

# BP INTERNATIONAL LIMITED

## ANNUAL REPORT AND ACCOUNTS — 1985

Board of Directors: D.A.G. Simon — Chairman  
M.T. Bentley  
Dr. J.G. St. C. Buchanan  
R.F. Chase  
C.P. King  
A.P. Ravenscroft

### REPORT OF THE DIRECTORS

The directors submit their report and the accounts for the year ended 31 December 1985.

The company, which is based in the UK, is engaged internationally in oil trading, chemicals and plastics, gas and coal and 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 £558 million after crediting extraordinary items amounting to £3 million. An interim dividend of £550 million was paid in respect of 1985. The balance of retained profit at 31 December 1985 of £287 million is being carried forward.

#### Review of Activities

Oil trading results for the year reflected the general level of competition in the sectors in which BP International operates, although the weakening of the US dollar over the year relieved some of these pressures.

In the aviation sector, profitability was constrained by the competitive environment. In particular, towards the end of the year spot market prices for aviation fuels rose steeply and it was not possible to pass on these costs in full to the customer. Sales in the marine sector were somewhat below 1984 levels; profitability in the lubricants sector was affected by the need to concede rebates to customers in the face of intense competitive pressures. No major changes are planned for oil trading operations in 1986, with weak demand and over-supply of crude oil being major features. The sharp fall in prices experienced in the first quarter of 1986 can be expected to generate substantial stock losses unless prices recover.

The chemicals and plastics trading position showed an improvement over the previous year. Sales volumes increased by 2% and margins also improved whilst temporary cracker shutdowns in Europe tightened supply. In the fourth quarter, prices of ethylene derivative products were undermined by Middle East imports, but this was largely offset by falling feedstock costs and a strengthening of the Deutschmark against the US dollar.

Extraordinary items, less related taxation, in the chemicals and plastics business amounted to £27 million. These items reflected a review of asset values in relation to changing market conditions.

- 5 AUG 1986

#### Future Developments

With effect from 31 March 1986, the company acquired the business and assets and assumed the liabilities of Forth Chemicals Limited and Border Chemicals Limited. The net assets purchased by the company amounted to £25 million.

On 1 July 1986 the company acquired BP Oil Limited from a subsidiary company.



# BP INTERNATIONAL LIMITED

## Directors

The present directors of the company are listed on the previous page. Mr. R.B. Horton, Mr. T.J. Bramley, Mr. C.P. King and Mr. A.P. Ravenscroft were directors throughout the financial year. Mr. Q.M. Morris resigned on 31 January 1985, Mr. J.H. Ross resigned on 13 December 1985, Mr. R.B. Horton resigned on 7 April 1986 and Mr. T.J. Bramley resigned on 21 May 1986. Mr. E.J.P. Browne was appointed on 31 January 1985 and resigned on 7 April 1986. Dr. J.G. St. C. Buchanan was appointed on 13 December 1985, Mr. D.A.G. Simon and Mr. R.F. Chase were appointed on 7 April 1986 and Mr. M.T. Bentley was appointed on 21 May 1986. In accordance with the Articles of Association Mr. D.A.G. Simon, Mr. M.T. Bentley, Dr. J.G. St. C. Buchanan and Mr. R.F. Chase now retire and, being eligible, offer themselves for re-election.

The interests of the directors holding office at 31 December 1985 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:-

		1 January 1985	31 December 1985
Type of share		or date of appointment	
T.J. Bramley .....	25p ordinary	1,186	1,564
E.J.P. Browne .....	25p ordinary	876	1,065
Dr. J.G. St. C. Buchanan .....	25p ordinary	1,004	1,004
C.P. King .....	25p ordinary	1,286	1,475
A.P. Ravenscroft .....	25p ordinary	3,718	4,341

No director had any interest in shares or debentures of subsidiary companies of The British Petroleum Company p.l.c. at 31 December 1985.

## Auditors

Ernst & Whinney have expressed their willingness to continue in office as auditors and in accordance with Section 384 of the Companies Act 1985 a resolution proposing their reappointment as auditors of the Company will be put to the members at the annual general meeting.

By order of the Board,  
R.C. GRAYSON  
Secretary

Britannic House,  
Moor Lane,  
London.  
EC2Y 9BU  
22 July 1986

# BP INTERNATIONAL LIMITED

## REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the accounts of BP International Limited, set out on pages 4 to 12. These have been prepared under the historical cost convention. Our audit has been carried out in accordance with approved auditing standards.

