

LASMO (USA) Inc.



\$400,000,000

7.30% Guaranteed Debentures Due 2027

Payment of principal and interest guaranteed by

LASMO plc

Interest on the 7.30% Guaranteed Debentures Due 2027 (the "Securities") is payable semi-annually on May 15 and November 15 of each year, commencing May 15, 1998. The Securities are redeemable in whole, but not in part, at any time at the principal amount thereof plus accrued interest in the event of certain tax law changes requiring the payment of additional amounts as described herein. The Securities are also redeemable in whole or in part at any time at the option of the Issuer at the redemption price equal to the greater of (i) 100% of the principal amount of such Securities and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate (as defined herein) plus 10 basis points, plus accrued interest thereon to the date of redemption. The Securities will not be subject to any sinking fund. The Securities will be represented by one or more global securities registered in the name of the nominee of The Depository Trust Company ("DTC"). Interests in the global securities will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its participants. Except as described herein, Securities in definitive form will not be issued. See "Description of the Securities and the Guarantees". The Securities will trade in DTC's Settlement System until maturity, and secondary market trading activity for the Securities will therefore settle in same day funds. See "Description of the Securities and the Guarantees".

THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS SUPPLEMENT OR THE PROSPECTUS TO WHICH IT RELATES. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

	Price to Public ⁽¹⁾	Underwriting Discount ⁽²⁾	Proceeds to Issuer ⁽¹⁾⁽³⁾
Per Security	99.375%	.875%	98.500%
Total	\$397,500,000	\$3,500,000	\$394,000,000

(1) Plus accrued interest, if any, from November 12, 1997.

(2) The Issuer and the Guarantor have agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933, as amended. See "Underwriting".

(3) Before deduction of expenses payable by the Guarantor estimated at \$492,000.

The Securities are offered by the several Underwriters subject to prior sale, when, as and if issued by the Issuer, delivered to and accepted by the Underwriters and subject to certain other conditions. The Underwriters reserve the right to withdraw, cancel or modify such offer and to reject orders in whole or in part. It is expected that delivery of the Securities will be made on or about November 12, 1997 through the book-entry facilities of DTC against payment therefor in same day funds.

Chase Securities Inc.

NationsBanc Montgomery

ABN AMRO Chicago Corporation

Merrill Lynch & Co.

UBS Securities

The date of this Prospectus Supplement is November 6, 1997.

CERTAIN PERSONS PARTICIPATING IN THE OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN, OR OTHERWISE AFFECT THE PRICE OF THE SECURITIES OFFERED HEREBY, INCLUDING OVERALLOTMENT, STABILIZING TRANSACTIONS AND SYNDICATE SHORT COVERING TRANSACTIONS. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE "UNDERWRITING".

LASMO plc is a public limited company incorporated in England and Wales and LASMO (USA) Inc. is a Delaware corporation. As used herein, the terms "Company" and "Guarantor" refer to LASMO plc; the term "LASMO" refers to the Company and/or its subsidiaries as appropriate and "Group" refers to the Company and its subsidiaries; and the terms "LASMO (USA)" and "Issuer" refer to LASMO (USA) Inc.

The Company publishes its consolidated financial statements in pounds sterling. In this Prospectus Supplement, references to "pounds sterling", "£", "pence" or "p" are to UK currency, references to "US dollars", and "US\$" or "\$" are to US currency. Merely for the convenience of the reader, this Prospectus Supplement contains translations of certain pounds sterling amounts into US dollars at specified rates, or, if not so specified, the noon buying rate in New York City for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate") on June 30, 1997 of £1.00 = \$1.665. No representation is made that the pounds sterling amounts have been, could have been or could be converted into US dollars at the rates indicated or at any other rates. See "Exchange Rates" for historical information regarding Noon Buying Rates.

