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The British Petroleum Company p.l.c.
Annual Report & Accounts 1982

About British Petroleum . . .

The British Petroleum Company p.l.c. is the parent company of a worldwide group consisting of more than 1,900 subsidiary and related companies.

The Company was incorporated in 1909 to develop the Middle East's first commercial oilfield, which it had discovered in what was then Persia. Today, BP is an energy and natural resources company active in over 70 countries in six continents. And just as the Company's geographical base has widened, so too has the scope of its business interests. Major investments in chemicals, minerals, coal and gas, plus smaller, though important investments in nutrition, detergents, computer and communications systems, as well as in several venture projects, all go to make up the BP of 1983. Nevertheless, the oil business in all its aspects – exploration, production, transportation, refining and marketing – is still BP's principal activity and is likely to remain so for many years to come.

More than 140,000 people work for group companies around the world. Of this total, approximately one-quarter are located in the UK and one-third in the USA – most of the latter being employees of The Standard Oil Company (Sohio) in which BP has a 53% shareholding.

Contents

Financial highlights

		1982	1981
Turnover (after deduction of customs duties and sales taxes)	£m	**29,336**	25,755
Government take on oil and gas production UK, US and other government production taxes and royalties, with royalty oil valued at market prices.	£m	**3,700**	4,500
Taxation on profits	£m	**1,103**	811
Profit before extraordinary items			
Historical cost basis	£m	**716**	1,072
Replacement cost basis	£m	**627**	516
Current cost basis	£m	**206**	305
Earnings per share			
Historical cost basis	pence	**39·4**	63·9
Current cost basis	pence	**11·3**	18·2
Dividends per share	pence	**20·25**	20·25
Funds generated from operations	£m	**4,075**	2,975
Capital expenditure and acquisitions	£m	**3,952**	4,337
Capital employed			
Historical cost basis	£m	**18,142**	15,917
Current cost basis	£m	**24,976**	22,072
Return on average shareholders' interest			
Historical cost basis	%	**8·7**	15·7
Current cost basis	%	**1·5**	2·7
Debt equity ratio	%	**36·0**	37·3

Board of Directors and other principal executives

Board of Directors

***P I Walters**
Chairman

***R W Adam**
Deputy Chairman

†Sir Lindsay Alexander
Chairman, Lloyds Bank International Limited

†Lord Barber TD
Chairman, Standard Chartered Bank, PLC

†The Hon. Sir John Baring CVO
Chairman, Baring Brothers & Co., Limited

***R Bexon**

***P G Cazalet**

Sir Campbell Fraser FRSE
Chairman, Dunlop Holdings plc

***P J Gillam**

The Earl of Inchcape
President, Inchcape PLC

†T Jackson

***R Malpas** CBE

Sir James Menter FRS
Principal, Queen Mary College,
University of London

†Sir Alastair Pilkington FRS
Director, Pilkington Brothers, P.L.C.

***M R Rendle**

A W Whitehouse Jr
Chairman of the Board & Chief Executive Officer, The Standard Oil Company (Sohio)

Secretary
J E Wedgbury

Registered Office
Britannic House, Moor Lane, London EC2Y 9BU

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

Auditors
Ernst & Whinney

*Managing Director
†Member of the Audit Committee

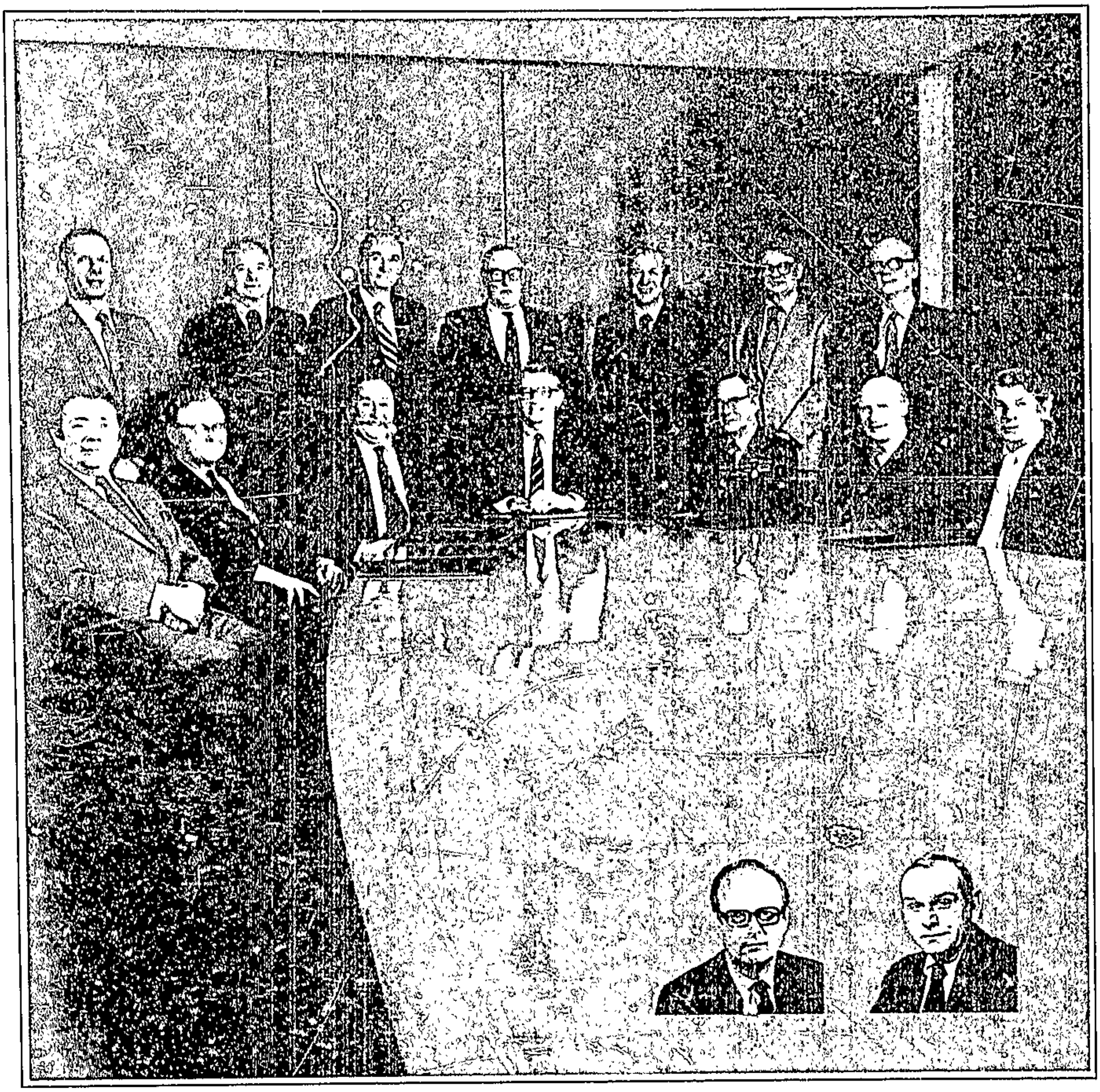
Other principal executives

Group head office and regional directors

R S Bateman	Europe (excluding UK and Ireland)
Prof J I G Cadogan FRS	Research
A T Gregory	United Kingdom and Ireland, Government and Public Affairs
Dr I S Holle	Health, Safety and Environmental Services
G A Lee	Engineering and Technical Services
Q M Morris	Group Finance, Ventures, Latin America, Office Management
H E Norton	Planning, Near and Middle East
A P Ravenscroft	Group Control and Financial Services

Business chief executives

B R R Butler OBE	BP Exploration
D A G Simon	BP Oil International
R B Horton	BP Chemicals International
B A Smith	BP Minerals International
J C E Webster OBE	BP Gas
J G A Jump	BP Coal
E Brouwer CBE	BP Nutrition
H Burnham	BP Detergents International
B Marson-Smith	Scicon International
R Ilian	BP Shipping



The Board of The British Petroleum Company p.l.c.

Seated (left to right): Sir Lindsay Alexander, The Earl of Inchcape, Tom Jackson, Peter Walters, Robin Adam, Lord Barber, Roger Bexon.

Standing (left to right): Robert Malpas, Sir Alastair Pilkington, Sir Campbell Fraser, Peter Cazalet, Patrick Gillam, Sir James Menter, Michael Rendle.

Inset: Absent when this photograph was taken were The Hon. Sir John Baring (left) and Alton Whitehouse Jr.

Chairman's statement

As 1982 progressed, it brought no relief from the recession that was already gripping the world in 1981. BP, in common with many other companies and individuals, has had to adjust to prolonged stagnation.

Indeed, I believe that BP has acted with great determination and foresight in taking measures to adapt to a world of lower growth and greater uncertainty. It has not been an easy or painless experience. 1982 saw the continuation of restructuring measures, often leading to retrenchment, in our oil refining and marketing and petrochemicals businesses (not just in Britain but in many other countries too) and in our shipping fleet.

We have persisted in this course in the knowledge that, when business revives, we shall emerge more strongly competitive in a number of industries; and I must pay sincere tribute to the understanding of our employees in these difficult times. They have recognised the logic of our actions and have maintained their usual high standards of performance. Profitability, itself a service to the communities in which we operate, is our watchword, not the urge to be represented in all markets regardless of our position in them.

Need for stability

In recent months the oil market has entered a period of unusual turmoil during which, for the first time in over fifteen years, world oil prices began to fall significantly. It is to be hoped that the agreement on prices and production reached by OPEC members at their March meeting will help to bring stability to this scene. Now that the world is starting the climb out of recession, none of us should wish to run the risk of a further rapid decline in oil prices leading before long to a damaging rebound, which would in turn disrupt the resumption of growth. Even if oil prices remain steady, further uncertainty is added by the volatility in exchange rates which seems to be an inevitable feature of these times.

Despite these impediments to straightforward investment and trading, I remain confident that BP is at least as well placed to survive and prosper in a weaker oil market as its competitors, thanks to the flexible arrangements for crude oil acquisition and product trading that we have established in recent years.

Of course, so long as crude oil prices are actually falling, earnings from our oil producing assets will be reduced, although the high levels of taxation on this activity mean that governments absorb most of the fall when oil prices decline, just as they gain most of the benefits when prices rise. In any case, our major producing assets in the UK North Sea and in Alaska will remain a sound source of cash flow for some years to come, and the start of production from the Magnus Field this year will add substantially to that revenue.

But sooner or later oil reservoirs reach and pass their peak and, particularly in the North Sea, the maintenance of revenue, both to BP and to the British economy, is heavily dependent on the development of new and necessarily more costly oilfields to replace those that are in decline. Accordingly I welcome the changes in oilfield taxation introduced in the Budget, which should add a real stimulus to the future development of marginal fields in the North Sea. The same changes also offer much needed cash flow relief to the operation of existing fields, although levels of taxation remain high.

The UK Continental Shelf is also rich in gas reserves, many of them as yet undeveloped. These have the potential to make a valuable contribution to Britain's economy. They are ready to hand as a component in our national prosperity if only the national will exists to bring on their development by according them the right priority and the right price incentives.

An active scene

Our oil exploration and production operations have been an active scene in other areas too. In Egypt, income from our now considerable investments began in March 1983, when the Ras Budran oilfield came on stream. In Norway, we have decided, with partners, to proceed with the development of the Ula oilfield, which will produce oil in 1987. And we have deliberately become more active in buying and selling exploration or producing interests. During 1982, we acquired substantial interests in the Alaskan offshore lease sales, in which both BP and Sohio bid in partnership, and have since profitably sold a part of these to balance out our position; we sold our stake in the UK Beatrice Field, when we saw an opportunity to realise a greater price than its value to us; and we bought from Dome Petroleum exploration and producing properties in Indonesia, which have given us an important stake in that country, with immediate income.

Sohio meanwhile continues to turn in an excellent performance and to contribute significantly to BP's profits. This fact justifies in a gratifying fashion the major strategic decision many years ago by which BP merged its North Slope oilfield assets with Sohio's downstream base, and reinforces our confidence in the US economy and the management of Sohio.

I do not wish to imply any diminished attention or dedication to our diversified non-oil businesses. Some of these have suffered from the general recession and produced poor results in 1982. But we still expect to see rewarding growth in the minerals industry, as we explore actively, rationalise our portfolio and set the foundations for a strong long-term position in base and precious metals. BP Coal made a modest profit last year in spite of low global demand for coal. And BP Nutrition too has prospered in spite of the recession, and recorded satisfactory profits in 1982.

A final word on BP's management style. I think it is generally recognised that recent circumstances have caused us to adopt an especially rigorous and profit-conscious attitude to our operations. This style, while appropriate to the tougher business climate in which we now operate, has built on the strengths already present among the group's management, and has been able to find its expression in the successful reorganisation we adopted in 1981. Its application remains consistent with our traditionally high standards of concern for employees and the communities in which we operate.

Mr M J Verey retired as a non-executive director in October 1982. He had been a member of the Board since 1974 and we greatly miss his wise guidance and staunch friendship. We are glad to welcome Sir John Baring, Chairman of Baring Brothers, who joined the Board on 1 November 1982 as a non-executive director and Mr Robert Malpas who was appointed a managing director on 5 January 1983. Mr Malpas was recently President of Halcon International Inc, a New York based chemicals process research company, and before that a director of ICI.

March 1983

Peter Walters.

Report of the Directors:
Group Results

The group's historical cost profit before extraordinary items amounted to £716 million compared with £1,072 million in 1981. Earnings per ordinary share were 39·4 pence in comparison with the 1981 level of 63·9 pence. On a replacement cost basis, which takes account of the current cost of sales, group profit increased from £516 million to £627 million for the year. On both bases there was a significant improvement in the fourth quarter compared with the earlier periods of 1982.

The profits for each year have been reduced by extraordinary items. In 1982 costs of £230 million arose mainly from closure of the refinery at Belfast and of the main processing plants at Dunkirk and in the Ruhr, withdrawal from PVC manufacture in the UK, a reduction in the tanker fleet and a major restructuring in Germany. These costs were offset by a credit of £226 million arising from the release of oil previously regarded as inaccessible and capitalised at original cost. The extraordinary item of £54 million in 1981 was for the closure of Kent refinery in the UK.

Oil and gas production activities and Sohio maintained their strong contributions to the group's profit throughout 1982. Crude oil prices were lower than in 1981, and consequently taxes on production, which are mainly related to selling prices, also fell. Nevertheless, the depressed world economy continued to constrain general business activity, and the results of the group's oil trading, chemicals, minerals and coal operations were all affected.

In oil trading the strength of the US dollar in the early part of 1982 together with a general oversupply of oil added to the pressure on margins. Results significantly improved later in the year as continental European currencies particularly became firmer against the US dollar. The group also began to realise benefits from its greater use of spot oil markets and from the measures taken to reduce costs and to shed unremunerative trade. By the fourth quarter downstream oil activities were trading profitably measured against the replacement cost of sales.

The chemicals and minerals businesses continued to be affected by severely depressed prices reflecting the excess capacity in their industries. Coal, nutrition and detergents remained profitable in difficult market conditions.

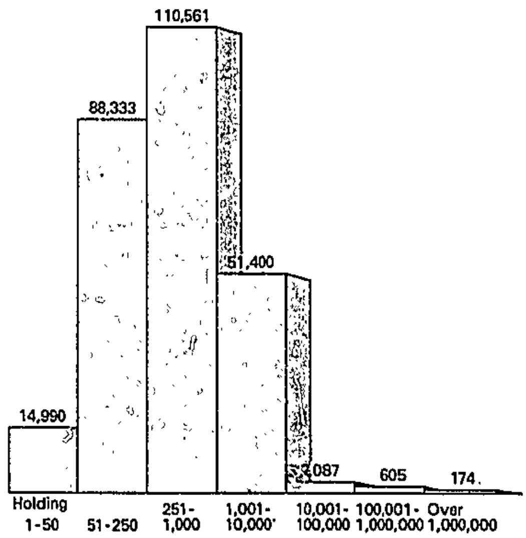
The group's 1982 operating profit of some £3,000 million was less than £100 million below the 1981 level. Taxation on profits, however, rose by £292 million to £1,103 million, reflecting in part the fiscal consequences in some countries of lower stock values and also a reduced charge for UK taxation in 1981 following the release of provisions no longer required.

The group's current cost profit was particularly affected by the extraordinary costs of closures and reorganisation because the offsetting credit from the release of inaccessible oil was not applicable. The current cost profit before extraordinary items was £206 million compared with £305 million in 1981.

Proposed dividend

From the group profit for the year of £712 million, £342 million (1981 – £655 million) has been retained within the group for investment and £370 million (1981 – £363 million) is for distribution as dividends. A final ordinary dividend of 14 pence per share is recommended, amounting to £255 million. This, when added to the interim ordinary dividend for 1982 of 6·25 pence per share (£114 million) paid in November, will make a total distribution for 1982 of 20·25 pence per share (£369 million). The corresponding figure for 1981 was 20·25 pence per share (£362 million).

BP shareholders at 31 December 1982



Total 25p ordinary shares held:	1,816,654,794
Total ordinary shareholders:	268,150

At 31 December 1982 BP also had 7,000 preference shareholders. Approximately 30.1 million ordinary shares were represented by American Depositary Receipts and listed on the New York Stock Exchange.

Finance

Funds generated from the group's operations rose to £4,075 million in 1982 from £2,975 million in 1981. Working capital needs lessened as sales volumes fell and in particular oil stocks were further reduced, releasing over £500 million in the course of the year. A net funding requirement of £433 million was met partly from liquid resources and partly by borrowing. Finance debt as a proportion of capital employed, nevertheless, fell during the year.

Capital expenditure in 1982 amounted to £3,856 million compared with £3,079 million in

1981, when a further £1,258 million was also spent on acquisitions, principally Kennecott and certain coal properties purchased by Sohio. In 1982 a large proportion of expenditure continued to be directed into oil and gas exploration and production activities, and in addition 50% of Dome's interests in Indonesia were acquired for £96 million. Capital expenditure on oil marketing and refining was reduced.

Outlook

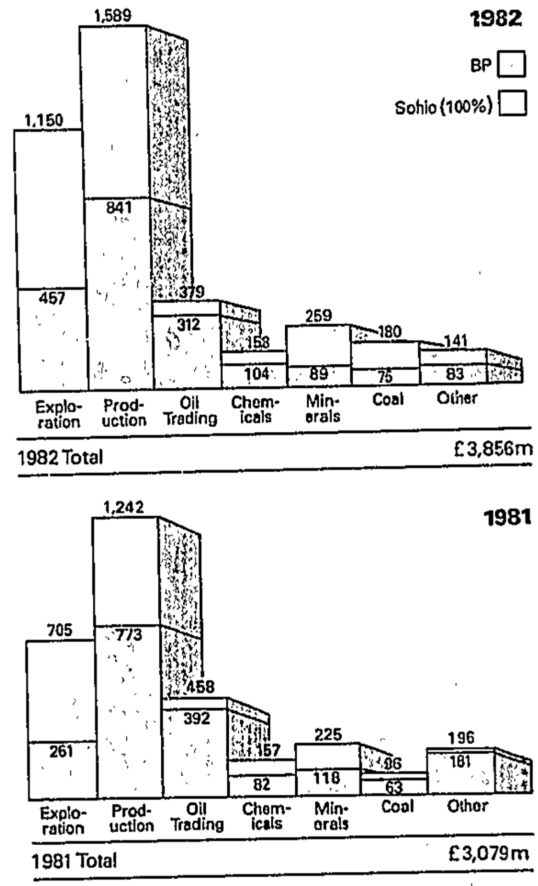
There are signs of improvement in general economic activity in the first months of 1983 although exchange rates have been volatile and oil prices under pressure. It is hoped that the agreement reached between the OPEC producers on oil prices and production levels will help to reduce uncertainty and provide a further stimulus to growth.

