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No 162498

THE BRITISH PETROLEUM COMPANY p.l.c.

ANNUAL REPORT AND ACCOUNTS 1990

The British Petroleum Company p.l.c. is one of the world's largest international petroleum and petrochemical companies. Key strengths are in exploration and production, refining and marketing, and in chemicals. The company also has important interests in nutrition. It supports all its businesses with high quality research and technology. About 35% of BP's fixed assets are in the USA.

In everything BP does, it is committed to creating wealth — always with integrity — for its shareholders, employees, customers and suppliers, and the community in which it operates.

BP shares are quoted on stock exchanges in the UK, the USA, Japan, Canada, Switzerland, France, Germany and the Netherlands.

Contents

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The British Petroleum Company p.l.c.
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Cover captions
Front: Rushett service station, south-west London, one of BP's 'new look' retail sites. Inside: A computer-generated seismic line in one of BP's frontier areas showing an ancient submarine canyon that has been buried by more recent sediments. Sites such as these could contain significant amounts of oil or gas.

Financial Highlights

		1990	1989
Profit for the year			
Historical cost	£m	1,676	1,744
Replacement cost	£m	1,204	1,361
Extraordinary profit after taxation	£m	12	390
Earnings (historical cost)			
per ordinary share	pence	31.3	31.8
per American depositary receipt*	$	6.72	6.24
Dividends per ordinary share*	pence	16.05	14.90
Return on average shareholders' interest†	%	15.4	15.6
Capital expenditure and acquisitions	£m	3,812	3,503

*ADR holders should also refer to pages 62 and 63
†Described on page 58

Historical cost profit (£m)

817 1,391 1,210 1,744 1,676

86 87 88 89 90

Replacement cost profit (£m)

Dividends per ordinary share (pence)

Funds generated from operations (£m)

4,521 5,317 3,488 4,773 5,340

86 87 88 89 90

- **Replacement cost profit for the year down by £157 million (12%) on 1989, despite higher oil prices, reflecting the downturn in chemicals, an increased charge for taxation and the weakness of the US dollar against sterling.**
- **Historical cost profit down by £68 million (4%) from last year's record in spite of stock holding gains of £472 million during the year.**
- **Funds generated from operations higher at £5.3 billion, reflecting substantial upstream divestments.**
- **Exploration and Production's result benefited from higher realised oil prices and divestment profits.**
- **Improved refining margins during the year, although marketing margins suffered.**
- **Chemicals' earnings hit by the general downturn in commodity chemicals, further affected by the impact of the Gulf crisis on feedstock costs.**
- **Fourth quarter dividend of 4.20 pence per ordinary share brings total for the year to 16.05 pence — up from 14.90 pence last year.**

Letter from the Chairman

Robert Horton, Chairman

In March 1990, I unveiled a programme of changes for BP resulting from the Project 1990 study, described in last year's Annual Report. The programme involves changes in organisation and structure and also in the culture of the company. The aim, which is summed up in the statement of Vision and Values for BP issued last May, is to make BP the most successful oil company of the 1990s and beyond.

Many people have asked how success in achieving the vision should be measured. Plainly, growth in share values and dividend performance is a key measure. But, it is not the only measure. Nor do we see sheer size as having merit. BP must be the company that the best people want to join. It must be the company with which customers and suppliers most want to do business. It must be a highly regarded company in every local community in which we operate. Only if all these criteria are met can we claim that we have truly succeeded.

By comparison with our record year in 1989, our financial performance in 1990 fell back. Our historical cost profit of £1,676 million, which includes stock holding gains of £472 million, was £65 million lower. Replacement cost gives a better measure of our underlying performance, because it recognises that, when oil prices are rising, oil sold from stock has to be replaced by higher-priced oil. On this basis, our profit was £157 million lower: £1,204 million, compared with £1,361 million in 1989. The downturn in the chemicals industry and the weakness of the dollar were major factors in this decline.

Dividend Our dividend policy is aimed at rewarding our shareholders with steady year-on-year growth. For the fourth quarter we have announced a dividend of 4.20 pence a share, making a total for the year of 16.05 pence

Market turmoil The year's events were dominated by the turmoil caused by Iraq's invasion of Kuwait. Crude oil, which until August had been traded broadly within the \$15-\$20 band, eventually peaked at \$40 a barrel, as world oil markets responded to the perceived threat to supplies. BP has no significant supply contracts with either Iraq or Kuwait, so to date we have been spared serious operational problems. In the short-term, oil prices are likely to remain volatile so, under the historical cost accounting convention, we must still expect stock holding gains (or losses) to be a feature of our performance.

Financial strength We continue to focus our energies on our four core businesses – 'upstream' and 'downstream' oil, chemicals and nutrition. No large-scale changes in the pattern of this portfolio are foreseen in the immediate future. Nonetheless, a key element of our strategy is to keep all our assets under regular review, to make sure we are getting maximum value from them.

Our ambitions for future growth will be realised only if we maintain the group's financial strength. In 1990, our operations generated funds of £5.3 billion, the highest level for some years. These amply covered capital expenditure of £3.8 billion and dividends of £0.8 billion, enabling us to repay debt of £0.6 billion.

Business performance BP Exploration benefited from the higher crude oil prices prevailing in the second half of the year. Our drive to discover new oil and gas reserves is increasingly being directed toward frontier areas – the world's largely untested geological basins. Although the risks are higher, these areas offer the greatest promise of reward, especially to a company like ours that is able to mobilise the very latest technology to help it in its search. That same technological excellence is allowing us to wring more and more oil and gas from fields already in production, an important consideration as cost pressures rise and production margins become ever tighter.

The UK government's redemption in July 1990 of its Special Share in Britoil confirmed our fulfilment of the assurances we had given the government. Management of the Britoil operations is now well integrated with BP's.

The operating profit of BP Oil, our downstream refining and marketing business, was up by 17%. Strong margins in the refining sector for most of the year were able to offset the marketing losses incurred at the onset of the Gulf crisis. During 1990, we made excellent progress with our programme to re-image all our service stations, worldwide, and to unify them under the BP brand. I hope that you like the result.

After a record profit in 1989, BP Chemicals' earnings fell sharply in 1990. This reflected in part the downturn in the chemicals industry cycle, and in part the much higher feedstock costs resulting from the Gulf crisis.

BP Nutrition maintained its upward profit trend and its moves into consumer markets.

In November, I launched a new, strengthened health, safety and environment policy for the group. The policy built on our existing strengths. When, early in 1990, a chartered tanker carrying BP crude oil was holed off the Californian coast – an accident for which we were in no way responsible – the speed and thoroughness of our response won praise from quarters normally critical of the industry.

In February 1991 we were delighted to launch two new schemes aimed at providing individual investors in the UK with more efficient and cost effective ways of buying and holding our shares. An explanation of both the BP Personal Equity Plan and Share Dealing Service has been sent out to UK shareholders and employees.

Changing the way we work The past twelve months have seen considerable changes in BP's structure and working practices. We have eliminated unnecessary layers of hierarchy and are striving to promote a greater feeling of involvement among our employees. Our staff numbers at the centre have been slimmed. Early in 1991 our corporate headquarters moved back to 1 Finsbury Circus, which was the company's head office from 1924 to 1967.

Regional organisation In Europe, we have established a new regional office in Brussels and are pursuing actively the opportunities opening up in Eastern Europe and the USSR.

In October 1990, the board paid a successful first visit to the Far East. In April 1991, Hugh Norton, one of our managing directors, is re-locating to Singapore, to take charge of a new regional headquarters there, in recognition of the importance to us of the Asia Pacific region.

James Ross, Chief Executive Officer of BP America and BP's senior representative in the USA, has been appointed to the board from 8 April 1991, with wider responsibilities for the Western Hemisphere and Africa.

People After a BP career spanning 33 years, Basil Butler retires from the board on 1 March 1991. His experience and deep knowledge of the oil exploration and production business will be sorely missed.

We congratulate Sir Patrick Sheehy, a non-executive director of BP since 1984, and Professor Sir John Cadogan, our director of research, on their Knighthoods announced in the New Year's Honours list. We also congratulate our Deputy Chairman, David Simon, on his CBE announced at the same time.

At the end of this, my first year as BP Chairman, I should like to pay tribute to all our employees – 118,000 of them worldwide. Since becoming Chairman I have visited 15 countries, several more than once, in an effort to meet as many BP people around the world as possible and talk to them about the vision and values for BP for the 1990s. The response of people throughout the BP group to the changes taking place in the company is very encouraging. With their help, we shall make BP the most successful oil company of the 1990s and beyond.

Robert Horton, Chairman
14 February 1991

Board of Directors

Managing directors

R B Horton

Robert Horton (51) was appointed Chairman and Chief Executive Officer in March 1990. He joined BP in 1957 and was first elected to the board in December 1983. Following a period in the USA as *Chairman and Chief Executive Officer* of Standard Oil, and then as Chief Executive Officer of BP America, he was reappointed to the BP board in 1988 and became Deputy Chairman in March 1989. He is Chancellor of the University of Kent and is a non-executive director of Emerson Electric.

D A G Simon CBE

David Simon (51) became a managing director in 1986 and was appointed Deputy Chairman and Chief Operating Officer in March 1990. The four business groups now report through him, and he also has responsibility for planning, finance and Europe. He is a non-executive director of Grand Metropolitan and a member of the Sports Council.

P J Gillam

A managing director since 1981, Patrick Gillam (57) is chairman of BP Oil and of BP Nutrition. He is also responsible for the BP Pension Trust, investments and insurance. He is a non-executive director of Standard Chartered.

B R R Butler OBE, F.Eng

Basil Butler (60) became a managing director in 1986. In 1990, he was responsible for R&D, engineering, and health, safety and the environment, the Near and Middle East, and Australasia. He retires from BP on 1 March 1991.

H E Norton

A managing director since 1989, Hugh Norton (54) was chairman of BP Exploration during 1990. From April 1991, he will be based in Singapore, having assumed responsibilities for the Asia Pacific and Middle East regions, while retaining corporate responsibility for information technology and education.

R R Knowland

Ray Knowland (60) became a managing director in 1990. He is chairman of BP Chemicals and also has responsibility for property and office services, community affairs, the Pensions Council and, from March 1991, for R&D and engineering. He is President of the Chemical Industries Association.

J H Ross

James Ross (52) joins the board on 8 April 1991. He will continue to be based in Cleveland, USA, where he will assume the chairmanship of BP America. In addition, he will have corporate responsibility for health, safety and the environment, and the Western Hemisphere and Africa regions.

The managing directors. Sitting, from left to right: David Simon, Robert Horton and Patrick Gillam.
Standing: James Ross, Basil Butler, Hugh Norton and Ray Knowland.

R C Grayson
Secretary

Registered Office
Britannic House, 1 Finsbury Circus, London EC2M 7BA

Registrar's Office
BP House, Third Avenue, Harlow, Essex CM19 5AQ

Auditors
Ernst & Young

Non-executive directors

Sir Lindsay Alexander

Sir Lindsay (70) has been a director of BP since 1975. After a career in shipping, he is a director of Lloyds Bank, Hawker Siddeley and Lloyds Abbey Life.

The Hon. Sir John Baring KCVO

Sir John (62) joined BP's board in 1982. He is a director and former chairman of Barings, a director of Jaguar, and chairman of Stratton Investment Trust.

Sir Campbell Fraser FRSE

Sir Campbell (67) became a BP director in 1978. He is chairman of Scottish Television, a director of B.A.T Industries, Tandem Computers and Bridgewater Paper, and a past president of the CBI.

Sir James Glover KCB, MBE

Sir James (61) joined BP's board in 1987 after a distinguished career in the British army. He is chairman of IT Security International.

Dr C H Hahn

Dr Carl Hahn (64) became a director of BP in 1990. He is chairman of the board of management of Volkswagen.

C F Knight

Charles F Knight (55) has been a BP director since 1987. He is chairman of Emerson Electric and is a director of Anheuser-Busch, Southwestern Bell Corporation, Caterpillar and Baxter International.

Sir Robin Nicholson F.Eng, FRS

Sir Robin (56) joined BP's board in 1987. He is an executive director of Pilkingtons and a non-executive director of Rolls Royce.

L T Preston

Lewis Preston (64) became a BP director in 1988. He is the retired chairman of the board and a director of J P Morgan & Co. and a director of General Electric, Air Liquide and Anheuser-Busch.

Sir Patrick Sheehy

Sir Patrick (60) joined BP's board in 1984. He is chairman of B.A.T Industries and is a member of the President's Committee of the CBI.

P D Sutherland SC

Peter Sutherland (44) became a BP director in 1990. A former EC Commissioner, he is chairman of Allied Irish Banks and a governor of the European Institute of Public Administration.

Group Results

Chief Financial Officer Steve Ahearne

World crude oil prices rose steeply in the second half of 1990 in response to the Gulf crisis. By contrast, prices had weakened earlier in the year. Spot market prices for North Sea crude oil averaged nearly $24 a barrel over the year, about $6 higher than in 1989. However, this benefit was eroded by the 9% fall in the average exchange rate of the US dollar against sterling.

Our historical cost profit before extraordinary items amounted to £1,676 million. This included stock holding gains of £472 million resulting from increased oil prices in 1990. Some of the stock holding gains contributed to the higher level of taxation. In cash terms, the benefit of these gains has been absorbed in replenishing stocks at higher price levels. Last year's record profit of £1,744 million included stock holding gains of £383 million.

Our replacement cost profit before extraordinary items, which excludes stock holding gains, amounted to £1,204 million, down by £157 million on 1989, despite higher oil prices. The main factors in this decline were the downturn in chemicals earnings, an increased charge for taxation and the weakness of the US dollar against sterling.

The business environment Oil markets have been dominated by the Gulf crisis and world crude oil prices have been extremely volatile. Consequently, the results of our main businesses in the third and fourth quarters of the year reflect the effects of significant lags between changes in costs and selling prices. Our physical stock levels at the end of 1990 were somewhat below those of the previous year.

Exploration and Production's result reflects the benefit of higher realised oil prices and divestments, offset to some extent by lower oil production.

Refining and Marketing benefited from improved refining margins during the year, although marketing performance was down overall because of the very difficult conditions created by the onset of the Gulf crisis.

Chemicals' result for the year reflects the downturn in commodity chemicals from the exceptional markets of 1989 and, in addition, was affected by plant shutdowns and the effect of the Gulf crisis on feedstock costs.

Nutrition's result improved on last year's.

Taxation Our taxation charge for the year, other than production taxes, amounted to £1,042 million, compared with £744 million in 1989. The increase in overseas taxation, particularly in the USA, was due to higher taxable profits and to the exhaustion of certain reliefs previously available.

Extraordinary items In 1990, the extraordinary profit of £12 million relates to the after-tax profit on the sale of further coal interests. The previous year's extraordinary profit of £390 million comprised the after-tax profit from the sale of most of our minerals interests (£267 million) and from the sale of coal interests in Australia and South Africa (£123 million).

Finance Funds generated from operations amounted to £5,340 million, compared with £4,773 million in 1989. These numbers include the extraordinary profits of £12 million in 1990 and £390 million last year. In addition, they include proceeds from other divestments totalling £1,326 million and £1,006 million in 1990 and 1989 respectively.

Historical cost earnings per ordinary share (pence)

Capital expenditure and acquisitions in 1990 amounted to £3,812 million, compared with £3,503 million in the previous year.

Overall funds generation in 1990 was £808 million. The group's debt to debt-plus-equity ratio stood at 38% at the end of the year – down from 42% at the beginning of the year. The level of finance debt has reduced in sterling terms, owing partly to the weakness of the US dollar, the currency in which most of the group's borrowing is denominated.

Dividends Quarterly dividends of 3.95p per ordinary share were paid in August and November 1990 and in February 1991. A fourth quarter dividend of 4.20p per share has been announced and will be paid in May 1991. This will make a total distribution for 1990 of 16.05p per share – an increase for the eighth consecutive year.

Outlook 1991 has already seen a record one-day fall in world crude oil prices. In the short-term, prices will remain volatile until the crisis in the Gulf is resolved. Even then, the outlook for the balance of supply and demand for the world's oil appears uncertain. If current crude price levels were maintained, substantial stock holding losses would arise in the first quarter of 1991, in addition to amounts already provided against 1990's closing stock values.

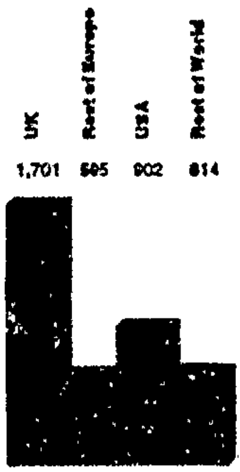
Nearly all of BP's crude oil and products is traded in US dollars. The recent strength of sterling against the dollar, if maintained, will continue to have an adverse effect not only on the sterling expression of the group's results, but also on the underlying economics of the UK production assets.

Upstream, BP's total hydrocarbon production is likely to remain at around current levels until the mid-1990s. However, oil production levels are expected to decline gradually in the UK and USA, while gas production will increase in the future.

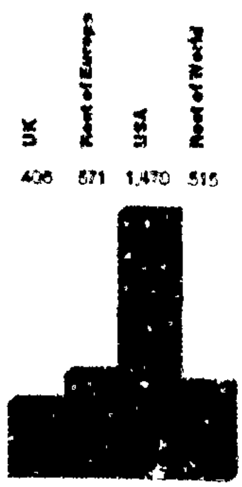
Downstream, the programme to re-image, modernise and restyle BP Oil's worldwide retail network should be substantially completed in 1991. BP Oil will continue to examine opportunities to increase its presence in Eastern Europe, the USA and East Asia and to improve its asset base by disposing of non-strategic assets.

In Chemicals, short-term results will continue to be adversely affected by low economic growth and by the volatility of feedstock costs.

Capital expenditure and acquisitions, 1990, by region. Total group: £3,812m



Replacement cost operating profit, 1990 (before stock holding gains, interest expense and taxation), by region. Total group: £2,962m



BP Exploration is responsible for the group's 'upstream' oil and gas activities, which cover exploration, field development, production, pipeline transportation and gas marketing. The business manages its portfolio of assets to maximise their value and aims to be an industry leader, both in the profitability of its production and at finding new reserves at the lowest cost. Most of its interests are concentrated in Alaska and the North Sea but it is increasing its exploration focus on the 'frontier', or relatively unexplored, regions of the world.

