

**BP SHIPPING LIMITED**  
**(Registered No. 140132)**

**ANNUAL REPORT AND ACCOUNTS 2003**

Board of Directors :- R.L. Paniguian (Chairman)  
D.P. Chapman  
V. Cox  
R. A. Malone

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**REPORT OF THE DIRECTORS**

The directors present their report and accounts for the year ended 31 December 2003.

**Principal activity**

The principal activity of the company is that of shipping and ship management. The company charters its own and operated oil tankers and Liquefied Natural Gas (LNG) carriers to Group and Third party customers and also manages, operates and charters oil tankers and LNG carriers on behalf of the BP Group and Third parties. It is the intention of the directors that the above business of the company will continue for the foreseeable future.

**Review of the business**

The company experienced a good freight and LNG time-charter market, which resulted in a profit in 2003.

The company's owned tanker fleet at 31 December 2002 totalled three ships. During the year the last of the S Class, the British Strength, was sold. Five new Product Carriers, the British Explorer, British Esteem, Baltic Commodore, Baltic Champion and Baltic Challenger, seven Aframax vessels, the British Hawthorn, British Willow, British Oak, British Beech, British Swift, British Merlin and British Osprey, and two LNG carriers, the British Merchant and British Innovator were all taken on demise charter. The company also continued to demise charter four Product Carriers, three Suezmax Crude Carriers, four VLCCs and an LNG carrier throughout the year. The company is also responsible for the management of five other LNG carriers, one Shuttle Tanker and four coastal oil tankers.

During the year, contracts were signed for the construction of three Coastal Vessels of between 2,400 dwt and 4,000 dwt at a total project commitment of \$ 24,000,000 with delivery due in 2004, to be re-let to BP Oil UK Limited, one 37,000 dwt Product Carrier with delivery due in 2004 four, option one Platform Supply Vessels at a total project commitment of \$ 75,000,000 with delivery due between 2003 and 2005, to be re-let to BP Exploration Operating Company Limited, ten Coastal Vessels of between 1,550 dwt and 5,000 dwt at a total project commitment of \$ 82,000,000 with delivery due in 2004 and four 83,000 Cubic metre LPG Carriers at a total project commitment of \$183,500,000 with delivery due in 2006.

The company has also exercised options to purchase six 46,000 dwt Product Carriers at a fixed price of \$ 27,213,500 each with delivery due in 2005 and four 115,000 dwt Aframax vessels at a fixed price of \$ 36,500,000 each with delivery due between 2005 and 2006.



**BP SHIPPING LIMITED**  
**REPORT OF THE DIRECTORS**

Since the end of the year, the company has entered into construction contracts for eight Autonomous Rescue and Recovery Craft (ARRC) at a target price of £10,320,000 Open Book Price and one option agreement for a possible four further ARRC, three 70 Mt Bollard Pull Damen ASD Tugs for a total project commitment of \$19,970,000. The company has also exercised options to upgrade six Aframax vessels and three Handy vessels to ICE- Class 1A specification with delivery commencing 2005.

It is the intention that all of the above mentioned construction contracts and options will be novated to lessors from whom BP Shipping Limited or another BP Group company will take demise charters.

The company has also taken delivery on demise charter of one Product Carrier, the Baltic Crusader and four Aframax vessels, the British Hazel, the British Curlew, the British Holly and the British Vine.

**Results**

The profit for the year of \$ 25,855,000 when added to the retained deficit brought forward at 1 January 2003 of \$ 136,511,000 gives a total retained deficit carried forward at 31 December 2003 of \$ 110,656,000. The directors do not propose the payment of a dividend (2002 nil).

**Directors**

The present directors are listed on page 1 and served as directors throughout the financial year.

Changes since 1 January 2003 are as follows :

	<b>Appointed</b>	<b>Resigned</b>
B.E. Grote (alternative director to V. Cox)	1 May 2003	1 November 2003

**Directors interests**

The interests of the directors holding office at 31 December 2003, and their families, in the US \$0.25 Ordinary Shares of BP p.l.c., were as set out below.

