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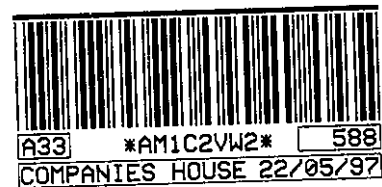


**ARCO British  
International Inc.**

**Financial Statements**

**for the**

**Year ended 31 December 1996**



**FCO17837**



## **ARCO British International Inc.**

### **DIRECTORS' REPORT**

The Directors present their report and financial statements for the year ended 31 December 1996. ARCO British International Inc. (ARCO or the Company) is incorporated with limited liability in the State of Delaware, USA and is a wholly owned subsidiary of the Atlantic Richfield Company.

### **RESULTS AND DIVIDENDS**

The profit and loss account for the year and the financial position as at 31 December 1996 are set out on pages 5 to 13.

During the year a dividend of £4,151.680849 per share was declared and paid on 18,029,758 shares, being the entire issued share capital of the company. The total value of the dividend was £74,853,801. (1995: £49,600,000)

### **REVIEW OF THE BUSINESS**

The Company's business is as a Holding Company for companies which explore for, exploit and produce hydrocarbons in the United Kingdom.

### **FUTURE DEVELOPMENTS**

The Company will continue as a Holding Company for companies with exploration and development activities in the United Kingdom and on the United Kingdom Continental Shelf.

### **DIRECTORS**

J.B. Cheatham	(Appointed 13/12/93)
M.W. Downey	(Appointed 13/12/93, resigned 03/01/96)
S.G. Suellentrop	(Appointed 13/12/93)
D. McManus	(Appointed 03/01/95)
K.I. Weiser	(Appointed 01/02/95)
K.E. Ives	(Appointed 01/05/95)
R Strode	(Appointed 18/01/96)

## DIRECTORS' RESPONSIBILITY

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1996. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis. The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## DONATIONS

No donations were made during 1996 (1995 Nil).

## FIXED ASSETS

The changes in fixed assets are summarised in the notes to the accounts.

*Signed on behalf on the Board*

  
Director: S G Suellentrop

Date: May 13th 1997

## **ARCO British International Inc.**

### **REPORT OF THE AUDITORS TO THE MEMBERS OF ARCO BRITISH International Inc.**

We have audited the financial statements on pages 5 to 13.

#### **Respective responsibilities of directors and auditors.**

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

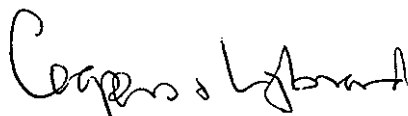
#### **Basis of Opinion**

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

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

#### **Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1996 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985, applicable to overseas companies.



**Coopers & Lybrand**  
*Chartered Accountants and Registered Auditors*  
1 Embankment Place  
London WC2N 6NN

**13th May 1997**

## ARCO British International Inc.

### PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1996

	<i>Note</i>	<b>1996 £000</b>	<b>1995 £000</b>
Administrative expenses		(525)	(7)
<b>OPERATING LOSS</b>		<b>(525)</b>	<b>(7)</b>
Income from investments		74,854	85,790
Interest income		571	154
Gain/(loss) on foreign exchange		4	(22)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>2</b>	<b>74,904</b>	<b>85,915</b>
Tax on loss on ordinary activities	<b>4</b>	(35)	(65)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>74,869</b>	<b>85,850</b>
Dividends paid		(74,854)	(49,600)
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>		<b>15</b>	<b>36,250</b>

#### STATEMENT OF RETAINED EARNINGS

Retained profit for the year	15	36,250
Retained profit brought forward	101,518	65,268
<b>RETAINED PROFIT CARRIED FORWARD</b>	<b>101,533</b>	<b>101,518</b>

- The company has no recognised gains and losses other than those included in the profit and loss account above and, therefore, no separate statement of total recognised gains and losses has been presented. There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents.
- All of the above results are from continuing operations. There were no discontinued operations during the year and, therefore, no separate disclosure is required.