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

ERNST & WHINNEY

*Chartered Accountants*

London

22 July, 1986

# BP INTERNATIONAL LIMITED

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1985

	Note	1985 £m	1984 £m
Turnover .....	2	14,724	15,452
Cost of Sales .....		14,549	15,461
Gross profit/(loss) .....		175	(9)
Distribution expenses .....		141	108
Administration expenses .....		129	113
		(95)	(230)
Other income .....	3	1,022	817
Operating profit .....	2	927	587
Provision against amounts due from subsidiary and fellow subsidiary companies .....		123	98
Interest and other similar charges .....	6	86	85
Profit before taxation .....	4	718	404
Taxation .....	7	163	120
Profit after taxation .....		555	284
Extraordinary items .....	8	3	(254)
Profit for the year .....		558	30

### RETAINED PROFIT

Retained profit at 1 January .....	279	749
Profit for the year .....	558	30
Interim dividend .....	550	500
Retained profit at 31 December .....	287	279

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# BP INTERNATIONAL LIMITED

## BALANCE SHEET AT 31 DECEMBER 1985

	Note	1985 £m	1984 £m
<b>Fixed assets</b>			
Intangible assets	9	15	11
Tangible assets	10	381	417
Investments	11	734	732
		<u>1,130</u>	<u>1,160</u>
<b>Current assets</b>			
Stocks	12	225	290
Debtors	13	3,423	3,862
Investments	14	47	—
Cash at bank and in hand		309	837
		<u>4,004</u>	<u>4,989</u>
<b>Creditors</b>			
Amounts falling due within one year	15	4,626	5,624
<b>Net current liabilities</b>		<u>622</u>	<u>635</u>
<b>Total assets less current liabilities</b>		<u>508</u>	<u>525</u>
<b>Creditors</b>			
Amounts falling due after more than one year	15	43	43
<b>Provisions for liabilities and charges</b>			
Deferred tax	7	177	202
<b>Shareholders' interest</b>		<u>288</u>	<u>280</u>
<b>Represented by:</b>			
<b>Capital and reserves</b>			
Called up share capital	16	1	1
Profit and loss account		287	279
		<u>238</u>	<u>280</u>

*[Signature]*  
D.A.G. SIMON  
*[Signature]*  
M.T. BENTLEY

D.A.G. SIMON

M.T. BENTLEY

22 July, 1986

Directors

# BP INTERNATIONAL LIMITED

## SOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31 DECEMBER 1985

	1985 £m	1984 £m
<b>Source of funds</b>		
Profit after taxation .....	555	284
Extraordinary items .....	3	(254)
Items not involving movement of funds (i) .....	204	370
Working capital movement (ii) .....	(536)	311
Book amount of fixed assets sold .....	6	212
	<u>232</u>	<u>923</u>
<b>Funds generated from operations</b> .....		
<b>Application of funds</b>		
Interim dividend .....	550	500
Capital expenditure .....	75	75
Acquisitions .....	7	—
	<u>(400)</u>	<u>348</u>
<b>Funds (applied)/generated</b> .....		
<b>Financial movements:-</b>		
Finance debt - decrease .....	81	(256)
Current asset investments - increase .....	47	—
Cash at bank and in hand - (decrease) .....	(528)	604
	<u>(400)</u>	<u>348</u>
<b>Notes</b>		
(i) Items not involving movement of funds		
Depreciation .....	106	70
Provisions against amounts due from subsidiary and fellow subsidiary companies .....	123	98
Deferred taxation .....	(25)	202
	<u>204</u>	<u>370</u>
(ii) Working capital movement		
Stocks .....	65	(40)
Debtors .....	316	(289)
Creditors due within one year (excluding finance debt) .....	(917)	640
	<u>(536)</u>	<u>311</u>

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# BP INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS

### (1) Accounting policies

- (a) The accounts are prepared under the historical cost convention.
- (b) 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. Provisions are made against accumulated losses of subsidiary and related companies where it is considered that such losses will not be extinguished in the foreseeable future.
- (c) Depreciation on tangible fixed assets and patents and trade marks is calculated on the straight line method over their estimated useful lives.
- (d) Coal exploration expenditure is accounted in accordance with the successful efforts method. Such expenditure is initially classified as an intangible fixed asset. When commercially exploitable reserves of coal are determined the relevant expenditure is transferred to tangible production assets. All coal exploration expenditure determined as unsuccessful is charged against profit for the year.
- (e) Stocks of oil, chemicals and plastics 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.
- (f) Assets and liabilities of foreign currency branches are translated into sterling at closing rates of exchange and profit and loss accounts 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.
- (g) Expenditure on research is written off in the year in which it is incurred.
- (h) 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.