	<b>31 December 2003</b>	<b>1 January 2003 (or date of appointment)</b>
D P Chapman	162,058	148,293
V Cox	61,670	66,391
R A Malone	110,088*	119,414*
R L Paniguan	177,325	165,901

## **BP SHIPPING LIMITED**

### **REPORT OF THE DIRECTORS**

In addition, rights to subscribe for US \$0.25 Ordinary Shares in BP p.l.c. were granted to, or exercised by, the directors between 1 January 2003 and 31 December 2003 as follows :

	<u>Granted</u>	<u>Exercised</u>
D P Chapman	120,585	-
V Cox	107,528	-
R A Malone	53,220*	-
R L Paniguan	70,750	-

\*These holdings include shares held in the form of ADRs (American Depositary Receipts)

No director had any interest in the shares or debentures of subsidiary undertakings of BP p.l.c. at 31 December 2003.

#### **Policy and practice with respect to payment of suppliers**

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

The number of days' purchases represented by trade creditors at the year-end was 2 (2003 9.5).

#### **Post balance sheet events**

In January 2004 the company took the decision to dispose of the three remaining single hull owned vessels. The British Admiral was sold in January, the British Argosy was sold in February and the British Adventure was sold in April 2004.

After the balance sheet date the authorised share capital was increased from 4,000,000 ordinary shares of £1 each to 100,000,000 ordinary shares of £1 each.

#### **Charitable contributions**

During the year the company made various charitable contributions totalling \$8,406.

**BP SHIPPING LIMITED**  
**REPORT OF THE DIRECTORS**

**Auditors**

Ernst and Young LLP will continue in office as the company's auditor in accordance with the elective resolution passed by the company under Section 386 of the Companies Act 1985.

By order of the Board

Secretary

  
6 December 2004

Registered Office:  
Chertsey Road  
Sunbury on Thames  
Middlesex  
TW16 7BP

## **BP SHIPPING LIMITED**

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors confirm that they have complied with these requirements and having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts.

## **BP SHIPPING LIMITED**

### **REPORT OF THE AUDITORS TO THE MEMBERS OF BP SHIPPING LIMITED**

We have audited the company's accounts for the year ended 31 December 2003 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, accounting policies and the related notes 1 to 22. These accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### **Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

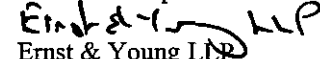
#### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

#### **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2003 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Ernst & Young LLP  
Registered Auditor  
Luton

8 Dec 2004

**BP SHIPPING LIMITED**  
**ACCOUNTING POLICIES**

**Accounting Standards**

These accounts are prepared in accordance with applicable UK accounting standards.

**Accounting convention**

The accounts are prepared under the historical cost convention.

**Basis of preparation**

At 31 December 2003, the company's balance sheet had net liabilities amounting to \$102,936,000. The directors consider it appropriate to prepare the accounts on a going concern basis because BP plc has undertaken to purchase ordinary shares up to a value of \$105,000,000 as and when the directors require. This undertaking is effective up to 6 December 2005.

**Statement of cash flows**

The Group financial statements of the ultimate parent undertaking contain a consolidated cash flow statement. The Company has taken advantage of the exemption granted by the Financial Reporting Standard No. 1 (Revised), whereby it is not required to publish its own cash flow statement.

**Group accounts**

Group accounts are not submitted as the company is exempt from the obligation to prepare group accounts under Section 228(1) of the Companies Act 1985. The results of subsidiary and associated undertakings are dealt with in the consolidated accounts of the ultimate parent undertaking, BP p.l.c. , a company registered in England and Wales. The accounts present information about the company as an individual undertaking and not about the group.

**Stock valuation**

Stocks and Bunkers are valued at cost to the company using the first-in first-out method, or at net realisable value, whichever is the lower.

**Foreign currencies**

The functional and reporting currency is US dollars.

Transactions in currencies other than US dollars are recorded at the rate ruling at the date of the transaction. Assets and liabilities in currencies other than sterling are translated into US dollars at closing rates of exchange. All exchange gains and losses on settlement or translation at closing rates of exchange of monetary assets and liabilities are included in the determination of profit/loss for the year

## **BP SHIPPING LIMITED**

### **ACCOUNTING POLICIES**

#### **Derivative financial instruments**

All derivatives which are held for trading purposes and all oil price and natural gas derivatives held for risk management purposes are marked to market and all gains and losses recognised in the profit and loss account.

