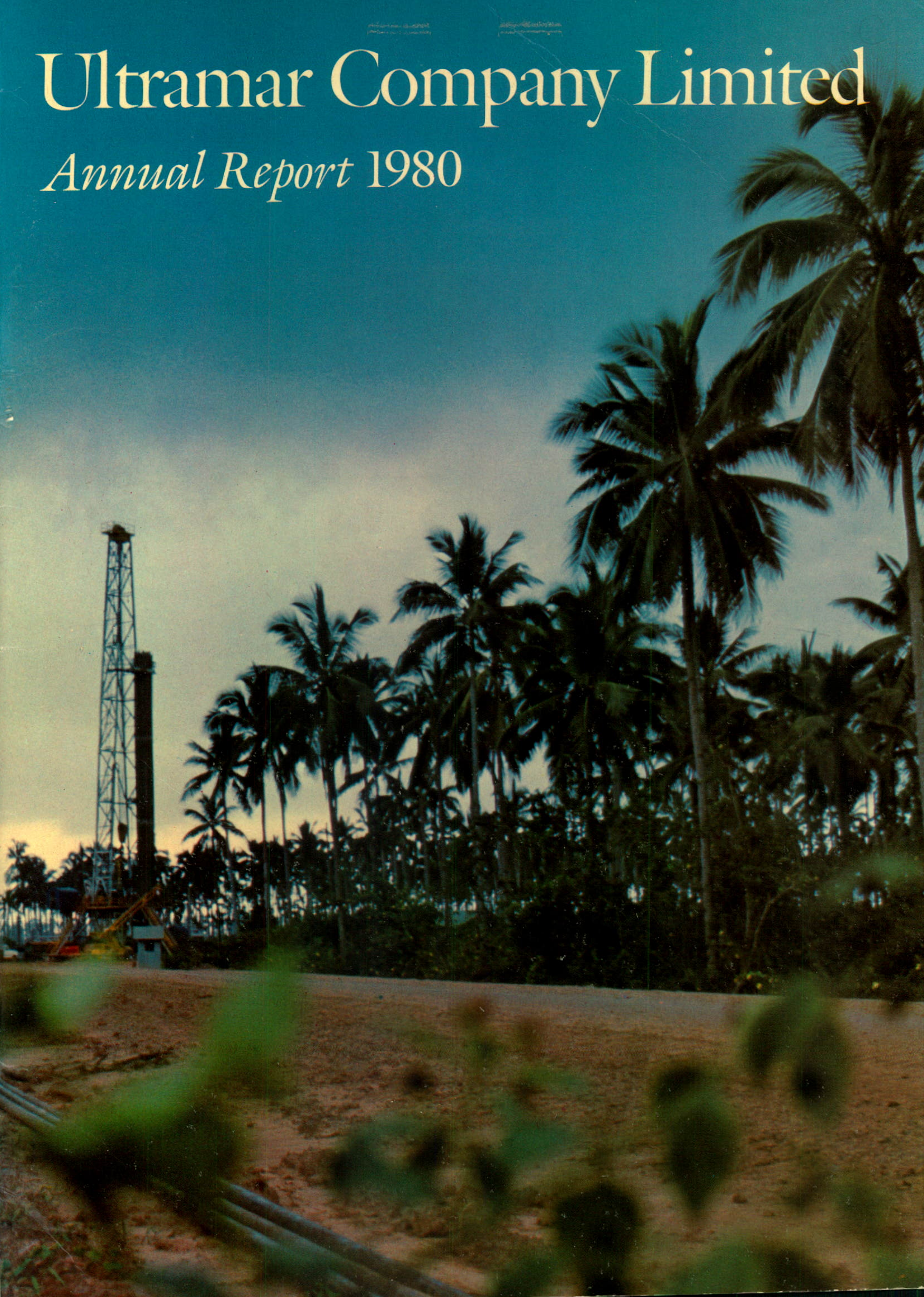
Ultramar Company Limited

Annual Report 1980



Front Cover: overleaf

Drilling Rig in East
Kalimantan, Indonesia

Ultramar Company Limited

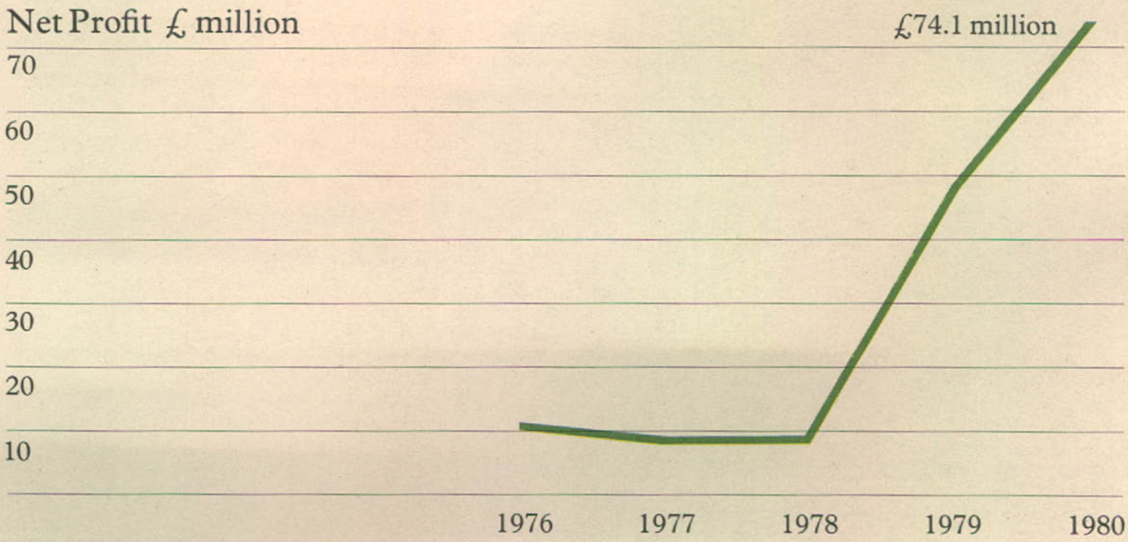
FORTY-FIFTH ANNUAL REPORT

Ultramar Company Limited is a British oil company which has exploration, production, refining, shipping and marketing subsidiary companies in various parts of the world. The activities of the Ultramar Group comprise an integrated international oil business.

Financial Highlights 1980

	£ million	*Can.$ million	*US$ million
Sales Revenue	939.5	2,687.0	2,245.4
Cash Flow from Operations	100.8	288.3	240.9
Profit before Taxation	126.3	361.2	301.9
Net Profit	74.1	211.9	177.1
Capital Expenditures	54.0	154.4	129.1
Earnings per Share	69.3p	$1.98	$1.66
Dividends per Share	11p		
Return on Invested Capital	28.8%		

*Translated into Canadian $ at 2.86 and US$ at 2.39 to £1.



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Secretaries
Russell Limebeer

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American Depositary Receipts
The Company sponsors the issue of American Depositary Receipts by Morgan Guaranty Trust Company in New York

Chairman's Statement to the Shareholders

This Annual Report for the year 1980 speaks for itself. It was the best year in Ultramar's history, with record cash flow and profit. These results were achieved in the face of economic recession and a sharp decline in the Western World's demand for oil products. Our Indonesian operations had a particularly successful year, and we were also helped by the strengthening during the year of prices for heavy fuel oil in Canada.

Ultramar's future prospects are brightened by a major expansion programme which will double the size of the Indonesian Liquefied Natural Gas Plant, provide a fleet of modern ships and add to oil and gas production in the North Sea, Western Canada and elsewhere. Over the short term, however, there is an unfavourable world economic climate which may adversely affect our refining and marketing operations. There are also new taxes on production in the UK, Canada and the USA.

Our Canadian operations warrant special mention. The integration of Golden Eagle and Canadian Fuel Marketers, which we acquired early in 1979, has gone smoothly. Our refining and marketing operations in Eastern Canada had a good year in 1980, and the trend is continuing in 1981. However, it is Government policy to reduce Canadian industry's dependence on heavy fuel oil by replacing it with gas and hydroelectric power. A high proportion of the output of our Quebec Refinery is fuel oil. We decided to meet this situation by adding a catalytic cracking unit at the Quebec Refinery and thus manufacturing less fuel oil. We have now delayed this upgrading because of large projected cost overruns and a Government policy of Canadianisation of the oil industry. We are on record as favouring up to 50 per cent public ownership of our Canadian business and are looking for Canadian participation. Alternatively, we may reduce the size of the new investment by scaling it down or eliminating some units.

The largest portion of our capital expenditures continues to be directed to finding and developing new oil and gas reserves. We have been reasonably successful in Indonesia and Western Canada, and this will make a contribution to profits in 1983 and beyond. The North Sea Maureen Field will come into full production and contribute to profits by early 1984. In the Seventh Round, we were successful in our applications for licences on five blocks in each of which we have interests of between 31 and 40 per cent. The tempo of our North Sea exploration drilling will therefore be accelerated in the next few years. We will also expand our exploration activity in the USA and Australia.

Your Board is recommending a final dividend of 7p per share, bringing total dividends paid out of 1980 profits to 11p per share. The 1980 dividend, together with the relevant Advance Corporation Tax, comes to almost £17 million. We have retained about £57 million out of 1980 profits to plough back into our business to help finance our current expansion programme.

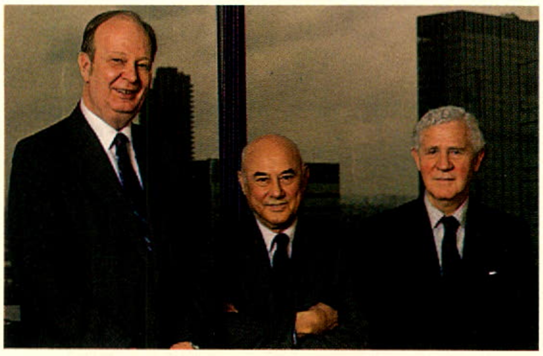
I want to take this opportunity to say a few words about Campbell Nelson, who stepped down as Chairman of the Board at the end of 1980. He was with Ultramar when it was founded in 1935 and has through the years been a major factor in making the Company a success and bringing it to the position that it occupies today. We are fortunate that he will continue to serve Ultramar and that we will have the benefit of his wisdom and experience. We thank him most sincerely and wish him all the best.

Your Board now numbers thirteen of whom six constitute the top operating management of the Ultramar Group and have an average of more than 30 years in the oil industry. They are backed by a high calibre staff whose performance speaks for itself. On your behalf I thank them all for a job well done. You certainly have a professional team of oil men, headed by Lloyd Bensen, directing operations and I believe they will produce good results for you in the future. It does not necessarily mean that every quarter will be up and that every year will be better than the last, but it does mean that you can expect a dynamic growth company which will achieve excellent results in the years to come.

Arnold Lorbeer

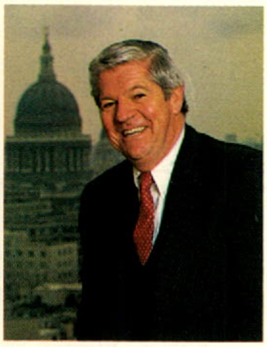
8th April 1981

BOARD OF DIRECTORS



Left **Lloyd E. Bensen** (USA)
Chief Executive Officer of Operating Companies
Middle **Arnold Lorbeer** (USA)
Chairman
Right **Campbell L. Nelson**
Chairman of British Borneo Petroleum Syndicate Limited and Scottish Offshore Investors Limited

Left **Dale H. Austin** (USA)
Executive Vice President of American Ultramar Limited
(Alternate: David O. Elton)
Middle **Laurie D. Woodruff** (Canada)
President of Canadian Ultramar Limited
Right **The Rt. Hon. Lord Remnant, CVO**
Deputy Chairman
Managing Director of Touche, Remnant & Co.



Left **Robert S. Haddow** (USA)
Senior Vice President-Transportation of American Ultramar Limited
Right **Eugene K. O'Shea** (USA)
Senior Vice President and General Counsel of American Ultramar Limited

Left **Michael E. Beckett**
Executive Director of Consolidated Gold Fields Limited
Middle **Sir Leo Pliatzky**
Member of the Boards of British Airways and Associated Communications Corporation
Right **John A. Owers**
Executive Director

Left **J. D. McCall**
Director of Consolidated Gold Fields Limited
Right **Sir Kenneth Barrington**
Deputy Chairman of BICC Limited
(Alternate: Richard M. L. Webb)

Report of the Directors

The Directors submit their Report and Statement of Accounts for the year 1980.

Principal Activities
Ultramar Company Limited is the holding company of a number of operating subsidiaries which together form an integrated group engaged in oil and gas exploration and production and in the refining, transportation and marketing of crude oil and petroleum products.

A list of principal subsidiary and associated companies is given on page 43. Summarised Operating Results are given on page 24 and a full report on Group Operations is set out on pages 7 to 24.

Group Profit
The consolidated net profit attributable to the Ultramar Group for 1980 after taxation was £74.1 million (1979, £46.8 million). After providing £0.1 million (1979, £1.3 million) in respect of the last dividend payment on the 7% Convertible Redeemable Preferred Shares of £1, and £16.8 million (1979, £9.9 million) in respect of the cost of dividends on the Ordinary Shares, the balance of £57.2 million (1979, £35.6 million) has been added to Group Reserves.

Dividends
An interim dividend of 4p per Ordinary Share was paid on 7th November 1980. Your Directors will recommend at the Annual General Meeting on 29th May 1981 that a final dividend of 7p per Ordinary Share be paid out of 1980 profits. This dividend will be paid on 29th May 1981 to Ordinary Shareholders registered at the close of business on 24th April 1981.

Accounting Policy
The Ultramar Group does not comply with Statement of Standard Accounting Practice No. 8 (SSAP 8), which requires that any Advance Corporation Tax (ACT) written off be included as part of the tax charge for the year.

The Directors consider that ACT liabilities are determined solely by reference to dividends declared and portions written off should not be included as a charge against trading profits.

Almost the entire profits of the Group are generated abroad, so consequently there is no ACT relief available. Compliance with SSAP 8 would increase, by £5.1 million, the taxation shown as a charge on trading profits. This would therefore result in a distorted presentation of the Group's earnings.

Issued Capital
The Issued Capital of the Company at 31st December 1980 was £26,713,455 made up of 106,853,821 Ordinary Shares of 25p each.

	Ordinary Shares of 25p each
Issued Ordinary Shares at 1st January 1980	46,473,257
Share distribution made on 9th May 1980	46,628,757
Issued by conversion of Preferred Shares at 95p on 30th June 1980	13,249,107
Issued under Share Option Plan (consideration £564,091)	502,700
	106,853,821

	Preferred Shares of £1 each
Issued Preferred Shares at 1st January 1980	12,586,651
Converted into Ordinary Shares on 30th June 1980	(12,586,651)
	—

The Ordinary Shares of the Company are listed on the United Kingdom, Montreal and Toronto Stock Exchanges.

Companies Acts 1967 and 1976
Additional information required to be disclosed by the Companies Acts 1967 and 1976 is given on page 41 and is deemed to be part of this Report.

Chairmanship and Directorate

Mr Arnold Lorbeer was appointed Chairman of the Company as from 1st January 1981. Mr Lorbeer succeeds Mr Campbell L. Nelson, who retired as Chairman and Managing Director on 31st December 1980, but remains on the Board as a non-executive Director. Lord Remnant has been appointed Deputy Chairman.

Mr Michael E. Beckett, Mr Robert S. Haddow and Sir Leo Pliatzky who were appointed Directors on 1st January 1981, retire and offer themselves for election as Directors. Mr Beckett is an Executive Director of Consolidated Gold Fields Limited. Mr Haddow is a Senior Vice President of American Ultramar Limited. Sir Leo Pliatzky was formerly Permanent Secretary to the Department of Trade.

Mr J. D. McCall and Mr C. L. Nelson, in respect of both of whom Special Notice has been given under Section 185 of the Companies Act 1948, Sir Kenneth Barrington and Mr A. Lorbeer retire in accordance with the Articles of Association and offer themselves for re-election.

The present Directors whose names are set out on page 4 were Directors throughout the year, with the exception of Mr M. E. Beckett, Mr R. S. Haddow and Sir Leo Pliatzky.

