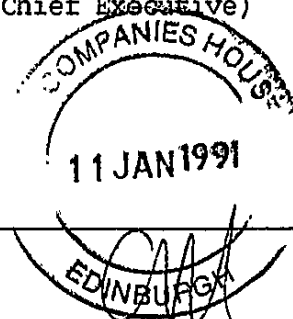


BP EXPLORATION COMPANY LIMITED
ANNUAL REPORT AND ACCOUNTS - 1989

Board of directors:-

H.E. Norton (Chairman)
E.J.P. Browne
(Managing Director and Chief Executive)
S.J. Ahearne
J.D. Campbell
P.J. Gillam
Dr R.W. Stomberg



REPORT OF THE DIRECTORS

The directors submit their report and the accounts for the year ended 31 December 1989.

The Company holds investments in subsidiary companies engaged in oil and gas production and exploration.

The profit for the year was £194,745,000. After deducting the interim dividend of £255,000,000 paid in December 1989 and adding the retained profit at 1 January 1989 of £338,671,000 the retained profit carried forward is £278,416,000. The directors do not propose to recommend the payment of a final dividend.

Mr H.E. Norton, Mr E.J.P. Browne, Mr S.J. Ahearne, Dr L. Atkinson, Mr D.C. Harding and Mr P.J. Gillam served as directors throughout the financial year, together with Mr W.J. Saint who retired on 31 December 1989. Mr. B.R.R. Butler and Mr. C.P. King both resigned on 19 May 1989, and Mr R.F. Chase and Dr D.A.L. Jenkins were appointed directors on 20 May 1989. Mr J.R. Darley resigned on 16 November 1989. Mr J.D. Campbell and Dr R.W. Stomberg were appointed directors on 3 April 1990, on which date Dr L. Atkinson, Mr R.F. Chase, Mr D.C. Harding and Dr D.A.L. Jenkins resigned.

The interests of the directors holding office at 31 December 1989, other than directors of the ultimate holding company, and their families in the shares of The British Petroleum Company p.l.c. were as set out below:-

	<u>Type of Shares</u>	<u>1 January 1989 or date of appointment</u>	<u>31 December 1989</u>
S.J. Ahearne	25p ordinary	5,996	6,848
Dr. L. Atkinson	25p ordinary	4,071	4,811
E.J.P. Browne	25p ordinary	18,858	19,770
R.F. Chase	25p ordinary	8,856	9,125
D.C. Harding	25p ordinary	6,792	7,691
D.A.L. Jenkins	25p ordinary	4,373	4,610
W.J. Saint	25p ordinary	510	522

At 31 December 1989 13,452 of Mr. Browne's shares were held in the form of American Depositary Receipts (ADR's), each ADR representing 12 ordinary shares of The British Petroleum Company p.l.c.

None of the above mentioned directors had any interest in the shares or debentures of subsidiary companies of The British Petroleum Company p.l.c. at 31 December 1989.

BP EXPLORATION COMPANY LIMITED

Ernst & Young 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



Assistant Secretary

Britannic House,
Moor Lane,
London, EC2Y 9BU

BP EXPLORATION COMPANY LIMITEDPROFIT AND LOSS ACCOUNT FOR YEAR ENDED 31 DECEMBER 1989

	<u>Note</u>	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Other income	2	219,864	443,893
Administrative expenses	3	(58)	(24)
Interest payable	4	(14)	(10)
Loss on Investment		(638)	-
Provisions made against group indebtedness of subsidiaries		(19,518)	(58,990)
Operating profit		199,636	384,869
Exchange loss		(4,891)	(450)
Profit for the year		<u>194,745</u>	<u>384,419</u>

STATEMENT OF RETAINED PROFITS

		<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Retained profit at 1 January		338,671	354,252
Profit for the year		<u>194,745</u>	<u>384,419</u>
Dividend	5	<u>533,416</u> <u>(255,000)</u>	<u>738,671</u> <u>(400,000)</u>
Retained profit at 31 December		<u>278,416</u>	<u>338,671</u>