£m	1990	1989
Trading profit	2,342	2,044
Exploration written off	(456)	(470)
Operating profit	2,086	1,574
Turnover	7,837	6,855
Capital employed	10,019	11,705
Capital expenditure		
Exploration	744	630
Production	1,457	1,407

Operating profit £m

BP Exploration

Chief Executive: John Browne

Highlights 1990

- **Operating profit up 33% on 1989**
- **Finding cost remains competitive at less than $3 per barrel of oil equivalent (boe)**
- **Net income per boe produced up 30% on 1989**
- **Exploration focus on frontier regions**
- **Four new gas fields on stream in North Sea and Gulf of Mexico**
- **Added 410 million boe to reserves through new discoveries or extensions to existing fields**
- **Divested 456 million boe of reserves for proceeds of £1.1 billion**

Financial The year's operating profit of £2,086 million was £512 million up on 1989. Operations in the USA generated 56% of the total and Europe 35%. The rise in earnings was mainly due to the higher price of crude oil resulting from events in the Gulf. In 1990, spot prices for North Sea crude averaged nearly $24 a barrel, some $6 a barrel higher than in 1989. Although the higher oil price improved our results, the benefit in sterling was tempered by the weak dollar.

Our spending on exploration increased from £630 million in 1989 to £744 million in 1990. Of the 1990 total, 46% was spent in the UK and 23% in the USA. We also spent more on field developments – £1,457 million in 1990, compared with £1,407 million in 1989.

Net income (operating profit after tax and with exceptional items excluded) per boe produced* was highly competitive, at some $3.50 – an improvement of 30% over 1989.

Strategy and structure The year saw the successful implementation of BP Exploration's new strategy and organisation. Our exploration programme is targeted on the world's technical frontier regions, where, in our view, substantial volumes of hydrocarbons remain to be found. We are continuing to expand our gas business worldwide.

A move towards significant commercial co-operation with Statoil, the Norwegian state oil company, was announced in August. Agreement was reached subsequently for the two companies to explore jointly in specific areas – China, USSR, Vietnam and West Africa. We expect to agree on the joint use of existing and new gas infrastructure in the North Sea for transporting UK and Norwegian gas to markets in the UK and continental Europe. We also expect combined technical research to take place.

Exploration and appraisal Our rationalisation of assets has reduced the number of countries where we hold licences, from 30 in 1989 to 20 in 1990. But in line with our increased emphasis on frontier regions, we have entered new basins: notably, offshore the Phillipines and on- and offshore the Yemen. We also gained licences for additional acreage in the Gulf of Mexico, offshore China and, in 1991, in Indonesia.

In the USSR, we reached agreement to conduct feasibility studies on exploration and production in the Caspian region, and we are examining opportunities in east and west Siberia.

Elsewhere, we made new oil discoveries in Australia and Papua New Guinea, drilling at [illegible] McIntyre in

Alaska is BP's biggest oil producing province. Here, at the Endicott field, nearly 300 miles north of the Arctic Circle, production takes place on a man-made island.

* Gas is converted to oil equivalent at 5.8 billion cubic feet = 1 million barrels

Alaska heightened our confidence in a future development; and we remain enthusiastic about our acreage in the Gulf of Mexico.

In the UK North Sea, our appraisal drilling and technical studies confirmed commercial volumes of oil in the Forth and Andrew fields. We also made finds close to the Magnus field and in the Central North Sea.

Portfolio

Field developments At the Prudhoe Bay field (BP: 50.7%) in Alaska, we began commissioning the first phase of the major gas reinjection project. We reached an understanding with our partners on a second gas handling project, which with other planned enhancements gives us a net increase in our reserves.

Also at Prudhoe Bay, we resumed work in the Hurl State area (BP: 50.7%). This had been halted in the wake of changes to state tax law in 1989. However, we suspended development on the small Niakuk field (BP: 100%), pending the resolution of cost and causeway issues.

An enhanced programme of maintenance and pipe replacement is under way on the Trans Alaska Pipeline System (BP: 50%) and on pipelines within the North Slope fields.

In the Gulf of Mexico, we began construction of our deepest-water field, Mississippi Canyon 109 (BP: 100%), which is due on stream in 1992.

In the UK North Sea, we started work on the £1.5-billion Bruce gas project (BP: 37%). First sales are expected in 1993 and by the following year the field should be producing about 10% of the UK's gas needs. Approval was received to develop Pickerill (BP: 25.2%), the first offshore UK gas field to sell its entire output to customers other than British Gas. Development continues on Miller (BP: 40%), which is due on stream in 1992. An application for the £800-million development of the East Brae field (BP: 25.3%) has been approved, with production envisaged in 1993.

In Papua New Guinea, approval was received to develop the country's first oilfields (the Kutubu project – BP: 19.4%), due on stream in 1992, and also the country's first gas field, Hides (BP: 95%), which should start production in 1991. In Indonesia, our development plans for the Pagerungan gas field (BP: 36%) are progressing, with production planned for 1993.

Production Our combined oil and gas production in 1990 averaged 1.56 million boe a day (mmboe/d), compared with 1.62 mmboe/d the previous year. Despite declining output from our older oilfields, developments already in progress should enable us to hold production at around today's levels until the mid-1990s. Details of our current oil and gas production are shown in the table on page 12.

The growth in our gas production in 1990 was largely attributable to the first full year of production from the North Sea's Ravenspurn South field (BP: 100%) and from West Cameron 43 (BP: 100%) in the Gulf of Mexico. Contributing, too, was the particularly high demand for liquefied natural gas (LNG) from Australia's North West Shelf project (BP: 16.7%).

In addition, four new gas fields came on stream: Amethyst (BP: 18.4%), Welland (BP: 12.5%) and Ravenspurn North (BP: 20%) in the UK North Sea, and High Island 587 (BP: 75%) in the Gulf of Mexico.

At Alaska's Prudhoe Bay field, the accelerated programme of well fracturing, gas reinjection and other work, all helped limit the rate of decline in output to 8% on 1989. Production from our other Alaskan fields was up 2,400 barrels a day (b/d) on 1989.

In the UK North Sea, output from the Forties oilfield (BP: 83.1%) was depressed, mainly as a result of interruptions to allow the fitting of emergency shut-down valves. The replacement Forties pipeline, which has a larger capacity than the old line, began operating in February 1991. It will eventually carry production from 20 fields for more than 40 users.

Our oil production and storage vessel, Seillean, began operating in April on the Cyrus field (BP: 100%).

In southern England, the expansion project at Wytch Farm (BP: 50%) became operational in June, raising our net oil production from 4,000 b/d to an average of 27,600 b/d in December.

In the Norwegian North Sea, we brought the Gyda field (BP: 26.6%) on stream in June, under budget and nine months ahead of schedule. The lifting in July of government restrictions on production, originally imposed in support of OPEC policies, led to increased output from the Ula field (BP: 57.5%).

Reserves Details of the movements in our oil and gas reserves are shown on pages 54 and 55.

In 1990, we added 410 million boe to our reserves through discoveries and extensions to existing fields. This incurred an average finding cost of $2.92 per boe, maintaining our strong competitive position of the previous

Major gas reinjection project at Prudhoe Bay increases reserves

decade. In addition, revisions to reserves and improved production techniques added 414 million boe.

At the year-end, our combined oil and gas reserves totalled 6,554 million boe, 5% down on the previous year. About 97% of the total lies in OECD countries.

At the end of 1990, our proved reserves of crude oil (excluding equity interests in Abu Dhabi), stood at 4,653 million net barrels, compared with 4,922 million barrels at the end of 1989. Of the end-1990 reserves, 53% were in the USA and 34% in the UK.

Our net reserves of natural gas at the end of 1990 stood at 11,023 billion cubic feet, of which 47% were in the UK, 28% in the USA and 14% in Australia.

Our proved reserves do not include those discoveries which are either uneconomic to develop at current oil prices or for which we do not yet have detailed development plans. To develop this considerable resource base economically is one of our key strategic objectives.

Acquisitions and disposals Portfolio management is a continuing feature of the way we do business. BP Exploration's operating profit in 1990 included pre-tax gains from divestment of non-strategic assets, totalling £397-million. The largest sale was to Oryx Energy. Other sales involved interests in New Zealand, the Netherlands, France, Canada and Norway. By comparison, our 1989 result included a pre-tax profit of £165 million on our sale of a 15% interest in the Magnus field in the North Sea.

In July 1990, the UK government redeemed its Special Share in Britoil, which had been kept in place after BP's acquisition of the company in 1988. The redemption confirmed the fulfilment of assurances we had given on the future work programmes of BP Exploration and Britoil.

Pilar Esteve is BP Exploration's construction manager on the Mississippi Canyon 109 platform project. The platform will be installed in over 1,000 feet of water in the Gulf of Mexico later in 1991.

Our gas production increased to a record level

The North Rankin-A platform on Australia's North West Shelf, where gas production increased significantly in 1990.

Norway's Gyda oilfield was brought on stream in June, below budget and ahead of schedule.

Gas Natural gas is becoming markedly more significant as a fuel source, and its importance to BP continues to grow. In 1990, our net production worldwide increased to a record level. Sales, including third-party gas, rose by 10% to 1,654 million cubic feet a day (mmcf/d), of which 628 mmcf/d was in the USA. Most third party US sales were made by Tex/Con Oil and Gas, a wholly-owned subsidiary that holds BP's onshore gas interests in the Lower 48 states.

A new subsidiary, BP Gas Marketing, was established in the UK to sell gas directly to industrial and power generation customers. In Germany, Ruhrgas (BP: 27%), the country's largest gas distribution company, purchased a 35% interest in Verbundnetzgas, the main gas distribution company in eastern Germany. Elsewhere, the Abu Dhabi Gas Liquefaction Company (BP: 16.3%) has announced plans to double its LNG production to 4.6 million tonnes a year.

Costs, technology, safety and the environment The drive to contain costs is a fundamental part of our strategy. Cost pressures arising from our aim to improve even further our

Crude oil and natural gas production

	BP % interest end-1990	BP share of production 1990	1989
OIL AND NGLs (thousand b/d)			
UK – Forties	83.1	144	157
– Magnus	85.0	109	118
– Other	Various	117	149
Total UK		370	424
Rest of Europe	Various	63	54
USA – Prudhoe Bay	50.7/13.8*	550	599
– Kuparuk	39.2	101	102
– Endicott	58.8	49	49
– Other	Various	37	34
Total USA		737	784
Rest of World	Various	40	57
Sub-Total		1,210	1,319
Abu Dhabi (equity interest)	Various	112	93
Total: BP Exploration		1,322	1,412
GAS (mmcf/d)			
UK – Village Fields	100.0	214	115
– 'V' Fields	Various	142	[illegible]
– West Sole	100.0	122	117
– Other	Various	186	232
Total UK		664	626
Rest of Europe	Various	39	34
USA – Alaska	Various	26	25
– Lower 48 onshore	Various	123	129
– Lower 48 offshore	Various	166	90
Total USA		215	244
Australia (N.W. Shelf)	16.7	111	67
Canada	Various	155	139
New Zealand	Various	72	90
Total: BP Exploration		1,356	1,200

All volumes are net of royalty.

* Oil rim/gas cap

safety and environmental performance, from the need to maintain ageing facilities and from higher charges from our suppliers all pose a challenge to profitability.

A significant proportion of BP Exploration's spending is devoted to health, safety and environmental protection – a measure of our determination to be an industry leader in this field.

In November, the findings of the UK's Cullen Inquiry into Occidental's Piper Alpha accident were published. We had already started to implement many of the report's recommendations (along with other safety work) as a result of our own assessments. During 1990 and early 1991, we installed, re-sited or gave additional protection to 25 emergency shut-down valves in the UK and Norwegian sectors of the North Sea.

Other safety measures included enhanced training, improved in-field communications systems and the provision of additional personal safety gear.

BP Exploration aims to achieve, by the end of 1991, an advanced level, three-star rating under the independent International Safety Rating System (ISRS) for all its worldwide installations. The majority have already achieved this rating.

In the environmental sphere, we have made further advances to improve waste management and the control of emissions, and to minimise the risk of oil spills.

The benefits of streamlining our business are helping to offset cost pressures. So too is our use of technology. We are an industry leader in the application of horizontal drilling and hydraulic fracturing – two techniques which improve levels of production and amounts of oil recovered.

Our airborne laser fluorosensor system, ALF, is helping us screen extensive, largely unexplored, offshore regions by detecting seepages of hydrocarbons. Together with remote sensing, this provides an important competitive edge as well as allowing expensive drilling to be targeted more accurately.

Reading the rocks: geologists Germaine Johnson and Jim Copen examine rock samples taken from an Alaskan oilfield.

BP Oil is responsible for the group's activities in the 'downstream' oil sector – the supply, transportation, refining and marketing of crude oil and petroleum products. Operating in over 50 countries under the BP brand, BP Oil provides the customer with high quality products and services. It is strongly represented in Europe, the USA and Australasia, and parts of Africa and S.E. Asia.

£m	1990	1989
Operating profit	863	732
Turnover	24,025	20,890
Capital employed	5,717	5,698
Capital expenditure	774	728

Operating profit £m

BP Oil

Chief Executive: Russell Seal

Highlights 1990

- **Improvement in refining margins over 1989**
- **Increased sales at our re-imaged service stations**
- **More sites in our BP Truckstops network**
- **Expansion of our marketing presence in Eastern Europe and S.E. Asia**
- **Further investments in health, safety and environmental protection**

BP's highly-successful, new service station in Dresden, eastern Germany.

Financial A strong refining performance helped boost BP Oil's operating profit to £853 million, up by £121 million on 1989. Worldwide refining margins were higher than in 1989. Initially, this was due to the strong demand for motor spirit. After the invasion of Kuwait in August, there was an increase in demand for refined products to compensate for the output lost through refinery disruptions in the Middle East.

Marketing results suffered from consumer resistance to increases in product costs, particularly after the steep rise in crude oil prices resulting from the Gulf crisis.

BP Oil's capital expenditure of £774 million was £48 million higher than in 1989.

Strategy and organisation In marketing, we shall continue to build the strength of the BP brand and provide high standards of service to our customers. We intend to reinforce and expand our position in the USA, particularly in Ohio, the South East states and on the West Coast. We shall be strengthening our position in Europe through the geographical concentration of our assets, while being ready to seize the new business opportunities opening up in Eastern Europe. In South East Asia, we intend building on our existing investments to improve our representation in that region.

We shall continue to balance refining output against our marketing requirements and upgrade our refineries to place them among the most technically sophisticated in the industry.

During 1990, BP Oil's organisation was restructured. Operations have been devolved to four regional divisions, which has led to a reduction in headquarters' activities and costs. We believe the new organisation will increase our responsiveness in the market place.

Health, safety and environment Environmental issues will continue to be one of BP Oil's great challenges. We are making major efforts to evaluate fully the environmental issues we face, particularly on waste minimisation, groundwater pollution and effluent quality. New investments will be made to meet the more stringent regulations on product quality and the cost of complying with new environmental standards. BP Oil is already investing a significant proportion of its capital expenditure in environmentally-related projects and we expect this to increase over time.

High safety standards are intrinsic to a quality business. BP Oil will continue to strive for even fewer injuries, less damage to assets and, consequently, a smaller financial cost to the business. To help measure our safety performance, we are developing internal audit procedures as well as continuing to use the ISRS audit system.

'Heavy traffic', a still from BP Oil's international TV commercial.

Marketing The major international project, launched in 1989, to re-image and unify all group retail outlets under the single BP brand, is on schedule and within budget. In the USA, 4,350 Gulf and Boron sites were converted to BP in 1990. By the end of 1991, the whole of our US network will display the BP brand. Such has been the success of rebranding in the USA, that we have accelerated the programme.

Our 'new look' service stations have now been established in 29 countries, and in eight of these the re-imaging has been completed. By the end of 1990, 7,400 sites outside the USA had been re-imaged. Except for some parts of Africa, our worldwide programme will be finished at the end of 1991.

The re-imaging and rebranding exercise has been supported by wide-scale advertising and by a customer service programme. Consumer research has shown that our efforts to improve our image and service have made a favourable impression with customers.

We have continued to divest non-strategic retail sites to allow us to focus sales through larger and better locations. In Belgium, for example, we sold 320 service stations to Castrol. Although we now have fewer sites, the volume of products sold through the network has continued to increase.

Our convenience store chain has grown to over 300 units. We have improved our shop and car wash facilities and they are being pilot-tested around the world. These activities help us to make efficient use of our sites. They are also an integral part of our promotion of the BP brand.

We are continuing to invest in the road haulage sector. Our BP Truckstops network now totals 71 sites worldwide. During the year, we opened new sites in Belgium, France, Germany and the UK. Our first Truckstops site in Spain was opened in January 1991.

During 1990, the group commissioned a large liquefied petroleum gas terminal at Avonmouth in England to take LPG production from the Wytch Farm oilfield. A terminal and a bottling plant were also commissioned in Pasir Gudang, Malaysia, thus strengthening our LPG marketing position. We also entered the Australian autogas (LPG) market to take advantage of growth in that sector.

BP Bitor signed contracts to supply Orimulsion, a bitumen-in-water emulsion, to PowerGen in the UK and, in January 1991, to an electricity generating company in Spain. BP Bitor is a joint venture with the Venezuelan oil company, PDVSA, formed to market Orimulsion in Western Europe. BP associate companies are also marketing Orimulsion to heavy industry, and the first trials in the UK

Good progress on our retail re-imaging programme

are due to start in March 1991.

Except for the USA, our world-wide lubricants sales were higher than in 1989. We have launched a range of biodegradable lubricants in Germany and we plan to develop and promote these products in other markets. We have also begun to market high-quality motor oils made from recycled oils and packaged in recycled materials.

In addition to our activities in existing markets, we have made selective step-outs in other countries. In Spain, the number of BP branded *retail sites continues to grow through* our BPMed joint venture. We have moved quickly to establish retail and lubricant joint ventures in the newly-opened markets of Eastern Europe. BP's history of trading in these markets has ensured a rapid start to our new operations. Our first retail site in eastern Germany, in Dresden, is proving highly successful. Also, we have entered a joint venture to market the products produced from the

LPG storage at the new Avonmouth terminal, England, which takes product from the Wytch Farm oilfield.

