

BP AMOCO EXPLORATION (FAROE) LIMITED

(Registered in England and Wales No 856444)

ANNUAL REPORT AND ACCOUNTS 2001

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

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2001.

Principal activity

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. In addition a 5% interest in the Foinaven field was acquired in December 2001 from another group company.

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

Review of activities

The company has had a satisfactory year and the directors believe the trend will continue.

Results and Dividends

The operations of the company for the financial year resulted in a loss of £1,855,000 (2000: loss of £2,772,000). The directors do not propose payment of a final dividend.

Directors

The present directors of the company are listed above and served as directors throughout the current year. Changes since 1 January 2001 are as follows :

	<u>Appointed</u>	<u>Resigned</u>
C F Fowler		31/8/2001
J C Skipper	10/12/2001	30/12/2001

Directors' interests

The interests of the directors holding office at 31 December 2001, and their families, in the US \$0.25 ordinary shares of BP p.l.c. , were as set out below :

	<u>31 December 2001</u>	<u>1 January 2001</u>
J H Bartlett	60,497	39,008
R P Rattey	2,517	2,602
S D Urban	17,472	17,472



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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 2001 as follows:

	<u>Granted</u>	<u>Exercised</u>
J H Bartlett	303	1,192
R P Rattey	758	10,048
S D Urban	77,400	-

No director had any interest in the shares or debentures of subsidiary undertakings of BP p.l.c. at 31 December 2001.

Policy and practice with respect to payment of suppliers

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

The number of days' purchases represented by trade creditors at the year end was 30.

Auditors

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

By order of the Board

ASSISTANT 
Secretary

Date: 9 September 2002

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

BP AMOCO EXPLORATION (FAROEES) 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 (FAROES) LIMITED

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

We have audited the accounts for the year ended 31 December 2001 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and related notes 1 to 19. These accounts have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

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

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

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

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

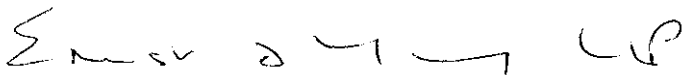
Basis of opinion

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 2001 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

9 September 2002

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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.

Accounting Standards

The group has adopted Financial Reporting Standard No.18 "Accounting Policies" (FRS18) with effect from 1 January 2001 and has made the transitional disclosures required by Financial Reporting Standard No.17 "Retirement Benefits" FRS 17. Adoption of Financial Reporting Standard 18 has not had any effect on the results of for the year or required any restatement of prior year comparatives. In accordance with FRS 18 the provisions regarding compliance with the Statement of Recommended Practice "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities" have not yet been implemented.

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 in currencies other than sterling are translated into sterling at closing rates of exchange.

All 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 loss for the year.

Pensions

The transitional disclosures of FRS 17 have been made in the accounts of the ultimate parent undertaking.

Deferred Taxation

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

BP AMOCO EXPLORATION (FAROEES) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

	<u>Note</u>	2001 <u>£'000</u>	2000 <u>£'000</u>
Turnover	1	2,050	-
Cost of sales		(946)	-
		-----	-----
Gross profit		1,104	-
Exploration expenditure		(2,875)	(4,412)
Administration expenses		(113)	-
Intercompany loan write back		-	1,640
		-----	-----
Other interest and miscellaneous income	3	(1,884) 37	(2,772) -
		-----	-----
Operating loss	2	(1,847)	(2,772)
		-----	-----
Loss on ordinary activities before interest and tax		(1,847)	(2,772)
Other interest payable and similar charges		(8)	-
		-----	-----
Loss before taxation		(1,855)	(2,772)
Taxation	4	-	-
		-----	-----
Loss for the year		(1,855)	(2,772)
		-----	-----
Retained loss for the year		(1,855)	(2,772)
		=====	=====

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2001

There are no recognised gains or losses attributable to the shareholders of the company other than the loss of £1,855,000 for the year ended 31 December 2001 (2000 loss of £2,772,000).

BP AMOCO EXPLORATION (FAROES) LIMITED

BALANCE SHEET AT 31 DECEMBER 2001

	<u>Note</u>	<u>2001</u> <u>£'000</u>	<u>2000</u> <u>£'000</u>
Fixed assets			
Intangible assets	6	5,919	379
Tangible assets	7	38,927	-
		<u>44,846</u>	<u>379</u>
Current Assets			
Other debtors	8	4,353	422
Creditors - amounts falling due within one year			
Finance debt	9	(12,835)	(2,981)
Other creditors	10	(37,442)	(2,330)
		<u>(45,924)</u>	<u>(4,889)</u>
Net current liabilities			
		<u>(45,924)</u>	<u>(4,889)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>(1,078)</u>	<u>(4,510)</u>
Provisions for liabilities and charges	11	(5,287)	-
		<u>(5,287)</u>	<u>-</u>
SHAREHOLDERS' INTEREST		<u>(6,365)</u>	<u>(4,510)</u>
Represented by			
Capital and reserves			
Called up share capital	12	100	100
Reserves	13	(6,465)	(4,610)
		<u>(6,365)</u>	<u>(4,510)</u>
SHAREHOLDERS' FUNDS - EQUITY INTERESTS		<u>(6,365)</u>	<u>(4,510)</u>