Auditors

A Resolution will be proposed at the Annual General Meeting re-appointing Arthur Young & Company as Auditors of the Company.

General Meeting

The Forty-fifth Annual General Meeting will be held at Hamilton Hall, Great Eastern Hotel, Bishopsgate, London EC2, on Friday, 29th May 1981 at 11.00 am.

By Order of the Board
Russell Limebeer, Secretaries
Morgan House, 1 Angel Court,
London EC2R 7AU
8th April 1981

Report on Operations

For the year 1980, the Ultramar Group achieved record cash flow and profits. All of our major divisions contributed to the excellent results with our Indonesian, Eastern Canadian and Caribbean operations having a particularly good year.

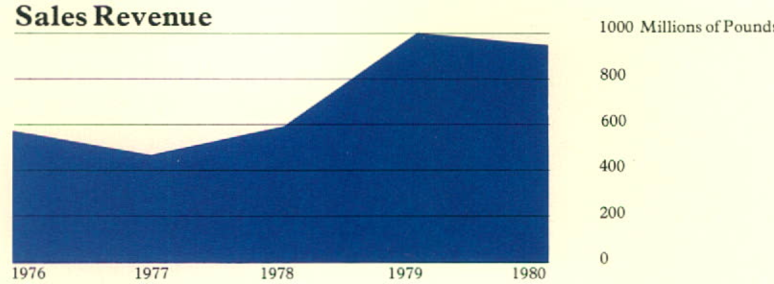
The producing operations in Indonesia, Western Canada and the North Sea benefited from higher crude oil and gas prices. Our refineries, plants and ships all operated normally. Marketing operations in Eastern Canada were helped by an increased supply of Western Canadian crude oil and by the integration of our various marketing and refining companies.

Capital expenditures for 1980 totalled £54,000,000 of which a large part was for exploration and development principally in Indonesia, the North Sea and Western Canada. Capital expenditures for 1981 are budgeted to rise to £85,000,000 with increased emphasis on exploration for new reserves of oil and gas as well as on shipping and the upgrading of facilities.

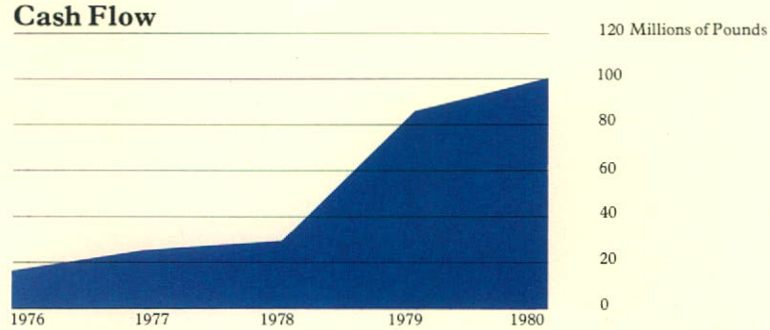
Not everything went the way we would have liked. In Canada the Government announced an energy programme which provides for major changes in the sharing of oil revenues, introduces new taxes and stipulates a policy of Canadianisation. These measures have caused us to reconsider the scope of sophistication at the Quebec Refinery which has doubled in cost. In the UK, there are increased taxes on North Sea production and there were delays in the construction of the Maureen Field production platform. In the United States, there are new taxes on the oil industry and also the termination of regulations which gave special advantages to a small refinery such as we have in California.

In the course of 1980, we pre-paid approximately £31,000,000 of long-term debt, mainly unsecured Canadian bank loans due in 1984 and an Indonesian project loan due in 1985. The project loan is still available on a declining basis as a term facility until

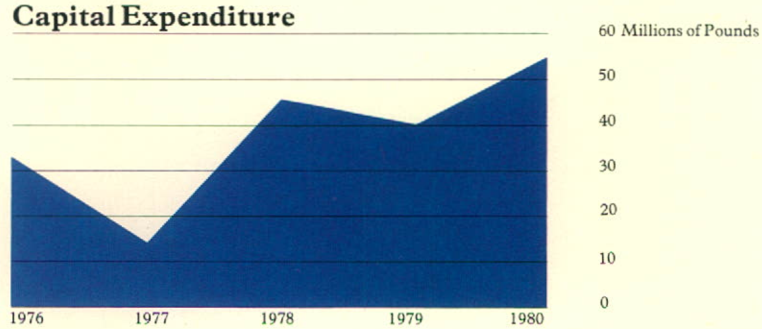
Sales Revenue



Cash Flow

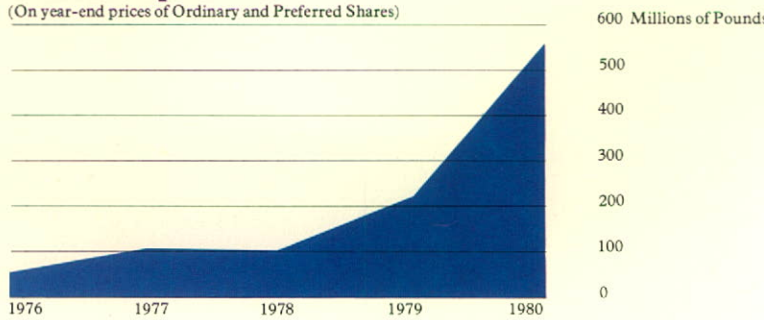


Capital Expenditure



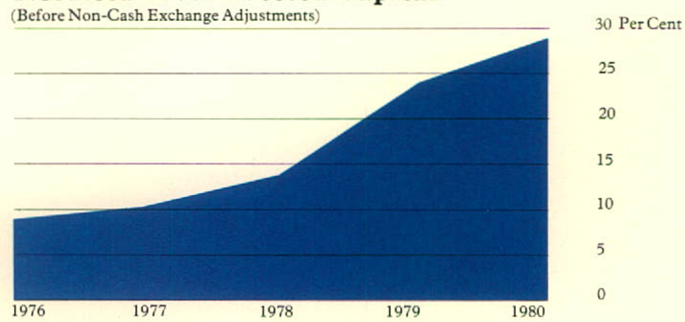
Market Capitalisation

(On year-end prices of Ordinary and Preferred Shares)



Net Return on Invested Capital

(Before Non-Cash Exchange Adjustments)



1985. The 7 per cent Convertible Redeemable Preferred Shares originally issued by Ultramar in 1976 were totally converted into Ordinary Shares in 1980 and the preferred share issue is extinguished.

Financial Results

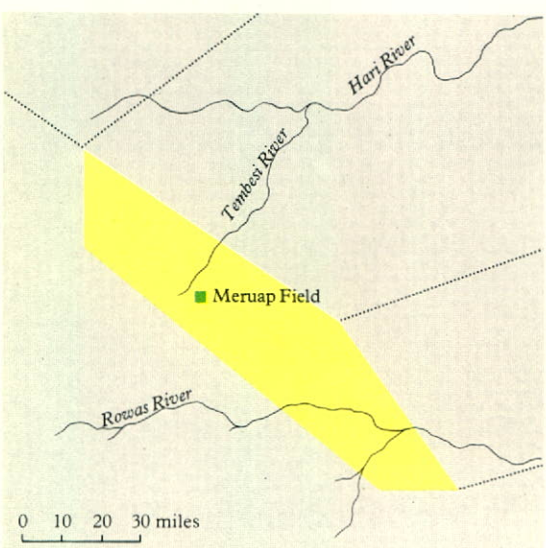
In 1980, sales revenue totalled £939,500,000 and cash flow from operations amounted to £100,800,000. The profit before taxation came to £126,300,000 and, after deducting current and deferred taxation and making a very small adjustment for foreign exchange fluctuations, the net profit for the year was £74,100,000. The above profit is after making a provision of £9,000,000 in respect of the estimated net costs and commitments incurred to date on the Quebec Refinery sophistication project.

Ultramar's return on invested capital, which includes equity plus borrowed monies, for 1980 was 28.8 per cent. Of the 1980 profit, about 42 per cent came from Indonesia on sales of oil and gas.

Most of our earnings are in US and Canadian dollars. The strength of sterling, when measured against these currencies, had a negative effect on the 1980 profits.

Production of Oil and Gas

Oil production for the Group during 1980 averaged 8,900 barrels per day compared with 9,800 barrels per day in 1979. The drop in oil production was a result of the reduction in our Indonesian interest from 35 to $26\frac{1}{4}$ per cent which occurred late in 1979 when two of the partners in the Huffco Indonesia Group exercised an option to convert an over-riding royalty interest to a working interest.



SUMATRA
35% Ultramar Interest
Oil Field

We have discovered additional oil in our East Kalimantan area in both the Nilam and Pamaguan Fields. However, the present production facilities are insufficient to allow the wells to produce at full capacity, and we are planning to expand these field facilities to increase production in 1981. Oil production from our share of the Thistle Field in the North Sea was marginally higher.

Natural gas production for 1980 averaged 168 million cubic feet per day compared with 175 million cubic feet per day in 1979. This reduction is also due to the change of percentage in our Kalimantan interest from 35 to $26\frac{1}{4}$ per cent. The effect of this change was partially offset by higher production rates due to an increase in LNG cargoes shipped to Japan. On a B.T.U. basis of 5,000 cubic feet of gas to one barrel of crude oil, our 1980 gas production was the equivalent of 33,600 barrels of crude oil per day.

Our Western Canadian gas production did not increase in 1980 because of adverse market conditions in Canada. Our drilling in Canada over the last few years has established substantial new gas reserves, but it will take some years to realise a return from this gas.

Indonesia LNG Plant

Gas is produced from two fields in East Kalimantan, Indonesia, and transported to an LNG Plant where it is liquefied. It is then shipped by special carriers to customers in Japan. In 1980, a total of 71 cargoes of LNG were shipped to Japanese customers compared with 57 cargoes in the previous year.

The LNG Plant is owned by Pertamina (the Indonesian State Oil Company) and is operated on a non-profit basis. At present, the plant has two LNG processing trains, and expansion plans have been completed for the construction of an additional two trains. The delay in fully implementing the project has been due to differences between the buyer and seller on pricing of the liquefied gas. These differences have now been resolved.

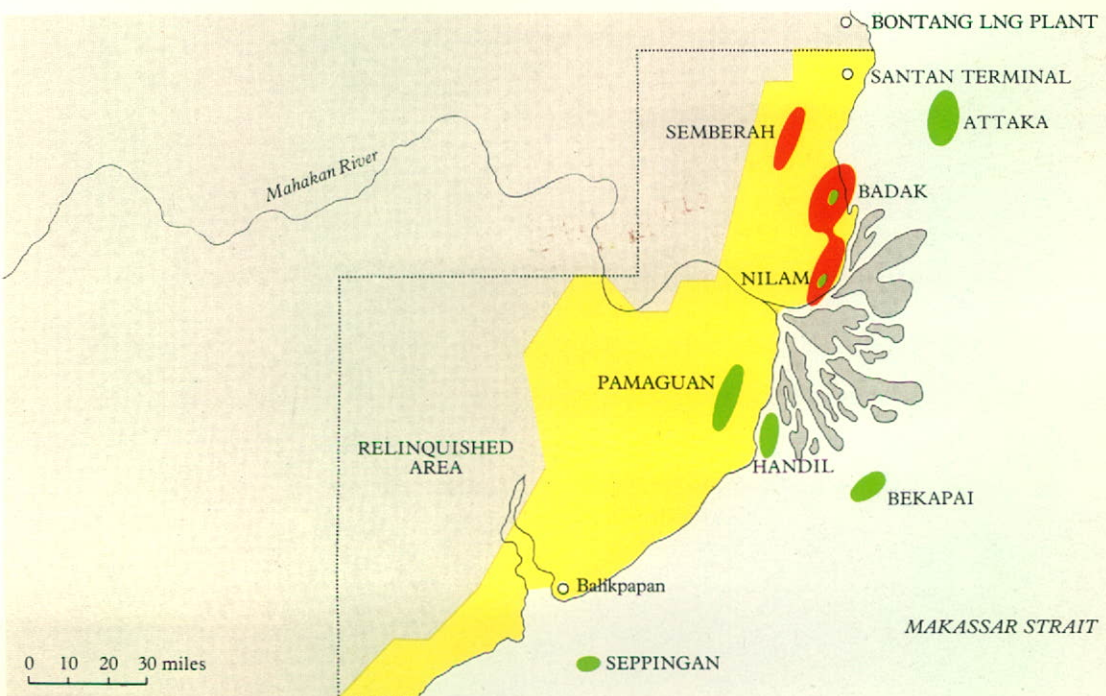
Design feed capacity of the two existing trains is 530 million cubic feet per day, but the trains have consistently operated at volumes above this. When the two additional trains have been completed, it is expected that in excess of 1,000 million cubic feet per day of gas will be processed.

Neptune Gas Plant in Alberta

Drilling

We participated in the drilling and completion of 71 wells in 1980, of which 30 were in Indonesia, 25 in Western Canada, 13 in the North Sea and 3 in the United States. Of the 71 wells, 29 were classified as exploration wells and 42 wells were for the development of known fields. Eleven out of the 29 exploration wells were successful in finding new oil and gas reserves. In the development drilling, 39 wells were successful.

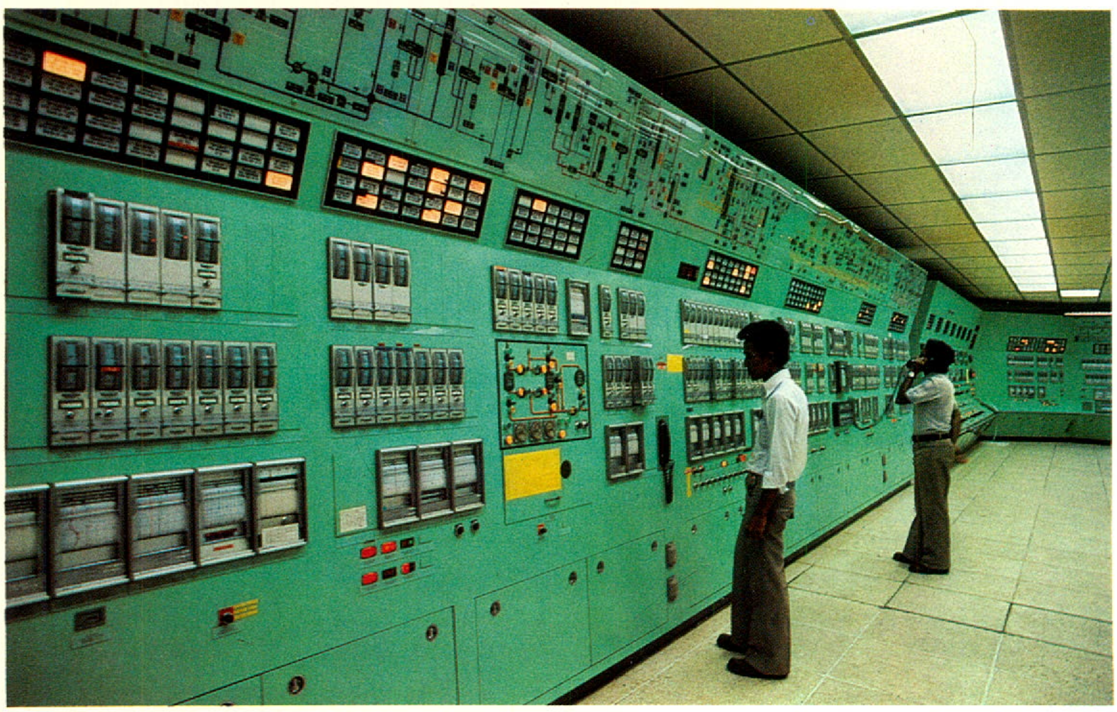
In Indonesia, development and delineation drilling was carried out at an accelerated pace in the Badak and Nilam Fields. Of the 22 development wells drilled in these fields, 8 were completed as oil wells, 13 as gas wells and there was one dry hole. In the Indonesian exploration drilling programme of 8 wells, one well (Pamaguan-8), a long stepout to the south of the existing wells, was an oil discovery, and