A strong refining performance

Preparing for a fuel delivery at the North Port Installation, Kuala Lumpur, Malaysia.

Refuelling at Fort Lauderdale airport, Florida, USA, one of Air BP's 600 operating points around the world

Leuna refinery.

In South East Asia, we have expanded our retail and lubricants operations in Thailand, and have established technical consultancy and services links in Taiwan.

Supply and manufacturing During 1990, BP Oil operated five refineries in the USA, five in Europe, two in Australia and one in Singapore. In addition, we operated three lubricants base oil plants in Europe and had interests in ten other refineries around the world. We also had interests in crude and product pipelines in Europe and the USA.

In 1990, we invested around £160-million in our worldwide supply and refining network. A significant proportion of this expenditure was devoted to care and maintenance and environmental programmes.

We started a major project to enhance motor spirit octane at Lavéra refinery in France. It will increase the plant's production of unleaded grades. In Scotland, we completed the conversion and reversal of the Finnart-to-Grangemouth crude oil pipeline to allow product exports from Finnart. In Australia, we began a project at Kwinana refinery to remove sulphur from crude oil. At Rotterdam, the integration of the BP and Texaco refineries, under a joint venture which came into effect in November 1989, has continued.

As part of our move into new market areas, we are negotiating participation in a product pipeline project in Thailand. Also, we have signed a long-term contract to purchase products from a refinery being built in Indonesia. We shall be contributing technical services during its construction and operation.

International businesses BP Oil is one of the world's leading traders of crude oil and products. It operates from offices around the world which cover oil markets across all time zones. It participates in the forward and futures markets, so managing BP's exposure to oil price movements.

BP Marine is one of the world's largest suppliers of marine fuels and lubricants, being active in over 350 ports. In 1990, it introduced a fuel oil swaps and options activity, enabling customers to limit their exposure to movements in the price of fuel oil.

Air BP markets fuel and services to some 400 airline customers at 600 locations around the world. During 1990, we consolidated our position as one of the world's largest suppliers of aviation fuels. We added new sites in Atlanta, USA, and Melbourne, Australia, to our growing number of aviation service centres. We are the only western oil company to participate in a new hydrant project at China's Shenzhen airport, and we have started marketing in Papua New Guinea.

BP Shipping is the centre of the group's marine expertise. At the end of 1990, the international fleet numbered 27 vessels. Two new 40,000-deadweight tonnes product carriers were added during the year, and a similar vessel will be delivered in March 1991. Four very large crude carriers were chartered for five years, beginning in 1992.

BP Shipping provides an audit service for group shipping activities, particularly where safety and environmental protection are concerned. The *ship-vetting service* is invaluable in ensuring that vessels chartered for BP, or mooring alongside a BP terminal, are of the standard required to ensure safe and efficient operation.

Sharon Smith logs data from the compressor panel of the aromatics unit at Lima refinery, one of BP Oil's five refineries in the USA

BP Chemicals is one of the world's leading chemical groups, having substantial manufacturing and research facilities in Europe and the USA, and a growing presence in East Asia. With leading technologies in polyethylene, acrylonitrile and acetic acid, BP Chemicals manufactures a wide range of chemicals, plastics and speciality products and markets them worldwide.

£m	1990	1989
Operating profit	129	646
Turnover	3,164	3,164
Capital employed	2,081	1,941
Capital expenditure	384	313

Figures have been adjusted to exclude BP's Consumer Products Division now transferred to BP Nutrition

Operating profit £m

BP Chemicals

Chief Executive: Bryan Sanderson

Highlights 1990

- **Expansion of petrochemicals and polymers in Europe and East Asia**
- **Progress in developing new acrylonitrile technology**
- **Enhanced acetyls position in southern Europe and Korea**
- **Strong demand for speciality products**

Financial BP Chemicals' operating profit of £129 million was £419 million down on 1989's record result, which had included divestment profits of £58 million. The steep fall in earnings in 1990 can be attributed to three main causes.

First, by the start of the year the strength of the market for bulk chemicals had fallen from the exceptional levels enjoyed in 1988 and 1989. Second, a number of our plants were shut down for maintenance during the second quarter. Third, the cost of oil-based feedstocks rose sharply after the invasion of Kuwait in August. We increased our prices to recover the higher costs but timing lags meant that there was still a squeeze on margins.

Our capital expenditure totalled £384 million, up £71 million on 1989.

Strategy We are continuing to focus our investments on those business sectors where we enjoy a combination of strengths – a leading technology, access to cost-competitive feedstocks and an established market position. Our aim is to become the most efficient producer in our three chosen areas: petrochemicals and polymers, acetyls and nitriles, and speciality products. Our increasing investment in the fast-growing markets of East Asia complements this aim.

Our Quality Improvement Process is now well under way. Every BP Chemicals employee is involved in the continuous enhancement of the company's performance in product quality, customer service, and safety and environmental protection.

Petrochemicals and polymers During 1990, we consolidated our strong position in Europe and made significant progress towards widening our presence in East Asia.

Work began on increasing the production of ethylene – the basic building block for petrochemicals – at our Grangemouth factory in Scotland. When completed in 1992, the plant's capacity will have increased from 270,000 to 600,000 tonnes a year. Linked to BP Exploration's oil and gas processing project at Kinneil, the plant will use ethane as a feedstock, so making it one of the lowest-cost operations in Europe. We are also debottlenecking our ethylene crackers at Lavéra in France and Dormagen (BP: 50%) in Germany.

We have enhanced our position as one of Europe's leading suppliers of polyethylene and its derived compounds. At Grangemouth, a new 125,000-tonnes-a-year linear low density polyethylene (LLDPE) plant was commissioned and the high density polyethylene (HDPE) unit was expanded. In 1991, a new LLDPE plant will be brought on stream at Dormagen. Like the new Grangemouth plant, it will use BP Chemicals' award-winning, low emission gas-phase technology, now licensed in 11 other countries.

In a joint-venture project we are building Indonesia's first polyethylene

Willie McOsid surveys the new polyethylene plant at Grangemouth, Scotland. It has enhanced BP's position as one of Europe's leading producers of this product.

plant. Using BP's technology, it will be able to produce either LLDPE or HDPE when it comes on stream in 1992. We are also conducting feasibility studies for an additional polyethylene plant in Malaysia (where we will have access to low-cost gas feedstock) and for a joint venture in China.

We are Europe's largest supplier of ethylene oxide and its derivatives, which are used in making antifreeze, fibres, detergents and certain plastics. During the year, the glycol plant at Lavéra was debottlenecked and we are studying ways of increasing ethylene oxide production at Antwerp.

At Wingles in France, we increased our expandable polystyrene capacity. At Lavéra, we will be supplying feedstock to a new detergents plant which is being built by one of our customers. It will come on stream in 1991.

Acetyls and nitriles BP Chemicals is the world leader in the production and sale of acrylonitrile, the raw material for acrylic fibres, synthetic rubber, and a range of plastics and other chemicals. In order to reinforce our pre-eminent position in acrylonitrile technology, our US laboratories have made good progress on a new, lower cost route for producing the chemical.

Following the successful expansion of our plant at Green Lake, Texas, we have rationalised our supply of acrylonitrile in Europe, closing our small, obsolescent plant at Grangemouth.

BP Chemicals is the largest supplier of acetic acid and its derivatives to the world's free market. These chemicals are versatile intermediates that are used in making fibres, paints, solvents and pharmaceuticals

Ethylene oxide, acrylonitrile and acetyls – products manufactured by BP Chemicals – are used in making fibres for textiles.

Our 175,000-tonnes-a-year acetic acid/acetic anhydride plant at Hull in England, commissioned in 1989, is operating efficiently, thanks to its BP-developed technology. In South Korea, our new joint-venture plant, which is due for completion at the end of 1991, will also use BP technology.

Our position as the largest supplier of oxygenated solvents in Europe was enhanced further by the commissioning of additional acetate esters manufacturing capacity at Hull. The purchase of Montedipe of Italy's acetyls marketing business has strengthened our position in Southern Europe.

Speciality products Our portfolio of speciality chemicals and products is focused on market niches that are expected to show continuing growth into the next century. The year saw an increase in our sales in East Asia

Projects completed in 1990 included an expansion of the Barex barrier resin plant at Lima, Ohio, and a new plant for making polyethylene insulation for wires and cables at Rockport, New Jersey. In 1991, new plants for producing fine chemicals and fragrance intermediates for the perfume industry should be commissioned. In the UK, we have formed with the Pilkington Group a joint venture, known as Kooltherm Insulation Products. It will manufacture phenolic foam insulation materials, for which there is increasing demand.

Carborundum, a wholly-owned subsidiary, has continued to reinforce its leadership in high performance ceramics-based products. The plant at Mönchen-Gladbach in Germany has more than doubled its output of components for the motor industry. In the USA, we expect our marketing development programmes to result in increased product sales in 1991.

In advanced materials, our sales of composites to the aerospace industry grew rapidly in 1990 and more applications are being developed. The quality and range of our commercial composites will be improved by the opening in 1991 of new production capacity at Jonesboro, Arkansas.

Environment Throughout BP Chemicals, we are devoting a substantial proportion of our capital expenditure to cleaner manufacturing processes and waste minimisation programmes, tailored to each site. In many cases, we are aiming for standards higher than those stipulated by the regulatory authorities.

The recovery and recycling of plastics has also become part of our business strategy. The development of several environmentally-beneficial products and the adoption of an 'open-door' policy with the public is very much part of our response to the 'green' challenge of the 1990s

BP Nutrition is active throughout North America and most of Europe, serving the entire animal husbandry chain, from the supply of breeding stock and the production of animal feed through to the marketing of branded meat products. It is now responsible for BP's Consumer Products Division.

David Wills, farm manager (right), and assistant Colin Evans check the condition of salmon at a BP Nutrition fish farm in Scotland

BP Nutrition

Chief Executive: Robin Gourlay

BP Nutrition's operating profit of £48 million was 37% up on 1989, so maintaining the trend of improved performance. The higher profit was achieved in spite of an industry-wide downturn in salmon feed markets and considerable competition in the UK private-label market for household and personal care products.

Animal feed margins were strong in Europe, helped by a fall in raw materials prices. The modified risk-sharing contracts, introduced over the past two years, have enabled us to contain the effects of low prices in the pig and egg sectors. Our grain trading was highly profitable in its first year.

Expansion of our European food business continued when we bought Nobre, the leading Portuguese charcuterie company. We have strengthened our meat processing activities in the Netherlands through the purchase of Domberg. We have started to develop our fish and seafood processing activities.

In 1990, we sold more of our processed poultry and veal production operations in the Netherlands. The sale in October of our US corn seed business marks our withdrawal from that sector.

A major restructuring of Purina Mills in the USA has reduced costs, while also giving more accountability to the operating divisions.

During the year, BP Nutrition took over the responsibility for household and personal care products from BP Chemicals. We aim to expand in the private label sector, particularly in the markets of Southern Europe

Our strategy is to continue to invest in growth sectors and in high added-value activities, placing increasing emphasis on consumer-orientated products

Highlights 1990

- **Profitability continues to improve**
- **Further rebalancing of portfolio towards the end-consumer**
- **The sale of our US seed company completes our withdrawal from sector**

£m	1990	1989
Operating profit	48	35
Turnover	2,582	2,620
Capital employed	948	1,027
Capital expenditure	152	172

Figures have been adjusted to include BP's Consumer Products Division, now transferred from BP Chemicals

Operating profit £m

Other businesses and corporate

Other businesses and corporate comprises BP Finance, BP Solar, Kaldair, the group's remaining minerals and coal assets, interest income, and the costs relating to corporate activities worldwide.

Solar cell inspection and measurement are carried out by Ana Isabel Garcia and Nigel Mason at BP Solar Espana's new production line for its high-efficiency Saturn solar cells.

BP Finance BP Finance is responsible for managing the group's financial assets and liabilities. It provides the link between BP and the international financial markets and makes available a full range of financial services throughout the company.

In addition to BP Finance's management role, its financial trading activities in 1990 contributed £23 million, after costs, to the group's pre-tax profit. About £370 million of long-term debt was raised by BP Finance, principally in the USA. In the UK, we concluded lease transactions totalling £368 million. We maintained our programme of investor contact in the major capital markets of the UK, North America, continental Europe and Japan.

Through BP Finance's management of the group's financial liabilities, we made significant savings on the cost of borrowing. In the USA, we have started to issue our own commercial paper for raising short-term funds without using brokers. A highlight of 1990 was the award from Moody's Investor Services of an improved credit rating on our corporate debt. This recognised the robustness of our financial strategy and the stability of BP's cash flows.

During the year, we created two new regional finance centres – one in Brussels covering continental Europe, and another in Melbourne, covering the Asia Pacific region. These centres will improve our access to the global financial markets.

BP Solar During the year, we commissioned in Spain the world's first commercial production line for advanced 'buried grid' solar cells. Known as Saturn, they produce 30% more electrical power than their conventional counterparts, so opening up new markets for us. In Australia, we extended our network of company-owned solar retail outlets. A showcase for our products will be provided by the World Fair in Seville in 1992, where we will supply 1,000 of our modules to power a water curtain covering one side of the British pavilion.

Kaldair The core activity of supplying innovative flare systems continues to perform well. The US arm of the business traded at a record level of profitability and the UK arm enters 1991 with its best-ever order book. We have withdrawn from the nitrogen systems business and are planning to sell our advanced separation operations.

Coal After selling a large part of BP Coal in 1989, we sold our remaining US and South African coal interests during the first half of 1990. The net profit after tax on the sale of these interests in 1990 has been treated as an extraordinary item. The group has retained its 50% interest in the Sangatta mine in Indonesia.

Science and technology play an important part in BP's strategy for business success. BP Research develops new products and processes and produces innovative solutions to BP's operating and marketing needs. BP Engineering provides project management, procurement and engineering consultancy and development services. Today, information technology plays an increasingly important part in BP's technical and commercial development.

Science and Technology

At BP's Sunbury laboratories, Kevin Meade operates an electron microscope, used to probe the structure of a wide range of materials

BP Research

Director: Professor Sir John Cadogan CBE, FRS

Expenditure on research and development in 1990 totalled £329 million, compared with £325 million in 1989. To reflect the importance of the environmental work carried out at our laboratory near Cleveland, USA, it has been renamed the Warrensville Research and Environmental Science Center.

Some of 1990's research highlights are described below:

Exploration and production After successful trials with our prototype airborne laser fluorosensor, ALF, for detecting traces of oil, we are now using the system operationally. It has helped us in evaluating exploration acreage offshore North West Australia.

During drilling operations, drill pipes sometimes become stuck. This causes expensive delays and the possibility of having to abandon the hole and drill a fresh one. In collaboration with BP Exploration and our drilling contractors, we have developed new techniques and have transferred the technology to help reduce the incidence of this problem.

When oil production equipment is operated under extremes of temperature, or in salt water and rough seas, the risk of corrosion rises. We are therefore looking for ways to quantify the consequences of that corrosion and to devise cost-effective counter measures.

Our ultrasonic monitor, now on test in Alaska, will help us prevent damage to oil pipelines by detecting the high velocity gas 'slugs' which are sometimes present in the oil flow.

We have developed a simple test to detect the potentially harmful bacteria that can create corrosive hydrogen

A large portion of our research is concerned with safety and environmental protection

Lisa Wilson and Marie Joly using an Intergraph work station to develop new techniques in digital mapping, used for exploration purposes.

sulphide in oil production systems. The test, which we have used successfully in Alaska, takes only two hours to complete compared with the conventional method's 28 days.

A large portion of our research is concerned with safety and environmental protection. We have demonstrated the effectiveness of our water-spray fire suppression system in a simulated oilfield production module. Our system, unlike the halon-containing alternatives, is environmentally benign.

We have completed a field trial in Norway of a new ester-based drilling mud that offers significant environmental benefits over conventional alternatives.

Downstream oil Major changes to the specifications of motor spirit and road diesel fuel are being developed, notably in the USA, in order to meet the stringent standards on emissions set by the Environmental Protection Agency. We are playing an active role in the joint motor/oil industry task force in the USA that is investigating the effects of fuel formulation and engine design on emissions. We are also carrying out our own studies on the subject.

Our Solvex process for disposing of refinery sludge more economically than by incineration is now being used commercially. It is also available under licence. We are achieving promising results on reducing the toxicity of refinery effluent streams by populating nearby 'wetland' areas with selected plants that break down the toxins.

Combustion trials with Orimulsion, a bitumen-in-water emulsion invented and developed jointly with Petroleos de Venezuela, have taken place successfully at two power stations. In Germany, BP Oil has launched a range of biodegradable oils in the industrial sector.

Chemicals We are working on ways to improve even further the efficiency of the manufacturing process at the acetyls plant at our Hull factory, commissioned in 1989.

In polyethylene, we are testing new catalysts that will help extend our product range. In acrylonitrile, we have made further advances in the manufacturing technology, so strengthening our leading position in this chemical.

Our Carborundum business has made improvements in the production of aluminium nitride for the electronics industry. A novel, squeeze-casting facility is now being used in the development of reinforced aluminium matrix composites for aerospace and automobile applications.

We have launched a new generation of phenolic resins for making asbestos-free materials for vehicle brakes and clutches.

Innovation centre This department creates value for the group by commercialising technology-based opportunities. During the year, the unit for producing metal matrix composites was transferred to BP Chemicals. With our partners, we licensed to the Venezuelan state oil company a process for making oxygenates, used in unleaded motor spirit.

BP Engineering

Chief Executive Mark Woolveridge FEng

BP Engineering has concentrated on providing services – mainly for group businesses, though some for third parties – that have distinctive value compared with those readily available in the market. About half of our engineers work away from their 'home' offices at various locations around the world.

The management of large projects remains an important part of BP Engineering's work. Several of these projects became operational in 1990: the Gyda oilfield in the Norwegian North Sea, the expansion at the Wytch Farm oilfield in southern England and the development of the offshore production and storage vessel, Seillean.

Major pipelines were laid from the Scottish mainland to the Forties and Miller fields in the North Sea. Work on the former took only 18 months from the design stage to completion, while the latter posed a considerable technical challenge owing to the potentially corrosive nature of the gas it will carry.

