

ANNUAL REPORT AND ACCOUNTS 2005

Board of Directors:- J H Bartlett
J C Skipper

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2005.

Principal activity

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.

Review of activities and future developments

The company has had a satisfactory year and the directors believe that the trend will continue.

The company is in a good position to take advantage of any opportunities which may arise in the future.

Results and dividends

The loss for the year after taxation was £1.4 million when deducted from the retained profits brought forward at 1 January 2005 of £50.9 million, gives a retained profit carried forward at 31 December 2005 of £49.5 million. The directors do not propose payment of a final dividend.

Directors

The present directors are listed above. J H Bartlett and J C Skipper served as directors throughout the financial year. There have been no changes since 1 January 2005.



REPORT OF THE DIRECTORS

Directors' interests

The interests of the directors holding office at 31 December 2005, and their families, in the US \$0.25 ordinary shares of BP p.l.c. were as set out below:

	<u>31 December 2005</u>	<u>1 January 2005</u>
J H Bartlett	75,705	68,915
J C Skipper	6,741	3,080

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 2005 and 31 December 2005 as follows:

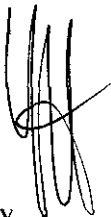
	<u>Granted</u>	<u>Exercised</u>
J H Bartlett	1,199	1,084
J C Skipper	-	-

No director had any interest in the shares or debentures of subsidiary undertakings of BP p.l.c. at 31 December 2005.

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

20 September 2006

Registered Office:

Chertsey Road
Sunbury-on-Thames
Middlesex
TW16 7BP

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

Company law requires the directors to prepare financial statements 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 these financial statements, 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 financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

We have audited the company's accounts for the year ended 31 December 2005 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, accounting policies and the 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, for this report, 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 (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company as at 31 December 2005 and of the loss 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

20 September 2006

ACCOUNTING POLICIES

Accounting standards

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

Accounting convention

The accounts are prepared under the historical cost convention.

Statement of cash flows

The Group financial statements of the ultimate parent undertaking contain a consolidated cash flow statement. The Company has taken advantage of the exemption granted by the Financial Reporting Standard No. 1 (Revised), whereby it is not required to publish its own cash flow statement.

Group accounts

Group accounts are not submitted as the company is exempt from the obligation to prepare group accounts under Section 228(1) 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. The accounts present information about the company as an individual undertaking and not about the group.

Foreign currency transactions

Foreign currency transactions in currencies other than sterling are recorded at the exchange rate ruling on the date of transaction. Foreign currency monetary assets and liabilities in currencies other than sterling are translated into sterling at rates of exchange ruling at the balance sheet date. All exchange gains and losses on settlement or translation at closing rates of exchange of monetary assets and liabilities are included in determination of profit/loss for the year.

Fixed Asset Investments

Fixed asset investments in subsidiaries are included in the financial statements at cost less provisions for impairment.

ARCO BRITISH INTERNATIONAL, Inc.

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2005

	<u>Note</u>	2005 <u>£'000</u>	2004 <u>£'000</u>
Provision against investment in subsidiary undertakings		-	(28,400)
Operating loss	1	-	(28,400)
Loss on ordinary activities before interest and tax		-	(28,400)
Interest payable and similar charges	2	(1,354)	(65)
Loss before taxation		(1,354)	(28,465)
Taxation	3	-	-
Retained loss for the year		(1,354)	(28,465)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2005

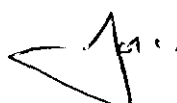
There are no recognised gains or losses attributable to the shareholders of the company other than the loss of £1,354,000 for the year ended 31 December 2005 (2004 loss of £28,465,000).

ARCO BRITISH INTERNATIONAL, Inc.

