BP OIL GRANGEMOUTH REFINERY LIMITED
(Registered No. 10612)

ANNUAL REPORT AND ACCOUNTS 1998

SC 01/ans

Board of Directors: J D Williams
A M P Comprido

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 1998.

Principal activity

The company acts as agent for BP Oil UK Limited in the operation of Grangemouth Refinery.

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

Results

There was neither a profit nor a loss for the financial year ending 31 December 1998 (1997 - £9,500). The directors recommend that no dividend be paid in respect of 1998 (1997 - nil).

Directors

Mr J D Williams and Mr A M P Comprido served as directors of the company for the financial year. Mr C J Moorhouse resigned as director with effect from 16 March 1998.

Directors' interests

The interests of the directors holding office at 31 December 1998, and their families, in the Ordinary shares of BP Amoco p.l.c., were as set out below:

	31 December 1998	1 January 1998
A M P Comprido	900	Nil
J D Williams	12,775	11,122

REPORT OF THE DIRECTORS (Continued)

Directors' interests (continued)

In addition, rights to subscribe for Ordinary Shares in BP Amoco p.l.c. were granted to, or exercised by, the directors between 1 January 1998 and 31 December 1998 as follows:-

	Granted	Exercised
A M P Comprido	Nil	Nil
J D Williams	2,321	25,200

No director had any interest in shares or debentures of subsidiary undertakings of BP Amoco p.l.c. at 31 December 1998.

Policy and practice with respect to payment of suppliers

It is the company's policy to follow the CBI's prompt payment code of practice for all suppliers to the company. A copy of the code of practice may be obtained from the CBI.

Millennium IT risk

The Year 2000 issue, which stems from computer programs written using two digits rather than four to define the applicable year, could result in processing faults on the change of century, producing a wide range of consequences.

The BP Amoco group has conducted a risk-based review of its computer systems and computer-controlled processes and has developed plans to remediate potential Year 2000-related faults by replacement or repair. The project is designed to minimise risks arising from the Year 2000 problem which might endanger health, safety, the environment, the group's reputation, or its cash flow.

The group's Year 2000 programme covers IT application systems and infrastructure, process control systems and embedded microprocessors in plants, oil and gas fields and building facilities, and an assessment of Year 2000 readiness of critical suppliers, customers, joint ventures and partners.

The group has completed the inventory and risk analysis work, and a substantial part of the remediation and testing effort is also complete. Outstanding remediation dependent on planned plant shutdowns and other remediation work consisting mainly of implementation of package software releases are scheduled for completion by end-1999. Systems rationalisation and organisational restructuring made necessary by the BP Amoco merger are being managed to avoid any risks which might reduce the company's ability to meet 2000 with confidence.

Millennium IT risk (continued)

BP Oil Grangemouth Refinery Limited's IT and other equipment/facilities which may be affected by the Year 2000 problem have been reviewed in the course of the BP Amoco group's global review, and remediation plans have been developed and are currently being implemented.
The estimated total cost of the group's Year 2000 programme is disclosed in the accounts of the ultimate parent undertaking. None of the costs of review and remediation discussed above have been borne by the company.

To meet any unexpected failure by the group's systems or by key third parties, contingency plans are being developed to deliver a flexible response, especially in the first days of 2000. The company's global operations will, however, remain exposed, to an unquantifiable degree, to the failure of third parties to deal with their Year 2000 exposures; we will take all practical steps to mitigate the effect.

Disabled Employees

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

Employee involvement

During the year, the policy of providing employees with information about the group has continued through BP's newsletter in which employees have also been encouraged to present their suggestions and views on the company's performance. Regular meetings are held between management and employees to allow a free flow of information and ideas.

BP OIL GRANGEMOUTH REFINERY LIMITED

REPORT OF THE DIRECTORS (Continued)

Auditors

Ernst & Young have expressed their willingness to continue as auditors and their re-appointment at the Annual General Meeting is proposed in accordance with Section 385 of the Companies Act 1985.