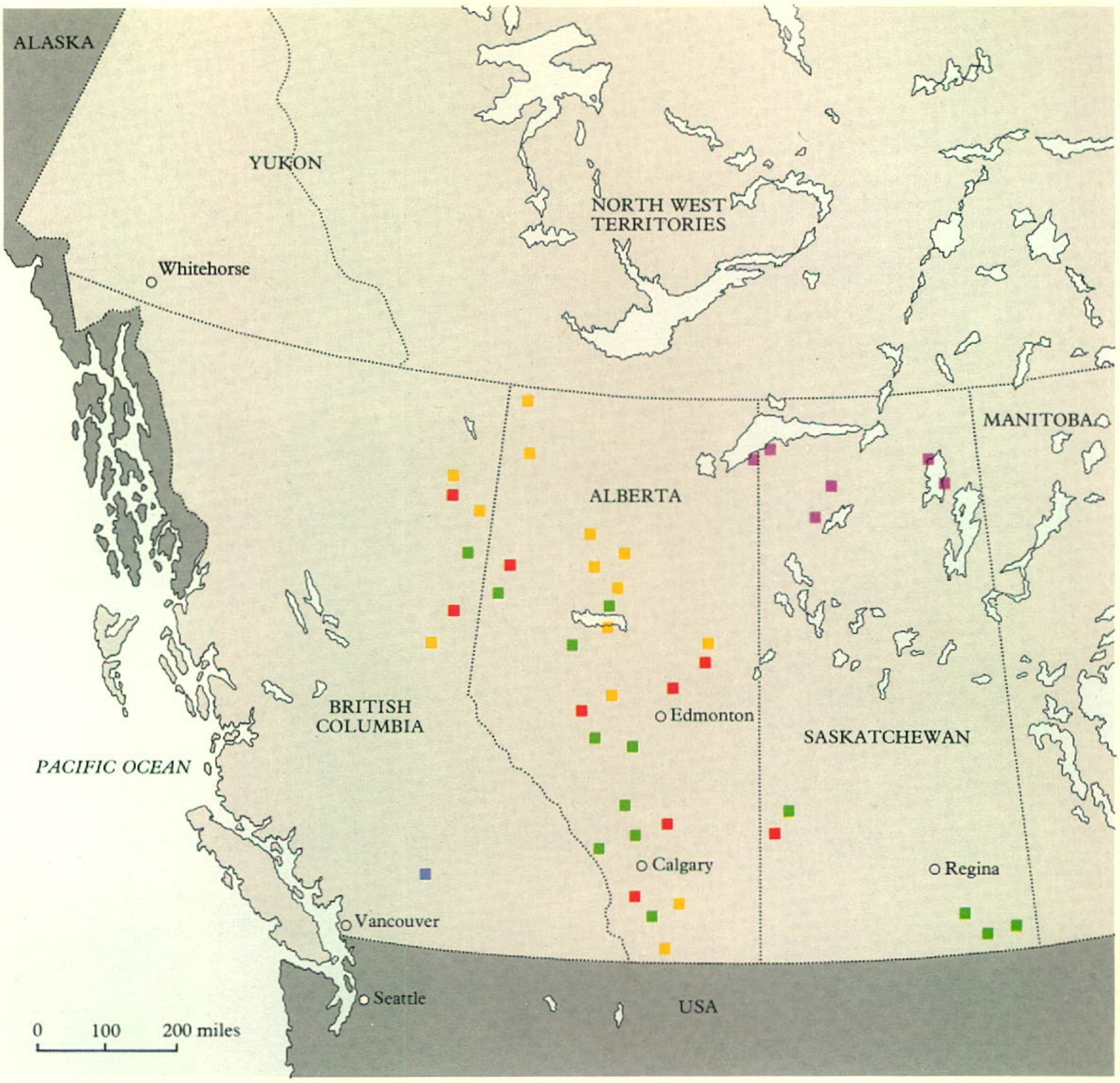
EAST KALIMANTAN

26.25% Ultramar Interest
Gas Field
Oil Field

Badak Field Facilities



Monitoring Operations at the Bontang LNG Plant



WESTERN CANADA

- Oil Producing Area
- Gas Producing Area
- Exploration Area
- Uranium Project
- Diatomaceous Earth Project

one other well (West Handil-1), found a small gas accumulation. Two East Kalimantan onshore exploration wells were abandoned. In Sumatra three wells were unsuccessful and in the offshore Kutai Block a well drilled by Cities Service under a farmout agreement was also abandoned.

In the North Sea, 3 development wells were successfully completed in the Maureen Field in the principal producing horizon, the Palaeocene sands. Two of these wells were drilled to the deeper horizons discovered in the first Maureen development well drilled last year. One of these wells tested oil from these levels, but the overall results indicate oil reserves in the deeper horizons are limited. Ten development wells, including 2 drilled for water injection, were completed successfully in the Thistle Field.

In Western Canada, we participated in 18 exploration wells and 7 development wells. Nine of the exploration wells were successful of which 4 were oil wells and 5 were gas wells. The oil discoveries appear to be small and to date none has had successful step-out drilling. Of the development wells, 5 were completed as oil or gas producers.

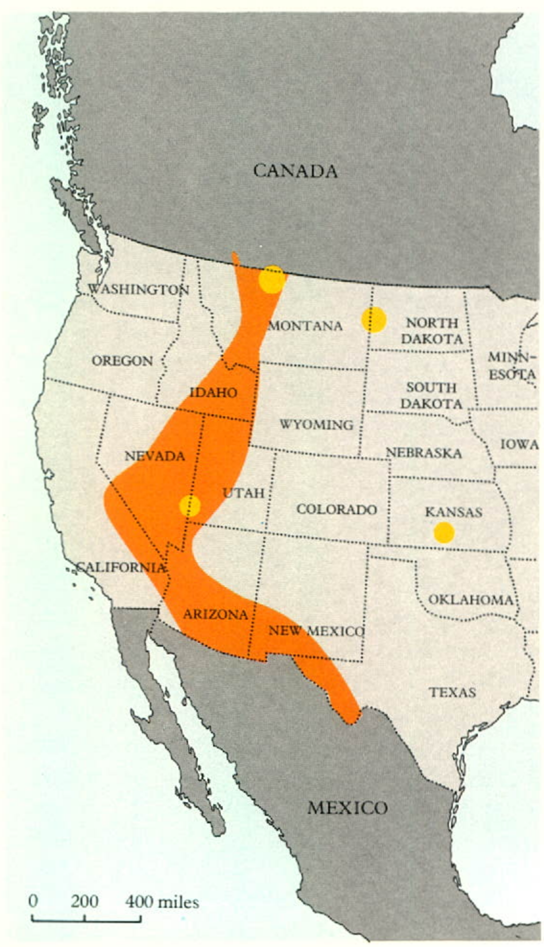
In the United States, we participated in 3 exploration wells in Kansas, all of which were abandoned.

In 1981, we expect to continue our exploration drilling in Indonesia, the North Sea and Canada, and also to expand our exploration drilling programme in the United States. In the UK, aside from the North Sea, we will also be drilling an exploration well in Hampshire, where we have a 50 per cent interest. Development drilling will continue in Indonesia, the North Sea and Canada.

Land Holdings

As of the end of 1980, the Ultramar Group

US Flag Tanker GOLDEN DOLPHIN Discharging Cargo of Crude Oil



WESTERN UNITED STATES

Ultramar Interest

Area of Geological Interest

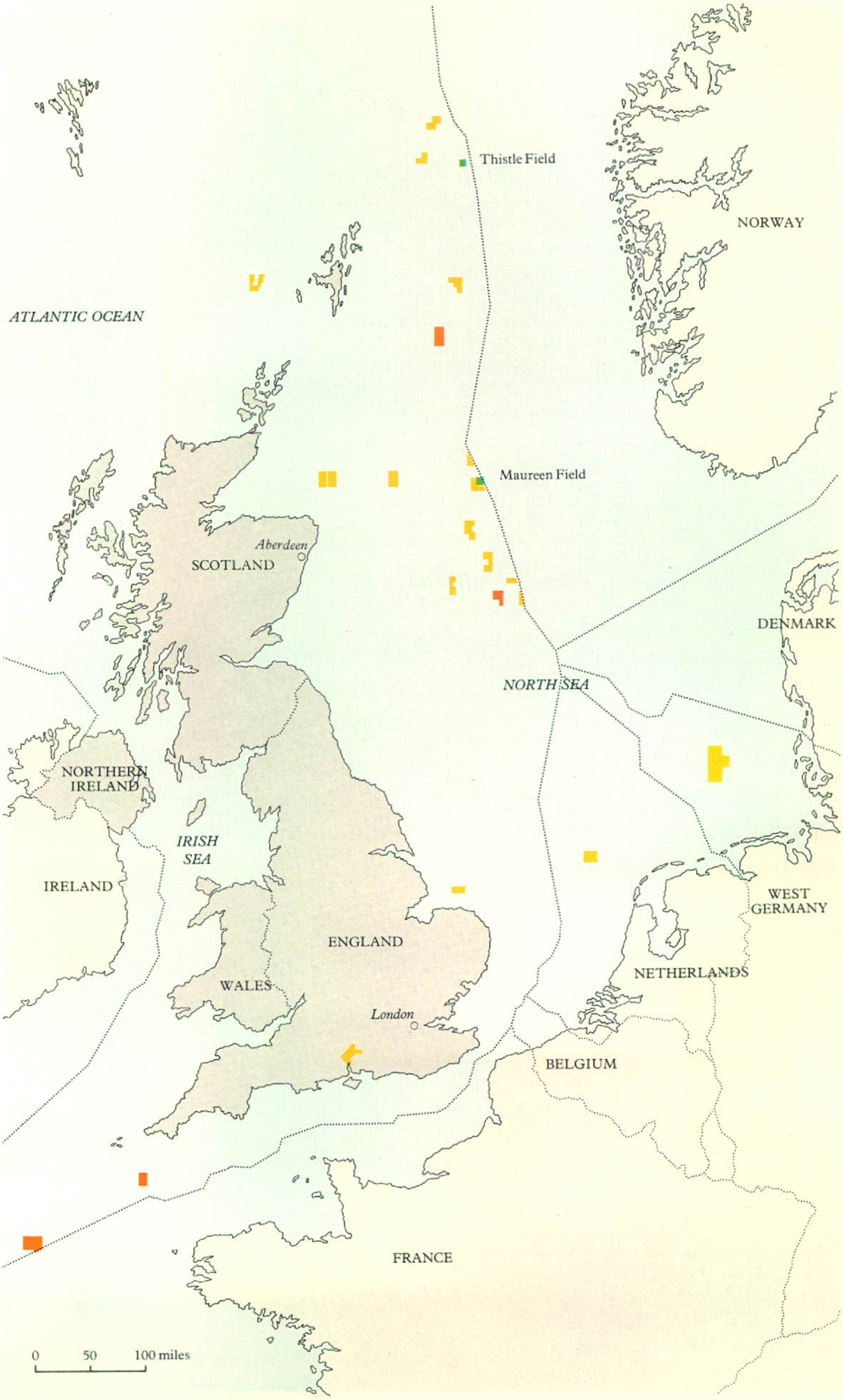
had varying interests in 11,680,000 gross acres, equivalent to 3,253,000 net acres, located throughout the world as follows:

Area	Gross acres	Net acres
Australia	3,300,000	907,000
Egypt	2,347,000	852,000
Indonesia		
Offshore	947,000	237,000
Onshore	2,832,000	855,000
North Sea		
Dutch	101,000	5,000
German	297,000	23,000
United Kingdom	554,000	61,000
United Kingdom		
Onshore	134,000	67,000
United States	7,000	7,000
Western Canada	1,161,000	239,000
Total	11,683,000	3,253,000

There was a significant reduction in our onshore acreage in Indonesia because of relinquishment of half of our acreage in East Kalimantan to Pertamina.

North Sea Developments

Development drilling was carried out in the Thistle Field, in which we have a small



NORTH SEA

- Ultramar Blocks
- Ultramar 7th Round Blocks
- Ultramar Oil Field

Maureen Production Platform under Construction

Managing Director, William Sheptycki, and Senior Staff of Ultramar Exploration Limited in London interest, and in the Maureen Field, where we have a 6 per cent interest. The Maureen Field is scheduled to come on stream late in 1983 at a production rate of 60,000 barrels per day. However, there have been labour-related delays in the construction of the production facilities which may put off the start-up of the field until 1984.

There was no exploration drilling on any of our North Sea holdings during 1980. In 1981, we will drill wells on our UK North Sea Blocks 13/29 and 13/30. There will be other exploration work on our North Sea holdings, and development drilling will continue in the Thistle and Maureen Fields.

In the seventh round of North Sea licence applications, we applied for a total of 12 blocks with a number of different groups of companies. We were awarded two of the blocks which require a £5 million bonus fee each. In Block 29/5b we are the operator with a 35 per cent interest while in Block 9/11, where a well will be drilled this year, we have a $31\frac{1}{4}$ per cent interest with Union Oil being the operator. We have also been awarded licences over Blocks 73/13, 73/14–19 and 86/17, located in the South Western Approaches, in which we have a 40 per cent interest.

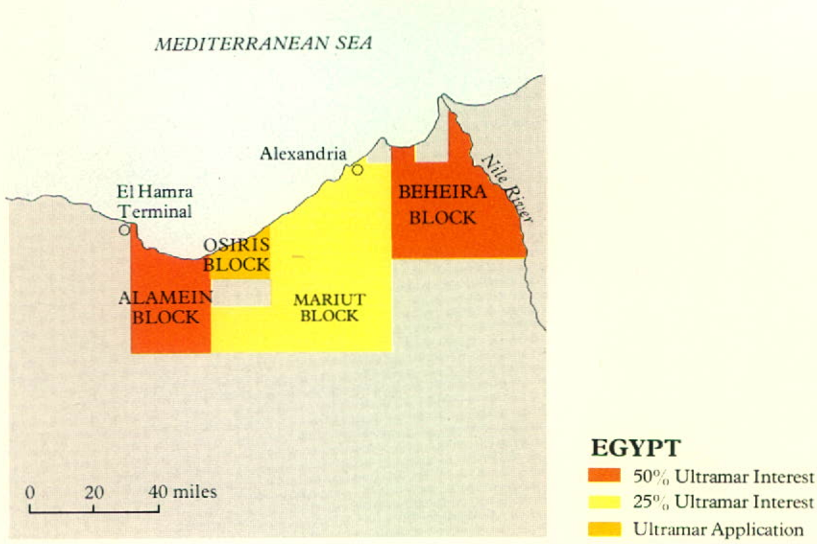
Oil and Gas Reserves

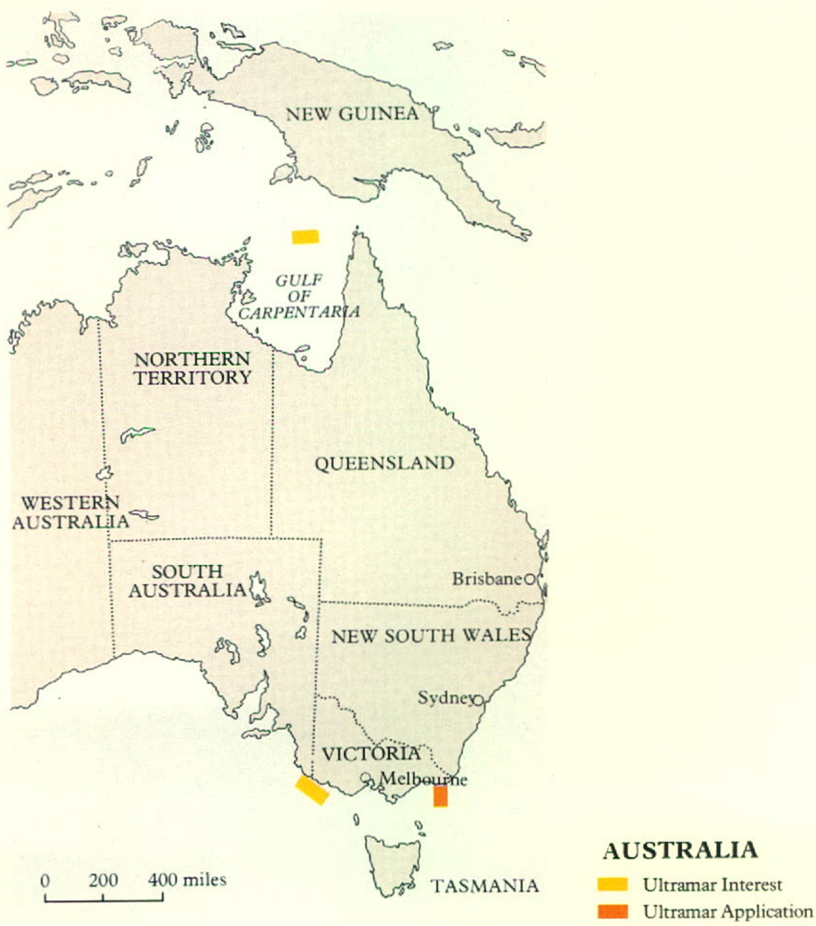
The Group's share of proven oil and gas reserves as of 31st December, 1980 is shown in the table below. The Indonesian reserve estimates are by De Golyer and MacNaughton who are independent petroleum consultants. The Canadian and North Sea estimates are by our own reservoir engineering staff and have been made in accordance with customary oil industry practice.