Unless the context indicates otherwise, the following terms have the following meanings:

- "bopd" Barrels of oil per day;
- "mbopd" Thousands of barrels of oil per day;
- "mboepd" Thousands of barrels of oil equivalent per day; and
- "mmboe" Millions of barrels of oil equivalent.

Terms not otherwise defined herein are defined in the Prospectus.

Cautionary Statement for Purposes of the "Safe Harbor" Provisions of the United States Private Securities Litigation Reform Act of 1995. This Prospectus Supplement contains certain forward-looking statements as defined in Section 21E of the United States Securities Exchange Act of 1934 (the "Exchange Act") with respect to the financial condition, results of operations and business of LASMO and certain of the plans and objectives of management of LASMO with respect thereto.

By their nature, forward-looking statements involve risk and uncertainty and the factors which may affect LASMO's business and could cause actual production, development and results to differ materially from those expressed in or implied by such forward-looking statements include financial and technical considerations, political and economic considerations including commodity price risk, petroleum revenue tax and other factors set forth in more detail in LASMO's 1996 Annual Report on Form 20-F, particularly in "Item 1. Description of Business — Reserves", "Regulation" and "Additional Factors which May Affect Business" and "Item 9. Management's Discussion and Analysis of Financial Condition and Results of Operations — Overview — Key Factors".

The actual amount of LASMO's production in any year will be affected by a number of factors including the ability of LASMO's operations and infrastructure (or those of a field's operators) to achieve production goals and the absence of disturbances affecting LASMO's operations and infrastructure (or those of a field's operators). The oil and gas exploration and production industry is highly regulated and is subject to

intervention by governments throughout the world in matters such as the award of exploration and production interests, the imposition of specific drilling and other work obligations, environmental protection measures and control over development and decommissioning of fields and installations.

Forward-looking statements are based upon management's good faith assumptions relating to the financial, market, operating regulations and other relevant environments that will exist and affect LASMO's business and operations in the future. No assurance can be made that the assumptions upon which management based its forward-looking statements will prove to be correct, or that LASMO's business and operations will not be affected in any substantial manner by other factors not currently foreseeable by management or beyond LASMO's control. All forward-looking statements involve risks and uncertainty, including those described in this Prospectus Supplement, and such statements shall be deemed in the future to be modified in their entirety by LASMO's public pronouncements, including those contained in all future reports and other documents filed with or submitted by LASMO to the Securities and Exchange Commission.

EXCHANGE RATES

The table below sets forth, for the periods and dates indicated, certain information regarding the US dollar/pounds sterling exchange rate, based on the Noon Buying Rate, expressed in US dollars per £1.00.

<u>Year</u>	<u>Period End</u>	<u>Average Rate(1)</u>	<u>High</u>	<u>Low</u>
1992	1.51	1.76	2.00	1.51
1993	1.48	1.50	1.59	1.42
1994	1.57	1.54	1.64	1.46
1995	1.55	1.58	1.64	1.53
1996	1.71	1.57	1.71	1.49
1997 (through November 5, 1997)	1.68	1.63	1.70	1.58

(1) The average of the Noon Buying Rates on the last business day of each full month during the relevant period.

LASMO

LASMO plc, which is the holding company of the Group, was incorporated as London & Scottish Marine Oil Company Limited on April 23, 1971. It was formed by a number of UK financial institutions to explore for and produce oil and gas, principally in the UK sector of the North Sea. In 1974, LASMO participated in the discovery of the Ninian oil field, the third largest in the UK North Sea. The cash flow provided by Ninian enabled LASMO to expand overseas into areas where attractive opportunities existed to explore for and develop oil and gas with the objective of gaining significant interests in the ventures in which it participated and, where possible, to act as operator of the ventures in order to be in a better position to control the pace of activities.

