

ALASKA LEGISLATURE SPECIAL COMMITTEE / SUBJECTS 80 / 2

927 SCOM32: AK GENERAL STOCK OWNERSHIP CORP. 1979-80 927

**THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES**

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Years ended December 31	
	1976	1977
	(restated)*	
	(\$ million)	
Source of Funds		
Income before extraordinary items and UK taxation	751	1,581
Extraordinary items	—	(104)
	<u>751</u>	<u>1,477</u>
Depreciation	510	583
Other items	144	(36)
Total generated from operations	<u>1,405</u>	<u>2,024</u>
Increase in finance debts (excluding changes in currency values)	657	86
North Sea oil advance proceeds	58	—
Book amount of assets sold	91	84
Net changes in currency values	278	(234)
Prior year adjustment	204	—
Other items	208	138
Total other sources	<u>1,496</u>	<u>74</u>
Funds available	<u><u>2,901</u></u>	<u><u>2,098</u></u>
Application of Funds		
Capital expenditure	1,551	1,222
Investment in Sohio and other associated companies	295	162
Reduction of North Sea oil advance proceeds	137	371
Dividends paid	139	151
UK tax paid — mainly advance corporation tax	39	67
	<u>2,161</u>	<u>1,973</u>
Increase in working capital	<u>740</u>	<u>125</u>
	<u><u>2,901</u></u>	<u><u>2,098</u></u>
Increase in Working Capital		
Increase/(decrease) in inventories	781	(8)
Increase/(decrease) in current receivables	1,075	(335)
(Increase)/decrease in current liabilities (excluding UK tax and proposed dividends)	(888)	372
(Decrease)/increase in cash and marketable securities	<u>(228)</u>	<u>96</u>
	<u><u>740</u></u>	<u><u>125</u></u>

* See Notes A and N.

The Notes to Financial Statements are an integral part of this Statement.

This statement is expressed in U.S. dollars at the 1977 year-end exchange rate of \$1.92 = £1 for convenience only and should not be construed as a representation that the amounts of the pound sterling accounts represent, or have been or could be converted into, U.S. dollars at this or any other rate.

THE BRITISH PETROLEUM COMPANY LIMITED
STATEMENT OF CHANGES IN CAPITAL STOCK AND PAID IN SURPLUS

<u>Authorized – £1 Units</u>	<u>Unclassified Shares</u>	<u>Ordinary Stock</u>	<u>Preference Stock</u>	
			8% (now 5.6% + tax credit)	9% (now 6.3% + tax credit)
At December 31, 1975 and 1976	101,179,884	386,070,116	7,250,000	5,500,000
Transfer in connection with the acquisition of the Europa group of companies	(447,969)	447,969	—	—
At December 31, 1977	<u>100,731,915</u>	<u>386,518,085</u>	<u>7,250,000</u>	<u>5,500,000</u>
Issued Stock and Paid in Surplus	<u>Paid in Surplus</u>			
At December 31, 1975 and 1976	197,414,627	386,070,116	7,232,838	5,473,414
Issued in connection with the acquisition of the Europa group of companies	1,812,035	447,969	—	—
At December 31, 1977	<u>£199,226,662</u>	<u>£386,518,085</u>	<u>£7,232,838</u>	<u>£5,473,414</u>

The Notes to Financial Statements are an integral part of this Statement.

On May 9, 1977, 0.4 million ordinary shares, which were forthwith converted into £0.4 million ordinary stock, were issued under an agreement made in 1972 to acquire the remaining 40% of the Europa group of companies in New Zealand. The increase to paid in surplus in respect of this issue amounted to £1.8 million.

Of the £386.5 million ordinary capital issued at December 31, 1977 Her Majesty's Government in the UK owned £119.3 million (30.9%) and the Bank of England £77.8 million (20.1%).

The above-mentioned Ordinary Stock held by the Bank of England was acquired by it on January 28, 1975 from The Burmah Oil Company, Limited. The validity of this acquisition is currently the subject of litigation. At the time of this transaction assurances were given to the Panel on Take-overs and Mergers ("the Panel") (a) by an undertaking from the Bank that it would not exercise the votes attaching to the BP Ordinary Stock so acquired so long as the Bank and the Government taken together held over 30% of the voting rights and (b) by a statement on behalf of the Government that, while the Bank held any part of such BP Ordinary Stock and its undertaking remained in force, the Government would not exercise a greater proportionate voting power in relation to other BP stockholders than it could have exercised prior to the transaction.

The Government has announced its intention to acquire the Bank of England holding in due course and thus increase the Government's holding of Ordinary Stock to 51%. The restrictions mentioned above will remain in force until such purchase but the Panel has accepted that thereafter the Government will be free to vote the 51% stockholding which it then expects to have. The Panel will not require the Government to make an offer under the City Code to purchase the Ordinary Stock of BP held by the public. In its discussions with the Panel the Bank of England referred to the fact that the Government holding of BP Ordinary Stock has exceeded 50% for long periods in the past and to the restraint with which the Government had traditionally approached the use of its voting power. The Bank informed the Panel that it was authorized by the Government to say that it is the Government's intention to maintain its relationship with BP in a way which does not breach the traditional practice of non-intervention in the administration of the Company as a commercial concern.

THE BRITISH PETROLEUM COMPANY LIMITED

PARENT COMPANY STATEMENT OF INCOME

	Years ended December 31	
	<u>1976</u>	<u>1977</u>
	(£ million)	
Dividends and interest from subsidiary companies less intra-group items	80.7	76.3
Dividends and interest from associated companies – Note D	<u>2.9</u>	<u>1.7</u>
	83.6	78.0
Other interest and miscellaneous income	<u>37.2</u>	<u>29.2</u>
	120.8	107.2
Interest expense	20.7	19.3
Administrative and other expenses	<u>1.6</u>	<u>2.6</u>
	98.5	85.3
Income before taxes	98.5	85.3
Taxes	<u>(71.8)</u>	<u>(5.5)</u>
Net income	<u><u>170.3</u></u>	<u><u>90.8</u></u>

The Notes to Financial Statements are an integral part of this Statement.

The parent company income from subsidiary companies consists principally of dividends on which U.K. tax has been accounted for by those companies. During the years under review it has been the policy of the Company to limit the distributions by subsidiary companies to the parent so that the income of the parent approximates to the amounts of its dividends. However, net income for 1976 is after crediting £70.9 million in respect of advance corporation tax written off in previous years (see Note N).

THE BRITISH PETROLEUM COMPANY LIMITED

PARENT COMPANY STATEMENT OF EARNED SURPLUS

	Years ended December 31	
	<u>1976</u>	<u>1977</u>
	(£ million)	
Balance at beginning of year	559.6	614.4
Net income for year	170.3	90.8
Less: Dividends – Note O		
Preference	0.7	0.7
Ordinary	<u>76.4</u>	<u>86.3</u>
Income retained	93.2	3.8
Exchange fluctuations	<u>(38.4)</u>	<u>(2.7)</u>
Balance at end of year	<u><u>614.4</u></u>	<u><u>615.5</u></u>

The Notes to Financial Statements are an integral part of this Statement.

THE BRITISH PETROLEUM COMPANY LIMITED
PARENT COMPANY BALANCE SHEETS

	<u>December 31</u>	
	<u>1976</u>	<u>1977</u>
	(£ million)	
Investments:		
Subsidiary companies – Note A (eliminated in consolidation)		
At cost less provisions – 1976 and 1977 £8.7 m.	265.5	270.2
Advances, current accounts and accrued dividends	<u>890.5</u>	<u>782.6</u>
1,156.0		1,052.8
Associated companies – Note D		
At cost	14.3	12.6
Less provisions	<u>2.1</u>	<u>2.1</u>
12.2		10.5
Long-term receivables		25.6
		15.8
Current assets:		
Cash	386.7	473.2
Marketable securities at net book amount which approximates market	0.3	10.5
Receivables, principally trade	<u>18.3</u>	<u>9.9</u>
	405.3	493.6
Current liabilities:		
Accounts payable and accrued liabilities	53.2	51.0
Finance debts subject to repayment within one year	29.5	33.1
Dividends payable	<u>50.4</u>	<u>59.0</u>
	133.1	143.1
Current assets less current liabilities	272.2	350.5
Total Assets Less Current Liabilities	1,466.0	1,429.6
Deduct:		
Finance debts – Note G	284.9	248.8
Less amounts subject to repayment within one year	<u>29.5</u>	<u>33.1</u>
	255.4	215.7
Net Assets	<u>1,210.6</u>	<u>1,213.9</u>
Commitments and Contingencies – Notes H, I and P		
Capital Stock:		
Preference	12.7	12.7
Ordinary	386.1	386.5
Paid in surplus	197.4	199.2
Earned surplus – Note M	<u>614.4</u>	<u>615.5</u>
Stockholders' Interest	<u>1,210.6</u>	<u>1,213.9</u>

The Notes to Financial Statements are an integral part of these Balance Sheets.

THE BRITISH PETROLEUM COMPANY LIMITED

PARENT COMPANY BALANCE SHEETS

	December 31			
	1976		1977	
	(\$ million)			
Investments:				
Subsidiary companies – Note A (eliminated in consolidation)				
At cost less provisions – 1976 and 1977 \$17 m.	510		519	
Advances, current accounts and accrued dividends	<u>1,710</u>	2,220	<u>1,502</u>	2,021
Associated companies – Note D				
At cost	27		24	
Less provisions	<u>4</u>	23	<u>4</u>	20
Long-term receivables		49		30
Current assets:				
Cash	742		909	
Marketable securities at net book amount which approximates market	1		20	
Receivables, principally trade	<u>35</u>		<u>19</u>	
	<u>778</u>		<u>948</u>	
Current liabilities:				
Accounts payable and accrued liabilities	102		98	
Finance debts subject to repayment within one year	57		64	
Dividends payable	<u>97</u>		<u>113</u>	
	<u>256</u>		<u>275</u>	
Current assets less current liabilities		<u>522</u>		<u>673</u>
Total Assets Less Current Liabilities		<u>2,814</u>		<u>2,744</u>
Deduct:				
Finance debts – Note G	547		477	
Less amounts subject to repayment within one year	<u>57</u>	490	<u>64</u>	413
Net Assets		<u><u>2,324</u></u>		<u><u>2,331</u></u>
Commitments and Contingencies – Notes H, I and P				
Capital Stock:				
Preference		25		25
Ordinary		741		742
Paid in surplus		379		382
Earned surplus – Note M		<u>1,179</u>		<u>1,182</u>
Stockholders' Interest		<u><u>2,324</u></u>		<u><u>2,331</u></u>

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THE BRITISH PETROLEUM COMPANY LIMITED

PARENT COMPANY STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	Years ended December 31	
	1976	1977
	(£ million)	
Source of Funds		
Income before UK taxation	98.5	85.3
Increase in finance debts	30.5	—
(excluding changes in currency values)		
Decrease in long-term receivables	23.0	9.8
Decrease in investment in subsidiaries and associates	—	140.0
(excluding taxes recoverable from subsidiaries)		
Issue of shares	—	2.2
Other items	(4.9)	(15.7)
Funds Available	<u>147.1</u>	<u>221.6</u>
Application of Funds		
Increase in investment in subsidiaries and associates	245.2	—
(excluding taxes recoverable from subsidiaries)		
Dividends paid to BP stockholders	72.6	78.4
UK tax paid — mainly advance corporation tax	20.2	35.1
Decrease in finance debts	—	23.1
(excluding changes in currency values)		
	<u>338.0</u>	<u>136.6</u>
(Decrease)/increase in working capital	<u>(190.9)</u>	<u>85.0</u>
	<u>147.1</u>	<u>221.6</u>
Working Capital		
(Decrease) in current receivables	(21.1)	(8.4)
(Increase) in current liabilities	(14.4)	(3.3)
(excluding UK tax and proposed dividends)		
(Decrease)/increase in cash and marketable securities	(155.4)	96.7
	<u>(190.9)</u>	<u>85.0</u>

The Notes to Financial Statements are an integral part of this Statement.

**THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES**

NOTES TO FINANCIAL STATEMENTS

Note A — Accounting Policies

Changes in Accounting Policies

Two changes in accounting policies have been made during 1977 —

- (a) The group now accounts for deferred taxation in accordance with the method proposed in Exposure Draft 19, issued in 1977 by the UK Accounting Standards Committee. The effect of this change (see Note N — Taxation) has been dealt with in the Consolidated Statement of Earned Surplus as a prior year adjustment and the corresponding figures for 1976 have been restated on the new basis.
- (b) Provision against exploration expenditure is no longer made for expenditure relating to uncompleted wells and to completed wells awaiting determination of whether proven reserves have been found. No material sum is involved in this change.

The only change in accounting policies in 1976 was the inclusion of Petroleum Revenue Tax (PRT) in cost for inventory valuation purposes. The amount relating to inventories at December 31, 1975 was not material.

Composition of Consolidated Financial Statements

The consolidated financial statements comprise a consolidation of the accounts of The British Petroleum Company Limited and all its subsidiaries except for a number of minor companies the consolidation of whose accounts would cause undue expense and delay in presentation and whose income is insignificant. The investment in these minor companies is included in the consolidated balance sheet with investment in associated companies. Associated companies are those in which the group has an equity interest of 50% or less. All inter-company transactions are eliminated.

Where accounting policies followed by subsidiaries differ significantly from those adopted for group accounts purposes appropriate consolidation adjustments are made for material items.

In the case of associated companies there is included in the income statement the group proportion of the income and costs of those companies, including The Standard Oil Company (Sohio), whose earnings are material. Dividends received are included for associated companies whose earnings are relatively small.

Currency Translation

Assets and liabilities expressed in currencies other than sterling and operating results of overseas subsidiaries are translated into sterling at the year-end rates of exchange.

Exchange fluctuations are included in the determination of income except those relating to the restatement at year-end exchange rates of

- (a) opening balance sheets of overseas subsidiary and associated companies and
- (b) long-term receivables and finance debts (excluding acceptance facilities) in other than local currencies

which are taken directly to earned surplus.

Inventories

Inventories of oil and chemicals are valued at the lower of approximate group cost including overheads, using the first in, first out method, and net realisable value. For purposes of valuation PRT is treated as a cost. Inventories of stores are stated at or below cost calculated mainly using the average method.

Pensions

In most companies there are pension and retirement plans, the forms and benefits varying with regard to economic conditions and practices in the countries concerned. Where funds and provisions exist, payments and charges are made on the basis of actuarial assessment and where local regulations prevent the establishment of funds the cost of pensions paid is charged against income. Supplementary pension payments are charged against income when paid.

**THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES**

NOTES TO FINANCIAL STATEMENTS — (Continued)

Note A — Accounting Policies — (Continued)

Depreciation and Amounts Provided

Properties and operating assets are depreciated over their estimated useful lives. North Sea Forties Field production assets are being amortized on a unit-of-production basis and the Trans Alaska Pipeline System on a unit-of-throughput basis. Other properties and operating assets are depreciated either on a straight line basis or by the reducing balance method.

Exploration properties are written-off over the estimated period of exploration and full provision is made against the group's proportion of other exploration expenditure whether incurred directly by subsidiary companies or indirectly by associated companies except for expenditure relating to uncompleted wells and to completed wells awaiting determination of whether proven reserves have been found.

Research

Expenditure on research and development is wholly written off in the year in which it is incurred.

Interest and Financing Costs

Interest and financing costs are charged against income but are capitalized where there is dedicated financing of major projects under development.

Petroleum Revenue Tax

The charge for PRT is calculated on a unit-of-production basis and is included in creditors or noncurrent liabilities as appropriate.

Deferred Taxation

The liability method is used in the calculation of deferred taxation, the charge to income reflecting the probable requirement in the foreseeable future.

Note B — Properties and Operating Assets

	<u>December 31, 1976</u>			<u>December 31, 1977</u>		
	<u>Cost</u>	<u>Depreciation</u>	<u>Net</u>	<u>Cost</u>	<u>Depreciation</u>	<u>Net</u>
			(£ million)			
Production and exploration	1,997.5	351.4	1,646.1	2,196.9	433.9	1,763.0
Tankers	303.4	115.2	188.2	286.0	120.6	165.4
Refineries	1,261.9	808.2	453.7	1,210.5	778.9	431.6
Marketing	1,331.3	653.5	677.8	1,359.1	650.8	708.3
Chemicals	343.6	160.2	183.4	418.7	189.2	229.5
	<u>5,237.7</u>	<u>2,088.5</u>	<u>3,149.2</u>	<u>5,471.2</u>	<u>2,173.4</u>	<u>3,297.8</u>

The net amount of properties and operating assets at December 31, 1977 includes £157.7 million (£159.8 million at December 31, 1976) in respect of land (including buildings acquired with the land) of which £143.2 million (£143.9 million at December 31, 1976) represents owned property, mainly service stations overseas, £4.8 million (£5.2 million at December 31, 1976) leases with unexpired terms of 50 years or more and £9.7 million (£10.7 million at December 31, 1976) other leases.

When properties or operating assets are abandoned, sold or otherwise disposed of, the cost and relative depreciation are deducted from the appropriate accounts and the difference between the net cost and the realized value (if any) is charged to expense or credited to revenue as applicable. Maintenance, repairs, minor renewals and betterments are charged to expense. Major renewals and betterments are capitalized.

**THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES**

NOTES TO FINANCIAL STATEMENTS – (Continued)

Note C – Investment in The Standard Oil Company (Sohio)

At December 31, 1977 the group's investment in Sohio had increased to approximately 40%.

The original investment in Sohio was represented by 1,000 shares of special stock which entitled the group to the same rights (except as to dividends) as approximately a 25% common stock interest. The number of shares of common stock, to which the 1,000 shares of special stock are equivalent, rises with increases in the sustainable crude oil production from Sohio's Prudhoe Bay properties, or in certain circumstances from other Alaskan properties, to a maximum of approximately 54% if such production (net of one-eighth royalty owned by the State of Alaska) reaches 600,000 barrels per day prior to January 1, 1984.

In October 1975 Sohio sold 2,000,000 shares of its common stock and pursuant to the terms of the original agreement dated August 7, 1969 the group acquired 1,080,000 shares being a 54% interest of the issue thereby increasing the group's interest in Sohio to approximately 26% at which level it remained until commencement of production in mid-1977.

During the fourth quarter of 1977 a level of sustainable net production of 300,000 barrels per day was achieved thereby increasing the group's interest to its present level.

The group's investment as expressed in sterling has been affected by the movement during the year in the US dollar/sterling rate of exchange.

The group's interest has been equity accounted as from January 1, 1975 when dividends became receivable. This treatment has been reflected in these accounts by the inclusion in other income of £40.4 million (£29.5 million in 1976) with a charge of £11.1 million (£9.8 million in 1976) in overseas taxation. However, interest of £2.1 million (£5.5 million in 1976) on short-term loans related to this investment has been charged leaving a net benefit to group income of £27.2 million (£14.2 million in 1976). At December 31, 1977 the group's share of Sohio's undistributed income was £43.1 million (£24.1 million at December 31, 1976).

The net assets of Sohio at December 31, 1976 and 1977 are summarized as follows:

	<u>1976</u>	<u>1977</u>
	(\$ million)	
Property, plant and equipment after depreciation and depletion	4,869	5,757
Investments and other assets	341	463
Current assets	<u>1,050</u>	<u>1,558</u>
	6,260	7,778
Less:		
Current liabilities	653	997
Other liabilities	36	46
Long-term debt	3,627	4,688
Deferred revenue	287	214
Deferred income taxes	108	154
Preferred stock	<u>11</u>	<u>10</u>
	4,722	6,109
Net Assets applicable to common and special stock	<u>1,538</u>	<u>1,669</u>

The net sales and operating revenue of Sohio for the year 1977 was \$3,523 million (\$2,916 million in 1976). Net income for 1977 was \$181 million (\$137 million in 1976). Dividends amounting to \$41 million were paid to Sohio's preferred and common stockholders for each of the years 1976 and 1977. In addition, dividends amounting to \$14 million (\$12 million in 1976) were paid on the special stock referred to above.

**THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES**

NOTES TO FINANCIAL STATEMENTS — (Continued)

Note D — Investment in Associated Companies

Investment

Investments in associated companies, virtually none of which is publicly traded, are mainly in the nature of partnerships with other oil, chemical or coal groups having in many cases integrated trading operations with subsidiary companies of the group which take a wide variety of forms and were as follows:

	<u>December 31, 1976</u>			<u>December 31, 1977</u>		
	<u>Cost</u>	<u>Provisions</u>	<u>Net</u> (£ million)	<u>Cost</u>	<u>Provisions</u>	<u>Net</u>
Production and exploration	128.1	31.1	97.0	148.3	33.6	114.7
Refineries	60.6	1.9	58.7	59.2	1.9	57.3
Marketing	98.1	4.4	93.7	94.6	12.4	82.2
Chemicals	94.1	—	94.1	85.4	—	85.4
Coal	—	—	—	101.2	2.6	98.6
	<u>380.9</u>	<u>37.4</u>	<u>343.5</u>	<u>488.7</u>	<u>50.5</u>	<u>438.2</u>

Net Assets

Information as to the group proportion of the net assets of associated companies at the end of 1977 is not yet available. However, from the accounts received during the year 1977 from major associated companies in which the group net investment at December 31, 1976 was £312.9 million (out of a total net investment of £343.5 million), it has been ascertained that the net assets of these companies amounted to £1,346.0 million and the group proportion thereof was £406.9 million as follows:

	<u>Associated Companies</u> (£ million)	<u>Group Proportion</u>
Properties and operating assets after depreciation	1,979.6	584.1
Long-term receivables and investments	145.6	45.8
Intangibles including goodwill	18.3	5.5
Current assets	<u>982.9</u>	<u>373.5</u>
	3,126.4	1,008.9
Less: Finance debts	767.3	208.0
Liabilities mainly current	<u>1,013.1</u>	<u>394.0</u>
Net assets	<u>1,346.0</u>	<u>406.9</u>

The accounts referred to were largely prepared as at December 31, 1976 and were drawn up in accordance with the statutory regulations of the countries in which these companies were incorporated.

Income and Retained Earnings — Group Proportion

The group share of the net income of major associated companies, mainly in respect of crude oil production, for the two years ended December 31, 1977 is reflected in the consolidated statement of income as follows:

	<u>Reduction in Costs</u>	<u>Inclusion in Other Income</u> (£ million)	<u>Charge to Overseas Taxation</u>	<u>Net Income (Group Share)</u>
1976	519.4	3.6	484.5	38.5
1977	630.8	35.6	595.1	71.3

**THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES**

NOTES TO FINANCIAL STATEMENTS – (Continued)

Note D – Investment in Associated Companies – (Continued)

At December 31, 1977 £31.8 million (£17.4 million at December 31, 1976) of the accumulated earnings were undistributed. Dividends received from these companies amounted to £80.5 million (£16.3 million in 1976). As at December 31, 1976 and 1977 there was no material difference between the investment cost and the group's equity interest therein.