As part of exchange rate risk management, foreign currency swap agreements and forward contracts are used to convert non-US dollar borrowings into US dollars. Gains and losses on those derivatives are deferred and recognised on maturity of the underlying debt, together with the matching loss or gain on the debt. Foreign currency forward contracts and options are used to hedge significant non-US dollar firm commitments or anticipated transactions. Gains and losses on these contracts and option premia paid are also deferred and recognised in the income statement or as adjustments to carrying amounts, as appropriate, when the hedged transaction occurs.

#### **Government grants**

Grants related to expenditure on tangible assets are credited to profit at the same rate as the depreciation on the assets to which the grants relate. The amounts shown in the balance sheet in respect of grants consist of the total grants receivable to date, less the amounts so far credited to profit/(loss).

#### **Depreciation**

Tangible fixed assets, other than freehold land, are depreciated on the straight line method over their estimated useful lives. The company undertakes a review for impairment of a fixed asset if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, that is, the higher of net realisable value and value in use, the fixed asset is written down to its recoverable amount. The value in use is determined from estimated discounted future net cash flows

Costs of dry docking are capitalised and depreciated over the sooner of 2.5 years, the next scheduled dry docking or the expected disposal/redelivery of the vessel.

#### **Principal rates of depreciation are as follows :**

Oil Tankers	- up to 25 years - 5%
Gas Carriers	- over 30 years - 3.3%
Capitalised Drydock costs	- up to 2.5 years - 40%
Furniture	- over 8 years - 12.5%
Computer Equipment	- over 3 years - 33%

#### **Maintenance Expenditure**

Expenditure on major maintenance, refits or repairs is capitalized where it enhances the performance of an asset above its originally assessed standard of performance; replaces an asset or part of an asset which was separately depreciated and which is then written off; or restores the economic benefits of an asset which has been fully depreciated. All other maintenance expenditure is charged to income as incurred.



## **BP SHIPPING LIMITED**

### **ACCOUNTING POLICIES**

#### **Environmental liabilities**

Environmental expenditures that relate to current or future revenues are expensed or capitalised as appropriate. Expenditures that relate to an existing condition caused by past operations and that do not contribute to current or future earnings are expensed. Liabilities for environmental costs are recognised when environmental assessments or clean-ups are probable and the associated costs can be reasonably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment. The amount recognised is the best estimate of the expenditure required. Where the liability will not be settled for a couple of years, the amount recognised is the present value of the estimated future expenditure.

#### **Leases**

Assets held under leases which result in the company 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.

#### **Interest**

Interest is capitalised gross 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.

#### **Deferred tax**

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, tax with the following exceptions:

- Provision is made for tax on gains arising from the revaluation of fixed assets, and gains on disposals of fixed asset that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- Deferred tax assets are recognized only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates enacted or substantively enacted at the balance sheet date.

**BP SHIPPING LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2003**

	<u>Note</u>	<u>2003</u> \$000	<u>2002</u> \$000
<b>Turnover</b>	1	558,614	422,740
Cost of sales		(476,910)	(417,685)
<b>Gross profit</b>		<u>81,704</u>	<u>5,055</u>
Administration expenses		(56,838)	(42,675)
Other (expense)/income	3	(1,123)	450
<b>Operating (loss)/profit</b>	2	<u>23,743</u>	<u>(37,170)</u>
Profit on disposal of fixed assets		3,653	4,228
<b>Profit/(Loss) on ordinary activities before interest and tax</b>		<u>27,396</u>	<u>(32,942)</u>
Net interest payable and similar charges	4	(1,541)	(5,827)
<b>Profit/(Loss) before taxation</b>		<u>25,855</u>	<u>(38,769)</u>
Taxation	5	-	-
<b>Retained Profit/(Loss) for the year</b>		<u>25,855</u>	<u>(38,769)</u>

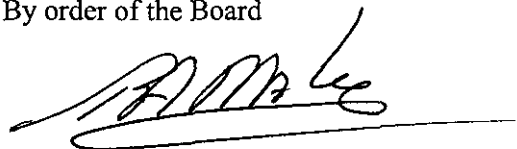
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

There are no recognised gains or losses attributable to the shareholders of the company other than the profit of \$25,855,000 for the year ended 31 December 2003 (2002 loss of \$38,769,000).