By order of the Board

Director

Date: 9 September 2002

BP AMOCO EXPLORATION (FAROEES) LIMITED

NOTES TO THE ACCOUNTS

1. Turnover

Turnover represents the selling value of petroleum products produced during the year attributable to the company and of petroleum purchased for resale, both of which are continuing, stated net of value added tax where applicable. The country of origin and destination is substantially the United Kingdom.

2. Operating loss

This is stated after charging/(crediting):

	2001 <u>£'000</u>	2000 <u>£'000</u>
Depreciation of owned fixed assets (including amortisation of intangibles)	896	-
Exchange loss/(gain) on foreign currency borrowings less deposits	113	(1)
Operating lease rentals:		
Plant & machinery	541	-

Auditors' remuneration is dealt with in the accounts of the ultimate parent undertaking.

3. Other income

	2001 <u>£'000</u>	2000 <u>£'000</u>
Other interest and miscellaneous income	37	-
	-----	-----
	37	-
	=====	=====

4. 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 has been provided in respect of the company's oil extraction activities in the UK and UK Continental Shelf because another group company, BP Exploration Operating Company Limited has undertaken to provide for any current or deferred tax that arises.

5. Directors

None of the directors received any fees or remuneration for services as a director of the company during the financial year (2000 £Nil).

BP AMOCO EXPLORATION (FAROE) LIMITED

NOTES TO THE ACCOUNTS

6. Intangible assets

Exploration
expenditure
£'000

Cost

At 1 January 2001

379

Additions

5,997

Deletions

(457)

At 31 December 2001

5,919

Depreciation

At 1 January 2001

-

Charge for the year

(457)

Deletions

457

At 31 December 2001

-

Net book amount

At 31 December 2001

5,919

At 31 December 2000

379

7. Tangible assets

Production
assets
£'000

Cost

At 1 January 2001

-

Additions

2,642

Transfers

53,329

At 31 December 2001

55,971

Depreciation

At 1 January 2001

-

Charge for the year

(439)

Transfers

(16,605)

At 31 December 2001

(17,044)

Net book amount

At 31 December 2001

38,927

At 31 December 2000

-

BP AMOCO EXPLORATION (FAROE) LIMITED

NOTES TO THE ACCOUNTS

Tangible assets (continued)

Included within tangible assets:

	Cost £'000	Depreciation £'000	Net £'000
Capitalised interest			
At 31 December 2001	1,794	(882)	912
	=====	=====	=====
At 31 December 2000	-	-	-
	=====	=====	=====

8. Debtors

	2001 Within 1 year £'000	2000 Within 1 year £'000
Trade	1,364	-
Parent and fellow subsidiary undertakings	676	-
Other	2,313	422
	-----	-----
	4,353	422
	=====	=====

9. Finance debt

	2001 Within 1 year £'000	2000 Within 1 year £'000
Bank loans and overdrafts	12,835	2,981
	=====	=====

10. Other creditors

	2001 Within 1 year £'000	2000 Within 1 year £'000
Trade	138	-
Parent and fellow subsidiary undertakings	33,780	527
Accruals	2,424	1,796
Other	1,100	7
	-----	-----
	37,422	2,330
	=====	=====

BP AMOCO EXPLORATION (FAROEES) LIMITED

NOTES TO THE ACCOUNTS

11. Provisions for liabilities and charges

	Decommissioning £'000
At 1 January 2001	-
Unwinding of discount	7
Effect of rate change	2,210
Transfers	3,070

At 31 December 2001	5,287
	=====

12. Called up share capital

	2001 £'000	2000 £'000
Authorised, issued and fully paid: 100,000 ordinary shares of £1 each	100	100
	=====	=====

13. Reconciliation of shareholders' funds and movements on reserves

	Share capital £'000	Profit & loss account £'000	Total £'000
At 1 January 2000	100	(1,838)	(1,738)
Loss for the year	-	(2,772)	(2,772)
	-----	-----	-----
At 1 January 2001	100	(4,610)	(4,510)
Loss for the year	-	(1,855)	(1,855)
	-----	-----	-----
At 31 December 2001	100	(6,465)	(6,365)
	=====	=====	=====

14. Contingent liabilities

There were contingent liabilities at 31 December 2001 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.

15. Related party transactions

The company has taken advantage of the exemption contained within Financial Reporting Standard No 8 "Related Party Disclosures", and has not disclosed transactions with group companies.

16. Pensions

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

NOTES TO THE ACCOUNTS

17. Financial support

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

18. Ultimate parent undertaking

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