

ANNUAL REPORT AND ACCOUNTS 2002

Board of Directors:- J H Bartlett
J C Skipper
A J Walker
J E Golden

050598/15

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2002.

Principal activity and 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.

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

Results and dividends

The profit for the year amounts to £3k. When added to retained profits brought forward at 1 January 2002 of £101.3 million, gives a total retained profit carried forward at 31 December 2002 of £101.3 million. The directors do not propose payment of a final dividend.

Directors

The present directors are listed above.

J H Bartlett, J C Skipper, A J Walker and M R Bly served as directors throughout the financial year. Changes since 1 January 2002 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
L W Smyth	-	31 July 2002
M R Bly	-	3 February 2003
J E Golden	1 June 2003	
S D Urban		1 June 2003

Directors' interests

The interests of the directors holding office at 31 December 2002, and their families, in the US \$0.25 ordinary shares of BP p.l.c. were as set out below:

	<u>31 December 2002</u>	<u>1 January 2002</u> <u>or date of</u> <u>appointment</u>
J H Bartlett	64,392	60,497
J C Skipper	2,453	3,185
S D Urban	17,472*	17,472*
A J Walker	5,812	6,838
M R Bly	Nil	Nil

* These holdings include shares held in the form of ADRS (American Depository Receipts).



REPORT OF THE DIRECTORS

In addition, rights to subscribe for US \$0.25 ordinary shares in BP p.l.c. were granted to, or exercised by, those directors between 1 January 2002 (or date of appointment) and 31 December 2002 as follows:

	<u>Granted</u>	<u>Exercised</u>
J H Bartlett	5,000	nil
J C Skipper	2,750	6,000
S D Urban	119,010	93,684
A J Walker	11,000	nil
M R Bly	39,960	Nil

No director had any interest in the shares or debentures of subsidiary undertakings of BP p.l.c at 31 December 2002.

Policy with respect to payment of suppliers

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

Auditors

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

By order of the board



Secretary

17 September 2003

Registered Office:
Breakspear Park
Breakspear Way
Hemel Hempstead
HP2 4UL

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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

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

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

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

ARCO BRITISH INTERNATIONAL, Inc.

REPORT OF THE AUDITORS TO THE MEMBERS OF
ARCO BRITISH INTERNATIONAL, Inc.

We have audited the accounts for the year ended 31 December 2002 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and related notes 1 to 13. These accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, or for the opinions we have formed.

Respective responsibilities of directors and auditors

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

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

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

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

Basis of opinion

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

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2002 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
ABERDEEN

17 September 2003

ACCOUNTING POLICIES

Accounting standards

The accounts are prepared in accordance with applicable UK accounting standards.

Accounting convention

The accounts are prepared under the historical cost convention.

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

Group accounts

Group accounts are not submitted, as the company is exempt from the obligation to prepare group accounts under Section 229 of the Companies Act 1985. The results of subsidiary and associated undertakings are dealt with in the consolidated accounts of the ultimate parent undertaking, BP p.l.c., a company registered in England and Wales.

Foreign currencies

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

ARCO BRITISH INTERNATIONAL, Inc.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002

	<u>Note</u>	<u>2002</u> <u>£'000</u>	<u>2001</u> <u>£'000</u>
Other income	2	2	3
Exchange gain / (loss)		1	(1)
		-----	-----
Operating profit	1	3	2
Profit on disposal of a subsidiary undertaking	3	-	13
		-----	-----
Profit on ordinary activities before taxation		3	15
Taxation	4	-	-
		-----	-----
Retained profit for the year		3	15
		=====	=====

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2002

There are no recognised gains or losses attributable to the shareholders of the company other than the profit of £3,000 for the year ended 31 December 2002 (2001 profit of £15,000).

ARCO BRITISH INTERNATIONAL, Inc.