**BP SHIPPING LIMITED****BALANCE SHEET AT 31 DECEMBER 2003**

	<u>Note</u>	<u>2003</u> \$000	<u>2002</u> \$000
<b>Fixed assets</b>			
Tangible assets	7	85,570	91,890
Investments	8	265	312
		<hr/>	<hr/>
		85,835	92,202
<b>Current assets</b>			
Stocks	9	6,912	6,115
Debtors -- amounts falling due:			
Within one year	10	126,115	78,367
After more than one year	10	-	30
Cash at bank and in hand		278	561
		<hr/>	<hr/>
		133,305	85,073
<b>Creditors -- amounts falling due within one year</b>			
Finance debt	11	13,866	11,650
Other creditors	12	96,506	67,224
		<hr/>	<hr/>
<b>Net current assets</b>		22,933	6,199
		<hr/>	<hr/>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		108,768	98,401
<b>Creditors -- amounts falling due after more than one year</b>			
Finance debt	11	30,187	44,531
Other creditors	12	181,517	182,661
		<hr/>	<hr/>
<b>NET ASSETS/ LIABILITIES</b>		<u>(102,936)</u>	<u>(128,791)</u>
<b>Represented by</b>			
<b>Capital and reserves</b>			
Called up share capital	13	7,720	7,720
Reserves	14	(110,656)	(136,511)
		<hr/>	<hr/>
<b>SHAREHOLDERS' FUND - EQUITY INTEREST</b>	15	<u>(102,936)</u>	<u>(128,791)</u>

By order of the Board



Director

6 DECEMBER 2004

**BP SHIPPING LIMITED**  
**NOTES TO THE ACCOUNTS**

**1. Turnover**

Turnover, which is stated net of value added tax, comprises amounts invoiced to third parties, all of which falls within the UK geographic area.

**2. Operating profit**

This is stated after charging:

	<u>2003</u> \$000	<u>2002</u> \$000
Operating lease rentals – vessels	197,940	183,105
Depreciation of owned fixed assets	8,756	11,807
Depreciation of assets held under finance leases	2,757	2,757
Government grant	120	120
Auditors' remuneration – audit fees	<u>90</u>	<u>78</u>

**3. Other (expense)/income**

	<u>2003</u> \$000	<u>2002</u> \$000
(Expenditure with)/ Income from parent and fellow subsidiary undertakings	(1,150)	150
Write-back of provision against investment	-	300
Distribution from associated undertaking in liquidation	27	-
	<u>(1,123)</u>	<u>450</u>

**4. Net interest payable and similar charges**

	<u>2003</u> \$000	<u>2002</u> \$000
Bank interest	(2,181)	(4,156)
Finance leases	640	(1,671)
	<u>(1,541)</u>	<u>(5,827)</u>

The interest rate used to determine the amount of finance costs capitalised during the period was variable.

## **BP SHIPPING LIMITED**

### **NOTES TO THE ACCOUNTS**

#### **5. Taxation**

The Company is a member of a group for the purposes of relief under Section 402 of the Income & Corporation Taxes Act 1988. No corporation tax has been provided because another group company, BP International Limited, has undertaken to procure the claim or surrender of group relief to the extent it is required and to provide for any current or deferred tax that arises without charge.

The following table provides a reconciliation of the UK statutory corporation tax rate to the effective current tax rate on profit before taxation.

	<u>2003</u>	<u>2002</u>
	£	£
Profit before taxation	25,855	38,769
Current taxation	-	-
Effective current tax rate	0%	0%
	<u>2003</u>	<u>2002</u>
	%	%
UK statutory corporation tax rate:	30	30
Increase/(decrease) resulting from:		
Timing differences	(5)	4
Non deductible expenditure/Non taxed income	1	9
Group relief	(26)	(43)
Effective current tax rate	<u>-</u>	<u>-</u>

#### **6. Directors and employees**

##### **(a) Remuneration of directors**

None of the directors received any fees for services as a director of the company during the financial year (2002 nil). Other emoluments paid to one director were \$ 626,351 (2002 \$ 504,358), no pension contributions were paid by the company.