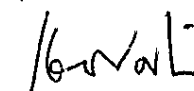
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BP EXPLORATION COMPANY LIMITED
BALANCE SHEET AT 31 DECEMBER 1989

	<u>Note</u>	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Fixed assets			
Investments	8	3,601,188	3,649,223
Current assets			
Debtors	9	101,534	549,380
Creditors - amounts falling due within one year	10	(3,423,971)	(3,859,597)
Net current liabilities		(3,322,437)	(3,310,217)
Total assets less current liabilities		<u>278,751</u>	<u>339,006</u>
Represented by			
Capital and Reserves			
Called up share capital	11	335	335
Profit and loss account		<u>278,416</u>	<u>338,671</u>
		<u>278,751</u>	<u>339,006</u>

Director

Director

25 October 1990

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BP EXPLORATION COMPANY LIMITEDSOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1989

	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Source of funds		
Profit for the year	194,745	384,419
Funds from other sources		
Proceeds from disposal of investments	48,035	-
Application of funds		
Purchase of shares in subsidiary	-	(3,617,213)
Dividends paid	(255,000)	(400,000)
	<u>(12,220)</u>	<u>(3,632,794)</u>
Working Capital Movements		
Debtors	(447,846)	(73,419)
Creditors due within one year	435,626	(3,559,375)
	<u>(12,220)</u>	<u>(3,632,794)</u>

2.1

BP EXPLORATION COMPANY LIMITEDNOTES TO THE ACCOUNTS

1. Accounting policies

- (a) The accounts are prepared under the historical cost convention.
- (b) Group accounts are not submitted as BP Exploration Company Limited is a wholly owned subsidiary of BP International Limited. Income of subsidiary and related companies is dealt with in the accounts of the ultimate holding company. Only dividend income received is reflected in the company's profit and loss account.
- (c) Provisions are made against investments in and advances to subsidiary and related companies where it is considered that these amounts will not be fully recovered in the foreseeable future.
- (d) Transactions denominated in foreign currencies are recorded at the average rate of exchange for the year. All monetary assets and liabilities are translated at year end exchange rates and the resulting exchange differences are dealt with in the determination of the profit for the year.
- (e) Deferred taxation is calculated using the liability method. Provision is made where timing differences are expected to reverse in the foreseeable future.

2. Other income

	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Subsidiary companies - dividends	64,534	350,738
- interest	155,253	93,152
Other income	77	3
	<hr/>	<hr/>
	<u>219,864</u>	<u>443,893</u>

3. Administrative expenses

	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
Auditors fees and expenses	6	6
Other administrative expenses	52	18
	<hr/>	<hr/>
	58	24
	<hr/>	<hr/>

4. Interest payable

	<u>1989</u> <u>£000</u>	<u>1988</u> <u>£000</u>
To group companies	14	10
	<hr/>	<hr/>

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BP EXPLORATION COMPANY LIMITEDNOTES TO THE ACCOUNTS (continued)

5. Dividend

In December 1989, an interim dividend of £255,000,000 was paid (1988 £400,000,000).

6. Directors' remuneration

Directors' emoluments (not including pension contributions) in respect of five directors (including three for part of the year) amounted to £632,804 (1988 four directors including one part year - £532,421). Of these the highest paid director received £200,508 (1988 - £186,434).

The emoluments of the other directors are within the following ranges:

<u>£</u>	<u>1989</u>	<u>1988</u>
60,001 - 65,000	1	-
75,001 - 80,000	-	1
100,001 - 105,000	1	-
115,001 - 120,000	1	1
140,001 - 145,000	1	-
150,001 - 155,000	-	1

Seven other directors were 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. Two directors, both part period, were senior executives of overseas registered fellow subsidiary companies.

Pensions to past directors are paid from a funded BP Group pension scheme.

7. United Kingdom taxation

The company is a member of a group for the purpose of group relief under Section 402 of the Income and Corporation Taxes Act, 1988. 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, the immediate holding company.

Provision for deferred taxation is not required.