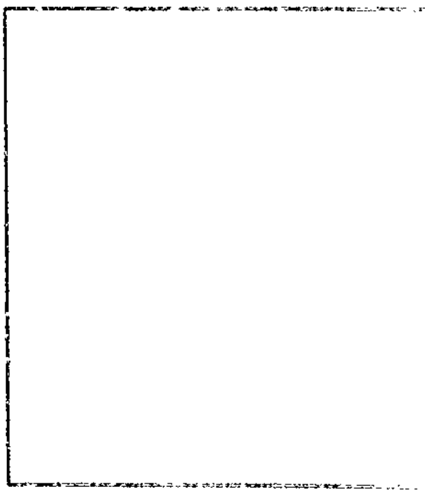
The installation at our refineries of BP-designed, computer based process control systems is continuing. By the end of 1990, we had introduced new systems for most of our fluidised catalytic cracking units. Our systems exploit developments in control and information technology, so enabling us to run complex plants more efficiently.

Information technology

Information technology (IT) is playing a significant role in reshaping the BP organisation. Our communications networks have been enhanced by a substantial increase in the use of electronic messaging. We have also established a leading position in the use of video conferencing.

The reorganisation of the corporate centre has been accompanied by an upgrading of associated IT equipment. All corporate centre staff are now equipped with networked personal computers and systems which foster a greater sharing of information.

We have made significant progress in the application of Electronic Data Interchange (EDI) for connecting suppliers with customers. Our businesses are well advanced in preparing their information systems for the removal of trade barriers in Europe in 1992.



The platform jacket for the Miller oilfield under construction at Nigg Bay in Scotland

People in BP

Henry Wilson and Ken Paul reviewing details of a deal in the oil trading room, London.

'Geff' Evans and Arthur Butler during the Miller pipeline pull-ashore, near Peterhead, Scotland

Worldwide During 1990, the average number of people employed by group companies was 118,050, a reduction of 1,800 on 1989. A breakdown of these totals is shown on page 50.

1990 saw major changes in the organisation and in ways of working in BP. These resulted from the findings of Project 1990 whose main features are described in the Chairman's letter. We believe these changes will improve our ability to respond quickly and flexibly to the business environment of the future.

Central to the development of a new culture in BP have been a number of initiatives in the field of human resources. For example, trainers have developed courses designed to support the culture change process throughout BP; performance appraisal has been enhanced to include 'upward feedback' and evaluation of the behaviour we consider essential to our success; new interviewing techniques are being assessed to counteract cultural bias in selection; and personal development plans are being introduced across the company.

BP is becoming increasingly international in its employee movements. In 1990, nearly 2,000 expatriate staff from 30 BP companies were working in 50-plus locations worldwide. We opened a new headquarters in Brussels, where staff from over 10 nations now work for BP Europe, BP Oil Europe and BP Finance Europe. BP Europe will provide an important link with governments and with the European Commission on matters such as the EC Social Charter.

In our regional headquarters in the USA, a significant number of staff transferred from the centre to business units. In the Asia/Pacific region, getting the right mix of nationals and people from other regions will be a crucial factor in BP's success. We aim to recruit more high quality staff through links between the established BP companies and those developing in the region.

Employee involvement This is fundamental to the group's process of change. Attitude surveys and the new open style of management are all helping to increase the involvement of employees in the company's affairs.

Equal opportunity BP's policy is that equal opportunities for career advancement should exist for all its employees. In many parts of the world, our managers have reassessed their objectives towards this policy and now have more specific targets to aim for.

In the UK, for example, we are actively promoting programmes to encourage young people, particularly women and those from ethnic minorities, to prepare themselves for careers in science, engineering and business. Numerous initiatives took place in 1990. For example, BP is the largest sponsor of minority ethnic students through the Windsor Fellowship, and earned that body's Sponsor of the Year Award 1990.

In South Africa, we have stuck to our resolve to develop the potential of all our staff, regardless of their background or origin. We report each year to the UK Secretary of State for Trade and Industry, in accordance with the code of conduct published by EC ministers for companies with interests in South Africa. Copies of the report are available from the Company Secretary.

In the UK

Share schemes As part of our policy to foster employee involvement, eligible employees were again invited, in May, to participate in the BP share schemes. At the end of the year, 23,000 employees, representing nearly 77% of the UK workforce, held shares under the schemes.

Pensions The BP Pension Scheme has been extended to include part-time employees. We have also improved the dependants' benefits provided by the scheme.

Disabled people It is our policy to enable suitably qualified people with a disability to seek and maintain employment and to assist them in overcoming their handicaps at work. At the end of 1990, we employed 60 people in the UK who were registered as disabled but there were many more who chose not to register.

Our Grangemouth chemicals factory was awarded a government-sponsored Fit For Work Award in 1990. This was in recognition of the plant's achievement in employing people who have become disabled.

Irma Gibson at work on the crude oil processing unit at Alliance refinery, New Orleans, USA.

Health, Safety and the Environment

Public concern for health, safety and environmental (HSE) protection continues to grow. So also does HSE legislation, which is imposing increasingly strict requirements on industrial companies. Industry's 'licence to operate' is becoming more and more dependent on its HSE performance.

Against this background, the Chairman launched in November a revised policy for the group, which lays the foundations for our activities over the next decade. The policy states that "BP strives to be an industry leader in health and safety practices and in environmental standards" and that "good HSE performance is an integral part of efficient and profitable business management".

Our new strategy identifies seven priority areas for further improving our performance: pollution prevention, energy conservation, product stewardship, safety and loss management, emergency response and crisis management, health promotion and community relations. We shall be measuring our performance against HSE objectives in these and other areas.

The individual HSE activities of our main businesses are covered elsewhere in this report. However, a number of corporate issues call for comment.

A major initiative in 1990 was the development of a crisis management plan for the group. We carried out a number of major exercises in which senior managers took part. Our Exercise Highland Capital in the North Sea was the biggest civil exercise ever held in the area.

BP America's crisis management and oil spill response capability was put to the test in February 1990 when oil was unfortunately spilt at Huntington Beach, California, from a vessel chartered by BP. Our rapid response in support of the tanker owners and the US Coastguard meant that the incident was dealt with speedily and the environmental damage minimised. BP was complimented on its effective response by the US Coastguard.

BP is actively involved in the debate on climatic change and sponsors relevant research. Acknowledging concerns about the depletion of the ozone layer, our new Halocarbon code of practice includes a requirement for the group to minimise the release of substances such as chlorofluorocarbons (CFCs), which are believed to diminish the amount of ozone in the stratosphere.

Other initiatives during the year included the promotion of road safety among our drivers, preventative programmes to protect health, and improvements in our HSE auditing and risk assessment systems. Our medical staff continue to assess the health risks associated with our activities around the world and to make available appropriate health care and emergency facilities.

A BP environmental officer monitoring soil conditions at the Wytch Farm oilfield in southern England

BP in society

There is much a successful company can do to enhance the quality of life in the society in which it operates. We believe that our policy of supporting the community leads ultimately to the prosperity of BP and to the rewarding of our shareholders.

Support for education forms a major part of this policy. We spent over £8 million on this activity in 1990. The year saw a strengthening of many of our educational initiatives, ranging from the support of teaching programmes for minority groups in the USA to school science projects in Singapore.

Major additions to our programmes included the endowment of four university chairs in science and economics in the UK; funding a chair of Human Development in Organisations in Venezuela; and two scholarships for Soviet managers in the Sloan Fellowship programme at the London Business School.

Our support for community projects varies, depending on local needs. But common themes are the development of small businesses, regenerating urban areas and preserving the environment. Often, the most valuable resources we can bring are the managerial and technical skills of our staff who are seconded to the projects.

Sponsorship of culture and the arts is another key part of our policy. In the UK, major initiatives included sponsorship of a new Ecology Gallery at London's Natural History Museum and a three-year sponsorship of The BP National Portrait Gallery Awards. In the USA, we are a major sponsor of the University of Alaska Museum.

In the environmental field we are supporting worldwide conservation projects through the BP Conservation Expedition Awards. These make grants to young Europeans taking part in expeditions to developing countries. In the USA, we work closely with Nature Conservancy agencies to preserve the endangered wilderness. We also support Wetland Link International, which encourages the management of wetland reserves all over the world.

Our sponsorship of the UK's new Cerebral Palsy Helpline is an example of our help to the disabled. We also support a variety of research projects on occupational health.

In 1990, BP's expenditure worldwide on community support, including education, totalled £27.2 million. Of this, £7.3 million was spent in the USA and £13.5 million in the UK. £4.6 million of the UK total was donated to registered charities

Many of our UK employees take advantage of BP's matched giving scheme to increase their personal donations to charities. In 1990, 2,237 of our staff raised £650,000, half of it given by BP.

Students at a school in Cleveland, USA, calculating flow rates in a model of a stream. They are using an earth science workbook developed with a grant from BP.

Other Information

The Board appointed Mr R B Horton as Chairman and Chief Executive Officer and Mr D A G Simon as Deputy Chairman and Chief Operating Officer from 11 March 1990, following the retirement of Sir Peter Walters on 10 March 1990. Sir Alastair Pilkington retired from the Board on 15 March 1990. Mr B R R Butler retires from the Board on 1 March 1991.

The Board appointed Mr R R Knowland and Mr J H Ross as managing directors from 11 March 1990 and 8 April 1991 respectively. Mr P D Sutherland and Dr C H Hahn were appointed directors from 2 January 1990 and 16 March 1990 respectively. Mr Knowland and Mr Ross have service contracts with the company of not more than one year's duration; Mr Sutherland and Dr Hahn do not have service contracts with BP. In accordance with the Articles of Association, Mr Ross now retires from the Board and, being eligible, offers himself for re-election.

Sir James Glover and Mr L T Preston retire from the Board by rotation and, being eligible, offer themselves for re-election. Sir Lindsay Alexander, being 70 years of age, retires from the Board and is eligible for re-election in accordance with the Articles of Association. None of these three directors has a service contract with the company.

The directors of the company are listed on pages 4 and 5.

Directors' Interests The interests, including family interests, at 31 December 1990 in the shares of the company and its subsidiaries of the persons who were directors at that date are shown in the table opposite. Interests at 1 January 1990, or date of appointment, if later, are also shown. On appointment, Dr Hahn and Mr Sutherland notified that they had no interests in the shares of the company or its subsidiaries.

No director, either during or at the end of the financial year, was materially interested in any contract of significance to BP's business.

Pursuant to Section 310 of the Companies Act 1985, for the year ending 31 December 1990 the company has purchased and maintained policies of insurance for its directors and officers against the financial consequences of actions brought against them by outside parties for their acts or omissions in the performance of their duties as directors or officers of the company.

Other Interests So far as the company is aware, as at the date of this report, Morgan Guaranty Trust Company of New York, through its nominee company Guaranty Nominees Limited, holds interests in 380,396,060 ordinary shares (7.09%). The KIO, either directly or through nominees, holds interests in 528,841,000 ordinary shares (9.85%). Prudential Corporation, for itself and others, holds interests in 213,465,713 ordinary shares (3.97%). The company is not aware of any other interest in its ordinary shares of 3% or more.

Annual general meeting The notice convening the annual general meeting to be held on Thursday, 18 April 1991 at 11 a.m. at The Barbican Centre, Silk Street, London is sent to shareholders separately with this report, together with an explanation of the items of special business.

Ernst & Young have expressed their willingness to continue as auditors and their re-appointment is proposed in accordance with Section 385 of the Companies Act 1985. It is also proposed that the directors be given authority to fix the auditors' remuneration.

By order of the Board
R C Grayson, Secretary
14 February 1991

Directors' Interests

The British Petroleum Company p.l.c.

25p Ordinary Shares

	31.12.90	1.1.90*
R B Horton	154,517(i)	144,322
D A G Simon	14,438	10,386
Sir Lindsay Alexander	4,572	3,883
Sir John Baring	13,000	13,000
B R R Butler	14,079(ii)	12,974
Sir Campbell Fraser	8,334	8,184
P J Gillam	17,198	12,872
Sir James Glover	3,881	3,444
Dr C H Hahn	3,000	—
C F Knight	12,000(iii)	12,000
R R Knowland	16,133	12,863
Sir Robin Nicholson	1,263	1,112
H E Norton	10,847(iv)	9,048
L T Preston	48,000(v)	48,000
Sir Patrick Sheehy	7,807	7,628
P D Sutherland	—	—

* or at date of appointment if later

(i) includes 14,220 (13,532) Ordinary Shares held in ADS form

(ii) plus 30 warrants

(iii) held in ADS form plus 200 warrants

(iv) plus 250 second preference shares of £1 each

(v) held in ADS form

Each warrant entitles the holder to purchase one American Depositary Share (ADS) or, at the holder's option, 12 Ordinary Shares represented by an ADS. ADSs are held in the form of American Depositary Receipts.

Since 31 December 1990, changes in the interests shown above have taken place by the following directors acquiring further Ordinary Shares through the Share Dividend Plan for the quarterly dividend paid on 7 February 1991 or through market purchases following the announcement of final results for the year ended 31 December 1990:

Sir Lindsay Alexander	40 shares
B R R Butler	168 shares
P J Gillam	505 shares
Sir James Glover	42 shares
R B Horton	1,840 shares
R R Knowland	193 shares
Sir Robin Nicholson	15 shares
H E Norton	131 shares
D A G Simon	173 shares
P D Sutherland	3,150 shares

Shareholding Information

BP ordinary shareholders at 31 December 1990

Range of holdings:	Number of shareholders	Percentage of total shareholders	Percentage of share capital
1-50	**36,392**	**6.4**	**—**
51-100	**27,617**	**4.9**	**—**
101-150	**114,635**	**20.1**	**0.3**
151-200	**6,074**	**1.1**	**—**
201-250	**33,142**	**5.8**	**0.1**
251-1,000	**171,089**	**30.1**	**1.7**
1,001-10,000	**170,267**	**29.9**	**8.5**
10,001-100,000	**8,043**	**1.4**	**3.6**
100,001-1,000,000	**1,424**	**0.2**	**9.2**
Over 1,000,000	**500**	**0.1**	**76.6**
Total shareholders	**569,183**	**100.0**	**100.0**

Classification of shareholders:	Number of shareholders	Percentage of total shareholders	Percentage of share capital
Individuals	**535,519**	**94.1**	**11.4**
Companies	**2,892**	**0.5**	**4.2**
Trust companies (pension funds etc)	**3,615**	**0.6**	**8.6**
Banks and nominees*	**25,106**	**4.4**	**60.6**
Insurance and assurance companies	**2,050**	**0.4**	**13.3**
UK Government	**1**	**—**	**1.9**
Total shareholders	**569,183**	**100.0**	**100.0**

*Includes the 9[illegible] holding of the State of Kuwait

The total number of ordinary shares in issue at 31 December 1990 was 5,364,611,171 of which approximately 388 million were represented by ADRs – see page 63.

At 31 December 1990 there were also 3,525 preference shareholders.

Announcement of Dividends and Results

Ordinary shares

Proposed key dates for dividends to be declared in 1991 and for The BP Share Dividend Plan:

Announcement	Ex-dividend	Record	Variation*	Payment
14 February 1991	25 February 1991	8 March 1991	11 April 1991	7 May 1991
9 May 1991	20 May 1991	31 May 1991	3 July 1991	7 August 1991
8 August 1991	12 August 1991	23 August 1991	25 September 1991	7 November 1991
7 November 1991	11 November 1991	22 November 1991	3 January 1992	7 February 1992

* This is the date by which participants in the Plan must return forms of variation to the Registrar if they wish to vary the level of their participation in the Plan in time for the following dividend payment. Forms of variation can be obtained from the Registrar at the address given on page 64.

First and second preference shares

Dividends are paid on 31 January and 31 July of each year.

Announcement of results

Results are announced in February, May, August and November of each year.

The group's half-year results for 1991 (including notification of the relevant quarterly dividend) will be announced to The International Stock Exchange, London, and will be included in the Half-Year Review which will be sent to shareholders in August.

The first and third quarter results (including notification of the relevant quarterly dividends) will be announced to The International Stock Exchange in the usual way. Shareholders who would like to be placed on the mailing list for these first and third quarterly announcements should write to the Company Secretary. ADR holders in the USA and Canada, and shareholders in Japan, should write to the addresses given on page 64.

Taxation

New shares instead of cash dividends

During 1990 the company made available The BP Share Dividend Plan in respect of the quarterly dividends paid in May, August and November 1990 and February 1991. The amount of the dividend necessary to give an entitlement to one new share was fixed at 336.2p, 322.6p, 362.4p and 330.4p respectively. Each new share received will be treated for income tax purposes, as giving rise to gross income of 448.3p, 430.1p, 483.2p and 440.5p respectively on which basic rate income tax of 112.1p, 107.5p, 120.8p and 110.1p respectively has been paid.

It should be noted that the market value of one new share on the first day of dealing on The International Stock Exchange (the opening value) did not differ by 15% either way from the amount of cash dividend necessary to give an entitlement to one new share. Accordingly, the Inland Revenue will not seek to substitute the opening value for the figures given above of 336.2p, 322.6p, 362.4p and 330.4p. The relevant opening values for the quarterly dividends paid in May, August and November 1990 and February 1991 were 320.0p, 362.0p, 338.0p and 321.0p respectively.

Capital gains

The market values of BP shares at 6 April 1965 for the purposes of capital gains tax, after adjustment for the conversion, sub-division and capitalisation issue referred to below, were:

Ordinary shares
£0.213542 per 25p ordinary share
First preference shares
£1.128125 per £1 share
Second preference shares
£1.243750 per £1 share

Since 5 April 1965 there have been rights issues of ordinary shares as follows:

One for thirteen at £0.2083: the ex-rights date was 28 February 1966

One for fifteen at £0.4283: the ex-rights date was 14 October 1971

One for seven at £0.9167: the ex-rights date was 23 June 1981

As from the close of business on 5 October 1979 each £1 unit of ordinary stock was converted and sub-divided into four ordinary shares of 25p each, and each existing £1 unit of preference stock was converted into one preference share of £1.

With effect from 1 May 1987 a capitalisation issue was made of two additional ordinary shares of 25p each for each ordinary share held at the close of business on 15 April 1987.

The market values at 31 March 1982 for the purposes of capital gains tax indexation allowance were:

Ordinary shares
£0.95 per 25p ordinary share
First preference shares
£0.565 per £1 share
Second preference shares
£0.645 per £1 share

The company is not a close company within the meaning of the Income and Corporation Taxes Act 1988

Report of the Auditors

To the Members of The British Petroleum Company p.l.c.