LASMO is a substantial international oil and gas exploration and production company whose reserves and producing assets are presently concentrated primarily in the UK (comprising the UK Continental Shelf and The Netherlands North Sea interests) and Indonesia regions, with Algeria the other major contributor to reserves. LASMO is now developing its business in five core geographic areas: the United Kingdom, Indonesia, North Africa, Pakistan and Venezuela. It has interests in exploration and development projects in a total of thirteen countries around the world, in eight of which it acts as operator. Production in 1997 to date has been derived from seven of these countries (the United Kingdom, The Netherlands, Indonesia, Colombia, Gabon, Pakistan and from an extended well test in Italy). On July 29, 1997, LASMO signed an operating agreement for a substantial field redevelopment project in the Dacion Area in Venezuela. LASMO believes that the Dacion Area has, in addition, high quality exploration potential. See "Recent Developments".

LASMO's investment strategy, as an oil and gas exploration and production company, is to develop further in areas where it currently operates, using its competitive advantages; to invest in countries newly opening to foreign investment that offer significant growth potential; to seek technology-led opportunities; and to invest in gas, LNG and the integrated gas chain where LASMO can realize the competitive advantage of its strong gas and LNG position. LASMO's objectives are to add value by the efficient management of existing assets and new investment in international exploration, production and related businesses, to build a business which is profitable at low oil and gas prices, and to maintain a sound financial base and high quality staff to manage the Group's business in the long term interests of its shareholders.

At December 31, 1996, LASMO's net proved oil and gas reserves were estimated at 558 mmboe, of which approximately 43% relate to oil and approximately 57% relate to gas, with 35% of the Group's net proved reserves located in the UK region, 45% located in the Indonesia region and 15% located in Algeria. For the year ended December 31, 1996, approximately 49% of the Group's average daily production of 175 mboepd derived from the UK region and approximately 43% derived from the Indonesia region. In the same period, production of crude oil and natural gas each accounted for approximately 45% and 55% respectively of LASMO's average daily production.

The principal trading market for LASMO's ordinary shares is the London Stock Exchange. LASMO's ADSs are listed on the New York Stock Exchange, where they have been traded since 1993.

LASMO (USA)

LASMO (USA), an indirect wholly-owned subsidiary of the Guarantor, was incorporated under the laws of the State of Delaware on April 16, 1993 for the sole purpose of issuing and selling debt securities and making the proceeds of such issues available to the Group. The Issuer has no subsidiaries and only minimal independent operations of its own. Separate financial statements of the Issuer are not presented herein because management has determined that they would not be material to investors.

RECENT DEVELOPMENTS

Venezuela

On July 29, 1997, LASMO signed an operating agreement (the "Agreement") with Corpoven SA ("Corpoven"), a subsidiary of Petroleos de Venezuela S.A. ("PDVSA"), a Venezuelan government-owned petroleum company, for a substantial field redevelopment project in the Dacion Area in Venezuela. LASMO believes that the Dacion Area has, in addition, high quality exploration potential. The Dacion Area is located onshore eastern Venezuela and lies on the Oficina trend in one of the major hydrocarbon basins of the world.

The Agreement grants LASMO the right to operate and redevelop the existing fields within the Dacion Area during the 20 year contract period and to explore for oil and gas in the Dacion Area during the first seven years of that period with the right to develop any oil and gas that LASMO discovers during that exploration period. The Agreement allows for full recovery of LASMO's capital and operating costs out of incremental production above a pre-defined baseline. Remaining profit will be shared by LASMO and Corpoven on a sliding scale set forth in the Agreement. Based on its analysis of data with respect to the Dacion Area available at the date of the Agreement, LASMO management believes that the amount of oil that has been recovered from the producing fields in the Dacion Area represents only a small percentage of the oil in place there.