The Magnus Field in the UK North Sea is expected to begin production during the summer. During the first quarter of 1983 the group has disposed of its downstream activities in Canada. The profit on this sale will be partly offset by a loss in Sohio arising from a decision to close or sell the abrasives manufacturing operations acquired as part of Kennecott.

The group's internal generation of funds will continue to provide its principal source of finance during 1983. At the year end the group had unused borrowing facilities of £3,800 million, of which almost half were available to Sohio.

Commitments for future capital expenditure amounted to £5,800 million at the year end, mainly in respect of further exploration and development in the group's principal areas of activity. At the end of 1981 commitments were £5,300 million.

Group capital expenditure
(excluding acquisitions) (£ million)



Report of the Directors:
Review of 1982

The following pages review the financial and operating progress of the group's businesses and supporting services during 1982.

It should be noted that the results and activities of Sohio are not included in the tables, maps and diagrams appearing on pages 8-19.

In the financial results of each business, elements of particular relevance are shown separately before arriving at the historical cost operating result given in the business analysis on page 32.

BP Exploration and BP Gas

The financial results of BP Exploration and BP Gas are combined because their production activities are often jointly operated and their financial results are inseparable without arbitrary allocations.

Financial

	1982 £m	1981 £m
Trading profit	1,247	1,086
Exploration expenditure	(287)	(198)
Operating profit	960	888
Turnover	4,107	4,299
Capital employed	2,471	1,454
Capital expenditure	1,298	1,034

BP Exploration's oil and gas production activities again made a very significant contribution to the group's total profit in 1982.

The North Sea remains by far the group's most important oil province outside the US, accounting for some £2,194 million or about four-fifths of BP Exploration's investment in exploration and production.

When 1982 began, the tax reference price for Forties crude oil was \$36·50 per barrel. This was cut to \$31·00 in March and then increased again to \$33·50 in June, at which level it remained until the year end. However, because of the strengthening of the dollar during the year (from \$1·91 to \$1·62 to the £) the underlying profitability of North Sea operations in sterling terms was maintained. Against this must be set the fact that the effective marginal tax rate on North Sea crude oil remained at 90% throughout the year.

The combined effect of the abolition of supplementary petroleum duty and the increase in petroleum revenue tax to 75%, will only slightly reduce the marginal rate in 1983.

UK taxes and royalties paid on North Sea production during 1982 amounted to £2,345 million against £2,439 million in 1981.

The net profits royalty interest received from Sohio in respect of production from the Prudhoe Bay Field in Alaska amounted to £52 million (£80 million in 1981). Because of an agreed redetermination of interests, Sohio's net share of Prudhoe Bay production was reduced on 1 October 1982 to below the level at which net profits royalty interest is payable. This situation will continue for two years.

The Abu Dhabi Gas Liquefaction Company (BP: 16·3%) and Ruhrgas (BP: 25·5%) together provided a contribution to operating profit of £80 million, compared with £76 million in 1981.

BP sold its 15% interest in the UK Beatrice Field during the year, releasing capital for redeployment elsewhere.

Capital expenditure in 1982 totalled £1,298 million, up £264 million on 1981. Expenditure on exploration accounted for £457 million. The £841 million spent on production activities included £427 million for the North Sea, £112 million for the Kuparuk Field in Alaska, £59 million in Egypt, and £80 million for the production facilities on the North West Shelf gas fields in Australia.

Exploration operations

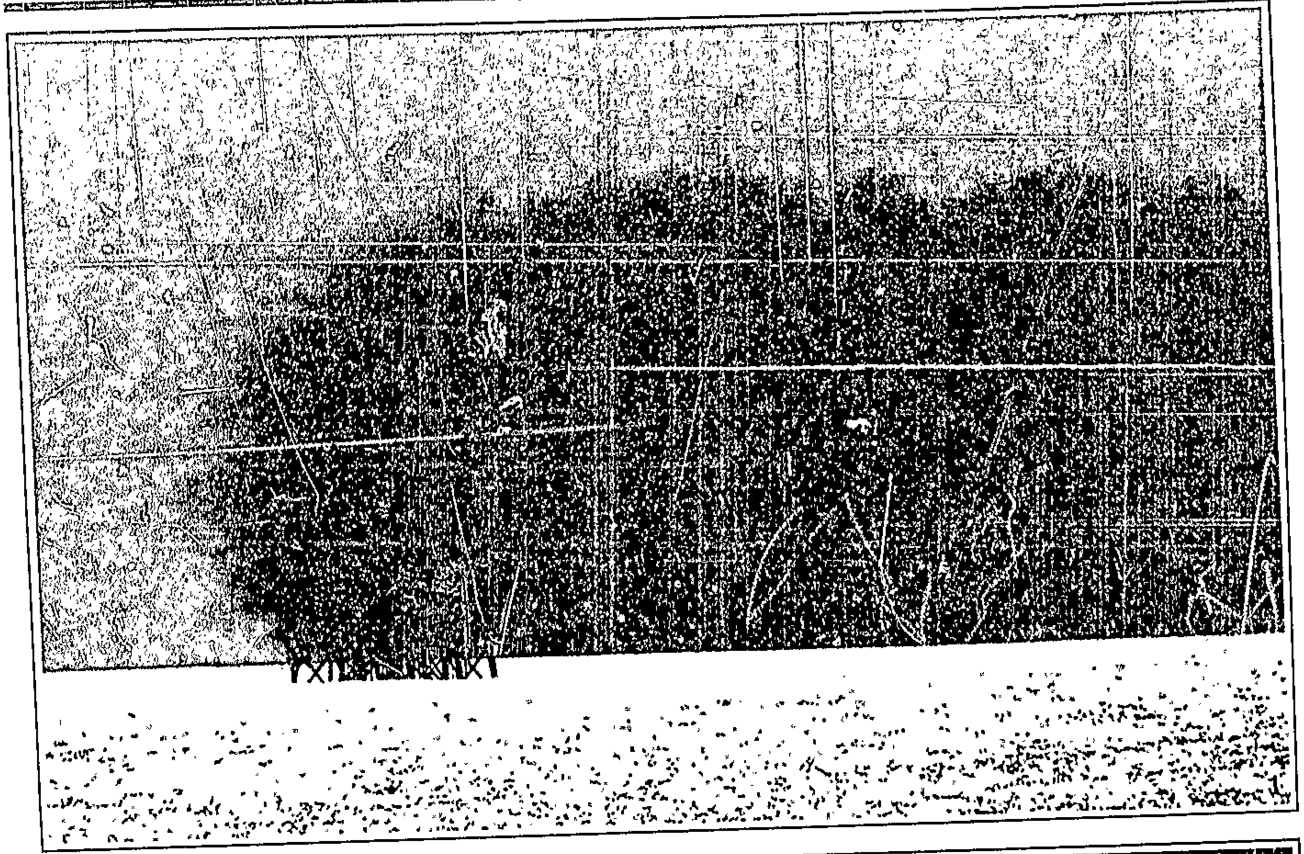
The high level of exploration activity seen in 1981 was maintained throughout 1982. Major activities centred on the UK, Alaska, Egypt, Norway, Australia and the Netherlands. New licences granted in Dubai and the Bahamas have now increased to 27 the total number of countries where the group has exploration interests.

Additional acreage was acquired offshore France and Ireland, and bids were submitted, with partners, for exploration licences offshore China. Around the world, BP participated in drilling 166 exploration and appraisal wells, acting as the operator in 14 countries. Of the 115 wells completed outside the UK, hydrocarbons were found in just under 50%, though not all these will be commercial.

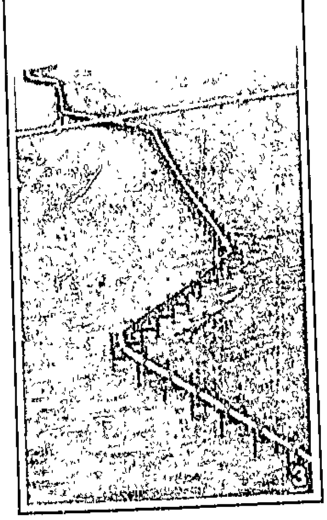
In the UK sector of the North Sea, 19 exploration or appraisal wells in which BP has an interest were drilled. Oil or gas were encountered in 12 of them. Onshore, in addition to its existing interests, the company is operator in 12 new licences granted during the year. Drilling on these will commence shortly.

An extensive drilling programme in the Netherlands, where BP has interests in 33 blocks offshore and two areas onshore, resulted in several oil and gas finds. In another major programme, in Norwegian waters, the drilling of six wells was completed. Appraisal of earlier discoveries resulted in the establishment of oil and gas/condensate reserves in three areas.

The group has strengthened considerably its holdings of strategic acreage in Arctic Alaska. In the highly competitive US Federal Outer Continental Shelf (OCS) 71 Beaufort Sea lease sale in October, BP, bidding both with partners and alone, won eight tracts in the Harrison Bay area and two tracts north of Cape Halkett.



1. In April 1982, the billionth barrel of oil from BP's Forties Field was pumped ashore at Cruden Bay, just north of Aberdeen.
2. Welding at sub-zero temperatures at the Prudhoe Bay Field in Alaska.
3. Together, BP and Sohio have a 50% stake in the Trans Alaska Pipeline System. The pipeline transports crude oil from the Prudhoe Bay and Kuparuk Fields to the ice-free port of Valdez in the south.
4. The group makes extensive use of modern computer technology to help interpret complex geological structures.



Report of the Directors:
Review of 1982

BP Exploration's share of the total expenditure was $178 million after assigning to Gulf Oil and Elf Aquitaine, at a premium, interests in three of the tracts, leaving BP's interests at the level originally planned for this area. In earlier State lease sales, BP made successful bids for three tracts in the Flaxman Island area and one tract south-east of Prudhoe Bay.

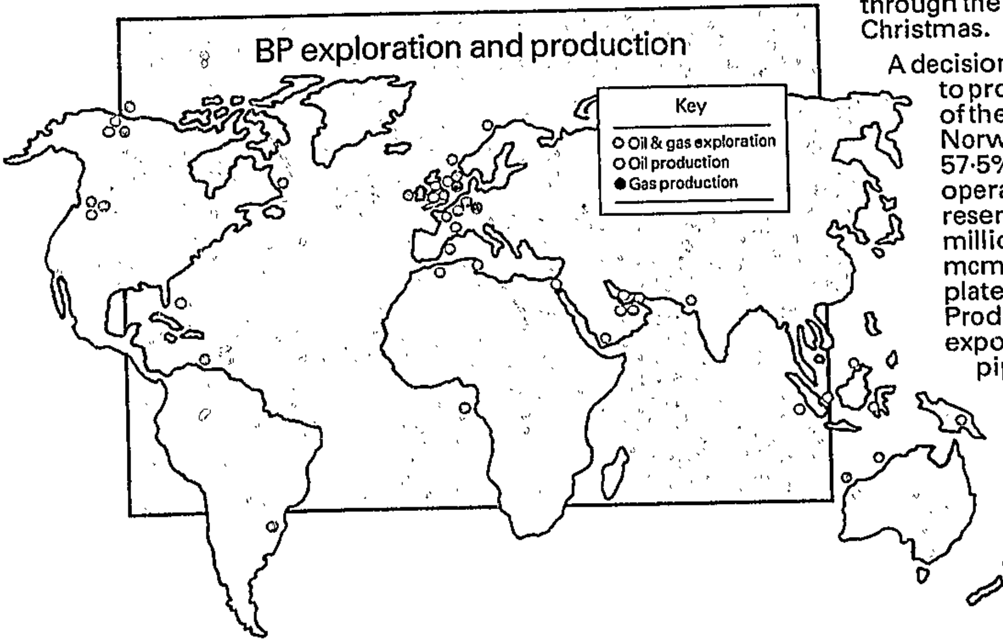
In Malaysia, the last well in a four-well drilling programme undertaken by Carigali-BP (a joint venture with the Malaysian Government) found oil and gas offshore Sabah. Subsequently another well was drilled and the results are now being appraised.

The first of two semi-submersible drilling rigs, designed to operate in harsh environments, went into service with BP in early 1983. The second, *"Sea Explorer"*, is under construction at Scott Lithgow's yard in Greenock. Delivery is not expected until 1984.

Production operations

The group's share of production from the UK Continental Shelf averaged 468,000 barrels per day (b/d), compared with 511,000 b/d in 1981.

The Forties Field (BP: 95%) continued to perform satisfactorily, averaging 455,000 b/d.



April saw the billionth* barrel being pumped ashore, which means that the field has now yielded more than half its estimated recoverable reserves of 2 billion barrels.

Although experiencing mechanical and weather problems, the Buchan Field (BP: 49·2%) produced satisfactorily during the year. Average output was 28,300 b/d. In the course of 1982 the Ninian Field (BP: 15·4%) passed its peak production rate of 320,000 b/d, and by the end of the year was averaging 296,000 b/d.

Gas production from the West Sole Field (BP: 100%) averaged 4·2 million cubic metres (mcm) a day. The recently completed gas compression facilities and the additional pipeline to shore will enable a peak of 7·8 mcm a day to be produced to meet winter demand. They will also extend the economic life of the field. The increased supply capability enabled an improved gas price to be negotiated with the British Gas Corporation.

Onshore, BP's share of UK oil production averaged 3,450 b/d, including 1,700 b/d from Wytch Farm (BP: 50%).

In the Magnus Field (BP: 100%) the platform jacket – the world's largest single steel structure – was successfully installed in April. By the year end, over one thousand men were at work, hooking up facilities offshore. Production from the field's seven pre-drilled subsea satellite wells and drilling from the platform are both scheduled to begin in the summer. The capital cost of developing the field had reached £982 million by 31 December 1982. When completed, the project will have cost some £1,300 million.

At the Sullom Voe terminal in Shetland, which BP operates on behalf of 27 partners, gas handling facilities were commissioned during the summer. The terminal is now complete and fully operational. The billionth barrel passed through the terminal just before Christmas.

A decision was taken during the year to proceed with the development of the Ula Field, located in Norwegian waters. BP, with a 57·5% interest, will be the operator. The field's recoverable reserves are estimated at 160 million barrels of oil and 1,400 mcm of associated gas. Expected plateau output is 74,000 b/d. Production from the field will be exported through the Ekofisk pipeline system, the oil to Teesside in the UK and the gas to Emden in West Germany. The total cost of developing Ula is currently put at N.Kr 10 billion (approximately £900 million).

As a result of unitisation in July, BP's share of the Kuparuk Field in Alaska was set at 28·6%. (Sohio has a further 9·6%.) Production from the field averaged just under 90,000 b/d.

An important step forward in expanding the group's interests in SE Asia took place in December when BP and Lasmo agreed to acquire jointly all Dome Petroleum's exploration and production interests in Indonesia. Current production is 11,000 b/d, with additional developments planned to come on stream in 1983 and 1984. The agreement gives BP access

*Throughout this report a billion means a thousand million.

to its first Indonesian oil production, although it had previously found several small gas fields in Sulawesi.

BP has interests in several concessions in Egypt. The main centre of activity is in the Gulf of Suez where BP is one of the four participants in the Suez Oil Company, which is developing three offshore fields: Ras Budran, Ras Fanar and Zeit Bay. The first of these came on stream early in 1983 and is expected to reach a plateau production rate of 35,000 b/d during 1984.

Gas operations

BP Gas's trading activities produced better-than-expected profits, despite difficult economic conditions and a steady erosion of freight rates.

BP's sales of dry gas averaged some 9·8 mcm a day; this excludes sales volumes of Ruhrgas (BP: 25·5%). LPG trade remained at around 2 million tonnes, 75% of which was sold through group companies in Europe. The Abu Dhabi gas liquefaction plant supplied 2·14 million tonnes of LNG and 0·49 million tonnes of LPG to Japan during the year. BP continues to provide technical, manpower and shipping management services for this operation.

Currently BP Gas's most important capital investment project is the Australian North West Shelf scheme in which BP has a 16·7% share. The first phase of the project is on schedule for a mid-1984 start-up, when gas deliveries to the State Energy Commission of Western Australia will commence. Eventually these deliveries should rise to a plateau of some 10·4 mcm a day. In parallel, development of the second phase continued; this will involve the export of 6 million tonnes of LNG a year to Japan.

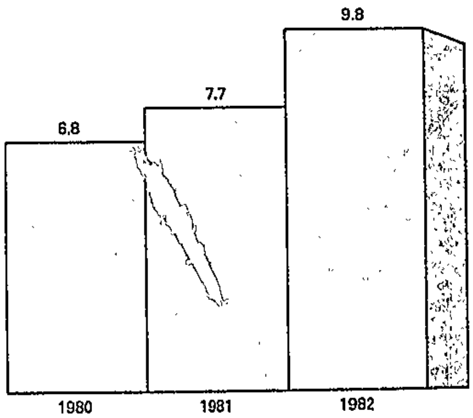
In Germany, Gelsenberg (BP: 100%) concluded a long-term contract with Petromin for LPG supplies from Saudi Arabia. Ruhrgas continued to perform well despite a small decrease in sales volumes. Arrangements for new supplies of USSR gas are progressing on schedule. A contract for supplies of Norwegian Statfjord gas into Germany from 1986 onwards has been signed.

In the UK, the £100 million Northern Leg Pipeline project, designed to bring gas ashore from Magnus and two other northern North Sea fields, is nearing completion.

BP has increased its efforts to develop its LPG markets in Europe and a contract for throughput in the expanded terminal at Vlissingen has recently been signed with Eurogas. Construction of the butane storage cavern at Lavéra, France continued. It is due to come into operation in 1984.

In February 1983, BP accepted an invitation to participate in a major LNG project in Qatar. This will involve the export of 6 million tonnes a year commencing in the early 1990s.

BP's sales of natural gas
(million cubic metres a day)



BP Oil International and BP Shipping

The financial results of BP Oil International and BP Shipping are combined in the following table:

Financial

	1982 £m	1981 £m
Replacement cost operating loss	**(86)**	(332)
Cost of sales adjustment	**143**	518
Operating profit	**57**	186
Turnover	**18,969**	16,418
Capital employed	**4,754**	5,138
Capital expenditure	**312**	392

Measured on a replacement cost basis, the profits from BP Oil International's trading activities showed a substantial improvement over the previous year.