BALANCE SHEET AT 31 DECEMBER 2005

	<u>Note</u>	2005 <u>£'000</u>	2004 <u>£'000</u>
Fixed assets			
Investments	5	470,000	470,000
Current assets			
Debtors : amounts falling due:			
Within one year	6	5,397	6,589
After more than one year	6	70,800	70,800
Cash at bank and in hand		-	2
		-----	-----
		76,197	77,391
Creditors: amounts falling due within one year	7	(28,789)	(28,629)
		-----	-----
Net current assets		47,408	48,762
		-----	-----
TOTAL ASSETS LESS CURRENT LIABILITIES		517,408	518,762
Creditors : amounts falling due after more than one year	7	(342,814)	(342,814)
		-----	-----
NET ASSETS		174,594	175,948
		=====	=====
Represented by			
Capital and reserves			
Called up share capital	8	121,007	121,007
Reserves	9	49,535	50,889
Additional paid in capital	9	4,052	4,052
		-----	-----
SHAREHOLDERS' FUNDS - EQUITY INTERESTS		174,594	175,948
		=====	=====

By order of the Board



Director

20 September 2006



NOTES TO THE ACCOUNTS

1. Operating loss

This is stated after charging:	2005	2004
	<u>£'000</u>	<u>£'000</u>
Provision against investment in subsidiary undertakings	-	28,400
	=====	=====

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

2. Interest payable and similar charges

	2005	2004
	<u>£'000</u>	<u>£'000</u>
Interest expense on:		
Loans from fellow subsidiary undertakings	1,354	65
	=====	=====

3. 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 group relief to the extent it is required and to provide for any current or deferred tax that arises without charge.

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

	2005	2004
	<u>£'000</u>	<u>£'000</u>
Loss before taxation	(1,354)	(28,465)
Current taxation	-	-
	-----	-----
Effective current tax rate	0%	0%
	=====	=====

NOTES TO THE ACCOUNTS

3. Taxation (continued)

	2005 %	2004 %
UK statutory corporation tax rate:	30	30
Increase / (decrease) resulting from:		
Group relief	(30)	-
Non deductible expenditure/Non taxed income	-	(30)
	-----	-----
Effective current tax rate	-	-
	=====	=====

4. Directors

None of the directors received any fees or remuneration for services as a director of the company during the financial year (2004 £nil).

5. Fixed assets - investments

	Subsidiary shares £'000
Cost	
At 1 January 2005 and 31 December 2005	520,311
	=====
Amounts provided	
At 1 January 2005 and 31 December 2005	(50,311)
	=====
Net book amount	
At 31 December 2004 and 31 December 2005	470,000
	=====

The investments in the subsidiary undertakings are unlisted.

The more important subsidiary undertakings of the company at 31 December 2005 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. A complete list of investments in subsidiary undertakings will be attached to the parent company's annual return made to the Registrar of Companies.

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

NOTES TO THE ACCOUNTS**6. Debtors**

	2005		2004	
	Within 1 year <u>£'000</u>	After 1 year <u>£'000</u>	Within 1 year <u>£'000</u>	After 1 year <u>£'000</u>
Parent and fellow subsidiary undertakings	5,397	70,800	6,589	70,800

7. Creditors

	2005		2004	
	Within 1 year <u>£'000</u>	After 1 year <u>£'000</u>	Within 1 year <u>£'000</u>	After 1 year <u>£'000</u>
Parent and fellow subsidiary undertakings	28,789	342,814	28,629	342,814

8. Called up share capital

	2005 <u>\$'000</u>	2004 <u>\$'000</u>
Authorised share capital: 100,000 Shares of Common Stock of \$10,000 each	1,000,000	1,000,000
Allotted, called up and fully paid: 18,030 Shares of Common Stock of \$10,000 each	121,007	121,007

9. Reconciliation of shareholders' funds and movements on reserves

	Equity Share capital <u>£'000</u>	Additional paid in capital <u>£'000</u>	Profit & loss account <u>£'000</u>	Total <u>£'000</u>
At 1 January 2005	121,007	4,052	50,889	175,948
Loss for the year	-	-	(1,354)	(1,354)
At 31 December 2005	121,007	4,052	49,535	174,594

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NOTES TO THE ACCOUNTS

10. Reconciliation of movements in shareholders' interest

	2005 <u>£'000</u>	2004 <u>£'000</u>
Loss for the year	(1,354)	(28,465)
Net movement in shareholders' interests	<u>(1,354)</u>	<u>(28,465)</u>
Shareholders' interest at 1 January	175,948	204,413
Shareholders' interest at 31 December	<u><u>174,594</u></u>	<u><u>175,948</u></u>

11. Related party transactions

The company has taken advantage of the exemption contained within Financial Reporting Standard No 8 "Related Party Disclosures", and has not disclosed transactions with group companies.

12. Pensions

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

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.