Considerable expense and undue delay would be occasioned in obtaining up-to-date completed accounts for the many associated companies incorporated and operating overseas whose earnings are relatively small. It is considered that the procedures adopted for dealing with the group share of the income of associated companies, including dividends received (figures for the two years ended December 31, 1977 are given below), effectively result, both as to costs and overseas taxation, in a meaningful presentation of the integrated operations of the group.

Dividends and interest were received from associated companies, other than those specifically referred to above, as follows:

	BP		Consolidated	
	<u>Dividends</u>	<u>Interest</u>	<u>Dividends</u>	<u>Interest</u>
	(£ million)			
1976	2.8	0.1	10.6	3.8
1977	1.6	0.1	8.6	4.0

The group share of losses is, in all material cases, covered by provisions in BP or its subsidiary companies.

Consolidated sales proceeds for 1977 include sales to major 50% owned associated companies of £193.1 million (£178.6 million in 1976). Reference is made in Note F to purchases from such companies.

Note E – Extraordinary Items

The amount of £54.2 million included in the Consolidated Statement of Income for 1977 is in respect of overseas capital gains tax levied as a result of a group reorganization in the UK in 1972 and is stated after taking into account related provisions and participation credits from the country concerned.

Note F – Inventories and Purchases

Inventories of oil and chemicals used in the computation of cost of oil, ocean freight, refining and chemical manufacturing, and customs duties and sales taxes were as follows:

	<u>Cost of oil etc.</u>	<u>Customs duties etc.</u>	<u>Total</u>
	(£ million)		
December 31, 1975	1,290.6	30.3	1,320.9
December 31, 1976	1,689.0	27.0	1,716.0
December 31, 1977	1,681.3	22.8	1,704.1

Purchases from major 50% owned associated companies and from others, mainly producer governments, were as follows:

	<u>Purchases from major 50% owned associated companies</u>	<u>Purchases from others, mainly producer governments</u>
	(£ million)	
1976	230.2	6,759.2
1977	267.1	6,957.1

**THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES**

NOTES TO FINANCIAL STATEMENTS — (Continued)

Note G — Finance Debts.

Long-term debts are those, as defined by the UK Companies Act 1967, which are wholly or in part repayable more than five years from the date of the balance sheet.

Short-term debts and acceptances are those repayable within five years from the date of the balance sheet, other than those bank loans and overdrafts which are repayable within one year from the date of the balance sheet. Short-term debts of the group at December 31, 1977 amounted to £921.5 million (£906.6 million at December 31, 1976) and included £50.7 million (£70.9 million at December 31, 1976) in respect of commercial paper issued by BP Pipelines Inc., a wholly-owned group subsidiary, at an approximate interest rate of 6.7%. Acceptances under facilities with differing periods of duration in respect of oil movements amounted to £94.5 million (£171.4 million at December 31, 1976).

BP		Average contractual interest rate at December 31, 1977 %	Consolidated	
1976	1977		1977	1976
(£ million)	(£ million)		(£ million)	(£ million)
		Long-term		
20.0	20.0	Sterling	25.0	26.9
40.2	27.8	U.S. dollars	810.0	779.7
—	—	Australian dollars	9.5	10.2
—	—	Belgian francs	1.4	10.9
—	—	Canadian dollars	24.5	32.8
—	—	Deutschemarks	25.9	36.6
—	—	Dutch guilders	68.3	119.5
—	—	French francs	54.2	71.5
—	—	Swedish kroner	18.1	15.2
19.2	21.0	Swiss francs	38.7	35.7
—	—	Other currencies	6.1	6.0
79.4	68.8	Total long-term	1,081.7	1,145.0
205.5	180.0	Short-term and acceptances	1,016.0	1,078.0
—	—	Bank loans and overdrafts		
—	—	repayable within one year	64.8	52.7
284.9	248.8	Total finance debts	2,162.5	2,275.7
16.9	16.0	Secured debt included in above figures	162.2	232.7
		Repayment periods from balance sheet date are as follows:		
29.5	33.1	1 year	661.6	764.3
23.5	32.7	2 years	105.6	83.4
42.8	57.9	3 years	163.9	121.2
57.8	67.0	4 years	233.3	190.8
72.3	16.8	5 years	135.5	214.5
39.7	41.3	6 to 10 years	392.7	449.4
19.3	—	Thereafter	469.9	452.1
284.9	248.8		2,162.5	2,275.7

**THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES**

NOTES TO FINANCIAL STATEMENTS – (Continued)

Note G – Finance Debts – (Continued)

The group secured debt at December 31, 1977 of £162.2 million (£237.7 million at December 31, 1976) relates principally to tankers and refineries. Included also are the BP 5% debenture stock, repayable by July 1, 1978, of £8.1 million (£8.4 million at December 31, 1976) and the BP 6% debenture stock, repayable by December 31, 1980, of £7.9 million (£8.5 million at December 31, 1976), both of which are secured by a floating charge on the assets of BP.

At December 31, 1977, the group had substantial amounts of undrawn borrowing facilities available including approximately £690 million (£820 million at December 31, 1976) which was covered by formal commitments. Included therein was an amount of £40.5 million (£135.0 million at December 31, 1976) in support of commercial paper borrowing arrangements. The major part of these facilities is in countries where the rate of interest is a differential above the relevant interbank rate.

Note H – Forties Field Financing

In accordance with the terms of an agreement by BP Oil Development Limited for a forward sale of crude oil and gas from the Forties Field (North Sea Block 21/10) advance proceeds of £156.0 million and \$405.6 million have been received.

Repayment of amounts advanced is being made from the proceeds of the sale of oil produced from December 1, 1975 which BP Trading Limited, a wholly-owned subsidiary, has under a separate agreement undertaken to purchase. If the flow of oil is interrupted, repayments will normally be suspended, but, subject to the presence of an adequate amount of recoverable oil, must in any event be completed by December 31, 1982. The advance proceeds outstanding at December 31, 1977 of £44.1 million (£126.1 million at December 31, 1976) and \$114.7 million (\$327.9 million at December 31, 1976) are secured on the assets and contracts connected with the development of the field.

Costs (mainly interest) incurred by the other party to the above-mentioned agreement in servicing this arrangement with a consortium of banks have been reimbursed by BP Oil Development Limited. In 1977 £15.0 million (£23.3 million in 1976) relative to financing the facilities in operation has been charged against income and £2.4 million (£5.4 million in 1976) has been capitalized as part of the production assets.

The parent company has undertaken to procure the performance by its subsidiary companies of their obligations under the agreements.

**THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES**

NOTES TO FINANCIAL STATEMENTS – (Continued)

Note I – Trans Alaska Pipeline System (TAPS)

BP Pipelines Inc., a group subsidiary, has a 15.84% undivided interest and Sohio Pipe Line Company, a subsidiary of The Standard Oil Company (Sohio) has a 33.34% undivided interest in TAPS.

The main construction phase of the System was completed and became operational in the second half of 1977.

Sohio/BP Trans Alaska Pipeline Capital Inc. ("Capital") is owned by the two pipeline companies and its sole business is the issuance of debt securities from time to time, lending 67.8% of the proceeds to Sohio Pipe Line and 32.2% to BP Pipelines in exchange for notes in the principal amounts of their respective loans each unconditionally guaranteed by their respective parent companies.

In November 1975 and September 1976 Capital arranged private placements in aggregate of \$1,750 million 10 $\frac{1}{2}$ % Notes (\$815.5 million due 1993 and \$934.5 million due 1998) and \$500 million 9 $\frac{3}{4}$ % Notes (\$363 million due 1993 and \$137 million due 1998) with institutional lenders in the US. In respect thereof BP Pipelines has issued guaranteed notes to Capital for aggregate amounts of \$563.5 million and \$161 million respectively, being its proportionate share of these placements.

In addition to the above, Capital has publicly sold \$250 million 9 $\frac{3}{4}$ % Debentures due 1999 and \$250 million 8 $\frac{1}{2}$ % Notes due 1983 in respect of which BP Pipelines has issued guaranteed notes to Capital totalling \$161 million.

In July and August 1977 the City of Valdez, Alaska issued and sold in aggregate \$665 million Marine Terminal Revenue Bonds due 2007 (\$350 million 6% bonds and \$315 million 6.05% bonds) lending 67.8% of the proceeds to Sohio Pipe Line and 32.2% to BP Pipelines, such amounts being subject to the respective parent company guarantees.

In 1977 interest amounting to £32.9 million (£49.6 million in 1976) and issue expenses of £3.4 million (£0.5 million in 1976) in connection with TAPS financing have been capitalized and included as part of construction costs which at December 31, 1977 were £772.0 million (£737.6 million at December 31, 1976). This amount is included in properties and operating assets within the sub-heading production and exploration. Following the commencement of operations interest of £25.8 million has been charged against income in 1977.

Note J – Interest and Financing Costs Capitalized

The following amounts have been capitalized:

	<u>Interest</u>			<u>Financing Costs</u>	<u>Total</u>
	<u>Re TAPS Note I</u>	<u>Re Ninian Field</u>	<u>Other</u>	<u>Re Forties Field Note H</u>	
	(£ million)				
1976	49.6	2.0	—	5.4	57.0
1977	32.9	2.1	1.5	2.4	38.9

Interest in connection with borrowings for the Trans Alaska Pipeline System and financing costs in connection with advances received for development of the Forties Field were capitalized during the relevant construction periods. Interest in respect of specific borrowings for the Ninian Field and certain other assets is being capitalized until the relevant assets are brought into use.

Net income would have been reduced by £54.5 million in 1976 and £32.1 million in 1977 had it been charged with capitalized interest and financing costs offset by amortized amounts of previously capitalized interest.

**THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES**

NOTES TO FINANCIAL STATEMENTS – (Continued)

Note K – Deposits and Noncurrent Liabilities

Deposits relate to certain payments received in advance in respect of crude oil deliveries which will be made during and after 1978 while noncurrent liabilities, which include PRT, are those which become due for settlement after December 31, 1978.

Note L – Pensions

The amount included in group costs for pension and retirement plans for 1977 was £90.3 million (£87.6 million in 1976).

In the UK there was an estimated unfunded service benefit of £45.5 million at January 1, 1975 in relation to back service of UK industrial staff which is being met by additional annual contributions of £4.3 million spread over 20 years.

In respect of subsidiaries with unfunded plans provisions of £148.3 million (£141.8 million in 1976) have been made, and in addition, where local regulations prevent the establishment of separate funds or creation of provisions, the liability for prior service will be made out of the income of future years. The net present value of the unfunded vested benefits at December 31, 1977 was approximately £163 million.

Had the pension charge been computed in accordance with US generally accepted accounting principles net income for 1977 would have been reduced by approximately £14 million (£5 million in 1976).

Note M – Earned Surplus

Consolidated earned surplus at December 31, 1977 includes associated companies' undistributed earnings of £74.9 million referred to in Notes C and D and an unchanged BP preference stock reserve of £10 million which under the terms of BP's Articles of Association is not available to ordinary stockholders. Also included are amounts totalling £776.1 million (£772.9 million at December 31, 1976) retained by subsidiary companies themselves not subject to UK taxation.

In June 1977 it was announced that the Company had applied to the UK Treasury for permission to increase the 1977 dividends by approximately 50% to 30p net per £1 ordinary stock unit. The Company was informed by the Treasury that this application could not be granted under current UK dividend controls. In consequence of this the Directors declared their intention to reserve a sum equal to the difference between the 1977 dividends and that which would have been paid had the application to the Treasury been granted, such amount to be distributed as a special dividend when the removal of dividend restrictions permits. Accordingly £30.5 million, equivalent at the current rate of advance corporation tax to 7.898p net per ordinary stock unit, has been designated within earned surplus as available for this purpose.

The prior years' adjustments shown on the Consolidated Statement of Earned Surplus for the years 1976 and 1977 relate to deferred taxation provisions no longer required after minority shareholders' interest (see also Notes A and N).

Note N – Taxes on Income

Taxes on income consist of the following:

	<u>1976</u> (restated)	<u>1977</u>
	(£ million)	
Overseas – producer governments	1,340.5	1,277.0
– other areas – current	49.3	80.0
– deferred	(3.5)	4.9
	<u>1,386.3</u>	<u>1,361.9</u>
United Kingdom (see below)	53.2	465.1
	<u>1,439.5</u>	<u>1,827.0</u>

**THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES**

NOTES TO FINANCIAL STATEMENTS — (Continued)

Note N — Taxes on Income — (Continued)

United Kingdom:

The charge for UK taxation for the years 1976 and 1977 comprises:

	<u>1976</u> (restated)	<u>1977</u>
	(£ million)	
Corporation tax at 52% — current	507.1	470.1
— deferred	—	—
Recoveries and provisions no longer required	(7.0)	(11.2)
	500.1	458.9
Overseas tax relief	(505.2)	(344.0)
	(5.1)	114.9
Advance corporation tax (ACT) previously written off	(70.9)	—
Transitional relief	(0.2)	—
	(76.2)	114.9
Petroleum revenue tax	129.4	350.2
	<u>53.2</u>	<u>465.1</u>

The UK Finance Act 1972 provides that advance corporation tax be paid to the Inland Revenue in respect of dividends payable after April 5, 1973. The rate was thirty-five sixty-fifths for dividends paid from April 6, 1975 through April 5, 1977 and thirty-four sixty-sixths from April 6, 1977 through April 5, 1978. There is a proposal to reduce the rate to thirty-three sixty-sevenths with effect from April 6, 1978. Of the ACT written off in previous years, £70.9 million was credited to income in 1976. Under US generally accepted accounting principles this amount would have been dealt with as an extraordinary item in the Consolidated Statement of Income. The Finance Act 1972 also amended and extended the transitional relief provisions of the UK Finance Act 1965 so as to give a measure of relief against advance corporation tax. Final transitional relief in 1976 of £0.2 million was dealt with as a credit to taxes on income.

Deferred Taxation Overseas and United Kingdom:

Exposure Draft (ED 19) issued in 1977 by the UK Accounting Standards Committee proposed that deferred taxation need not be provided where it can be demonstrated that there is no reasonable probability of the tax becoming payable in the foreseeable future. A detailed review of the group's deferred taxation provisions, particularly in relation to the time span envisaged in the term 'foreseeable future' and consideration of the taxation effects of the group's continuing investment in the UK North Sea, confirmed that substantial sums could be released from past provisions.

The balance of deferred taxation at December 31, 1976 of £183.8 million as previously reported was after an offset of £151.2 million ACT. Of the resultant total of £335.0 million, £310.9 million is no longer required. As a result, £288.8 million has been transferred to earned surplus as prior years' adjustments and £22.1 million to minority shareholders' interest (see also Notes A and M).

The balance of deferred taxation at December 31, 1977 amounted to £22.1 million. The potential amount of deferred taxation at December 31, 1977 amounted to £315.6 million and comprised tax on timing differences between the accounting and tax treatment of depreciation net of other items and after deducting ACT of £112.3 million.

Under US generally accepted accounting principles, with which the group's previous accounting policy accorded, the estimated charge for deferred taxation for each of the years 1976 and 1977 would have been £154.7 million and £112.1 million respectively and the estimated balance of deferred taxation at December 31, 1977 would have been £310.3 million, categorized as between £124.5 million (debit) for net current items and £434.8 million for net noncurrent items.

**THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES**

NOTES TO FINANCIAL STATEMENTS — (Continued)

Note O — Dividends

Stockholders resident in the United Kingdom are entitled to a tax credit corresponding to the rate of advance corporation tax. The position of stockholders resident outside the United Kingdom will depend on such arrangements as may be made between the British Government and the government of the countries where the stockholders reside. In this respect the tax convention in force between the United States and the United Kingdom has been renegotiated but is not yet ratified by the United States; the new provisions are, however, understood to be retrospective.

The total dividends for both 1976 and 1977 were the maximum permitted under UK legislation.

Note P — Commitments and Contingencies

At December 31, 1977 authorized future capital expenditure by group companies was estimated at £1,420 million including approximately £320 million for which contracts had been placed.

At December 31, 1976 and 1977, BP had issued guarantees under which amounts outstanding were:

	1976	1977
	(£ million)	
Subsidiary companies		
Long-term loans	925	898
Short-term loans	287	277
Acceptances, bank loans and overdrafts etc.	167	111
	1,379	1,286
Other companies	70	107
	1,449	1,393

There are two claims against the Company and four other major international oil groups which the Company and its advisers consider lack legal merit:

- (a) a claim by Lonrho Limited in England in respect of the Beira pipeline for about £100 million which is being disputed and will be heard at arbitration; and
- (b) a claim by the Zambian Government in Zambia in respect of alleged breaches of Rhodesian sanctions for about £4,000 million.

The Company is not appearing before the Zambian court in the second action, since the court does not have jurisdiction over it. It is considered that no loss will result from either of these two actions and, accordingly, no provision has been made in these financial statements.

There were also contingent liabilities in respect of guarantees, indemnities and claims arising from the ordinary course of the group's business, upon which no material losses are likely to arise.

**THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES**

NOTES TO FINANCIAL STATEMENTS – (Continued)

Note Q – Leased Assets

In accordance with US generally accepted accounting principles all capital leases as defined in FAS 13 – “Accounting for Leases” would have been reflected in the Consolidated Balance Sheet as assets and liabilities as follows:

	January 1, 1977			December 31, 1977		
	<u>Gross</u>	<u>Accumulated Depreciation</u>	<u>Net</u>	<u>Gross</u>	<u>Accumulated Depreciation</u>	<u>Net</u>
	(£ million)					
Production and exploration	21.9	0.9	21.0	20.9	1.7	19.2
Tankers	308.1	91.1	217.0	306.7	114.9	191.8
Refineries	2.1	1.0	1.1	2.1	1.2	0.9
Marketing	107.4	30.6	76.8	110.0	37.5	72.5
Chemicals	3.8	1.7	2.1	5.0	2.3	2.7
Assets under capital leases	<u>443.3</u>	<u>125.3</u>	<u>318.0</u>	<u>444.7</u>	<u>157.6</u>	<u>287.1</u>
Liabilities under capital leases			<u>410.7</u>			<u>361.7</u>

Had such leases been capitalized net income for 1977 would have been increased by £16.1 million, mainly resulting from the effect of currency translations arising from the application of FAS 8 – “Accounting for the Translation of Foreign Currency Transactions and Foreign Currency Financial Statements”. The amount applicable to leases commencing in 1977 was not material.

At December 31, 1977 minimum rental commitments for non-cancellable leases (after deducting related rental income from sub-leases of £149.1 million and £12.3 million for operating and capital leases respectively) were as follows:

<u>Year</u>	<u>Operating Leases</u>	<u>Capital Leases</u>
	(£ million)	
1978	99.4	64.2
1979	83.7	60.5
1980	56.4	56.9
1981	34.0	54.3
1982	28.9	48.7
Thereafter	<u>347.3</u>	<u>404.6</u>
	<u>649.7</u>	<u>689.2</u>
Less: Amount representing executory costs		4.7
Imputed interest		<u>322.8</u>
Net present value		<u>361.7</u>

Total lease rental expense charged in the Consolidated Statement of Income for the years ended December 31, 1976 and 1977 for operating and capital leases were:

	<u>1976</u>	<u>1977</u>
	(£ million)	
Minimum rentals	240.2	263.4
Contingent rentals	<u>9.3</u>	<u>10.1</u>
	249.5	273.5
Less: Rentals from sub-leases	<u>12.3</u>	<u>12.3</u>
	<u>237.2</u>	<u>261.2</u>

**THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES**

NOTES TO FINANCIAL STATEMENTS – (Continued)

Note R – Earnings Per Unit of Ordinary Stock

The calculation of the earnings per unit of ordinary stock is based on the weighted average number of stock units outstanding during each year.

Note S – Research

Expenditure on research and development in 1977 amounted to £30.3 million (£25.3 million in 1976).

Note T – Currency Fluctuations

In accordance with accounting principles generally accepted in the United Kingdom, all assets and liabilities in currencies other than sterling are translated into sterling at the applicable year-end rates of exchange. BP considers that this accounting principle results in a fair statement of the net income of the group, especially as non-sterling borrowing is mainly related to borrowing by group companies in respect of assets and trading activities which will generate the non-sterling currency necessary to effect repayment. Specifically it is expected that the US dollar dedicated financing for TAPS will be repaid out of US dollar revenues generated in the United States.

This accounting principle is reflected in the Consolidated Statement of Earned Surplus as follows:—

	<u>1976</u> (restated)	<u>1977</u>
	(£ million)	
Currency fluctuations relating to properties and operating assets and investment in Sohio	292	(215)
Currency fluctuations relating to finance debts and other items	(204)	107
Net currency fluctuations dealt with in earned surplus	<u>88</u>	<u>(108)</u>

US generally accepted accounting principles require *inter alia* that an adjustment to income be made in respect of the restatement of finance debts at year-end exchange rates but do not permit effect to be given to the corresponding restatement of overseas assets and require that historical exchange rates be applied for inventory valuation purposes. Had the group followed US generally accepted accounting principles it is estimated that the approximate effect on net income for 1976 and 1977 would have been as follows:

	<u>1976</u> (restated)	<u>1977</u>
	(£ million)	
Effect on income re currency fluctuations:		
US dollar dedicated finance debts	(75)	69
Other finance debts and other items	(129)	38
	<u>(204)</u>	<u>107</u>
Estimated reduction in charge for depreciation	39	16
Effect on inventory valuations	47	27
Approximate (decrease)/increase to net income	<u>(118)</u>	<u>150</u>

**THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES**

NOTES TO FINANCIAL STATEMENTS – (Continued)

Note U – Activity and Geographical Analysis

The following information for the year ended December 31, 1977 is provided to comply with the disclosure requirement of FAS 14 – “Financial Reporting for Segments of a Business Enterprise”.

<u>By Activity</u>	<u>Petroleum</u>	<u>Chemical</u>	<u>Other</u> (£ million)	<u>Eliminations</u>	<u>Total</u>
Sales to unaffiliated customers	11,291	574	132		11,977
Inter-activity sales	210	87	—	(297)	—
	11,501	661	132	(297)	11,997
Other revenues	167	2	16		185
Equity accounted income	43	14	19		76
	11,711	677	167	(297)	12,258
Operating result	740	22	5		767
Total assets	8,204	554	242		9,000
Depreciation	268	19	3		290
Capital expenditure	537	58	41		636

<u>By Geographical Area</u>	<u>United Kingdom</u>	<u>Rest of Europe</u>	<u>Middle East & Africa</u>	<u>North & South America</u>	<u>Australasia & Far East</u>	<u>International</u>	<u>Eliminations</u>	<u>Total</u>
					(£ million)			
Sales to unaffiliated customers	2,883	3,957	543	401	558	3,655		11,997
Inter-area sales	742	98	47	—	13	4,667	(5,567)	—
	3,625	4,055	590	401	571	8,322	(5,567)	11,997
Other revenue	65	56	21	38	5	—		185
Equity accounted income	(2)	9	6	43	20	—		76
	3,688	4,120	617	482	596	8,322	(5,567)	12,258
Operating result	393	(15)	123	105	93	68		767
Total assets	3,289	2,648	389	1,547	549	578		9,000

**THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES**

NOTES TO FINANCIAL STATEMENTS – (Continued)

Note U – Activity and Geographical Analysis – (Continued)

- (a) Inter-activity and inter-area sales are made at market prices taking into account the volumes involved. Receivables arising from these sales are excluded from the analyses of total assets.
- (b) Equity accounted income represents the group share of income before taxation of major associated companies, including Sohio, other than income arising from companies mainly concerned with crude oil production and refining in the Middle East and Africa (see also Notes C and D).