The trading results in 1982 benefited from a number of factors. There was a reversal of the crude oil price disadvantage from which BP had suffered during much of 1981 owing to its lack of direct access to Saudi Arabian supplies. More generally, the results of having adopted a considerably more flexible oil acquisition policy began to show through as did the positive effects of measures taken over the past eighteen months to rationalise fixed assets, reduce costs and shed unremunerative trade.

Nonetheless the oil market in 1982 remained extremely difficult and the results were unsatisfactory. Over the year as a whole this was especially true of Europe, and in particular of the UK and Germany. It is in these countries that the most radical remedial measures are being carried through covering refinery and more general rationalisation.

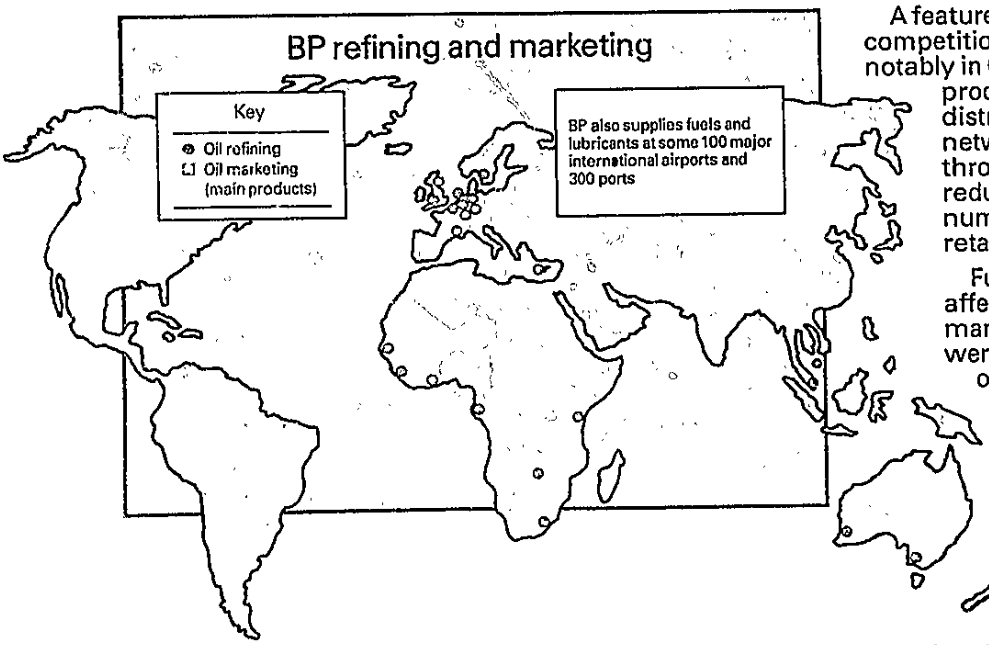
BP Oil International's operations

Demand for oil products in the non-communist world fell yet again, dropping by 4% in 1982 after a fall of 5·5% during 1981. This weakness in demand led to a steady downward pressure on crude oil prices, as several producers tried to maintain their oil revenues by holding or even raising their output. In the early part of the year, when there was also a substantial rundown of stocks by the industry, spot market prices for crude oil fell to as much as $5·50 per barrel below official government selling prices.

Despite these strong downward market trends, Saudi Arabia held the marker price at $34 per barrel throughout the year. Nevertheless, significant discounting on official prices took place and the normal price differentials for varying qualities of crude oil were in many cases eroded, or even eliminated.

Good progress was made in increasing further the proportion of crude oil purchased by the group on a spot basis. Efforts continued to diversify further the group's oil supply sources.

Sales of oil products averaged 1,784 thousand b/d, 3% down on 1981 levels. Higher sales in some non-European markets counteracted the decline in Europe, where the weakness in total demand and the withdrawal by BP from some unprofitable business led to a 5% reduction in sales volumes compared with the previous year.



Refinery throughputs declined even more, being 7% down. This reflects the changed policy of many group companies which now buy more oil in the form of refined products and process correspondingly less crude oil. However, because of the refinery closures which took place in 1982, the average utilisation factor of the capacity remaining was higher than in 1981. The box opposite shows how the pattern has changed over the last three years.

Europe

The trading results of most of BP's European operations were again unsatisfactory. The main reasons were that weak crude oil prices, coupled with the large surplus of refining capacity, resulted in a soft, yet volatile Rotterdam product market. Most refiners made heavy losses when refining crude oil purchased under longer-term supply contracts. Indeed, for much of the year they lost money even when measured against the generally lower cost of crude oil bought on the spot market. Meanwhile, the strengthening of the dollar forced up the local currency cost of oil and this extra cost could only be passed on to the consumer after some delay.

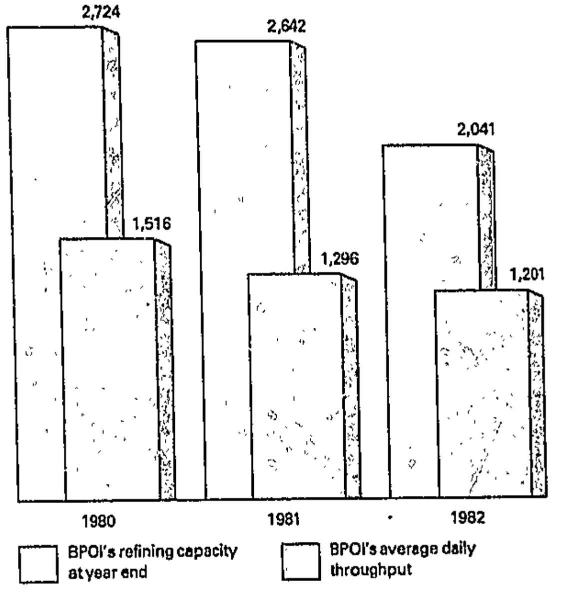
Amongst its many moves to cut over-capacity and fixed costs in Europe, BP closed its refineries at Kent, Belfast and (except for the lubricants units) Dunkirk. In Germany, all the crude distillation units were closed at the Ruhr refinery and BP's available capacity in the south of the country has also been reduced substantially. In the Republic of Ireland, BP has sold its interests in the Whitegate refinery.

A feature of 1982 was the savage competition in retail markets, most notably in Germany and the UK. The process of concentrating BP's distribution and marketing networks in Europe continued throughout the year, with a major reduction taking place in the number of small, unprofitable retail sites.

Further major decisions affecting BP's oil refining and marketing interests in Germany were announced towards the end of 1982. These include a cut of about one-third in sales volumes (the biggest impact being felt in the fuel oil market); a significant further reduction in refinery throughputs and crude distillation capacity; and substantial cuts in the number of regional depots, service stations and personnel. Similar rationalisation programmes are also continuing elsewhere.

In Europe as a whole, staff numbers in BP's downstream oil operations were cut by some 2,500 during the year.

Refinery capacities and throughputs
('000 barrels a day)



BP Shipping's operations

The general decline in the tanker market, noted during 1981, worsened in 1982. As the amount of oil handled by the group fell and the pattern of oil trading continued to change, this decline was reflected in a reduced need for ships. Action was therefore taken to reduce the fleet.

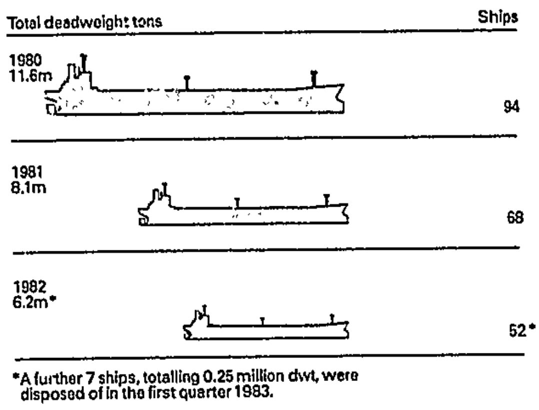
BP Shipping's active, owned-fleet now consists of 29 vessels (including those under construction). In 1982 and early 1983, 17 ships were sold: three VLCCs, four medium-sized crude ships and 10 product carriers. In addition, five time-chartered ships were returned to their owners.

These fleet reductions have entailed substantial redundancies among seagoing officers and ratings. The number of Head Office shipping staff has been correspondingly reduced and organisational structures have been simplified. To the greatest extent possible these reductions in staff have been effected on a voluntary basis.

All the BP ships chartered by the Ministry of Defence in support of the Falklands operations have been retained in the fleet; five of them are continuing to operate for the Ministry of Defence.

Despite the world-wide surplus of most sizes of tanker, BP has a specialist need for some medium-sized crude carriers. Four such 109,000 deadweight tons (dwt) crude carriers, being built for BP in the UK, will be delivered during 1983.

BP's tanker fleet
(owned and long-term charter)
at 31 December



*A further 7 ships, totalling 0.25 million dwt, were disposed of in the first quarter 1983.

Outside Europe

In major markets outside Europe, most of BP's oil operations continued to be profitable, although in Australia and South Africa the strength of the dollar against the local currency depressed profits on a replacement cost basis. In Australia there was also a general deterioration in market conditions.

In Canada, margins were eroded as competition increased in the face of declining demand. BP Canada's refining and marketing interests were sold to the state-owned oil company Petro-Canada in March 1983. The assets sold include the 85,000 b/d refinery at Oakville, Ontario, and some 1,600 service stations in Ontario and Quebec. BP Canada had already announced in August that it planned to close its other refinery, at Montreal, in 1983.

New projects

Though the basic distillation capacity available to BP is being drastically reduced, certain additional refinery upgrading capacity is still required. To this end, a visbreaker was commissioned at Hamburg in November and work has begun at Lavéra in France on the installation of upgrading plant. Outside Europe, other large capital projects include a major expansion of the New Zealand refinery (BP: 23·66%), scheduled for completion early in 1986. At BP's jointly-owned refinery at Singapore, a new catalytic reformer has just been commissioned, and a visbreaker is due to come on stream in mid-1983.

The 270,000-dwt "*British Resource*", in excellent condition after going direct from the builder's yard to a six year lay-up at Brunei Bay, was converted from steam turbine to diesel propulsion in order to cut fuel costs. She began trading in the middle of the year.

The group's two LPG carriers, one period-chartered and the other BP-owned, operated in generally depressed markets. Because of the downturn in trading, one of the two bulk carriers chartered for the group's coal business was laid-up at the end of 1982 and the other was returned to its owners early in 1983.

"Iolair", a large, sophisticated emergency support vessel and *"Seagair"*, a safety support vessel, were delivered during the year. Both are being used in the North Sea.

The specialist tanker operator, Stolt-Nielsen, in which BP invested a $50-million convertible loan some five years ago, extended its interest in storage terminals. It also purchased a substantial mobile-container company, and took over the marketing of the services of vessels owned by the UK-based PanOcean-Anco organisation.

BP Chemicals International

Financial

	1982 £m	1981 £m
Operating loss	(187)	(194)
Turnover	1,391	1,315
Capital employed	1,032	1,098
Capital expenditure	104	82

BP's chemical interests continued to trade at a substantial loss. Feedstock costs rose during the year as the dollar strengthened, whereas selling prices were constrained by the relative firmness of sterling against the deutschemark, the currency in which much of European bulk chemicals trade is denominated. Massive over-capacity throughout the industry resulted in price competition so severe that fixed costs could not be recovered. The expected recovery in BP Chemicals' performance was, in consequence, delayed.

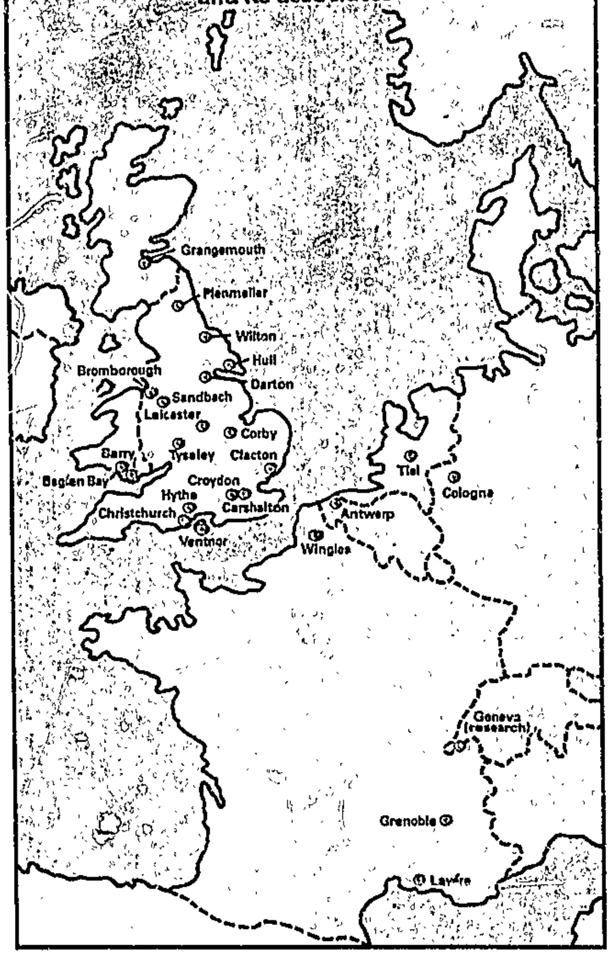
During the year BP's surplus ethylene producing capacity was virtually eliminated and the group withdrew from its loss-making PVC business. Moves to reduce surplus capacity in the industry as a whole are gaining momentum, and several recent announcements have been made by competitors about plant closures in Europe.

Operations

In order to maintain its ability to compete with overseas manufacturers with access to cheaper feedstocks, BP made increased efforts to obtain alternatives to its costly naphtha feedstock. In particular, plans are now well advanced for the conversion of the Grangemouth ethylene cracker to use ethane from the North Sea.

Compared with their continental competitors, chemicals operators in the UK still suffer from high base-load tariffs for electricity. The fact that local authority rates have been rising faster than the general level of inflation also continues to be a cause for concern. More encouragingly, the anomaly of petrochemical plant having a much higher rating valuation in Scotland than similar plant elsewhere in the UK is at long last being rectified.

Principal European manufacturing sites of BP Chemicals International and its associates



Strenuous efforts were made in 1982 to achieve further reductions in fixed costs. One result was that the number of BP Chemicals' employees fell by about 20% during the year. The employees and unions showed understanding and support for these unavoidable moves.

Several plants were closed or shut down as part of a far-reaching rationalisation programme. Concluding that its PVC operations were not large enough to carry the business overheads, or to provide an adequate demand on the basic material plants upstream, BP at the end of July sold to ICI the recently-commissioned PVC plant at Barry in Wales, together with its associated business. This necessitated the closure of related chlorine, ethylene dichloride and VCM plants at Baglan Bay.

At the same time, BP purchased from ICI the latter's UK low density polyethylene business, including a 70,000-tonnes a year plant at Wilton. This will augment the group's existing low density polyethylene production facilities at Grangemouth and Antwerp and will strengthen its already well-established position in Europe in this important plastics raw material.

BP's share in the joint BP/ICI Wilton cracker was reduced from 50% to 20%. This represented a cut of some 200,000 tonnes in the group's ethylene production capacity. Crackers in which BP has a 50% interest were also shut down at Dormagen in Germany and Lavéra. The benefits of these transactions should be increasingly felt in 1983.

The long-term future of the European petrochemical industry depends on achieving a better balance between capacity and future demand levels. In view of the prospect of relatively low economic growth this must mean a substantial number of closures in the industry. As mentioned above there is evidence that the need for such action is now more widely understood, and other companies are beginning to follow BP's action.

On a more optimistic note, the ethanol plant at Grangemouth and the acetic acid plant at Hull were commissioned during the year, as was an ethylene export terminal at Baglan Bay. BP's move into more specialised chemicals products was carried further with the commissioning of a silicone surfactants plant in England and of a polymer polyols plant in South Wales. Commercial production of linear low density polyethylene, based on technology developed in the company's French laboratories, began at Lavéra.

Outside Europe, operations generally remained profitable, although at a reduced level. Technical problems at Herdillia Chemicals (BP: 22·5%) in India were resolved but severe price competition continued. In South Africa, the profits of Sentrachem (BP: 12·5%) were, by the year end, affected by acutely depressed trading conditions. The construction of the plastics laminates manufacturing plant in Singapore neared completion.

BP Minerals International

Financial

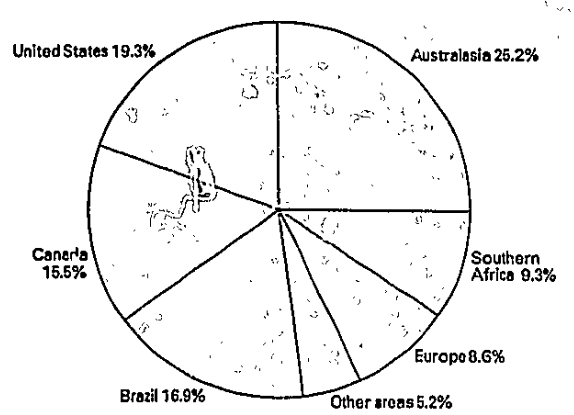
	1982 £m	1981 £m
Trading loss	(3)	1
Exploration expenditure	(29)	(29)
Operating loss	(32)	(28)
Turnover	222	206
Capital employed	581	578
Capital expenditure	89	118

Low metal prices more than offset improvements in operating efficiency and resulted in an overall loss on trading. The level of exploration expenditure was maintained.

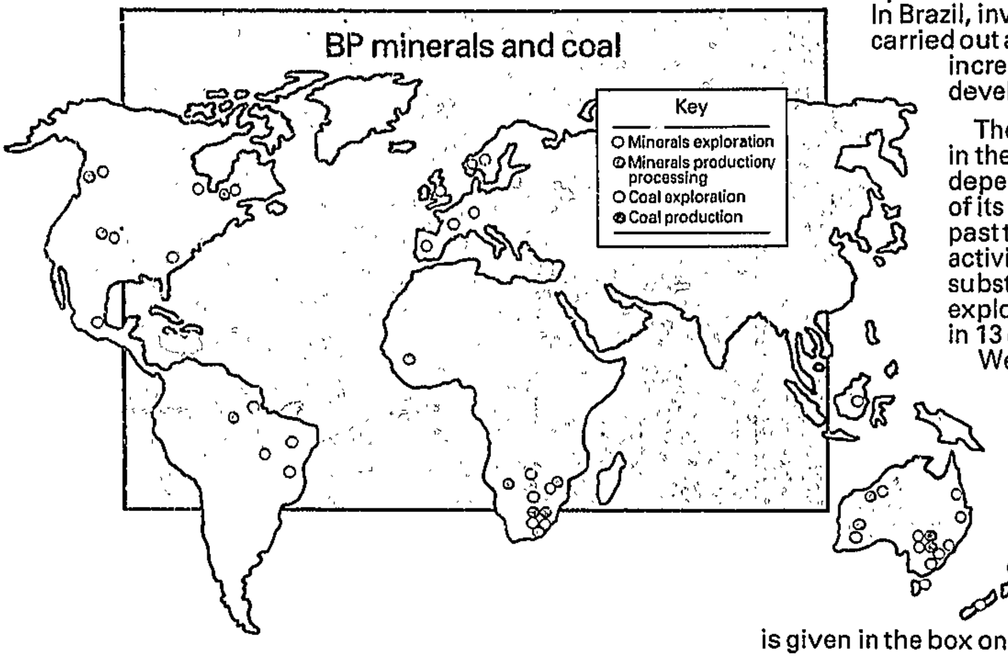
Operations

The minerals industry world-wide remained depressed throughout 1982. Further falls in most metal prices and extensive cut-backs in production led, in many instances, to the closing of mines. In the face of this, BP Minerals' programme during the year comprised three main elements – improving the efficiency of its existing operations; evaluating the expansion potential of these operations and the development of other known deposits; and exploring for new mineral deposits to provide the foundation for the company's longer-term growth and development.