Proven Oil and Gas Reserves

	Crude oil and condensate (barrels)	Natural gas (thousands of cubic feet)
Western Canada	10,200,000	100,000,000
UK North Sea	14,700,000	—
Indonesia	35,400,000	2,000,000,000
Total	60,300,000	2,100,000,000

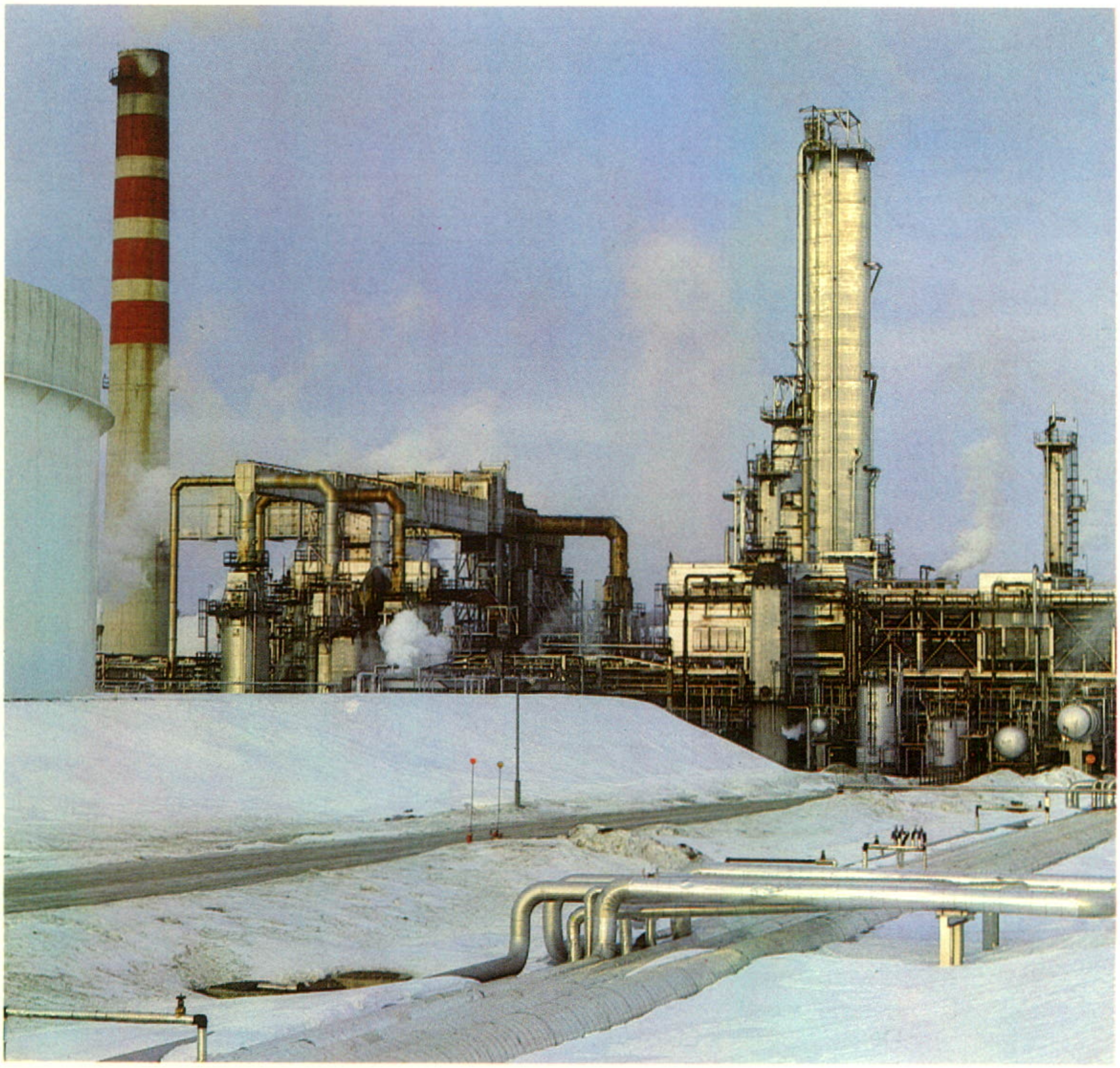
If the customary conversion factor of 5,000 cubic feet of gas for one barrel of crude oil is applied to gas reserves, Ultramar's share of proven reserves would be equivalent to about 480,000,000 barrels of oil.



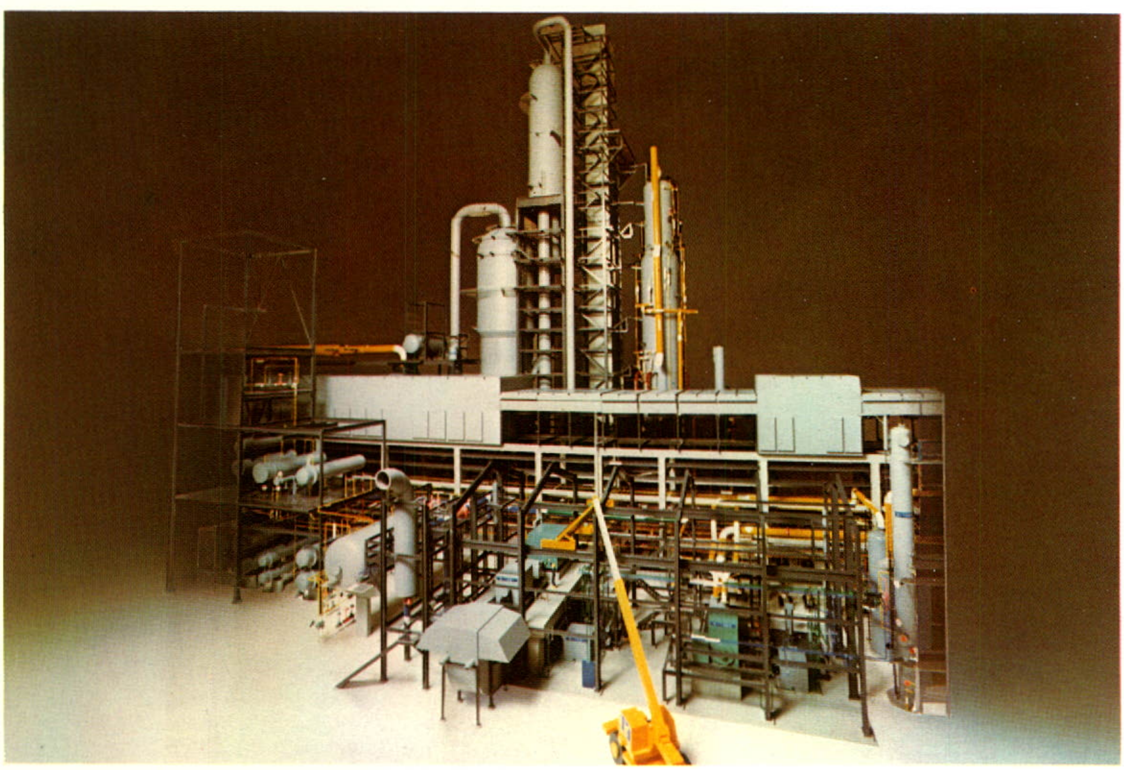


Exploration

We have exploration departments in New York, London and Calgary which continue to seek opportunities to increase our production of oil and gas. As described in preceding paragraphs, our major



The Quebec Refinery at St. Romuald near Quebec City



Engineering Model of Quebec Refinery Sophistication exploration effort in 1981 will be in the UK North Sea.

We have acreage holdings in Egypt and Australia on which exploration work will continue in 1981. We have been a minor participant in United States oil and gas exploration and production during the past 25 years, but sold in 1979 the last small piece of production which we had in California. We are making a fresh start and are acquiring land in the north-western part of the United States. We are also beginning to explore again in the Caribbean area of Central America. We are presently negotiating for exploration rights in Panama where we have other substantial business interests.

Refinery Operations

We own and operate three oil refineries which are located in Quebec, Newfoundland and California. The three refineries performed well in 1980, although at throughput levels considerably below their design capacities. Total refinery runs for 1980 averaged 82,700 barrels of crude oil per day as compared with 97,700 barrels per day in 1979.

Quebec Refinery

The Quebec Refinery at St. Romuald near Quebec City had a throughput for 1980 which averaged 62,400 barrels per day as compared with 72,400 barrels per day for 1979. The refinery is capable of processing 120,000 barrels per day, but runs have been consistently below the maximum level on account of a surplus of refining capacity in Eastern Canada. In the last two years, refinery runs have been adversely affected by the Federal Government's Import Compensation Programme which limits the foreign crudes that can be economically imported into Eastern Canada. Compensation payments for imported crude oil are provided in order to hold down domestic petroleum product prices well below world levels. In the past, we have relied almost exclusively on imported oil for the Quebec Refinery. However, rapidly escalating international prices and wide quality differentials among foreign crudes have made it uneconomic for us to import the better quality crude oils under the Compensation Programme. We have therefore supplemented our market requirements by domestic purchases as well as some imports of refined products.

During 1980, we made considerable progress in obtaining a more equitable share of domestic crude oil from Western Canada. Most of these supplies have been exchanged with other refiners, since the Quebec Refinery is not connected to the Inter-Provincial Pipeline system which terminates in Montreal. In addition to volumes of oil obtained through these exchange arrangements, domestic crude has been delivered by vessel from the West Coast of Canada through the Panama Canal as well as by vessel from Montreal.

We have completed feasilibity studies and most of the engineering for sophisticating the processing units at the Quebec Refinery by the addition of a catalytic cracking unit and ancillary equipment. These units would convert low value residual fuel oil into higher value gasoline and middle distillates. They would also permit the use of lower gravity crude oils in the refinery in place of more expensive high gravity crudes.

Unfortunately, the cost of the sophistication programme is now estimated at about Can.$300 million as compared with Can.$130 million at the time of last year's Annual Report. At this cost, while the project remains economically viable, the implications of the Canadianisation policy and other recent developments compel us to reassess this project. The investment of Can.$300 million in Canada would create a significant imbalance in the geographic spread of the Group's activities and would appear to be at odds with the Canadian Government policy for the eventual Canadianisation of the oil industry. Consequently, we have slowed the pace of the project to allow time to try to find a Canadian partner and also to reassess the size and scope of the new units. Engineering design work is continuing and several alternatives for reducing the costs are being evaluated. Pending the outcome of these studies, further construction work on the site and the ordering of additional equipment have been temporarily suspended.

Newfoundland Refinery

At the end of 1981, the Newfoundland Refinery at Holyrood on Conception Bay will complete its twentieth year of continuous operations without any serious problems. For 1980, the refinery had an average throughput of 10,300 barrels per day compared with 12,200 barrels per day in 1979. The refinery is capable of operating at

The Newfoundland Refinery in its 20th Year of Successful Operation

Truck Rack at Hamilton, Ontario

a rate of over 15,000 barrels per day but has been held back because of lack of suitable crude oils that can be run economically. The refinery supplies most of our petroleum product market in Eastern Newfoundland.

Drill Ship Fuelling at Ultramar's Dock in St. John's, Newfoundland

California Refinery

The California Refinery in the Los Angeles area had an average throughput of 10,000 barrels per day in 1980 compared with 13,000 barrels per day in 1979. The plant is capable of operating at 17,000 barrels per day. The refinery produced primarily jet fuels and low sulphur residual fuel oil. A variety of Indonesian and Malaysian crude oils plus some Alaskan oil and unfinished naphtha were run in 1980.

We have prepared engineering and feasibility studies for modernisation of the California Refinery and its conversion to a sophisticated plant which would maximise unleaded gasoline production. We own about 140 acres of land which is adequate for the expansion, including a new process area, additional storage tanks, two new loading racks and a truck maintenance depot. We have obtained all the necessary construction permits from the various zoning and environmental agencies, but we have put off construction because of increasing costs and the lack of an assured supply of crude oil.

Marketing Operations

We market the full range of petroleum products in Quebec, Ontario, Newfoundland, California and the United Kingdom. In addition, our various trading companies market or exchange cargo lots of crude oil and petroleum products around the world.

In 1980, the Ultramar Group sold an average of 213,200 barrels per day of crude oil and petroleum products as compared with 279,900 barrels per day in 1979. The substantial decline in sales volume is due firstly to a reduction in our crude trading activities and secondly to our policy of cutting back on the type of business which does not give an adequate profit margin. As to the former, in prior years we purchased a variety of foreign crude oils which were then in part exchanged or resold to obtain the most usable blend for our refineries. These trading transactions increased our volume of sales, and at times added to profitability, but are becoming less frequent. We have also been cutting back on other business which is

Heating Oil Service in Newfoundland

Forecourt at Oxshott Ultraserve in Surrey

Thunder Bay Ultramar Truck Stop on the Trans-Canada Highway, Northern Ontario not profitable and where we have no direct control. We expect these trends to continue.

Canada

Our largest retail and wholesale marketing areas are in Eastern Canada in the Provinces of Quebec, Ontario and Newfoundland. In 1980, our Canadian companies sold an average of 120,000 barrels per day of petroleum products as compared with 144,000 barrels per day in 1979. The decline is partly due to more selective marketing, but also to the gradual penetration of natural gas and electricity into the heating oil and residual fuel oil markets. Of the total sales, 19,100 barrels per day were gasoline, 35,500 barrels per day were middle distillates and 65,400 barrels were fuel oil and asphalt.

Gasoline is retailed through about 1,000 service stations. More than 300,000 homes in Eastern Canada obtain their heating oil from Ultramar. At the heart of the marketing system is a storage tank network with total capacity of 20 million barrels. This is the largest single holding of storage tanks in Eastern Canada. We have established several ships' fuelling stations adjacent to our marine and lake terminals in Ontario and Newfoundland and are carrying on a sizeable bunkering business. We are also in a number of related lines, principally coal marketing, storage of fertilizer, furnace installation, insulation, water heaters and water refiners.

In Newfoundland we are the second largest marketer of products and have about one-third of the total market in that Province.

There was a strengthening of product prices in Canada for virtually all grades of products in the last three-quarters of 1980. Prices for industrial fuel have been especially strong and enabled us to have a very good year in Canada despite reduced volumes. The outlook for the first half of 1981 appears to be good.

At the beginning of 1980, the Canadian group of companies went through a corporate reorganization with the amalgamation of fifteen companies and the liquidation of six others. Included in this reorganization were the two principal operating companies, Golden Eagle Canada Limited and Canadian Fuel Marketers Ltd. The main operating entity in Eastern Canada became Ultramar Canada Inc., through which all of the refining operations and most of the marketing activities are conducted under numerous brand names.

United Kingdom

In the United Kingdom, we supply gasoline, diesel and heating oils to end users and the wholesale market. Our requirements are covered by the purchase of cargoes of refined products and through crude oil processing arrangements. The Ultramar Group purchases substantial quantities of UK crude oil under a series of annual evergreen agreements with BNOC, and part of this crude oil is dedicated to the support of our UK marketing operations.

In 1980, the UK marketing company sold an average of 14,900 barrels per day of refined products compared with 5,600 barrels per day in 1979. Of this, some 5,100 barrels per day were sold directly to UK end users. The balance represents the Company's activities in the bulk market, including cargo sales.