- (2) Turnover comprises sales proceeds excluding customs duties and sales taxes, all of which falls within the UK geographic area.

#### Activity analysis:

	1985		1984	
	Turnover	Operating profit/ (loss) before tax	Turnover	Operating profit/ (loss) before tax
	£m	£m	£m	£m
Oil trading	13,413	(77)	14,150	(20)
Chemicals and plastics	1,122	(33)	1,101	(39)
Gas	399	(7)	373	(3)
Corporate	—	942	—	671
Other	7	102	4	(22)
Less: Intra-company sales	(217)		(176)	
	<u>14,724</u>	<u>927</u>	<u>15,452</u>	<u>587</u>

Corporate includes the management and financial activities of Head Office.

### (3) Other income

#### Subsidiary companies

##### Dividends

##### Other interest and miscellaneous income

#### Dividends from related companies

#### Interest from fellow subsidiary companies

#### Other interest and miscellaneous income

	1985	1984
	£m	£m
Subsidiary companies	768	686
Dividends	205	97
Other interest and miscellaneous income	<u>973</u>	<u>783</u>
Dividends from related companies	—	2
Interest from fellow subsidiary companies	17	21
Other interest and miscellaneous income	<u>32</u>	<u>11</u>
	<u>1,022</u>	<u>817</u>

### (4) Profit before taxation is arrived at after charging:

#### Depreciation

#### Hire of plant and machinery

Auditors' remuneration amounted to £401,000 (1984 £371,000).

	1985	1984
	£m	£m
Depreciation	106	70
Hire of plant and machinery	<u>14</u>	<u>16</u>

# BP INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS (continued)

### (5) 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.

### (6) Interest and other similar charges

	1985 £m	1984 £m
Interest expense		
Non-group loans wholly repayable within 5 years	16	18
Group and fellow subsidiary loans	43	38
	<u>59</u>	<u>56</u>
Charge payable to BP Capital Limited	27	29
	<u>86</u>	<u>85</u>

The charge payable to BP Capital Limited arises under a factoring agreement in respect of certain of the company's debtors.

### (7) Taxation

	1985 £m	1984 £m
United Kingdom corporation tax		
Current at 41.25% (46.25%)	266	150
Overseas tax relief	(167)	(119)
	<u>99</u>	<u>31</u>
Deferred at 35%	42	72
	<u>141</u>	<u>103</u>
Overseas tax	22	17
Charge for the year	<u>163</u>	<u>120</u>

United Kingdom taxation — the company is a member of a group for the purposes of group relief under Section 258 of the Income and Corporation Taxes Act 1970.

Having regard to the group tax position in respect of non-North Sea activities £99 million (1984 £31 million) has been provided for UK corporation tax at 41.25% (1984 46.25%) after taking account of overseas tax relief attributable to this company; £42 million (1984 £72 million) has been provided for deferred tax at 35% (1984 35%) in the accounts of this company. In 1984 an additional charge for deferred taxation relating to previous years of £130 million, which resulted from changes introduced in the Finance Act 1984, was dealt with as an extraordinary item (see note 8). The amounts provided in respect of deferred tax and the gross potential liability at 31 December 1985 in respect of the group's non-North Sea activities, including the amounts credited in the extraordinary item, are £177 million and £292 million (1984 £202 million and £357 million).

The corporation tax liability of this company, which has been included in the above amounts, is partially covered by double tax relief. The benefit of overseas underlying tax available under Section 506 of the Income and Corporation Taxes Act 1970 has been included in the overseas tax relief but not included in the overseas tax charge.

The gross potential liability of this company for deferred taxation at 31 December 1985 comprises tax at 35% (1984 35%) in respect of:

	1985 £m	1984 £m
Depreciation	98	115
Other items	14	(11)
	<u>112</u>	<u>104</u>



# BP INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS (continued)

### (7) Taxation (continued)

If provision for deferred taxation had been made in the accounts of this company on the basis of the gross potential liability, there would have been a charge for the year of £18 million (1984 £10 million credit) and the credit relating to the extraordinary items would have been £10 million (1984 £114 million charge).

	1985 £m	1984 £m
(8) Extraordinary items		
Chemicals closure and reorganisation costs (see note i below)	(27)	13
Tax credit relating to extraordinary items (see note ii below)	30	—
UK deferred tax (see note 7)	—	(130)
Waiver of debt from Deutsche BP	—	(137)
	<u>3</u>	<u>(254)</u>

Note i Chemicals closure and reorganisation costs are shown after deducting relief for UK corporation tax of £6 million.

Note ii The tax credit arises in respect of non-North Sea UK corporation tax relief on extraordinary items relating to UK subsidiary and fellow subsidiary companies charged in their accounts.