The other directors are senior executives of, and are remunerated by, BP p.l.c. and received no remuneration for services to this company or its subsidiary undertaking.

**BP SHIPPING LIMITED**

**NOTES TO THE ACCOUNTS**

(b) Other than cadets, the company does not directly employ staff.

	<u>2003</u>	<u>2002</u>
	\$000	\$000
Employee costs		
Wages and salaries	830	701
Social security costs	50	36
	<u>880</u>	<u>737</u>

(c) Average number of employees during the year

	<u>2003</u>	<u>2002</u>
Cadets	<u>56</u>	<u>50</u>

**7. Tangible assets**

	Vessels	Other Equipment	Total
	\$000	\$000	\$000
<b>Cost</b>			
At 1 January 2003	175,382	8,100	183,482
Additions	3,486	3,888	7,374
Deletions	(5,137)	-	(5,137)
	<u>173,731</u>	<u>11,988</u>	<u>185,719</u>
At 31 December 2003	<u>173,731</u>	<u>11,988</u>	<u>185,719</u>
<b>Depreciation</b>			
At 1 January 2003	86,480	5,112	91,592
Charge for the year	9,749	1,764	11,513
Deletions	(2,956)	-	(2,956)
	<u>93,273</u>	<u>6,876</u>	<u>100,149</u>
At 31 December 2003	<u>93,273</u>	<u>6,876</u>	<u>100,149</u>
<b>Net book amount</b>			
At 31 December 2003	<u>80,458</u>	<u>5,112</u>	<u>85,570</u>
At 31 December 2002	<u>88,902</u>	<u>2,988</u>	<u>91,890</u>

# BP SHIPPING LIMITED

## NOTES TO THE ACCOUNTS

Vessels held under finance leases and capitalised interest at net book amount included within 'Vessels' above:

	Cost \$000	Depreciation \$000	Net \$000
<b>Leased assets</b>			
At 31 December 2003	<u>83,194</u>	<u>47,780</u>	<u>35,414</u>
At 31 December 2002	<u>83,194</u>	<u>45,023</u>	<u>38,171</u>

### 8. Fixed assets - investments

	Subsidiary Undertaking Shares \$000	Associated Undertaking Shares \$000	Other \$000	Total \$000
Cost				
At 1 January 2003	12	300	-	312
Additions	-	-	253	253
Deletions	-	(300)	-	(300)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2003	<u>12</u>	<u>-</u>	<u>253</u>	<u>265</u>

The investments in subsidiary and associate undertakings are unlisted and the percentage of equity capital held as at 31 December 2003 are set out below. The principal country of operation is indicated by the company's country of incorporation.

Subsidiary undertaking	%	Country of Incorporation	Principal activity
BP Shipcare Sdn. Bhd.	100	Malaysia	Ship Lay-up Service

#### Associated undertaking.

Levelseas Holdings Limited went into liquidation in 2003. Funds distributed to shareholders during the year were sufficient to cover the investment.

Associated undertaking	%	Country of Incorporation	Principal activity
Levelseas Holdings Limited	15	England	Software Developer

### 9. Stocks

	<u>2003</u> \$000	<u>2002</u> \$000
Stores and bunkers	<u>6,912</u>	<u>6,115</u>

The difference between the carrying value of stocks and their replacement cost is not material.