We have audited the accounts set out on pages 36 to 53 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31 December 1990 and of the profit and source and application of funds of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Ernst & Young
Chartered Accountants
London
14 February 1991

Accounting Policies

Accounting standards
In all material respects, these accounts are prepared in accordance with applicable UK accounting standards.

Accounting convention
The accounts are prepared under the historical cost convention. Historical cost accounts show the profits available to shareholders and are the most appropriate basis for presentation of the group's balance sheet and funds statement. The historical cost results include stock holding gains or losses.

Replacement cost
The results of individual businesses and geographical areas are presented on a replacement cost basis. Replacement cost operating results exclude stock holding gains or losses and reflect the average cost of supplies incurred during the year. Stock holding gains or losses represent the difference between the replacement cost of sales and the historical cost of sales calculated using the first-in first-out method.

Group consolidation
The group accounts comprise a consolidation of the accounts of the parent company and all its subsidiary undertakings, except for a number of minor undertakings where the amounts involved are insignificant, and include the group proportion of the profits or losses and retained earnings of associated undertakings.

Foreign currencies
On consolidation, assets and liabilities of subsidiary undertakings are translated into sterling at closing rates of exchange. Income and source and application of funds statements are translated at average rates of exchange.

Exchange differences resulting from the translation at closing rates of net investments in subsidiary and associated undertakings, together with differences between income statements translated at average rates and at closing rates, are dealt with in reserves.

Exchange gains and losses arising on long-term foreign currency borrowings used to finance the group's foreign currency investments are also dealt with in reserves.

All other 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 are valued at cost to the group 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

Exploration expenditure
Exploration expenditure is accounted in accordance with the successful efforts method. Exploration expenditure is initially classified as an intangible fixed asset. When proved reserves of oil and gas or commercially exploitable reserves of minerals are determined and development is sanctioned, the relevant expenditure is transferred to tangible production assets. All exploration expenditure determined as unsuccessful is charged against income. Exploration leasehold acquisition costs are amortised over the estimated period of exploration.

Exploration costs incurred under production-sharing contracts are classified as loans within fixed asset investments. Provisions are initially made against these loans in accordance with the successful efforts method. On the determination of proved oil and gas reserves in contract areas provisions against expenditures, which are recoverable under contracts from future production, are written back to income.

Depreciation
Oil and minerals production assets are depreciated using a unit-of-production method based upon estimated proved reserves. Other tangible and intangible assets are depreciated on the straight line method over their estimated useful lives.

Abandonment
Provision is made using a unit-of-production method, based upon estimated proved reserves, for the abandonment of production facilities in accordance with local conditions and requirements on the basis of costs estimated as at balance sheet date. The effect of changes to estimated costs is dealt with on a prospective basis.

Pensions
Most group companies have pension plans the forms and benefits of which vary with conditions and practices in the countries concerned. In most cases plans are funded by contributions to separate funds. Pension costs, including the amortisation of actuarial surpluses and deficiencies, are charged to income over the expected average remaining service lives of employees. The difference between the charge for pensions and total contributions is included within pension provisions or debtors as appropriate.

Leases
Assets held under leases which result in group companies 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.

Petroleum revenue tax
The charge for petroleum revenue tax is calculated using a unit-of-production method.

Changes in unit-of-production factors
Changes in factors which affect unit-of-production calculations are dealt with prospectively, not by immediate adjustment of prior years' amounts

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.

Goodwill

Goodwill is the excess of purchase consideration over the fair value of net assets acquired. It is capitalised and amortised over its estimated useful economic life, limited to a maximum period of twenty years.

Deferred taxation

Deferred taxation is calculated, using the liability method, in respect of timing differences arising primarily from the different accounting and tax treatment of depreciation and petroleum revenue tax. Provision is made or recovery anticipated where timing differences are expected to reverse in the foreseeable future.

Comparative figures

Certain previous years' figures have been restated to conform with the 1990 presentation.

Group Income Statement

For the year ended 31 December 1990	Note	1990 £ million	1989 £ million
Turnover	2	33,039	29,641
Replacement cost of sales		24,655	22,095
Production taxes	3	1,348	1,242
Gross profit		7,036	6,304
Distribution and administration expenses	4	4,140	3,690
Exploration expenditure written off		460	480
		2,436	2,134
Other income	6	526	803
Replacement cost operating profit		2,962	2,937
Stock holding gains		477	390
Historical cost operating profit		3,439	3,327
Interest expense	7	671	794
Profit before taxation		2,768	2,533
Taxation	9	1,042	744
Profit after taxation		1,726	1,789
Minority shareholders' interest		50	45
Profit before extraordinary items		1,676	1,744
Extraordinary items	10	12	390
Profit for the year		1,688	2,134
Distribution to shareholders	11	861	795
Retained profit for the year		827	1,339
Earnings per ordinary share	12	31.3p	31.8p

Group Reserves

		1990	1989
Group reserves at 1 January		7,490	8,297
Exchange adjustments		(692)	268
Shares purchased from KIO	27	—	(2,423)
Retained profit for the year		827	1,339
Other movements		—	9
Group reserves at 31 December	28	7,625	7 490

Balance Sheets

					£ million
			Group		Parent
At 31 December 1990	Note	**1990**	1989	**1990**	1989
Fixed assets:					
Intangible assets	16	**1,447**	1,672	**—**	—
Tangible assets	17	**17,481**	19,285	**—**	—
Investments	18	**1,413**	1,497	**2,022**	1,755
		20,341	22,454	**2,022**	1,755
Current assets:					
Stocks	19	**3,476**	3,381	**—**	—
Debtors	20	**6,259**	5,361	**3,564**	3,854
Investments	21	**152**	151	**—**	—
Cash at bank and in hand		**469**	268	**1**	3
		10,356	9,161	**3,565**	3,857
Creditors – amounts falling due within one year:					
Finance debt	22	**1,713**	2,531	**—**	—
Other creditors	23	**7,897**	7,037	**712**	811
Net current assets		**746**	(407)	**2,853**	3,046
Total assets less current liabilities		**21,087**	22,047	**4,875**	4,801
Creditors – amounts falling due after more than one year:					
Finance debt	22	**5,207**	5,758	**—**	—
Other creditors	23	**2,144**	1,938	**5**	18
Provisions for liabilities and charges:					
Deferred taxation	9	**387**	451	**—**	—
Other provisions	24	**2,108**	2,481	**—**	—
Net assets		**11,241**	11 441	**4,870**	4,783
Minority shareholders' interest		**240**	656	**—**	—
BP shareholders' interest		**11,001**	10,785	**4,870**	4,783

Represented by

Capital and reserves.					
Called up share capital	25	**1,353**	1,348	**1,353**	1,348
Share premium account	26	**1,826**	1,752	**1,826**	1,752
Capital redemption reserve	27	**197**	197	**197**	197
Reserves	28	**7,625**	7,490	**1,494**	1,488
		11,001	10,785	**4,870**	4,783

Robert Horton, Director.

Lindsay Alexander, Director.

14 February 1991

Group Source and Application of Funds Statement

For the year ended 31 December 1990	Note	1990 £ million	1989 £ million
Profit after taxation		**1,726**	1,789
Extraordinary items		**12**	390
Items not involving the movement of funds (i)		**2,382**	2,701
		4,120	4,880
Working capital movement (ii)		**(431)**	(410)
Other movements (iii)		**1,651**	303
Funds generated from operations		**5,340**	4,773
Capital expenditure		**(3,751)**	(3,433)
Acquisitions	14	**(61)**	(70)
Net assets of divested coal and minerals interests	15	**118**	1,694
Dividends paid		**(838)**	(911)
Funds generated		**808**	2,053
Financial movements			
Shares issued		**(81)**	(74)
Shares purchased from KIO	27	**–**	2,423
Changes in external financing		**629**	(350)
External funding – decrease		**548**	1,999
Liquid resources – increase (iv)		**260**	54
		808	2,053

Notes:

	1990	1989
(i) Items not involving the movement of funds:		
Depreciation and amounts provided	**2,011**	2,077
Exploration expenditure written off	**460**	480
Profit retained by associated undertakings	**(19)**	14
Provisions for liabilities and charges	**(70)**	130
	2,382	2,701
(ii) Working capital movement:		
Stocks	**(479)**	(729)
Debtors	**(1,463)**	(808)
Creditors due within one year (excluding finance debt)	**1,511**	1,127
	(431)	(410)
(iii) Other movements:		
Book amount of fixed assets sold	**1,270**	793
Creditors due after one year (excluding finance debt)	**320**	154
Minority shareholders' interest	**(23)**	(36)
Other	**84**	(608)
	1,651	303

(iv) Liquid resources comprise current asset investments and cash at bank and in hand

(v) The statements of source and application of funds of overseas subsidiaries are translated into sterling at average rates of exchange in order to reflect more closely the funds flows within those undertakings. Accordingly the figures shown above exclude currency differences arising from the translation of assets and liabilities at closing rates.

Notes on Accounts

1 Group income statement analysis

£ million

	Replacement cost operating profit (i)		Turnover (ii)	
By business	**1990**	1989	**1990**	1989
Exploration and Production	**2,096**	1,574	**7,937**	6,855
Refining and Marketing	**653**	732	**24,025**	20,598
Chemicals	**329**	548	**3,164**	3,164
Nutrition	**68**	35	**2,582**	2,620
Other businesses and corporate	**(184)**	40	**390**	884
	2,962	2,937	**38,098**	34,121
Less sales between businesses			**5,059**	4,480
Total	**2,962**	2,937	**33,039**	29,641
By geographical area				
UK (iii)	**405**	787	**12,209**	9,428
Rest of Europe	**571**	525	**10,093**	9,265
USA	**1,470**	1,334	**10,402**	9,938
Rest of World	**516**	291	**3,664**	3,398
	2,962	2,937	**36,368**	32,029
Less sales between areas			**3,329**	2,388
Total	**2,962**	2,937	**33,039**	29,641

(i) Replacement cost operating profit is before stock holding gains and losses, interest expense and taxation, all of which are attributable to the corporate function

(ii) Transfers between group companies are made at market prices taking into account the volumes involved

(iii) UK area includes UK North Sea crude oil activities and the UK-based international activities of BP Oil

2 Turnover

£ million

	1990	1989
Sales and operating revenue	**41,711**	37,394
Customs duties and sales taxes	**8,672**	7,753
	33,039	29,641

3 Production taxes

£ million

	1990	1989
UK petroleum revenue tax	**746**	763
Overseas production taxes	**602**	479
	1,348	1,242

4 Distribution and administration expenses

£ million

	1990	1989
Distribution	**3,838**	3,508
Administration	**302**	182
	4,140	3,690

Notes on Accounts

5 Depreciation and amounts provided

	1990	1989
		£ million
Included in the income statement under the following headings:		
Depreciation		
Replacement cost of sales	1,703	1,797
Distribution	257	233
Administration	49	44
	2,009	2,074
Depreciation of capitalised leased assets included above	56	32
Amounts provided against fixed asset investments:		
Replacement cost of sales	2	3
Exploration expenditure	56	57
	58	60

6 Other income

	1990	1989
		£ million
Share of profits of associated undertakings	200	262
Income from other fixed asset investments	9	3
Other interest and miscellaneous income	317	538
	526	803
Income from listed investments included above	38	35

7 Interest expense

	1990	1989
		£ million
Loans wholly repayable within five years	399	506
Other loans	288	357
Finance leases	63	40
	750	903
Capitalised	79	109
Charged against profit	671	794

8 Hire, research and audit costs

	1990	1989
		£ million
Hire charges under operating leases:		
Tanker charters	228	225
Plant and machinery	187	190
Land and buildings	153	128
	568	543
Expenditure on research	328	325

Auditors' remuneration – group companies £6.9 million (£6.7 million) of which the parent company £0.5 million (£0.5 million).

9 Taxation

	1990	1989
		£ million
United Kingdom corporation tax:		
Current at 35%	792	1,223
Overseas tax relief	(452)	(1,090)
	340	133
Deferred at 35%	19	119
	359	252
Advance corporation tax	(60)	58
	299	310
Overseas:		
Current	686	428
Deferred	(2)	(47)
Associated undertakings	59	53
	743	434
	1,042	744

9 Taxation continued

Provisions for deferred taxation

Analysis of movements during the year	Provisions 1990	Provisions 1989	Gross potential liability 1990	Gross potential liability 1989
				£ million
At 1 January	451	389	2,488	2,202
Exchange adjustments	(29)	23	(264)	175
Acquisitions	—	1	—	1
Charge for the year	17	72	118	242
Extraordinary items	—	(34)	—	(132)
Deletions	(52)	—	(56)	—
At 31 December	387	451	2,286	2,488
of which – United Kingdom	237	219	880	841
– Overseas	150	232	1,408	1,647
Analysis by category of timing difference				
Depreciation	1,143	1,140	2,834	2,996
Petroleum revenue tax	(558)	(458)	(549)	(458)
Other items	(198)	(231)	1	(50)
	387	451	2,286	2,488

Advance corporation tax has not been deducted from provisions for deferred taxation.

If provision for deferred taxation had been made on the basis of the gross potential liability the charge for the year would have been increased as follows:

	1990	1989
United Kingdom	20	26
Overseas	81	144
	101	170

10 Extraordinary items

	1990	1989
		£ million
Profit on sale of Minerals interests	—	267
Profit on sale of Coal interests	12	123
	12	390

Total extraordinary profit shown above is after charging overseas taxation of £15 million (£363 million).

11 Distribution to shareholders

	Pence per share 1990	Pence per share 1989	£ million 1990	£ million 1989
Preference dividends			1	1
Ordinary dividends				
First quarterly	3.95	3.65	211	194
Second quarterly	3.95	3.65	212	194
Third quarterly	3.95	3.65	212	195
Fourth quarterly	4.20	3.95	225	211
	16.05	14.90	861	795

12 Earnings per ordinary share

The calculation of earnings per ordinary share is based on profit before extraordinary items less preference dividends, related to the weighted average of 5,350 million (5,474 million) ordinary shares in issue during the year.

Notes on Accounts

13 Group balance sheet analysis

£ million

	Capital expenditure and acquisitions		Operating capital employed (ii)	
By business	**1990**	1989	**1990**	1989
Exploration and Production	**2,201**	2,037	**10,019**	11,705
Refining and Marketing	**774**	726	**5,717**	5,695
Chemicals	**384**	313	**2,081**	1,941
Nutrition	**152**	172	**949**	1,027
Other businesses and corporate	**301**	255	**380**	298
Total	**3,812**	3,503	**19,146**	20,666
By geographical area				
UK (i)	**1,701**	1,491	**6,135**	5,829
Rest of Europe	**695**	544	**3,137**	2,932
USA	**902**	861	**7,029**	8,552
Rest of World	**514**	607	**2,845**	3,353
Total	**3,812**	3,503	**19,146**	20,666

(i) UK area includes UK North Sea crude oil activities and the UK-based international activities of BP Oil.

	1990	1989
(ii) Operating capital employed	**19,146**	20,666
Liabilities for current and deferred taxation	**(985)**	(936)
Capital employed	**18,161**	19,730
Financed by:		
Finance debt	**6,920**	8,289
Minority shareholders' interest	**240**	656
BP shareholders' interest	**11,001**	10,785
	18,161	19,730

14 Acquisitions

In 1990 there were minor acquisitions totalling £46 million in the Chemicals and Nutrition businesses. In 1989 acquisitions totalled £65 million, mainly in the Refining and Marketing and Nutrition businesses.

The amounts shown as acquisitions in the group statement of source and application of funds exclude the finance debt of £15 million (£5 million) of acquired companies.

The cost of acquisitions in the group statement of source and application of funds represents the individual asset and liability movements as follows:

£ million

	1990	1989
Intangible assets	**22**	35
Tangible assets	**23**	21
Fixed assets – investments	**–**	11
Working capital	**18**	4
Provisions	**(2)**	(1)
	61	70

15 Major disposals

(i) Coal

During 1989 the group sold the majority of its Australian and South African coal interests for a total consideration of £283 million. In 1990 further coal interests were sold for £145 million. Profits after taxation on these sales of £125 million in 1989 and £12 million in 1990 have been accounted as extraordinary items.

(ii) Minerals interests

During 1989, the sale, effective 1 January 1989, of most of BP's minerals interests (excluding the group's 49% interest in the Olympic Dam Joint Venture in Australia) to The RTZ Corporation was completed. Consideration for the sale was £2,384 million. The minerals interests of BP Canada and certain other minor interests were not offered for sale. The profit after taxation on the sale amounting to £267 million was accounted as an extraordinary item.

The amount shown as net assets of coal and minerals interests in the group statement of source and application of funds represents the individual asset and liability movements arising from the disposals as follows.

