

BP PETROLEUM DEVELOPMENT (KAKAP) LIMITED.

707927

ANNUAL REPORT AND ACCOUNTS - 1987

Board of Directors:- Dr.T.M. Hamilton
D.C. Harding
I.G.S. Hartigan

REPORT OF THE DIRECTORS

The directors submit their report and the accounts for the year ended 31 December 1987 and the balance sheet at that date.

The company owns an interest in the Kakap Production Sharing Contract under which it is participating in oil exploration and development projects. In particular the KH field development project commenced production in March 1986. The KF field development project is now waiting approval from the Indonesia authorities.

The profit for the year of US\$9,556,000 has been added to the loss brought forward of US\$2,948,000, to leave a retained profit carried forward of US\$6,608,000. The directors do not recommend the payment of a dividend.

Dr. L. Atkinson, Mr. D.C. Harding and Mr. M.R. Pennant Jones served as directors throughout the financial year. Dr. Atkinson subsequently resigned on 14 March 1988 and was succeeded by Dr. T.M. Hamilton. Mr. Pennant Jones resigned on 11 July 1988 and was succeeded by Mr. I.G.S. Hartigan.

The interests of the directors holding office at 31 December 1987 and their families in the shares of The British Petroleum Company p.l.c. (adjusted to reflect the capitalisation issue on 30th April, 1987 of two ordinary shares for each ordinary share then held) were as set out below:-

	Type of Shares	1 January 1987	31 December 1987
Dr. L. Atkinson	25p ordinary	7	3,372
D.C. Harding	25p ordinary	3	6,453
M.R. Pennant Jones	25p ordinary	4,320	4,845

None of the directors had any interest in shares or debentures of subsidiary companies of The British Petroleum Company p.l.c. at 31 December 1987.

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 members at the annual general meeting.

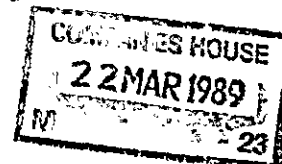
By order of the Board



Assistant
Secretary

Britannic House
Moor Lane
London
EC2Y 9BU

10 March 1989

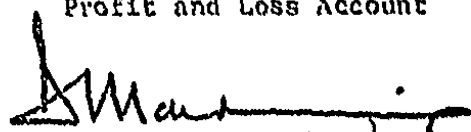


BP PETROLEUM DEVELOPMENT (KAKAP) LIMITEDPROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1987

	<u>Note</u>	<u>1987</u> <u>US\$ '000</u>	<u>1986</u> <u>US\$ '000</u>
Turnover	2	22,310	8,264
Cost of Sales		13,014	6,626
Gross profit		<u>9,296</u>	<u>1,638</u>
Administrative expenses	3	28	265
Amounts written back against investments	6	252	6,500
		<u>9,520</u>	<u>7,873</u>
Interest received		36	99
Profit for the year		<u>9,556</u>	<u>7,972</u>
Retained loss at 1 January		<u>(2,948)</u>	<u>(10,920)</u>
Retained profit/(loss) at 31 December		<u>6,608</u>	<u>(2,948)</u>

BALANCE SHEET AT 31 DECEMBER 1987

	<u>Note</u>	<u>1987</u> <u>US\$ '000</u>	<u>1986</u> <u>US\$ '000</u>
Fixed Assets			
Investments	6	22,000	24,553
Current Assets			
Debtors	7	9,004	876
Creditors - amounts falling due within one year	8	(24,394)	(28,375)
Net current assets		<u>(15,390)</u>	<u>(27,499)</u>
Total assets less current liabilities		<u>6,610</u>	<u>(2,946)</u>
Represented by			
Capital and reserves			
Called up Share Capital	9	2	2
Profit and Loss Account		6,608	(2,948)
		<u>6,610</u>	<u>(2,946)</u>


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) Directors

10 March 1989

BP PETROLEUM DEVELOPMENT (KAKAP) LIMITEDSOURCE AND APPLICATION OF FUNDS FOR THE YEAR ENDED 31 DECEMBER 1987

	<u>1987</u> <u>US\$ '000</u>	<u>1986</u> <u>US\$ '000</u>
Profit for the year	9,556	7,972
Items not involving the movement of funds		
Release of provision against investment	(252)	(6,500)
Net recoveries during the year	1,877	-
	<u>11,181</u>	<u>1,472</u>
Other sources of funds		
Net repayment of advances during the year	928	-
Application of funds		
Net advances during the year	-	(7,900)
	<u>12,109</u>	<u>(6,428)</u>
Working capital movements		
Debtors	8,128	876
Creditors due within one year	3,981	(7,304)
	<u>12,109</u>	<u>(6,428)</u>

END

BP PETROLEUM DEVELOPMENT (KAKAP) LIMITEDNOTES TO THE ACCOUNTS

1. Accounting policies

(a) Accounting convention

The accounts are prepared under the historical cost convention.