During the year, we expanded our market coverage and now deliver products from 23 terminals and depots to service stations, local authorities, farmers, commercial and domestic users. We supply refined products to over 18,500 businesses and homes. Our retail service station network was upgraded during the year by the addition of 85 new Ultramar dealers. In addition, a number of our key outlets were re-equipped and restyled, and these are currently selling in the range of 700,000 to 1,000,000 gallons per year. We expanded our distillate sales activities by increasing our supply contracts with local government, commercial companies and farming groups.

Although sales realizations have been weak in the first few months of the new year, we anticipate satisfactory results and steady market growth for 1981.

California

Our California company in 1980 sold an average of 14,300 barrels per day of petroleum products compared with 23,800 barrels per day in 1979. The main reason for the reduction is our gasoline resale business which in recent years has only been marginally profitable and has declined sharply. We now market principally jet fuel and residual fuel oil which are manufactured at our California Refinery.

Our California business does not face a promising future. The removal of Government controls in the US will hurt the

Directors Haddow, Bensen and Lorbeer visit Shipyard at Puerto Real where six 76,000 Ton Tankers are being built for the Ultramar Group

Left:
Condominium Construction in Panama

Right:
Aquafine Water Refining Equipment – an Important Ultramar Canada Diversification

small refiner and we will have to make some readjustments to continue to achieve a satisfactory level of profitability.

Marine Operations

The Ultramar Group has 4 United States flag vessels on 20-year time charters expiring in 1993–1994. Two of these ships, ULTRAMAR and ULTRASEA, are 82,000 deadweight ton oil-bulk-ore carriers on time charters until 1984. The other 2 vessels, GOLDEN DOLPHIN and GOLDEN ENDEAVOR, are 91,000 deadweight ton tankers in our own service. These latter 2 vessels have been mainly employed in transporting crude oil to our Canadian refineries. We also charter in, both on a spot and on a term basis, additional vessels when required.

The tanker market was generally depressed during 1980. However, the high rate of scrapping and curtailment of new ship construction during the late 1970's are bringing the supply and demand for small and medium size vessels nearer equilibrium. This trend could increase our exposure to a volatile spot market during the 1980's. Also, because of extreme weather conditions in Canada during the winter, it is becoming increasingly difficult to obtain vessels in the spot market to move crude oil to our refineries at an economic cost. Consequently, we made the decision to acquire vessels suitable for our own service in the oil trade and which could also take advantage of the growing opportunities for profitable trading in the dry cargo market.

As part of this programme for marine development, we have entered into contracts for the construction of six 76,000 deadweight ton PANAMAX oil-bulk-ore carriers to be built at the Puerto Real shipyard of Astilleros Españoles in Spain. The delivery of the first vessel is expected in October of 1982, and the remaining 5 vessels during 1983. The ships will be equipped with low fuel consumption diesel main engines and turbo generators for waste heat recovery from exhaust gases. They will be ice strengthened to meet our Canadian trading requirements and will conform to the most up-to-date standards for tanker safety and pollution. Long-term shipyard financing on favourable terms has been arranged for the vessels.

Our Marine Department has been reorganized and strengthened to carry out these expansion plans.

Construction

In 1976, Ultramar acquired an 80 per cent interest in Fitzpatrick Construction Corporation. This Company is in the heavy construction business, including railways, bridges and foundation work. At present, Fitzpatrick has contracts for about US$30 million of work, mainly in relation to rapid transit systems in the southern part of the United States.

Other Activities

We continue our efforts to develop activities which will give us additional bases for profits in the future. We are already in the construction business and have now made a major move into shipping.

Two real estate development projects were initiated during the year. We acquired 900 acres of land in Florida for approximately US$8 million. This is intended for eventual residential development. We also purchased some land and a partly completed residential structure in Panama City. This construction is being completed as condominiums.

We have invested a total of US$7 million in two Venture Capital Funds based in the United States. Our principal objective is to gain exposure to a number of new ventures with a concentration in the alternative energy and high technology industries.

In Western Canada, exploration work on our uranium prospects continued satisfactorily. We will be core drilling two specific targets in Northern Saskatchewan in 1981. Marketing studies for our diatomaceous earth reserves in British Columbia do not appear to justify the construction of a major plant at this time.

In Eastern Canada, we are holding our position as a major distributor of water refining equipment. This equipment is designed to remove undesirable minerals, taste, odour and colouring from water. We are now leasing over 6,000 new units annually and 36,000 units were on lease at the end of the year. Total rental revenue for 1980 exceeded Can.$5 million.

Staff

Considering the scope and geographic diversity of our activities, Ultramar has never had a large organisation. We employ directly approximately 4,000 men and women to drill our wells, produce our oil and gas, operate the refineries and terminals, staff the ships, market and distribute products, keep accounts and manage the operations. These are the people on whom Ultramar depends, and it is their loyalty and talents which have made possible the excellent results of the Ultramar Group in 1980.

Outlook
Our record of profit growth for the past few years has been excellent. We expect 1981 to be another successful year for Ultramar but it may be difficult to surpass the level of profits achieved in 1980. We recognize that we have attained a high return on our present investments and have, therefore, initiated a major capital expenditure programme to expand the scale of our activities and to give us the basis for new earnings by the mid-1980's.

Lloyd Bensen

Chief Executive Officer of
Operating Companies

8th April 1981

Summarised Operating Results

	1980	1979	1978	1977	1976
Sales of Oil (barrels)					
Total	**78,046,000**	102,156,000	81,156,000	69,886,000	80,969,000
Daily Average	**213,200**	279,900	222,300	191,500	221,200
Refinery Throughput (barrels)					
Total	**30,276,000**	35,652,000	38,118,000	40,668,000	33,635,000
Daily Average	**82,700**	97,700	104,400	111,400	91,900
Oil Production (barrels)					
Total	**3,261,000**	3,564,000	3,490,000	2,679,000	2,372,000
Daily Average	**8,900**	9,800	9,600	7,300	6,500
Gas Production (thousands of cubic feet)					
Total	**61,613,000**	63,811,000	68,935,000	22,027,000	2,751,000
Daily Average	**168,300**	174,800	188,900	60,300	7,500
Acreage (acres)					
Gross	**11,680,000**	9,365,000	9,207,000	11,583,000	17,252,000
Net Group Acreage	**3,253,000**	2,882,500	3,125,000	4,498,600	7,092,700
Gross Wells Drilled	**71**	51	43	21	42
Oil and Gas Wells Completed in which the Group has varying interests	**50**	41	22	19	21

Summarised Financial Results

	1980 £ million	1979 £ million	1978 £ million	1977 £ million	1976 £ million
Sales	**939.5**	1,001.7	595.1	472.7	571.8
Cash flow from operations	**100.8**	86.3	31.6	26.7	17.0
Operating profit before taxation	**126.3**	75.4	37.7	24.7	12.3
Taxation on operating profit	**52.8**	30.1	23.6	10.5	6.1
Operating profit after taxation	**73.5**	45.3	14.1	14.2	6.2
Foreign exchange fluctuations after tax effects	**0.6**	1.5	(5.5)	(5.6)	4.1
Net profit	**74.1**	46.8	8.6	8.6	10.3
Issued capital and reserves	**196.9**	148.4	118.2	118.6	124.7
Deferred taxation	**45.8**	32.8	19.8	9.9	3.3
Long term loans	**43.9**	77.2	80.2	54.8	68.9
	286.6	258.4	218.2	183.3	196.9
Fixed assets and capital expenditures	**196.9**	172.5	169.7	163.1	184.5
Goodwill on consolidation	**13.4**	13.7	13.9	6.4	6.4
Other assets	**22.9**	17.9	13.8	4.5	1.9
Net current assets	**53.4**	54.3	20.8	9.3	4.1
	286.6	258.4	218.2	183.3	196.9
Capital expenditures	**54.0**	40.0	45.6	14.4	32.7
Earnings per Share	**69.3p**	49.2p	7.5p	8.2p	10.6p
Ordinary Shares in issue at end of year (see Note)	**106,853,821**	92,946,514	83,439,886	77,882,268	72,763,938
Preferred Shares in issue at end of year	—	12,586,651	14,974,235	15,119,014	15,206,256
Number of Shareholders at end of year					
Ordinary	**25,779**	23,522	22,098	21,256	20,754
Preferred	—	2,929	3,502	4,327	5,086

Note: The number of Ordinary Shares in issue at the end of years 1976 to 1979 inclusive have been adjusted to account for the effect of the 1980 capitalisation issue on those shares outstanding at the time.

Consolidated Profit and Loss Account

for the year ended 31st December 1980

		1980 £ million		1979 £ million
Sales *Note 2*		£939.5		£1,001.7
Profit on trading *Note 3*		141.7		106.4
Amortisation, depreciation, depletion and amounts written off *Note 15*	15.4		15.5	
Elimination of remaining unamortised costs in Iran	—		15.5	
		15.4		31.0
Operating profit before taxation		126.3		75.4
Taxation on operating profit *Note 7*				
Current	37.5		15.6	
Deferred	15.3		14.5	
		52.8		30.1
Operating profit after taxation		73.5		45.3
Foreign exchange fluctuations		0.6		1.5
Net profit *Note 8*		74.1		46.8
Convertible Redeemable Preferred Shares dividends including Advance Corporation Tax written off		0.1		1.3
Earnings attributable to Ordinary Shareholders		74.0		45.5
Ordinary Shares dividends				
Interim 4p (1979, $2\frac{1}{2}$p)	4.3		2.3	
Final 7p (1979, 5p)	7.4		4.6	
Advance Corporation Tax written off	5.1		3.0	
		16.8		9.9
Earnings retained for the year		£57.2		£35.6
Cash flow from operations		£100.8		£86.3
Earnings per Share *Note 9*		69.3p		49.2p

The notes on pages 30 to 36 form part of these accounts

Consolidated Balance Sheet

as at 31st December 1980

		1980 £ million		1979 £ million
Authorised capital of Ultramar Company Limited	£37.5		£32.5	
Capital and reserves				
Issued and fully paid up capital *Note 10*				
Ordinary Shares	26.7		11.6	
Convertible Redeemable Preferred Shares	—		12.6	
		26.7		24.2
Share premium *Note 11*		16.4		18.3
Reserves *Note 12*		153.8		105.9
		196.9		148.4
Deferred taxation *Note 13*		45.8		32.8
Long term loans *Note 14*		43.9		77.2
		£286.6		£258.4
Represented by:				
Fixed assets and capital expenditures *Note 15*		196.9		172.5
Goodwill		13.4		13.7
		210.3		186.2
Other assets *Note 16*		22.9		17.9
Net current assets				
Current assets				
Stocks *Note 17*	112.9		98.3	
Debtors	109.3		142.2	
Cash and short term deposits	60.6		9.3	
	282.8		249.8	
Less: Current liabilities *Note 18*	229.4		195.5	
		53.4		54.3
		£286.6		£258.4

ARNOLD LORBEER Director
REMNANT Director

The notes on pages 30 to 36 form part of these accounts

Consolidated Statement of Source and Application of Funds for the year ended 31st December 1980

		1980 £ million		1979 £ million
Source of funds				
From operations:				
Operating profit after taxation		73.5		45.3
Amortisation, depreciation, depletion and amounts written off		15.4		31.0
Deferred taxation on trading profits		15.3		14.5
Indonesian debt service equalisation *Note 1(f)*		(3.4)		(4.5)
Cash flow from operations		100.8		86.3
From other sources:				
Shares issued during the year		0.6		1.0
Long term loans raised		8.9		5.4
Miscellaneous items		0.2		1.1
		£110.5		£93.8
Application of funds				
Acquisition of subsidiary companies		—		3.4
Additions to fixed assets		54.0		36.6
Capital expenditures		54.0		40.0
Prepayment of long term debt		31.2		—
Portion of long term debt due within one year		3.8		9.6
Cost of dividends		16.9		11.2
Increase in working capital during the year		4.6		33.0
		£110.5		£93.8
The increase in working capital arose as follows:				
Increase in stocks		23.4		21.9
(Decrease)/Increase in debtors		(21.2)		35.7
Decrease/(Increase) in current liabilities excluding borrowings		2.7		(13.1)
		4.9		44.5
Movement in net liquid funds				
Increase/(Decrease) in cash	52.1		(15.0)	
(Increase)/Decrease in current borrowings	(52.4)		3.5	
		(0.3)		(11.5)
		£4.6		£33.0

The above items exclude the effect of exchange rate movements during the year

	1980 £ million	1979 £ million
Working capital at beginning of year	54.3	20.8
Exchange adjustments due to currency realignments	(5.5)	0.5
Increase in working capital during the year	4.6	33.0
Working capital at end of year	£53.4	£54.3

The notes on pages 30 to 36 form part of these accounts

Balance Sheet

as at 31st December 1980

		1980 £ million		1979 £ million
Authorised capital				
Ordinary Shares		37.5		19.9
Convertible Redeemable Preferred Shares		—		12.6
		£37.5		£32.5
Capital and reserves				
Issued and fully paid capital *Note 10*				
Ordinary Shares		26.7		11.6
Convertible Redeemable Preferred Shares		—		12.6
		26.7		24.2
Share premium *Note 11*		16.4		18.3
Reserves *Note 12*		1.7		2.3
		44.8		44.8
Deferred taxation		0.1		0.1
		£44.9		£44.9
Represented by:				
Fixed assets *Note 15(d)*		0.8		—
Investments in subsidiary companies				
Shares at cost		25.3		25.3
Other assets *Note 14(c)*		16.2		16.2
Net current assets				
Current assets				
Debtors	1.5		2.8	
Amounts due from subsidiary companies	14.4		8.9	
Cash	0.1		0.1	
	16.0		11.8	
Current liabilities				
Creditors	0.9		0.2	
Taxation	5.1		3.2	
Proposed dividend	7.4		5.0	
	13.4		8.4	
		2.6		3.4
		£44.9		£44.9

ARNOLD LORBEER Director
REMNANT Director

The notes on pages 30 to 36 form part of these accounts

Notes on the Accounts

1. Accounting policies

The Ultramar Group comprising Ultramar Company Limited and its subsidiary and associated companies (the principal of which are listed on page 43) which together form an integrated oil business, has adopted the following accounting policies:

a) The accounts of overseas subsidiary companies are translated into sterling at the rates of exchange effective at the Balance Sheet date. At 31st December 1980 the principal rates adopted were US$2.39 to £1 and Can.$2.86 to £1 (1979, US$2.22 and Can.$2.59). Exchange differences on the translation of opening net assets which arise through currency realignments during the year are taken direct to reserves.

Foreign currency balances in the accounts of individual companies are converted at the rate of exchange effective at the Balance Sheet date. Fluctuations on foreign currency loans are disclosed separately in the Profit and Loss Account. Currency profits or losses arising on trading transactions are included in profit on trading.

b) The results of subsidiary companies acquired during the year are accounted for from the date of acquisition. Goodwill, representing the excess of the purchase price over the fair value of the net tangible and intangible assets acquired, is stated at cost.

c) Expenditure on capital projects, including pre-operating expenses, start-up costs and initial operating losses, is capitalised until the project concerned has attained a commercial basis.

The Group follows the full cost method of accounting under which all costs related to the exploration for and development of oil and gas reserves, whether productive or non-productive, are capitalised on a global basis.

d) No provision is made for depreciation of assets in the course of construction, of expenditure on capital projects which have not attained a commercial basis or of freehold land.

Oil and gas capitalised expenditures are depleted on a unit of production method applied on a global basis, using estimates of total developed reserves.

Other assets in use are depreciated on the straight-line method at rates designed to write off cost, less residual value, over their estimated useful lives, having regard to the applicable operating circumstances and locations:

Refinery assets	2%–10% p.a.
Buildings and other operating assets	2½%–30% p.a.

e) Stocks, which comprise crude oil, refined products and materials and supplies, are valued at the lower of cost, on an average basis, and net realisable price.

f) The Group's entitlement to income from Indonesian liquefied natural gas (LNG) sales is included in the Profit and Loss Account after deducting transportation, liquefaction costs and debt service on the loans raised by Pertamina to finance the whole of the construction cost of the Badak LNG Plant which is operated on a break even basis. In order to match income with these deductions, the Group's entitlement is adjusted to reflect an equal annual charge for debt service rather than the uneven repayment schedule established for the loans, all of which are repayable within a 12-year period starting in 1977. The resultant deferred charge is included in other assets.

g) Deferred taxation is provided on the liability method on all timing differences except for those which are not expected to reverse in the future.

h) United Kingdom Advance Corporation Tax payable in respect of cash dividends to shareholders is available for set off against mainstream United Kingdom Corporation Tax liabilities and any unused amounts may be carried forward for tax purposes without time limit. To the extent that in any year an amount is carried forward for tax purposes, but its recovery within the near future is not reasonably certain and foreseeable, it is treated as part of the cost of dividends.

i) Petroleum Revenue Tax (PRT) charges are calculated on the unit of production method applied over the estimated life of the relevant PRT liability.