# ARCO British International Inc.

## BALANCE SHEET AT 31 DECEMBER 1996

	Note	1996 £000	1995 £000
Fixed Assets			
<i>Investments</i>	5	492,911	492,911
Current Assets			
<i>Debtors</i>	6	14,768	1,251
<i>Cash at bank and in hand</i>		56	8,946
Creditors: amounts falling due within one year	7	(13,729)	(9,117)
Net Current Assets		1,095	1,080
Total Assets less Current Liabilities		494,006	493,991
Creditors: amounts falling due after more than one year	8	(267,414)	(267,414)
NET ASSETS		226,592	226,577
Capital and Reserves			
Called up share capital	9	121,007	121,007
Additional paid in capital		4,052	4,052
Profit and loss account		101,533	101,518
EQUITY SHAREHOLDERS' FUNDS		226,592	226,577

Approved on behalf of the Board of Directors

  
Director: S G Suenentrop

Date: 13th May 1997

The notes on pages 8 to 13 form part of these financial statements.

# ARCO British International Inc.

## CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 1996

	<i>Note</i>	<b>1996 £000</b>	<b>1995 £000</b>
Net Cash Outflow from Operating Activities	11	(526)	(159)
Returns on Investments and Servicing of Finance		80,626	98,334
Taxation		(8,990)	(10,499)
Capital Expenditure		-	(23,000)
		<hr/> 71,110	<hr/> 64,676
Equity Dividends Paid		(80,000)	(53,010)
		<hr/> (8,890)	<hr/> 11,666
Management of liquid resources			
Financing		-	(17,300)
		<hr/> -	<hr/> (17,300)
Increase/(Decrease) in Cash		<hr/> (8,890)	<hr/> (5,634)

# ARCO British International Inc.

## NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 1996

### 1. ACCOUNTING POLICIES

#### *Basis of Preparation of the Financial Statements*

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom.

The Company has taken advantage of exemptions available under The Oversea Companies (Accounts) (Modifications and Exemptions) Order 1990.

The financial statements are prepared in accordance with the historical cost convention.

#### *Deferred Taxation*

Deferred corporation tax is provided for using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

#### *Basis of Foreign Currency Transition*

Foreign currency assets and liabilities are translated into sterling at year end exchange rates. Revenue and expense items are translated at monthly rates of exchange prevailing during the year. All foreign exchange differences are taken to the profit and loss account in the year they arise.

### 2. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging :

	1996 £000	1995 £000
Auditors' remuneration	5	4



# ARCO British International Inc.

## NOTES TO THE FINANCIAL STATEMENTS *continued* AT 31 DECEMBER 1996

### 3. **EMPLOYEE INFORMATION**

The company has no employees.

The aggregate directors' emoluments were as follows:

	<b>1996</b> <b>£000</b>	<b>1995</b> <b>£000</b>
Other emoluments	136	128
	<hr/>	<hr/>

### 4. **TAXATION**

	<b>1996</b> <b>£000</b>	<b>1995</b> <b>£000</b>
UK Corporation tax	35	65
	<hr/>	<hr/>

### 5. **INVESTMENTS**

	<b>1996</b> <b>£000</b>	<b>1995</b> <b>£000</b>
At 1 January	492,911	471,000
Acquired during the year	-	21,911
	<hr/>	<hr/>
At 31 December 1996	492,911	492,911
	<hr/>	<hr/>

### 6. **DEBTORS**

	<b>1996</b> <b>£000</b>	<b>1995</b> <b>£000</b>
Amounts Due from Parent Company and Affiliates	1,193	1,193
Prepayments and accrued income	8	58
ACT Recoverable	13,567	-
	<hr/>	<hr/>
	14,768	1,251
	<hr/>	<hr/>

# ARCO British International Inc.

## NOTES TO THE FINANCIAL STATEMENTS *continued* AT 31 DECEMBER 1996

### 7. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	1996 £000	1995 £000
ACT payable	13,567	8,990
Corporation tax	57	88
Other creditors	105	39
	<hr/>	<hr/>
	13,729	9,117
	<hr/>	<hr/>

### 8. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1996 £000	1995 £000
Amounts owed to parent company	267,414	267,414
	<hr/>	<hr/>

The intercompany loans are all interest free and are repayable by the Company.