Analysis of BP Minerals' exploration expenditure in 1982



Operating improvements, giving increased recoveries and cost savings, were made at the Agnew nickel mine and the small Teutonic Bore



copper-zinc-silver mine in Western Australia (both BP: 60%*). Shipments from the Mt. Newman iron ore mine (BP: 5%*), also in Western Australia, slightly exceeded the level of the previous year. Production of gold at the Alligator Ridge mine in Nevada, USA, (BP: 50%) was higher than expected and the copper-silver-gold mine at Les Mines Selbaie in Quebec (BP: 66·6%*) completed its first full year of operations.

In total, BP's share* of production from these mines amounted to: 42,600 oz. gold; 840,000 oz. silver; 33 million lbs. copper; 21,000 tonnes zinc; 5,970 tonnes nickel; and 1·4 million tonnes iron ore. In addition, the Unisel Gold Mine in South Africa (BP: 34%) increased its production to 278,000 oz. gold. The operations of the Brazilian company, Brascan Recursos Naturais, (BP: 49·5%) yielded 2,300 tonnes of tin.

Of the new minerals projects under evaluation, the largest is the Olympic Dam copper-uranium-gold deposit in South Australia. BP has a 49% interest in this joint venture with Western Mining Corporation. Underground exploration work is in progress but, because the mineralized zones are complex, further investigation will be needed before feasibility studies can be completed. The conclusion of an indenture agreement with the Government of South Australia established the basis for operations at the property and for continuing exploration in the surrounding Stuart Shelf area.

Elsewhere in Australia, evaluation and planning has continued at the Agnew nickel mine in preparation for larger-scale production. In Canada, at Les Mines Selbaie, studies of the two undeveloped zones of known mineralization, on which the longer-term life of this operation will depend, are in progress. In Brazil, investigations are being carried out as the initial stage of plans to increase tin production by developing additional deposits.

The company's future growth in the minerals business will depend very much on the results of its exploration work. Over the past two years, exploration activity has increased substantially and BP's minerals exploration teams are now active in 13 countries in Europe, the Western Hemisphere, Australasia and southern Africa. BP is also participating in several joint-venture projects managed by other companies. An analysis of the geographical spread of BP Minerals' exploration expenditure is given in the box on the previous page.

*Before deducting minority interest.

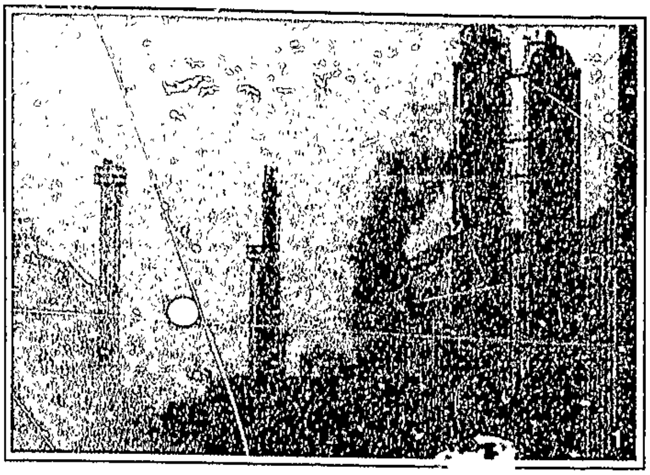
BP Coal

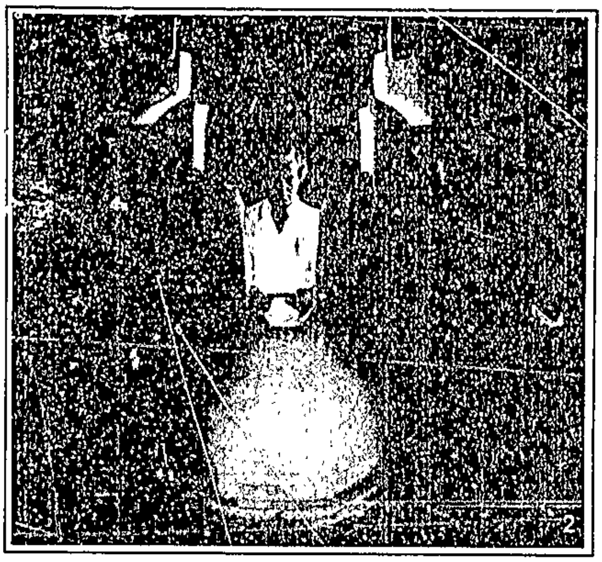
Financial

	1982 £m	1981 £m
Trading profit	15	19
Exploration expenditure	(4)	(4)
Operating profit	11	15
Turnover	423	366
Capital employed	382	338
Capital expenditure	75	63

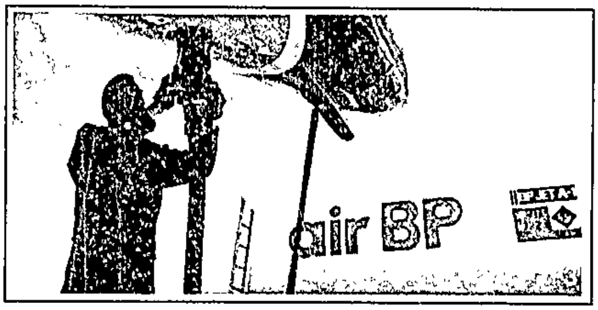
Despite setbacks in Australia early in the year caused by industrial disputes at mines and ports, 1982 was generally a good year for BP's coal operations. BP Coal continued its progress towards its objective of establishing the group as a substantial international producer and trader of coal.

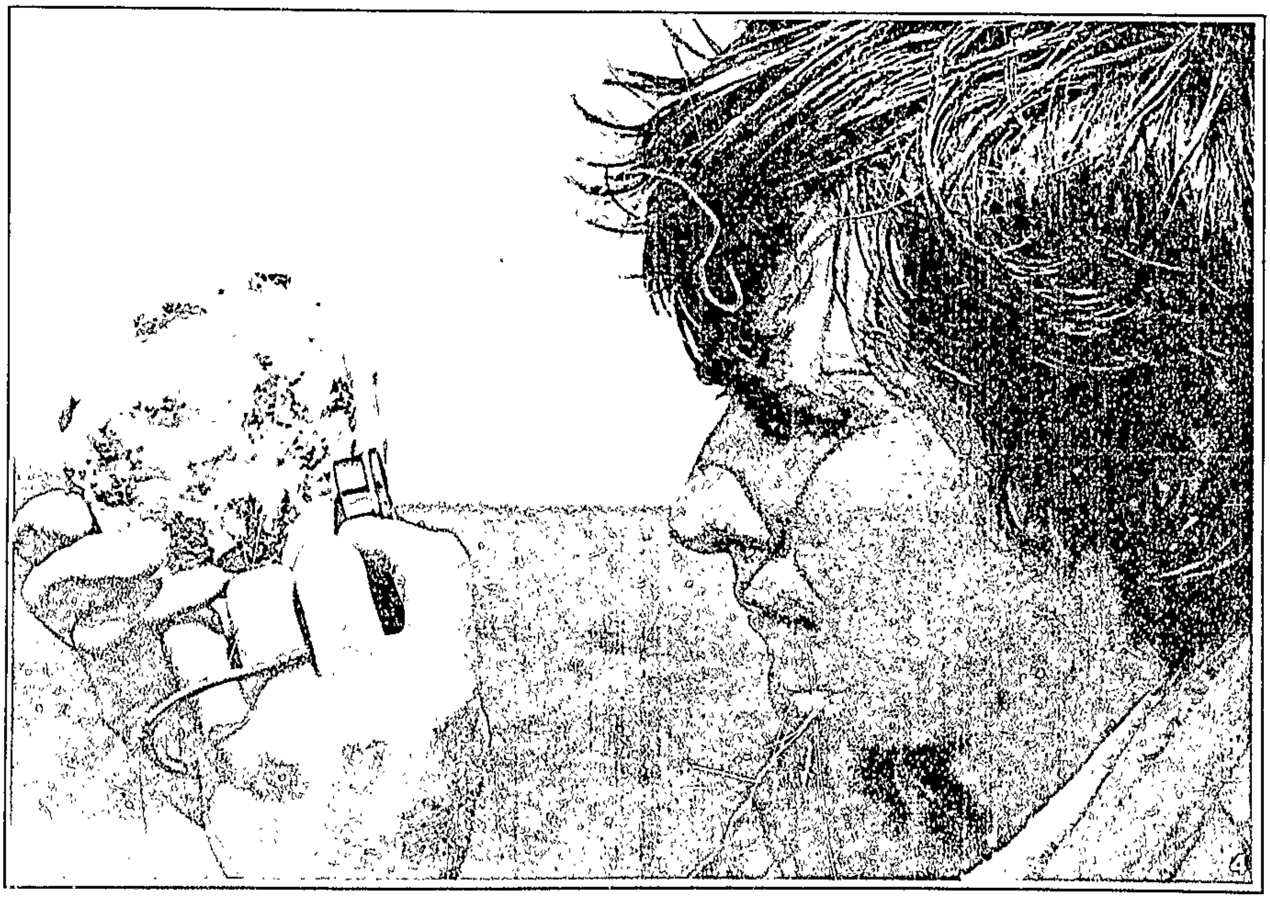
Profits from mining operations showed a considerable improvement on 1981 due to higher prices and favourable movements in exchange rates. This improvement was offset by lower profits from the European trading operations and losses on other trading activities, the greater proportion of which occurred in shipping.





1. BP Oil's refinery at Grangemouth in central Scotland.
2. Lightweight composite component produced for the BAe 146 short-haul aircraft at Bristol Composite Materials Engineering, a BP group company.
3. Air BP supplies the world's airlines with fuels and lubricants at more than 100 major international airports in some 50 countries.
4. A BP geologist examines a mineralised rock sample.





Operations

Production and sales tonnages were marginally lower in 1982 than in the previous year. Of the 11·5 million tonnes of coal sold, 7 million tonnes came from BP's own production, the remainder being traded. Most of the coal was sold to customers in the Far East and Europe.

In Australia, to contain costs, two mines and a processing plant were closed at Clutha, and profitability improved. The new Clarence mine (BP: 49%) reached its full output of 1·8 million tonnes a year during 1982.

In South Africa, BP's major effort was directed towards developing the Middelburg mine (BP: 88·5%). Exports, which start in 1983, will be phased in line with the expansion of the Richards Bay coal terminal. The mine's full output of 4 million tonnes a year is expected to be achieved by 1987.

BP now owns or has options on some 1,750 million tonnes of extractable reserves. Exploration for new reserves continued throughout the year in Australia, southern Africa and the Far East.

BP Nutrition

	1982 £m	1981 £m
Operating profit	17	18
Turnover	536	473
Capital employed	169	143
Capital expenditure	14	24

BP Nutrition's business is in the livestock farming sector, where it is a significant supplier of animal feed in Europe and of breeding stock worldwide. The company has a broad manufacturing base, with mills or other operations in most European countries and in Singapore, Canada and the US.

In 1982 the business had a successful year, despite generally difficult market conditions. The operating profit of £17 million was broadly similar to that earned in the previous year. An exceptional loss of £2 million was sustained in Germany but the company's overall result was helped by an improvement in the performance of the Hendrix food processing division which had been badly affected by over-capacity in the Dutch market.

Early in 1983 BP acquired NANTA, a Spanish feed company. This acquisition marks the first major expansion by the business since the purchase of Hendrix in 1979, and broadens the base of the group's nutrition activities.

BP Detergents International

	1982 £m	1981 £m
Operating profit	2	5
Turnover	150	148
Capital employed	56	55
Capital expenditure	5	7

BP Detergents International's activities cover the production and sales of the entire range of liquid and powder detergent products, from washing-up liquids to agricultural emulsifiers and surfactants used by industry. While making important sales in the commercial, agricultural and industrial markets, BP's principal business is in the domestic sector. There it has a leading position in supplying own-label and unbranded products for supermarkets and other large retailers.

Though business in the commercial and industrial markets was down in volume, sales of detergent products for use in the home held up well. Before deducting exceptional rationalisation charges, a level of profits in line with 1981 was achieved despite severe competition.

About one-quarter of the turnover is in the UK with the rest largely in mainland Europe. The business also exports to other areas.

Scicon International

	1982 £m	1981 £m
Operating loss	(8)	1
Turnover	71	59
Capital employed	26	28
Capital expenditure	3	8

Scicon International was set up in May 1982 to develop BP's interests in the information technology industry. It brought together BP's existing computer systems operating companies in the UK, US, Germany and France.

The operating loss for the year reflected the general weakness in market conditions and includes exceptional reorganisation costs of £4 million.

Scicon International has a 40% share in Mercury Communications, a company which is setting up an independent telecommunications service in the UK. Implementation of the early phases of the network is at an advanced stage, and 1983 will see the first customers using its services. Agreement has been reached with British Telecom for the interworking of networks, with British Rail for wayleaves to lay optic fibre cables alongside railway tracks, and with the Home Office for radio frequency allocations.

Ventures

The role of Ventures is twofold – first to develop the long-term profitable growth of its existing companies such as Bristol Composite Materials in the UK, heat service companies in France, and solar heating interests in Greece and Spain; and second to investigate potential opportunities for future investment and development outside the group's established businesses.

In December, BP acquired Lucas's 50% holding in the joint solar photovoltaic company. The now wholly-owned company, BP Solar Systems, announced early in 1983 its plans to build an experimental 30-kilowatt solar power plant near Southampton. The project is being funded jointly by BP (50%), the UK Department of Industry (25%), and the EEC (25%).

Further rationalisation of Ventures holdings has led to the disposal of interests in certain companies, the major one being BP's 50% shareholding in the Sub Sea group.

Research and Development

As in 1981, the main emphasis of BP's 1982 Research and Development programme lay in providing support for the activities of BP Exploration. Nevertheless, an increasing amount of R & D effort is now being directed towards BP's other natural resource businesses: coal, minerals and gas.

Also forming part of the R & D programme are potential new areas of business which the group might decide to enter in the future. These projects include research into alternative fuels, new components for petrol and diesel engine fuels, and renewable energy resources (including solar devices). Included too are studies of biological systems and new materials.

Geochemistry today plays an increasingly important role in the evaluation of the petroleum potential of geological basins, and BP's resources at its Sunbury research centre have been strengthened accordingly. In the sphere of oil production, work on enhanced oil recovery has continued to expand. Among the techniques now covered are gas flooding, surfactant treatments and down-hole steam generation.

New developments

Two interesting projects connected with ice were developed during the year. In one, studies of sea ice are now providing data vital to the design and operation of offshore drilling and production facilities in cold regions. In the other, promising results on adapting BP's oil-spill gelling system to work at low temperatures were obtained in tests under ice at Baffin Island in Canada.

Notable among several new products and processes developed by BP Chemicals was a superior route to producing linear low-density polyethylene. BP has also proved a valuable application for Bio-add (formic acid) in the animal feedstuffs market.

Engineering and Technical

BP's Engineering and Technical Centre (ETC) provides a wide range of engineering, materials procurement, computing, project management and other technical services to clients both within the group and outside.

In Europe ETC's work in 1982 included technical studies associated with projects such as the Ula offshore field in Norway, and Forties, Magnus and Sullom Voe in the UK. Further afield, ETC specialists have been involved in projects in Alaska (Kuparuk), Abu Dhabi, Egypt, Singapore, Australia and New Zealand.

On the Magnus development in the North Sea, BP has mounted a special project to monitor the stresses in platform foundations. This work, supported by several other companies and EEC funding, will help improve still further the design of future structures offshore.

Energy conservation

Energy conservation and the effective use of hydrocarbon feedstocks continue to be important factors in improving the efficiency of the group's operations. These measures are today an integral part of the operating plans of BP's businesses.

Information technology

Rapid developments in the technology of computing, telecommunications and information processing offer important opportunities to a group with BP's complex and wide-ranging international activities.

Noteworthy BP developments in this area include a new, more powerful communications system within the UK that will be compatible with the proposed Mercury service; an improved information storage and retrieval system; and an engineering materials management and control system which will show significant economies in both onshore and offshore operations.

Sohio

Financial

In BP's consolidated accounts Sohio's results are stated on the BP group's accounting basis. The principal differences are firstly a reduction in the deferred taxation charge to a restricted liability basis, and secondly an increase in stock valuation to an amount calculated using the first-in first-out method.

On this basis Sohio's contribution to the group's profit for the year was £562 million compared with £591 million in 1981.

Sohio's operating profit in 1982 was £2,152 million. Of this, some £2,000 million came from its exploration and production operations. Although this operating profit in sterling terms showed little change from 1981, the underlying profit in dollars fell. The principal reasons for this drop, apart from poor economic conditions generally, were lower crude oil prices and increased exploration expenditure.

The prices received by Sohio for both Alaska and lower 48 states crude oil averaged about $3 per barrel less than in 1981, and the cost of delivering Alaskan oil to market was higher. However, the adverse effect of these changes was largely offset at the level of profit for the year by reduced production and income taxes.

Capital expenditure totalled £1,895 million, more than 75% of which was spent on oil and gas exploration and development, and on acquiring exploration leases.

Sohio's refining and marketing operations showed improved profits in 1982, but the non-petroleum businesses – minerals, coal, chemicals and industrial products – each showed losses. Steps to cut costs and improve efficiency were taken during the year in these businesses.

The following is a summary of Sohio's activities in 1982 extracted from its Annual Report. Operating results are stated on the BP group's accounting basis and are as set out in the business analysis on page 32.

Oil and gas

Production

Sohio's share of Alaska crude oil production, inclusive of royalty oil, averaged 773,000 b/d.

At the beginning of the fourth quarter, Sohio's net production from the Prudhoe Bay Field was reduced by 33,000 b/d in accordance with a redetermination agreement reached earlier in the year with Arco and Exxon.

For two years from 1 October 1982, Sohio's Prudhoe Bay output will be reduced by a further 76,000 b/d in order to bring its cumulative production into line with its revised interest. Thereafter, Sohio's net output will rise to 662,000 b/d discounting any further minor changes to its interest in the Prudhoe Bay Field. Sohio is to recover from Arco and Exxon some $400 million for the excess contributions it had made both to field development capital expenditure and to operating costs.

Further west in Alaska, production from the Kuparuk Field (Sohio: 9·6%) averaged 87,760 gross b/d. In the Gulf of Mexico, production of gas began in July from the Brazos block 578 (Sohio: 60%).

