies (continued)

	%	Country of incorporation	Principal activities
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

The more important related companies of the company as at 31 December 1988 and the percentage of equity share capital held (to the nearest whole number) are set out below:-

	%	Country of incorporation	Principal activity	Issued Share Capital
Africa Consolidated Petroleum	50	England	Marketing	350,000 shares of £10
Brazil Cesbra Administracao E Participacoes	49	Brazil	Minerals	92.35 million shares of N.P.V.
Japan County NatWest Securities Asia	25	Hong Kong	Finance	135 million shares of HK\$1
UK Combustion Systems	50	England	Consultancy	6 shares of £1

The investments in subsidiary and related companies are unlisted.

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