2. Sales

Sales represent amounts receivable in respect of goods and services exclusive of excise duty and similar levies and include the Group's adjusted entitlement to income from Indonesian LNG sales.

3. Profit on trading

a) Profit on trading is arrived at after charging the following items:

	1980 £ million	1979 £ million
Provision for losses on shipping operations	1.0	14.1
Provision for refinery sophistication costs	9.0	—
Freight charges under tanker charter arrangements in excess of one year	7.1	7.1
Contributions to employee pension schemes	3.6	5.5
Hire of plant and machinery	1.6	1.7
Auditors' remuneration	0.3	0.3

b) 1979 provisions for losses on shipping operations represented the estimated future losses on the sub-charter of two vessels and the estimated cost of disposal of the Group's interest in two further vessels; the 1980 charge represents additional provisions estimated to be necessary.

c) The provision for refinery sophistication costs represents the estimated amount of the net costs and commitments incurred to date on the Quebec Refinery Sophistication Project. In the light of the increase of Can.$150 million in the estimated total cost of the project over the amount authorised by the Directors, the scope of and financing for the project are currently being reviewed. Further construction work and the placing of additional purchase orders have been suspended pending the outcome of this review.

d) Pension contributions comprise actuarially computed amounts designed to fund fully the projected pension entitlements of all Group personnel.

4. Directors' emoluments

	1980	1979
a) The pre-tax emoluments of the Directors consisted of:		
Fees in accordance with the Articles of Association	£55,000	£4,776
Executive remuneration paid by Ultramar Company	47,000	32,500
Executive remuneration paid by subsidiary companies	657,482	343,613
	£759,482	£380,889
b) Pension contributions paid in respect of current Directors	£308,058	£107,439
c) Pensions paid in respect of former Directors	£8,766	£16,764
d) Excluding those Directors who discharged their duties wholly or mainly outside the United Kingdom:		
(i) Pre-tax emoluments of the Chairman	£57,552	£43,769
(ii) Number of other Directors whose pre-tax emoluments were within the following bands:		
£ nil – £5,000	—	3
£5,001–£10,000	2	—
£10,001–£15,000	1	1
£20,001–£25,000	1	—

e) At the beginning and end of the year there was a loan of Can.$55,000 outstanding to Mr L. D. Woodruff which had been made prior to his appointment as a Director. The loan has been repaid subsequent to the year end.

5. UK employees

The average number of persons employed in the United Kingdom by the Company and its subsidiaries each week in 1980 was 256 (1979, 231) and the aggregate amount of their remuneration was £2,021,000 (1979, £1,411,000) for the year. The number of UK employees with pre-tax emoluments in excess of £20,000 was:

	1980	1979
£20,001–£25,000	2	1
£25,001–£30,000	1	—
£35,001–£40,000	1	1

6. Interest on loans

a) Interest charges to Profit and Loss Account consist of:

	1980 £ million	1979 £ million
Revolving bank loans and overdrafts	8.0	6.3
Loans repayable between one and two years	0.7	0.2
Loans repayable between two and five years	2.0	2.8
Loans repayable after five years	2.0	6.5
	12.7	15.8
Less: Interest receivable	4.1	2.8
	£8.6	£13.0

b) Interest charges on development projects were capitalised during the year and amounted to £1.2 million (1979, £0.1 million).

7. Taxation

a) Taxation charges to Profit and Loss Account consist of:

	1980 £ million	1979 £ million
Current taxation:		
United Kingdom Corporation Tax at 52%	18.1	1.1
Less: Foreign taxation relief	18.1	1.1
	—	—
Overseas	37.5	15.6
	£37.5	£15.6
Deferred taxation in respect of:		
Trading profits	12.6	10.0
Prior years' adjustments	0.7	3.2
Petroleum Revenue Tax	2.0	1.3
	£15.3	£14.5

b) Profits retained by overseas subsidiary companies will be liable to United Kingdom taxation, less available relief for double taxation, when remitted by way of dividend to the United Kingdom.

8. Net profit

Of the net profit, £16.3 million (1979, £1.1 million) has been dealt with in the accounts of Ultramar Company Limited.

9. Earnings per Share

The calculation of earnings per Ordinary Share is based on the earnings attributable to Ordinary Shareholders of £74.0 million and on 106,853,821 Ordinary Shares in issue after adjustment for the conversion of the remaining Redeemable Preferred Shares during the year. Since the holders of the Ordinary Shares issued in exchange for the Preferred Shares were entitled to receive both the interim dividend paid and the final dividend proposed for 1980, conversion has been assumed to have taken place on 1st January 1980. The 1979 earnings per Ordinary Share have been restated to reflect the capitalisation issue made during 1980.

10. Share capital

a) The issued capital at 31st December 1980 was 106,853,821 (1979, 46,473,257) Ordinary Shares of 25p each and nil (1979, 12,586,651) 7% Convertible Redeemable Preferred Shares of £1 each.
b) The Preferred Shares outstanding at 31st December 1979 were convertible at the Shareholders' option in June of each year up to 1988 at the rate of 20 Ordinary Shares for 19 Preferred Shares. Notices of conversion received during June 1980 reduced the number of Preferred Shares outstanding to less than 25 per cent of the original issue. In accordance with the terms of the issue, the Company exercised its right to convert these Preferred Shares with effect from 30th June 1980.
c) The Company has a wholly-owned foreign subsidiary, which owns 176,607 shares of the Company purchased prior to acquisition. In addition certain wholly-owned foreign subsidiaries have a right to participate in the proceeds on sale of 831,487 shares of the Company which are owned by a third party.
d) At 31st December 1980 options granted under the Company's Share Option Plan were outstanding on a total of 2,401,800 Ordinary Shares as follows:

52,800 Shares at a price of 93p granted in 1971
192,000 Shares at a price of 104p granted in 1974
80,000 Shares at a price of 50¾p granted in 1976
784,000 Shares at a price of 147½p granted in 1979
400,000 Shares at a price of 159p granted in 1979
893,000 Shares at a price of 269p granted in 1980

Such options expire at various dates between 10th March 1981 and 3rd April 1990.

11. Share premium

	1980 £ million	1979 £ million
At beginning of year	18.3	16.1
Premium on Shares issued	0.4	0.8
Premium on Preferred Shares converted to Ordinary Shares	9.3	2.1
Capitalisation Issue	(11.6)	(0.7)
At end of year	£16.4	£18.3

12. Movement on reserves

	1980 £ million	1979 £ million
a) The Group:		
Reserves at beginning of year	105.9	76.7
Exchange differences on translation of opening net assets arising through currency realignments during the year	(9.3)	(6.4)
Earnings retained for the year	57.2	35.6
Reserves at end of year	£153.8	£105.9
b) The Company:		
Reserves at beginning of year	2.3	12.4
Net profit for the year	16.3	1.1
Cost of dividends	(16.9)	(11.2)
Reserves at end of year	£1.7	£2.3

13. Deferred taxation

The provision for deferred taxation is calculated on the basis of timing differences arising from:

	1980 £ million	1979 £ million
Accelerated depreciation and depletion allowances	45.7	27.8
Valuation of inventories on LIFO basis for tax purposes	—	4.7
Other timing differences	0.3	0.5
Advance Corporation Tax recoverable	(0.2)	(0.2)
	£45.8	£32.8

If deferred taxes had been provided in full, the total deferred tax liability would have been £48.1 million (1979, £34.4 million).

14. Long term loans

a) Long term loans at 31st December 1980 consist of:

	1980 £ million	1979 £ million
Loans finally repayable after 1985:		
First mortgage refinery bonds due for final repayment in 1993:		
10¾% Series 'B' (US$22,587,000)	9.4	10.9
10½% Series 'C' (Can.$8,213,000)	2.9	3.4
First mortgage refinery bonds due for final repayment in 1990:		
10½% Series 'D' (US$8,960,000)	3.7	4.4
11¼% Series 'E' (Can.$4,800,000)	1.7	2.0
Facilities for North Sea development project totalling £15 million due for final repayment in 1987 (currently 15½%)	9.6	2.7
Other secured loans due to 1998 at interest rates to 11½%	0.4	0.2
Loans repayable before 1986:		
4¾% Unsecured Notes (Sw. Fr. 50,000,000)	11.8	14.2
7½% Unsecured Notes (US$7,500,000)	3.1	5.1
Indonesian Project Loan Facility *Note 14(d)*	—	26.5
Unsecured loan for North Sea development project (US$5,750,000)	2.4	2.6
Unsecured bank loans	—	11.6
Other loans all of which are secured	2.4	3.1
	47.4	86.7
Less: Amounts due within one year included in current liabilities	3.5	9.5
	£43.9	£77.2

b) At 31st December 1980 long term loans are repayable as follows:

	Bank loans		Other loans	
	1980 £ million	1979 £ million	1980 £ million	1979 £ million
After five years	9.6	5.9	10.9	27.4
Between two and five years	2.4	27.8	17.5	6.8
Between one and two years	—	5.5	3.5	3.8
	12.0	39.2	31.9	38.0
Within one year	—	5.5	3.5	4.0
	£12.0	£44.7	£35.4	£42.0

c) In addition to the above, the Group has US dollar reciprocal loans outstanding from third parties totalling £16.1 million (1979, £16.8 million). The corresponding sterling receivables totalling £16.2 million (1979, £17.7 million) are assets of Ultramar Company Limited, all of which are long term (1979, £16.2 million) and shown as other assets in the Parent Company's Balance Sheet.

d) The Indonesian Project loan was prepaid during 1980. However US$48.0 million remains available as a facility until 15th April 1985, which amount reduces by US$2.7 million every three months.

15. Fixed assets and capital expenditures

a) Movement during the year

	Oil and gas concessions £ million	Refineries £ million	Land and buildings £ million	Vessels under construction £ million	Other operating assets £ million	Total £ million
Cost or valuation at 31st December 1979	119.8	64.4	9.4	—	32.0	225.6
Adjustments through currency realignments	(7.5)	(5.8)	(0.6)	—	(2.9)	(16.8)
Additions during the year	40.0	1.3	4.2	3.2	5.3	54.0
Disposals, transfers and amounts written off	(0.3)	(0.1)	(0.8)	—	(2.3)	(3.5)
At 31st December 1980	152.0	59.8	12.2	3.2	32.1	259.3
Amortisation, depreciation and depletion at 31st December 1979	19.9	21.6	1.7	—	9.9	53.1
Adjustments through currency realignments	(1.3)	(2.0)	(0.2)	—	(0.8)	(4.3)
Charged to Profit and Loss Account for 1980	9.8	2.5	0.2	—	2.9	15.4
Disposals, transfers and amounts written off	(0.1)	—	(0.2)	—	(1.5)	(1.8)
At 31st December 1980	28.3	22.1	1.5	—	10.5	62.4
Net Balance Sheet value at 31st December 1980	£123.7	£37.7	£10.7	£3.2	£21.6	£196.9
Net Balance Sheet value at 31st December 1979	£99.9	£42.8	£7.7	£—	£22.1	£172.5

b) Refineries, which are all freehold, are shown at cost with the exception of land in California which is included at an independent valuation in 1967 of £1.2 million.

c) Land and buildings are stated at cost and consist of:

	1980 £ million	1979 £ million
Freehold land and buildings	10.8	8.0
Leasehold land and buildings:		
More than 50 years unexpired	0.1	0.1
Less than 50 years unexpired	1.3	1.3
	£12.2	£9.4

d) During the year Ultramar Company Limited purchased £0.8 million (1979, £ nil) other operating assets.

16. Other assets

Other assets consist of:

	1980 £ million	1979 £ million
Long term receivables	5.2	2.4
Indonesian debt service equalisation	15.7	13.3
Equity in associated companies	2.3	2.5
	23.2	18.2
Less: Deferred liabilities	0.3	0.3
	£22.9	£17.9

17. Stocks

Stocks consist of:

	1980 £ million	1979 £ million
Crude oil	30.8	26.0
Refined products	79.6	69.9
Materials and supplies	2.5	2.4
	£112.9	£98.3

18. Current liabilities

Current liabilities consist of:

	1980 £ million	1979 £ million
Creditors and accrued charges	98.6	128.7
Provisions	28.4	20.1
Portion of long term debt due within one year	3.5	9.5
Revolving bank loans and overdrafts of which £50.1 million (1979, £20.7 million) is secured	85.7	29.8
Taxation	5.8	2.4
Proposed dividend	7.4	5.0
	£229.4	£195.5

19. Contingent liabilities

a) Ultramar Company Limited has guaranteed the following obligations of subsidiary companies:
i) Bank and other loan facilities amounting to £146.5million at 31st December 1980 (1979, £110.5 million).
ii) Trading and other obligations with a maximum liability of £45.0 million (1979, £60.1 million).
iii) The terms of leases of offices, terminal facilities and gasoline stations with annual rentals totalling £1.1 million (1979, £1.3 million).
iv) Performance under the long term charters of tankers referred to in Note 20(c).

b) Ultramar Company Limited has indemnified various banks against guarantees totalling £71.0 million (1979, £ nil) given by those banks in respect of finance arrangements pertaining to the purchase of four oil-bulk-ore vessels under construction in Spain.

c) The Canadian Taxation Authorities have issued notices of reassessment which increase the taxable income of Ultramar Canada Inc., by a total of Can.$29.7 million for the years 1974 and 1975. The Company is contesting these assessments which, in the opinion of management, have been issued on an arbitrary basis and are unlikely to result in a material liability to the Group.

d) Contingent liabilities of the Group in respect of guarantees and indemnities amount to £22.2 million (1979, £22.6 million).

20. Capital and charter party commitments

a) Contracts and commitments of the Group for capital expenditures not provided for in these accounts amounted to approximately £82.7 million at 31st December 1980 (1979, £14.8 million) including £72.6 million (1979, £ nil) for the construction of four oil-bulk-ore carriers in Spain.

b) Expenditures authorised by the Directors but not contracted for amounted to approximately £108.2 million (1979, £52.0 million). These amounts exclude the Quebec Refinery Sophistication Project, but include £41.0 million (1979, £ nil) for the construction of two further oil-bulk-ore carriers in Spain.

c) The Group has long term charters of four tankers expiring finally in 1994, with a minimum annual commitment of £7.5 million. Two of these with a minimum commitment of £3.8 million have been sub-chartered to a third party until 1984.

Consolidated Current Cost Profit and Loss Account for the year ended 31st December 1980

		1980 £ million		1979 £ million
Sales		£939.5		£1,001.7
Operating profit before taxation and interest charges on term borrowings as in historical cost accounts		131.0		84.9
Current cost adjustments				
Cost of sales	(4.6)		(0.1)	
Monetary working capital credit	8.1		6.3	
Depreciation	(10.9)		(9.2)	
		(7.4)		(3.0)
Current cost operating profit		123.6		81.9
Interest charges on term borrowings	4.7		9.5	
Less: **Gearing adjustment**	2.5		1.3	
		2.2		8.2
Current cost profit before taxation		121.4		73.7
Taxation as in historical cost accounts				
Current	37.5		15.6	
Deferred	15.3		14.5	
		52.8		30.1
Current cost profit after taxation		68.6		43.6
Foreign exchange fluctuations		0.6		1.5
Net current cost profit		69.2		45.1
Convertible Redeemable Preferred Shares dividends including Advance Corporation Tax written off		0.1		1.3
Current cost earnings attributable to Ordinary Shareholders		£69.1		£43.8
Current cost earnings per share		64.8p		47.4p

The notes on page 39 form part of these accounts

Consolidated Current Cost Balance Sheet

as at 31st December 1980

		1980 £ million		1979 £ million
Capital and reserves				
Issued and fully paid up capital				
Ordinary Shares	26.7		11.6	
Convertible Redeemable Preferred Shares	—		12.6	
		26.7		24.2
Share premium		16.4		18.3
Current cost reserve *Note 7*		166.6		122.5
Other reserves		147.2		104.2
		356.9		269.2
Deferred taxation		45.8		32.8
Long term loans		43.9		77.2
		£446.6		£379.2

Represented by:				
Fixed assets and capital expenditures *Note 8*	345.9		292.1	
Goodwill	13.4		13.7	
		359.3		305.8
Other assets		22.9		17.9
Net current assets				
Stocks	123.9		99.5	
Net monetary working capital	(42.2)		(36.6)	
Total working capital	81.7		62.9	
Less: Proposed dividends and income taxes payable	(17.3)		(7.4)	
		64.4		55.5
		£446.6		£379.2

The notes on page 39 form part of these accounts

Notes on the Current Cost Accounts

1. Basis of accounts

The current cost accounts set out on pages 37 to 38 have been prepared in accordance with Statement of Standard Accounting Practice No. 16 (SSAP 16) issued by the Accounting Standards Committee in March 1980. Previously a current cost statement was prepared in accordance with the recommended Hyde guidelines. As a result of the change to SSAP 16, the current cost figures for the year to 31st December 1979 have been restated.