LASMO is preparing a detailed development plan for the Dacion Area which, subject to Corpoven approval, will be implemented early in 1998. With the application of modern technology including 3D seismic, horizontal and multilateral drilling, and the use of electric submersible pumps, LASMO believes there is the potential to identify additional oil in place within existing fields and to increase production rates substantially above current levels. Exploration activity over the 70% of the Dacion Area which is unexplored is expected to offer further material reserves potential. LASMO's development plan for the first phase of the project targets increasing production from the known discoveries to 90,000 bopd by 2001. LASMO's share of the proved reserve base, as presented in the data evaluation package provided to LASMO by PDVSA, assuming contractual back-in rights are exercised, and adjusted for production, will equate to approximately 175 million barrels of oil at December 31, 1997. LASMO anticipates that this will be the minimum proved reserves booked at that date. As the development plan is implemented, considerable additional reserves are expected to be booked.

To ensure the cost effective application of the latest technology to the Dacion Area, LASMO has formed a technology partnership with the Schlumberger Group, which will provide LASMO with technical support in the development of the fields under an incentivized service contract.

In August 1997, LASMO paid PDVSA \$453 million for the rights granted to LASMO under the Agreement. LASMO funded the payment by a drawdown under a bank credit facility dated November 20, 1995 between LASMO and the banks named therein (the "Bank Credit Facility"). LASMO estimates that an additional investment of some \$750 million will be required during the first phase of the redevelopment project in the period through 2001.

Pakistan

On September 22, 1997, LASMO and the Government of Pakistan signed an agreement granting LASMO three additional exploration concessions in Pakistan for the Pab and offshore Indus A and B blocks. LASMO as operator will initially hold a 95% working interest in each of the three blocks, with the balance held by the Government. The Government has the right to increase its interest to a total of 15%. LASMO is now the largest foreign net acreage holder in Pakistan, with approximately 36,000 square kilometers.

The unexplored Pab block is located within the Kirthar Foldbelt, adjacent to existing LASMO acreage within the same geological play. The prospectivity of the play was established by the successful Bhit-2 exploration well, completed by LASMO in the first half of 1997. The Pab block covers 7,390 square kilometers.

The offshore Indus A and B blocks cover a combined area of 14,700 square kilometers and have not been actively explored since 1989. Prior to that date, gas shows were encountered during drilling and gas was tested to surface, although at sub-commercial rates.

A two rig program is planned for 1998 to appraise the Bhit discovery and drill other exploration prospects.

Algeria

In September 1997, LASMO reported successful tests on the ROD-1 well in Algeria. ROD-1 is located on block 402a in which LASMO holds a 13.75% working interest, and is approximately 10.5 kilometers north east of the BSFN-1 discovery made by LASMO earlier this year. ROD-1 encountered hydrocarbon bearing sands in the Triassic TAGI section and tested at a rate of 5,526 barrels of 43 degree API oil per day. The BSFN-2 well is currently being drilled to establish whether the BSFN-1 and ROD-1 discoveries are part of the same oil accumulation.

Based on recent success, LASMO is confident that Algeria provides the potential for further reserves upgrades and LASMO's drilling activity in Algeria is being increased from a three to five rig program during the fourth quarter of 1997.

Libya

On October 30, 1997, LASMO announced that it had successfully tested an exploration well in the Murzuk Basin, southwestern Libya. Plans are now being prepared to commence an appraisal drilling program.

Taxation

On July 2, 1997, the UK Government announced changes in the method of taxation of dividends paid by UK companies. These changes do not effect the regime for the taxation of interest on debt securities.

CAPITALIZATION

The following table sets forth LASMO's short-term borrowings and capitalization at June 30, 1997, on a pro forma basis to reflect debt drawn down to finance the \$453 million payment made in August 1997 relating to the Agreement for the Dacion Area as if that debt had been drawn down on June 30, 1997 and as adjusted to give effect to the issuance of the Securities offered hereby (without deduction of discounts or expenses) and the use of the net proceeds therefrom for the repayment of such debt. See "Recent Developments" and "Use of Proceeds".