£ million

	1990	1989
Intangible assets	**–**	84
Tangible assets	**101**	1,304
Fixed assets – investments	**2**	160
Working capital	**49**	199
Other	**(34)**	(53)
	118	1,694

16 Intangible assets £ million

	Exploration expenditure			Other intangibles	Goodwill	Total
	Exploration and Production	Coal	Total			
Cost						
At 1 January 1990	1,626	11	1,637	244	219	2,100
Exchange adjustments	(91)	2	(89)	(36)	(15)	(120)
Acquisitions	—	—	—	4	18	22
Additions	885	6	891	9	7	907
Transfers	(110)	—	(110)	(12)	(1)	(123)
Deletions	(722)	(15)	(737)	(11)	(14)	(762)
At 31 December 1990	**1,388**	**4**	**1,392**	**198**	**214**	**1,804**
Depreciation						
At 1 January 1990	273	6	279	54	95	428
Exchange adjustments	(29)	3	(26)	(8)	(9)	(43)
Charge for the year	401	3	404	16	28	448
Transfers	(10)	(3)	(13)	2	—	(11)
Deletions	(446)	(6)	(452)	—	(13)	(465)
At 31 December 1990	**189**	**3**	**192**	**64**	**101**	**357**
Net book amount						
At 31 December 1990	**1,199**	**1**	**1,200**	**134**	**113**	**1,447**
At 31 December 1989	1,353	5	1,358	190	124	1,672

17 Tangible assets – property, plant and equipment £ million

	Exploration and Production	Refining and Marketing	Chemicals	Nutrition	Other	Total	of which Assets under construction
Cost							
At 1 January 1990	21,392	7,434	2,361	664	1,679	33,730	2,957
Exchange adjustments	(2,169)	(754)	(148)	(77)	(169)	(3,317)	(123)
Acquisitions	—	—	—	23	—	23	2
Additions	1,444	731	327	106	226	2,834	1,754
Transfers	128	33	8	(4)	(55)	110	(2,137)
Deletions	(2,024)	(431)	(32)	(47)	(397)	(2,931)	(602)
At 31 December 1990	**18,771**	**7,013**	**2,516**	**665**	**1,284**	**30,449**	**1,851**
Depreciation							
At 1 January 1990	8,808	3,563	1,172	311	591	14,445	
Exchange adjustments	(1,023)	(305)	(68)	(24)	(54)	(1,474)	
Charge for the year	1,232	391	153	63	126	1,965	
Transfers	16	33	2	—	(33)	18	
Deletions	(1,361)	(333)	(22)	(29)	(241)	(1,986)	
At 31 December 1990	**7,672**	**3,349**	**1,237**	**321**	**389**	**12,968**	
Net book amount							
At 31 December 1990	**11,099**	**3,664**	**1,279**	**344**	**895**	**17,481**	**1,851**
At 31 December 1989	12,584	3,871	1,189	553	1,088	19,285	2,957
Principal rates of depreciation	*	2-25%	5-12%	3-25%	5-25%		

* Mainly unit-of-production

Assets held under finance leases, capitalised interest and land at net book amount included above:	Leased assets			Capitalised interest		
	Cost	Depreciation	Net	Cost	Depreciation	Net
At 31 December 1990	**1,030**	**245**	**785**	**1,123**	**453**	**670**
At 31 December 1989	692	208	484	1,140	458	682

	Freehold land	Leasehold land	
		Over 50 years unexpired	Other
At 31 December 1990	**578**	**9**	**26**
At 31 December 1989	607	10	28

18 Fixed assets – Investments

Group £ million

	Associated undertakings			Other investments			Loans	Total
	Shares	Loans	Share of retained profit	Listed UK	Listed Foreign	Unlisted		
Cost								
At 1 January 1990	504	94	367	1	63	56	570	1,655
Exchange adjustments	(41)	(5)	(21)	–	(10)	(6)	(84)	(167)
Additions	37	60	19	–	–	6	107	229
Transfers	–	22	–	–	–	–	(9)	13
Deletions	(24)	–	–	–	(10)	(18)	(141)	(193)
At 31 December 1990	**476**	**171**	**365**	**1**	**43**	**38**	**443**	**1,537**
Amounts provided								
At 1 January 1990	17	11	–	–	6	–	124	158
Exchange adjustments	(1)	(2)	–	–	(1)	–	(19)	(23)
Provided in the year	5	1	–	–	(4)	–	56	58
Transfers	–	–	–	–	–	–	(7)	(7)
Deletions	(1)	(1)	–	–	–	–	(60)	(62)
At 31 December 1990	**20**	**9**	**–**	**–**	**1**	**–**	**94**	**124**
Net book amount								
At 31 December 1990	**456**	**162**	**365**	**1**	**42**	**38**	**349**	**1,413**
At 31 December 1989	487	83	367	1	57	58	446	1,497
Stock exchange value								
At 31 December 1990				**2**	**49**			
At 31 December 1989				3	63			

Loans include advances under production-sharing contracts of £200 million (£309 million) less amounts provided of £92 million (£109 million)

Parent

	Subsidiary undertakings	Associated undertakings		Total
	Shares	Shares	Loans	
Cost				
At 1 January 1990	1,756	2	1	1,759
Additions	1,182	–	–	1,182
Deletions	(915)	–	–	(915)
At 31 December 1990	**2,023**	**2**	**1**	**2,026**
Amounts provided				
At 1 January 1990	3	–	1	4
Deletions	–	–	–	–
At 31 December 1990	**3**	**–**	**1**	**4**
Net book amount				
At 31 December 1990	**2,020**	**2**	**–**	**2,022**
At 31 December 1989	1,753	2	–	1,755

The investments in subsidiary and associated undertakings are almost entirely unlisted.

19 Stocks

£ million

	1990	1989
Petroleum	**2,483**	2,289
Chemicals	**333**	340
Nutrition	**239**	251
Other	**105**	145
	3,160	3,025
Stores	**318**	356
	3,478	3,381
Replacement cost	**3,494**	3,449

20 Debtors

£ million

	Group				Parent			
	1990		1989		**1990**		1989	
	Within 1 year	After 1 year	Within 1 year	After 1 year	Within 1 year	After 1 year	Within 1 year	After 1 year
Trade	**3,953**	**1**	3,539	1	**–**	**–**	–	–
Group undertakings	**–**	**–**	–	–	**3,492**	**53**	3,824	–
Associated undertakings	**91**	**21**	96	1	**–**	**–**	–	–
Prepayments and accrued income	**441**	**135**	335	192	**–**	**–**	–	–
Taxation recoverable	**34**	**216**	50	79	**2**	**–**	2	–
Pension prepayment	**–**	**361**	–	264	**–**	**–**	–	–
Other	**911**	**108**	711	93	**2**	**15**	11	17
	5,420	**836**	4,731	630	**3,496**	**68**	3,837	17

21 Current assets – investments

	1990	1989
	£ million	
Listed – UK	57	58
Foreign	60	39
	117	97
Unlisted	35	54
	152	151
Stock exchange value of listed investments	120	102

22 Finance debt

£ million

	1990 Within 1 year	1990 After 1 year	1989 Within 1 year	1989 After 1 year
Bank loans and overdrafts	789	314	1,343	421
Other loans	860	4,046	1,150	4,802
Obligations under finance leases	64	847	38	535
	1,713	5,207	2,531	5,758

Analysis of bank loans and overdrafts and other loans

£ million

	1990 Bank loans and overdrafts	1990 Other loans	1990 Total	1989 Bank loans and overdrafts	1989 Other loans	1989 Total
Due after 10 years	–	1,153	1,153	1	1,482	1,483
Due within 6 to 10 years	107	1,425	1,532	190	1,485	1,675
5 years	69	275	344	21	304	325
4 years	23	264	287	98	682	780
3 years	73	513	586	39	592	631
2 years	42	416	458	72	257	329
	314	4,046	4,360	421	4,802	5,223
1 year	789	860	1,649	1,343	1,150	2,493
	1,103	4,906	6,009	1,764	5,952	7,716
Secured on assets of group companies	38	7	45	36	8	44

Analysis by currency	Weighted average interest rate %	1990 £ million	1989 £ million
Sterling	9	174	569
US dollars	8	4,795	6,163
Australian dollars	13	77	14
Belgian francs	9	11	14
Canadian dollars	11	72	87
Deutschemarks	8	310	373
French francs	10	137	145
Swiss francs	8	122	92
Other currencies	15	311	259
		6,009	7,716

Any borrowing the liability for which is swapped into another currency is accounted as a liability in the swap currency and not in the original currency of denomination.

At 31 December the group had substantial amounts of undrawn borrowing facilities available including approximately £3,742 million (£4,770 million) which was covered by formal commitments.

Information relating to loans wholly or partly repayable more than five years from 31 December is as follows:

	1990 £ million	1989 £ million
Wholly repayable after five years	1,879	2,127
Payable by instalments – after five years	806	1,031
– within five years	225	293
	2,910	3,451

Interest rates on these debts range from 7% to 15% with a weighted average of 9%.

Obligations under finance leases

	1990 £ million	1989 £ million
Minimum future lease payments		
Payable within		
1 year	90	67
2 to 5 years	347	254
Thereafter	2,302	965
	2,739	1,286
Less finance charges	1,828	713
Net obligations	911	573

23 Other creditors

	Group				Parent			£ million
	1990		1989		1990		1989	
	Within 1 year	After 1 year	Within 1 year	After 1 year	Within 1 year	After 1 year	Within 1 year	After 1 year
Trade	2,876	19	2,584	22	–	–	–	–
Group undertakings	–	–	–	–	85	6	145	6
Associated undertakings	182	6	133	5	–	–	–	–
Production taxes	238	1,849	347	1,254	–	–	–	–
Taxation on profits	838	–	814	–	138	–	194	–
Social security	22	–	32	–	17	–	14	–
Accruals and deferred income	1,488	318	1,446	394	20	–	43	–
Dividends	438	–	406	–	438	–	406	–
Other	1,835	256	1,475	261	13	–	9	10
	7,097	2,144	7,037	1,936	712	6	811	16

24 Other provisions

	Abandonment	Insurance	Pension	Other	Total £ million
At 1 January 1990	1,540	77	629	215	2,461
Exchange adjustments	(122)	(7)	(40)	(33)	(202)
Charged to income	(76)	(4)	57	14	21
Utilised/deleted	(140)	1	(1)	(32)	(172)
At 31 December 1990	1,202	67	675	164	2,108

Pension provisions comprise amounts provided by subsidiaries with unfunded plans.

25 Called up share capital

No change was made during 1990 to the parent company's authorised share capital of £2,000 million.

The allotted share capital at 31 December was as follows:

	1990 Shares	1990 £ million	1989 Shares	1989 £ million
8% (now 5.6% + tax credit) cumulative first preference shares of £1 each	7,232,838	7	7,232,838	7
9% (now 6.3% + tax credit) cumulative second preference shares of £1 each	5,473,414	5	5,473,414	5
Ordinary shares of 25p each	5,364,611,171	1,341	5,334,169,096	1,334
		1,353		1,346

During 1990, 3,815,923 ordinary shares were issued under the share dividend plan at 295.8p, 2,822,319 at 336.2p, 3,022,443 at 322.6p and 2,703,529 at 362.4p per share. In addition, 18,044,205 ordinary shares were issued during the year under employee share schemes.

In connection with the purchase of the Standard Oil minority interest in 1987, the company authorised the issue of 21,477,228 registered warrants to the former minority shareholders. Each warrant entitles the registered holder to subscribe for one American Depositary Share (ADS), currently representing twelve ordinary shares, or such number of shares as is represented by one ADS. Each warrant is exercisable on payment of the exercise price of $80 per warrant at any time up to 31 January 1993. During 1990, 13,656 ordinary shares were issued in respect of warrants exercised. At 31 December 1990, the total number of ordinary shares represented by the outstanding warrants was 257,708,724 (257,722,380).

26 Share premium account

	1990	1989 £ million
At 1 January	1,752	1,685
Premium on shares issued		
Share dividend plan	37	48
Employee share schemes and warrants	37	19
At 31 December	1,826	1,752

27 Purchase of shares from the State of Kuwait (KIO)

On 13 March 1989, the parent company purchased from the KIO 790 million BP ordinary shares at a fully paid price of 247p per share; upon purchase the shares were cancelled. Applying UK tax law to the terms of the purchase, BP was required to account to the Inland Revenue for advance corporation tax (ACT) amounting to 58p per share. The ACT and the price per fully paid share together with costs were charged against the reserves of the parent company.

The nominal value of the shares cancelled amounting to £197 million was transferred to Capital Redemption Reserve.

Notes on Accounts

28 Reserves

Group reserves include undistributable reserves attributable to

		£ million
	1990	1989
Parent company	10	10
Subsidiary undertakings	1,846	2,019
Associated undertakings	364	392
	2,220	2,421

Included in group reserves are amounts retained by overseas subsidiary and associated undertakings which may be liable to taxation if distributed.

Exchange adjustments for the year include unrealised gains of £2 million (£15 million losses) on long-term foreign currency borrowings.

As a consolidated income statement is presented a separate income statement for the parent company is not required to be published. The profit for the year of the group dealt with by the parent company and the reserves of the parent company are as follows

		£ million
	1990	1989
At 1 January	1,488	2,601
Shares purchased from KIO	—	(2,423)
Profit for the year	667	2,105
Distribution to shareholders	(661)	(795)
At 31 December	1,494	1,488

29 Contingent liabilities

There were contingent liabilities at 31 December 1990 in respect of guarantees and indemnities entered into as part of, and claims arising from, the ordinary course of the group's business, upon which no material losses are likely to arise.

Subsidiaries of BP America are engaged in judicial and administrative proceedings in which the State of Alaska is challenging the subsidiaries' valuation of crude oil since 1977 for royalty and 1978 for tax purposes. The State is also challenging the subsidiaries' determination of taxable income since 1978. BP believes that its subsidiaries have complied with applicable tax legislation and provisions for royalties contained in their Prudhoe Bay and Kuparuk leases, and the subsidiaries are disputing the State's claims. While the amounts claimed and subject to claim are substantial, it is believed that the ultimate resolution will not have a material effect on the financial position of the group.

More than 170 lawsuits have been filed in State and Federal Courts in Alaska, and other US States, seeking compensatory and punitive damages arising out of the Exxon Valdez oil spill in Prince William Sound in March 1989, the ultimate outcome of which cannot yet be determined. Most of those suits name Exxon, Alyeska Pipeline Service Company ('Alyeska'), which operates the oil terminal at Valdez, and the seven oil companies which own Alyeska. Alyeska initially responded to the spill until the response was taken over by Exxon. BP owns a 50% interest in Alyeska through a subsidiary of BP America Inc. The Plaintiffs generally do not specify the amount of damages sought and therefore BP is unable to quantify the amounts at issue. Insofar as this litigation affects Alyeska and its owners, BP intends to defend the suits vigorously.

The parent company has issued guarantees under which amounts outstanding at 31 December 1990 were £5,585 million (£6,871 million) including £5,383 million (£6,419 million) in respect of borrowings by its subsidiary undertakings.

30 Capital commitments

Authorised future capital expenditure by group companies is estimated at £5,500 million (£7,000 million) including approximately £925 million (£930 million) for which contracts have been placed.

31 Lease commitments

				£ million
		1990		1989
Annual commitments under operating leases	Land and buildings	Other	Land and buildings	Other
Expiring within				
1 year	18	100	12	87
2 to 5 years	62	86	33	62
Thereafter	154	18	47	12
	234	204	92	161

Notes on Accounts

52 Directors and employees

£ million

(a) Employee costs:	1990	1989
Wages and salaries	2,240	2,182
Social security costs	251	244
Pension costs	93	79
	2,584	2,465

(b) Average number of employees:	UK 1990	Rest of Europe 1990	USA 1990	Rest of World 1990	Total 1990	UK 1989	Rest of Europe 1989	USA 1989	Rest of World 1989	Total 1989
Exploration and Production	5,400	750	2,900	1,050	10,100	5,700	800	3,000	1,150	10,650
Refining and Marketing	6,050	14,750	22,850	10,450	54,100	7,700	14,200	22,850	11,400	56,150
Chemicals	8,350	4,600	5,350	2,150	20,450	8,200	4,600	5,400	2,200	20,400
Nutrition	3,500	10,750	4,100	1,050	19,400	3,300	10,050	3,650	900	17,900
Other businesses/corporate	5,550	700	3,250	2,500	12,000	5,800	1,200	4,500	3,250	14,750
	30,850	31,550	38,450	17,200	118,050	30,700	30,850	39,400	18,900	119,850

(c) Emoluments of directors:

Directors received from the parent company £3,139,418 (£3,107,741) made up of fees £247,896 (£151,500) and other emoluments (not including pension contributions) £2,891,522 (£2,956,241). Pensions, commutations of pensions and other superannuation payments to directors and former directors and their dependants amounted to £3,422,589 (£2,525,828).

Chairmen	1990	1989
Sir Peter Walters to 10 March 1990	£459,218	£708,722
R B Horton from 11 March 1990	£597,302	

Directors of the company were remunerated as follows:

Gross emoluments £	1990	1989
5,001– 10,000	1	–
15,001– 20,000	1	4
20,001– 25,000	4	4
25,001– 30,000	3	1
30,001– 35,000	2	–
130,001–135,000	–	1
240,001–245,000	1	–
270,001–275,000	–	1
305,001–310,000	–	1
330,001–335,000	1	–
365,001–370,000	–	2
375,001–380,000	–	1
380,001–385,000	–	1
385,001–390,000	1	–
390,001–395,000	1	–
455,001–460,000	2	–
595,001–600,000	1	–
705,001–710,000	–	1

33 Pensions

Most group pension plans provide defined benefits that are computed based on an employee's years of service and final pensionable salary. In most cases group companies make contributions to separate funds based on advice from independent actuaries using actuarial methods the objective of which is to provide adequate funds to meet pension obligations as they fall due

The charge to income for pensions in 1990 of £93 million (£79 million) was assessed in accordance with independent actuarial advice using the projected unit method. Principal assumptions used in calculating the charge were

	Range
Rate of return on assets/discount rate	7% to 10%
Salary increases	4% to 8%
Pension increases	nil to 6%

At 1 January 1990, the date of the latest actuarial valuations or reviews, the market value of assets of the group's major funded plans was £6,499 million (£5,289 million). The level of funding was 118% (119%) of the benefits accrued to members of those plans, after allowing for expected future increases in earnings.

At 31 December 1990 the deficiency for the principal unfunded schemes on a current funding level basis was £688 million (£676 million) Of this amount £585 million (£541 million) has been provided in the accounts.

34 Employee share schemes

The parent company has a number of share schemes for employees (including executive directors). During the year 7,172,176 (6,494,459) ordinary shares were allotted under UK and overseas participating schemes for nil consideration, 7,006,691 (1,606,610) under UK and overseas SAYE schemes for consideration of £11,363,466 (£2,390,476), 3,069,225 (1,145,500) under the executive and overseas supplemental share option schemes for consideration of £6,183,271 (£2,071,702)

Britoil has employee share option schemes for BP ordinary shares under which 796,113 (258,312) shares were allotted during the year for consideration of £755,396 (£277,702)

BP Canada also has a share option plan for employees

Options outstanding under employee share schemes

	1990			1989		
	Options	Period	Price	Options	Period	Price
BP – ordinary shares	70,072,372	1991/2000	£0.84/3.38	58,452,544	1990/99	£0.84/2 75
BP Canada – common shares	787,800	1991/2000	Can.$14.25/25.13	649,000	1990/99	Can $14.25/25 13

Directors' options

The following directors had options for BP ordinary shares granted under the BP group share option schemes	1 January 1990	Granted in 1990	Exercised in 1990	31 December 1990
R B Horton	213,848	89,000	2,310	300,538
B R R Butler	379,500	34,000	60,000	353,500
J Gillam	416,160	24,388	252,237	188,311
R R Knowland	271,810*	17,000	159,810	129,000
H E Norton	297,500	48,000	70,500	275,000
D A G Simon	404,263	19,000	3,237	420,026

No change in directors' options described above has taken place up to 14 February 1991

*At 11 March 1990

Notes on Accounts

35 Subsidiary and associated undertakings and joint ventures

The more important subsidiary and associated undertakings and joint ventures of the group at 31 December 1990 and the group percentage of equity capital or joint venture interest (to nearest whole number) are set out below. The principal country of operation is generally indicated by the company's country of incorporation or by its name. Those held directly by the parent company are marked with an asterisk, the percentage owned being that of the group unless otherwise indicated. A complete list of investments in subsidiary undertakings and joint ventures and of the parent company's investment in associated undertakings will be attached to the parent company's annual return made to the Registrar of Companies.