(c)	(£ million)
Operating result, as above	767
Less: Interest and financing costs	208
Taxes excluding PRT and all production taxes	<u>200</u>
	<u>408</u>
Income after taxation	<u>359</u>

- (d) Total assets include investments in equity accounted associated companies amounting to £640 million, primarily located in North America and Australasia, and analysed between activities as follows:

<u>Petroleum</u>	<u>Chemical</u>	<u>Other</u>	<u>Total</u>
(£ million)			
<u>457</u>	<u>76</u>	<u>107</u>	<u>640</u>

- (e) In the geographical analysis, "United Kingdom" includes North Sea crude oil activities where the operating result is after PRT but before corporation tax. "International" consists of the group's trade in crude oil acquired mainly from national production companies in the Middle East and Africa.
- (f) Within an integrated international company any allocation between industrial activities and geographical areas presents some difficulties largely on account of transactions between different reporting segments. It is, however, considered that the information presented allows a reasonable appreciation of the group's operations.

Note V – Quarterly Results of Operations – (Unaudited)

	1976			
	Three Months Ended			
	<u>March 31</u>	<u>June 30</u>	<u>Sept. 30</u>	<u>Dec. 31</u>
	(£ million, except per share amounts)			
Net sales proceeds and other income	2,378.3	2,511.4	2,676.6	3,203.1
Operating and other costs	<u>2,006.4</u>	<u>2,111.3</u>	<u>2,196.4</u>	<u>2,671.7</u>
Income before taxes	371.9	400.1	480.2	531.4
Taxes on income	349.8	348.7	423.7	475.5
Income applicable to minority interests	1.9	(0.4)	4.6	—
Net income	<u>20.2</u>	<u>51.8</u>	<u>51.9</u>	<u>55.9</u>
Net income per ordinary stock unit	<u>5.2p</u>	<u>13.3p</u>	<u>13.4p</u>	<u>14.5p</u>

Figures for 1976 are as previously reported in Form 20-K for 1976 and do not reflect the change in the method of accounting for deferred taxation (see Notes A and N).

**THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES**
NOTES TO FINANCIAL STATEMENTS – (Continued)

Note V – Quarterly Results of Operations – (Unaudited) – (Continued)

	1977 (restated)*			
	Three Months Ended			
	March 31	June 30	Sept. 30	Dec. 31
	(£ million, except per share amounts)			
Net sales proceeds and other income	3,053.6	2,943.2	3,007.2	3,254.0
Operating and other costs	2,447.1	2,428.6	2,501.4	2,694.6
Income before taxes and extraordinary items	606.5	514.6	505.8	559.4
Taxes on income	457.7	405.9	447.2	516.2
Income applicable to minority interests	4.0	(0.8)	(1.5)	(0.7)
Income before extraordinary items	144.8	109.5	60.1	43.9
Extraordinary items after taxation	—	—	—	(54.2)
Net income	144.8	109.5	60.1	(10.3)
Income before extraordinary items per ordinary stock unit	37.4p	28.3p	15.5p	11.3p
Extraordinary items per ordinary stock unit	—	—	—	(14.0p)
	37.4p	28.3p	15.5p	(2.7p)

* Figures for 1977 have been restated to reflect the change in accounting policies in respect of deferred taxation implemented in the fourth quarter of 1977 (see Notes A and N).

Note W – Replacement Cost Information – (Unaudited)

In compliance with the requirements of the Securities and Exchange Commission there follows a summary of Management's unaudited estimates of the replacement costs of certain properties and operating assets and inventories of the group at December 31, 1976 and 1977, together with the estimated replacement cost of sales and the annual depreciation charge based on replacement cost for the years 1976 and 1977.

Replacement cost data has not been provided for the group's properties and operating assets involved in oil and gas production and exploration activities. For the year 1976 the group's assets situated outside North America and the European Economic Community (EEC) are also excluded.

The historical cost of total group sales has been adjusted on an overall basis for both years taking into account the average time lag between acquiring crude oil and the subsequent sale of oil and chemical products.

Replacement costs of inventories of oil and chemicals reflect the sterling equivalent of current prices and costs, including applicable replacement cost depreciation, at December 31, 1976 and 1977. Inventories of stores have not been revalued since they comprise, for the most part, items recently acquired.

**THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES**

NOTES TO FINANCIAL STATEMENTS – (Continued)

Note W – Replacement Cost Information – (Unaudited) – (Continued)

	<u>Historical Cost Basis</u>	<u>1976 Replacement Cost Basis</u>	<u>Historical Cost Basis</u>	<u>1977 Replacement Cost Basis</u>
	(£ million)			
Cost of oil, ocean freight, refining and chemical manufacturing	<u>7,634</u>	<u>7,880</u>	<u>8,547</u>	<u>8,670</u>
Depreciation	<u>123</u>	<u>240</u>	<u>160</u>	<u>325</u>
Inventories of oil and chemicals	<u>1,707</u>	<u>1,725</u>	<u>1,704</u>	<u>1,756</u>
Properties and operating assets				
Cost	2,271	5,650	2,792	7,405
Depreciation	<u>1,275</u>	<u>3,550</u>	<u>1,640</u>	<u>4,577</u>
Net	<u>996</u>	<u>2,100</u>	<u>1,152</u>	<u>2,828</u>

Depreciation based on replacement cost of productive capacity has been calculated on the straight-line method using the same assumptions regarding useful lives and residual values as are used in the historical cost statements.

Reconciliations between the historical cost amounts for which replacement costs have been calculated and the amounts in the historical financial statements are shown below.

	<u>Depreciation and amounts provided</u>	
	<u>1976</u>	<u>1977</u>
	(£ million)	
Historical cost amounts for which replacement cost data is provided	<u>123</u>	<u>160</u>
Add:		
Production and exploration assets	106	129
Assets situated outside North America and EEC	31	—
Assets not to be replaced	3	2
Provided against investment in associated companies	<u>3</u>	<u>13</u>
	<u>143</u>	<u>144</u>
Total as shown in the consolidated financial statements	<u>266</u>	<u>304</u>

**THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES**
NOTES TO FINANCIAL STATEMENTS – (Continued)

Note W – Replacement Cost Information – (Unaudited) – (Continued)

	Properties and Operating Assets					
	1976			1977		
	<u>Cost</u>	<u>Depreciation</u>	<u>Net</u>	<u>Cost</u>	<u>Depreciation</u>	<u>Net</u>
	(£ million)					
Historical cost amounts for which replacement cost data is provided	<u>2,271</u>	<u>1,275</u>	<u>996</u>	<u>2,792</u>	<u>1,640</u>	<u>1,152</u>
Add:						
Production and exploration assets	1,997	351	1,646	2,197	434	1,763
Assets situated outside North America and EEC	713	410	303	–	–	–
Land	83	–	83	135	–	135
Assets under construction	109	–	109	216	–	216
Assets not to be replaced	65	53	12	131	99	32
	<u>2,967</u>	<u>814</u>	<u>2,153</u>	<u>2,679</u>	<u>533</u>	<u>2,146</u>
Total as shown in the consolidated financial statements	<u>5,238</u>	<u>2,089</u>	<u>3,149</u>	<u>5,471</u>	<u>2,173</u>	<u>3,298</u>

The replacement cost of approximately 75% of the historical cost of properties and operating assets for which replacement cost has been computed, has been calculated by applying indices appropriate to their function and location, taking into account adjustments for improvements in technology. The replacement cost of the remaining assets including tankers and certain buildings has been calculated by reference to published prices and manufacturers' or constructors' estimates.

The historical and replacement costs of assets have been reduced, respectively, by £160 million and £295 million for 1976 and by £167 million and £358 million for 1977 in respect of government grants available in the United Kingdom.

At December 31, 1977 the estimated replacement cost amounts in respect of capitalized leased assets (see Note Q) were as follows:

	<u>Historical Cost Basis</u>	(£ million)	<u>Replacement Cost Basis</u>
Gross	415		805
Depreciation	<u>153</u>		<u>422</u>
Net	<u>262</u>		<u>383</u>

These amounts exclude production and exploration leased assets and leased assets that are not to be replaced.

It must be emphasised that Management does not envisage the replacement of all the assets simultaneously nor does the information provided reflect the costs likely to be incurred as the various assets are replaced over a period of years. Management believes, however, that the estimated replacement cost information reasonably responds to the requirements of the Securities and Exchange Commission.

It is not possible to predict to what extent the group's future replacement decisions may be influenced by governmental policies, environmental considerations, economic and other factors in the many countries in which the group operates.

The replacement cost data presented herein does not necessarily represent the current realisable value of existing inventories or productive capacities.

**THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES**
NOTES TO FINANCIAL STATEMENTS – (Concluded)

Note X – US Generally Accepted Accounting Principles

The following are the estimated material adjustments to net income of the group which would be required if generally accepted accounting principles in the United States had been applied instead of those generally accepted in the United Kingdom.

	<u>Years ended December 31</u>	
	<u>1976</u> (restated)	<u>1977</u>
	(£ million, except per share amounts)	
Net income as reported in the Consolidated Statement of income	338.1	304.1
Pensions – Note L	(5.0)	(14.0)
Deferred taxation – Note N	(158.2)	(107.2)
Leased assets – Note Q*	–	16.1
Currency fluctuations – Note T	(118.0)	150.0
Approximate net income as adjusted to accord with US generally accepted accounting principles	<u>56.9</u>	<u>349.0</u>
Dividend requirements on preference stock	<u>0.7</u>	<u>0.7</u>
Approximate net income applicable to ordinary stock units as adjusted to accord with US generally accepted accounting principles	<u>56.2</u>	<u>348.3</u>
Per ordinary stock unit as so adjusted	<u>14.6p</u>	<u>90.1p</u>

* Leased assets assuming retroactive application of FAS 13 (not computed for 1976).

Note Y – Subsequent Events – (Unaudited)

In March 1978 the Board of BP approved the proposed development of the Magnus Field in the UK sector of the North Sea, subject to the consent of the UK Department of Energy. The field is expected to produce at a peak rate of 125,000 barrels a day of oil and gas liquids, at a cost of about £1,250 million.

As a result of Sohio's net production from the Prudhoe Bay properties in Alaska the group's investment in Sohio increased to over 50% subsequent to December 31, 1977.

SCHEDULE II

THE BRITISH PETROLEUM COMPANY LIMITED
LOANS TO UNITED KINGDOM EXECUTIVES
DECEMBER 31, 1977

There exists within The British Petroleum Company Limited an executive loan plan under which certain senior staff may obtain loans from the company of amounts, bearing interest at the rate of 3% per annum, determined largely having regard to actual and prospective service with the company.

The following table shows the position at December 31, 1976 and the changes during 1977:

	<u>Number of employees</u>	<u>Total loans</u> (£ million)
At December 31, 1976	2,046	14.6
Increase to existing loans	—	0.7
New loans	410	2.8
	<u>2,456</u>	<u>18.1</u>
Deletions	204	1.6
At December 31, 1977	<u>2,252</u>	<u>16.5</u>

Included in the above amount of £16.5 million at December 31, 1977 were 249 loans in excess of £10,416 aggregating £3.5 million and also 3 loans aggregating £74,050 to officers of the company of which £50,550 had been made to persons who subsequently became managing directors.

The loans are repayable on retirement or on earlier termination of service. The company reserves the right to amend or wind up the scheme at any time. The UK Companies Act, 1948 contains a general prohibition on loans to Directors.

SCHEDULE II

THE BRITISH PETROLEUM COMPANY LIMITED
LOANS TO UNITED KINGDOM EXECUTIVES
DECEMBER 31, 1976

There exists within The British Petroleum Company Limited an executive loan plan under which certain senior staff may obtain loans from the company of amounts, bearing interest at the rate of 3% per annum, determined largely having regard to actual and prospective service with the company.

The following table shows the position at December 31, 1975 and the changes during 1976:

	<u>Number of employees</u>	<u>Total loans</u> (£ million)
At December 31, 1975	1,966	11.9
Increase to existing loans	—	2.2
New loans	250	1.6
	<u>2,216</u>	<u>15.7</u>
Deletions	170	1.1
At December 31, 1976	<u>2,046</u>	<u>14.6</u>

Included in the above amount of £14.6 million at December 31, 1976 were 126 loans in excess of £11,760 aggregating £1.9 million and also 3 loans aggregating £70,050 to officers of the company of which £50,550 had been made to persons who subsequently became managing directors.

The loans are repayable on retirement or on earlier termination of service. The company reserves the right to amend or wind up the scheme at any time. The UK Companies Act, 1948 contains a general prohibition on loans to Directors.

THE BRITISH PETROLEUM COMPANY LIMITED
INVESTMENTS IN SECURITIES OF SUBSIDIARY COMPANIES

	<u>Balance at Jan. 1, 1976</u>		<u>Additions</u>		<u>Deductions</u>		<u>Balance at Dec. 31, 1976</u>	
	<u>Number of Shares</u>	<u>Amount £ million</u>	<u>Number of Shares</u>	<u>Amount £ million</u>	<u>Number of Shares</u>	<u>Amount £ million</u>	<u>Number of Shares</u>	<u>Amount £ million</u>
BP Canadian Holdings Ltd. No par value shares	50,000	19.1					50,000	19.1
BP Trading Ltd. Shares of £1	1,000,000	1.0					1,000,000	1.0
Deutsche BP A.G. Shares of Deutsche Marks 1,000,000	650	75.5					650	75.5
Shares of Deutsche Marks 50	2,000,000						2,000,000	
Svenska BP A.B. Shares of Swedish Kronor 1,000	50,000	3.7					50,000	3.7
The British Petroleum Co. of Australia Ltd. Shares of Australian \$2	30,000,000	25.9	20,250,000	26.8			50,250,000	52.7
Investment in other subsidiary companies (includes BP Medway Tanker Co. Ltd. £90)	126 companies	120.4	1 company	3.7*	12 companies†	1.9†	115 companies	122.2
		245.6		30.5		1.9		274.2
Less Provisions — see Schedule XII		8.7		—		—		8.7
Net Investment		236.9		30.5		1.9		265.5

* Mainly an increase in investment in BP (Schweiz) A.G.

† Transfer of shares to subsidiary companies.

All the above named companies are 100 per cent owned.

THE BRITISH PETROLEUM COMPANY LIMITED
INVESTMENTS IN SECURITIES OF SUBSIDIARY COMPANIES

	<u>Balance at Jan. 1, 1977</u>		<u>Additions</u>		<u>Deductions</u>		<u>Balance at Dec. 31, 1977</u>	
	<u>Number of Shares</u>	<u>Amount £ million</u>	<u>Number of Shares</u>	<u>Amount £ million</u>	<u>Number of Shares</u>	<u>Amount £ million</u>	<u>Number of Shares</u>	<u>Amount £ million</u>
BP Canadian Holdings Ltd. No par value shares	50,000	19.1					50,000	19.1
BP Trading Ltd. Shares of £1	1,000,000	1.0					1,000,000	1.0
Deutsche BP A.G. Shares of Deutsche Marks 1,000,000	650 }	75.5					650 }	75.5
Shares of Deutsche Marks 50	2,000,000 }						2,000,000 }	
Svenska BP A.B. Shares of Swedish Kronor 1,000	50,000	3.7					50,000	3.7
The British Petroleum Co. of Australia Ltd. Shares of Australian \$2	50,250,000	52.7					50,250,000	52.7
Investment in other subsidiary companies (includes BP Medway Tanker Co. Ltd. £90 and BP Thames Tanker Co. Ltd. £90)	115 companies	122.2	6 companies	4.9	2 companies†	0.2†	119 companies	126.9
		<u>274.2</u>		<u>4.9</u>		<u>0.2</u>		<u>278.9</u>
Less Provisions — see Schedule XII		<u>8.7</u>		<u>—</u>		<u>—</u>		<u>8.7</u>
Net Investment		<u><u>265.5</u></u>		<u><u>4.9</u></u>		<u><u>0.2</u></u>		<u><u>270.2</u></u>

† Transfer of shares to subsidiary companies.

All the above named companies are 100 per cent owned.

SCHEDULE III

SCHEDULE IV

**THE BRITISH PETROLEUM COMPANY LIMITED
INDEBTEDNESS OF AFFILIATES**

	<u>Balance at Beginning of Period</u> (£ million)	<u>Balance at End of Period</u>
Year ended December 31, 1977		
BP Canadian Holdings Ltd.	58.5	44.9
BP Medway Tanker Co. Ltd.	48.4	42.0
BP Thames Tanker Co. Ltd.	15.6	42.0
BP Trading Ltd.	682.4	626.0
Svenska BP A.B.	33.6	32.3
40 other companies at December 31, 1977	362.6	335.7
	<u>1,201.1</u>	<u>1,122.9</u>

Note: All changes result from corporate financial and trading activities.

SCHEDULE IV

**THE BRITISH PETROLEUM COMPANY LIMITED
INDEBTEDNESS OF AFFILIATES**

	<u>Balance at Beginning of Period</u> (£ million)	<u>Balance at End of Period</u>
Year ended December 31, 1976		
BP Canadian Holdings Ltd.	53.8	58.5
BP Medway Tanker Co. Ltd.	48.4	48.4
BP Trading Ltd.	329.0	682.4
Svenska BP A.B.	32.3	33.6
42 other companies at December 31, 1976	321.0	378.2
	<u>784.5</u>	<u>1,201.1</u>

Note: All changes result from corporate financial and trading activities.

SCHEDULE V

THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES

PROPERTY, PLANT AND EQUIPMENT

	<u>Balance at Jan. 1, 1977</u>	<u>Additions at cost</u>	<u>Retirements or sales</u> (£ million)	<u>Other Changes</u>	<u>Balance at Dec. 31, 1977</u>
Production and exploration	1,997.5	375.4	51.8	(124.2) (a)	2,196.9
Tankers	303.4	0.2	12.9	(4.7) (a)	286.0
Refineries	1,261.9	56.6	51.6	(56.4) (a)	1,210.5
Marketing	1,331.3	146.0	40.5	(84.6) (a) 6.9 (b)	1,359.1
Chemicals	343.6	58.1	4.0	(0.7) (a) 21.7 (b)	418.7
	<u>5,237.7</u>	<u>636.3</u>	<u>160.8</u>	<u>(242.0)</u>	<u>5,471.2</u>

(a) Exchange adjustments.

(b) Acquisitions.

SCHEDULE V

THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES

PROPERTY, PLANT AND EQUIPMENT

	<u>Balance at Jan. 1, 1976</u>	<u>Additions at cost</u>	<u>Retirements or sales</u> (£ million)	<u>Other Changes</u>	<u>Balance at Dec. 31, 1976</u>
Production and exploration	1,277.9	609.9	4.8	103.8 (a) 10.7 (b)	1,997.5
Tankers	365.9	12.2	79.1	4.4 (a)	303.4
Refineries	1,067.5	30.8	2.7	166.3 (a)	1,261.9
Marketing	1,101.0	108.0	43.0	164.9 (a) 0.4 (b)	1,331.3
Chemicals	302.1	46.9	7.9	2.5 (a)	343.6
	<u>4,114.4</u>	<u>807.8</u>	<u>137.5</u>	<u>453.0</u>	<u>5,237.7</u>

(a) Exchange adjustments.

(b) Acquisitions.

SCHEDULE VI

THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES
PROVISIONS FOR DEPRECIATION, DEPLETION AND AMORTIZATION OF
PROPERTY, PLANT AND EQUIPMENT

	Balance at Jan. 1, 1977	Additions Charged to Costs and Expenses	Retirements Renewals and Replacements (£ million)	Other Changes	Balance at Dec. 31, 1977
Production and exploration	351.4	129.1	19.0	(27.6) (a)	433.9
Tankers	115.2	19.4	11.3	(2.7) (a)	120.6
Refineries	808.2	52.7	51.5	(30.5) (a)	778.9
Marketing	653.5	69.6	31.8	(43.4) (a) 2.9 (b)	650.8
Chemicals	160.2	19.7	3.1	(0.5) (a) 12.9 (b)	189.2
	<u>2,088.5</u>	<u>290.5</u>	<u>116.7</u>	<u>(88.9)</u>	<u>2,173.4</u>
Charged to costs and expenses as shown above			290.5		
Add: provided against investments in associated companies			13.2		
Depreciation charged to costs and expenses			<u>303.7</u>		
(a) Exchange adjustments.					
(b) Acquisitions.					

SCHEDULE VI

THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES
PROVISIONS FOR DEPRECIATION, DEPLETION AND AMORTIZATION OF
PROPERTY, PLANT AND EQUIPMENT

	Balance at Jan. 1, 1976	Additions Charged to Costs and Expenses	Retirements Renewals and Replacements (£ million)	Other Changes	Balance at Dec. 31, 1976
Production and exploration	228.0	105.7	3.6	21.3 (a)	351.4
Tankers	132.5	20.3	40.5	2.9 (a)	115.2
Refineries	657.7	53.8	0.4	97.1 (a)	808.2
Marketing	533.4	65.5	38.5	92.9 (a) 0.2 (b)	653.5
Chemicals	148.0	17.8	7.0	1.4 (a)	160.2
	<u>1,699.6</u>	<u>263.1</u>	<u>90.0</u>	<u>215.8</u>	<u>2,088.5</u>
Charged to costs and expenses as shown above			263.1		
Add: provided against investments in associated companies			2.8		
Depreciation charged to costs and expenses			<u>265.9</u>		
(a) Exchange adjustments.					
(b) Acquisitions.					