BALANCE SHEET AT 31 DECEMBER 2002

	<u>Note</u>	<u>2002</u> <u>£'000</u>	<u>2001</u> <u>£'000</u>
Fixed assets			
Investments	5	491,911	491,911
Current assets			
Debtors - amounts falling due:			
within one year	6	6,604	2,206
after more than one year	6	70,800	70,800
Cash at bank and in hand		-	4,400
		<u>77,404</u>	<u>77,406</u>
Creditors - amounts falling due			
within one year			
Other creditors	7	(164)	(169)
Net current assets		<u>77,240</u>	<u>77,237</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		569,151	569,148
Creditors - amounts falling due after			
more than one year			
Other creditors	7	(342,814)	(342,814)
SHAREHOLDERS' INTEREST		<u>226,337</u>	<u>226,334</u>
Represented by			
Capital and reserves			
Called up share capital	8	121,007	121,007
Profit & loss account	9	101,278	101,275
Additional paid in capital		4,052	4,052
SHAREHOLDERS' FUNDS - EQUITY INTERESTS		<u>226,337</u>	<u>226,334</u>



17 September 2003

NOTES TO THE ACCOUNTS

1. Operating profit

Auditors' remuneration is dealt with in the accounts of the ultimate parent undertaking. No fees were paid to the auditors for other services.

2. Other income

	2002 <u>£'000</u>	2001 <u>£'000</u>
Other interest and miscellaneous income	2	3
	-----	-----
	2	3
	=====	=====

3. Exceptional items

	2002 <u>£'000</u>	2001 <u>£'000</u>
Profit on disposal of a subsidiary undertaking	-	13
	-----	-----
	-	13
	=====	=====

4. Taxation

The Company is a member of a group for the purposes of relief under Section 402 of the Income & Corporation Taxes Act 1988. No corporation tax has been provided because another group company, BP International Limited, has undertaken to procure the claim or surrender of free group relief to the extent it is required and to provide for any current or deferred tax that arises.

The following table provides a reconciliation of the UK statutory corporation tax rate to the effective current tax rate on profit before taxation.

	2002 <u>%</u>	2001 <u>%</u>
UK statutory corporation tax rate:	30	30
Increase / (decrease) resulting from:		
Timing differences	(30)	(4)
Permanent differences	-	(26)
Group relief	-	-
	-----	-----
Effective current tax rate	-	-
	=====	=====

5. Investments

	Subsidiary undertakings shares <u>£'000</u>
Cost and Net Book Value	
At 1 January 2002 and at 31 December 2002	491,911
	=====

NOTES TO THE ACCOUNTS

6. Debtors

	2002		2001	
	Within 1 year £'000	After 1 year £'000	Within 1 year £'000	After 1 year £'000
Subsidiary undertakings	6,604	70,800	2,206	70,800
	-----	-----	-----	-----
	6,604	70,800	2,206	70,800
	=====	=====	=====	=====

7. Other creditors

	2002		2001	
	Within 1 year £'000	After 1 year £'000	Within 1 year £'000	After 1 year £'000
Subsidiary undertakings	164	342,814	169	342,814
	-----	-----	-----	-----
	164	342,814	169	342,814
	=====	=====	=====	=====

8. Called up share capital

Authorised share capital:

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

2002	2001
£'000	£'000

Issued and fully paid:

18,030 Shares of Common Stock of \$10,000 each

2002	2001
121,007	121,007
-----	-----
121,007	121,007
=====	=====

9. Reconciliation of shareholders' funds and movements on reserves

	Additional paid in capital £'000	Share capital £'000	Profit & loss account £'000	Total £'000
At 1 January 2001	4,052	121,007	101,260	226,319
Profit for the year	-	-	15	15
	-----	-----	-----	-----
At 1 January 2002	4,052	121,007	101,275	226,334
Profit for the year	-	-	3	3
	-----	-----	-----	-----
At 31 December 2002	4,052	121,007	101,278	226,337
	=====	=====	=====	=====

10. Related party transactions

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

2001

NOTES TO THE ACCOUNTS

11. Pensions

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

12. Subsidiary undertakings

The more important subsidiary undertakings of the company at 31 December 2002 and the percentage of equity capital held are set out below. The principal country of operation is generally indicated by the company's country of incorporation or by its name. The principal activity of all subsidiary undertakings is the exploration for and/or production of oil and natural gas.

Subsidiary undertakings	%	Country of incorporation	Principal activity
Arco British Limited	100	U.S.A	Exploration / production
Atlantic Richfield Oil & Gas (St.James) Limited	100	England and Wales	Exploration / production

13. Ultimate parent undertaking

The ultimate parent undertaking of the group of undertakings for which group accounts are drawn up, and of which the company is a member, is BP p.l.c., a company registered in England and Wales. Copies of BP p.l.c.'s accounts can be obtained from 1 St James's Square, London SW1Y 4PD.