Subsidiary undertakings	%	Country of incorporation	Principal activities
INTERNATIONAL			
BP Chemicals (International)	100	England	Chemicals
BP Exploration	100	Scotland	Exploration and production
*BP International	100	England	Integrated oil operations
BP Oil International	100	England	Integrated oil operations
BP Petroleum Development	100	England	Exploration and production
*BP Shipping	100	England	Shipping
EUROPE			
UK			
BP Capital	100	England	Finance
BP Chemicals	100	England	Chemicals
BP Oil UK	100	England	Refining and marketing
*Britoil (parent 15%)	100	Scotland	Exploration and production
Austria			
*BP Austria	100	Austria	Marketing
Belgium			
BP Belgium (parent 85%)	100	Belgium	Marketing, chemicals and finance
France			
BP France	86	France	Refining and marketing and chemicals
Germany			
Deutsche BP	100	Germany	Refining and marketing
Greece			
BP Greece	100	England	Marketing
Netherlands			
BP Capital	100	Netherlands	Finance
BP Nederland	100	Netherlands	Refining and marketing
Hendrix International	100	Netherlands	Nutrition
Portugal			
BP Portuguesa	100	Portugal	Marketing
EUROPE – continued			
Spain			
BP España	100	Spain	Marketing
Sweden			
*Svenska BP	100	Sweden	Marketing
Switzerland			
*BP Switzerland	100	Switzerland	Marketing
Turkey			
*BP Petrolleri	100	Turkey	Marketing
MIDDLE EAST			
*BP Middle East	100	England	Marketing
AFRICA			
*BP Africa	100	England	Marketing
*BP Southern Africa	100	South Africa	Marketing
FAR EAST			
Singapore			
*BP Singapore	100	Singapore	Refining and marketing
AUSTRALASIA			
Australia			
BP Australia	100	Australia	Integrated oil and minerals
BP Finance Australia	100	Australia	Finance
BP Developments Australia	100	USA	Exploration and production
New Zealand			
BP Oil New Zealand	100	New Zealand	Marketing
WESTERN HEMISPHERE			
Canada			
BP Canada	57	Canada	Oil and minerals exploration and production
USA			
BP America Standard Oil	100	USA	Exploration and production, refining and marketing, pipelines, chemicals, and nutrition

Associated undertakings	%	Country of incorporation	Principal activities	Issued share capital
Abu Dhabi				
Abu Dhabi Gas Liquefaction	16	Abu Dhabi	Natural gas liquefaction	105 million shares of US$1
Abu Dhabi Marine Areas	37	England	Crude oil production	1.65 million shares of £1
Abu Dhabi Petroleum	24	England	Crude oil production	11.21 million ordinary shares of £1
Africa				
Shell and BP South African Petroleum Refineries	50	South Africa	Refining	7.5 million shares of Rand 2
Germany				
Erdölchemie	50	Germany	Chemicals	DM320 million
Ruhrgas	25	Germany	Gas distribution	36 million shares of DM50

Joint Ventures	%	Principal place of business	Principal activities
EUROPE			
Bruce field	37	UK – Offshore	Exploration and production
Forties field	83	UK – Offshore	Exploration and production
Magnus field	85	UK – Offshore	Exploration and production
Miller field	40	UK – Offshore	Exploration and production
Wytch Farm	50	UK – Onshore	Exploration and production
Ula field	58	Norway – Offshore	Exploration and production
Australia			
North West Shelf	17	Australia	Natural gas production and shipping
Olympic Dam Project	49	Australia	Minerals
USA			
Prudhoe Bay field	51	Alaska	Exploration and production
Kuparuk field	39	Alaska	Exploration and production
Trans Alaska Pipeline	50	Alaska	Pipelines

34 Oil and gas exploration and production activities (i)

Capitalised costs at 31 December

£ million

	1990					1989				
	UK	Rest of Europe	USA	Rest of World	Total	UK	Rest of Europe	USA	Rest of World	Total
Gross capitalised costs										
proved properties	7,407	868	6,840	1,111	16,226	8,282	880	7,878	1,349	18,389
unproved properties	648	9	280	280	1,217	787	29	246	462	1,524
	8,055	877	7,120	1,391	17,443	9,069	909	8,124	1,811	19,913
Accumulated depreciation	2,108	233	3,473	431	6,245	2,845	229	3,661	556	7,291
Net capitalised costs	5,947	644	3,647	960	11,198	6,224	680	4,463	1,255	12,622

Costs incurred for the year ended 31 December

	1990					1989				
	UK	Rest of Europe	USA	Rest of World	Total	UK	Rest of Europe	USA	Rest of World	Total
Acquisition of properties:										
proved	—	—	6	—	6	—	—	—	—	—
unproved	1	2	58	15	76	—	2	48	8	58
	1	2	64	15	82	—	2	48	8	58
Exploration and appraisal costs (ii)	341	34	117	173	665	280	30	108	175	593
Development costs	839	102	344	106	1,391	769	126	326	144	1,365
Total costs	1,181	138	525	294	2,138	1,049	158	482	327	2,016

Results of operations for the year ended 31 December

	1990					1989				
	UK	Rest of Europe	USA	Rest of World	Total	UK	Rest of Europe	USA	Rest of World	Total
Turnover (iii)										
third parties	1,861	64	2,144	197	4,266	1,656	201	1,872	237	3,966
sales between businesses	727	229	255	781	1,992	806	41	273	532	1,652
	2,588	293	2,399	978	6,258	2,462	242	2,145	769	5,618
Exploration expenditure	184	24	100	148	456	174	31	115	[illegible]	479
Production costs (iv)	1,659	(46)	996	598	3,207	1,396	113	833	[illegible]	2,923
Depreciation	512	57	477	55	1,101	554	48	505	48	1,155
Abandonment (v)	(144)	3	48	2	(91)	(138)	2	37	2	(97)
	2,211	38	1,621	803	4,673	1,986	194	1,490	781	4,451
Profit before taxation	377	255	778	175	1,585	476	48	655	(12)	1,167
Allocable taxes	190	43	338	25	596	167	—	158	12	337
Results of operations (vi)	187	212	440	150	989	309	48	497	(24)	830

(i) This note relates to the requirements contained within UK Statement of Recommended Practice – Disclosures about oil and gas exploration and production activities. Information given in this note does not relate to the total activities of the group's Exploration and Production segment. Major items excluded are the Alaskan transportation facilities and natural gas gathering and distribution activities.

(ii) All exploration and appraisal costs are initially capitalised within intangible fixed assets in accordance with BP group accounting policy.

(iii) Turnover includes sales of production excluding royalty oil where royalty is payable in kind.

(iv) Includes cost of royalty oil not taken in kind, petroleum revenue tax and other production taxes, and pre-tax gains from divestments.

(v) Abandonment reflects the release of provisions relating to certain North Sea production facilities where amounts provided are in excess of the estimated total costs of abandonment. The net effect, after petroleum revenue tax and allocable taxes, resulted in a credit to results of operations of £29 million (£38 million).

(vi) Income from the group's share of oil and gas produced by associated undertakings is included within results of operations.

Supplementary Information on Oil and Gas Quantities

Movements in estimated net proved reserves of crude oil (i)

millions of barrels

	UK	Rest of Europe	USA	Rest of World	Total
At 31 December 1988:					
Developed	1,135	156	2,039	177	3,507
Undeveloped	740	135	639	203	1,717(iii)
	1,875	291	2,678	380	5,224
Changes in 1989 attributable to:					
Revisions of previous estimates	(34)	—	122	(13)	75
Redetermination of interests	(2)	—	(1)	—	(3)
Purchases (sales) of reserves-in-place	(63)	—	4	2	(57)
Extensions, discoveries and other additions	45	53	32	4	134
Improved recovery	—	—	30	1	31
Production	(155)	(20)	(286)	(21)	(482)
	(209)	33	(99)	(27)	(302)
At 31 December 1989:					
Developed	982	179	1,917	173	3,251
Undeveloped	684	145	662	180	1,671(iii)
	1,666	324	2,579	353	4,922
Changes in 1990 attributable to:					
Revisions of previous estimates	(23)	(2)	150	(5)	120
Redetermination of interests	—	—	(170)	—	(170)
Sales of reserves-in-place	(179)	(19)	—	(90)	(288)
Extensions, discoveries and other additions	183	9	97	69	358
Improved recovery	67	—	86	—	153
Production	(135)	(23)	(269)	(15)	(442)
	(87)	(35)	(106)	(41)	(269)
At 31 December 1990:					
Developed	806	209	1,622	108	2,745
Undeveloped	773	80	851	204	1,908(iii)
	1,579	289	2,473(ii)	312	4,653

Associated undertakings
The group also holds proportionate interests, through associated undertakings, in onshore and offshore concessions in Abu Dhabi expiring in 2014 and 2018 respectively. These interests totalled 2,145 million barrels at 31 December 1988, 2,113 million barrels at 31 December 1989 and 2,077 million barrels at 31 December 1990. If recent production levels were to continue, these reserves would not be fully recovered during the period of the concessions.

(i) Crude oil includes natural gas liquids and condensate. Net proved reserves of crude oil exclude production royalties due to others.

(ii) Proved reserves in the Prudhoe Bay field in Alaska include an estimated 119 million barrels upon which a net profit royalty will be payable over the life of the field under the terms of the BP Prudhoe Bay Royalty Trust.

(iii) Includes 271, 277 and 225 million barrels at 31 December 1988, 1989 and 1990 respectively, expected to be produced through the application of improved recovery techniques not yet tested in the relevant reservoirs.

Supplementary Information on Oil and Gas Quantities

Movements in estimated net proved reserves of natural gas (i)

billions of cubic feet

	UK	Rest of Europe	USA	Rest of World	Total
At 31 December 1988:					
Developed	2,032	78	1,922	2,028	6,060
Undeveloped	3,914	30	351	1,458	5,753
	5,946	108	2,273	3,486(iv)	11,813
Changes in 1989 attributable to:					
Revisions of previous estimates	(17)	(5)	(54)	(86)	(162)
Redetermination of interests	12	—	2	(42)	(28)
Sales of reserves-in-place	(25)	—	(54)	(6)	(85)
Extensions, discoveries and other additions	45	74	131	132	382
Improved recovery	—	—	2	—	2
Production	(228)	(13)	(129)(ii)	(108)	(478)
	(213)	56	(102)	(110)	(369)
At 31 December 1989:					
Developed	2,449	77	1,835	1,943	6,304
Undeveloped	3,284	87	336	1,433	5,140
	5,733	164	2,171	3,376(iv)	11,444
Changes in 1990 attributable to:					
Revisions of previous estimates	(211)	(4)	959	46	790
Redetermination of interests	(36)	—	5	14	(17)
Sales of reserves-in-place	(273)	(78)	(5)	(616)	(972)
Extensions, discoveries and other additions	150	16	75	60	301
Improved recovery	25	—	—	—	25
Production	(242)	(14)	(165)(ii)	(127)	(548)
	(587)	(80)	869	(623)	(421)
At 31 December 1990:					
Developed	2,429	78	2,401	1,629	6,537
Undeveloped	2,717	6	639(iii)	1,124	4,486
	5,146	84	3,040	2,753(iv)	11,023

(i) Net proved reserves of natural gas exclude production royalties due to others.

(ii) Includes 40 billion cubic feet in 1989 and 50 billion cubic feet in 1990 of gas consumed in Alaskan operations.

(iii) Excludes 4,285 billion cubic feet of gas in Alaska, the production of which is contingent upon construction of transportation facilities or the development of marketing alternatives.

(iv) Includes reserves located in Australia totalling 1,763, 1,494, and 1,538 billion cubic feet at 31 December 1988, 1989 and 1990 respectively.

Summarised Group Income Statements

	£ million					$ million				
	1986	1987	1988	1989	**1990**	1986	1987	1988	1989	**1990**
Turnover	27,269	28,328	25,922	29,641	**33,039**	40,085	46,458	46,141	48,611	**59,140**
Operating expenses	25,380	26,301	23,724	27,507	**30,603**	37,308	43,134	42,229	45,111	**54,779**
	1,889	2,027	2,198	2,134	**2,436**	2,777	3,324	3,912	3,500	**4,361**
Other income	786	784	693	803	**426**	1,155	1,286	1,234	1,317	**941**
Replacement cost operating profit	2,675	2,811	2,891	2,937	**2,862**	3,932	4,610	5,146	4,817	**5,302**
Stock holding gains (losses)	(1,173)	133	(232)	390	**477**	(1,724)	218	(413)	639	**854**
Historical cost operating profit	1,502	2,944	2,659	3,327	**3,439**	2,208	4,828	4,733	5,456	**6,156**
Interest expense	544	557	582	794	**671**	800	914	1,036	1,302	**1,201**
Profit before taxation	958	2,387	2,077	2,533	**2,768**	1,408	3,914	3,697	4,154	**4,955**
Taxation	42	785	823	744	**1,042**	62	1,287	1,465	1,220	**1,865**
Profit after taxation	916	1,602	1,254	1,789	**1,726**	1,346	2,627	2,232	2,934	**3,090**
Minority shareholders' interest	99	211	44	45	**50**	145	346	78	74	**90**
Profit before extraordinary items	817	1,391	1,210	1,744	**1,676**	1,201	2,281	2,154	2,860	**3,000**
Extraordinary items	(318)	—	—	390	**12**	(467)	—	—	640	**22**
Profit for the year	499	1,391	1,210	2,134	**1,688**	734	2,281	2,154	3,500	**3,022**
Distribution to shareholders	642	726	823	795	**861**	944	1,190	1,465	1,304	**1,541**
Retained profit (deficit) for the year	(143)	665	387	1,339	**827**	(210)	1,091	689	2,196	**1,481**
Earnings per ordinary share	14.9p	24.9p	20.0p	31.8p	**31.3p**	$0.22	$0.41	$0.36	$0.52	**$0.56**
Dividends per ordinary share	11.67p	12.50p	13.50p	14.90p	**16.05p**	For $ amounts see page 63				

Per share amounts for 1986 have been adjusted to reflect the two for one capitalisation issue in 1987.

	£ million					$ million				
	1986	1987	1988	1989	**1990**	1986	1987	1988	1989	**1990**
Replacement cost profit										
Historical cost profit before extraordinary items	817	1,391	1,210	1,744	**1,676**	1,201	2,281	2,154	2,860	**3,000**
Stock holding (gains) losses less minority interest	962	(83)	227	(383)	**(472)**	1,414	(136)	404	(628)	**(845)**
Replacement cost profit before extraordinary items	1,779	1,308	1,437	1,361	**1,204**	2,615	2,145	2,558	2,232	**2,155**

Figures given in US dollars on pages 56 to 58 and 62 have been derived from the sterling amounts as follows.

	£1 = US dollar				
	1986	1987	1988	1989	**1990**
Income and source and application of funds statements, capital expenditure and acquisitions – at average exchange rates for the year	1.47	1.64	1.78	1.64	**1.79**
Balance sheets – at year end exchange rates	1.48	1.88	1.81	1.61	**1.93**

Group Source and Application of Funds Statements

	£ million					$ million				
	1986	1987	1988	1989	**1990**	1986	1987	1988	1989	**1990**
Profit after taxation	916	1,602	1,254	1,789	**1,726**	1,346	2,627	2,232	2,934	**3,090**
Extraordinary items	(318)	—	—	390	**12**	(467)	—	—	640	**22**
Items not involving the movement of funds	3,670	2,322	2,736	2,701	**2,382**	5,395	3,808	4,870	4,429	**4,263**
	4,268	3,924	3,990	4,880	**4,120**	6,274	6,435	7,102	8,003	**7,375**
Working capital movement	591	1,033	(735)	(410)	**(431)**	869	1,694	(1,308)	(672)	**(772)**
Other movements	(338)	360	233	303	**1,651**	(497)	591	415	497	**2,955**
Funds generated from operations	4,521	5,317	3,488	4,773	**5,340**	6,646	8,720	6,209	7,828	**9,558**
Capital expenditure	(3,309)	(2,787)	(3,279)	(3,433)	**(3,751)**	(4,864)	(4,571)	(5,837)	(5,630)	**(6,714)**
Acquisition of Britoil	—	(568)	(2,205)	—	**—**	—	(932)	(3,925)	—	**—**
Standard Oil share purchase	—	(4,672)	—	—	**—**	—	(7,662)	—	—	**—**
Other acquisitions	(500)	(226)	(349)	(70)	**(61)**	(735)	(370)	(621)	(115)	**(109)**
Net assets of divested coal and minerals interests	—	—	—	1,694	**118**	—	—	—	2,778	**211**
Dividends paid										
– BP shareholders	(623)	(670)	(782)	(908)	**(830)**	(916)	(1,099)	(1,392)	(1,489)	**(1,486)**
– Minority shareholders	(202)	(93)	(3)	(3)	**(8)**	(297)	(152)	(5)	(5)	**(14)**
Funds generated (required)	(113)	(3,699)	(3,130)	2,053	**808**	(166)	(6,066)	(5,571)	3,367	**1,446**
Financial movements:										
Shares issued	(15)	(1,481)	(330)	(74)	**(81)**	(22)	(2,429)	(587)	(122)	**(145)**
Shares purchased from KIO	—	—	—	2,423	**—**	—	—	—	3,974	**—**
Changes in external financing	(312)	(1,122)	(1,462)	(350)	**629**	(458)	(1,840)	(2,602)	(574)	**1,126**
External funding – decrease (increase)	(327)	(2,603)	(1,792)	1,999	**548**	(480)	(4,269)	(3,189)	3,278	**981**
Liquid resources – increase (decrease)	214	(1,096)	(1,338)	54	**260**	314	(1,797)	(2,382)	89	**465**
	(113)	(3,699)	(3,130)	2,053	**808**	(166)	(6,066)	(5,571)	3,367	**1,446**

Capital Expenditure and Acquisitions

	£ million					$ million				
	1986	1987	1988	1989	**1990**	1986	1987	1988	1989	**1990**
By business										
Exploration and Production	1,965	1,976	4,167	2,037	**2,201**	2,889	3,240	7,417	3,341	**3,940**
Refining and Marketing	588	528	771	728	**774**	864	866	1,372	1,191	**1,385**
Chemicals	196	348	256	311	**384**	288	570	456	513	**687**
Nutrition	496	126	157	172	**152**	729	207	279	282	**272**
Other businesses/corporate	564	603	482	255	**301**	829	990	859	418	**539**
Total	3,809	3,581	5,833	3,503	**3,812**	5,599	5,873	10,383	5,745	**6,823**
By geographical area										
UK†	836	1,511	3,424	1,491	**1,701**	1,229	2,478	6,095	2,445	**3,045**
Rest of Europe	535	351	472	544	**595**	787	576	840	892	**1,065**
USA	1,784	1,055	1,210	861	**902**	2,822	1,730	2,154	1,412	**1,614**
Rest of World	654	664	727	607	**614**	961	1,089	1,294	996	**1,099**
Total	3,809	3,581	5,833	3,503	**3,812**	5,599	5,873	10,383	5,745	**6,823**

† UK area includes UK North Sea crude oil activities and the UK-based international activities of BP Oil.