SCHEDULE IX

**THE BRITISH PETROLEUM COMPANY LIMITED AND SUBSIDIARY COMPANIES
BONDS, MORTGAGES AND SIMILAR DEBT
AT DECEMBER 31, 1977**

Name of issuer and title of each issue	Amount authorized by indenture		Amount issued and not retired or cancelled (Note (a))	Amount included in consolidated balance sheet
	(in millions of currency units)			(£ million)
Long-term loans				
The British Petroleum Company Limited				
Var.	International Westminster Bank repayable by 1984	£	10.0	10.0
Var.	Barclays Bank International Loan repayable by 1984	£	10.0	10.0
7%	Eximbank Eurodollar Loan repayable by 1984	U.S. \$	38.2	20.0
6%	Bearer Bonds repayable by 1987	Sw. Francs	80.0	21.0
7¼%	Bank of Tokyo Eurodollar Loan repayable by 1983	U.S. \$	15.0	7.8
BP Australia Ltd.				
Var.	Loan repayable by 1984	U.S. \$	50.0	26.0
BP Canada Ltd.				
7¼%	Series A Debentures repayable by 1993	U.S. \$	25.0	11.5
8¼%	Series B Debentures repayable by 1993	Can. \$	25.0	10.5
BP Capital Ltd.				
8¼%	Loan repayable by 1984	U.S. \$	33.0	17.2
8¼%	Loan repayable by 1984	U.S. \$	18.0	9.4
BP Refinery Canada Ltd.				
5¼%	Sinking Fund Debentures repayable by 1986	Can. \$	30.0	9.2
BP North American Finance Corporation				
9¼%	Guaranteed Debentures repayable by 2001	U.S. \$	150.0	78.1
10%	Guaranteed Debentures repayable by 2000	U.S. \$	100.0	52.1
5½%	Promissory Notes repayable by 1985	U.S. \$	55.0	15.3
BP Pipelines Inc.				
Var.	Revolving Credit Facility	U.S. \$	175.0	—
9¼%	Guaranteed Notes repayable by 1999	U.S. \$	80.5	41.9
8 ½ %	Guaranteed Notes repayable by 1983	U.S. \$	80.5	41.9
10 ½ %	Guaranteed Notes repayable by 1993	U.S. \$	262.6	136.8
10 ½ %	Guaranteed Notes repayable by 1998	U.S. \$	300.9	156.7
9¼%	Guaranteed Notes repayable by 1993	U.S. \$	116.9	60.9
9¼%	Guaranteed Notes repayable by 1998	U.S. \$	44.1	23.0
6%	Marine Terminal Revenue Bonds repayable by 2007	U.S. \$	112.7	58.7
6.05%	Marine Terminal Revenue Bonds repayable by 2007	U.S. \$	101.4	52.8
British Petroleum Maatschappij Nederland B.V.				
8¼%	Loan repayable by 1987	D. Fls	125.0	28.7
British Petroleum Raffinaderij Nederland N.V.				
8%	Debenture Loan repayable by 1986	D. Fls	75.0	15.5
7¼%	Debenture Loan repayable by 1987	D. Fls	100.0	22.9
BP (Schweiz) A.G.				
7½%	Bearer Bonds repayable by 1985	Sw. Francs	60.0	15.7
Oelwerke Julius Schindler GmbH				
6¾%	Bond Loan repayable by 1983	D. Marks	50.0	12.4
Société Française des Pétroles BP				
8¼%	Debentures repayable by 1989	Fr. Francs	150.0	14.7
Var.	Loans repayable by 1990	Fr. Francs	100.0	11.1
Var.	Loan repayable by 1983	Fr. Francs	50.0	5.6
Var.	Loan repayable by 1986	Fr. Francs	50.0	5.6
Other Bonds, Debentures and Loans				78.7
Total Long-term Loans				1,081.7
Short-term Loans and Acceptances				1,016.0
Bank Loans and Overdrafts				64.8
				2,162.5
Of which subject to repayment within one year				661.6

Of which subject to repayment within one year

Note: (a) None of the amounts shown in this column is
(i) Held by or for the account of the issuer thereof
(ii) Held in sinking or other special funds of the issuer thereof
(iii) Pledged by the issuer thereof

SCHEDULE X

THE BRITISH PETROLEUM COMPANY LIMITED

INDEBTEDNESS TO AFFILIATES

	<u>Balance at Beginning of Period</u>	<u>Balance at End of Period</u>
	(£ million)	
Year ended December 31, 1977		
Deutsche BP A.G.	42.1	40.8
68 other companies at December 31, 1977	<u>268.5</u>	<u>299.5</u>
	<u>310.6</u>	<u>340.3</u>

Note: All changes result from corporate financial and trading activities.

SCHEDULE X

THE BRITISH PETROLEUM COMPANY LIMITED

INDEBTEDNESS TO AFFILIATES

	<u>Balance at Beginning of Period</u>	<u>Balance at End of Period</u>
	(£ million)	
Year ended December 31, 1976		
Deutsche BP A.G.	31.9	42.1
66 other companies at December 31, 1976	<u>171.7</u>	<u>268.5</u>
	<u>203.6</u>	<u>310.6</u>

Note: All changes result from corporate financial and trading activities.

THE BRITISH PETROLEUM COMPANY LIMITED
GUARANTEES OF SECURITIES OF OTHER ISSUERS
As at December 31, 1977

<u>Name of Issuer of Securities Guaranteed by Person for Which Statement is Filed</u>	<u>Title of Issue of Each Class of Securities Guaranteed</u>	<u>Total Amount Guaranteed and Outstanding</u>	<u>Amount Owned by Person or Persons for which Statement is filed</u>	<u>Amount in Treasury of Issuer of Securities Guaranteed</u>	<u>Nature of Guarantee</u>	<u>Nature of any Default by Issuer of Securities Guaranteed in Principal, Interest, Sinking Fund or Redemption Provisions, or Payment of Dividends</u>				
		<u>(£ million)</u>	<u>(£ million)</u>	<u>(£ million)</u>						
Long-term loans										
BP Australia Ltd.	6¼% Loan	26.0	None	None	Principal and Interest	No defaults				
BP Canada Ltd.	7¼% A & 8¼% B Debentures	22.0								
BP Refinery Canada Ltd.	5¼% Sinking Fund Debentures	9.2								
BP North American Finance Corp.	5½% Promissory Notes/9¼% & 10% Debentures	145.5								
BP Pipelines Inc.	8¾%/10¼% Guaranteed Notes/6% & 6.05% Bonds	572.7								
British Petroleum Maatschappij Nederland B.V.	8½% Loan	28.7								
British Petroleum Raffinaderij Nederland N.V.	7¼%/8% Debentures	38.4								
BP (Schweiz) A.G.	7½% Bearer Bonds	15.7								
BP Capital Ltd.	8½% Loans	26.6								
4 Other Subsidiaries	Loans and Debentures	12.9								
Total long-term loans		897.7								
Short-term loans										
BP Thames Tanker Co. Ltd.	Promissory Notes/Loans	61.6	None	None	Principal and Interest	No defaults				
BP Tanker Co. Ltd.	6%/7½% Promissory Notes	20.1								
BP New Zealand Ltd.	6¾%/7¼% Debentures/Loans	16.0								
BP North American Finance Corp.	9% Guaranteed Notes	26.0								
BP Pipelines Inc.	Promissory Notes	50.7								
British Petroleum (Overzee) B.V.	Revolving Credit/7% Notes	54.5								
British Petroleum Raffinaderij Nederland N.V.	6%/7¼% Debenture Loans	9.7								
BP Capital Ltd.	Loan	26.0								
7 Other Subsidiaries	Bonds, Loans and Promissory Notes	12.7								
Total short-term loans		277.3								

SCHEDULE XII

THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES

PROVISIONS

Deducted in the balance sheet from the assets to which they apply

	<u>Balance</u> <u>Jan. 1, 1977</u>	<u>Additions Charged to</u>		<u>Deductions</u>	<u>Balance</u> <u>Dec. 31, 1977</u>
		<u>Costs and</u> <u>Expenses</u>	<u>Other</u> <u>Accounts</u>		
		<u>(£ million)</u>			
Registrant					
Provision against investments in associated companies	<u>2.1</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2.1</u>
Provision against investments in subsidiary companies	<u>8.7</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8.7</u>
Group					
Provision against investments in associated companies	<u>37.4</u>	<u>13.2</u>	<u>—</u>	<u>0.1</u>	<u>50.5</u>
Provision against doubtful debts	<u>33.5</u>	<u>7.0</u>	<u>(1.1)</u>	<u>4.4</u>	<u>35.0</u>

SCHEDULE XII

THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES

PROVISIONS

Deducted in the balance sheet from the assets to which they apply

	Additions Charged to				
	Balance Jan. 1, 1976	Costs and Expenses	Other Accounts	Deductions	Balance Dec. 31, 1976
			(£ million)		
Registrant					
Provision against investments in associated companies	<u>2.1</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2.1</u>
Provision against investments in subsidiary companies	<u>8.7</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>8.7</u>
Group					
Provision against investments in associated companies	<u>34.9</u>	<u>2.8</u>	<u>—</u>	<u>0.3</u>	<u>37.4</u>
Provision against doubtful debts	<u>27.9</u>	<u>7.4</u>	<u>2.5</u>	<u>4.3</u>	<u>33.5</u>

THE BRITISH PETROLEUM COMPANY LIMITED AND SUBSIDIARY COMPANIES
CAPITAL SHARES AT DECEMBER 31, 1977

		<u>Number of shares authorized</u>	<u>Number of shares issued</u>	<u>Not held by, or for account of issuer</u>	<u>Shares issued or outstanding</u> Number £ million	<u>Number of shares held by consolidated affiliates</u>
The British Petroleum Company Limited —						
8% (now 5.6% plus tax credit) Cumulative First Preference Stock		7,250,000	7,232,838	7,232,838	7,232,838 7.2	None
9% (now 6.3% plus tax credit) Cumulative Second Preference Stock		5,500,000	5,473,414	5,473,414	5,473,414 5.5	None
Ordinary Stock		386,518,085	386,518,085	386,518,085	386,518,085 386.5	None
Unclassified Shares		100,731,915	—	—	—	
					<u>399.2</u>	
Border Chemicals Ltd.	{ A Shares 300,000 B Shares 300,000 C Shares 300,000 }	900,000	900,000	900,000	300,000 0.3	600,000
BP Canada Ltd.	No par value Shares	30,000,000	21,016,024	21,016,024	7,243,302 30.2	13,772,722
	5% Cum. Redeemable Sinking Fund Preference Shares	11,912	11,912	11,912	11,912 0.6	—
Forth Chemicals Ltd.	{ A Shares 1,000,000 B Shares 500,000 }	1,500,000	1,500,000	1,500,000	500,000 0.5	1,000,000
Kwinana Nitrogen Company Pty Ltd.	{ A Shares 2,400,000 B Shares 600,000 }	3,000,000	3,000,000	3,000,000	600,000 0.7	2,400,000
Société Française des Pétroles BP	Ordinary Shares	7,724,721	7,724,721	7,724,721	2,328,319 12.9	5,396,402
Société Streichenberger	Ordinary Shares	63,762	63,762	63,762	16,384 0.3	47,378
Trouw & Co. N.V.	Ordinary Shares	391,500	391,500	391,500	130,500 0.6	261,000
Minority Shareholdings in 24 other companies					0.7	
					<u>46.8</u>	

SCHEDULE XVI

**THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES**
SUPPLEMENTARY INCOME STATEMENT INFORMATION
Year ended December 31, 1977

<u>Description</u>	<u>Charged to Costs and Expenses</u> (£ million)
Maintenance and repairs	195.4
Rents, tanker charters and hire of plant and machinery	273.5
 (a) Depreciation and amounts provided, customs duties and sales taxes are shown as separate headings in the Consolidated Statement of Income.	
(b) Oil royalties are treated as part of production costs in the Consolidated Statement of Income.	
(c) Amounts charged to income in respect of amortization of intangibles, taxes other than income taxes, advertising costs, research and development costs and royalties other than oil royalties are, for each heading, less than 1% of total sales and revenues.	

SCHEDULE XVI

**THE BRITISH PETROLEUM COMPANY LIMITED AND
SUBSIDIARY COMPANIES**
SUPPLEMENTARY INCOME STATEMENT INFORMATION
Year ended December 31, 1976

<u>Description</u>	<u>Charged to Costs and Expenses</u> (£ million)
Maintenance and repairs	171.9
Rents, tanker charters and hire of plant and machinery	249.5
 (a) Depreciation and amounts provided, customs duties and sales taxes are shown as separate headings in the Consolidated Statement of Income.	
(b) Oil royalties are treated as part of production costs in the Consolidated Statement of Income.	
(c) Amounts charged to income in respect of amortization of intangibles, taxes other than income taxes, advertising costs, research and development costs and royalties other than oil royalties are, for each heading, less than 1% of total sales and revenues.	

File
Review
\$ GSOP



The British Petroleum Company Limited Annual Report & Accounts 1977

US DOLLAR EDITION

The Chairman's statement, Directors' report and the audited accounts, prepared under accounting principles generally accepted in the UK, were issued to stockholders on March 31, 1978.

This edition utilises the same narrative with arbitrary translation of Sterling to US dollars and conversion of tonnes to barrels.

The British Petroleum Company Limited

Annual report and accounts

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Conversion bases

£ sterling to US dollars

Figures shown herein in US dollars have been translated from the sterling figures appearing in the Annual Report and Accounts of the company at the December 31, 1977 exchange rate of \$1.92 = £1 and it should not be construed as a representation that the amounts of the pound (£) sterling accounts represent, or have been or could be converted into, US dollars at this or any other rate.

Tonnes to barrels

Conversion of tonnes into barrels has been made at the rate of 7.5 barrels per tonne.

The BP Group

BP is the biggest industrial concern in the UK and ranks eighth largest of the world's industrial companies and third outside the US, on the basis of sales proceeds. About 81,000 people work for group companies worldwide. Other companies throughout the world in which BP has a minority interest employ a further 60,000 people.

BP is engaged in all phases of the oil and natural gas industry including exploration, production, shipping, refining, marketing, chemicals and research. BP's interests in the US are mainly through its stockholding in The Standard Oil Company (Sohio).

The group has pioneered the discovery and development of several of the world's most important oil producing areas from Iran to Alaska and the North Sea. The group is exploring in 20 countries.

The major part of the group's crude oil is obtained from the Middle East and Nigeria. Oil is flowing in large quantities from the North Sea Forties Field and Sohio is now producing substantial quantities from the Prudhoe Bay Field in Alaska.

On 31 December 1977 BP owned 71 ships totalling 7.4 million deadweight long tons and had some 7.8 million dwt on long-term charter.

About 45% of the group's crude oil supplies is sold to third parties and the remainder is processed for BP. The group refining interests are located in 25 countries and include 13 wholly-owned refineries, a majority interest in five refineries with 100% processing availability, together with part ownership of 18 other refineries.

Products are sold in Western Europe – which accounts for 70% of the group's volume of product sales – and in Africa, Canada, Australasia and parts of the Far East. UK product sales represent something over 15% of the group's business. BP meets more than 10% of total EEC oil demand. The BP Marine International Service supplies fuels and lubricants to world shipping through arrangements at 320 ports. Air BP is a major supplier to international aviation.

The group's large and growing interests in the chemicals and plastics industry include operations at eight centres in the UK and by associated companies in Germany, France, Australia, India and South Africa.

The group is diversifying into a number of activities outside its traditional oil and natural gas operations. These include coal, in which the group has substantial interests in Australia, Canada and southern Africa;

the animal nutrition field; minerals; and technology related to the group's present activities. Other group companies are concerned with insurance, computers and international travel and freight forwarding.

BP's current interest in Sohio is approximately 40% and is expected to increase to more than 50% by mid-1978 at which time over 40% of the BP group's total assets will be in the US. Sohio's leases in Alaska entitle it to some 53% of the oil reserves of the main reservoir of the Prudhoe Bay Field which contains more than one quarter of total US proved reserves of crude oil. Sohio and BP together own a nearly 50% interest in the Trans Alaska Pipeline System. Sohio is a fully integrated company with sales of oil products totalling approximately 400,000 barrels per day (b/d) in Ohio and adjoining states and the Eastern Seaboard. Sohio operates tankers and pipelines, owns and operates three refineries and has interests in chemicals, plastics, coal production, oil shale and uranium ore mining and processing and has 22,000 employees.

Approximately 31% of the capital of BP is owned by the British Government and approximately 20% by the Bank of England. The remaining 49% is held by approximately 177,000 stockholders, one of which represents the interests of some 28,000 American Depositary Receipt holders.

When the government acquired its interest in 1914, the company's Articles of Association were amended to give the government the right to nominate two members of the Board with power to veto any resolution. The government, however, pledged itself not to interfere in the company's commercial affairs, and undertook not to exercise the right of veto except in regard to certain specific matters of general policy. The right of veto has never been exercised.

The Bank of England purchased its holding from The Burmah Oil Company, Limited on 23 January 1975 as part of the financing arrangements made by the Bank with that Company. In 1977 the government sold part of its original holding in BP in a public offer (thus reducing its interest from 48% to 31%) and at the same time stated its intention to acquire the Bank of England's holding in due course. At the time of this sale, the government stated it was its intention to maintain its relationship with BP in a way which does not breach the traditional practice of non-intervention in the administration of the company as a commercial concern.



Board of Directors

***Sir David Steel** DSO, MC, TD, Chairman

***M M Pennell** CBE, Deputy Chairman

***R W Adam**

†Sir Lindsay Alexander Chairman, Ocean Transport and Trading Limited

***Dr J Birks** CBE

Marshal of the Royal Air Force The Lord Elworthy KG, GCB, CBE, DSO, MVO, DFC, AFC,
former Chief of the Defence Staff

†The Lord Greenhill of Harrow GCMG, OBE,
former Permanent Under-Secretary, Foreign and Commonwealth Office

The Earl of Inchcape Chairman, Inchcape and Company Limited

†T Jackson General Secretary, Union of Post Office Workers

***C C F Laidlaw**

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

†Sir Alastair Pilkington FRS, Chairman, Pilkington Brothers Limited

***J W R Sutcliffe**

†M J Verey TD, Chairman, The Charities Official Investment Fund

***P I Walters**

*Managing Director

†Member of Audit Committee

Secretary

D A G Sarre

Registered Office

Britannic House, Moor Lane, London EC2Y 9BU

Auditors

Whinney Murray & Co

Depository for American Depositary Receipts

Morgan Guaranty Trust Company of New York
23 Wall Street, New York, New York 10015

The Chairman's Statement

The Annual Report and Accounts, the Review of the BP group and the Financial Review, are each for the first time contained in separate documents in the hope that this will make the immensely complicated account of our affairs more digestible. They describe the group's performance in 1977 but here I would like to draw your attention to some specific issues.

The sale by the British Government of stock representing 17.2% of the ordinary capital of BP, has resulted in a welcome addition of some 70,000 new stockholders making a total, including individuals in the United States, of over 200,000. Approximately 31% of the capital remains in the ownership of the British Government and 20% with the Bank of England. The government has reaffirmed its intention to maintain its relationship with BP in a way which does not breach the traditional practice of non-intervention in the administration of the company as a commercial concern.

As in the previous year, your company was responsible in 1977 for more than half the UK's production of North Sea crude oil. This, as you know, was a substantial contribution to the dramatic improvement in Britain's balance of payments position. In 1978 North Sea production will increase and I expect our share to be some 40%. The successful development of the Forties Field results in large revenues which are being split between the government by way of tax and the company, in the ratio of approximately 75:25 over the years. The government's tax measures are designed to provide a high cash flow to the producer in the early years. This has enabled the group to accelerate its repayments of the bank loans raised for the development of the Forties Field. The balance of the share which remains to the company is required to pay for further investment and growth, especially the increasingly costly search for and development of further oil and other energy supplies. The projected development of the Magnus Field in the North Sea at a cost at present estimated at \$2.4 billion is one such investment.

The expected improvement in cash flow from the North Sea has been partly offset by a combination of adverse circumstances, notably the weakness of the oil and chemical markets, and the fall in the value of the dollar against sterling. In addition, the persistent surpluses of shipping and crude distillation capacity have imposed substantial losses on our European trade. In the absence of any effective action by governments, or the European Commission, to deal with these surpluses generally, we have now taken the decision to shut down our largest refinery, in Rotterdam, for two months and to lay up indefinitely five of our largest tankers. We are considering what further steps we can take ourselves to curtail these losses.

The Trans Alaska Pipeline System began transporting crude oil on target in mid-1977. This was a major achievement by all concerned. There was one serious commissioning problem when a pump station was destroyed. This substantially reduced the rate of delivery of crude oil, but the pump station has been rebuilt and the original design capacity should now be achieved thus giving us a majority shareholding in Sohio.

I would like to draw attention to a change in accounting policies. The directors have decided to adopt the proposals of the UK Accounting Standards Committee on deferred tax. As a result almost all amounts previously provided for deferred tax have been transferred to reserves and the tax charge for 1977 has been considerably reduced. This new treatment does not, of course, affect the underlying performance of the group, but it does provide a more realistic picture of the group's net income and financial position. It is covered in detail in the Report of the Directors and in the Notes to the Accounts.

There is much talk today of an impending energy crisis and we ourselves have drawn attention to the finite nature of UK – and world – crude oil and gas reserves. I would stress that our estimates still envisage an increase in world production for the next decade, to be followed by a decline, the severity of which will depend in part on the extent to which the world has succeeded in conserving supplies and developing other energy sources in the meantime. This means that oil and gas are going to be available for a long time, although increasingly devoted to the two uses for which alternatives will be least economic, namely transport and chemical feedstock. We continue to take steps in diversification against the time of eventual crude oil decline, but we have every confidence in oil and gas as the main basis of our business at least to the turn of the century.

As always our success depends on the efforts of our employees and I am pleased to say we have built up systems of consultation aimed at involving them more closely in the business and in matters which affect their working lives.

Highlights

Sales	million barrels per day	1976 (restated)	1977	1977
		3.5	3.5	%
Gross Income	\$m	25,047	28,748	100
Division of gross income				
Cost of crude oil (including production taxes)	\$m	14,842	15,765	55
Consumer duties and taxes	\$m	4,312	5,597	19
Other operating costs	\$m	5,244	6,802	23
Net income after extraordinary items				
Distributed to stockholders	\$m	148	167	1
Retained for investment	\$m	501	417	2
	\$m	25,047	28,748	100
Dividends per unit of ordinary stock				
Additional 1976 paid in 1977	cents	0.4		
Interim	cents	13.2	13.4	
Final	cents	24.8	29.0	
	cents	38.4	42.4	
Income before extraordinary items	\$m	649	688	
Expressed:				
per unit of ordinary stock	\$	1.68	1.78	
on average capital employed	%	10.3	9.8	
on average net assets	%	11.4	11.2	
Capital expenditure	\$m	1,874	1,527	
Funds generated from operations	\$m	1,405	2,024	
Assets employed	\$m	10,690	10,646	

Report of the Directors

The Directors submit their sixty-ninth annual report below and the accounts for the year ended 31 December 1977 on pages 13 to 22. Further information on the group's activities is this year given separately in a booklet entitled "1977 Review of the BP Group".

Group results and proposed dividends

Group income before extraordinary items for the year was \$688 million, a 6% increase over the 1976 figure of \$649 million. This result incorporates a change in the basis in accounting for taxation, which is referred to in more detail in a following section. The 1976 figure has been restated.

The 1977 result has been reduced by an extraordinary amount of \$104 million in respect of overseas capital gains tax levied as a result of a corporate reorganisation in the UK in 1972. Income before UK corporation tax but after petroleum revenue tax amounted to \$911 million compared with \$515 million in 1976. Having regard to the new basis for providing for taxation a comparison of the group's net income for 1977 with that for the previous year must take account of the fact that in 1977 there is a UK corporation tax liability of \$221 million and that in 1976 there was a credit of \$146 million primarily in respect of advance corporation tax previously written off.

The year's net income per ordinary stock unit, before extraordinary items, was 92.6 pence (\$1.78) (1976 87.4 pence - \$1.68).

