



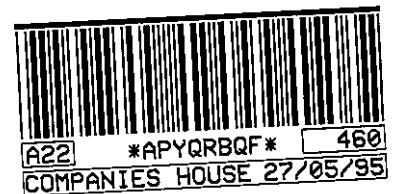
ARCO BRITISH INTERNATIONAL INC.

Financial Statements

for the

Year ended 31 December 1994

FCO17837





ARCO British International Inc.

DIRECTORS REPORT

The Directors present their report and financial statements for the year ended 31 December 1994. ARCO British International (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 1994 are set out on pages 5 to 12.

During the year a dividend of £3,212.770521 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 £57,925,475.

REVIEW OF THE BUSINESS

The Company 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.

Effective 1 January 1995 the company acquired the entire issued share capital of St. James Oil & Gas Limited (St. James) for £22MM. St. James holds interests in non operated blocks in the Southern Gas Basin of the UK North Sea.

DIRECTORS

J.B. Cheatham	(Appointed 13/12/93)
M.W. Downey	(Appointed 13/12/93)
S.R. Mut	(Appointed 13/12/93, Resigned 12/10/94)
R.C. Olson	(Appointed 13/12/93)
L.E. Smith	(Appointed 13/12/93, Resigned 03/01/95)
S.G. Suellentrop	(Appointed 13/12/93)
L.E. Tate	(Appointed 13/12/93, Resigned 12/12/94)
P.A. Wood	(Appointed 13/12/93, Resigned 21/01/95)
D. McManus	(Appointed 03/01/95)
K.I. Weiser	(Appointed 02/01/95)

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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 12.

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.

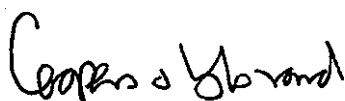
Basis of Opinion

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 1994 and of its profit, total recognised gains 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

28 April 1995

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 1994. 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 1994 (1993 Nil).

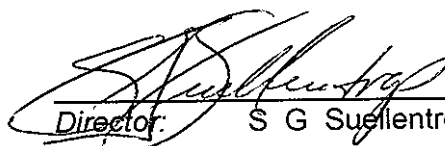
INSURANCE

ARCO maintains insurance for its directors in respect of their duties as Directors of the Company.

FIXED ASSETS

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

Signed on behalf on the Board


Director: S G Suelentrop

ARCO British International Inc.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1994

	Note	1994 £000	1993 £000
Administrative expenses		(48)	(23)
Exploration costs		-	(51)
OPERATING (LOSS)		(48)	(74)
Income from investments		127,103	-
Interest income		160	-
Gain on foreign exchange		24	-
PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	2	127,239	(74)
Tax on loss on ordinary activities	4	(37)	-
PROFIT / (LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION		127,202	(74)
Dividends paid		(57,925)	-
RETAINED PROFIT / (LOSS) FOR THE FINANCIAL YEAR		69,277	(74)

STATEMENT OF RETAINED EARNINGS

Retained profit / (loss) for the year	69,277	(74)
Retained loss brought forward	(4,009)	(3,935)
RETAINED PROFIT / (LOSS) CARRIED FORWARD	65,268	(4,009)


- 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 1994

	Note	1994 £000	1993 £000
Fixed Assets			
<i>Investments</i>	5	471,000	471,000
Current Assets			
<i>Debtors</i>		44	-
<i>Cash at bank and in hand</i>		14,580	-
Creditors: amounts falling due within one year	6	(10,583)	-
Net Current Assets		4,041	-
Total Assets less Current Liabilities		475,041	471,000
Creditors: amounts falling due after more than one year	7	(284,714)	(350,000)
NET ASSETS		190,327	121,000
Capital and Reserves			
Called up share capital	8	121,007	121,007
Additional paid in capital		4,052	4,002
Profit and loss account		65,268	(4,009)
SHAREHOLDERS' FUNDS		190,327	121,000

Approved on behalf of the Board of Directors


Director: S G Suellentrop

Date: 28 April 1995

The notes on pages 8 to 12 form part of these financial statements.

