

BP AMOCO EXPLORATION (FAROE) LIMITED

(Registered in England and Wales No 856444)

ANNUAL REPORT AND ACCOUNTS 2000

Board of Directors:- J H Bartlett
C Fowler
R P Rattey
S D Urban

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2000.

Principal activity, review of the business and results

The company's principal activity is related to the exploration for oil and gas offshore the Faroe Islands under Licence No.004 which was granted to the company in August 2000.

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

The operations of the company for the financial year resulted in a loss of £3,254,978. The directors do not propose payment of a final dividend.

Directors

The present directors of the company are listed above. Changes since 1 January 2000 are as follows :

	<u>Appointed</u>	<u>Resigned</u>
J H Bartlett	1 May 2000	
D P Chapman		30 April 2000
C Fowler	1 May 2000	
R P Rattey	1 May 2000	
F W M Starkie		30 April 2000
S D Urban	1 May 2000	

Directors' interests

The interests of the directors holding office at 31 December 2000, and their families, in the US \$0.25 ordinary shares of BP p.l.c. (formerly BP Amoco p.l.c.), were as set out below :

	<u>31 December 2000</u>	<u>At date of appointment</u>
J H Bartlett	39,008	34,488
C F Fowler	4,740	4,740
R P Rattey	2,602	3,114
S D Urban	17,472	17,472



BP AMOCO EXPLORATION (FAROE) LIMITED

REPORT OF THE DIRECTORS

Directors' interests continued

In addition, rights to subscribe for US \$0.25 ordinary shares in BP p.l.c. were granted to, or exercised by, those directors between their date of appointment and 31 December 2000 as follows:

	<u>Granted</u>	<u>Exercised</u>
J H Bartlett	1,084	14,982
C F Fowler	Nil	Nil
R P Rattey	389	Nil
S D Urban	Nil	Nil

No director had any interest in the shares or debentures of subsidiary undertakings of BP p.l.c. at 31 December 2000.

Policy and practice with respect to payment of suppliers

It is the company's policy to follow the CBI's prompt payment code of practice for all suppliers to the company. A copy of the code of practice may be obtained from the CBI. The company had no trade creditors at the year end.

Auditors

On 28th June 2001, Ernst and Young transferred its entire business to Ernst & Young LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The Directors have consented to treating the appointment of Ernst & Young as extending to Ernst & Young LLP with effect from 28th June 2001.

In accordance with Section 386 of the Companies Act 1985, the company has elected to dispense with the obligation to appoint auditors annually and Ernst & Young LLP will continue in office.

By order of the Board



R C Cumming, Secretary

27 July 2001

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

BP AMOCO EXPLORATION (FAROES) LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

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

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

BP AMOCO EXPLORATION (GAMMA) LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF BP AMOCO EXPLORATION (FAROES) LIMITED

We have audited the accounts on pages 5 to 9 which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of opinion

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

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2000 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
ABERDEEN

27 July 2001

BP AMOCO EXPLORATION (FAROES) LIMITED

ACCOUNTING POLICIES

Accounting convention

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

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

Exploration expenditure

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

Foreign currencies

Assets and liabilities of foreign currency branches are translated into sterling at closing rates of exchange. Income statements are translated at average rates of exchange.

Exchange differences resulting from the retranslation of net investments in foreign currency branches at closing rates, together with differences between income statements translated at average rates and at closing rates of exchange and differences on long term monetary items, are dealt with in reserves.

All other exchange gains or losses on settlement or translation at closing rates of exchange of monetary assets and liabilities are included in the determination of the profit/loss for the year.

BP AMOCO EXPLORATION (FAROEES) LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2000

	<u>Note</u>	2000 <u>£'000</u>	1999 <u>£'000</u>
Exploration expense		(4,412)	(100)
		<u>(4,412)</u>	<u>(100)</u>
Intercompany loan write back		1,640	-
		<u>1,640</u>	<u>-</u>
Operating loss		(2,772)	(100)
		<u>(2,772)</u>	<u>(100)</u>
Taxation	1	-	-
		<u>-</u>	<u>-</u>
Retained loss for the year		(2,772)	(100)
		<u><u>(2,772)</u></u>	<u><u>(100)</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2000

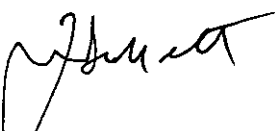
There are no recognised gains or losses attributable to the shareholders of the company other than the loss of £2,771,902 for the year ended 31 December 2000 (1999 £100,000).