Exploration

Sohio substantially extended its exploration acreage during 1982. The most important development was in the OCS 71 lease sale which covered 1·8 million offshore acres in the Beaufort Sea north west of Prudhoe Bay. Bidding alone in the sale, Sohio won 10 tracts for $8·9 million. In partnership with BP and others, Sohio paid $391·4 million for its share in 13 other tracts.

Sohio also acquired 73,000 net acres in smaller Alaskan lease sales, at a cost of $5·4 million.

In the lower 48 states, Sohio has the opportunity to earn up to a 50% interest in 2·2 million net acres in the Rocky Mountain Overthrust Belt. The minimum expenditure in the five-year programme is $100 million. A total of $350 million will be required to earn the maximum interest which would double Sohio's holdings in the area.

By acquiring the interests of two other companies, Sohio has established total holdings of 23,322 net acres in Western Oklahoma. Early in 1983 an agreement with Weyerhaeuser was signed, giving Sohio an option to explore for oil and gas on 820,000 acres in south-east Oklahoma. Sohio also acquired additional leases and blocks in the Gulf of Mexico and acreage onshore in the Salinas-Cuyama basin in California, and in the Delaware basin of West Texas and New Mexico.

Sohio started 54 exploration wells in 1982, more than double the previous year. Offshore Louisiana, it made an encouraging oil and gas discovery on its wholly-owned Mississippi Canyon Block 20 lease. Production could begin in late 1984 or early 1985.

Downstream petroleum

With crude oil from the new Kuparuk Field being added to Prudhoe Bay oil, the trans-Alaska pipeline (Sohio: 33·3%) last year achieved a throughput of 1,618,000 b/d – the highest average since it began operating in 1977.

Sohio continues to operate a large fleet of US tankers (totalling approximately 3·1 million dwt). This has played an important part in marketing a growing proportion of the company's Alaskan crude oil in the Caribbean and the US Gulf coast.

In spite of the continuing decline in demand for refined products in the US, Sohio's refining and marketing activities improved their operating profit to £145 million, compared with £137 million in 1981.

In 1982 the average throughput at Sohio's refineries was 360,000 b/d, about the same as in 1981. The use of distillation capacity averaged 80%, against an industry average of 70%. Sohio's yield of the more valuable gasoline and distillate products was 89%, compared with an industry average of 80%. Petroleum products sales averaged 371,000 b/d in 1982 and were thus about 2% lower than in 1981.

Chemicals

Sohio Chemical, formerly Vistron, had an operating loss of £10 million on revenues of £312 million, against an operating profit of £22 million in 1981.

Over the years Sohio has made selective investments in its chemicals business. After careful evaluation of the international chemicals market, Sohio began construction in 1982 of a 100 million gallon per year benzene plant at its Lima, Ohio, refinery site. The plant is to be completed in 1985. The acrylonitrile plants at Lima and at Green Lake, Texas, both had high operating rates in spite of very depressed demand.

Minerals

Metals mining had an operating loss in 1982 of £108 million primarily due to depressed copper prices which in real terms were at their lowest level since 1935. Copper production fell by 25% in 1982 and revenues for metals mining were 40% lower.

During 1982 Kennecott enhanced its position as a competitive low-cost copper producer by modernisation and operating cost reductions at its mines and is well placed to supply the increasing copper demand which Sohio expects.

The industrial products business acquired with Kennecott in 1981, which had an operating profit of £4 million in 1982, is being rationalised through acquisition and divestment.

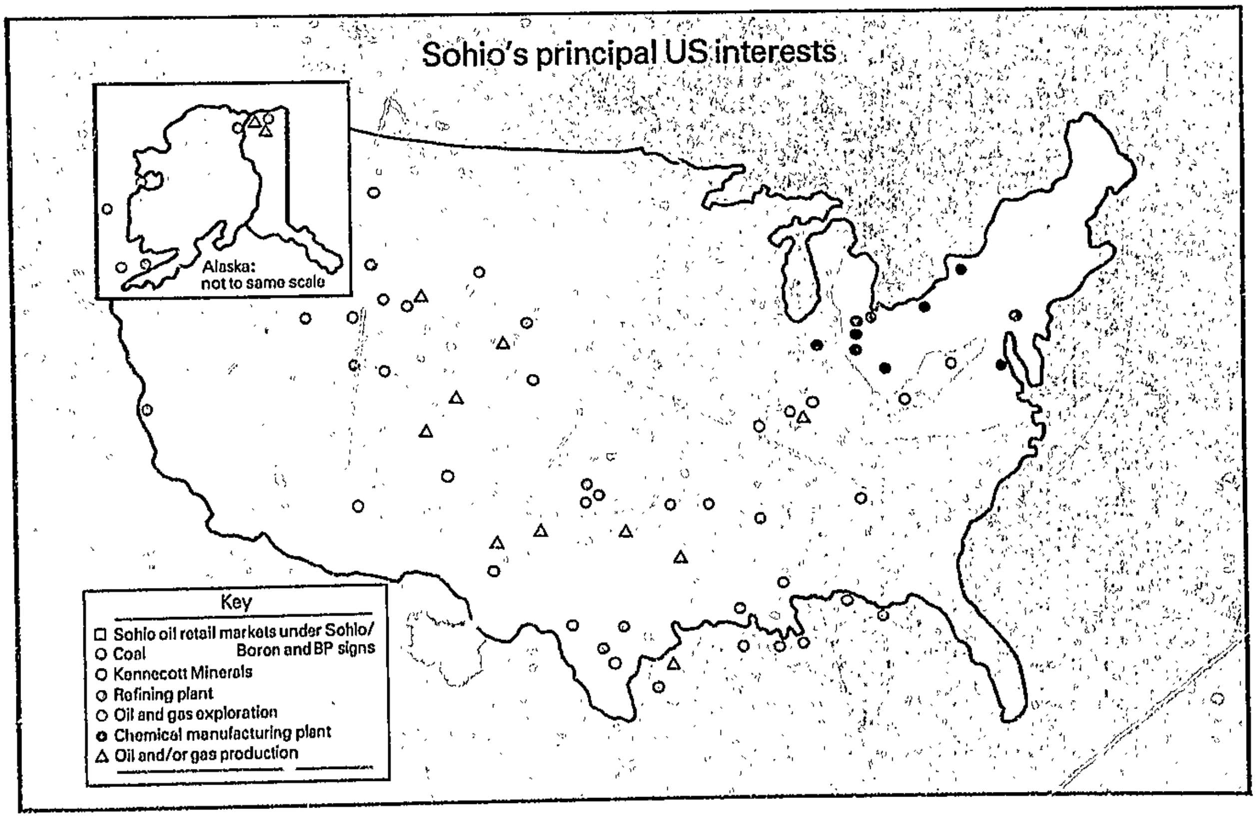
In March 1983 Sohio announced plans to liquidate or sell its abrasives activity which had an operating loss of £15 million in 1982.

Coal

Owing to depressed market conditions, Sohio's coal operations had an operating loss of £2 million on revenues of £197 million.

Old Ben Coal, Sohio's coal subsidiary, produced 10 million tonnes compared with a production capacity of 14·2 million tonnes. Temporary closures, short-time working and reduced manpower levels, coupled with the introduction of improved mining methods and equipment, and better training and labour relations, resulted in per capita productivity increasing by 11% in 1982.

Sohio extended its coal operations in Northern Appalachia by acquiring an operating mine and 107 million tonnes of reserves from Republic Steel at a cost of $105 million.



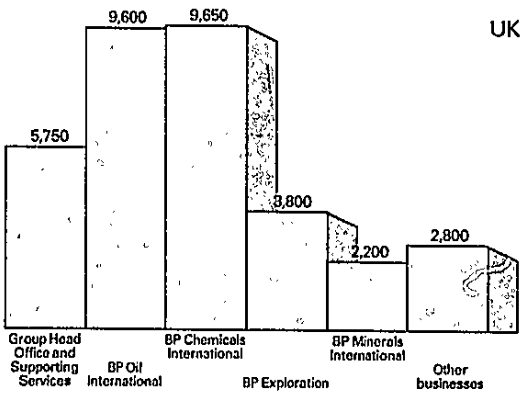
Report of the Directors:
BP people and the public

Employees

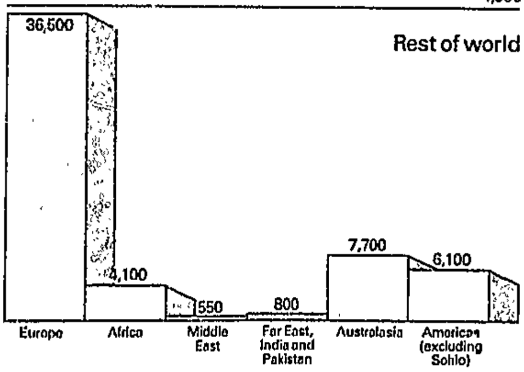
Although most of the businesses in which BP is engaged are capital rather than labour-intensive, and despite the impact of the current recession, BP continues to provide jobs for a very large number of people around the world. Thus in 1982, group companies world-wide employed over 140,000 men and women. Details are given in the box below.

Unfortunately, the adverse trading conditions described elsewhere in this report have meant that substantial staff cuts have had to be made in certain activities, particularly in downstream oil, chemicals and shipping. Before they were implemented, the proposed changes were discussed fully with the employees involved and, where appropriate, with their representatives. Every possible effort was also made to limit their effect on individuals and local communities. In many cases the staff concerned were transferred to jobs elsewhere in the group or left BP voluntarily. Regrettably, however, some redundancies were unavoidable. In all these cases, BP has tried to reach considerate and equitable settlements with the people involved.

BP employees world-wide 1982



Total UK	33,800
BP tanker fleets	4,000



Total rest of world	55,750
Sohio	49,800
Total group employees world-wide	143,350

Wherever they operate, BP companies continue to promote personnel policies based on equality of opportunity and treatment, without discrimination on grounds of sex, race, colour or religion.

Today, however, many young people have considerable difficulty in finding employment or even getting experience of a job. To help ease this problem BP has continued to take an active part in national schemes designed to provide training and work experience.

Disabled people too can make a valuable contribution to industry but they, like the young, face added difficulties during a period of recession. BP's policy in the UK is to develop a working environment and conditions of service that allow disabled people with the appropriate skills and qualifications to compete for jobs, and subsequently to hold them, upon equal terms with others. Likewise, it is group policy to retain in employment, whenever practicable, any employees who become disabled and to give them consideration for training and career development so that they can fulfil their potential within the group. In this context the "Fit for Work" campaign continues to receive BP's full support.

In the UK the average number of persons employed by companies in the BP group during 1982 was 37,400 and their aggregate remuneration for that year was £405 million. The comparable figures for 1981 were 41,700 and £382 million.

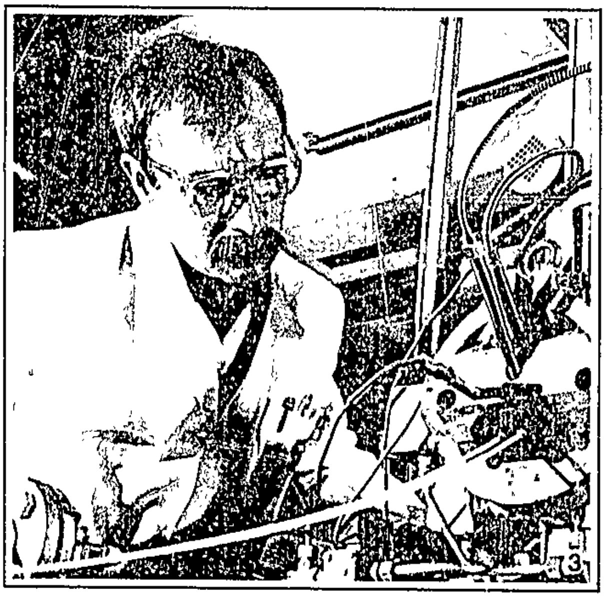
In order to encourage employee involvement in the Company, BP operates two share schemes for its employees in the UK.

In common with other large companies, BP submits reports to the UK Secretary of State for Trade relating to the EEC Code of Conduct for companies with interests in South Africa. Copies are available on request from the Company Secretary.

Health, safety and the environment

For BP, the health and safety of its employees and customers, as well as of any members of the public who might be affected by its activities, remains a matter of primary concern. Health and safety considerations therefore feature prominently at each stage of the planning, development and operation of every BP project, and in the production, handling and ultimate use of every BP product.

In these areas, further emphasis was placed in 1982 on businesses auditing their own operations, with guidance and monitoring from the centre. Links throughout the group were strengthened so as to improve the dissemination of health and safety information and the collection of relevant statistics. Considerable progress was also made in three other areas: the use of hazard analysis techniques, the formulation of a safety-related research and development strategy, and the publishing of guidelines on important safety subjects.



1. On board the Buchan Alpha production platform in the North Sea.
2. The winners of BP's 'Build-a-Hovercraft' competition display their trophies.
3. Pilot-scale continuous compounding line for polyolefins at BP Chemicals' Geneva laboratories.
4. Children test their skills as environmental control officers using a new BP computer program for schools which simulates the movement of oil-spills at sea.

Report of the Directors:
BP people and the public

BP consistently strives to minimise any adverse effects which may arise from its operations. It employs a wide range of scientific and technological measures to reduce pollution, protect local fauna and flora and preserve scenic beauty.

During the year environmental assessments and reviews were carried out on a range of oil and gas operations and also on several minerals and coal mining activities. Particular attention was paid to the protection of water resources, the avoidance of general contamination, and the longer-term need to rehabilitate land after operations have finished.

Government and Public Affairs

BP recognises that it is an integral part of the community in which it operates and believes its main responsibility is to create wealth by conducting its business successfully, efficiently and profitably. In this way the company can bring the greatest benefit to the largest number of people: shareholders, employees (many of whom are also shareholders), customers, suppliers and the community at large.

Considerable effort is devoted to helping break down the mutual ignorance which so often exists between governments and business and which can lead to unnecessary misunderstandings and difficulties. Indeed, high priority is given to explaining to all sections of the community what the group is doing and why it is doing it.

BP companies therefore maintain regular contact with politicians, civil servants, special interest groups, international organisations (amongst them the EEC and the UN), as well as with the media and business and local community leaders. The subjects discussed include general issues such as world trade and economic development, and specific energy and technical matters such as government taxation policies.

BP has worked for many years to improve links and promote a greater understanding between the educational world and industry. In Germany, for example, as part of its "School and the Economy" project, BP has organised several seminars for teachers and students on important oil and energy-related problems. Specially-produced teaching materials* are supplied to some 40 countries around the world, ranging from Papua to Norway. In the UK, the BP Link scheme now extends to 170 schools, and 20 schoolteachers were seconded for varying periods during 1982 to BP offices and sites to gain industrial experience.

By seconding staff and by helping with cash funding, BP supports a wide range of organisations in the UK concerned with inner-city regeneration and job creation. It has played a major role in the setting-up and operation of several enterprise agencies designed to encourage the development of small businesses.

Charities and sponsorships

Overseas, BP companies have established their own programmes of charitable donations and sponsorships, each designed to reflect local customs and needs. In the UK, the group makes donations to well over 500 charities each year. In 1982 these charitable payments totalled £1,373,000. The main beneficiaries were charities connected with medical research, community health and welfare, and the protection of the environment.

In the field of scientific sponsorships, a team from Loughborough University of Technology beat strong challenges from Germany and France to win the international finals of the BP Energy Research Prize Competition.

BP's support for the arts received further recognition last year when the Company won (for the second time) the joint ABSA/Daily Telegraph award for the Best Corporate Sponsorship Programme. The sponsorship of several youth orchestras featured prominently in this programme. Amongst BP's other activities involving young people in the UK is the very successful "Challenge to Youth" scheme. In 1982 this included sports coaching, hovercraft and car construction competitions for schools, and a driving competition open to any motorist under twenty one.

A notable archaeological event last year was the raising of the *"Mary Rose"*, an enterprise to which BP companies have contributed substantially either in funds or in technical support since it began in 1970.

*For example, a project folder, explaining annual reports in simple terms, is available from the BP Educational Service.

Report of the Directors:
Other information

Directors

Dr J Birks and Mr M J Verey retired from the Board on 31 March 1982 and 31 October 1982 respectively.

The Board appointed The Hon. Sir John Baring (aged 54) a director and Mr R Malpas (aged 55) a managing director from 1 November 1982 and 5 January 1983 respectively. In accordance with the Articles of Association they retire and, being eligible, offer themselves for re-election.

Sir Lindsay Alexander (aged 62) and Mr A W Whitehouse Jr (aged 55) retire from the Board by rotation and, being eligible, offer themselves for re-election.

The present directors of the Company are listed on page 2.

Directors' interests

Interests of the directors in the shares of the Company, including family interests, are shown in the following table.

	Type of Shares	1 Jan 1982‡ and 31 Dec 1982
P I Walters	25p ordinary	6,090
R W Adam	25p ordinary	5,921
Sir Lindsay Alexander	£1 first preference	1,000
	25p ordinary	1,200
Lord Barber	25p ordinary	1,257
The Hon. Sir John Baring	25p ordinary	4,000
R Bexon	25p ordinary	1,596
P G Cazalet	25p ordinary	5,961
Sir Campbell Fraser	25p ordinary	2,228
P J Gillam	25p ordinary	743
The Earl of Inchcape	25p ordinary	11,455
	*25p ordinary	6,484
T Jackson	†25p ordinary	4,000
Sir James Menter	25p ordinary	1,257
Sir Alastair Pilkington	£1 first preference	830
	25p ordinary	680
	*25p ordinary	4,000
M R Rendle	25p ordinary	951
A W Whitehouse Jr	§25p ordinary	1,200

‡ or date of appointment * held as non-beneficial trustee
§ in the form of American Depositary Receipts
† held as nominee of H M Government

The following directors had options to subscribe for ordinary shares through the BP Group Savings-Related Share Option Schemes.

	1 Jan 1982	31 Dec 1982
P I Walters	1,086	1,086
R W Adam	434	434
P G Cazalet	1,086	1,086
P J Gillam	362	362
M R Rendle	1,086	1,086

The following directors had an interest in shares of common stock of The Standard Oil Company (Sohio).

	1 Jan 1982	31 Dec 1982
P I Walters	1,000	1,000
R W Adam	150	150
R Bexon	963	1,000
Sir Alastair Pilkington	100	100
A W Whitehouse Jr	54,213	60,097

No director had any interest in shares or debentures of any other subsidiary of the Company at 31 December 1982.

On appointment, Mr R Malpas notified the Company of an interest in 1,000 25p ordinary shares of the Company and 1,000 shares of common stock of Sohio.

Since 31 December 1982 Mr P G Cazalet has notified the Company of an interest (as a non-beneficial trustee) in 468 25p ordinary shares of the Company. No other change in the interests described above (which are beneficial except where stated) has taken place up to 17 March 1983.

No director, either during or at the end of the financial year, was materially interested in any contract that was significant in relation to the Company's business.