By order of the Board

ASSISTANT Secretary

Bo'ness Road
Grangemouth FK3 9XQ

30 July 1999

BP OIL GRANGEMOUTH REFINERY 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 also 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, or has access within BP Amoco Group to, adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts.

BP OIL GRANGEMOUTH REFINERY LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF BP OIL GRANGEMOUTH REFINERY LIMITED

We have audited the accounts on pages 7 to 10 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 8.

Respective responsibilities of Directors and Auditors

As described on page 5 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 1998 and of the result of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young

Registered Auditor
London

30 July 1999

BP OIL GRANGEMOUTH REFINERY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1998

	Note	1998 £	1997 £
Turnover	2	-	10,000
Administration expenses	3	-	500
Profit before taxation		-	9,500
Taxation	4	-	-
Retained profit for the year		-	9,500

Statement of total recognised gains and losses for the year ended 31 December 1998

There are no recognised gains or losses attributable to the shareholders of the company. (1997 profit - £9,500).

BALANCE SHEET AT 31 DECEMBER 1998

	Note	1998 £	1997 £
Current assets			
Debtor due within one year:			
Parent undertaking		4,009,500	4,009,500
SHAREHOLDERS' INTEREST		4,009,500	4,009,500
Represented by			
Capital and reserves			
Called up share capital	6	4,000,000	4,000,000
Reserves	7	9,500	9,500
		4,009,500	4,009,500

Director

30 July 1999

NOTES TO THE ACCOUNTS

1. Accounting Policies

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

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

2. Turnover

There was no turnover for the year ended 31 December 1998. Prior year turnover represented managing agency fees. Recoveries of reimbursable expenditure have been netted against costs incurred.

3. Administration expenses

	1998 £	1997 £
Auditors' remuneration - audit fees	-	500

4. Taxation

No corporation tax liability arises.

5. Directors and employees

Remuneration of Directors

The directors were senior executives of, and were remunerated by, other subsidiaries of BP Amoco p.l.c., and received no remuneration for services to this company. Pensions to past and present directors are paid from a funded BP Amoco Group Pension Scheme.

Employee costs

	1998 £	1997 £
Wages and salaries	38,555,026	33,309,000
Social security costs	3,124,400	2,798,000
Pension costs	141,963	121,000
	41,821,389	36,228,000

Average number of employees during the year :

	1998	1997
Operations	590	605
Maintenance	225	259
Others	144	260
	959	1,124

6. Called up share capital

	1998 £	1997 £
Authorised, allotted and fully paid:		
4,000,000 ordinary shares of £1 each	4,000,000	4,000,000

NOTES TO THE ACCOUNTS (Continued)

7. Reconciliation of shareholder's funds and movements on reserves

	Share capital	Reserves	Total
At 1 January 1998	4,000,000	9,500	4,009,500
Profit for the year	-	-	-
At 31 December 1998	4,000,000	9,500	4,009,500

8. Related party transactions

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

9. Pensions

The company is a participating employer in the BP Amoco Group's principal UK pension plan (the BP Pension Fund). The BP Pension Fund is separately funded and comprises a number of sections (both defined benefit and defined contributions) each with their own rules. Contributions are made to the BP Pension Fund on the basis of advice from the scheme actuary, using actuarial methods the objective of which is to provide adequate funds to meet pension obligations as they fall due, and are based on pension costs in respect of all members to the BP Pension fund.

The pension charge for the year ended 31 December 1998 was £ 141,963

Actuarial surpluses and deficiencies are amortised over the expected remaining service lives of members and charged or credited to income as appropriate in the accounts of BP International Limited, a parent undertaking, having regard to the overall position of the Fund. As a result of the most recent actuarial valuations of the BP Pension Fund as at 1 January 1998, company contributions for all sections ceased with effect from 1 December 1998.

10. 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 BP Amoco p.l.c. (formerly The British Petroleum Company p.l.c.), a company registered in England and Wales. Copies of BP Amoco p.l.c.'s accounts can be obtained from Britannic House, 1 Finsbury Circus, London EC2M 7BA.