The group's after tax return before the extraordinary item, on average capital employed, fell to 9.8%, compared with 10.3% for 1976. This level of return remains inadequate to compensate for current rates of inflation, and reflects the continuing surpluses in certain phases of the oil industry's operations.

Of the year's net income, \$417 million (1976 \$501 million) has been retained for investment within the group leaving \$167 million (1976 \$148 million) provided for dividends.

A final ordinary dividend of 15.121 pence (29 cents) per stock unit is recommended, amounting to \$112 million. This, when added to the interim ordinary dividend for 1977 of 6.981 pence (13 cents) per stock unit (\$52 million) paid in November, makes a total ordinary dividend for 1977 of 22.102 pence (42 cents) per stock unit (\$164 million). The result is an increase of 10% over the level for 1976 (after taking into account the additional amount of 0.198 pence (0.4 cents) per stock unit paid in November for 1976 because of the reduction in the rate of advance corporation tax, and adjusting for additional share capital). This increase is the maximum permitted under present UK legislation and presupposes no further change in the rate of advance corporation tax.

In addition, \$59 million has been designated within reserves to reflect our intention to pay a special dividend when dividend restrictions are removed. This follows an unsuccessful application made to the Treasury in June 1977 for permission to increase the 1977 dividends by approximately 50% above 1976 levels. The designation represents the additional amount required to meet a 50% rather than a 10% increase, and is equivalent at the current rate of advance corporation tax to 7.898 pence (15 cents) per ordinary stock unit.

Trading conditions

The momentum of the 1976 economic recovery in OECD countries was not maintained. During 1977, growth in real GNP edged downwards to about 5% in the USA and less than 4% in the OECD countries in aggregate. In Europe, the position was particularly disappointing, with growth of about 2% compared with over 4% in 1976, and as a consequence, oil demand fell slightly.

Potential availability of crude oil, augmented by North Sea and Alaskan production, exceeded demand. In this situation official selling prices of Gulf crudes remained unchanged throughout the year, with the exception that from 1 July 1977 Saudi Arabia and the United Arab Emirates (the lower tier crudes) increased their prices to bring them into line with the remaining member States of OPEC (the upper tier crudes) which had increased prices by 10% from 1 January 1977. Market prices for these crudes declined steadily through the year and on into 1978. Also, towards the year-end, some producers introduced incentive discounts off their official prices in an attempt to reverse sharply falling demand for their crudes. Demand for the low sulphur crudes from Africa and the North Sea was particularly strong early in the year, reflecting the severe winter in the USA, and the African governments moved their

Report of the Directors (continued)

official selling prices up significantly. By mid-year market prices for these crudes were slipping, reflecting slack demand and the increasing availability from the North Sea; so that by the end of the year very substantial discounts off the African official selling prices were being conceded and North Sea prices were correspondingly depressed.

In terms of the margin on crude oil these developments were particularly unfavourable for BP. Having suffered disproportionately for the first half year because 85% of the group's OPEC supplies was upper tier crude, the restoration of margins into line with competitors in the second half year coincided with falling demand and thus there was no opportunity to offset the penalty of the first half year.

Similarly margins on shipping and refining, particularly for European trade, remained very depressed because of the continuing surplus of large tankers and of distillation capacity. The end of two tier crude prices at mid-year was barely reflected in Rotterdam product prices, and the earlier experience of refiners of upper tier crude became common to all. Thus for most of the year the group's shipping and refining margin covered only variable costs, with a negligible contribution to fixed costs and overheads.

Competition in European markets remained intense and losses were incurred particularly in Germany, where BP has no indigenous crude oil and gas to offset these, in France and in Switzerland. In the UK, refining and marketing operations produced no return on the capital employed.

In Australia, Canada, New Zealand and South Africa, where the trading environment was more favourable, good results were achieved.

Group oil operations

Over the year production from the Forties Field was built up to an average 456,000 barrels per day (b/d) in December. In Alaska, the Trans Alaska Pipeline System was commissioned, but an explosion at a pump station in July resulted in throughputs being constrained to 730,000 b/d in the year under review.

Despite the depressed oil trading environment, the group increased its sales of refined products in 1977 by 3.5% to 2.0 million b/d. This growth was predominantly in higher margin gasolines and middle distillates and our total sales of low margin fuel oils were little changed. Natural gas sales also increased by 2.0% to 358 million cubic feet per day. Crude oil sales fell by 4.2% to 1.5 million b/d, but this is regarded as satisfactory in the face of the expansion in direct sales by producing countries since 1974.

Income benefited considerably from Forties crude oil production but was adversely affected by the trading conditions discussed in the previous section. In addition, the weakness of the dollar against sterling, particularly in the last quarter of the year, reduced the reported results from the group's dollar-based operations. Moreover, the group's income suffered in sterling terms from the translation of some of its current assets at year-end rates of exchange from dollars into sterling.

The group's equity interest in Sohio grew over the year from 26% to approximately 40% as a result of the build-up in production from the Prudhoe Bay Field. Sohio's net income rose to \$181 million, compared with \$137 million in 1976, a reflection of the commencement of Alaskan earnings. The two factors together increased Sohio's contribution to group net income to \$56 million, compared with \$38 million in 1976.

Chemicals

After an encouraging start to the year, European chemicals prices came under increasing pressure as declining economic activity resulted in increasing amounts of spare production capacity overhanging the market. Consequently, although sales were increased by 2.1% to 50,000 b/d, the contribution of chemicals to group income dropped to \$36 million, compared with \$94 million in 1976.

This contribution consists of income from direct chemicals operations before interest and tax and the group's proportion of its associated chemical companies' income for the year. It excludes the chemicals activities of Sohio and those within the group's oil marketing companies.

Capital expenditure Capital expenditure by the group in 1977, together with its proportion of the capital expenditure of associated companies other than Sohio, totalled \$1,527 million. This included the continuing heavy cost involved in creating and developing new crude oil production and transportation facilities in the North Sea and Alaska. In addition, the group made a significant acquisition of coal mining interests in Australia.

Assets employed The level of assets employed has not changed significantly over the year; the impact of increased capital investment having been offset by the expansion in the deferred liability in respect of petroleum revenue tax.

The Activity and Geographical Analysis on page 23 for the first time indicates the geographic spread of total assets less current liabilities.

Deferred taxation The UK Accounting Standards Committee issued a Standard on Accounting for Deferred Taxation in August 1975 (SSAP 11) for mandatory application from 1 January 1976. Companies were advised that this new Standard should be adopted as soon as possible and consequently the BP group applied it in its accounts for 1975 and 1976. However, in October 1976 the implementation date of SSAP 11 as a Standard was deferred to allow time for a review of the principles and methods of accounting proposed.

In May 1977 a new Exposure Draft on Accounting for Deferred Taxation (ED 19) was issued. This proposes that deferred taxation need not be provided where it can be demonstrated that there is no reasonable probability of the tax becoming payable in the foreseeable future.

The Directors have decided to adopt ED 19. Had the group continued over the years to provide for deferred taxation on the basis of SSAP 11 then in our view this would have produced a major distortion in the presentation of annual results and in the division of funds between shareholders and other sources. A detailed review of existing deferred taxation provisions has therefore been made based on further interpretation of ED 19 particularly in relation to the time span envisaged by the term 'foreseeable future' and consideration of the taxation effects of the group's continuing investment in the UK North Sea.

This confirms that substantial sums can be released from past provisions and that for 1977 the taxation charged against income is materially reduced. The adjustments arising from the adoption of ED 19 are higher than previously indicated in the quarterly income statements during the year. The details are given in Note 3 to the accounts which includes a comparison of taxation charged under ED 19 and SSAP 11. The figures for income before extraordinary items on both bases are as follows:

	1977	1976
	\$m	\$m
Income as now reported applying ED 19	688	649
Income with full provision for deferred taxation	481	345

Developments in financial reporting The accounts include this year for the first time additional information on page 23 on the industrial and geographical spread of the group's activities. Within an integrated international company any allocation presents some difficulties, largely on account of transactions between different reporting segments, but your Directors believe that the additional information now provided considered in conjunction with the explanatory notes will assist in an appreciation of the group's operations.

In November 1977 an interim recommendation on inflation accounting was issued by the Accounting Standards Committee ('The Hyde Guidelines') and consequently this year's report includes on page 28 a statement and supporting explanatory notes in line with the recommendation. While BP recognises the desirability of attempting to reflect the impact of inflation in financial reporting and accepts the Hyde Guidelines as a constructive step in this direction, nevertheless there remain many complex issues for discussion before inflation adjusted accounts can provide an alternative basis for the measurement of performance and therefore for reporting to shareholders. For example, the additional depreciation included in the statement is calculated predominantly by indexing the historic cost of assets but in current conditions of surplus the replacement cost for shipping and distillation assets so derived bears no relationship to either realisable asset values or earning capacity.

Report of the Directors (continued)

Contribution to the UK balance of payments With the production from Forties Field at higher levels in 1977, it is estimated that the balance of payments has benefited by \$1,920 million from the group's North Sea activities (1976 \$710 million). Exports of oil products and chemicals from the UK were valued at \$2,068 million and \$213 million respectively.

Significant events During the year the sale of £66.7 million Ordinary Stock was successfully concluded by HM Government. 20% of this Ordinary Stock was sold in North America. The sale reduced the proportion of BP's Ordinary Stock held by the Government to 30.9%, with a further 20.1% held by the Bank of England. This increased the number of registered BP Stockholders to 177,000 from 107,000 before the sale. Of these, one holding represents some 28,000 stockholders in the USA who hold their interests through American Depositary Receipts.

Sohio's net production from the Prudhoe Bay properties in Alaska sustained over 90 days exceeded 300,000 barrels per day during 1977. This increased the group's investment in Sohio to approximately 40% at 31 December 1977.

Articles of Association A resolution will be proposed at the Annual General Meeting to alter the Articles of Association in a number of respects. The major changes are as follows:—

- (i) To reflect the nature of the Company's business it is proposed to eliminate the requirements that a Director must be a British subject (Article 81) and that Board and committee meetings cannot be held outside England without the consent in writing of the Directors appointed by the Government (Article 93).
- (ii) Article 87 currently provides that each Director shall be entitled to remuneration at the rate of £1,000 per annum. It is considered that this fee is totally inadequate and, as flexibility is desirable, it is proposed to authorise the Board to fix each Director's fee from time to time subject to a maximum of £8,000 per annum. The provision in Article 87, which permits additional remuneration to be paid to Directors who perform services outside the scope of the ordinary duties of a Director, is retained. It should be noted, in this context, that Directors' fees will be increased only if this is consistent with whatever Government pay policy may currently be in force.
- (iii) It is proposed, in accordance with modern practice, to amend the provisions of Articles 86 and 101 so that no shareholding qualification is required of a Director in place of the current requirement that a Director shall hold shares of an aggregate nominal value of £1,000.
- (iv) An alteration is proposed to Article 73 under which the voting rights in respect of a share are suspended if there is a default in giving information as to beneficial ownership following a request by the Company for such information under section 27 of the Companies Act 1976.

Other alterations are proposed which are intended to bring the Articles of Association more into line with modern practice. These include elimination of the provisions in Articles 18, 24 and 30 relating to payment of fees by shareholders in certain circumstances, an addition to Article 28 which permits destruction of old share transfers and cancelled share certificates after retention for specified periods, amendments to Articles 74 and 75 regarding the execution and lodgment of instruments appointing a proxy and an amendment to Article 85 which extends the period of notice required to be given of an intention to propose the election of a Director who is not a retiring Director. Further changes are proposed to Articles 16, 24, 28, 113 and 117 to conform to current Stock Exchange requirements and to reflect certain provisions of The Stock Transfer Act 1963 and the Stock Exchange (Completion of Bargains) Act 1976.

Directors The Board appointed Dr J Birks a Managing Director as from 1 January 1978 and in accordance with the Articles of Association he retires and, being eligible, offers himself for re-election.

Lord Elworthy and Lord Inchcape retire from the Board by rotation and, being eligible, offer themselves for re-election.

The present Directors of the Company are listed on page 4.

Directors' interests in the Company

Interests of the Directors in the stock and debentures of the Company are shown below. These include family interests; other interests (e.g. as a trustee) are indicated by an asterisk.

		1 Jan 1977	31 Dec 1977
	Type of Stock	£ units	£ units
Sir David Steel	Ordinary	1,066	1,066
M M Pennell	Second Preference	400	400
	Ordinary	600	2,000
R W Adam	Ordinary	1,000	1,000
Sir Lindsay Alexander	First Preference	1,000	1,000
	Ordinary	—	300
The Lord Elworthy	Ordinary	1,066	1,066
The Lord Greenhill of Harrow	†Ordinary	1,000	1,000
The Earl of Inchcape	Ordinary	3,383	3,383
	*Ordinary	1,871	1,871
T Jackson	†Ordinary	1,000	1,000
C C F Laidlaw	Ordinary	1,000	1,000
Sir James Menter	First Preference	1,000	1,000
	Ordinary	—	150
Sir Alastair Pilkington	First Preference	830	830
	Ordinary	170	170
J W R Sutcliffe	Ordinary	1,000	1,000
M J Verey	Ordinary	2,066	2,166
P I Walters	Ordinary	1,000	1,000

† held as nominee for HM Government

On appointment the interest of Dr J Birks was £1,013 Ordinary Stock.

None of the Directors had any interest in shares or debentures of subsidiary companies of the Company at 31 December 1977. Interests of all the Directors of the Company and their family interests do not, in the aggregate, in respect of either share capital or voting control, exceed 5% of the parent company or of any one subsidiary.

Since 31 December 1977, Lord Greenhill has notified the Company of a personal interest in £56 Ordinary Stock; no other change in the interests described above has taken place up to 16 March 1978.

UK staff The average weekly number of persons employed by the group in the UK during 1977 was 33,708 and their aggregate remuneration for that year was \$317 million.

Charitable contributions During the year the group made payments in the UK amounting to \$719,964.

Auditors Whinney Murray & Co. who are willing to continue in office offer themselves for reappointment.

By order of the Board
D A G Sarre, Secretary

16 March 1978

Report of the Auditors

The following is a reproduction of the Report given by the Auditors on the sterling accounts prepared in accordance with accounting principles generally accepted in the UK.

To the Members of The British Petroleum Company Limited

We have examined the accounts of The British Petroleum Company Limited set out on pages 13 to 22 and pages 30 to 33. These have been prepared under the historical cost convention.

In our opinion, the company's balance sheet and the group accounts give, under the accounting convention stated above, a true and fair view of the state of affairs at 31 December 1977 and of the net income, changes in reserves and source and application of funds for the year then ended, and comply with the Companies Acts, 1948 and 1967.

We have also examined the Current Cost Statement for the year ended 31 December 1977 on page 28. In our opinion the statement has been properly prepared, in accordance with the methods set out therein, to give the information indicated by the Accounting Standards Committee's Interim Recommendation on Inflation Accounting of November 1977.

Whinney Murray & Co.
Chartered Accountants
London, 16 March 1978

The British Petroleum Company Limited and subsidiary companies

Accounting Policies

13

Changes in Accounting Policies	Two changes in accounting policies have been made since last year— (a) The group now accounts for deferred taxation in accordance with the method proposed in Exposure Draft 19, issued in 1977 by the UK Accounting Standards Committee. The effect of this change (see note 3 — Taxation) has been dealt with as a prior year adjustment and the corresponding figures for 1976 have been restated on the new basis. (b) Provision against exploration expenditure is no longer made for expenditure relating to uncompleted wells and to completed wells awaiting determination of whether proven reserves have been found. No material sum is involved in this change.
Accounting Convention	The accounts are prepared under the historical cost convention.
Composition of Group Accounts	The group accounts comprise a consolidation of the accounts of the parent company and all its subsidiaries except for a number of minor companies the consolidation of whose accounts would cause undue expense and delay in presentation and whose income is insignificant. The investment in these minor companies is included in the group balance sheet with investment in associated companies. Where accounting policies followed by subsidiaries differ significantly from those adopted for group accounts purposes appropriate consolidation adjustments are made for material items. In the case of associated companies there is included in the income statement the group proportion of the income and costs of those companies, including The Standard Oil Company (Sohio), whose earnings are material. Dividends received are included for associated companies whose earnings are relatively small.
Currency Translation	Assets and liabilities expressed in currencies other than sterling and operating results of overseas subsidiaries are translated into sterling at the year-end rates of exchange. Exchange fluctuations are included in the determination of income except those relating to the restatement at year-end exchange rates of (a) opening balance sheets of overseas subsidiary and associated companies and (b) long-term receivables and finance debts (excluding acceptance facilities) in other than local currencies which are taken directly to reserves.
Stock Valuation	Stocks of oil and chemicals are valued at the lower of approximate group cost including overheads, using the first in, first out method, and net realisable value. For purposes of valuation Petroleum Revenue Tax (PRT) is treated as a cost. Stocks of stores are stated at or below cost calculated mainly using the average method.
Pensions	In most companies there are pension and retirement plans, the forms and benefits varying with regard to economic conditions and practices in the countries concerned. Where funds and provisions exist, payments and charges are made on the basis of actuarial assessment and where local regulations prevent the establishment of funds the cost of pensions paid is charged against income. Supplementary pension payments are charged against income when paid.
Depreciation and Amounts Provided	Properties and operating assets are depreciated over their estimated useful lives, North Sea Forties Field production assets are being amortised on a unit-of-production basis and the Trans Alaska Pipeline System on a unit-of-throughput basis. Other properties and operating assets are depreciated either on a straight line basis or by the reducing balance method. Exploration properties are written-off over the estimated period of exploration and full provision is made against the group's proportion of other exploration expenditure whether incurred directly by subsidiary companies or indirectly by associated companies except for expenditure relating to uncompleted wells and to completed wells awaiting determination of whether proven reserves have been found.
Research	Expenditure on research and development is wholly written off in the year in which it is incurred.
Interest and Financing Costs	Interest and financing costs are charged against income but are capitalised where there is dedicated financing of major projects under development.
Petroleum Revenue Tax	The charge for PRT is calculated on a unit-of-production basis and is included in creditors or deferred liabilities as appropriate.
Deferred Taxation	The liability method is used in the calculation of deferred taxation, the charge to income reflecting the probable requirement in the foreseeable future.

The British Petroleum Company Limited
and subsidiary companies
**Group income statement for the year
ended 31 December 1977**

Figures in \$ million

	Note	1977	1976 (restated)
Sales proceeds and other income			
Sales proceeds		28,247	24,685
Deduct: customs duties and sales taxes		5,212	4,370
Net sales proceeds	1	23,035	20,315
Other income		501	362
		23,536	20,677
Operating and other costs			
Cost of oil, ocean freight, refining and chemical manufacturing		16,411	14,658
Distribution, selling, administrative and other expenses		1,946	1,746
Depreciation and amounts provided		583	510
Interest and financing costs	2	398	338
		19,338	17,252
Income before taxation		4,198	3,425
Overseas taxation	3	2,615	2,662
Income after overseas taxation		1,583	763
UK taxation	3	893	102
Income after taxation		690	661
Minority shareholders' interest		2	12
Income before extraordinary items		688	649
Extraordinary items	4	104	—
Net income of the group of which parent company \$175m (\$327m)		584	649
Distribution to stockholders		167	148
Retained income for year	7	417	501
Income before extraordinary items per unit of ordinary stock	5	\$1.78	\$1.68

Reserves and distribution to stockholders

Figures in \$ million

	Note	1977	1976 (restated)
Group reserves			
At 1 January as previously reported		4,343	3,993
Prior years' adjustments	6	555	235
As restated		4,898	4,228
Retained income for year	7	417	501
Exchange fluctuations			
Parent company		(5)	(74)
Subsidiary companies		(202)	243
Group reserves at 31 December	7	5,108	4,898
of which parent company \$1,182m (\$1,179m)			
Distribution to stockholders			
Preference dividends		1	1
Ordinary dividends			
Additional dividend re 1976		2	—
Interim		52	51
Final recommended		112	96
		167	148
Dividends per unit of ordinary stock			
		Rate	Rate
Additional dividend re 1976 paid in 1977		—	0.4 cts
Interim		13.4 cts	13.2 cts
Final recommended		29.0 cts	24.8 cts
		42.4 cts	38.4 cts

The British Petroleum Company Limited
and subsidiary companies
Balance sheets 31 December 1977

Figures in \$ million

Parent 1976	Parent 1977		Note	Group 1977	Group 1976 (restated)
Assets employed					
—	—	Properties and operating assets	8/9	6,332	6,046
Investments					
—	—	The Standard Oil Company (Sohio)	10	793	842
23	20	Associated companies	11	841	660
2,220	2,021	Subsidiary companies	12	—	—
49	30	Long-term receivables		418	446
579	737	Current assets less current liabilities	13	4,160	4,205
2,871	2,808	Total assets less current liabilities		12,544	12,199
Deduct:					
—	—	North Sea oil advance proceeds	15	199	612
—	—	Deposits and deferred liabilities	16	1,271	477
—	—	Deferred taxation	3	42	46
—	—	Insurance funds and provisions		101	102
—	—	Pension provisions	17	285	272
—	—			1,898	1,509
2,871	2,808			10,646	10,690
Financed by					
766	767	Issued capital	18	767	766
379	382	Share premium account	18	382	379
1,179	1,182	Reserves	7	5,108	4,898
2,324	2,331	Stockholders' interest		6,257	6,043
—	—	Minority shareholders' interest		237	278
547	477	Finance debts	19	4,152	4,369
2,871	2,808			10,646	10,690

DAVID STEEL, Director

MICHAEL J VEREY, Director

Statement of source and application of funds

Figures in \$ million

		1977	1976 (restated)
Source of funds	Income before extraordinary items and UK taxation	1,581	751
	Extraordinary items after taxation	(104)	—
		1,477	751
	Depreciation	583	510
	Other items	(36)	144
	Total generated from operations	2,024	1,405
	Increase in finance debts (excluding changes in currency values)	86	657
	North Sea oil advance proceeds	—	58
	Book amount of assets sold	84	91
	Net changes in currency values	(234)	278
	Prior year adjustment	—	204
	Other items	138	208
	Total other sources	74	1,496
	Funds available	2,098	2,901
Application of funds	Capital expenditure	1,222	1,551
	Investment in associated companies	162	295
	Reduction of North Sea oil advance proceeds	371	137
	Dividends paid	151	139
	UK tax paid	67	39
		1,973	2,161
	Increase in working capital	125	740
		2,098	2,901
	Increase in working capital		
	(Decrease)/increase in stocks	(8)	781
	(Decrease)/increase in debtors	(335)	1,075
	Decrease/(increase) in current liabilities (excluding UK tax and proposed dividends)	372	(888)
	Increase/(decrease) in liquid resources	96	(228)
		125	740

Notes on Accounts

1 Net sales proceeds

Crude oil and product sales by subsidiary companies amounted to \$21,611 million (\$19,129 million) in respect of 3.4 million b/d (3.4 million b/d). These included sales of petroleum products to associated companies for use as feedstocks in chemical manufacturing. Chemical sales by subsidiary companies amounted to \$1,101 million (\$950 million) in respect of 0.1 million b/d (0.1 million b/d).