	At June 30, 1997					
	Actual	Pro forma (£ million)	As Adjusted	Actual(1)	Pro forma(1) (\$ million)	As Adjusted(1)
Short-term debt(2)	<u>14</u>	<u>14</u>	<u>14</u>	<u>23</u>	<u>23</u>	<u>23</u>
Long-term debt						
Secured(3)	149	149	149	248	248	248
Unsecured(3)	712	984	747	1,185	1,638	1,244
Securities offered hereby	—	—	240	—	—	400
Total long-term debt(5)	<u>861</u>	<u>1,133</u>	<u>1,136</u>	<u>1,433</u>	<u>1,886</u>	<u>1,892</u>
Shareholders' equity						
Ordinary Shares of 25p each authorized — 1,320 million shares issued — 966 million shares	242	242	242	403	403	403
Cumulative Dollar Preference Shares ..	150	150	150	250	250	250
Share premium account(4)	558	558	558	929	929	929
Other reserves(4)	90	90	90	150	150	150
Retained earnings	240	240	240	399	399	399
Total shareholders' equity(5)	<u>1,280</u>	<u>1,280</u>	<u>1,280</u>	<u>2,131</u>	<u>2,131</u>	<u>2,131</u>
Total capitalization	<u>2,141</u>	<u>2,413</u>	<u>2,416</u>	<u>3,564</u>	<u>4,017</u>	<u>4,023</u>

- (1) US dollar amounts have been translated solely for convenience at the Noon Buying Rate on June 30, 1997 of £1.00 = \$1.665.
- (2) Short-term debt consists of bank loans and overdrafts and the short-term portion of long-term debt.
- (3) The secured and unsecured long-term debt at June 30, 1997 are shown net of unamortized issue expenses amounting to £1 million and £7 million, respectively.
- (4) The share premium account and other reserves are not distributable.
- (5) Actual total shareholders' equity at June 30, 1997 in accordance with US GAAP (as defined herein) is £978 million (\$1,628 million). Total long-term debt at June 30, 1997 excluding unamortized issue expenses in accordance with US GAAP is £869 million (\$1,447 million).

SELECTED CONSOLIDATED FINANCIAL INFORMATION

The selected consolidated financial data set forth below for the five years ended December 31, 1996 should be read in conjunction with, and are qualified in their entirety by reference to, the consolidated financial statements of LASMO audited by its independent auditors, Ernst & Young, chartered accountants, and included in LASMO's Annual Report on Form 20-F for the financial year ended December 31, 1996 (the "1996 Form 20-F"), which is incorporated by reference in the Prospectus. The selected consolidated data set forth below for the six months ended June 30, 1997 and June 30, 1996 should be read in conjunction with and are qualified in their entirety by reference to the Group's unaudited interim results included in LASMO's Reports of Foreign Issuer on Form 6-K submitted to the Commission on October 15 and November 6, 1997, which are incorporated by reference in the Prospectus. The financial results should not be construed as indicative of financial results for subsequent periods. Fluctuations in crude oil prices, exchange rates and the success of exploration activity in particular may have a material impact on the Group's financial results.

LASMO prepares its consolidated financial statements in accordance with accounting principles generally accepted in the United Kingdom ("UK GAAP") which differ in certain respects from United States generally accepted accounting principles ("US GAAP"). A description of the significant differences applicable to LASMO and reconciliations of profit/(loss) for the year and shareholder's equity to amounts in accordance with US GAAP for the three years ended December 31, 1996 are set forth in Note 28 of Notes to the Financial Statements in the 1996 Form 20-F.