2. Fixed assets and depreciation

The value to the Group of all fixed assets in Eastern Canada, the Group's interest in the UK North Sea Thistle Field, refineries (with the exception of Quebec) and land have been determined by reference to professional valuations accorded by qualified Group personnel as at 31st December 1980. The Quebec Refinery has been externally valued as at the same date. The value of all other fixed assets have been determined by reference to appropriate local published indices applied against historical costs.

The depreciation charges on the refineries have been calculated on the estimated remaining useful life of each facility.

Capital expenditures incurred in 1980 on the construction of vessels are regarded as work in progress and are stated at cost.

3. Stocks and cost of sales

Stocks have been restated to the open market replacement cost at the end of each year. The cost of sales adjustment is calculated by reference to the actual purchase price of stocks and refining costs on a month by month basis.

4. Monetary working capital

Monetary working capital comprises all net current assets except stocks, the short term portion of term debt and corporate taxes and dividends payable. Revolving loans and overdrafts have been included in monetary working capital as they serve to finance the daily operation of the Group's businesses.

The monetary working capital adjustment has been calculated in quarterly rests on an operational area basis using in-house indices constructed from the cost of sales adjustment figures mentioned in Note 3.

5. Gearing adjustment

The gearing ratio represents the proportion of net operating assets of the business that are financed by net term borrowings, and has been calculated on a Group basis with quarterly rests. Net term borrowings comprise term loans and deferred and current tax provisions, but reduced by other assets. The gearing adjustment has been calculated by applying the gearing ratio to the current cost operating adjustments.

6. Other items

Except as set out above, the accounting policies used in the current cost accounts are the same as those used in the historical cost accounts.

7. Movement on current cost reserve

	£ million
Current cost reserve at beginning of year	122.5
Revaluation of fixed assets	40.3
Revaluation of stocks	9.8
Cost of sales adjustment	4.6
Monetary working capital adjustment	(8.1)
Gearing adjustment	(2.5)
Current cost reserve at end of year	£166.6

8. Current cost of fixed assets

	31st December 1980				1979
	Oil & gas concessions £ million	Refineries £ million	Other assets £ million	Total £ million	Total £ million
Gross current cost	224.9	162.3	116.7	503.9	413.3
Amortisation, depreciation, depletion and amounts written off	48.4	72.2	37.4	158.0	121.2
Net current cost	£176.5	£90.1	£79.3	£345.9	£292.1

Report of the Auditors

To the Members of Ultramar Company Limited

We have audited the financial statements on pages 26 to 36 in accordance with approved auditing standards.

As stated in Note 1 (h), the unrelieved portion of advance corporation tax is included as part of the cost of dividends. This accounting policy does not comply with Statement of Standard Accounting Practice No. 8, which requires that this item be included as part of the tax charge for the year.

With this exception, in our opinion, the financial statements which have been prepared under the historical cost convention give a true and fair view of the state of affairs of the Company and the Group as at 31st December 1980 and of the profit and source and application of funds of the Group for the year then ended and comply with the Companies Acts 1948 to 1980.

We have also examined the supplementary current cost statements on pages 37 to 39. In our opinion, these statements have been prepared in accordance with the methods described in the notes and give the information required by Statement of Standard Accounting Practice No. 16.

ARTHUR YOUNG & COMPANY
Chartered Accountants

London 10th March 1981

Analysis of Shareholdings

Ordinary Shares Class of Shareholder	Number of Shareholdings February 1981	Percentage of total Shares February 1981
Private individuals	24,659	44.9
Banks and nominee companies	239	5.8
Insurance companies	162	7.9
Investment companies	97	5.8
Other companies	169	9.8
Pension Funds	286	19.5
Unit Trusts	67	4.3
Local authorities	27	0.8
Educational, charitable and other trusts	56	1.2
	25,762	100.0

Note: The above holdings include overseas holdings comprising 8.8 per cent of the total number of issued Ordinary Shares.

Ordinary Shares Number of Shares held	Number of Shareholdings February 1981	Percentage of total Shares February 1981
1–999	13,933	5.6
1,000–4,999	9,641	18.3
5,000–9,999	1,204	7.4
10,000–49,999	715	12.7
50,000 and over	269	56.0
	25,762	100.0

At 28th February 1981 there were in issue 106,912,121 Ordinary Shares of 25p.

Note: The above analyses are based on the Share Register at 28th February 1981. The classification is based on the assumption that all holdings of under 5,000 Shares are owned by private individuals and after our enquiries into beneficial holdings registered in the names of banks and nominee companies.

Stock Exchange Requirements and Statutory Additional Information

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

Directors' Interests including Family Interests

Ordinary Shares of Ultramar Company Limited

	31st December 1980 Beneficially owned	31st December 1980 Not beneficially owned	31st December 1979 Beneficially owned	31st December 1979 Not beneficially owned
A. Lorbeer	222,546	—	111,273	—
Lord Remnant	8,000	1,578	1,970	—
D. H. Austin	96,647	—	67,074	—
Sir Kenneth Barrington	22,760	—	11,380	—
L. E. Bensen	40,200	—	48,644	—
J. D. McCall	8,941	1,097	3,779	454
C. L. Nelson	100,000	7,484	70,000	6,028
E. K. O'Shea	35,292	53,570	13,250	50,455
J. A. Owers	5,000	—	2,999	172
L. D. Woodruff	1,000	—	500	—
Preferred Shares of Ultramar Company Limited				
J. D. McCall	—	—	1,314	180
Lord Remnant	—	—	—	1,500

Under the Company's Share Option Plan, the following options were held by Directors of the Company at 31st December 1980.

YEAR AND PRICE AT WHICH OPTION WAS GRANTED	1974 at 104p	1979 at 147½p	1979 at 159p	1980 at 269p
A. Lorbeer	—	60,000	—	—
D. H. Austin	—	60,000	—	40,000
L. E. Bensen	—	60,000	—	40,000
C. L. Nelson	—	20,000	—	—
E. K. O'Shea	24,000	40,000	—	30,000
J. A. Owers	—	20,000	—	10,000
L. D. Woodruff	—	—	60,000	20,000

During the period 1st January 1981 to 25th March 1981 there have been the following changes in Directors' interests:

Mr M. E. Beckett, who was appointed a Director on 1st January 1981, has acquired 1,000 Ordinary Shares in a non-beneficial capacity.

Mr L. E. Bensen sold 30,000 beneficially-owned Ordinary Shares and has exercised an option on 60,000 Ordinary Shares at 147½p.

Options have been granted under the Company's Share Option Plan on 1st January 1981 at 505p to:

D. H. Austin	60,000
L. E. Bensen	60,000
R. S. Haddow	20,000
E. K. O'Shea	20,000
Lord Remnant	40,000
L. D. Woodruff	20,000

Mr E. K. O'Shea has exercised an option on 12,000 Ordinary Shares in a non-beneficial capacity at 93p, which have been sold.

Contracts

The Company has a contract with Russell Limebeer, as Secretaries of the Company. Mr J. A. Owers is a Partner of Russell Limebeer.

Capital Gains Tax

The market value of the Company's Ordinary Shares at 6th April 1965 was 38.80p. This takes into account the capital surplus distributions made in December 1965, rights issues and capitalisation issues up to 31st December 1980.

Substantial Holdings

There are no substantial holders of the Share Capital of the Company as defined in the Companies Acts 1967 and 1976.

Political and Charitable Contributions

Contributions by the Company and its subsidiaries for political purposes in the United Kingdom during 1980 amounted to £5,000 which was paid to the Conservative Party. Charitable donations by the Group within the United Kingdom amounted to £45,486.

UK Exports

There were no exports by UK companies in the Group during 1980 (1979, nil).

Geographical Analysis of Sales and Operating Profit after Taxation for the Year

	North and South America	Europe	Asia and Middle East
Sales	78%	12%	10%
Operating Profit after Taxation	56%	2%	42%

By reason of the movements of crude oil and petroleum products between producing, refining and marketing areas, it is not practicable to make more than a broad approximation of the portion of sales and operating profit after taxation attributable to any particular geographical area.

Share Option Scheme

Interest free loan facilities are available to Ultramar Group employees enabling them to exercise Share Options granted under the terms of the 1961 Share Option Plan. The Company has undertaken to The Stock Exchange that the term of the loans will be restricted to three years and also that at no time will the amount of the loans outstanding which involve those persons described under 'Class 4' on page 67 of the Admission of Securities to Listing together with the aggregate of interest which would have been due on the loans, taken separately, calculated at 10 per cent per annum for three years, exceed £1.5 million (which is equivalent to 1 per cent of the Company's net assets as shown in the Report and Accounts for the year ended 31st December 1979).

As at 31st December 1980 the loans outstanding, together with the aggregate interest, as outlined above, were less than £0.2 million.

Company Calendar

Ordinary Shares of 25p

1980 Interim dividend of 4p per share	Declared 13th August 1980 Paid 7th November 1980
1980 Final dividend of 7p per share	Recommended 10th March 1981
	Payable 29th May 1981 (to holders on the Register on 24th April 1981)

Quarterly Results

First quarter 1981	To be announced 6th May
First half 1981	To be announced 13th August
First nine months 1981	To be announced 12th November

Annual General Meeting

Hamilton Hall, Great Eastern Hotel Bishopsgate London EC2	29th May 1981 at 11.00 a.m.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT THE FORTY-FIFTH ANNUAL GENERAL MEETING OF ULTRAMAR COMPANY LIMITED will be held at Hamilton Hall, Great Eastern Hotel, Bishopsgate, London EC2, on Friday, 29th May 1981 at 11.00 a.m. when the following business will be transacted:

1 Receive and, if approved, adopt the Report of the Directors and Statement of Accounts for the year ended 31st December 1980.

2 Declare a final dividend for the year ended 31st December 1980.

3 **i)** Elect or re-elect Directors.

ii) Consider and, if thought fit, pass the following resolution of which Special Notice under the Companies Act 1948, has been given, as an Ordinary Resolution:

'That Mr C. L. Nelson (a Director retiring by rotation) and Mr J. D. McCall, who have attained the age of seventy years, be and are hereby re-elected Directors of the Company.'

4 Consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

'That Arthur Young & Company be and are hereby re-appointed Auditors of the Company to hold office from the conclusion of this Meeting until the conclusion of the next General Meeting of the Company at which accounts of the Company are laid before the Meeting and that the remuneration of the Auditors of the Company be fixed by the Directors.'

5 Transact any other ordinary business of the Company.

By Order of the Board
Russell Limebeer, Secretaries
Registered Office
Morgan House, 1 Angel Court
London EC2R 7AU
24th April 1981

Notes

i) A member of the Company entitled to attend and vote at the above meeting may appoint another person (whether a member or not) as his proxy to attend and, in a poll, vote instead of him. To be valid an instrument of proxy must be deposited with the Registrar of the Company at Pembroke House, 40 City Road, London EC1Y 2AQ not less than 48 hours before the time of the meeting.

ii) The Register of Interests of Directors (and their families) in the Shares of the Company together with copies of contracts of service between the Directors and the Company or any of its subsidiaries, will be available for inspection at the Registered Office of the Company during normal business hours until the date of the Annual General Meeting and on the day at the place of the meeting from 10.45 a.m. until its conclusion.

Principal Subsidiary and Associated Companies

Area of Operation	Name of Company	Per cent Ownership	Country of Incorporation	Principal Activities
United States	American Ultramar Limited	100	USA	Co-ordination of Group Activities
	Golden Eagle Refining Company, Inc.	100	USA	Refining and Marketing
	Golden Eagle Oil Company Inc.	100	USA	Marketing
	Fitzpatrick Construction Corp.	80	USA	Construction
	Surgeonics Limited	100	USA	Marketing of Energy Saving Equipment
	Ultramar America Limited	100	USA	Holding Company
	Ultramar Petroleum Limited	100	USA	Exploration
	Ultramar Land Development Company Inc.	100	USA	Property Development
	Ultramar Investments Limited	100	USA	Holding Company
Canada	Canadian Ultramar Limited	100	Canada	Holding Company
	Ultramar Canada Inc.	100	Canada	Refining and Marketing
	Golden Eagle Oil and Gas Limited	100	Canada	Exploration and Production
	Avalon Acceptance Corporation Limited	100	Canada	Finance
	Universal Terminals Limited	50	Canada	Marketing
	Arrow Petroleums Limited	100	Canada	Marketing
Caribbean	Ultramar de Venezuela, S.A.	100	Venezuela	Agency Company
	Golden Eagle Antilles N.V.	100	Curacao	Finance
	Ultramar Panama Inc.	100	Panama	Marketing
	Ultramar Istmica S.A.	100	Panama	Property Development
Europe	Ultramar Holdings Limited	100	England	Holding Company
	Ultramar Golden Eagle Limited	100	England	Marketing
	Ultramar Exploration Limited	100	England	Exploration
	Ultramar North Sea Limited	100	England	Exploration and Production
	Golden Eagle (Netherlands) B.V.	100	Holland	Exploration
	Golden Eagle Petroleum Company Limited	100	England	Holding Company
	Ultramar Germany Limited	100	USA	Exploration
Middle East	Ultramar Egypt Inc.	100	Panama	Exploration
	Ultramar Mariut Egypt Inc.	100	Panama	Exploration
Asia	Golden Eagle Indonesia Limited	100	Bermuda	Exploration and Production
	Ultramar Indonesia Limited	100	USA	Exploration
	Ultramar Australia Limited	100	USA	Exploration
International	Golden Eagle Liberia (Holdings) Limited	100	Liberia	Holding Company
	Golden Eagle Liberia Limited	100	Liberia	Ship Operations
	Ultramar Betyca Limited	100	Liberia	Ship Owner
	Ultramar Madrid Limited	100	Liberia	Ship Owner
	Ultramar Marine Limited	100	Liberia	Ship Owner
	Ultramar Puerto Real Limited	100	Liberia	Ship Owner
	Ultramar Spain Limited	100	Liberia	Ship Owner
	Ultramar Transport Limited	100	Liberia	Ship Owner

A number of subsidiary and associated companies, the trading results and assets of which are not material in relation to the Group as a whole, have been omitted from the above tabulation. In accordance with the Companies Act 1967, particulars of these companies will be annexed to the next Annual Return.