Of the directors proposed for re-election at the annual general meeting, Mr R Malpas has a service contract which is subject to termination at any time by twelve months' prior notice.

Other interests

The Government holds beneficially 708,496,892 ordinary shares (39%) and 1,000 first preference shares. The Company is not aware of any other interests in the Company's ordinary shares amounting to 5% or more.

Articles of Association

A special resolution will be proposed at the annual general meeting to adopt new Articles of Association. The accompanying circular summarises the principal changes from the current Articles.

Auditors

Ernst & Whinney have expressed their willingness to continue in office as Auditors and in accordance with Section 14 of the Companies Act 1976 a resolution proposing their re-appointment as Auditors of the Company will be put to the members at the annual general meeting.

By order of the Board
J E Wedgbury, Secretary
17 March 1983

Statistics

Group sales
(Including 100% Sohio)

		1978	1979	1980	1981	**1982**
Petroleum	thousand barrels per day					
Refined products:						
United Kingdom		512	479	419	381	**394**
Rest of Europe – France		293	282	250	203	**169**
– West Germany		317	534	446	378	**350**
– Other		414	455	432	423	**409**
Middle East and Africa		125	120	110	111	**114**
North and South America – USA		459	494	496	445	**478**
– Other		106	105	103	100	**94**
Australasia and Far East		152	148	134	149	**147**
		2,378	2,617	2,390	2,190	**2,155**
Crude oil		1,833	1,071	660	733	**978**
Total		4,211	3,688	3,050	2,923	**3,133**
Natural gas	million cubic metres per day	10·9	9·4	8·7	9·8	**12·0**
Chemicals	million tonnes	3·9	4·5	4·1	4·3	**4·4**
Minerals	£m	7	3	65	950	**1,228**
Coal	million tonnes	7·6	18·8	20·8	20·8	**21·3**

Group crude oil sources
(Including 100% Sohio)

thousand barrels per day

	1978	1979	1980	1981	1982
Produced from own reserves:					
United Kingdom	474	506	516	514	**471**
North America	541	626	731	727	**716**
Australasia	4	3	2	3	**4**
	1,019	1,135	1,249	1,244	**1,191**
Produced by related companies:					
Abu Dhabi	142	144	132	112	**84**
Nigeria	269	166	—	—	—
	411	310	132	112	**84**
Purchased:					
From national oil companies on a central basis:					
Iran	1,039	339	39	50	—
Kuwait	480	540	245	73	—
Nigeria	105	62	—	—	—
Other	67	144	83	33	**38**
	1,691	1,085	367	156	**38**
Other purchases (including direct purchases by local group companies) in:					
North America	319	293	220	147	**187**
Rest of World	387	436	418	639	**933**
	2,397	1,814	1,005	942	**1,158**
Total	3,827	3,259	2,386	2,298	**2,433**

Group refinery throughputs
(Including 100% Sohio)

	thousand barrels per day				
	1978	1979	1980	1981	**1982**
United Kingdom	416	408	361	287	**299**
Rest of Europe	877	1,066	807	649	**560**
Australasia and Far East	168	180	150	174	**184**
Middle East and Africa	60	70	60	62	**49**
North America	519	545	509	449	**451**
For BP by others	20	23	30	17	**7**
Total	2,060	2,292	1,917	1,638	**1,550**

Estimated net proved reserves of crude oil
(Including 100% Sohio)

	millions of barrels at 31 December				
Group companies					
United Kingdom	1,827	[illegible]	1,638	1,617	**1,447**
North America	4,15[illegible]	[illegible]	3,797	3,574	**3,010**
Other areas	42	[illegible]	150	197	**223**
Total	6,024	[illegible]	5,585	5,388	**4,680**
of which:					
Developed	2,753	2,772	2,916	3,104	**2,663**
Undeveloped	3,271	3,057	2,669	2,284	**2,017**
Related companies (BP share)					
Abu Dhabi	1,858	1,872	2,022	1,996	**1,794**
Nigeria	856	—	—	—	**—**
	2,714	1,872	2,022	1,996	**1,794**

(i) The above figures include natural gas liquids and condensate.
(ii) Crude oil which may be taken by others as royalties in kind is excluded.
(iii) BP's share of reserves in Abu Dhabi relate to equity interests in onshore and offshore concessions expiring in 2014 and 2018 respectively.

Estimated net proved reserves of natural gas
(Including 100% Sohio)

	billions of cubic feet at 31 December				
Group companies					
United Kingdom	936	876	858	911	**892**
Rest of Europe	54	81	102	117	**86**
North America	7,621	7,417	7,649	7,611	**7,290**
Australasia	1,357	2,590	2,275	2,249	**2,228**
Total	9,968	10,964	10,884	10,888	**10,496**
of which:					
Developed	4,158	4,712	5,717	6,122	**6,703**
Undeveloped	5,810	6,252	5,167	4,766	**3,793**

Natural gas which may be taken by others as royalties in kind is excluded.

Accounting policies

Change in presentation of accounts
The accounts for 1982 and the corresponding figures for 1981 are presented to comply with the new format and disclosure requirements of the Companies Act 1981.

Change in accounting policies
From 1 January 1982 profits and losses for the year of overseas subsidiary and related companies have been translated into sterling at average rates of exchange; previously year-end rates of exchange were applied. Had this policy been adopted for 1981 the effect on reported profit for that year would not have been material.

Accounting convention
The accounts are prepared under the historical cost convention.

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

Where accounting policies followed by subsidiary and related companies differ significantly from those adopted for group accounts purposes, appropriate adjustments are made on consolidation in order to achieve a consistent basis of accounting.

Currency translation
In individual companies all exchange gains or losses arising from the settlement or translation of current monetary assets and liabilities are included in the determination of profit for the year. Exchange differences relating to finance debts and long-term monetary assets and liabilities are taken directly to reserves.

On consolidation, income statements of subsidiary companies are translated into sterling at average rates of exchange, whilst assets and liabilities are translated at year-end rates. Exchange differences resulting from the translation of assets and liabilities into sterling at year-end rates of exchange, together with the restatement of profits and losses from average to year-end rates, are dealt with in reserves.

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. All expenditure is written off except that amounts for exploration in progress or awaiting evaluation are included in intangible assets. When evaluation is completed expenditure on unsuccessful efforts is charged against income but if commercially exploitable reserves exist the relevant intangible assets are transferred to production assets. Exploration leasehold acquisition costs are amortised over the estimated period of exploration.

Depreciation
Oil, coal and minerals production assets are depreciated on a unit-of-production method based upon estimated recoverable reserves. Other tangible fixed assets are depreciated on the straight-line method over their estimated useful lives. Where liabilities exist for dismantling and abandonment, these costs are accrued on a unit-of-production basis.

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

Changes in unit-of-production factors
Changes in factors, such as the rate of petroleum revenue tax or estimates of recoverable reserves, which affect unit-of-production calculations are dealt with prospectively, not by immediate adjustment of prior years' amounts.

Pensions
Most group companies have pension and retirement plans the forms and benefits of which vary with conditions and practices in the countries concerned. Where funds and provisions exist, payments and charges are made on the basis of periodic actuarial valuations. Where in overseas companies separate funds are not established, or provisions created, the cost of pensions paid is charged against income. Supplementary pension costs are charged against income when paid.

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.

Deferred taxation
Provision for deferred taxation is made using the liability method. Where it is considered that no liability will arise in the foreseeable future no provision is made.

General notes on current cost accounts

The group current cost accounts, prepared in accordance with Statement of Standard Accounting Practice No. 16, are supplementary to the historical cost accounts. The accounting policies set out on page 28 are followed in preparing the current cost accounts except where they are inconsistent with current cost accounting principles.

Current cost accounting is a means of indicating the real cost of maintaining a constant level of business activity during a period of changing prices. In current cost accounting, irrespective of whether its components will be specifically replaced, capital employed is accounted for at current amounts in order to disclose whether the business activities are capable of remunerating its real value. The cash flows generated may finance the replacement of capital employed, either in its present form or through diversification.

Capital employed

Capital employed is net assets before deducting finance debt. In current cost accounting, the amount of capital employed is established in some cases by direct valuation or more usually by applying appropriate and specific indices to the historical costs of stocks and fixed assets. Where relevant, account is taken of the effect of improved technology on operating asset values. Accumulated depreciation is calculated on the same bases as are used in the historical cost accounts, as are any further adjustments to values which are necessary to match the amounts recoverable from future use or from disposal.

Income

Parallel adjustments are made in the income statement covering changes to historical cost depreciation and cost of sales, together with an adjustment for the effect of price changes on the level of operational monetary working capital.

Similar adjustments, estimated where necessary, are made to the group's share of profits of related companies.

The current cost operating profit, incorporating these adjustments, is consistent with current cost capital employed, and from these amounts, the current cost return on average capital employed is calculated.

Shareholders and finance debt

The full impact of price changes on the operating profit is primarily borne by the shareholders. However, in preparing current cost accounts it is assumed that as inflation reduces the real amount of finance debt further borrowings will be made to maintain the ratio of debt to equity and, as a result, the potential demand for financing from shareholders' funds will be reduced. This benefit is represented in the income statement by the gearing adjustment which reduces the effect of the other current cost adjustments.

Current cost adjustments, both of capital employed and of elements in the income statement, are transferred to BP or minority shareholders' interests. The group's share is held in a separate current cost reserve and is not available for distribution.

Corresponding amounts

Current cost accounts concentrate at present on the particular experience of a business during any one year. Corresponding amounts for previous years are shown at the originally established values without further amendment.

Report of the Auditors

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

We have audited the accounts of The British Petroleum Company p.l.c. prepared under the historical cost convention and have examined the supplementary current cost accounts. The foregoing accounts are set out within pages 28 to 45. Our audit of the accounts prepared under the historical cost convention has been carried out in accordance with approved auditing standards.

In our opinion the historical cost accounts give, under that accounting convention, a true and fair view of the state of affairs of the Company and of the group, so far as concerns members of the Company, at 31 December 1982 and of the profit, changes in reserves and source and application of funds of the group for the year then ended, and comply with the Companies Acts 1948 to 1981.

In our opinion the supplementary current cost accounts of the group have been properly prepared in accordance with the policies and methods described in the notes relating thereto to give the information required by Statement of Standard Accounting Practice No. 16.

Ernst & Whinney
Chartered Accountants
London, 17 March 1983

Group income statement on historical cost basis

For the year ended 31 December 1982

Figures in £ million	Note	1982	1981
Turnover	1	29,336	25,755
Cost of sales excluding production taxes	2	21,213	17,273
Production taxes	3	2,563	3,465
Gross profit		5,560	5,017
Distribution and administration expenses	4	2,666	2,305
Exploration expenditure	5	607	413
		2,287	2,299
Other income	6	712	787
Operating profit		2,999	3,086
Interest expense	7	694	654
Profit before taxation		2,305	2,432
Taxation	11	1,103	811
Profit after taxation		1,202	1,621
Minority shareholders' interest		486	549
Profit before extraordinary items		716	1,072
Extraordinary items	12	4	54
Profit for the year		712	1,018
Distribution to shareholders	13	370	363
Retained profit for the year		342	655
Earnings per ordinary share	14	39·4p	63·9p

Group reserves on historical cost basis

	Note	1982	1981
Group reserves at 1 January		6,372	5,181
Exchange adjustments		579	541
Retained profit for the year		342	655
Premium on acquisition		—	(5)
Group reserves at 31 December	28	7,293	6,372

Balance sheets on historical cost basis

At 31 December 1982

Figures in £ million

	Note	Group 1982	Group 1981	Parent 1982	Parent 1981
Fixed assets					
Intangible assets – exploration expenditure	15	**1,049**	604	—	—
Tangible assets	16	**13,141**	10,703	—	—
Investments	17	**1,310**	1,049	**1,261**	1,069
		15,500	12,356	**1,261**	1,069
Current assets					
Stocks	18	**4,803**	4,647	—	—
Debtors	19	**4,381**	4,056	**2,649**	3,234
Investments	20	**1,198**	1,514	**313**	193
Cash at bank and in hand		**382**	629	**29**	245
		10,764	10,846	**2,991**	3,672
Creditors – amounts falling due within one year					
Finance debt	21	**2,694**	2,637	**19**	20
Other creditors	22	**6,080**	5,448	**1,072**	1,301
Net current assets		**1,990**	2,761	**1,900**	2,351
Total assets less current liabilities		**17,490**	15,117	**3,161**	3,420
Creditors – amounts falling due after more than one year					
Finance debt	21	**3,842**	3,306	**4**	21
Other creditors	22	**1,429**	1,326	**22**	28
Provisions for liabilities and charges	23	**613**	511	—	—
Net assets		**11,606**	9,974	**3,135**	3,371
Minority shareholders' interest		**2,960**	2,249	—	—
BP shareholders' interest		**8,646**	7,725	**3,135**	3,371
Represented by:					
Capital and reserves					
Called up share capital	24	**466**	466	**466**	466
Share premium account	25	**887**	887	**887**	887
Reserves	28	**7,293**	6,372	**1,782**	2,018
		8,646	7,725	**3,135**	3,371

Peter Walters PETER WALTERS, Director.

L Alexander LINDSAY ALEXANDER, Director.

17 March 1983

Business and geographical analysis on historical cost basis

For the year ended 31 December 1982

Figures in £ million	Turnover	Operating profit	Operating capital employed	Capital expenditure and acquisitions	Turnover	Operating profit	Operating capital employed	Capital expenditure and acquisitions
	1982				1981			
By business								
Exploration and production	4,107	960	2,471	1,394	4,299	888	1,454	1,034
Oil trading	18,969	57	4,754	312	16,418	186	5,138	392
Chemicals	1,391	(187)	1,032	104	1,315	(194)	1,098	82
Minerals	222	(32)	581	89	206	(28)	578	118
Coal	423	11	382	75	366	15	338	63
Other businesses	769	4	305	30	690	20	281	53
Corporate	—	34	102	53	—	52	158	135
BP group excluding Sohio	25,881	847	9,627	2,057	23,294	939	9,045	1,877
Sohio (100%)	7,384	2,152	9,074	1,895	6,480	2,147	7,400	2,460
Less: sales between businesses	(3,929)				(4,019)			
Total group	29,336	2,999	18,701	3,952	25,755	3,086	16,445	4,337
Sohio comprises:								
Exploration and production	4,740	2,000	4,140	1,441	4,327	1,758	3,015	913
Oil trading	4,916	145	1,138	67	3,901	137	1,145	66
Chemicals	312	(10)	357	54	237	22	267	75
Minerals	1,006	(104)	2,012	170	744	(10)	1,340	1,023
Coal	197	(2)	633	105	144	(7)	451	368
Corporate and other	—	123	794	58	—	247	1,182	15
Less: sales between businesses	(3,787)				(2,873)			
Total Sohio	7,384	2,152	9,074	1,895	6,480	2,147	7,400	2,460
By geographical area								
United Kingdom	14,002	361	2,940	864	12,236	443	2,758	972
Rest of Europe	9,583	(27)	2,946	261	9,281	(54)	3,278	296
Middle East and Africa	1,392	149	837	220	1,135	236	632	141
North and South America (including 100% Sohio)	9,005	2,454	10,507	2,243	7,578	2,390	8,544	2,719
Australasia and Far East	1,913	62	1,471	364	1,677	71	1,233	209
Less: sales between areas	(6,559)				(6,152)			
Total group	29,336	2,999	18,701	3,952	25,755	3,086	16,445	4,337

(i) Within turnover transfers between group companies are made at market prices taking into account the volumes involved.
(ii) Exploration and production includes gas; oil trading includes shipping; minerals comprises both metals mining and industrial products; other businesses comprise nutrition, detergents, Scicon and BP Ventures.
(iii) Corporate represents the management and financial activities of Group Head Office and of major subsidiary holding companies and includes centrally sponsored research and development and inter-business profit eliminations.
(iv) Figures for Sohio are stated on the BP group's accounting basis.
(v) United Kingdom includes North Sea crude oil activities and the UK based international activities of BP International Limited.
(vi) Operating profit is before interest expense of £694 million (£654 million) which is wholly attributable to the corporate finance function.
(vii) Operating capital employed is net assets before deducting finance debt and liabilities for current and deferred taxation; internal pension and insurance provisions are treated as corporate items.

Source and application of funds on historical cost basis

For the year ended 31 December 1982

Figures in £ million	1982	1981
Profit after taxation	1,202	1,621
Extraordinary items	(4)	(54)
Items not involving the movement of funds (i)	1,662	1,068
Working capital movement (ii)	154	(852)
Other movements (iii)	1,061	1,192
Funds generated from operations	**4,075**	2,975
Capital expenditure	3,856	3,079
Acquisitions	96	1,258
Dividends paid – BP shareholders	369	331
Minority shareholders	187	141
Funds required	**(433)**	(1,834)
Financed by:		
Shares issued	—	609
Finance debt – BP	268	78
Sohio (100%)	(398)	655
Liquid resources (iv) – BP	160	56
Sohio (100%)	403	436
	433	1,834

(i) Items not involving the movement of funds	1982	1981
Depreciation and other amounts provided	982	790
Exploration expenditure	607	413
Profit retained by related companies	(29)	(69)
Provisions for liabilities and charges	102	(66)
	1,662	1,068

(ii) Working capital movement	1982	1981
Stocks	(152)	(485)
Debtors	(325)	(593)
Creditors due within one year (excluding finance debt)	631	226
	154	(852)

(iii) Other movements	1982	1981
Sales of fixed assets	437	174
Creditors due after one year (excluding finance debt)	103	322
Changes in currency values	594	659
Other	(73)	37
	1,061	1,192

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

Supplementary group income statement on current cost basis

For the year ended 31 December 1982

Figures in £ million	Note	1982	1981
Turnover	1	**29,336**	25,755
Cost of sales excluding production taxes	2	**21,863**	18,365
Production taxes	3	**2,563**	3,465
Gross profit		**4,910**	3,925
Distribution and administration expenses	4	**2,777**	2,412
Exploration expenditure	5	**667**	439
		1,466	1,074
Other income	6	**474**	499
Current cost operating profit		**1,940**	1,573
Interest expense	7	**504**	399
Profit before taxation		**1,436**	1,174
Taxation	11	**1,103**	811
Profit after taxation		**333**	363
Gearing adjustment		**261**	351
		594	714
Minority shareholders' interest		**388**	409
Profit before extraordinary items		**206**	305
Extraordinary items	12	**314**	111
Current cost loss for the year		**(108)**	194
Distribution to shareholders	13	**370**	363
Current cost loss after distribution		**(478)**	(169)
Current cost earnings per ordinary share	14	**11·3p**	18·2p

Group reserves on current cost basis

		1982	1981
Group reserves at 1 January		**3,446**	3,079
Exchange adjustments		**543**	541
Current cost loss after distribution		**(478)**	(169)
Premium on acquisition		**—**	(5)
Group reserves at 31 December	28	**3,511**	3,446

Supplementary group balance sheet on current cost basis

At 31 December 1982

Figures in £ million

	Note	1982	1981
Fixed assets			
Intangible assets – exploration expenditure	15	**1,322**	840
Tangible assets	16	**19,057**	16,080
Investments	17	**1,892**	1,494
		22,271	18,414
Current assets			
Stocks	18	**4,866**	4,744
Debtors	19	**4,381**	4,056
Investments	20	**1,198**	1,514
Cash at bank and in hand		**382**	629
		10,827	10,943
Creditors – amounts falling due within one year			
Finance debt	21	**2,694**	2,637
Other creditors	22	**6,080**	5,448
Net current assets		**2,053**	2,858
Total assets less current liabilities		**24,324**	21,272
Creditors – amounts falling due after more than one year			
Finance debt	21	**3,842**	3,306
Other creditors	22	**1,429**	1,326
Provisions for liabilities and charges	23	**613**	511
Net assets		**18,440**	16,129
Minority shareholders' interest		**4,371**	3,369
BP shareholders' interest		**14,069**	12,760

Represented by:

	Note	1982	1981
Capital and reserves			
Called up share capital	24	**466**	466
Share premium account	25	**887**	887
Current cost reserve	27	**9,205**	7,961
Group reserves	28	**3,511**	3,446
		14,069	12,760

Notes on accounts

The following notes cover both the historical cost accounts and the supplementary current cost accounts. Separate information is given on the current cost basis where that information is different.