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BP EXPLORATION COMPANY LIMITEDNOTES TO THE ACCOUNTS (continued)

8. Fixed assets - Investments

	Subsidiary Companies Shares £000	Related Companies Shares £000	Total £000
Cost			
At 1 January 1989	3,697,444	22	3,697,466
Disposals	(96,246)	-	(96,246)
	<hr/>	<hr/>	<hr/>
At 31 December 1989	<u>3,601,198</u>	<u>22</u>	<u>3,601,220</u>
Amounts provided			
At 1 January 1989	48,243	-	48,243
Disposals	(48,211)	-	(48,211)
	<hr/>	<hr/>	<hr/>
At 31 December 1989	<u>32</u>	<u>-</u>	<u>32</u>
Net book amount			
At 31 December 1989	<u>3,601,166</u>	<u>22</u>	<u>3,601,188</u>
At 31 December 1988	<u>3,649,201</u>	<u>22</u>	<u>3,649,223</u>

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 amount at which these are shown in the balance sheet.

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BP EXPLORATION COMPANY LIMITEDNOTES TO THE ACCOUNTS (continued)

The subsidiaries of the company at 31 December, 1989 and the percentage of equity share capital held are set out below:-

	<u>Country of incorporation</u>	<u>Type of share</u>	<u>%</u>
BP (Abu Dhabi) Limited	England	Ordinary	100
BP Caribbean (Holdings) Limited	* Trinidad	Ordinary	100
BP Exploration Company (Associated Holdings) Limited	England	Ordinary	100
BP Exploration Company (Ireland) Limited	* Ireland	Ordinary	100
BP Exploration Company (Libya) Limited	* England	Ordinary	100
BP Exploration Company (Middle East) Limited	England	Ordinary	100
BP Gas International Limited	* England	Ordinary	100
BP-Japan Oil Development Company Limited	Scotland	Ordinary	55
BP (Kuwait) Limited	* England	Ordinary	100
BP Petroleum Development Limited	England	Ordinary	100
BP Petroleum Development of Greenland Limited	* England	Ordinary	100
BP Petroleum Development of Thailand Limited	* England	Ordinary	100
BP Norway Limited	England	Ordinary	100
BP Systems Construction Limited	England	Ordinary	100
Kern Oil California Limited	* England	Ordinary	100
Oil Trading Company (Iran) Limited	England	Ordinary	100
Societe Francaise de Development Petrolier BP	France	Ordinary	100
{Company sold after the Balance Sheet date}			

The above subsidiary companies were involved in oil and gas production and/or exploration during 1989 with the exception of those marked * which were dormant.

Listed below are the related companies showing the percentage of equity share capital held:

	<u>Country of incorporation</u>	<u>Type of share</u>	<u>%</u>
Abu Dhabi Marine Operating Company	Abu Dhabi	Ordinary	14.67
Oil Spill Response limited	England	Ordinary	20.41

The investments in subsidiary and related companies are entirely unlisted.

5.7

BP EXPLORATION COMPANY LIMITEDNOTES TO THE ACCOUNTS (continued)

9. Debtors

	1989 <u>£000</u>	1988 <u>£000</u>
Due within one year		
Subsidiaries	101,534	520,951
Holding company and fellow subsidiaries	-	28,396
Other	-	33
	<u>101,534</u>	<u>549,380</u>

10. Creditors

	1989 <u>£000</u>	1988 <u>£000</u>
Due within one year		
Subsidiaries	4,437	4,437
Holding company and fellow subsidiaries	3,063,246	3,531,521
Accruals	356,288	323,639
	<u>3,423,971</u>	<u>3,859,597</u>

11. Called up share capital

	1989 <u>£000</u>	1988 <u>£000</u>
335,000 Authorised allotted and fully paid ordinary shares of £1 each	<u>335</u>	<u>335</u>

12. The 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 EXPLORATION COMPANY LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF
BP EXPLORATION COMPANY LIMITED

We have audited the accounts set out on pages 3 to 10 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31 December 1989 and of its profit and source and application of funds for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

En7

Ernst & Young

Chartered Accountants

London

25 October 1990.
1990