Management of Operating Companies

American Ultramar Limited

90 South Bedford Road, Mount Kisco, New York 10549
Telephone: 914 241–2500 and 212 682–2140 Telex: WUD 137302; WUI 62721; RCA 229602; TWX 710571–2141

Lloyd Bensen President & Chief Executive Officer of Operating Companies
Arnold Lorbeer Chairman
Dale Austin Executive Vice President
Eugene O'Shea Senior Vice President & General Counsel
Robert Bland Senior Vice President-Exploration & Production
Ralph Capozzi Senior Vice President-Supply
Robert Haddow Senior Vice President-Transportation
Peter Raven Senior Vice President-Finance & Accounting
Blaine Beal Vice President-Refining
Keith Cullingham Vice President-Exploration
George Gidula Vice President-Crude Oil Purchasing
Malcolm Haigh Vice President-Technical Development
Lincoln Hallowell Vice President-Government Relations
Frank Prebble Vice President-Administration
Martin Swartz Vice President-Taxation
Robert Walter Vice President-Finance
Donald Zeigler Vice President & Controller
James Wall Treasurer

GENERAL MANAGERS

Ruth Brenner Publications & Public Relations
Robert Ducharme Chief Geologist
Frank Jelinek Group Internal Auditor
Duane MacFarland Crude Oil Acquisitions
Roger Nunns Operations Analysis
Jakov Ostromogilsky Marine Operations
Francisco Reyes Budgets
Edward Robbins Assistant to the President
Dermott Ryan Assistant General Counsel
Daniel Sharkey Supply Operations
Gnana Supramaniam Marine Finance & Planning

MANAGERS

Ernest Box Office Administration
Larry Bennison Group Accounting
Anissa Brandt Travel & Transportation
James Duggan Insurance Analysis
Gerard Eustace US Flag Operations
Alexander Forti Marine Chartering
Margaret Goode Employee Benefits
Charles Hess Insurance Administration
James Karoli Taxation
James Rippchen Port Captain
Robert Walsh Marine Technical Services
Joseph Whelan Marine Controller

United States Operations

Golden Eagle Refining Company, Inc.

707 Wilshire Blvd., Los Angeles, California 90017
Telephone: 213 624–7841 Telex: WUD 688475

Frank Sisti Executive Vice President & General Manager
Joel Mascitelli Senior Vice President
Murray Covert Vice President-Sales & Supply
Patrick Guarino Vice President & General Counsel
Ronald Nagy Vice President & Treasurer
John Kitto Controller
Irving Jensen Manager-Pacific Northwest
Michael Ayres Manager-Refinery Supply

California Refinery

21000 South Figueroa Street, Carson, California 90745
Telephone: 213 775-8951

Burl Freeman Vice President-Refining
Lloyd Tracy Refinery Superintendent
Wayne Crawford Chief Engineer
Steven Epperson Process Engineer
Emmett Cooper Refinery Co-ordinator
Joseph Hernandez Chief Chemist
Charles Bigam Marine Terminal Superintendent

Golden Eagle Oil Company Inc.

90 South Bedford Road, Mount Kisco, New York 10549
Telephone: 914 241–2500 and 212 682–2140 Telex: WUD 137302; WUI 62721; RCA 229602; TWX 710571-2141

Dale Austin President
Ralph Capozzi Vice President
George Gidula Vice President
Duane MacFarland Vice President

Fitzpatrick Construction Corp.

220 Hillside Avenue, Williston Park, New York 11596
Telephone: 516 294–6710 Telex: WUD 137302

Edward Fitzpatrick President
Joseph McGoldrick Executive Vice President
Patrick Keneally Vice President & Secretary
William Hyland Vice President-Finance
Charles Vachris Vice President

Surgeonics Limited

155 Kisco Avenue, Mount Kisco, New York 10549
Telephone: 914 241-3203 Telex: WUD 137302

Joseph Ament President
Richard Thomas General Manager

Canadian Operations

Canadian Ultramar Limited

Ultramar Canada Inc.

One Valleybrook Drive, Don Mills, Ontario M3B 2S8
Telephone: 416 445–2515 Telex: WUD 06–966578

Laurie Woodruff President
James Allan Executive Vice President-Supply & Refining
Max Bayer Vice President-Finance & Administration
Arthur Dickinson Vice President-Corporate Relations
Henry Laska Vice President-Exploration & Production
Peter Maitland Vice President-Marketing
Darrel McLaughlin Vice President & Controller
John Robertson Vice President-Corporate Development
Donald Bunn Director-Personnel & Industrial Relations
Don Campbell General Counsel & Secretary
Jack Denning Treasurer
Howard Fitz-Gerald Manager-Information & Computing Services

Divisional Offices

Supply & Trading

One Valleybrook Drive, Don Mills, Ontario M3B 2S8
Telephone: 416 445–2515 Telex: WUD 06–966578

James Airth Vice President-Trading
Robert Dawson Vice President-Coal Supply & Distribution
Kenneth Feagan Vice President-Cargo Sales
Gilles Fugère General Manager-Crude & Products Trading
John Shanley Manager-Crude Acquisitions (Calgary)

Montreal

1155 Dorchester Blvd., W. Montreal, Quebec H3B 2K1
Telephone: 514 871–9721 Telex: WUD 05560531

Glen Muir Division President
Gordon Gosselin Executive Vice President
Orlie Bélanger General Manager-Administration

Newfoundland

93 Elizabeth Avenue, St. John's, Newfoundland A1C5T5
Telephone: 709 726–9662 Telex: WUD 0164570

Roy Myers Division President
Garry Garcin General Manager-Sales

Quebec

345 Fortin Street, P.O. Box 490, Ville Vanier, Quebec G1K 6W1
Telephone: 418 688–8110 Telex: WUD 0513860

André Roy Division President
Louis Lavoie Manager-Marketing

Sterling

P.O. Box 5863, 2080 Huron Street E., London, Ontario N6A 4J1
Telephone: 519 452–3000 Telex: WUD 0247226

Gary Graham Division President

Weaver-Liquifuels

50/52 Ashwarren Road, Downsview, Ontario M3J 1Z5
Telephone: 416 630–1935 Telex: WUD 06–219526

John Wilson Division President
Donald Taylor Division Vice-President

Holyrood Refinery

Conception Bay, Newfoundland A0A 2R0
Telephone: 709 229–3885 Telex: WUD 0164511

Raymond Gregory Refinery Manager
John Brophy Operations Manager

Quebec Refinery

P.O. Box 2055, St. Romuald, Quebec G6V 6N6
Telephone: 418 837–3641 Telex: WUD 0513025; WUD 0513861 (Dock)

Marcel Emond Refinery Manager
Gaston Rivet Operations Manager

Golden Eagle Oil and Gas Limited

Suite 2600, 400 4th Avenue, S.W. Calgary, Alberta T2P0J4
Telephone: 403 263–8790 Telex: WUD 038–25662

Henry Laska President & General Manager
Anthony Lee Senior Vice President & Assistant General Manager
Robert Standen Vice President-Land
Alexander Stucken Vice President-Special Projects
Gordon Gavel Treasurer & Controller

European Operations

Ultramar Golden Eagle Limited

Pembroke House, 40 City Road, London EC1Y 2AQ
Telephone: 01–250 3381 *Telex: 8811793*

David Elton Managing Director
Edward Hall Deputy Managing Director
John Auld Director-Marketing
Anthony Barnard Director
Charles Daly Director-Operations & Planning
Timothy Hunt Director & Legal Adviser
Robin Sundt Director-Finance
John Greenwood Manager-Retail Sales

Ultramar Exploration Limited

Ultramar North Sea Limited

Morgan House, 1 Angel Court, London EC2R 7AU
Telephone: 01–726 4545 *Telex: 8954630*

William Sheptycki Managing Director
Robert Bland Director
Peter Breeze Director & Controller
Keith Cullingham Director
Mehdi Hashemi Operations Manager
John Small Exploration Manager
Steven Bottomley Chief Geologist

Caribbean Operations

Golden Eagle Liberia Limited

Ultramar Panama Inc.

P.O. Box 8718, Panama City 5, R.P.
Telephone: 64–9632 *Telex: (via ITT) WUD 3480054*

Eduardo Alfaro Chairman
Francisco Reyes President
Dorothy Tom Vice President & Resident Manager
Gorgias Garriga Vice President
Manuel Barcia Manager-Operations
Alvaro Fernandez Chief Accountant

Far Eastern Operations

Golden Eagle Indonesia Limited

Ultramar Indonesia Limited

Ultramar Australia Limited

P.O. Box 3260, Jakarta, Indonesia
Telephone: 775860 *Telex: WUI 46451*

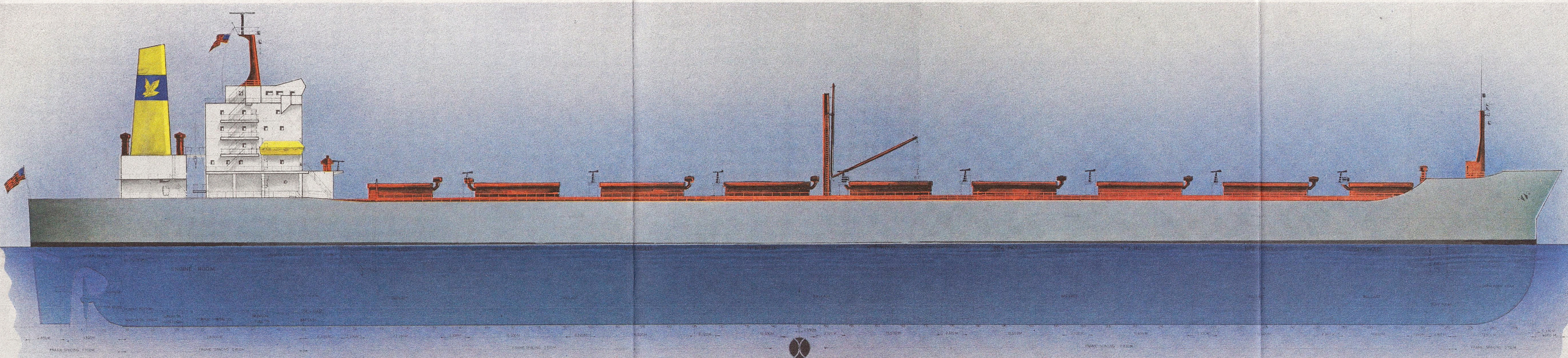
Lloyd Bensen President
Robert Bland Executive Vice President
John Gold Vice President & Resident Manager
Dale Austin Vice President
George Gidula Vice President
Henry Laska Vice President
Eugene O'Shea Vice President
William Sheptycki Vice President
Alexander Stucken Vice President

Management of Parent Company

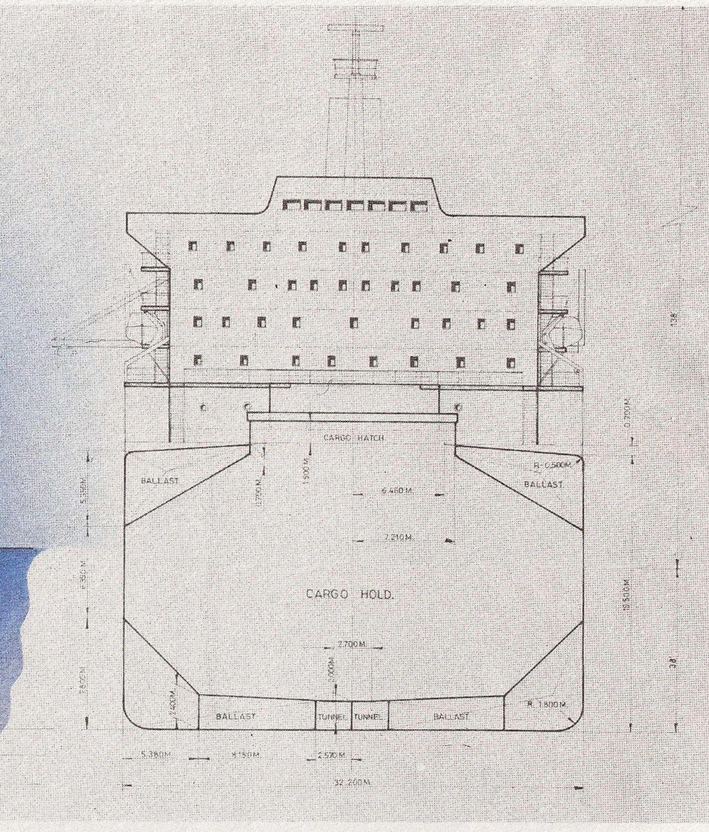
Ultramar Company Limited

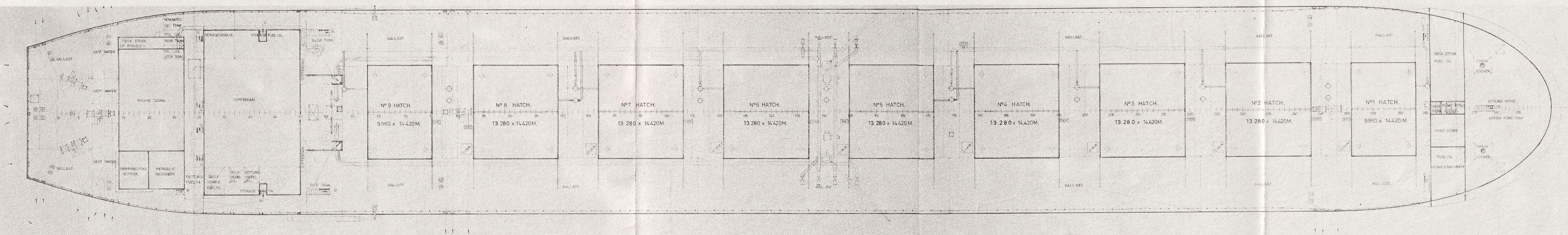
Morgan House, 1 Angel Court, London EC2R 7AU
Telephone: 01–726 4545 *Telex: 885444*

Arnold Lorbeer Chairman
Lord Remnant Deputy Chairman
John Owers Executive Director
David Elton Group Marketing Co-ordinator
Peter Raven Group Finance Co-ordinator
Timothy Hunt Legal Co-ordinator
Howard Pearl Finance Co-ordinator
Derek Wilkinson Controller

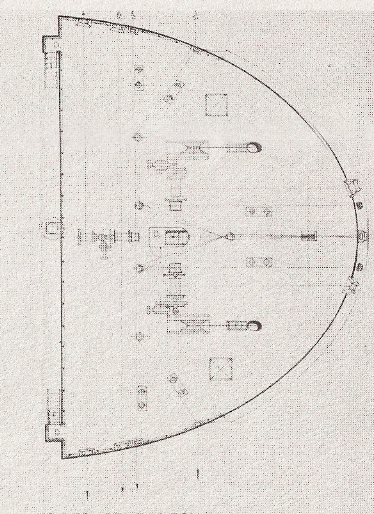


PROFILE.

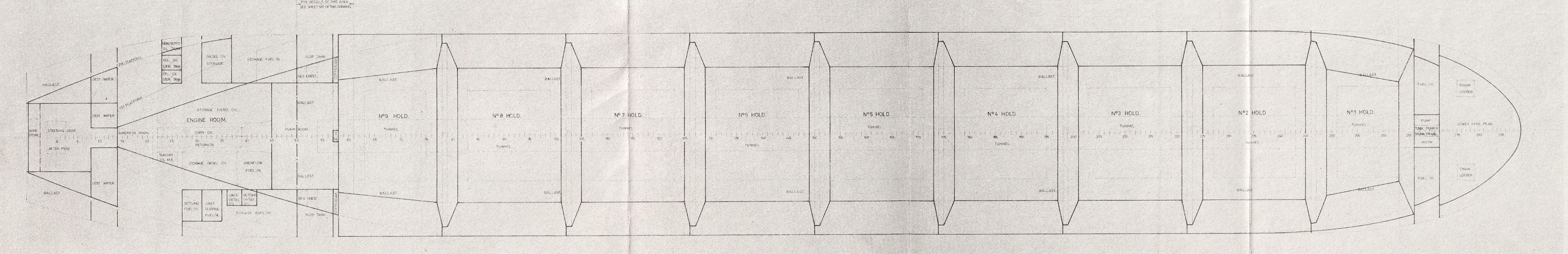




UPPER DECK.



FORECASTLE DECK.



DOUBLE BOTTOM HOLDS.

76,000 DWT OBO

SPECIFICATION

Length overall	243.80 metres
Length between perpendiculars	235.00 metres
Breadth moulded	32.20 metres
Depth moulded	19.50 metres
Design draft	12.50 metres
Scantling draft	14.00 metres
Deadweight (d=12.50 M)	65.300 TM
Deadweight (d=14.00 M)	76,000 TM
Power	15.200 B.H.P.
Trials speed	14.2 Knots

Diagrammatic sketch of new OBO (oil-bulk-ore carrier) being built in Spain

Designed and printed in England by Westerham Press Limited


Ultramar