### 9. SHARE CAPITAL

#### AUTHORISED:

100,000 Shares of Common Stock of \$10,000 each

#### ALLOTTED, CALLED UP AND FULLY PAID:

	1996 £000	1995 £000
18,029.758 Shares of Common Stock of \$10,000 each	121,007	121,007
	<hr/>	<hr/>

# ARCO British International Inc.

## NOTES TO THE FINANCIAL STATEMENTS *continued* AT 31 DECEMBER 1996

### 10. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1996 £000	1995 £000
Profit for the Financial Year	74,869	85,850
Dividends	(74,854)	(49,600)
	<hr/>	<hr/>
	15	36,250
 <i>Opening Shareholders' Funds</i>	 226,577	 190,327
	<hr/>	<hr/>
<i>Closing Shareholders' Funds</i>	226,592	226,577
	<hr/>	<hr/>

### 11. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1996 £000	1995 £000
Operating (Loss)	(525)	(7)
Foreign exchange gain/(loss)	4	(22)
Changes in Working capital :		
Debtors	(13,572)	(1,197)
Creditors	13,567	1,067
	<hr/>	<hr/>
Net Cash (Outflow) from Operating Activities	(526)	(159)
	<hr/>	<hr/>

# ARCO British International Inc.

## NOTES TO THE FINANCIAL STATEMENTS *continued* AT 31 DECEMBER 1996

### 12. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	1996 £000	1995 £000
<b>Share Capital</b>		
At 1 January	121,007	121,007
Inflow/(Outflow)	-	-
At 31 December	121,007	121,007
<b>Parent Company Loan</b>		
At 1 January	267,414	284,714
Repayment	-	(17,300)
At 31 December	267,414	267,414

### 13. RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	£000	£000
Decrease in cash in the period	(8,890)	
Cash used to increase liquid resources	-	
Change in net debt		(8,890)
Net funds at 01 January 1996		8,946
Net debt at 31 December 1996		56

## ARCO British International Inc.

### NOTES TO THE FINANCIAL STATEMENTS *continued* AT 31 DECEMBER 1996

#### 14. GROSS CASH FLOWS

	£000	£000
Returns on investments and servicing of finance		
Interest received	626	
Interest paid	-	
	<hr/>	626
		<hr/>

#### 15. ANALYSIS OF CHANGES IN NET DEBT

	At 1 Jan 1996 £000	Cash flows £000	Other changes £000	At 31 Dec 1996 £000
Cash in hand, at bank	8,946	(8,890)	-	56
Overdrafts	-	-	-	-
		<hr/> (8,890)		
Debt due within 1 year	-	-	-	-
Debt due after 1 year	-	-	-	-
Current asset investments	-	-	-	-
Total	<hr/> 8,946	<hr/> (8,890)	<hr/> -	<hr/> 56
	<hr/>	<hr/>	<hr/>	<hr/>

#### 16. CAPITAL COMMITMENTS

At 31 December 1996, the Company had no capital commitments.

#### 17. RELATED PARTY TRANSACTIONS

In accordance with FRS 8, Related Party Disclosures, the Company is exempt from disclosing transactions with entities that are part of the group, as it is a wholly owned subsidiary of a parent publishing consolidated financial statements.

#### 18. ULTIMATE HOLDING COMPANY

ARCO British International Inc. is incorporated with limited liability in the state of Delaware, USA. The Company is an indirect wholly owned subsidiary of Atlantic Richfield Company, incorporated in the USA. Atlantic Richfield Company is the ultimate controlling party. Copies of the parents' consolidated financial statements may be obtained from 515 South Flower Street, Los Angeles, California 90071-2256.