Summarised Group Balance Sheets

	£ million					$ million				
	1986	1987	1988	1989	**1990**	1986	1987	1988	1989	**1990**
Fixed assets	18,161	18,476	22,237	22,454	**20,341**	26,878	34,735	40,249	36,151	**39,258**
Stocks and debtors	7,965	7,115	6,746	8,742	**9,735**	11,788	13,376	12,210	14,075	**18,789**
Liquid resources	2,529	1,283	340	419	**621**	3,743	2,412	616	674	**1,198**
Total assets	28,655	26,874	29,323	31,615	**30,697**	42,409	50,523	53,075	50,900	**59,245**
Creditors and provisions excluding finance debt	9,875	10,036	10,008	11,885	**12,536**	14,615	18,868	18,115	19,135	**24,194**
Capital employed	18,780	16,838	19,315	19,730	**18,161**	27,794	31,655	34,960	31,765	**35,051**
Financed by:										
Finance debt	5,439	5,569	7,183	8,289	**6,920**	8,050	10,470	13,001	13,345	**13,356**
Minority shareholders' interest	3,424	576	614	656	**240**	5,068	1,083	1,111	1,056	**463**
BP shareholders' interest	9,917	10,693	11,518	10,785	**11,001**	14,676	20,102	20,848	17,364	**21,232**
	18,780	16,838	19,315	19,730	**18,161**	27,794	31,655	34,960	31,765	**35,051**

Ratios

The balance sheet elements shown above in £ million are used in the following ratios:

	1986	1987	1988	1989	**1990**
Return on average capital employed					
– historical cost	7.8%	12.1%	10.2%	13.2%	**12.7%**
– replacement cost	14.0%	11.4%	11.4%	11.2%	**10.1%**
(Based on profit after taxation before deducting interest expense)					
Return on average BP shareholders' interest (Based on historical cost profit before extraordinary items)	8.3%	13.5%	10.9%	15.6%	**15.4%**
Debt to debt-plus-equity ratio (Finance debt, finance debt plus BP and minority shareholders' interest)	29.0%	33.1%	37.2%	42.0%	**38.1%**
Adjusted debt to debt-plus-equity ratio (As above with finance debt reduced by liquid resources)	17.9%	27.6%	36.1%	40.8%	**35.9%**

Information on Price Changes

The following information is given as an indication to shareholders of the effect of changes in the general level of prices in the UK over the past five years. The figures show the main elements of the financial results and the BP share price, in both money of the year and as adjusted by the average UK retail price index for each year. Per share amounts for 1986 have been adjusted to reflect the two for one capitalisation issue in 1987.

As reported

£ million

	1986	1987	1988	1989	1990
Turnover	27,269	28,328	25,922	29,641	33,039
Replacement cost operating profit	2,675	2,811	2,891	2,937	2,962
Replacement cost profit before extraordinary items	1,779	1,308	1,437	1,361	1,204
Historical cost profit before extraordinary items	817	1,391	1,210	1,744	1,676
Earnings per ordinary share	14.9p	24.9p	20.0p	31.8p	31.3p
Dividends per ordinary share	11.67p	12.50p	13.50p	14.90p	16.05p
Ordinary share price					
High	243p	413p	295p	341p	376p
Daily average	202p	313p	257p	293p	335p
Low	173p	234p	233p	249p	304p

Adjusted for the average UK retail price index of:	97.8	101.9	106.9	115.2	126.1
					£ million
Turnover	35,160	35,056	30,578	32,446	33,039
Replacement cost operating profit	3,449	3,479	3,410	3,215	2,962
Replacement cost profit before extraordinary items	2,294	1,619	1,695	1,490	1,204
Historical cost profit before extraordinary items	1,053	1,721	1,427	1,909	1,676
Earnings per ordinary share	19.2p	30.8p	23.6p	34.8p	31.3p
Dividends per ordinary share	15.05p	15.47p	15.92p	16.21p	16.05p
Ordinary share price					
High	313p	511p	348p	373p	376p
Daily average	260p	387p	303p	321p	335p
Low	223p	290p	275p	273p	304p

Statistics

Group sales	1986	1987	1988	1989	1990
					thousand barrels per day
Refined petroleum products					
UK	445	413	457	453	**441**
Rest of Europe	920	990	961	930	**892**
USA	1,003	844	811	898	**925**
Rest of World	372	375	347	382	**385**
	2,740	2,622	2,576	2,663	**2,643**
Crude oil					
UK	630	692	966	731	**938**
Rest of Europe	7	70	64	66	**50**
USA	401	574	490	497	**452**
Rest of World	136	117	70	51	**35**
	1,174	1,453	1,590	1,345	**1,475**
					million cubic feet per day
Natural gas					
UK	191	178	386	609	**625**
Rest of Europe	32	44	45	42	**39**
USA	158	234	348	535	**628**
Rest of World	256	271	283	324	**362**
	637	727	1,062	1,510	**1,654**
Chemicals					£ million
	2,202	2,443	2,901	3,054	**3,051**
Nutrition					£ million
	1,556	2,070	2,259	2,620	**[illegible]**

Group crude oil sources (i)	1986	1987	1988	1989	1990
Produced from own reserves: (ii)					thousand barrels per day
UK	419	402	510	424	**370**
Rest of Europe	12	46	53	54	**63**
USA	802	852	857	784	**737**
Rest of World	118	125	130	150	**152**
Total production	1,351	1,425	1,550	1,412	**1,322**
Purchased:					
USA	220	337	226	306	**279**
Rest of World	1,191	1,290	1,308	1,173	**1,320**
	1,411	1,627	1,534	1,479	**1,599**

(i) Crude oil in respect of which royalty is taken in cash is shown as a purchase; royalty oil taken in kind is excluded from both production and purchased oil.

(ii) Oil production includes natural gas liquids and condensate.

Statistics

Group refinery throughputs	1986	1987	1988	1989	**1990**
					thousand barrels per day
UK	195	181	199	218	**203**
Rest of Europe	744	681	746	618	**576**
USA	622	622	629	717	**699**
Rest of World	254	254	263	297	**301**
	1,815	1,738	1,837	1,850	**1,779**
For BP by others	80	84	87	94	**101**
Total	1,895	1,822	1,924	1,944	**1,880**

Estimated net proved reserves of crude oil (i)

Group companies	1986	1987	1988	1989	**1990**
					millions of barrels at 31 December
UK	1,231	1,436	1,875	1,666	**1,579**
Rest of Europe	196	260	291	324	**289**
USA (ii)	2,817	2,953	2,678	2,579	**2,473**
Rest of World	414	356	380	353	**312**
	4,658	5,005	5,224	4,922	**4,683**
of which:					
Developed	3,048	3,384	3,507	3,251	**2,745**
Undeveloped	1,610	1,621	1,717	1,671	**1,908**
Associated undertakings (BP share)					
Abu Dhabi	1,732	2,126	2,145	2,113	**2,077**

Estimated net proved reserves of natural gas (i)

Group companies	1986	1987	1988	1989	**1990**
					billions of cubic feet at 31 December
UK	3,456	3,318	5,946	5,733	**5,146**
Rest of Europe	110	125	108	164	**84**
USA	1,832	1,932	2,273	2,171	**3,040**
Rest of World	3,135	3,200	3,486	3,376	**2,753**
	8,533	8,575	11,813	11,444	**11,023**
of which:					
Developed	4,337	4,728	6,060	6,304	**6,537**
Undeveloped (iii)	4,196	3,847	5,753	5,140	**4,486**

(i) Net proved reserves of crude oil and natural gas exclude production royalties due to others

(ii) Proved reserves in the Prudhoe Bay field in Alaska at 31 December 1990 include an estimated 119 million barrels upon which a net profit royalty will be payable over the life of the field under the terms of the BP Prudhoe Bay Royalty Trust.

(iii) At 31 December 1990 total estimated reserves excluded 4,285 billion cubic feet of Alaskan gas the production of which is contingent upon construction of transportation facilities or the development of marketing alternatives

United States Accounting Principles

The following is a summary of adjustments to profit for the year and to BP shareholders' interest which would be required if generally accepted accounting principles in the United States ('US GAAP') had been applied instead of those generally accepted in the United Kingdom.

					£ million
	1986	1987	1988	1989	1990
Profit for the year					
Profit before extraordinary items	817	1,391	1,210	1,744	1,676
Extraordinary items (i)	(318)	—	—	390	12
Profit for the year	499	1,391	1,210	2,134	1,688
Adjustments:					
Deferred taxation (ii)	(126)	(344)	(15)	(42)	(154)
Other	6	3	(15)	5	6
Minority shareholders' interest	44	48	2	(4)	5
Profit for the year as adjusted	423	1,098	1,182	2,093	1,545
Per ordinary share	7.7p	19.7p	19.5p	38.2p	28.9p
Per American depositary receipt*	92.4p	236.4p	234.0p	458.4p	346.8p
					$ million
Profit for the year as adjusted	622	1,801	2,104	3,433	2,766
Per ordinary share	$0.11	$0.32	$0.35	$0.63	$0.52
Per American depositary receipt*	$1.36	$3.87	$4.17	$7.56	$6.24

					£ million
	1986	1987	1988	1989	1990
BP shareholders' interest	9,917	10,693	11,518	10,785	11,001
Adjustments:					
Deferred taxation (ii)	(2,525)	(1,853)	(1,894)	(1,669)	(1,631)
Other	(137)	(125)	(131)	(155)	(140)
Minority shareholders' interest	712	53	56	61	60
BP shareholders' interest as adjusted	7,967	8,768	9,549	9,022	9,290
					$ million
BP shareholders' interest as adjusted	11,791	16,484	17,284	14,525	17,930

(i) Under US GAAP the extraordinary items shown above would have been included in the determination of profit before extraordinary items.

(ii) Additional provision for deferred taxation on a full deferral basis.

* One American depositary receipt is equivalent to twelve 25p ordinary shares

Information for Overseas Shareholders

United States and Canada

BP shares are traded in the USA and Canada on the New York and Toronto Stock Exchanges in the form of American Depositary Shares (ADSs) and held in the form of American Depositary Receipts (ADRs). Each ADS represents twelve ordinary shares of the company. Details of trading activity are published under the abbreviation "BritPt" in the stock tables of most daily newspapers.

Depositary and Transfer Agent

Morgan Guaranty Trust Company of New York,
ADR Department,
60 Wall Street,
New York, NY 10260
Telephone 212-648-3208

Administration

In the US and Canada the ADR program is administered by BP America. Specific enquiries on administration should be addressed to:
BP America Inc.,
Attention: Stockholder Operations,
200 Public Square,
Cleveland, OH 44114-2375.
Telephone: 1-800-648-2357

ADR Market price ranges

(US dollars)	1990		1989	
	High	Low	High	Low
1st Quarter	71	61½	61⅝	53⅝
2nd Quarter	67⅞	59¼	59⅝	54¼
3rd Quarter	78¼	66⅞	61⅛	55⅞
4th Quarter	84½	73¼	65⅞	54⅝

Cash dividends

ADR holders are generally eligible for all dividends or other entitlements attaching to the underlying shares of BP and receive all cash dividends in US dollars (although Canadian resident ADR holders ordinarily receive their dividends in Canadian dollars).

With respect to qualifying US resident ADR holders, the current income tax convention between the UK and the USA includes provisions which entitle them to a refund of the ²⁵⁄₇₅ths UK tax credit attached to the dividend, less a 15% UK withholding tax charged on the sum of the dividend and the credit. Under the arrangements made by Morgan Guaranty Trust Company of New York, payment of the tax credit refund, net of the UK withholding tax, is made to a qualifying US resident ADR holder who completes the declaration on the reverse of the dividend check and presents it for payment within three months from its date of issue. Similar arrangements have also been made in respect of qualifying Canadian resident ADR holders.

In 1989, BP introduced quarterly dividend payments with the exchange rate for dividend payments for US and Canadian ADR holders being fixed on the date of declaration rather than on the date of payment.

The following dividends have been declared on ADRs for the under-mentioned years:

		Interim	Final	Total
1986	US$	0.818	1.796	2.614
1987	US$	1.105	2.029	3.134
1988	US$	1.248	1.820	3.068

Quarterly dividends		First	Second	Third	Fourth	Total
1989	US$	0.830	0.802	0.788	0.911	3.331
	CAN$	0.983	0.941	0.921	1.099	3.944
1990	US$	0.902	1.002	1.062	1.137	4.103
	CAN$	1.052	1.152	1.232	1.314	4.750

BP has been advised by its US counsel that in respect of qualifying US resident ADR holders, subject to certain limitations, the 15% withholding tax will be treated as a foreign income tax that is eligible for credit against the holder's federal income taxes. This credit may be obtained by filing Form 1116 'Computation of Foreign Tax Credit' with the ADR holder's Federal Income Tax return.

Reports to ADR holders

ADR holders receive the annual and interim reports issued to shareholders. If they are a holder of record (i.e. if the ADRs are held by them directly) the annual and interim reports will be sent to them at the record address. If the ADRs are held in a 'Street Name' at a bank or brokerage firm, that institution is responsible for obtaining the materials and forwarding them to the holders.

BP is subject to the requirements for information of the US Securities and Exchange Commission (SEC) as they apply to foreign companies. It files with the SEC the Annual Report on Form 20-F (which corresponds to a 10-K for a US corporation) and other information as required.

BP announces quarterly results in February, May, August and November of each year. Dissemination in the USA and Canada of these and other major items of BP news is made to the news services, including Dow Jones, Reuters, Associated Press and United Press International.

Annual general meeting

The 1991 annual general meeting of the company takes place in London on 18 April.

On request, Morgan Guaranty will appoint ADR holders as its proxy; this enables holders to attend the meeting and, on a poll, to vote the underlying ordinary shares.

Japan

BP shares are traded on the Tokyo Stock Exchange. The payment of dividends in Japan is distributed by the shareholders' service agent, Mitsubishi Trust and Banking Corporation. Its address is:
Mitsubishi Trust and Banking Corporation,
4-5 Marunouchi 1-chome,
Chiyoda-ku,
Tokyo 100

Europe

BP shares are traded on stock exchanges in the UK, France, Switzerland, Germany and the Netherlands

Investor relations offices

BP maintains investor relations offices in London, Cleveland, New York, Tokyo and Melbourne. These offices will be pleased to answer questions from investors and supply copies of quarterly results announcements, copies of Form 20-F and further copies of the annual and half-yearly reports, or furnish other more general information about the company. Enquiries should be addressed to:

UK
Investor Relations,
BP Finance,
Britannic House,
1 Finsbury Circus,
London EC2M 7BA
England
Telephone
071-496-5027
071-496-5150
071-496-5190
071-496-5032
Fax number
071-496-5033

USA
Investor Relations,
BP America Inc.,
200 Public Square,
Cleveland,
Ohio 44114
USA
Telephone
216-586-2151
216-586-4106
Fax number
216-586-8066

Investor Relations,
BP America Inc.,
667 Madison Avenue,
New York,
NY10021
USA
Telephone
212-418-4020
Fax number
212-421-5084

Japan
Investor Relations,
BP Far East Ltd.,
Kasumigaseki Bldg.,
(31st floor),
2-5 Kasumigaseki 3-chome,
Chiyoda-ku,
Tokyo, 100
Japan
Telephone
03-592-3928
Fax number
03-580-5326

Australia
Investor Relations,
BP Australia Ltd.,
1 Albert Road,
Melbourne 3004,
Victoria,
Australia
Telephone
03 268-3566
Fax number
03 620-1073

Registrar's office

Administrative queries concerning the holding of BP shares (other than ADRs) should be directed to the company registrar, whose address is shown below.
Telephone 0279-447094 Fax 0279-432387

Other Published Information

US Securities and Exchange Commission

Copies of reports filed by the company with the United States Securities and Exchange Commission within the preceding six months may be obtained by writing to Investor Relations, BP Finance, Britannic House, 1 Finsbury Circus, London EC2M 7BA.
Telephone 071-496-5211, Fax 071-496-5033.

Financial and Operating Information

The company also publishes each year a detailed Financial and Operating Information book which is aimed particularly at the financial and investment community.

Copies of this book, which this year will be available at the beginning of May, may be obtained by writing to Investor Relations at any of the addresses given above.

The British Petroleum Company p.l.c.

Registered Office
Britannic House, 1 Finsbury Circus,
London EC2M 7BA
(Registered in England and Wales No. 102498)

Registrar's Office
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Essex CM19 5AG

Depositary for American Depositary Receipts
Morgan Guaranty Trust Company of New York,
Attention: ADR Department,
60 Wall Street,
New York, NY 10260
Telephone 212-648-3208