### (9) Intangible assets

	Coal exploration £m	Patents & trade marks £m	Total £m
Cost			
At 1 January 1985	8	14	22
Additions	3	6	9
Acquisitions	—	1	1
At 31 December 1985	<u>11</u>	<u>21</u>	<u>32</u>
Depreciation			
At 1 January 1985	8	3	11
Charge for the year	3	3	6
At 31 December 1985	<u>11</u>	<u>6</u>	<u>17</u>
Net book amount			
At 31 December 1985	<u>—</u>	<u>15</u>	<u>15</u>
At 31 December 1984	<u>—</u>	<u>11</u>	<u>11</u>

### (10) Tangible assets

#### Property, plant and equipment

	Chemicals and plastics £m	Other businesses £m	Corporate £m	Assets under construction £m	Total £m
Cost					
At 1 January 1985	605	4	143	18	770
Acquisitions	6	—	—	—	6
Additions	6	4	29	25	64
Reclassifications	10	—	6	(16)	—
Deletions	(14)	(1)	(6)	(1)	(22)
At 31 December 1985	<u>613</u>	<u>7</u>	<u>172</u>	<u>26</u>	<u>818</u>
Depreciation					
At 1 January 1985	295	2	56	—	353
Charge for the year	78	2	20	—	100
Deletions	(12)	—	(4)	—	(16)
At 31 December 1985	<u>361</u>	<u>4</u>	<u>72</u>	<u>—</u>	<u>437</u>
Net book amount					
At 31 December 1985	<u>252</u>	<u>3</u>	<u>100</u>	<u>26</u>	<u>381</u>
At 31 December 1984	<u>310</u>	<u>2</u>	<u>87</u>	<u>18</u>	<u>417</u>

Principal rates of depreciation

5—20%    5—20%    10—25%

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# BP INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS (continued)

### (10) Tangible assets (continued)

Included with above assets:

At 31 December 1985

At 31 December 1984

Cost £m	Capitalised interest Depreciation £m	Net £m	Freehold land £m
7	2	5	3
7	2	5	3

### (11) Investments

	Subsidiary companies shares £m	Related companies shares £m	Total £m
<b>Cost</b>			
At 1 January 1985	702	36	738
Additions	2	—	2
Deletions	—	(6)	(6)
At 31 December 1985	704	30	734
<b>Amounts provided</b>			
At 1 January 1985	—	6	6
Deletions	—	(6)	(6)
At 31 December 1985	—	—	—
<b>Net book amount</b>			
At 31 December 1985	704	30	734
At 31 December 1984	702	30	732

In the opinion of the directors, the aggregate value of shares in and amounts owing from the company's subsidiaries is not less than the amounts at which these are shown in the balance sheet.

The more important subsidiary companies of the group as at 31 December 1985 and the group percentage of equity share capital (to the nearest whole number) are set out below:-

	%	Country of incorporation	Principal activities
<b>(a) Held by this company</b>			
Arcadian Holdings	100	New Zealand	Holding company
BP Capital	100	England	Finance
BP Chemicals International	100	England	Chemicals
BP Coal	100	England	Coal production and marketing
BP Exploration	100	Scotland	Exploration and production
BP Gas International	100	England	Natural gas and liquefied petroleum gas
BP North America	99	U.S.A.	Holding company
BP Nutrition	100	England	Nutrition
BP Oil International	100	England	Integrated oil operations
Bristol Composite Materials	100	England	Manufacturing
British Petroleum BV	100	Netherlands	Holding company
Scicon International	100	England	Computer software
The Standard Oil Company	55	U.S.A.	Integrated oil, coal, chemicals and minerals operations
<b>(b) Held by subsidiary companies</b>			
BP Alaska Exploration	100	U.S.A.	Exploration and production
BP Chemicals	100	England	Chemicals
BP Handel Maatschappij Nederland	100	Netherlands	Marketing
BP North America Petroleum	100	U.S.A.	Oil trading and marketing
BP Oil	100	England	Refining and marketing
BP Oil Development	100	England	Oil production
BP (Oil Exploration) Company New Zealand	100	New Zealand	Exploration and production
BP Oil New Zealand	100	New Zealand	Marketing

# BP INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS (continued)

### (11) Investments (continued)

#### (b) Held by subsidiary companies (continued)

BP Petroleum Development	100	England	Exploration and production
BP Pipelines	100	U.S.A.	Pipeline company
British Petroleum Raffinaderij Nederland	100	Netherlands	Refining
Europa Oil NZ	100	New Zealand	Marketing
Hendrix International	100	Netherlands	Nutrition
Noordzee Selection	100	Netherlands	Natural gas

A complete list of investments in subsidiary companies will be attached to the company's annual return made to the Registrar of Companies.