1 Turnover

	1982 £m	1981 £m
Sales and operating revenue	34,583	30,624
Customs duties and sales taxes	5,247	4,869
	29,336	25,755

2 Cost of sales excluding production taxes

	1982 £m	1981 £m	Current cost basis 1982 £m	Current cost basis 1981 £m
Production, purchases, freight, processing and manufacturing	**21,213**	17,273	**21,863**	18,365
Includes current cost adjustments:				
Cost of sales			69	626
Monetary working capital			(7)	44
Depreciation			588	422
			650	1,092

3 Production taxes

	1982 £m	1981 £m
UK petroleum revenue tax and supplementary petroleum duty	1,953	2,223
Overseas production taxes	610	1,242
	2,563	3,465

4 Distribution and administration expenses

	1982 £m	1981 £m	Current cost basis 1982 £m	Current cost basis 1981 £m
Distribution	2,551	2,207	2,652	2,305
Administration	115	98	125	107
	2,666	2,305	**2,777**	2,412
Includes current cost depreciation adjustments:				
Distribution			101	98
Administration			10	9

5 Exploration expenditure

	1982 £m	1981 £m	Current cost basis 1982 £m	Current cost basis 1981 £m
Exploration expenditure written off, amortisation of leasehold acquisition costs and amounts provided against exploration investments	**607**	413	**667**	439
Includes current cost depreciation adjustment			60	26

6 Other income

	1982 £m	1981 £m	Current cost basis 1982 £m	Current cost basis 1981 £m
Share of profits of related companies	153	158	105	125
Income from other fixed asset investments	15	16	15	16
Other interest and miscellaneous income	544	613	354	358
	712	787	**474**	499
Income from listed investments included above	190	274		

7 Interest expense

	1982 £m	1981 £m	Current cost basis 1982 £m	Current cost basis 1981 £m
Loans wholly repayable within five years	457	466	267	211
Other loans	294	212	294	212
	751	678	561	423
Capitalised	57	24	57	24
Charged against profit	**694**	654	**504**	399

The charge for taxation has not been affected by the capitalisation of interest.

8 Hire charges

	1982 £m	1981 £m
Tanker charters	315	190
Plant and machinery	86	90
	401	280

9 Research

Expenditure on research amounted to £140 million (£105 million).

10 Auditors' remuneration

	1982 £m	1981 £m
Parent company	0·2	0·2
Subsidiary companies	5·7	5·3
	5·9	5·5

11 Taxation

	1982 £m	1981 £m
United Kingdom – corporation tax at 52% – current	338	279
– overseas tax relief	(241)	(184)
– prior years' adjustment	—	(117)
	97	(22)
Overseas – current	901	898
– deferred	35	(108)
– related companies	70	43
	1,006	833
	1,103	811

The taxation charge for 1982 has been reduced in respect of timing differences between the accounting and tax treatment of depreciation and other items as follows:

	1982 £m	1981 £m
United Kingdom	193	(112)
Overseas	30	45
	223	(67)

In 1981 the reduction in the UK charge was more than offset by an adjustment for stock appreciation relief.

12 Extraordinary items

	1982 £m	1981 £m	Current cost basis 1982 £m	Current cost basis 1981 £m
Closure and reorganisation costs	230	54	314	111
Reclassification of inaccessible oil	(226)	—	—	—
	4	54	**314**	111

The closure and reorganisation costs in 1982 arose mainly from the closure of the refinery at Belfast and of the main oil processing plants at Dunkirk and in the Ruhr, the withdrawal from PVC manufacture in the UK, the reduction in the tanker fleet and the major restructuring in Germany. The amount for 1981 was for the closure of the Kent refinery.

The credit for the reclassification of inaccessible oil arises from a review of the accessibility of all group oil as a result of which oil, previously capitalised at original cost, was transferred from fixed to current assets at current value. No corresponding credit arises in the current cost accounts as this oil was included at current cost at 31 December 1981.

The effects of taxation and minority interests on these items are not significant.

13 Distribution to shareholders

	1982 £m	1981 £m
Preference dividends	1	1
Ordinary dividends:		
Interim 6·25p (6·25p) per share	114	108
Final recommended 14p (14p) per share	255	254
	370	363

5,629,883 ordinary shares were issued in January 1983 in connection with the acquisition of NANTA. These shares rank for the final dividend now recommended.

14 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 1,817 million (1,676 million) ordinary shares in issue during the year.

Notes on accounts continued

15 Intangible assets – exploration expenditure

	Oil and gas £m	Minerals £m	Coal £m	Total £m
Cost				
At 1 January 1982	694	26	14	734
Exchange adjustments	95	—	1	96
Additions	1,111	56	9	1,176
Transfers	(129)	—	(1)	(130)
Deletions	(541)	(38)	(2)	(581)
At 31 December 1982	1,230	44	21	1,295
Depreciation				
At 1 January 1982	127	—	3	130
Exchange adjustments	53	—	—	53
Charge for the year	556	39	6	601
Transfers	(6)	—	—	(6)
Deletions	(492)	(38)	(2)	(532)
At 31 December 1982	238	1	7	246
Net book amount				
At 31 December 1982	**992**	**43**	**14**	**1,049**
At 31 December 1981	567	26	11	604
CURRENT COST BASIS				
Cost	1,568	49	43	1,660
Depreciation	326	1	11	338
Net book amount				
At 31 December 1982	**1,242**	**48**	**32**	**1,322**
At 31 December 1981	789	26	25	840

16 Tangible assets

Property, plant and equipment

	Exploration and production £m	Oil trading £m	Chemicals £m	Minerals £m	Coal £m	Other businesses and corporate £m	Total £m	of which: Assets under construction £m
Cost								
At 1 January 1982	7,602	3,827	1,209	1,356	911	521	15,426	1,876
Exchange adjustments	872	251	41	219	104	29	1,516	121
Additions	1,496	356	157	189	164	140	2,502	1,961
Transfers/reclassification	129	(4)	—	—	1	—	126	(1,103)
Deletions	(142)	(206)	(114)	(58)	(27)	(11)	(558)	(4)
At 31 December 1982	9,957	4,224	1,293	1,706	1,153	679	19,012	2,851
Depreciation								
At 1 January 1982	1,930	1,916	484	49	201	143	4,723	
Exchange adjustments	245	146	17	23	19	11	461	
Charge for the year	513	202	102	67	34	43	961	
Transfers	6	—	—	—	—	—	6	
Deletions	(18)	(155)	(75)	(4)	(21)	(7)	(280)	
At 31 December 1982	2,676	2,109	528	135	233	190	5,871	
Net book amount								
At 31 December 1982	**7,281**	**2,115**	**765**	**1,571**	**920**	**489**	**13,141**	**2,851**
At 31 December 1981	5,672	1,911	725	1,307	710	378	10,703	1,876
Principal rates of depreciation		2-25%	5-12%			5-25%		

Capitalised interest and land at net book amount included above

	Capitalised interest Cost £m	Capitalised interest Depreciation £m	Capitalised interest Net £m	Freehold land £m	Leasehold land Over 50 years unexpired £m	Leasehold land Other £m
At 31 December 1982	620	171	449	357	41	6
At 31 December 1981	481	118	363	303	27	4

16 Tangible assets – continued

Property, plant and equipment

CURRENT COST BASIS

	Exploration and production £m	Oil trading £m	Chemicals £m	Minerals £m	Coal £m	Other businesses and corporate £m	Total £m
Cost	15,881	8,932	1,881	1,777	1,499	1,034	31,004
Depreciation	4,950	5,065	1,032	157	431	312	11,947
Net book amount							
At 31 December 1982	**10,931**	**3,867**	**849**	**1,620**	**1,068**	**722**	**19,057**
At 31 December 1981	8,731	3,867	781	1,336	786	579	16,080

17 Fixed assets – Investments

Group	Related companies Shares £m	Related companies Loans £m	Share of retained profit £m	Trade investments Listed UK £m	Trade investments Listed Foreign £m	Trade investments Unlisted £m	Reseller and other loans £m	Total £m
Cost								
At 1 January 1982	526	107	180	24	12	13	300	1,162
Exchange adjustments	45	9	17	—	—	—	34	105
Acquisition	96	—	—	—	—	—	—	96
Additions	30	25	29	—	—	3	120	207
Deletions	(37)	(15)	(9)	(2)	(3)	(1)	(51)	(118)
At 31 December 1982	660	126	217	22	9	15	403	1,452
Amounts provided								
At 1 January 1982	36	25	—	—	—	—	52	113
Exchange adjustments	—	1	—	—	—	—	9	10
Provided in the year	6	1	—	—	—	—	20	27
Deletions	(1)	(4)	—	—	—	—	(3)	(8)
At 31 December 1982	41	23	—	—	—	—	78	142
Net book amount								
At 31 December 1982	**619**	**103**	**217**	**22**	**9**	**15**	**325**	**1,310**
At 31 December 1981	490	82	180	24	12	13	248	1,049
Stock exchange value								
At 31 December 1982				16	12			
At 31 December 1981				21	16			

The acquisition relates to a joint interest in Indonesian properties acquired in December 1982 from Dome Petroleum of Canada.
Amounts provided in the year are included in the income statement under the following headings:

	1982 £m	1981 £m
Cost of sales	6	(1)
Distribution and administration expenses	3	4
Exploration expenditure	18	27
	27	30

CURRENT COST BASIS

	1982 £m	1981 £m
Related companies	1,521	1,197
Trade investments	46	49
Reseller and other loans	325	248
	1,892	1,494

Notes on accounts continued

17 Fixed assets – Investments – continued

Parent

	Subsidiary companies Shares £m	Subsidiary companies Loans £m	Related companies Shares £m	Related companies Loans £m	Total £m
Cost					
At 1 January 1982	1,036	22	15	4	1,077
Exchange adjustments	—	2	—	—	2
Additions	221	—	5	—	226
Deletions	(23)	(7)	(7)	—	(37)
At 31 December 1982	1,234	17	13	4	1,268
Amounts provided					
At 1 January 1982	2	—	2	4	8
Exchange adjustments	—	—	—	—	—
Provided in the year	—	—	1	—	1
Deletions	(1)	—	(1)	—	(2)
At 31 December 1982	1	—	2	4	7
Net book amount					
At 31 December 1982	**1,233**	**17**	**11**	**—**	**1,261**
At 31 December 1981	1,034	22	13	—	1,069

The investments in subsidiary and related companies are almost entirely unlisted.

18 Stocks

	1982 £m	1981 £m	Current cost basis **1982** £m	Current cost basis 1981 £m
Exploration and production	115	143	115	143
Oil trading	3,504	3,421	3,543	3,473
Chemicals	287	305	289	308
Minerals	423	352	423	352
Coal	57	60	60	66
Other businesses	60	56	60	56
	4,446	4,337	4,490	4,398
Stores	357	310	376	346
	4,803	4,647	**4,866**	4,744

19 Debtors

Due	Group **1982** Within 1 year £m	Group **1982** After 1 year £m	Group 1981 Within 1 year £m	Group 1981 After 1 year £m	Parent **1982** Within 1 year £m	Parent **1982** After 1 year £m	Parent 1981 Within 1 year £m	Parent 1981 After 1 year £m
Trade	3,048	4	2,820	4	—	—	—	—
Group companies	—	—	—	—	2,591	—	3,200	—
Related companies	112	—	102	—	—	—	—	—
Prepayments and accrued income	217	53	219	71	33	—	10	—
Advance corporation tax recoverable	—	109	—	109	—	—	—	—
Other	564	274	560	171	2	23	2	22
	3,941	**440**	3,701	355	**2,626**	**23**	3,212	22

20 Current assets – Investments

	Group **1982** £m	Group 1981 £m	Parent **1982** £m	Parent 1981 £m
Listed – UK	52	39	—	—
– Foreign	826	1,262	—	—
	878	1,301	—	—
Unlisted	320	213	313	193
	1,198	1,514	**313**	193
Stock exchange value of listed investments	870	1,136		

21 Finance debt

	1982				1981			
	Bank loans and overdrafts	Other loans Short-term	Other loans Long-term	Total	Bank loans and overdrafts	Other loans Short-term	Other loans Long-term	Total
	£m	£m	£m	£m	£m	£m	£m	£m
Due after 10 years			1,260	1,260			1,202	1,202
Due within 6 to 10 years			1,306	1,306			908	908
5 years		68	198	266		230	153	383
4 years		253	188	441		77	151	228
3 years		117	167	284		199	138	337
2 years		144	141	285		128	120	248
		582	3,260	**3,842**		634	2,672	3,306
1 year	865	1,701	128	**2,694**	1,497	1,024	116	2,637
	865	**2,283**	**3,388**	**6,536**	1,497	1,658	2,788	5,943
Secured on assets of group companies	275	52	302	629	461	61	204	726

Analysis by currency of long-term finance debt

	Average rate	1982	1981
	%	£m	£m
Sterling	8	207	132
US dollars	9	2,871	2,354
Australian dollars	14	79	84
Belgian francs	11	59	69
Deutschemarks	10	28	27
Dutch guilders	—	—	29
French francs	12	70	44
South African rands	16	27	18
Swedish kroner	13	30	11
Other	8	17	20
		3,388	2,788

Long-term finance debt is repayable as follows:

	1982	1981
	£m	£m
By instalments within five years	822	678
By instalments after five years	2,109	1,966
Otherwise after five years	457	144
	3,388	2,788

Group finance debt of £6,536 million (£5,943 million) includes £2,994 million (£2,877 million) in respect of Sohio.

The group had substantial amounts of undrawn borrowing facilities available including approximately £3,800 million (£3,050 million) which was covered by formal commitments, of which £1,670 million (£1,420 million) related to Sohio.

The parent company's finance debt due after one year is wholly repayable within two years.

22 Other creditors

	Group				Parent			
	1982		1981		1982		1981	
Due	Within 1 year	After 1 year	Within 1 year	After 1 year	Within 1 year	After 1 year	Within 1 year	After 1 year
	£m	£m	£m	£m	£m	£m	£m	£m
Trade	2,220	5	1,856	—	—	—	—	—
Group companies	—	—	—	—	644	22	884	28
Related companies	64	2	88	6	—	—	—	—
Production taxes	783	701	883	729	—	—	—	—
Taxation on profits	536	—	555	—	158	—	155	—
Social security	18	3	15	2	1	—	1	—
Accruals and deferred income	624	106	575	182	3	—	1	—
Dividends	256	—	255	—	256	—	255	—
Other	1,579	612	1,221	407	10	—	5	—
	6,080	**1,429**	5,448	1,326	**1,072**	**22**	1,301	28

23 Provisions for liabilities and charges

	Pension	Insurance	Overseas deferred taxation	Total
	£m	£m	£m	£m
At 1 January 1982	360	69	82	511
Exchange adjustments	51	2	15	68
Charged to income	86	(19)	35	102
Utilised	(68)	—	—	(68)
At 31 December 1982	**429**	**52**	**132**	**613**

Pension provisions comprise amounts provided by subsidiaries with unfunded plans.

In 1981 a biennial actuarial valuation of the UK pension funds disclosed that they were adequately funded to meet the liabilities assumed by them.

On the basis of the latest assessments, unfunded pension obligations, mainly in subsidiaries overseas, amounted to £304 million (£267 million).

Notes on accounts continued

23 Provisions for liabilities and charges – continued

The gross potential amounts of deferred taxation comprise tax in respect of:

	United Kingdom 1982 £m	United Kingdom 1981 £m	Overseas 1982 £m	Overseas 1981 £m
Depreciation	1,603	1,466	951	700
Petroleum revenue tax	(365)	(379)	—	—
Other items	(186)	(228)	366	390
	1,052	859	**1,317**	1,090

Advance corporation tax of £109 million (£109 million), included in debtors after one year, has not been deducted from the potential amounts of deferred taxation.

24 Called up share capital

In 1982 the authorised share capital of the parent company was increased from £500 million to £600 million by the creation of an additional 400 million new ordinary shares of 25p each.

9,169 ordinary shares were allotted under the employee share option schemes during 1982. During 1981 a rights issue of 226·9 million ordinary shares was made, 1·8 million ordinary shares were allotted under the employee share schemes and 0·6 million ordinary shares in connection with the acquisition in 1980 of Selection Trust Limited.

The allotted share capital at 31 December was as follows:

	1982 Shares	1982 £m	1981 Shares	1981 £m
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	1,816,654,794	454	1,816,645,625	454
		466		466

25 Share premium account

	1982 £m	1981 £m
At 1 January	887	335
Additions		
Employee share schemes	—	5
Rights issue	—	545
Acquisitions	—	2
At 31 December	**887**	887

26 Financing of current cost net operating assets

The following summarises the net operating assets on the current cost basis and the method by which these assets were financed:

	Current cost basis 1982 £m	Current cost basis 1981 £m
Fixed assets	22,271	18,414
Stocks	4,866	4,744
Monetary working capital	(356)	18
Net operating assets	26,781	23,176
Financed by:		
Finance debt excluding amount included in monetary working capital	6,416	5,754
Provisions for liabilities and charges	613	511
Other non-operational items	1,056	527
Net borrowings	8,085	6,792
BP shareholders' interest and dividends	14,325	13,015
Minority shareholders' interest	4,371	3,369
	26,781	23,176

27 Current cost reserve

	Current cost basis	
	1982	1981
	£m	£m
At 1 January	7,961	6,021
Movements in the year		
Change resulting from revaluations including exchange effects		
Fixed assets – intangible assets – exploration expenditure	37	124
– tangible assets	539	1,336
– investments	137	109
Stocks	(34)	(69)
Current cost adjustments	1,215	1,316
Gearing adjustment	(261)	(351)
	1,633	2,464
Attributable to minority shareholders	(389)	(524)
	1,244	1,940
At 31 December	**9,205**	7,961
Comprising:		
Net cumulative current cost adjustments	3,782	2,926
Change resulting from revaluations	5,423	5,035
	9,205	7,961

Net cumulative current cost adjustments represent the adjustments reflected within current cost profit since current cost accounts were first prepared.