Natural gas sales amounted to \$69 million (\$52 million), animal feed sales to \$243 million (\$184 million) and coal to \$11 million—0.2 million tonnes.

2 Interest and financing costs

	1977 \$m	1976 \$m
Expensed:		
Interest—Long-term debt	123	79
—Other finance debt	246	214
Forties Field financing costs	29	45
	398	338
Capitalised in respect of:		
Trans Alaska Pipeline System	63	95
Forties Field	5	10
Ninian Field	4	4
Other	3	—
	75	109

3 Taxation

	ED19 basis adopted in 1977		Previous basis	
	1977 \$m	1976 \$m	1977 \$m	1976 \$m
(a) OVERSEAS				
Producer governments	2,452	2,574	2,452	2,574
Other areas—Current	154	95	154	95
—Deferred	9	(7)	(8)	21
	2,615	2,662	2,598	2,690
(b) UK				
Corporation tax at 52%				
Current	903	974	903	974
Deferred	—	—	223	276
Recoveries and provisions no longer required	(22)	(14)	(22)	(14)
	881	960	1,104	1,236
Overseas tax relief	(660)	(970)	(660)	(970)
	221	(10)	444	266
Advance corporation tax (ACT) previously written off	—	(136)	—	(136)
Transitional relief	—	—	—	—
	221	(146)	444	130
Petroleum revenue tax	672	248	672	248
	893	102	1,116	378

(c) DEFERRED TAXATION — OVERSEAS AND UK

The balance of deferred taxation at 31 December 1976 of \$353 million as previously reported was after an offset of \$290 million ACT. Of the resultant total of \$643 million, \$597 million is no longer required. As a result, \$555 million has been transferred to reserves as prior years' adjustments and \$42 million to minority shareholders' interest.

The potential amount of deferred taxation at 31 December 1977 of \$606 million comprises tax on timing differences between the accounting and tax treatment of depreciation, net of other items and after deducting ACT of \$216 million.

4 Extraordinary items

The amount of \$104 million is in respect of overseas capital gains tax levied as a result of a group reorganisation in the UK in 1972 and is stated after taking into account related provisions and participation credits from the country concerned.

5 Income per unit of ordinary stock

The calculation of income per ordinary stock unit is based on income before extraordinary items of \$688 million (\$649 million) less preference dividends of \$1 million (\$1 million), related to the weighted average of 386.4 million (386.1 million) ordinary stock units in issue during the year.

6 Prior years' adjustments

	1977 \$m	1976 \$m
Deferred taxation provision no longer required — note 3 (c) — after minority shareholders' interest	555	235

7 Group reserves

Group reserves of \$5,108 million at 31 December 1977 include associated companies' undistributed earnings of \$144 million referred to in notes 10 and 11 and an unchanged parent company preference stock reserve of \$19 million. Also included are amounts totalling \$1,490 million (\$1,484 million) retained by subsidiary companies themselves not subject to UK taxation.

In June 1977 it was announced that the Company had applied to the Treasury for permission to increase the 1977 dividends by approximately 50% to 30p net (58 cents) per £1 ordinary stock unit. The Company was informed by the Treasury that this application could not be granted under current dividend controls. In consequence of this the Directors declared their intention to reserve a sum equal to the difference between the 1977 dividends and that which would have been paid had the application to the Treasury been granted, such amount to be distributed as a special dividend when the removal of dividend restrictions permits. Accordingly \$59 million, equivalent at the current rate of advance corporation tax to 7.898p net (15 cents) per ordinary stock unit has been designated within reserves as available for this purpose.

8 Properties and operating assets

At 31 December 1977 assets at cost amounted to \$10,505 million (\$10,056 million) and provisions amounted to \$4,173 million (\$4,010 million), summarised as follows:

	Production and Exploration \$m	Tankers \$m	Refineries \$m	Marketing \$m	Chemicals \$m	Total \$m
Cost						
1 January	3,835	582	2,423	2,556	660	10,056
Exchange adjustments	(238)	(9)	(109)	(162)	(2)	(520)
Acquisitions	—	—	—	13	42	55
Additions	721	—	109	280	112	1,222
Deletions	(99)	(24)	(99)	(78)	(8)	(308)
31 December	4,219	549	2,324	2,609	804	10,505
Depreciation						
1 January	674	221	1,552	1,255	308	4,010
Exchange adjustments	(53)	(5)	(59)	(83)	(1)	(201)
Acquisitions	—	—	—	5	25	30
Charge for year	248	37	101	134	38	558
Deletions	(36)	(22)	(99)	(61)	(6)	(224)
31 December	833	231	1,495	1,250	364	4,173
Net book amount						
31 December 1976	3,161	361	871	1,301	352	6,046
31 December 1977	3,386	318	829	1,359	440	6,332

9 Land

Included in the net amount of properties and operating assets of \$6,332 million (\$6,046 million) is \$303 million (\$307 million) in respect of land (including buildings acquired with the land) comprising:

	1977	1976
	\$m	\$m
Freehold property, mainly service stations	275	276
Leases with unexpired terms of 50 years or more	9	10
Other leases	19	21
	303	307

10 Investment in The Standard Oil Company (Sohio)

At 31 December 1977 the group's investment in Sohio had increased to approximately 40%.

The original investment in Sohio was represented by 1,000 shares of special stock which entitled the group to the same rights (except as to dividends) as approximately a 25% common stock interest. The number of shares of common stock, to which the 1,000 shares of special stock are equivalent, rises with increases in the sustainable crude oil production from Sohio's Prudhoe Bay properties, or in certain circumstances from other Alaskan properties, to a maximum of approximately 54% if such production (net of one-eighth royalty owned by the State of Alaska) reaches 600,000 b/d prior to 1 January 1984.

In October 1975 Sohio sold 2,000,000 shares of its common stock and pursuant to the terms of the original agreement dated 7 August 1969 the group acquired 1,080,000 shares being a 54% interest of the issue thereby increasing the group's interest in Sohio to approximately 26% at which level it remained until commencement of production in mid-1977.

During the fourth quarter of 1977 a level of sustainable net production of 300,000 b/d was achieved thereby increasing the group's interest to its present level.

The group's investment as expressed in sterling has been affected by the movement during the year in the US dollar/sterling rate of exchange.

The group's interest has been equity accounted as from 1 January 1975 when dividends became receivable. This treatment has been reflected in these accounts by the inclusion in other income of \$77 million (\$57 million) with a charge of \$21 million (\$19 million) in overseas taxation. However, interest of \$4 million (\$11 million) on short-term loans related to this investment has been charged leaving a net benefit to group income of \$52 million (\$27 million). At 31 December 1977 the group's share of Sohio's undistributed income was \$83 million (\$46 million).

The net assets of Sohio are summarised as follows:

	1977	1976
	\$m	\$m
Property, plant and equipment after depreciation and depletion	5,757	4,869
Investments and other assets	463	341
Current assets	1,558	1,050
	7,778	6,260
Less:-		
Current liabilities	997	653
Other liabilities	46	36
Long-term debt	4,688	3,627
Deferred revenue	214	287
Deferred income taxes	154	108
Preferred stock	10	11
	6,109	4,722
Net assets applicable to common and special stock	1,669	1,538

11 Associated companies

INVESTMENT

At 31 December 1977 investment in these companies at cost amounted to \$938 million (\$731 million) and provisions amounted to \$97 million (\$71 million), summarised as follows:

	1977			1976
Group	Cost \$m	Provisions \$m	Net \$m	Net \$m
Production and exploration	284	64	220	187
Refineries	114	4	110	113
Marketing	182	24	158	180
Chemicals	164	—	164	180
Coal	194	5	189	—
	938	97	841	660
Parent	24	4	20	23

Group investments, almost entirely unquoted, in associated companies are mainly in the nature of partnerships with other oil groups having in many cases integrated trading operations with subsidiary companies of the group which take a wide variety of forms.

NET ASSETS

Information as to the group proportion of the net assets of associated companies at the end of 1977 is not yet available. However, from the accounts received during the year 1977 from major associated companies in which the group net investment at 31 December 1976 was \$601 million (out of a total net investment of \$660 million), it has been ascertained that the net assets of these companies amounted to \$2,584 million and the group proportion thereof was \$781 million as follows:

	Associated companies \$m	Group proportion \$m
Properties and operating assets (net)	3,801	1,121
Long-term receivables and investments	279	88
Intangibles including goodwill	35	11
Current assets	1,887	717
	6,002	1,937
Less: Finance debts	1,473	399
Liabilities mainly current	1,945	757
Net assets	2,584	781

The accounts referred to were largely prepared as at 31 December 1976 and were drawn up in accordance with the statutory regulations of the countries in which these companies were incorporated.

INCOME AND RETAINED EARNINGS—GROUP PROPORTION

The group share of the net income for the year 1977 based on accounts of major associated companies amounted to \$137 million (\$74 million) which has been reflected in group income by a reduction of \$1,211 million (\$997 million) in costs, the inclusion of \$68 million (\$7 million) in other income and a charge of \$1,142 million (\$930 million) in overseas taxation. At 31 December 1977 \$61 million (\$33 million) of the accumulated earnings were undistributed.

Considerable expense and undue delay would be occasioned in obtaining up-to-date completed accounts for the many associated companies incorporated and operating overseas whose earnings are relatively small. It is considered that the procedures adopted for dealing with the group share of the income of associated companies, including dividends received, effectively result, both as to costs and overseas taxation, in a meaningful presentation of the integrated operations of the group.

Notes on Accounts (continued)

11 Associated companies – (continued)

Dividends of \$17 million (\$20 million) and interest of \$8 million (\$7 million) from associated companies other than those referred to above are included in the group income statement as part of other income.

To comply with paragraph 5A of Schedule 2 to the Companies Act 1967 the following information, which excludes companies equity accounted, is given:

	Parent share \$m	Subsidiaries share \$m	Group share \$m
Aggregate results per accounts received during 1977			
before tax	7	39	46
after tax	3	19	22
Retained earnings since acquisition	5	36	41

The group share of losses is, in all material cases, covered by provisions in the parent or subsidiary companies.

Information relating to principal associated companies is given on pages 32 and 33.

12 Subsidiary companies

The parent company's investment in its subsidiary companies at 31 December 1977 was:

	1977 \$m	1976 \$m
Shares at cost less provisions	519	510
Advances, current accounts and accrued dividends	1,502	1,710
	2,021	2,220

Information relating to principal subsidiary companies is given on pages 30 to 32.

13 Current assets less current liabilities

Parent		Group	
1976	1977	1977	1976
\$m	\$m	\$m	\$m
742	909	1,317	1,254
1	20	105	72
Current assets			
Bank balances			
Marketable securities at net book amount (which approximates market value)			
743	929	1,422	1,326
35	19	3,962	4,297
—	—	3,272	3,295
—	—	241	226
778	948	8,897	9,144
Current liabilities			
Creditors			
Overseas taxation			
Provisions			
97	113	113	97
199	211	4,737	4,939
579	737	4,160	4,205

14 Trans Alaska Pipeline System (TAPS)

BP Pipelines Inc., a group subsidiary, has a 15.84% undivided interest and Sohio Pipe Line Company, a subsidiary of The Standard Oil Company (Sohio) has a 33.34% undivided interest in TAPS.

The main construction phase of the System was completed and became operational in the second half of the year.

Sohio/BP Trans Alaska Pipeline Capital Inc. ("Capital") is owned by the two pipeline companies and its sole business is the issuance of debt securities from time to time, lending 67.8% of the proceeds to Sohio Pipe Line and 32.2% to BP Pipelines in exchange for notes in the principal amounts of their respective loans each unconditionally guaranteed by their respective parent companies.

In November 1975 and September 1976 Capital arranged private placements in aggregate of \$1,750 million 10 $\frac{3}{4}$ % Notes (\$815.5 million due 1993 and \$934.5 million due 1998) and \$500 million 9 $\frac{3}{4}$ % Notes (\$363 million due 1993 and \$137 million due 1998) with institutional lenders in the US. In respect thereof BP Pipelines has issued guaranteed notes to Capital for aggregate amounts of \$563.5 million and \$161 million respectively, being its proportionate share of these placements.

In addition to the above, Capital has publicly sold \$250 million 9 $\frac{3}{4}$ % Debentures due 1999 and \$250 million 8 $\frac{1}{2}$ % Notes due 1983 in respect of which BP Pipelines has issued guaranteed notes to Capital totalling \$161 million.

In July and August 1977 the City of Valdez, Alaska issued and sold in aggregate \$665 million Marine Terminal Revenue Bonds due 2007 (\$350 million 6% bonds and \$315 million 6.05% bonds) lending 67.8% of the proceeds to Sohio Pipe Line and 32.2% to BP Pipelines, such amounts being subject to the respective parent company guarantees.

In 1977 interest amounting to \$63 million (\$95 million) and issue expenses of \$6 million (\$1 million) in connection with TAPS financing have been capitalised and included as part of construction costs which at 31 December 1977 were \$1,482 million (\$1,416 million). This amount is included in properties and operating assets within the sub-heading production and exploration. Following the commencement of operations interest of \$49 million has been charged against income.

15 Forties Field financing

In accordance with the terms of an agreement by BP Oil Development Limited for a forward sale of crude oil and gas from the Forties Field (North Sea Block 21/10) advance proceeds of £156.0 million and \$405.6 million have been received.

Repayment of amounts advanced is being made from the proceeds of the sale of oil produced from 1 December 1975 which BP Trading Limited, a wholly-owned subsidiary, has under a separate agreement undertaken to purchase. If the flow of oil is interrupted, repayments will normally be suspended, but, subject to the presence of an adequate amount of recoverable oil, must in any event be completed by 31 December 1982. The advance proceeds outstanding at 31 December 1977 of £44.1 million (£126.1 million) and \$114.7 million (\$327.9 million) are secured on the assets and contracts connected with the development of the field.

Costs (mainly interest) incurred by the other party to the above-mentioned agreement in servicing this arrangement with a consortium of banks have been reimbursed by BP Oil Development Limited. In 1977 \$29 million (\$45 million) relative to financing the facilities in operation has been charged against income and \$5 million (\$10 million) has been capitalised as part of the production assets.

The parent company has undertaken to procure the performance by its subsidiary companies of their obligations under the agreements.

16 Deposits and deferred liabilities

Deposits relate to certain payments received in advance in respect of crude oil deliveries which will be made during and after 1978 whilst deferred liabilities, which include PRT, are those which become due for settlement after 31 December 1978.

17 Pensions

The amount included in group costs for pension and retirement plans in 1977 was \$173 million (\$168 million).

In respect of subsidiaries with unfunded plans provisions of \$285 million (\$272 million) have been made, and in addition, where local regulations prevent the establishment of separate funds or creation of provisions, the liability for prior service will be met out of the income of future years.

18 Authorised and issued capital of the parent company

No changes were made during the year to the authorised capital of £500 million.

On 9 May 1977, 0.4 million ordinary shares, which were forthwith converted into £0.4 million ordinary stock, were issued under an agreement made in 1972 to acquire the remaining 40% of the Europa group of companies in New Zealand. The increase to share premium account in respect of this issue amounted to \$3 million.

The nominal issued capital at 31 December 1977 was £399.2 million (£398.8 million) made up as follows:

	1977 £m	1976 £m
8% (now 5.6% + tax credit) cumulative first preference stock	7.2	7.2
9% (now 6.3% + tax credit) cumulative second preference stock	5.5	5.5
Ordinary stock	386.5	386.1
	399.2	398.8

Of the £386.5 million ordinary capital issued at 31 December 1977 Her Majesty's Government in the UK owned £119.3 million (30.9%) and the Bank of England £77.8 million (20.1%).

The above-mentioned Ordinary Stock held by the Bank of England was acquired by it on 23 January 1975 from The Burmah Oil Company, Limited. The validity of this acquisition is currently the subject of litigation. At the time of this transaction assurances were given to the Panel on Take-overs and Mergers ('the Panel') (a) by an undertaking from the Bank that it would not exercise the votes attaching to the BP Ordinary Stock so acquired so long as the Bank and the Government taken together held over 30% of the voting rights and (b) by a statement on behalf of the Government that, while the Bank held any part of such BP Ordinary Stock and its undertaking remained in force, the Government would not exercise a greater proportionate voting power in relation to other BP stockholders than it could have exercised prior to the transaction.

The Government has announced its intention to acquire the Bank of England holding in due course and thus increase the Government's holding of Ordinary Stock to 51%. The restrictions mentioned above will remain in force until such purchase, but the Panel has accepted that thereafter the Government will be free to vote the 51% stockholding which it then expects to have. The Panel will not require the Government to make an offer under the City Code to purchase the Ordinary Stock of BP held by the public. In its discussions with the Panel the Bank of England referred to the fact that the Government holding of BP Ordinary Stock had exceeded 50% for long periods in the past and to the restraint with which the Government had traditionally approached the use of its voting power. The Bank informed the Panel that it was authorised by the Government to say that it is the Government's intention to maintain its relationship with BP in a way which does not breach the

18 Authorised and issued capital of the parent company – (continued)

traditional practice of non-intervention in the administration of the Company as a commercial concern.

Apart from the above two holdings there were approximately 177,000 holders of the remaining £189.4 million (49%) ordinary stock; of these, one holding of £34.2 million stock represented the interests of approximately 28,450 American Depositary Receipt holders.

19 Finance Debts

Parent			Group	
1976	1977		1977	1976
\$m	\$m		\$m	\$m
152	132	Long-term	2,077	2,198
395	345	Short-term and acceptances	1,951	2,070
—	—	Bank loans and overdrafts	124	101
547	477		4,152	4,369

Long-term debts are those, as defined by the Companies Act 1967, which are wholly or in part repayable more than five years from the date of the balance sheet. Long-term debts at 31 December were as follows:

Parent		Average contractual interest rate	Group	
1976	1977		1977	1976
\$m	\$m	%	\$m	\$m
38	38	7.6	48	52
77	54	9.1	1,555	1,497
—	—	Australian dollars	18	20
—	—	Belgian francs	3	21
—	—	Canadian dollars	47	63
—	—	Deutsche marks	50	70
—	—	Dutch guilders	131	229
—	—	French francs	104	137
—	—	Swedish kroner	35	29
37	40	Swiss francs	74	69
—	—	Other currencies	12	11
152	132	Total	2,077	2,198

Parent		Secured debt included in above figures	Group	
1976	1977		1977	1976
\$m	\$m		\$m	\$m
—	—		115	269

Parent		Repayment periods from balance sheet date are as follows:	Group	
1976	1977		1977	1976
\$m	\$m		\$m	\$m
—	—	1 year	27	48
—	6	2 years	41	62
8	12	3 years	91	77
13	17	4 years	123	115
18	17	5 years	138	165
76	80	6 to 10 years	754	863
37	—	thereafter	903	868
152	132		2,077	2,198

Short-term debts of the group which are repayable within five years of the date of the balance sheet amounted to \$1,769 million (\$1,741 million) of which secured \$196 million (\$178 million).

Acceptances under facilities with differing periods of duration in respect of oil movements amounted to \$182 million (\$329 million).

At 31 December 1977 the group had substantial amounts of undrawn borrowing facilities available including approximately \$1,325 million (\$1,574 million) which was covered by formal commitments.

Notes on Accounts (concluded)

19 Finance debts – (continued)

The parent company 5% debenture stock, repayable by 1 July 1978, of \$16 million (\$16 million) and the 6% debenture stock, repayable by 31 December 1980, of \$15 million (\$16 million) are secured by a floating charge on the assets of the parent company.

20 Research

Expenditure on research and development in 1977 amounted to \$58 million (\$49 million).

21 Hire charges

	1977 \$m	1976 \$m
Time-chartered tankers	216	225
Bare boat charters	57	57
Plant and machinery	170	114
	443	396

22 Contingent liabilities

There were contingent liabilities at 31 December 1977 in respect of guarantees, indemnities and claims entered into as part of and arising from the ordinary course of the group's business, upon which no material losses are likely to arise.

There are two claims against the Company and four other major international oil groups which the Company and its advisers consider lack legal merit:

- (a) a claim by Lonrho Limited in England in respect of the Beira pipeline for about \$192 million which is being disputed and will be heard at arbitration; and
- (b) a claim by the Zambian Government in Zambia in respect of alleged breaches of Rhodesian sanctions for about \$7.7 billion.

The Company is not appearing before the Zambian court in the second action, since the court does not have jurisdiction over it. It is considered that no loss will result from either of these two actions and, accordingly, no provision has been made in these accounts.

The parent company has issued guarantees under which amounts outstanding at 31 December 1977 were \$2,675 million (\$2,782 million) including \$2,469 million (\$2,618 million) in respect of borrowings by its subsidiary companies.

23 Capital commitments

Authorised future capital expenditure by group companies is estimated at \$2,726 million (\$2,630 million) including approximately \$614 million (\$806 million) for which contracts have been placed.

24 Remuneration and loans

- (a) Directors of the company: \$828,814 (\$730,771) made up of fees \$69,120 (\$65,487) and other emoluments (not including pension contributions) \$759,694 (\$665,284). One director waived fees of \$9,600 (\$9,600). Pensions, commutations of pensions and other superannuation payments to directors and former directors and their dependants \$1,202,907 (\$1,267,202).

	1977	1976
The Chairman: Sir David Steel	\$185,284	\$170,596

The number of all the directors (including two for part periods only in 1976) and those UK employees of the group whose emoluments exceeded \$19,200 in the following bands were:

	Gross Emoluments \$	Tax \$	Take-home pay \$	1977	1976
Directors	Up to 4,800			1	1
	4,801 – 9,600			3	3
	9,601 – 14,400			4	4
	14,401 – 19,200	66,150	29,850	–	4
	19,201 – 24,000	70,134	30,666	2	–
	24,001 – 28,800	78,102	32,298	2	–
	28,801 – 33,600	90,054	34,746	–	1
	33,601 – 38,400	113,956	39,644	1	–
	38,401 – 43,200	129,894	42,906	–	1
	43,201 – 48,000	141,844	45,356	1	–
Employees	19,201 – 24,000	8,769	15,231	611	462
	24,001 – 28,800	11,798	17,002	251	177
	28,801 – 33,600	15,118	18,482	130	82
	33,601 – 38,400	18,718	19,682	59	31
	38,401 – 43,200	22,326	20,874	35	20
	43,201 – 48,000	26,310	21,690	19	14
	48,001 – 52,800	30,294	22,506	15	10
	52,801 – 57,600	34,278	23,322	8	5
	57,601 – 62,400	38,262	24,138	6	6
	62,401 – 67,200	42,246	24,954	9	2
	67,201 – 72,000	46,230	25,770	4	1
	72,001 – 76,800	50,214	26,586	–	1
	76,801 – 81,600	54,198	27,402	1	–

The above shows the total amount of income tax at the appropriate graduated rates applicable for 1977/78 at the higher end of each band over \$19,200 and the corresponding take-home pay; it has been assumed that the recipient is a married man with no dependants and with no other sources of income.

- (b) Loans to officers – \$142,176 (\$134,496).
- (c) Auditors' remuneration – group companies \$4,435,200 (\$3,722,880) of which the parent company \$163,200 (\$144,000).