The related companies of the company at 31 December 1985 and the percentage of equity share capital held (to the nearest whole number) are set out below:-

	%	Country of Incorporation	Principal activities
Cesbra Administracao e Participacoes	49	Brazil	Minerals
Combustion Systems	50	England	Consultancy
Southwood Heights Management	33	England	Administration
The Consolidated Petroleum Company	50	England	Marketing
Trefoil Petroleum	33	England	Non trading

The investments in subsidiary and related companies are almost entirely unlisted.

(12) Stocks	1985 £m	1984 £m
Stocks of oil	101	163
Stocks of chemicals and plastics	105	106
Stores	19	21
	<u>225</u>	<u>290</u>
Replacement cost of stocks and stores	<u>241</u>	<u>299</u>

(13) Debtors	1985		1984	
	Within 1 year £m	After 1 year £m	Within 1 year £m	After 1 year £m
Trade	644	1	611	1
Subsidiary companies	1,146	802	2,269	469
Fellow subsidiary companies	652	100	407	35
Related companies	31	—	36	—
Prepayments and accrued income	9	—	11	—
Other	37	1	22	1
	<u>2,519</u>	<u>904</u>	<u>3,356</u>	<u>506</u>

(14) Current assets — investments	1985 £m	1984 £m
Unlisted	<u>47</u>	<u>—</u>

(15) Creditors	1985		1984	
	Within 1 year £m	After 1 year £m	Within 1 year £m	After 1 year £m
Finance debt - bank loans and overdrafts	290	—	361	—
Trade	817	—	971	—
Subsidiary companies	1,195	—	1,983	—
Holding and fellow subsidiary companies (including 1985 interim dividend)	1,934	43	2,001	43
Related companies	32	—	36	—
Taxation on profits	257	—	127	—
Accruals and deferred income	38	—	32	—
Other	73	—	113	—
	<u>4,626</u>	<u>43</u>	<u>5,624</u>	<u>43</u>

# BP INTERNATIONAL LIMITED

## NOTES TO THE ACCOUNTS (continued)

### (15) Creditors (continued)

Included in amounts due to holding and fellow subsidiary companies are £43 million 12% debentures redeemable 31 December 2007 (1984 £43 million).

The company has borrowing facilities available amounting to £1,262 million (1984 £256 million) none of which had been taken up at 31 December 1985 and 31 December 1984.

(16) Called up share capital	1985 £m	1984 £m
Authorised, allotted and fully paid		
1,000,000 ordinary shares of £1 each	<u>1</u>	<u>1</u>

### (17) Capital commitments

Authorised future capital expenditure is estimated at £152 million (1984 £84 million) including approximately £28 million (1984 £4 million) for which contracts have been placed.

### (18) Contingent liabilities

There were contingent liabilities at 31 December 1985 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.

A claim originally quantified at \$108 million, but subsequently unquantified except to the extent of some \$26 million in respect of expenditure allegedly incurred on remedial work up to mid-1985, has been brought by Abu Dhabi Gas Liquefaction Company Limited, a group related company, against the company and two other companies also involved in the design and construction, claiming damages in respect of losses which are alleged to have arisen from the construction of a liquefied natural gas plant on Das Island. The claim is considered by the company to be excessive and the action is being actively defended by all the defendants. It is not possible at this stage to estimate what, if any, liability will fall upon the company.

The company, along with other companies, has been served with a writ by Transnor (Bermuda) Limited alleging violation of US anti-trust laws and claiming approximately \$261 million. The company considers the claim to be without merit and is seeking prompt dismissal of the action.

### (19) Leases

Operating lease rentals:	1985 £m	1984 £m
Plant and machinery	14	16
Land and buildings	<u>4</u>	<u>4</u>
	<u>18</u>	<u>20</u>
Annual commitments under operating leases:	1985 £m	1984 £m
Expiring within	Land and Buildings	Land and Buildings
1 year	—	—
2 to 5 years	—	—
Thereafter	<u>3</u>	<u>3</u>
	<u>3</u>	<u>3</u>
Net commitments under finance leases:	1985 £m	1984 £m
Minimum future lease payments		
Payable within		
1 year	1	2
2 to 5 years	2	3
Thereafter	<u>3</u>	<u>3</u>
	<u>6</u>	<u>8</u>
Less finance charges	<u>3</u>	<u>3</u>
Net commitments	<u>3</u>	<u>5</u>

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