28 Reserves

Of the group reserves there were undistributable reserves attributable to:

	1982	1981
	£m	£m
Parent company	10	10
Subsidiary companies	1,117	1,000
Related companies	239	187
	1,366	1,197

Included in group reserves are amounts totalling £6,078 million (£4,721 million) retained by subsidiary companies themselves not subject to UK taxation.

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

	1982	1981
	£m	£m
At 1 January	2,018	1,774
Exchange adjustments	(26)	(35)
Profit for the year	160	642
Distribution to shareholders	(370)	(363)
At 31 December	**1,782**	2,018

	Current cost basis	
	1982	1981
	£m	£m
Group reserves on historical cost basis	7,293	6,372
Net cumulative current cost adjustments, included within current cost reserve	3,782	2,926
Group reserves on current cost basis	**3,511**	3,446

29 Financial commitments

Authorised future capital expenditure by group companies is estimated at £5,800 million (£5,300 million) including approximately £805 million (£80[illegible] million) for which contracts have been placed.

Minimum future lease payments by group companies are as follows:

	1982		1981	
	Operating leases	Finance leases	Operating leases	Finance leases
	£m	£m	£m	£m
Payable within				
1 year	295	74	205	75
2 years	194	71	126	70
3 years	156	69	111	67
4 years	123	68	97	62
5 years	68	60	89	60
Thereafter	401	701	415	676
	1,237	**1,043**	1,043	1,010

Notes on accounts continued

30 Contingent liabilities

There were contingent liabilities at 31 December 1982 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.

A claim for $108 million has been brought by Abu Dhabi Gas Liquefaction Company Limited, a related company, against BP International Limited and others, claiming damages in respect of losses which are alleged to have arisen from the construction of a liquified natural gas plant on Das Island. The claim is considered by BP to be excessive and the action is being actively defended by all the defendants. It is not possible at this stage to estimate whether any liability will fall upon BP International, or if so, its extent.

The parent company has issued guarantees under which amounts outstanding at 31 December 1982 were £1,486 million (£1,196 million) including £1,450 million (£1,142 million) in respect of borrowings by its subsidiary companies.

31 Employee share schemes

	1982 Options	1982 Period	1982 Price	1981 Options	1981 Period	1981 Price
BP – ordinary shares	4,649,568	1985/87	£2·76/3·30	4,907,381	1985/87	£2·76/3·30
Sohio – shares of common stock	2,528,552	1983/92	US$13·29/50·19	2,368,622	1982/91	US$7·72/50·19
BP Canada – common shares	136,000	1983	Can$13·05/35·10	138,500	1982/86	Can$13·05/35·10

32 Directors and employees

(a) Employee costs

	1982 £m	1981 £m
Wages and salaries	1,884	1,515
Social security costs	172	144
Pension costs	268	247
	2,324	1,906

(b) Average number of employees

	1982 UK	1982 Non-UK	1981 UK	1981 Non-UK
Exploration and production	3,300	18,500	3,250	19,500
Manufacturing	17,400	32,650	20,550	35,950
Distributing and marketing	9,400	48,600	10,050	48,750
Administration and supporting services	7,300	8,000	7,850	7,950
	37,400	107,750	41,700	112,150

(c) Remuneration of directors and higher paid employees

Directors received from the parent company £846,352 (£874,827) made up of fees £72,000 (£68,000) and other emoluments (not including pension contributions) £774,352 (£806,827). One director waived fees of £1,750 in 1981. Pensions, commutations of pensions and other superannuation payments to directors and former directors and their dependants amounted to £1,187,118 (£1,641,476). In addition one director, whose duties as a director of an overseas subsidiary company were discharged wholly outside the UK, received from that company $616,440 ($556,263). The Chairman Mr P I Walters received £172,770 (Mr P I Walters £14,033 and Sir David Steel £144,118).

Gross emoluments £	Directors 1982	Directors 1981
up to 5,000	1	—
5,001– 10,000	6	6
10,001– 15,000	3	4
20,001– 25,000	—	1
25,001– 30,000	1	—
45,001– 50,000	—	1
60,001– 65,000	—	1
65,001– 70,000	—	1
85,001– 90,000	—	1
95,001–100,000	1	—
100,001–105,000	2	1
110,001–115,000	1	1
125,001–130,000	—	1
140,001–145,000	1	1
170,001–175,000	1	—

Gross emoluments £	Employees 1982	Employees 1981
30,001– 35,000	319	220
35,001– 40,000	195	100
40,001– 45,000	81	54
45,001– 50,000	51	29
50,001– 55,000	22	17
55,001– 60,000	23	17
60,001– 65,000	12	1
65,001– 70,000	5	4
70,001– 75,000	1	4
75,001– 80,000	5	—
80,001– 85,000	3	1
85,001– 90,000	1	—
95,001–100,000	1	—

(d) Executive loan plan

There is an executive loan plan under which senior staff of certain UK companies may obtain loans of amounts determined having regard to actual and prospective service but limited to £10,000 in respect of employees qualifying for loans after 1 January 1981. Interest is payable at a minimum of 3% per annum. At 31 December 1982 employees whose gross emoluments exceeded £30,000 per annum had loans outstanding totalling £7·6 million (£5·5 million). These loans are repayable on retirement, normally out of the proceeds from commutation of pension entitlement, or on earlier termination of service. The Company reserves the right to amend or wind up the scheme at any time.

The amounts outstanding at 1 January and 31 December 1982 on loans made under the plan to Messrs Cazalet, Gillam and Rendle, before they became managing directors, were £44,100, £48,400 and £35,000 respectively. Similar loans of £30,400 and £19,600 outstanding at 1 January 1982 made to Dr J Birks and Mr R W Adam were repaid during the year. No other movements in loans to directors took place in 1982. The rate of interest payable on these loans was 15% to 5 October 1982 and 12% thereafter.

Notes on accounts concluded

33 Subsidiary and related companies

The more important subsidiary and related companies of the group at 31 December 1982 and the group percentage of equity capital (to nearest whole number) are set out below. 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 companies and of the parent company's investment in related companies will be attached to the parent company's annual return made to the Registrar of Companies.

Subsidiary companies

	%	Country of incorporation	Principal activities
International			
BP Chemicals International	100	England	Chemicals
BP Coal	100	England	Coal production overseas
BP Exploration	100	Scotland	Exploration and production
BP Gas	100	England	Natural gas
*BP International	100	England	Integrated oil operations
*BP Minerals International	100	England	Minerals
BP Nutrition	100	England	Nutrition
BP Oil International	100	England	Integrated oil operations
BP Shipping	100	England	Oil transportation
Scicon International	100	England	Computer software
Europe			
UK			
Alexander Duckham	100	England	Lubricants
BP Capital	100	England	Finance
BP Chemicals	100	England	Chemicals
BP Nutrition (UK)	100	England	Nutrition
BP Oil	100	England	Refining and marketing
BP Oil Development	100	England	Oil production
BP Petroleum Development	100	England	Exploration and production
Bristol Composite Materials	100	England	Manufacturing
AUSTRIA			
*BP Austria	100	Austria	Marketing
BELGIUM			
*BPNV (parent 82%)	100	Belgium	Marketing and chemicals
Tensia	100	Belgium	Detergents
DENMARK			
*BP Olie-Kompagniet	100	Denmark	Marketing
FRANCE			
BP Chimie	86	France	Chemicals
*Société Française des Pétroles BP	77	France	Refining and marketing
GERMANY			
*Deutsche BP	100	Germany	Refining and marketing
GREECE			
*BP of Greece	100	England	Marketing
ITALY			
*BP Italia	100	Italy	Marketing
NETHERLANDS			
BP Handel Maatschappij Nederland	100	Netherlands	Marketing
British Petroleum Raffinaderij Nederland	100	Netherlands	Refining
Hendrix International	100	Netherlands	Nutrition
Nordzee Selection	100	Netherlands	Natural gas
NORWAY			
*BP Norge	100	Norway	Marketing
PORTUGAL			
*Companhia Portuguesa dos Petróleos BP	100	Portugal	Marketing
REPUBLIC OF IRELAND			
BP Ireland	100	Ireland	Marketing
SPAIN			
*BP España	100	Spain	Marketing

Subsidiary companies

	%	Country of incorporation	Principal activities
Europe			
SWEDEN			
*Svenska BP	100	Sweden	Marketing
SWITZERLAND			
*BP (Schweiz)	100	Switzerland	Marketing
TURKEY			
*BP Petrolleri	100	Turkey	Marketing
Middle East			
*BP Arabian Agencies	100	England	Marketing
Africa			
*BP Africa	100	England	Marketing
BP Southern Africa	100	South Africa	Oil marketing and coal operations
Far East			
HONG KONG			
*BP Oil Hong Kong	100	Hong Kong	Oil trading
MALAYSIA			
*BP Malaysia	100	Malaysia	Marketing
SINGAPORE			
*BP Singapore	100	Singapore	Marketing
Australasia			
AUSTRALIA			
BP Australia	100	Australia	Integrated oil and minerals operations
Clutha Development	100	Australia	Coal production and marketing
NEW ZEALAND			
BP (Oil Exploration) New Zealand	100	New Zealand	Exploration and production
BP Oil New Zealand	100	New Zealand	Marketing
Europa Oil (NZ)	100	New Zealand	Marketing
Western Hemisphere			
CANADA			
BP Canada	65	Canada	Integrated oil operations
USA			
BP Alaska Exploration	100	USA	Oil exploration
*BP North American Finance	100	USA	Finance company
BP North America Trading	100	USA	Oil trading
BP Pipelines	100	USA	Pipeline company
The Standard Oil Company (Sohio)	53	USA	Integrated oil, coal, chemicals and minerals operations

Related companies

	%	Country of incorporation	Principal activities
Abu Dhabi Gas Liquefaction	16	Abu Dhabi	Natural gas liquefaction
Abu Dhabi Marine Areas	37	England	Crude oil trading
BP Zimbabwe	50	Zimbabwe	Marketing
Central Chemical Investments	25	South Africa	Chemicals
Distugil	43	France	Chemicals
Erdölchemie	50	Germany	Chemicals
Ruhrgas	25	Germany	Gas distribution
Shell and BP South African Petroleum Refineries	50	South Africa	Refining
Unisel Gold Mines	34	South Africa	Minerals

Five year summary

Summarised group income statements

Historical cost basis

Figures in £ million

	1978	1979	1980	1981	1982
Turnover	14,278	18,243	20,656	25,755	**29,336**
Other income	224	328	503	787	**712**
	14,502	18,571	21,159	26,542	**30,048**
Operating expenses	13,167	15,309	17,866	23,456	**27,049**
Operating profit	1,335	3,262	3,293	3,086	**2,999**
Interest expense	471	405	432	654	**694**
Profit before taxation	864	2,857	2,861	2,432	**2,305**
Taxation	272	760	959	811	**1,103**
Profit after taxation	592	2,097	1,902	1,621	**1,202**
Minority shareholders' interest	148	476	467	549	**486**
Profit before extraordinary items	444	1,621	1,435	1,072	**716**
Extraordinary items	—	—	—	54	**4**
Profit for the year	444	1,621	1,435	1,018	**712**
Distribution to shareholders	97	274	322	363	**370**
Retained profit for the year	347	1,347	1,113	655	**342**
Earnings per ordinary share (Years 1978-1980 adjusted for 1981 rights issue)	28·1p	102·6p	89·9p	63·9p	**39·4p**
Dividends per ordinary share (excluding special dividend of 1·917p paid in 1979) 1978 restated for the conversion and sub-division of each £1 unit of ordinary stock into four ordinary shares of 25p each in 1979.	6·359p	17·500p	20·250p	20·250p	**20·250p**

Source and application of funds

Historical cost basis

	1978	1979	1980	1981	1982
Profit after taxation	592	2,097	1,902	1,621	**1,202**
Extraordinary items	—	—	—	(54)	**(4)**
Items not involving the movement of funds	661	948	795	1,068	**1,662**
Working capital movement	789	(729)	156	(852)	**154**
Other movements	(228)	26	30	1,192	**1,061**
Funds generated from operations	1,814	2,342	2,883	2,975	**4,075**
Capital expenditure	972	1,172	1,773	3,079	**3,856**
Acquisitions	109	442	425	1,258	**96**
Dividends paid – BP shareholders	90	184	285	331	**369**
Minority shareholders	25	33	71	141	**187**
Funds generated or (required)	618	511	329	(1,834)	**(433)**
Financed by:					
Shares issued	—	—	146	609	**—**
Finance debt – BP	(120)	68	535	78	**268**
Sohio (100%)	(179)	(355)	18	655	**(398)**
Liquid resources – BP	682	(748)	(23)	56	**160**
Sohio (100%)	(1,001)	524	(1,005)	436	**403**
	(618)	(511)	(329)	1,834	**433**

Summarised group balance sheets
Historical cost basis

Figures in £ million

	1978	1979	1980	1981	1982
Fixed assets	7,154	7,457	8,232	12,356	**15,500**
Current assets	5,843	8,181	9,507	10,846	**10,764**
Total assets	12,997	15,638	17,739	23,202	**26,264**
Creditors and provisions excluding finance debt	4,321	5,833	6,284	7,285	**8,122**
Capital employed	8,676	9,805	11,455	15,917	**18,142**
Represented by:					
Finance debt	4,180	3,683	4,070	5,943	**6,536**
Minority shareholders' interest	739	1,128	1,460	2,249	**2,960**
BP shareholders' interest	3,757	4,994	5,925	7,725	**8,646**
	8,676	9,805	11,455	15,917	**18,142**

Capital expenditure and acquisitions

	1978	1979	1980	1981	1982
Exploration	100	126	178	261	**457**
Production	236	348	544	773	**841**
Oil trading	266	320	387	392	**312**
Chemicals	85	104	94	82	**104**
Minerals	3	4	39	118	**89**
Coal	9	29	31	63	**75**
Other businesses and corporate	12	22	36	181	**83**
BP group excluding Sohio	711	953	1,309	1,870	**1,961**
Sohio (100%)	261	219	464	1,209	**1,895**
	972	1,172	1,773	3,079	**3,856**
Acquisitions	109	442	425	1,258	**96**

Ratios

	1978	1979	1980	1981	1982
Return on average capital employed (Based on profit after taxation before deducting interest expense)	14·9%	27·1%	22·0%	16·6%	**11·1%**
Return on average shareholders' interest	12·6%	37·0%	26·3%	15·7%	**8·7%**
Debt equity ratio (Finance debt: finance debt plus BP and minority shareholders' interests)	48·2%	37·6%	35·5%	37·3%	**36·0%**

Notice of annual general meeting

Notice is hereby given that the seventy-fourth annual general meeting of The British Petroleum Company p.l.c. will be held at The Barbican Centre, Silk Street, London EC2Y 8DS, on Thursday 5 May 1983, at 11.30 a.m., for the transaction of the following business:

Resolution 1 To adopt the Report of the Directors and the Accounts for the year ended 31 December 1982

Resolution 2 To declare a dividend

Resolution 3 To re-elect The Hon. Sir John Baring a Director

Resolution 4 To re-elect Mr R Malpas a Director

Resolution 5 To re-elect Sir Lindsay Alexander a Director

Resolution 6 To re-elect Mr A W Whitehouse Jr. a Director

Resolution 7 To re-appoint Ernst & Whinney as Auditors

Resolution 8 To authorise the Board to fix the remuneration of the Auditors for 1983

To propose the following as a special resolution:—

Resolution 9 That the Articles of Association contained in the document submitted to the Meeting, and for the purposes of identification signed by the Chairman thereof, be and are hereby adopted as the Articles of Association of the Company in substitution for and to the exclusion of the existing Articles of Association.

A member entitled to attend and vote is entitled to appoint a proxy or proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company.

The dividend, if declared, will be paid:

(i) On 19 May 1983 to shareholders on the register on 8 April 1983 which will include transfers accepted for registration on that day.

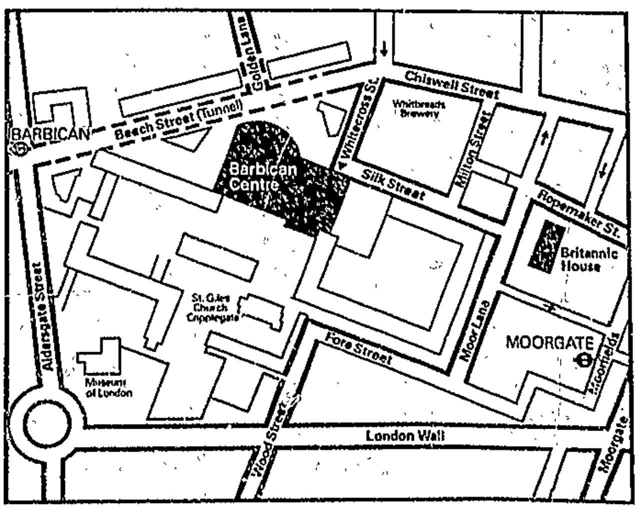
(ii) On 6 June 1983 to holders of American Depositary Receipts of record on 8 April 1983.

The following information, which is available for inspection during business hours at the office of the Secretary, Britannic House, Moor Lane, London EC2Y 9BU, will also be available for inspection at the place of the annual general meeting from 11.15 a.m. until the conclusion of the meeting:

1 Register of interests of Directors (and their families) in the share capital and debentures of the Company and its subsidiaries.

2 Copies of all contracts of service whereunder Directors of the Company are employed by the Company or by any of its subsidiaries.

By order of the Board
J E Wedgbury, Secretary
Britannic House, Moor Lane, London EC2Y 9BU
5 April 1983



▷ Entrance to Barbican Centre: junction of Silk Street/Whitecross Street

Financial calendar

Dividends and quarterly announcements

Ordinary shares	
Interim dividend	Announced in September, paid November
Final dividend	Proposed in March, paid May
First preference shares	Paid 31 January and 31 July
Second preference shares	Paid 31 January and 31 July

Quarterly results are announced in June, September and December

Taxation of capital gains

In certain circumstances, when a holder sells shares his liability to tax in respect of capital gains is computed by reference to the market value of the shares on 6 April 1965. The market values of BP shares at that date for the purposes of capital gains tax after adjustment for the conversion and sub-division referred to below, were:

*Ordinary shares	£0·640625 per 25p ordinary share
First preference shares	£1·128125 per £1 share
Second preference shares	£1·243750 per £1 share

The Company is not a close company within the meaning of the Income and Corporation Taxes Act 1970.

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.

*Since 5 April 1965 there have been rights issues of:

One for thirteen at £0·625: the ex-rights date was 28 February 1966

One for fifteen at £1·285: the ex-rights date was 14 October 1971

One for seven at £2·75: the ex-rights date was 23 June 1981

SEC reports

The Company from time to time files reports with the United States Securities and Exchange Commission. As a standing arrangement a copy of each such report filed within the preceding six months can be inspected by any shareholder at any time during normal business hours, Saturdays and public holidays excepted, at Britannic House, Moor Lane, London EC2Y 9BU.