

ANNUAL REPORT AND ACCOUNTS 2001

Board of Directors:-	Mr J H Bartlett
	Mr M R Bly
	Mr J C Skipper
	Mr L W Smyth
	Mr S D Urban
	Mr A J Walker

REPORT OF THE DIRECTORS

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

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 £15,000. When added to retained profits brought forward at 1 January 2001 of £101.2 million gives a total retained profit carried forward at 31 December 2001 of £101.3 million. The directors do not propose payment of a final dividend.

Directors

The present directors are listed above.

Changes since 1 January 2001 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
Mr M R Bly	1 November 2001	
Mr S Marshall		31 August 2001
Mr L W Smyth	1 November 2001	



ARCO BRITISH INTERNATIONAL, Inc.
REPORT OF THE DIRECTORS

Directors' interests

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

	<u>31 December 2001</u>	<u>1 January 2001 or date of appointment</u>
J H Bartlett	60,497	39,008
M R Bly	Nil	Nil
J.C Skipper	3,185	6,971
L W Smyth	94,336	94,336
S D Urban	17,472	*17,472
A J Walker	6,838	7,983

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

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 2001 (or date of appointment) and 31 December 2001 as follows:

	<u>Granted</u>	<u>Exercised</u>
J H Bartlett	303	1,192
M R Bly	Nil	Nil
J.C Skipper	9,750	Nil
L W Smyth	Nil	Nil
S D Urban	77,400	Nil
A J Walker	9,750	Nil

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

Policy with respect to payment of suppliers

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

Auditors

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

By order of the board

Y S Ali
Secretary



12 July 2002
Registered Office:
Breakspear Park
Breakspear Way
Hemel Hempstead
HP24UL



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 2001 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses and related notes 1 to 12. These accounts have been prepared on the basis of the accounting policies therein.

Respective responsibilities of directors and auditors

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

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

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

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

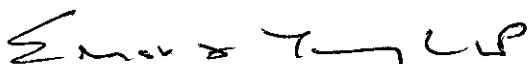
Basis of opinion

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

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2001 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
ABERDEEN

22 July 2002

ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable UK accounting standards.

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.

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

Accounting standards

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

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.

Deferred taxation

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

ARCO BRITISH INTERNATIONAL, Inc.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

	<u>Note</u>	<u>2001</u> <u>£'000</u>	<u>2000</u> <u>£'000</u>
Administrative expenses		-	-
Other income	2	3	1
Exchange loss		(1)	(4)
		-----	-----
Operating profit/(loss)	1	2	(3)
Profit/Loss on disposal of a subsidiary undertaking	3	13	(104)
		-----	-----
Profit/(loss) on ordinary activities before taxation		15	(107)
Taxation	4	-	-
		-----	-----
Retained profit/(loss) for the year		<u>15</u>	<u>(107)</u>
		=====	=====

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


There are no recognised gains or losses attributable to the shareholders of the company other than the profit of £15,000 for the year ended 31 December 2001 (2000 loss of £0.1 million).

ARCO BRITISH INTERNATIONAL, Inc.

BALANCE SHEET AT 31 DECEMBER 2001

	<u>Note</u>	<u>2001</u> <u>£'000</u>	<u>2000</u> <u>£'000</u>
Fixed assets			
Investments	5	491,911	491,911
Current assets			
Debtors - amounts falling due:			
within one year	6	2,206	2,193
after more than one year	6	70,800	70,800
Cash at bank and in hand		4,400	4,397
		<u>77,406</u>	<u>77,390</u>
Creditors - amounts falling due			
within one year			
Other creditors	7	(169)	(169)
Net current assets		<u>77,237</u>	<u>77,221</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		569,148	569,132
Creditors - amounts falling due after			
more than one year			
Other creditors	7	(342,814)	(342,813)
SHAREHOLDERS' INTEREST		<u>226,334</u>	<u>226,319</u>
Represented by			
Capital and reserves			
Called up share capital	8	121,007	121,007
Profit & loss account	9	101,275	101,260
Additional paid in capital		4,052	4,052
SHAREHOLDERS' FUNDS - EQUITY INTERESTS		<u>226,334</u>	<u>226,319</u>

By Order of the Board


Director
22 July 2002

NOTES TO THE ACCOUNTS

1. Operating profit/(loss)

Auditors' remuneration for the financial year 2001 is dealt with in the accounts of the ultimate parent undertaking. No fees were paid to the auditors for other services.

2. Other income

	2001 <u>£'000</u>	2000 <u>£'000</u>
Other interest and miscellaneous income	3	1
	-----	-----
	1	1
	=====	=====

3. Exceptional items

	2001 <u>£'000</u>	2000 <u>£'000</u>
Profit/(loss) on disposal of a subsidiary undertaking	13	(104)
	-----	-----
	13	(104)
	=====	=====

4. Taxation

The company is a member of a group for the purposes of relief under Section 402 of the Income and Corporation Taxes Act 1988. No liability to taxation arises during the year. In addition no provision for deferred taxation is considered necessary.

NOTES TO THE ACCOUNTS

5. Investments

	Subsidiary undertakings shares <u>£'000</u>
Cost	
At 1 January 2001	491,911
Additions	-
Deletions	-
Transfers	-

At 31 December 2001	491,911
	=====
 Net book amount	
At 31 December 2001	491,911
	=====
At 31 December 2000	491,911
	=====

6. Debtors

	2001		2000	
	Within 1 year <u>£'000</u>	After 1 year <u>£'000</u>	Within 1 year <u>£'000</u>	After 1 year <u>£'000</u>
Subsidiary undertakings	2,206	70,800	2,193	70,800
	-----	-----	-----	-----
	2,206	70,800	2,193	70,800
	=====	=====	=====	=====

NOTES TO THE ACCOUNTS

7. Other creditors

	2001		2000	
	Within 1 year <u>£'000</u>	After 1 year <u>£'000</u>	Within 1 year <u>£'000</u>	After 1 year <u>£'000</u>
Subsidiary undertakings	169	342,814	169	342,813
	-----	-----	-----	-----
	169	342,814	169	342,813
	=====	=====	=====	=====

8. Called up share capital

Authorised share capital:

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

2001	2000
<u>£'000</u>	<u>£'000</u>

Issued and fully paid:

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

121,007	121,007
-----	-----
121,007	121,007
=====	=====

9. Reconciliation of shareholders' funds and movements on reserves

	Additional paid in capital <u>£'000</u>	Share capital <u>£'000</u>	Profit & loss account <u>£'000</u>	Total <u>£'000</u>
At 1 January 2000	4,052	121,007	101,367	226,426
Loss for the year	-	-	(107)	(107)
	-----	-----	-----	-----
At 1 January 2001	4,052	121,007	101,260	226,319
Profit for the year	-	-	15	15
	-----	-----	-----	-----
At 31 December 2001	4,052	121,007	101,275	226,334
	=====	=====	=====	=====

NOTES TO THE ACCOUNTS

10. Related party transactions

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

11. Subsidiary undertakings

The more important subsidiary undertakings of the company at 31 December 2001 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

12. 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. (formerly BP Amoco p.l.c), a company registered in England and Wales. Copies of BP p.l.c.'s accounts can be obtained from Britannic House, 1 Finsbury Circus, London EC2M 7BA.