	Six months ended June 30			Year ended December 31					
	1997(1)	1997	1996	1996(1)	1996	1995	1994	1993	1992
	\$	£	£	\$	(in millions)		£	£	£
	(unaudited)				£	£			
INCOME STATEMENT DATA									
Amounts in accordance with UK GAAP									
Sales	603	362	358	1,247	749	637	648	678	621
Cost of sales	(370)	(222)	(223)	(778)	(467)	(437)	(469)	(497)	(414)
Provision for oil and gas assets(2)	—	—	—	—	—	(17)	3	(49)	(194)
Release of petroleum revenue tax provisions(3)	—	—	—	—	—	—	—	6	96
Gross profit	233	140	135	469	282	183	182	138	109
Exploration costs written off (net of PRT relief) (2) (3) ...	(30)	(18)	(18)	(77)	(46)	(34)	(48)	(62)	(83)
Operating profit/(loss)	175	105	103	346	208	112	112	46	(12)
Profit on sale of fixed assets	—	—	23	33	20	14	39	3	32
(Loss)/gain on disposal of assets/businesses held for resale(4)	—	—	—	(3)	(2)	17	(1)	(10)	(302)
Interest receivable	33	20	32	107	64	80	60	71	102
Interest payable	(63)	(38)	(41)	(140)	(84)	(79)	(94)	(123)	(78)
Profit/(loss) before taxation	145	87	117	343	206	144	92	(9)	(262)
Taxation(5)	(102)	(61)	(70)	(231)	(139)	(110)	(95)	(109)	(124)
Profit/(loss) for the period									
Before exceptional items	43	26	24	78	47	33	(20)	(46)	40
Exceptional items(6)	—	—	23	33	20	1	17	(72)	(426)
Total	43	26	47	112	67	34	(3)	(118)	(386)
Per ordinary share									
Earnings/(loss) for the period before exceptional items	\$ 0.03	2.1p	1.6p	\$ 0.05	3.2p	1.5p	(4.3)p	(7.6)p	4.3p
Earnings/(loss) for the period	\$ 0.03	2.1p	3.9p	\$ 0.09	5.3p	1.6p	(2.4)p	(16.8)p	(50.2)p
Dividends	—	—	—	\$ 0.03	2.0p	1.25p	1.25p	1.3p	3.2p
Amounts in accordance with US GAAP									
(Loss)/profit for the period	(3)	(2)	54	117	70	(29)	(34)	(184)	(353)
(Loss)/profit for the period attributable to ordinary shareholders per ordinary share	\$(0.01)	(0.8)p	4.6p	\$ 0.09	5.6p	(5.0)p	(5.8)p	(25.2)p	(45.9)p

	Six months ended June 30			Year ended December 31					
	1997(1)	1997	1996	1996(1)	1996	1995	1994	1993	1992
	\$	£	£	\$	(in millions)				
					£	£	£	£	£
(unaudited)									
CAPITAL EXPENDITURE DATA									
Amounts in accordance with UK GAAP									
Capital expenditure									
Exploration and appraisal	68	41	29	125	75	54	45	84	141
Development and production	88	53	76	255	153	247	252	215	385
Acquisitions	22	13	3	13	8	3	9	—	—
Disposals	—	—	(33)	(55)	(33)	(27)	(196)	(112)	(206)
Total	178	107	75	338	203	277	110	187	320

	At June 30		At December 31					
	1997(1)	1997	1996(1)	1996	1995	1994	1993	1992
	(unaudited)		(in millions, except percentages)					
	\$	£	\$	£	£	£	£	£
BALANCE SHEET DATA								
Amounts in accordance with UK GAAP								
Cash at bank and in hand	586	352	588	353	444	348	223	307
Total assets	4,109	2,468	4,209	2,528	2,923	2,856	2,988	3,452
Long-term debt	1,433	861	1,453	873	1,088	1,074	1,180	1,528
Net debt(7)	559	336	576	346	429	384	734	1,081
Sterling Preference Shares	—	—	—	—	60	60	60	60
Shareholders' equity(8)	2,131	1,280	2,098	1,260	1,240	1,235	1,058	1,035
Gearing(9)	26%	26%	27%	27%	39%	36%	75%	110%
Amounts in accordance with US GAAP								
Total assets	3,798	2,281	3,939	2,366	2,844	2,900	3,163	3,722
Shareholders' equity	1,628	978	1,668	1,002	970	1,028	870	943
Net debt as a percentage of net debt and shareholders' equity(10)	26%	26%	26%	26%	31%	28%	46%	54%