**BP SHIPPING LIMITED**

**NOTES TO THE ACCOUNTS**

10. Debtors	<u>2003</u>		<u>2002</u>	
	Within 1 year \$000	After 1 year \$000	Within 1 year \$000	After 1 year \$000
Trade	24,531	-	17,619	-
Parent and fellow subsidiary undertakings	83,117	-	41,033	-
Other	768	-	704	30
Prepayments and accrued income	17,699	-	19,011	-
	<u>126,115</u>	<u>-</u>	<u>78,367</u>	<u>30</u>

11. Finance debt	<u>2003</u>		<u>2002</u>	
	Within 1 year \$000	After 1 year \$000	Within 1 year \$000	After 1 year \$000
Capital obligations outstanding under finance leases	<u>13,866</u>	<u>30,187</u>	<u>11,650</u>	<u>44,531</u>

	<u>2003</u> \$000	<u>2002</u> \$000
Minimum future lease payments payable:		
Within 1 year	13,514	18,673
Between 2 to 5 years	29,934	46,037
	<u>43,448</u>	<u>64,710</u>
Less finance charges allocated to future periods	<u>605</u>	<u>8,529</u>
Net obligations	<u>44,053</u>	<u>56,181</u>

12. Other creditors	<u>2003</u>		<u>2002</u>	
	Within 1 year \$000	After 1 year \$000	Within 1 year \$000	After 1 year \$000
Trade	22,471	-	20,542	-
Subsidiary undertakings	1,326	-	1,326	-
Parent and fellow subsidiary undertakings	25,647	179,070	5,986	176,505
Accruals and deferred income	39,188	2,384	30,614	6,093
Other	7,874	63	8,756	63
	<u>96,506</u>	<u>181,517</u>	<u>67,224</u>	<u>182,661</u>



**BP SHIPPING LIMITED**

**NOTES TO THE ACCOUNTS**

**13. Called up share capital**

	<u>2003</u>	<u>2002</u>
	\$000	\$000
Authorised, allotted and fully paid:		
4,000,000 ordinary shares of £1 each	<u>7,720</u>	<u>7,720</u>

**14. Reconciliation of shareholders' funds and movements on reserves**

	Share Capital \$000	Reserves \$000	Shareholders' Funds \$000
At 1 January 2003	7,720	(136,511)	(128,791)
Profit for the year	-	25,855	25,855
At 31 December 2003	<u>7,720</u>	<u>(110,656)</u>	<u>(102,936)</u>

**15. Reconciliation of movements in shareholders' interest**

	<u>2003</u>	<u>2002</u>
	\$000	\$000
Profit for the year	25,855	(38,769)
Net increase/ (decreased) in shareholders' interests	25,855	(38,769)
Shareholders' interest at 1 January	(128,791)	(90,022)
Shareholders' interest at 31 December	<u>(102,936)</u>	<u>(128,791)</u>

**16. Operating lease commitments**

At 31 December the company had annual commitments under non-cancellable ship operating leases as set out below:

	<u>2003</u>	<u>2002</u>
	\$000	\$000
Expiring:		
Within 1 year	25,890	28,018
Between 2 to 5 years	42,871	36,573
Thereafter	<u>150,092</u>	<u>113,487</u>
	<u>218,853</u>	<u>178,078</u>

**BP SHIPPING LIMITED**

**NOTES TO THE ACCOUNTS**

**17. Capital commitments**

Authorised future capital expenditure is estimated at \$ 5,710,000 (2002 \$ 9,580,000). No contracts have been placed.

**18. Contingent liabilities**

There were contingent liabilities at 31 December 2003 in respect of guarantees and indemnities entered into as part of, and claims arising from, the ordinary course of the company's business, upon which no material losses are likely to arise.

**19. Related party transactions**

The company has taken advantage of the exemption contained within Financial Reporting Standard No 8 "Related Party Disclosures", and has not disclosed transactions with group companies. There were no other related party transactions in the year.

**20. Post balance sheet event**

In January 2004 the company took the decision to dispose of the three remaining single hull owned vessels. The British Admiral was sold in January, the British Argosy was sold in February and the British Adventure was sold in April 2004. The profit arising from these disposals is approximately \$3.5m.

After the balance sheet date the authorised share capital was increased from 4,000,000 ordinary shares of £1 each to 100,000,000 ordinary shares of £1 each.

**21. Pensions**

The company does not make pension contributions for any directly employed staff and therefore does not directly bear any pension charge.

**22. Ultimate parent undertaking**

The ultimate parent undertaking of the group of undertakings for which group accounts are drawn up, and of which the company is a member, is BP p.l.c., a company registered in England and Wales. Copies of BP p.l.c.'s accounts can be obtained from 1 St James's Square, London, SW1Y 4PD.