BP AMOCO EXPLORATION (FAROES) LIMITED

BALANCE SHEET AT 31 DECEMBER 2000

	<u>Note</u>	<u>2000</u> <u>£'000</u>	<u>1999</u> <u>£'000</u>
Fixed assets			
Intangible assets	3	379	-
Current Assets			
Other debtors		422	-
Creditors - amounts falling due within one year			
Bank overdraft		(2,981)	-
Other creditors	4	(2,330)	(1,738)
Net current liabilities		<u>(4,889)</u>	<u>(1,738)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(4,510)</u>	<u>(1,738)</u>
SHAREHOLDERS' INTEREST		<u>(4,510)</u>	<u>(1,738)</u>
Represented by			
Capital and reserves			
Called up share capital	5	100	100
Reserves	6	(4,610)	(1,838)
SHAREHOLDERS' FUNDS - EQUITY INTERESTS		<u>(4,510)</u>	<u>(1,738)</u>

By order of the Board


J H Bartlett, Director

27 July 2001

BP AMOCO EXPLORATION (FAROE) LIMITED

NOTES TO THE ACCOUNTS

1. Taxation

United Kingdom taxation - The company is a member of a group for the purposes of group relief under section 402 of the Income and Corporation Taxes Act 1988. No corporation tax liability arises.

Provision for deferred taxation is not required.

2. Directors and auditors

None of the directors received any fees or remuneration for services as a director of the company during the financial year (1999 £Nil).

Auditors' remuneration is borne by the ultimate parent undertaking.

3. Intangible assets

	Exploration expenditure £'000
Cost	
At 1 January 2000	-
Additions	379

At 31 December 2000	379
	=====
Depreciation	
At 1 January 2000	-
Charge for the year	-

At 31 December 2000	-
	=====
Net book amount	
At 31 December 2000	379
	=====
At 31 December 1999	-
	=====

4. Other creditors

	2000 Within 1 year £'000	1999 Within 1 year £'000
Parent and fellow subsidiary undertakings	527	1,638
Accruals	1796	100
Other	7	-
	-----	-----
	2,330	1,738
	=====	=====

BP AMOCO EXPLORATION (FAROE) LIMITED

NOTES TO THE ACCOUNTS

5. Called up share capital

	2000 <u>£'000</u>	1999 <u>£'000</u>
Authorised, issued and fully paid: 100,000 ordinary shares of £1 each	100	100

6. Reconciliation of shareholders' funds and movements on reserves

	Share capital <u>£'000</u>	Profit & loss account <u>£'000</u>	Total <u>£'000</u>
At 1 January 1999	100	(1,738)	(1,638)
Loss for the year	-	(100)	(100)
	-----	-----	-----
At 1 January 2000	100	(1,838)	(1,738)
Loss for the year	-	(2,772)	(2,772)
	-----	-----	-----
At 31 December 2000	100	(4,610)	(4,510)

7. Contingent liabilities

There were contingent liabilities at 31 December 2000 in respect of guarantees and indemnities entered into as part of, and claims arising from, the ordinary course of the company's business, upon which no material losses are likely to arise.

8. Related party transactions

The company has taken advantage of the exemptions contained within FRS 8, and does not disclose transactions with group companies.

9. Pensions

The company does not directly employ any staff and therefore does not directly bear any pension charge.

10. Financial support

The company's parent undertaking has certified that it will continue to provide financial support to the company in its financial operations.

11. Ultimate parent undertaking

The ultimate parent undertaking of the group of undertakings for which group accounts are drawn up, and of which the company is a member, is BP p.l.c. (formerly BP Amoco p.l.c), a company registered in England and Wales. Copies of BP p.l.c.'s accounts can be obtained from Britannic House, 1 Finsbury Circus, London EC2M 7BA.