Activity and Geographical Analysis for the year ended 31 December 1977

Figures in \$ million

	Net sales proceeds	Operating result	Total assets less current liabilities	Capital expenditure
By activity				
Petroleum	22,083	1,420	11,266	1,220
Chemical	1,269	42	975	215
Other	253	10	303	92
Less: sales between activities	(570)			
	23,035	1,472	12,544	1,527
By geographical area				
United Kingdom	6,960	754	5,582	590
Rest of Europe	7,786	(29)	2,460	323
Middle East and Africa	1,133	236	570	211
North and South America	770	202	2,761	319
Australasia and Far East	1,096	179	833	84
International	15,978	130	338	—
Less: sales between areas	(10,688)			
	23,035	1,472	12,544	1,527

(i) Net sales proceeds (after deduction of customs duties and sales taxes) comprise sales to third parties and between activities or geographical areas. Transfers between group companies are made at market prices taking into account the volumes involved.

(ii) Operating result, as above	1,472
Less Interest and financing costs	398
Taxes excluding PRT and all production taxes	384
Income after taxation	690

(iii) Total assets less current liabilities are analyses of the figures set out in the balance sheet on page 16.

(iv) In the geographical analysis, the United Kingdom includes North Sea crude oil activities where the operating result is after PRT but before corporation tax. International consists of the group's trade in crude oil acquired mainly from national production companies in the Middle East and Africa.

Financial statistics 1973 to 1977

Figures for 1976 on pages 24-27 inclusive have been restated to take account of the change in accounting policy with regard to deferred taxation. Previous years' figures have not been similarly restated.

Income statements

Figures in \$ million

	1973	1974	1975	1976	1977
Sales proceeds and other income					
Sales proceeds	8,663	17,865	18,309	24,685	28,247
Deduct: customs duties and sales taxes	2,611	2,870	3,370	4,370	5,212
Net sales proceeds	6,052	14,995	14,939	20,315	23,035
Other income	180	334	342	362	501
	6,232	15,329	15,281	20,677	23,536
Operating and other costs					
Cost of oil, ocean freight, refining and chemical manufacturing	2,636	9,212	10,406	14,658	16,411
Distribution, selling, administrative and other expenses	1,054	1,288	1,380	1,746	1,946
Depreciation and amounts provided	261	315	373	510	583
Interest and financing costs	112	152	198	338	398
	4,063	10,967	12,357	17,252	19,338
Income before taxation	2,169	4,362	2,924	3,425	4,198
Overseas taxation	1,555	3,356	2,540	2,662	2,615
Income after overseas taxation	614	1,006	384	763	1,583
UK taxation	29	44	98	102	893
Income after taxation	585	962	286	661	690
Minority shareholders' interest	19	48	8	12	2
Income before extraordinary items	566	914	278	649	688
Extraordinary items after taxation	65	21	40	—	(104)
Net income of the group	631	935	318	649	584
Distribution to stockholders	113	127	134	148	167
Retained income	518	808	184	501	417
Income before extraordinary items per unit of ordinary stock	\$1.46	\$2.36	\$0.72	\$1.68	\$1.78

Summarised balance sheets

Figures in \$ million

	1973	1974	1975	1976	1977
Assets employed					
Properties and operating assets					
Production and exploration	511	1,041	2,016	3,161	3,386
Tankers	407	482	447	361	318
Refineries	756	762	787	871	829
Marketing	756	797	1,091	1,301	1,359
Chemicals	289	274	296	352	440
	2,719	3,356	4,637	6,046	6,332
Investments					
Sohio	501	521	689	842	793
Associated companies	810	764	563	660	841
Long-term receivables	363	334	463	446	418
Current assets less current liabilities	2,227	3,354	3,517	4,205	4,160
Total assets less current liabilities	6,620	8,329	9,869	12,199	12,544
Deduct:					
North Sea oil advance proceeds	48	292	624	612	199
Deposits and deferred liabilities and provisions	322	355	438	851	1,657
Deferred taxation	—	—	—	46	42
	6,250	7,682	8,807	10,690	10,646
Financed by					
Stockholders' interest	4,228	5,015	5,138	6,043	6,257
Minority interest	156	204	202	278	237
Deferred taxation	—	73	232	—	—
Finance debts	1,866	2,390	3,235	4,369	4,152
	6,250	7,682	8,807	10,690	10,646

Source and application of funds and capital expenditure

Figures in \$ million

		1973	1974	1975	1976	1977
Source of funds	Income before extraordinary items and UK taxation	595	958	377	751	1,581
	Extraordinary items after taxation	65	21	40	—	(104)
	Sale of part production interest	526	—	—	—	—
		1,186	979	417	751	1,477
	Depreciation	261	315	372	510	583
	Other items	(38)	37	(125)	144	(36)
	Total generated from operations	1,409	1,331	664	1,405	2,024
	Increase in finance debts (excluding changes in currency values)	40	435	609	657	86
	North Sea oil advance proceeds	48	242	317	58	—
	Book amount of assets sold	138	58	63	91	84
	Net changes in currency values	44	10	96	278	(234)
	Prior year adjustment	—	—	—	204	—
	Other items	(20)	134	115	208	138
	Total other sources	250	879	1,200	1,496	74
	Funds available	1,659	2,210	1,864	2,901	2,098
Application of funds	Capital expenditure	576	946	1,284	1,551	1,222
	Investment in associated companies	56	(33)	221	295	162
	Reduction of North Sea oil advance proceeds	—	—	8	137	371
	Dividends paid	113	127	129	139	151
	UK tax paid (net of transitional relief)	21	31	44	39	67
		766	1,071	1,686	2,161	1,973
	Increase in working capital	893	1,139	178	740	125
	Total application	1,659	2,210	1,864	2,901	2,098
Capital expenditure	Production and exploration	340	720	1,129	1,304	846
	Tankers	142	113	19	23	—
	Refineries	111	123	108	117	153
	Marketing and coal	119	158	173	244	313
	Chemicals	27	38	86	186	215
		739	1,152	1,515	1,874	1,527
	of which:					
	Group companies	576	947	1,285	1,551	1,222
	Associated companies	163	205	230	323	305

Inflation Accounting

Current Cost Statement for the year ended 31 December 1977

Figures in \$ million

Net sales proceeds		23,035
Income before taxation	4,198	
Less: Producer government taxes	3,124	1,074
Adjustments:		
Cost of sales	236	
Depreciation	391	
	627	
Gearing	194	433
Adjusted income before taxation		641
UK and overseas taxation (excluding production taxes)		384
Adjusted income after taxation		257
Minority shareholders' interest		(29)
Adjusted income before extraordinary items		286
Extraordinary items		104
Adjusted net income of the group		182

- (i) Prepared in accordance with an interim recommendation by the UK Accounting Standards Committee ("The Hyde Guidelines").
- (ii) Cost of sales adjustment – the historical cost of total group sales has been adjusted to take into account the average time lag between acquiring crude oil and the subsequent sale of oil and chemical products.
- (iii) Depreciation adjustment – calculated on the estimated replacement cost arrived at predominantly by applying indices appropriate to the function and location of the assets.
- (iv) The gearing adjustment (calculated on a group basis) – attempts to recognise that the sums needed to provide the increased value of assets required to maintain the same level of business during periods of inflation are partially borne by the lenders of borrowed funds and other creditors. The burden attributable to outside parties is that proportion of the additional costs which the ratio of group net monetary liabilities bear to such liabilities plus stockholders' funds.
- (v) UK and overseas taxation (excluding producer government taxes) has been provided in accordance with the method proposed in Exposure Draft 19 – Accounting for Deferred Taxation.
- (vi) No inflation accounting adjustments have been made in respect of the group's interest in the assets and income of associated companies.

Organisation and Principal Executives

The British Petroleum Company Limited is the parent company of the BP group with direct and indirect holdings in about 900 subsidiary and associated companies in some 70 countries. The parent company's Board of Directors is responsible for corporate policy, finance and strategic development of the group; its executive officers are the managing directors –

Sir David Steel, Chairman

M M Pennell, Deputy Chairman

R W Adam Dr J Birks C C F Laidlaw J W R Sutcliffe P I Walters

BP Trading Limited is the principal subsidiary company and carries out the group's operations. In addition to the managing directors listed above the following are members of the BP Trading Board. Their main responsibilities are as indicated –

T R D Belgrave	Policy Adviser
*J E G Boxshall	Europe, excluding United Kingdom and Ireland
*L R Burchell	Chemicals
*G C Butcher	Africa, Planning, Nutrition, Coal and Management Consultancy
*P G Cazalet	Middle East, Far East and Bulk Trading
*P J Gillam	Western Hemisphere, Pricing, Shipping and Supply
*W P C Grassick	Australasia, Accounts and Computers
*A T Gregory	United Kingdom and Ireland, External Affairs and Public Affairs
*G A Lee	Engineering, Purchasing, Research and Processing
Q M Morris	Group Finance Co-ordinator
*M R Rendle	Personnel, Administration and International Marketing
*F K Rickwood	Exploration and Production, Environmental Control, Gas and Minerals
D A G Sarre	Secretary and Legal Adviser

The Executive Committee of the BP Trading Board implements parent company policies by providing a continuing executive and co-ordinating authority operating within the directives and guidance given to it by the managing directors through the BP Trading Board.

Members of the Executive Committee are the BP Trading directors above marked with an asterisk and D G Milne, the Chief Executive of BP Oil Limited which is responsible for the group's refining and marketing activities in the UK.

Chairman of the Executive Committee is G C Butcher and Deputy Chairman, A T Gregory.

The British Petroleum Company Limited

Subsidiary and Associated Companies

This list contains the names of the more important subsidiary and associated companies of the group at 31 December 1977 indicating group percentage of equity capital (to nearest whole figure). Those held directly by the parent company are marked with an asterisk, the percentage being that of the group unless otherwise indicated. A complete list of investments in subsidiary companies and of the parent company's investment in associated companies will be attached to the parent company's annual return.

Subsidiary Companies

International		%	Country of Incorporation	Principal Activities
	BP Chemicals International	100	England	Holding company
	BP Coal	100	England	Coal production overseas
	BP Exploration	100	Scotland	Holding company
	BP Nutrition	100	England	Animal feed/Proteins
	BP Tanker	100	England	Oil transportation
	*BP Trading	100	England	Integrated oil operations
	*Rankin Kuhn International	100	England	Travel and freight forwarding
	Scientific Control Systems	100	England	Computer software
	*Tanker Insurance	100	England	Insurance
Europe				
UK	Alexander Duckham	100	England	Lubricants
	Bakelite UK	100	England	Chemicals
	Border Chemicals	67	England	Chemicals
	BP Chemicals	100	England	Chemicals
	BP Capital	100	England	Finance
	BP Nutrition (UK)	92	England	Animal feed
	BP Oil	100	England	Refining and marketing
	BP Oil Development	100	England	Oil production
	BP Petroleum Development	100	England	Oil and gas exploration and production
	BP Properties	100	England	Property
	Forth Chemicals	67	England	Chemicals
AUSTRIA	*BP Austria	100	Austria	Marketing
BELGIUM	*Anglo-Belge des Pétroles	100	Belgium	Processing/Supply
	*BP Belgium (parent 51%)	100	Belgium	Marketing
DENMARK	*BP Olie-Kompagniet	100	Denmark	Marketing
FINLAND	*Suomen BP	100	Finland	Marketing
FRANCE	*Société Française des Pétroles BP	70	France	Refining and marketing
	Société Maritime des Pétroles BP	70	France	Oil transportation
GERMANY	*Deutsche BP	100	Germany	Refining and marketing
	Oelwerke Julius Schindler	100	Germany	Refining
GREECE	*BP of Greece	100	England	Marketing
ITALY	*Britannica Petroli (BP)	100	Italy	Marketing

Europe		%	Country of Incorporation	Principal Activities
NETHERLANDS	British Petroleum BV	100	Netherlands	Holding company
	British Petroleum (Overzee)	100	Netherlands	Holding and finance company
	*British Petroleum Maatschappij Nederland	100	Netherlands	Holding company
	British Petroleum Raffinaderij Nederland	100	Netherlands	Refining
	Benzine en Petroleum Handel Maatschappij	100	Netherlands	Marketing
	British Petroleum Exploratie Maatschappij Nederland	100	Netherlands	Exploration
	Trouw	67	Netherlands	Animal feed
NORWAY	*BP Norge	100	Norway	Marketing
	*BP Petroleum Development of Norway	100	Norway	Oil exploration
PORTUGAL	*Companhia Portuguesa dos Petróleos BP	100	Portugal	Marketing
REPUBLIC OF IRELAND	*BP Ireland	100	Ireland	Marketing
SPAIN	*BP Española de Petroleos	100	Spain	Marketing
SWEDEN	*Svenska BP	100	Sweden	Marketing
	BP Raffinaderi (Göteborg)	100	Sweden	Refining
SWITZERLAND	*BP (Schweiz)	100	Switzerland	Marketing
TURKEY	*BP Petrolleri	100	Turkey	Marketing
	*BP Overseas Refining	100	England	Refining
Middle East				
	*BP Arabian Agencies	100	England	Marketing
	BP-Japan Oil Development	55	Scotland	Marketing of crude oil
	Oil Trading (Iran)	100	England	Marketing of crude oil
Africa				
	*BP Africa Medwest	100	England	Marketing
	*BP Nigeria	100	Nigeria	Marketing
	*BP Southern Oil	100	England	Holding company
	BP Southern Africa	100	South Africa	Marketing
	*Société des Pétroles BP d'Afrique Occidentale (parent 95%)	99	Senegal	Marketing
Far East				
HONG KONG	*BP Oil Hong Kong	100	Hong Kong	Oil products supplier
INDONESIA	*BP Petroleum Development of Indonesia	100	England	Oil exploration
JAPAN	*BP Far East	100	England	Group services

Subsidiary and Associated Companies (continued)

Far East		%	Country of Incorporation	Principal Activities
MALAYSIA	*BP Malaysia	100	Malaysia	Marketing
SINGAPORE	*BP Refinery Singapore	100	Singapore	Refining
	*BP Singapore	100	Singapore	Marketing
THAILAND	BP Petroleum Development of Thailand	100	England	Oil exploration
Australasia				
AUSTRALIA	*British Petroleum Company of Australia	100	Australia	Holding company
	BP Australia	100	Australia	Integrated oil operations
	BP Coal Australia	100	Australia	Holding company
	Kwinana Nitrogen	87	Australia	Chemicals
FIJI	*BP South-West Pacific	100	Fiji	Marketing
NEW ZEALAND	*BP New Zealand Holdings	100	New Zealand	Holding company
	BP New Zealand	100	New Zealand	Marketing
	BP (Oil Exploration) New Zealand	100	New Zealand	Oil and gas exploration and production
	Europa Oil (NZ)	100	New Zealand	Marketing
PAPUA NEW GUINEA	BP (Papua New Guinea)	100	Australia	Marketing
Western Hemisphere				
CANADA	*BP Canadian Holdings	100	Canada	Holding company
	BP Canada	66	Canada	Integrated oil operations
USA	BP Alaska Exploration	100	USA	Oil exploration
	BP North America	100	USA	Services and marketing
	*BP North American Finance	100	USA	Finance company
	BP Pipelines	100	USA	Pipeline company
	BP United States	100	USA	Holding company

ASSOCIATED COMPANIES

International		%	Country of Incorporation	Principal Activities
	Irano-British Shipping	50	Bermuda	Oil transportation
	Sub Sea International	50	USA	Deep-sea diving service

Europe		%	Country of Incorporation	Principal Activities
UK	Associated Octel	37	England	Production and marketing
	BP-California (Grangemouth)	50	England	Chemicals
BELGIUM	*Société Belge des Gaz de Pétrole (parent 15%)	50	Belgium	Marketing
	*Société Industrielle Belge des Pétroles	50	Belgium	Refining
FRANCE	Distugil	50	France	Chemicals
	Naphtachimie	30	France	Chemicals
	Raffinerie de Strasbourg	23	France	Refining
GERMANY	Erdölchemie	50	Germany	Chemicals
ITALY	Italproteine	50	Italy	Proteins
Middle East				
	Abu Dhabi Gas Liquefaction	16	Bermuda	Natural gas liquefaction
	Abu Dhabi Marine Areas	37	England	Crude oil production and marketing
	Abu Dhabi Petroleum	24	England	Crude oil production
	Bunduq	33	England	Oil exploration and production
Africa				
	Central Chemical Investments	33	South Africa	Chemicals
	Consolidated Petroleum	50	England	Marketing
	Shell and BP South African Petroleum Refineries	50	South Africa	Refining
	Shell-BP Petroleum Development of Nigeria	50	Nigeria	Oil exploration and production
	Société Ivoirienne des Pétroles BP	50	Ivory Coast	Marketing
Australasia				
AUSTRALIA	Clutha Development	50	Australia	Coal production
	CS BP & Farmers	33	Australia	Marketing of fertilisers
NEW ZEALAND	New Zealand Refining	24	New Zealand	Refining
USA				
	Alyeska Pipeline Service (33% held by Sohio)	16	USA	Pipeline company
	Sohio/BP Trans Alaska Pipeline Capital (68% held by Sohio)	32	USA	Finance company
	Standard Oil Company (Sohio)	40	USA	Integrated oil operations

Notice of Annual General Meeting

Notice is hereby given that the sixty-ninth annual general meeting of the Company will be held at Britannic House, Moor Lane, London EC2Y 9BU, on Thursday 4 May 1978, at noon, for the transaction of the following business:

- Resolution 1 **To consider and adopt the Report of the Directors and the Accounts for the year ended 31 December 1977**
- Resolution 2 **To declare a dividend**
- Resolution 3 **To re-elect Dr J Birks a Director**
- Resolution 4 **To re-elect Lord Elworthy a Director**
- Resolution 5 **To re-elect Lord Inchcape a Director**
- Resolution 6 **To reappoint Whinney Murray & Co. as Auditors**
- Resolution 7 **To authorise the Board to fix the remuneration of the Auditors for 1978**
- Resolution 8 **To consider and, if thought fit, pass the Special Resolution to alter the Articles of Association as set out on page 35**

By order of the Board
D A G Sarre, Secretary

Britannic House, Moor Lane, London EC2Y 9BU
30 March 1978

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

A holding of debenture stock does not entitle a person to attend or to be represented at the meeting.

The dividend, if approved, will be paid:

- (i) On 11 May 1978 to stockholders on the register on 14 April 1978 which will include transfers accepted for registration on that day.
- (ii) On 25 May 1978 to holders of American Depositary Receipts of record on 14 April 1978.

The following information which is available for inspection during business hours at the office of the Registrar, Britannic House, Moor Lane, London EC2Y 9BU, will also be available for inspection at the place of the annual general meeting from 11.45 am 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 any of its subsidiaries.

Special Resolution

That the Company's Articles of Association be altered hereby in the following manner:—

- (i) Article 16 shall be deleted and the following Article substituted therefor:—

16. (A) Any person whose name is entered in the Register of Members in respect of shares of any one class upon the issue or transfer thereof shall (subject as provided by Article 17) be entitled without payment to a certificate therefor (in the case of issue) within one month (or such longer period as the terms of issue shall provide) after allotment or (in the case of a transfer of fully paid shares) within fourteen days after lodgment of transfer or (in the case of a transfer of partly paid shares) within two months after lodgment of transfer.

(B) Every share certificate shall be issued under the Seal (or an official seal kept under section 2 of the Stock Exchange (Completion of Bargains) Act 1976 or, in the case of shares on a branch register, an official seal for use in the relevant territory) and shall specify the number and class of shares to which it relates and the amount paid up thereon. No certificate shall be issued representing shares of more than one class. No certificate shall be issued in respect of shares held by a stock exchange nominee within the meaning of the said Act.

(C) Where some only of the shares comprised in a share certificate are transferred the old certificate shall be cancelled and a new certificate for the balance of such shares issued in lieu without charge.

- (ii) The words "upon payment of such fee (if any) not exceeding one shilling as the Board may require," shall be deleted from Article 18.

- (iii) The last sentence of Article 24 (providing for a registration fee) shall be deleted and in that Article the words "(except in the case of fully paid shares)" shall be inserted before the word "transferee", so that transfers of fully paid shares need not be signed by the transferee.

- (iv) Article 28 shall be deleted and the following Article substituted therefor:—

28. (A) The instrument of transfer shall be lodged with the Company, accompanied by the certificate of the shares comprised therein, and such evidence as the Board may require to prove the title of the transferor, and thereupon the transferee shall (subject to the Board's right to decline to register hereinbefore mentioned) be registered as a member in respect of such share, and, subject as hereinafter provided, the instrument of transfer shall be retained by the Company. The Board may waive the production of any certificate upon evidence satisfactory to them of its loss or destruction. In the case of a transfer by a stock exchange nominee within the meaning of the Stock Exchange (Completion of Bargains) Act 1976 the lodgment of share certificates will not be necessary.

(B) The Company shall be entitled to destroy all instruments of transfer of shares of the Company which shall have been registered at any time after the expiration of six years from the date of registration thereof and all registered share certificates which have been cancelled at any time after the expiration of one year from the date of cancellation thereof and it shall conclusively be presumed in favour of the Company that every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered and that every such certificate so destroyed was a valid certificate duly and properly cancelled; provided always that:—

- (1) the provisions aforesaid shall apply only to the destruction of documents in good faith and without notice of any claim (regardless of the parties thereto) to which the documents might be relevant;

- (2) nothing herein contained shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than aforesaid or in any case where the conditions of proviso (1) above are not fulfilled;

- (3) references herein to the destruction of any document include references to the disposal thereof in any manner.

- (v) The last sentence of Article 30 (providing for registration fee) shall be deleted.

- (vi) Article 73 shall be deleted and the following Article substituted therefor:—

73. No member shall be entitled to be present or to vote, either personally or by proxy, at any General Meeting or upon

any poll, or to exercise any other right conferred by membership in relation to meetings of the Company if any call or other sum presently payable by him to the Company in respect of any share of which he is the holder (not being a Government share) remains unpaid or if he or any person appearing to be interested in a share (not being a Government share) held by him has been duly served with a notice under section 27 of the Companies Act 1976 and is in default in supplying to the Company the information thereby required and no member shall be entitled to vote at any meeting in respect of any share (not being a Government share) that he has acquired by transfer, unless he has been registered as the holder of the share in respect of which he claims to vote for at least one month previously to the time of holding the meeting at which he proposes to vote.

- (vii) Article 74 shall be deleted and the following Article substituted therefor:—

74. An instrument appointing a proxy shall be in writing in any usual or common form or in any other form which the Directors may approve and

- (i) in the case of an individual shall be signed by the appointor or by his attorney; and

- (ii) in the case of a corporation shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.

The signature on such instrument need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy pursuant to the next following Article, failing which the instrument may be treated as invalid.

- (viii) In Article 75 (providing for lodgment of instruments appointing a proxy) the word "Registered" shall be deleted and the word "Transfer" shall be substituted therefor and the words "or adjourned meeting" shall be inserted after the word "meeting".