(b) Fixed assets - Investments

Capital expenditure of an exploration, development or production nature, arising under Production Sharing Contracts (PSC's) is classified as loans within fixed asset investments. Provisions are initially made against such loans in accordance with the successful efforts method. Other expenses of the Company are written off as incurred. At the end of any period in which proved reserves of oil and gas are determined or in which a change in proved reserves is recognised, provisions against such loans are adjusted accordingly. If the proved reserves are insufficient to enable full recovery of the loan to be made, then provision will be made against the non-recoverable element. Subsequent to establishing proved reserves, future capital expenditure incurred under the same PSC, including exploration expenditure whether successful or not, will be carried forward as a loan.

From commencement of production, loans are recovered from liftings in accordance with the terms of the production sharing contract.

(c) Foreign currencies

Assets and liabilities in currencies other than United States dollars are translated into dollars at the year-end 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.

(d) Deferred taxation

Deferred taxation is calculated using the liability method. Provisions are made where timing differences are expected to reverse in the foreseeable future.

2. Turnover

Turnover is the gross proceeds from the sale of the Company's entitlement to oil calculated in accordance with the terms of the Production Sharing Contract, the sale of which amounted to 888,000 bbls (1986 480,000 bbls) together with the sale of oil purchased from Hudebay Oil Kakap Limited, a related party, of 346,000 bbls (1986 - 186,000 bbls).

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BP PETROLEUM DEVELOPMENT (KAKAP) LIMITED

3. Administrative expenses

	<u>1987</u> <u>US\$'000</u>	<u>1986</u> <u>US\$'000</u>
Other expenses - current year	21	210
- prior years	2	50
Auditors remuneration	5	5
	<hr/>	<hr/>
	28	265
	<hr/>	<hr/>

The other expenses include an administration charge made by the immediate holding company.

4. Taxation

United Kingdom Taxation

The company is a member of a group for the purposes of relief under Section 258 of the Income and Corporation Taxes Act 1970. Owing to the availability of group relief, no provision for corporation tax has been made in the accounts of this company. The group's current corporation tax liability has been provided in the accounts of BP International Limited, a fellow subsidiary company.

Provision for deferred taxation has been made in the accounts of BP International Limited, having regard to the group deferred taxation position.

The gross potential liability of this company for deferred taxation at 31 December 1987 of US\$4,232,670 (1986 US\$5,729,000) comprises tax at 35% on timing differences principally between the accounting and tax treatment of depreciation. If provision for deferred taxation had been made in the accounts on the basis for the gross potential liability there would have been a credit for the year of US\$1,496,330 (1986 US\$3,360,000).

5. Directors remuneration

The directors who received no fees or remuneration from this company are 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.

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BP PETROLEUM DEVELOPMENT (KAKAP) LIMITED

6. Fixed assets - Investments

	Other loans 1987 <u>US \$'000</u>
Cost	
At 1 January	28,553
Net repayment of advances made during the year	(928)
	<u>27,625</u>
Amounts recovered during the year	1,877
	<u>25,748</u>
	=====
Provision	
At 1 January	4,000
Released in year	(252)
	<u>3,748</u>
	=====
Net book amount at 31 December	22,000
	<u>24,553</u>
	=====

7. Debtors - amount falling due within one year

	<u>1987</u> <u>US\$'000</u>	<u>1986</u> <u>US\$'000</u>
Holding company and fellow subsidiaries	7,720	156
Other debtors	1,284	720
	<u>9,004</u>	<u>876</u>
	=====	=====

8. Creditors - amounts falling due within one year

	<u>1987</u> <u>US\$'000</u>	<u>1986</u> <u>US\$'000</u>
Holding Company and fellow subsidiaries	24,314	28,365
Other	80	10
	<u>24,394</u>	<u>28,375</u>
	=====	=====

9. Called up share capital

	<u>1987</u> <u>US \$'000</u>	<u>1986</u> <u>US \$'000</u>
Authorised, allotted and fully paid 1,000 ordinary shares of £1 converted at the 31 December 1982 rate of exchange of US \$1.62/£1	2	2
	<u>2</u>	<u>2</u>

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BP PETROLEUM DEVELOPMENT (KAKAP) LIMITED

10. Financial commitments

The company is committed, under the terms of its participation agreement, to fund the BP group's share of expenditure in the Kakap KH field development and the exploration programme. The committed expenditures under these programmes are approximately US\$26.5 million (1986 US \$38 million).

11. Ultimate holding company

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

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BP PETROLEUM DEVELOPMENT (KAKAP) LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the accounts set out on pages 2 to 7 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 1987 and of the profit, and source and application of funds for the year then ended, and comply with the Companies Act 1985.

EW

Ernst & Whinney

Chartered Accountants
London

10 March 1989