ARCO British International Inc.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 1994

	<i>Note</i>	1994 £000	1993 £000
Net Cash Inflow from Operating Activities	10	73	-
Returns on investments and servicing of finance			
Dividends received		127,103	-
Interest received		116	-
Consideration for ACT surrendered		14,481	-
Dividends paid - including tax credits under UK/US tax treaty		(61,907)	-
Net Cash Inflow from Returns on Investment and Servicing of Finance		79,793	-
Investment Activities:			
Payments to Acquire Fixed Assets	5	-	(471,000)
Net Cash In/(Out)flow from Investing Activities		-	(471,000)
Net Cash In/(Out)Outflow before Financing		79,866	(471,000)
Financing :			
Parent Company Loans		(65,286)	350,000
Issue of Share Capital		-	121,000
Net Cash In/(Out)flow from Financing	11	(65,286)	471,000
Change in Cash and Cash Equivalents		14,580	Nil

ARCO British International Inc.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 1994

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 the exemption from disclosure of the Chairman and Directors' emoluments as set out in the Overseas 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 local currency 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 :

	1994 £000	1993 £000
Loss on Disposal of Stocks	-	9
Auditors' remuneration	4	-

ARCO British International Inc.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 1994

3. EMPLOYEE INFORMATION

	1994 £000	1993 £000
Staff Costs : Wages and salaries	Nil	Nil
The average number of people employed by the Company during the year:	0	0

4. TAXATION

	1994 £000	1993 £000
UK Corporation tax	37	-
ACT on dividends paid	14,481	-
Consideration for ACT surrendered to affiliate	(14,481)	-
	<hr/> 37	<hr/> -

5. INVESTMENTS

	1994 £000	1993 £000
At 1 January 1994	471,000	-
Additions	-	471,000
At 31 December 1994	<hr/> 471,000	<hr/> 471,000

On 13th December 1993 the Company acquired 1,261,706 Shares of Class A Common Stock of \$100 each and 193,659 Shares of Class B Common Stock of \$1 each in ARCO British Limited being 100% of its nominal share capital and 100 shares of \$100 each in ARCO Trading UK Inc. being 100% of its nominal share capital.

ARCO British International Inc.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 1994

6. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	1994 £000	1993 £000
ACT payable	10,499	-
Corporation tax	37	-
Other creditors	47	-
	<hr/>	<hr/>
	10,583	-
	<hr/>	<hr/>

7. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1994 £000	1993 £000
Amounts owed to parent company	284,714	350,000
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The intercompany loans are all interest free and are repayable when deemed appropriate by the Company.

8. SHARE CAPITAL

AUTHORISED:

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

ISSUED:

	1994 £000	1993 £000
18,029.758 Shares of Common Stock of \$10,000 each	121,007	121,007
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ARCO British International Inc.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 1994

9. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	1994 £000	1993 £000
<i>Called Up Share Capital :</i>		
Balance at : 1 January	121,007	7
: 31 December	121,007	121,007
	<hr/>	<hr/>
Movement in the Year	0	121,000
 Movement in Additional Paid In Capital	 50	 Nil
 Profit (Loss) for the Financial Year	 127,202	 (74)
 Dividends	 (57,925)	 -
	<hr/>	<hr/>
Net Addition to Shareholders' Funds	69,327	120,926
 <i>Opening Shareholders' Funds</i>	 121,000	 74
	<hr/>	<hr/>
<i>Closing Shareholders' Funds</i>	190,327	121,000
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10. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1994 £000	1993 £000
Operating Profit / (Loss)	(48)	(74)
 Exploratory & Administrative Costs written off	 48	 74
 Other movements	 73	 -
	<hr/>	<hr/>
Net Cash Inflow from Operating Activities	73	Nil
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ARCO British International Inc.

NOTES TO THE FINANCIAL STATEMENTS AT 31 DECEMBER 1994

11. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	1994 £000	1993 £000
Share Capital		
At 1 January	121,007	7
Inflow/(Outflow)	-	121,000
At 31 December	<u>121,007</u>	<u>121,007</u>
Parent Company Loan		
At 1 January	350,000	-
Inflow/(Outflow)	(65,286)	350,000
At 31 December	<u>284,714</u>	<u>350,000</u>

12. CAPITAL COMMITMENTS

At 31 December 1994, the Company had no capital commitments.

13. ULTIMATE HOLDING COMPANY

ARCO British International Inc. is incorporated with limited liability in the state of Delaware, USA. The Company is a wholly owned subsidiary of Atlantic Richfield Company, incorporated in the USA.