- (ix) Article 81 (providing that a Director must be a British subject) shall be deleted.

- (x) In Article 85 (notice of intention to appoint a Director) the words "not more than seven clear days" shall be amended to read "not more than forty-two clear days".

- (xi) Article 86 shall be deleted and the following Article substituted therefor:—

86. A Director shall not be required to hold any shares of the Company by way of qualification. A Director who is not a member of the Company shall nevertheless be entitled to attend and speak at all General Meetings of the Company and at all meetings of any class of members of the Company.

- (xii) In Article 87 (dealing with Directors' remuneration) the words "at the rate of £1,000 per annum" shall be deleted and there shall be substituted therefor the words "at such rate, not exceeding £8,000 per annum, as the Board of Directors may from time to time determine".

- (xiii) The last sentence of Article 93 (restricting Board and committee meetings outside England) shall be deleted.

- (xiv) Paragraph (C) of Article 101 (relating to a Director's qualification) shall be deleted.

- (xv) Article 113 shall be deleted and the following Article substituted therefor:—

113. The Directors shall provide for the safe custody of the Seal and any official seal kept under section 2 of the Stock Exchange (Completion of Bargains) Act 1976 and neither shall be used without the authority of the Directors or of a committee authorised by the Directors in that behalf. Every instrument to which either shall be affixed shall be signed autographically by one Director and the Secretary or some other person appointed by the Directors for the purpose except that a certificate or other document of title in respect of any shares, debentures, debenture stock or other form of security given under seal need not be signed.

- (xvi) In Article 117 the words "to the Secretary of the Share and Loan Department, Stock Exchange, London and to the Secretary of the Glasgow Stock Exchange" shall be replaced by the words "and to the appropriate officer of The Stock Exchange".

Financial Calendar

Dividend and interest payments	Ordinary stock	
	Interim dividend	Announced in September, paid early November
	Final dividend	Proposed in March, paid early May
	First preference stock	Paid 31 January and 31 July
	Second preference stock	Paid 31 January and 31 July
	5% first debenture stock 1974/78	Paid 1 January and 1 July
	6% debenture stock 1976/80	Paid 1 January and 1 July

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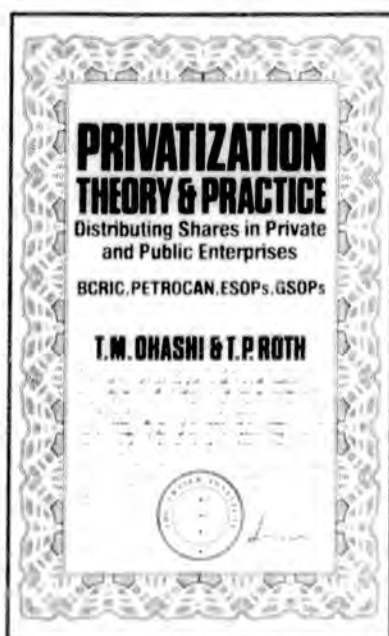
PRIVATIZATION: THEORY AND PRACTICE

Distributing Shares in Private and Public Enterprises:

BCRIC, PETROCAN, ESOPs, GSOPs

"Any Legislator seriously considering a BCRIC-type operation would be crazy not to read it."

David Helliwell, President, BCRIC



In March 1979, the government of British Columbia launched a unique, new experiment in economic policy by divesting itself of the ownership of the British Columbia Resources Investment Corporation and giving the shares to the citizens of British Columbia. This forthcoming Fraser Institute book by T.M. Ohashi and T.P. Roth analyses the BCRIC experiment. It provides for the first time the real story of how BCRIC was born as a private, widely-held corporation. It also provides an analysis of the largest share offering in Canadian history, (which was made at the same time as the "giveaway"), who bought it, and what impact it has had on Canada's financial markets.

The second part of the book provides a complete analysis of the effects of Generalized Stock Ownership Plans, particularly of the sort espoused by Louis O. Kelso. Given that some of the claims made by Kelso have been repeated by those who support BCRIC-type experiments, it is important at this time to re-examine Louis Kelso's ideas -- which have been widely circulated in his "Capitalist Manifesto" (with Mortimer J. Adler). Also included is a theoretical overview of privatization and the public interest by Zane Spindler.

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STATE OF ALASKA
THE LEGISLATURE

LEGISLATIVE AFFAIRS AGENCY

POUCH Y - STATE CAPITOL
JUNEAU, ALASKA 99811
907-465-3800

September 18, 1979

David L. Helliwell, President
British Columbia Resources
Investment Corporation
2600 - 1177 W. Hastings Street
Vancouver, British Columbia V6E 3Y3
CANADA

Dear Mr. Helliwell:

I am writing on behalf of Representative Mike Miller who is the chairman of the State Affairs Committee of the Alaska House of Representatives. The committee currently has before it a bill creating a general stock ownership corporation. General stock ownership corporations were recently authorized under our federal law and appear to be similar in purpose to your B.C. Resources, i.e. to broaden capital ownership.

The committee is very much interested in learning more about B.C. Resources. Members have tentative plans to be in Vancouver the afternoon of November 2, 1979. If it is not inconvenient they would appreciate meeting with you in order to gain an overview of B.C. Resources, its successes, and its shortcomings. They are particularly interested in how the corporation is working as a business corporation, albeit one created by government mandate as opposed to individual action.

Currently, Chairman Miller and Speaker of the House Terry Gardiner are planning to make the trip. Most likely two or three other members of the committee will also attend along with two or three staff members, including myself.

David L. Helliwell
Page 2
September 18, 1979

For your information I am including copies of a draft CSSSHB 240 (relating to general stock ownership corporations) and the recent amendments to federal law authorizing the creation of such corporations.

I look forward to hearing from you.

Very truly yours,

Kenneth M. Rosenstein
Legislative Counsel

KMR:slk

Enclosures

✓ cc: Representative Mike Miller
Chairman, State Affairs Committee

PRESS RELEASE

Contact: David Helliwell
687-2600

or

Jack Morris
687-2600 or 736-8644

June 15, 1979

VANCOUVER -- British Columbia Resources Investment Corporation (BCRIC) announced today that 1,614,805 British Columbians had applied for their five free shares.

In its final progressive report on share applications, BCRIC said its latest figures, to June 14, show that applications have been made for a total of 8,074,025 free shares.

David Helliwell, president of the corporation, also announced that up to June 14 British Columbians had applied to purchase 14,924,435 additional BCRIC shares at \$6 each. This has yielded the corporation gross proceeds of \$89,546,610 and reflects a registered shareholder application total of 47,000. Registered shareholders of BCRIC must have 100 or more shares.

The figures reported reflect only those applications processed as there is a significant number of unprocessed applications.

Mr. Helliwell noted that it will take some time to complete a tabulation of the number of share applications made up to the June 15 deadline. An announcement of final results will be made in about a week, when processing has been completed.

CHAPTER 28

Miscellaneous Statutes Amendment Act, 1978

[Assented to June 29, 1978.]

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of British Columbia, enacts as follows:

R.S.B.C. 1960 c. 6

1. Section 29 (1) of the Agrologists Act is repealed and the following substituted:
(1) Every member shall pay the fees prescribed by the by-laws.

S.B.C. 1964 c. 7

2. Section 55 of the British Columbia Hydro and Power Authority Act, 1964 is amended by inserting the following after subsection (1):
(1.1) Notwithstanding this or any other Act, the matters respecting the establishment and maintenance of a fund for the payment of superannuation allowances or allowances on the death or disability of directors or employees under subsection (1), including
(a) contributions to the fund by the Authority and directors and employees,
(b) the terms and conditions on which superannuation allowances or other allowances may be payable, and
(c) the persons to whom allowances may be paid,
shall not be the subject of a collective agreement between the Authority and its employees.

S.B.C. 1977 c. 47

- 2.1 The British Columbia Resources Investment Corporation Act is amended
(a) by repealing section 7 (1) (b) (ii) and substituting the following:
(ii) any other persons who are associated, or who would be deemed under this Part to be associated, with that person, if both he and the other persons were members,
(b) by repealing section 7 (5) (b) (ii) and substituting the following:
(ii) any other persons who are associated, or who would be deemed under this Part to be associated, with the trust, corporation, or person, if both the trust, corporation, or person and the other person were members,
(c) in section 9 by adding the following subsection:
(5) For the purposes of this Act, a person is associated with another person if, by agreement or arrangement, both are required to act in concert with respect to their interests in the company. ,

- (d) in section 10 (b) by adding "of Canada" after "residents", and
- (e) in section 11 (5) by striking out "subsection (3)" and substituting "subsection (2)".

R.S.B.C. 1960 c. 52

2.2 The Children of Unmarried Parents Act is amended by

- (a) repealing sections 13 (2), 14, 21, 22 and 23, and
- (b) substituting the following as section 13 (2):
 - (2) The provisions of the Family Relations Act for the enforcement of maintenance orders apply to the enforcement of maintenance provisions in an affiliation order.

S.B.C. 1977 c. 67

3. The Colleges and Provincial Institutes Act is amended
- (a) by adding the following as section 52.1:

Financial administration

52.1 The provisions of section 11 (2) (b), (3) and (4) of the Science Council of British Columbia Act respecting the council under that Act apply to a council under this Act. , and

- (b) by repealing section 53 and substituting the following:

Other employees

53. (1) In addition to persons employed under section 65, a council may appoint or employ such officers and other employees as it considers necessary to carry on the business and operations of the council and may define their duties and, subject to the regulations, determine their remuneration and other terms and conditions of employment and provide a system of organization to carry out the purposes of the council.

(2) The provisions of sections 6 (4) and (5), 7, 8 and 9 of the Science Council of British Columbia Act respecting the Government, the secretariat under that Act, the officers and employees of the secretariat and a trade-union apply to the Government, a council, the officers and employees of the council and a trade-union representing employees of the council, respectively.

S.B.C. 1969 c. 4

4. The Community Care Facilities Licensing Act is amended

- (a) in section 1 by adding after the definition of "resident" the following:

"union board"

means a Union Board as defined in the Health Act;;
- (b) in section 6 (f) by adding ", union board," after "municipality", and
- (c) in section 16 (j) by adding "and maximum" after "minimum".

R.S.B.C. 1960 c. 99

5. The Dentistry Act is amended

- (a) by adding the following after section 22:

Registration of
academic members

22.1 (1) A person who

- (a) is appointed to an assistant, associate, or full professorship on a fulltime basis in the faculty of dentistry at the University of British Columbia,
- (b) is teaching at that faculty at the time he submits an application for registration to the Council, and
- (c) meets the requirements for registration established by the rules, regulations and by-laws of the Council

shall be entitled to be registered as a member of the College and to receive a certificate of registration.

(2) The Council may make rules, regulations and by-laws respecting

- (a) the requirements for registration of a person referred to in subsection (1),
- (b) the limitations on the practice of dentistry of a person referred to in subsection (1), and
- (c) the conditions that the person referred to in subsection (1) shall comply with after registration. ,

- (b) by adding the following after section 36:

Right of appeal limited

36.1 Notwithstanding sections 51 and 58, where the council orders

- (a) the suspension from practice, or
- (b) the erasure of the name from the register

of a person registered under section 22.1, the order is final and conclusive, and is not open to question or review in court except under the Judicial Review Procedure Act. ,

- (c) in section 54 (1) by striking out "subject to the provisions of this Act," and substituting "subject to his compliance with this Act, and the rules, regulations and by-laws made by the Council," and
- (d) by repealing the first subsection of section 66 and substituting the following:

66. (1) A member who

- (a) holds an unexpired annual certificate, and
- (b) complies with this Act and the rules, regulations and by-laws made by the Council

is entitled to practise dentistry or dental surgery.

(1.1) Every member practising dentistry or dental surgery in the Province shall at his place of practice display his name on a conspicuously placed sign.

R.S.B.C. 1960 c. 139

6. Section 26 (4) of the Farmers' and Women's Institutes Act is repealed and the following substituted:
- (4) The board of directors of the British Columbia Provincial Women's Institute shall
- (a) consist of not less than 6 and not more than 10 members,
 - (b) be elected at the Provincial convention or, when a position becomes vacant, shall be appointed by the remaining directors of the board, and
 - (c) on election hold office for one term, as defined in the by-laws of the Provincial Women's Institute, and on appointment hold office until the election of a new board of directors.

S.B.C. 1973 (2nd Sess.) c. 116

7. The Farm Products Industry Improvement Act is amended
- (a) in section 2
- (i) by repealing paragraph (g) and substituting the following:
 - (g) undertake research on a food or agricultural product, and
 - (h) carry out a market development program. , and
 - (ii) by renumbering section 2 as section 2 (1) and adding the following subsection:
- (2) Where the minister considers that financial, engineering, or technical advice is necessary
- (a) to examine a proposal from an agricultural enterprise, or
 - (b) to review or monitor the operation of an agricultural enterprise that has received or is receiving financial assistance under this Act,
- he may pay for these services from the Farm Products Industry Improvement Fund established under the Special Funds Appropriation Act, 1974. , and
- (b) by repealing section 6 and substituting the following:

Loan condition

6. Where security for a loan under this Act is in the form of a fixed or floating charge on property, it shall be a condition of the loan that the loan becomes immediately due and payable if all or part of the property charged by the security is disposed of without the prior consent in writing of the minister.

R.S.B.C. 1960 c. 161

- 7.1 The Gas Act is amended in sections 2 and 3 (b) by striking out "690 kPa" wherever it appears and substituting "700 kPa".

R.S.B.C. 1960 c. 170

8. Section 35 (3) of the Health Act is repealed and the following substituted:

(3) Subject to any other enactment, a Health Officer may, in writing, delegate to any person a power granted to him or a duty imposed on him under this or another enactment.

S.B.C. 1977 c. 71

9. Section 1 of the Independent Schools Support Act is amended

(a) by repealing the definition of "authority" and substituting the following:

"authority"

means

- (i) a society incorporated under the Societies Act, or
- (ii) a corporation incorporated under a private Act, or
- (iii) a person designated in the regulations to be an authority for the purpose of operating a school in the Province on a non-profit basis; , and

(b) by repealing the definition of "qualifying pupil" and substituting the following:

"qualifying pupil"

means a person

- (i) enrolled in an independent school to receive tuition through it for at least 135 days related to the school-year, as prescribed by the regulations, for which a grant application is made under this Act, and
 - (ii) of school age as determined under the Public Schools Act during that school-year or, where enrolled in kindergarten, not more than one year under school age as determined under the Public Schools Act during that school-year,
- who has a parent or guardian resident in the Province, and
- (iii) has a parent who is a Canadian citizen or has been lawfully admitted to Canada under the Immigration Act (Canada) for permanent residence, or
 - (iv) had a parent who, at the time of the death of that parent, satisfied the requirements of paragraph (iii),
- and includes a qualifying pupil as defined in the regulations; .

S.B.C. 1973 c. 44

10. Section 3 of the Insurance Corporation of British Columbia Act is amended by inserting the following after subsection (4):

(4.1) Notwithstanding this or any other Act, the matters respecting the establishment of, support of, or participation in a plan referred to in subsection (4) (a) shall not be the subject of a collective agreement between the corporation and its employees.

S.B.C. 1973 (2nd Sess.)
c. 122

11. Section 69 of the Labour Code of British Columbia is amended by adding the following subsection:

(5) In this section "minister" includes a person authorized in writing by him.

S.B.C. 1970 c. 17

12. Section 31 of the Land Act is amended by renumbering it as section 31 (1) and by adding the following:

(2) Where an application is made under section 28 or 37, or notice is given of an intention to make application, the minister may estimate the cost

(a) to assess the impact of making the disposition, or

(b) to monitor compliance with terms and conditions to which the disposition would be subject if made,

and require the applicant or person giving notice to pay all or a part of this anticipated cost to the Government before the notice is acted on, the application is considered, or the disposition made, as the case may be.

S.B.C. 1967 c. 24

13. The Medical Services Act is amended

(a) in section 7 (2) by striking out "by the Comptroller-General" and substituting "by the auditor general",

(b) by repealing section 8 (1) (f),

(c) by repealing section 9 and substituting the following:

Premium assistance
payments to the Commission

9. The Minister of Finance shall pay to the Commission out of the Consolidated Revenue Fund the difference between

(a) the full premium fixed by the Commission in respect of an eligible person, and

(b) the prescribed amount payable by that eligible person, determined in relation to the prescribed criteria. , and

(d) by repealing section 12 and substituting the following:

Regulations

12. The Lieutenant-Governor in Council may make regulations.

S.B.C. 1912 c. 36

14. Section 33 of the Pacific Great Eastern Incorporation Act is amended by renumbering the section as section 33 (1) and by adding the following after the section as renumbered:

(2) Notwithstanding subsection (1) or any other Act, where the directors establish a fund for the payment of superannuation allowances to its employees or allowances on the disability or death of employees, the matters respecting the establishment and maintenance of the fund or payment of superannuation allowances or allowances on the disability or death of employees, including contributions to the fund by the Company and its employees, the terms and conditions on which superannuation allowances or other allowances may be payable and the persons to whom allowances may be paid, shall not be the subject of a collective agreement between the Company and its employees.

S.B.C. 1965 c. 3115. The Park Act is amended

- (a) in section 4 by renumbering it as section 4 (1) and adding the following subsections:
 - (2) The Parks Branch has, subject to an order under section 6.1, jurisdiction over and shall manage and administer lands or a trail, path, or waterway comprised in an order under section 6.1.
 - (3) Money required for the purposes of subsection (2) shall, until March 31, 1979,
 - (a) in the absence of an appropriation, or
 - (b) where money appropriated is insufficient,be paid out of the Consolidated Revenue Fund. , and
 - (b) by inserting the following after section 6:

Additional powers

6.1 (1) Where

- (a) an order has been made in respect of Crown land under the Environment and Land Use Act, or
- (b) Crown land has been designated as green belt land under the Greenbelt Act, or
- (c) Crown land has been designated as a Provincial heritage site under the Heritage Conservation Act, or
- (d) land is leased to the Crown or to an agent of the Crown for public outdoor recreation, or
- (e) land is owned by a person who has entered into an agreement with the Crown or with an agent of the Crown respecting the use of the land for outdoor recreation, or
- (f) a trail, path, or waterway owned by the Crown is available for use by the public as a trail or path, or as a waterway for canoes or small boats,

the Lieutenant-Governor in Council may, by order made under this and any other applicable Act, authorize the Parks Branch to manage and administer the land, or the trail, path, or waterway, or the interest of the Crown in it.

(2) An order under subsection (1) that is also made under another Act shall be consistent with that Act but, subject to that requirement, this Act applies to the land or to the trail, path, or waterway to the extent specified in the order.

R.S.B.C. 1960 c. 284

- 16. The Pipe-lines Act is amended in those of its sections listed in Column 1 by striking from those sections the words identified opposite them in Column 2 and inserting in place of the words struck out, the words shown opposite them in Column 3:

SCHEDULE

Column 1	Column 2	Column 3
Section	Deletion	Insertion
2 (1)	in the definition of pipe-line "five hundred pounds per square inch"	3 500 kPa
2 (1)	"one hundred pounds per square inch, gauge"	700 kPa, (gauge)
12 (2)	"eight miles to the inch"	1:500 000
13 (1) (a)	"one thousand feet"	300 m
13 (2)	"one thousand feet to the inch"	1:10 000
16 (3)	"three hundred feet"	90 m
21 (1)	"sixty feet"	18 m
22 (3)	"six feet", wherever it appears	1.8 m
23 (2)	"twenty-five miles"	40 km
29 (1)	"forty yards"	36 m
29 (2)	"three hundred feet"	90 m
30	"thirty-three feet"	10 m

R.S.B.C. 1960 c. 31917. The Public Schools Act is amended

(a) in section 128 by adding the following subsection:

(5) Notwithstanding subsections (3) and (4), a Board may, after considering the recommendation of the District Superintendent of Schools, by written agreement with a teacher, appoint the teacher to a position referred to in subsection (3) for a term specified in the agreement. ,

(b) by repealing section 140 and substituting the following:

Arbitration

140. (1) Where a Board and an association are unable to make an agreement by November 15,

(a) a conciliator appointed to assist them shall report forthwith to the Minister,

(b) the dispute is referred to arbitration under this Division, and

(c) on receipt of the report under paragraph (a), the Minister shall forthwith notify the Board and the association that their dispute is referred to arbitration.

(2) The arbitration award for each dispute under this Division within a zone established under section 137 (1) shall be made by a salary arbitration board appointed by the Minister for the zone and composed of

(a) a member nominated unanimously by the Boards that are parties to the disputes,

(b) a member nominated unanimously by the associations that are parties to the disputes, and

(c) a chairman nominated by both members nominated under paragraphs (a) and (b).

(3) Where the Minister has not received a nomination to a salary arbitration board under subsection (2)

(a) by November 22, respecting a member, or

- (b) by December 7, respecting the chairman, the Minister of Labour shall appoint
 - (c) a single arbitrator, or
 - (d) a board consisting of 2 members and a chairman to serve as the salary arbitration board for the zone.
- (4) Where a person is appointed as a conciliator under section 138 or 139 he shall not in the same year
 - (a) be appointed as a member or chairman of a salary arbitration board or as a single arbitrator, or
 - (b) act as an advocate before a salary arbitration board.
- (5) No person shall hold more than one appointment at one time under this section.
- (6) No person shall be nominated or appointed under this section unless he states in writing to his nominators that he is willing to serve. ,
 - (c) by repealing section 141,
 - (d) in section 142
 - (i) by repealing subsection (1) and substituting the following:
 - (1) A salary arbitration board shall, before January 1,
 - (a) make its arbitration award for each dispute referred to it under section 140 (1), and
 - (b) forward to the Minister a written copy of each of its arbitration awards. , and
 - (ii) in subsection (2) by striking out "by December 31" and substituting "before January 1", and
 - (e) by repealing section 142A and substituting the following:

Costs, expenses and fees
of arbitration

142.1 (1) The fees and expenses to be paid to a member of a salary arbitration board may be set by agreement between the Boards or between the associations, as the case may be, that nominate the member under section 140, and the fees and expenses to be paid to the chairman of that salary arbitration board may be set by agreement between these Boards and associations.

(2) Subject to subsection (3), where the Minister of Labour appoints a person under section 140 or where the Boards, associations, or both together, as the case may be, do not agree under subsection (1) on the fees and expenses to be paid to a member or the chairman of a salary arbitration board, the fees and expenses prescribed under the Arbitration Act for an arbitrator apply.

(3) Notwithstanding subsection (2), where the Minister of Labour considers that special circumstances so require, the Minister of Labour may set the fees and expenses to be paid to a person appointed under section 140.

(4) Unless the associations and Boards with disputes referred to the same arbitration board otherwise agree, each association or Board shall pay

- (a) its own expenses and costs,
- (b) the fee and expenses of a member of the salary arbitration board nominated by it, and
- (c) an equal share of the fees and expenses of
 - (i) the chairman of the salary arbitration board or of the single arbitrator, and
 - (ii) where a salary arbitration board is appointed under section 140 (3) (d), the 2 members.