- (1) US dollar amounts have been translated solely for convenience at the Noon Buying Rate on June 30, 1997 of £1.00 = \$1.665.
- (2) In 1995, taking account of the likely range of future oil prices at the time, the directors provided £17 million in respect of the Piper field group. In 1993, exceptional provisions reflecting lower oil price expectations and a more conservative assessment of reserves in certain fields were made in respect of tangible oil and gas assets totaling £94 million (1992 £149 million). The provision was reduced by the release of £45 million, reversing the 1992 charge of £45 million, which had been made for UKCS oil and gas assets on which the impact of the March 1993 UK Budget proposals had still to be fully determined, and the release of PRT provisions of £6 million — note (3) below. In addition, exploration costs written off in 1993 includes exceptional provisions of £21 million (1992 £38 million).
- (3) In 1993, £6 million of deferred PRT provisions were released on the write down of UKCS oil and gas assets offset by a release of provision for deferred corporation tax of £1 million. The direct effects of the March 1993 UK Budget proposals primarily resulted in the release of deferred PRT provisions totalling £108 million in 1992 (of which £12 million was netted against exploration costs written off), offset by a provision for deferred corporation tax of £30 million.
- (4) The loss of £2 million in 1996 represents a provision for liabilities relating to downstream businesses acquired with Ultramar. The gain in 1995 of £17 million on assets held for resale represents the release of a provision for certain exposures in the United States established at the time of the acquisition of Ultramar. In 1994, £1 million (1993 £10 million) was provided for the loss on disposal of the remaining assets held for resale. In 1992, the loss of £302 million arose on sale of the Ultramar downstream businesses.
- (5) Taxation includes an exceptional charge of £32 million in 1992, principally as a result of the release of PRT provisions, and £2 million, £4 million, £4 million, £4 million and £9 million, in the periods ended June 30, 1997, December 31, 1996, 1995, 1994 and 1993, respectively, in respect of advance corporation tax written off.
- (6) Exceptional items are reflected in each income statement heading to which they relate.

- (7) Net debt comprises total borrowings (net of unamortized issue expenses) less cash, short-term deposits, government securities and the AUK Loan Notes.
- (8) Shareholders' equity at June 30, 1997 of £1,280 million includes retained earnings of £240 million, of which £13 million is not considered to be available for distribution. These earnings represent the potential tax liability which would arise if the AUK Loan Notes were to be sold.
- (9) Gearing comprises net debt and, for periods prior to December 31, 1996, the Sterling Preference Shares, expressed as a percentage of shareholder's equity.
- (10) Net debt under US GAAP does not include unamortized issue expenses.

RATIO OF EARNINGS TO FIXED CHARGES

Set forth in the table below are the ratios of earnings to fixed charges in accordance with UK GAAP and US GAAP for each of the five years in the period ended December 31, 1996 and for the six month periods ended June 30, 1996 and 1997, respectively.

	Six months ended June 30		Year ended December 31				
	1997	1996	1996	1995	1994	1993	1992
In accordance with UK GAAP	3.3	3.3	3.2	2.1	1.9	0.9(1)	0.9(1)
In accordance with US GAAP	2.4	2.5	2.3	1.1	0.6(1)	0.3(1)	0.3(1)

- (1) Under UK GAAP, fixed charges exceeded earnings by £11 million and £12 million for the years ended December 31, 1993 and 1992, respectively. Under US GAAP, fixed charges exceeded earnings by £44 million, £86 million and £100 million for the years ended December 31, 1994, 1993 and 1992, respectively.

In the calculation of the ratio of earnings to fixed charges, "earnings" consists of profit before taxation plus fixed charges (excluding capitalized interest), adjusted to exclude the share of retained earnings or losses of associated companies and the gain or loss on disposal of assets/businesses held for resale and to reflect amortization of previously capitalized interest, and "fixed charges" consists of interest expense, including interest capitalized.

USE OF PROCEEDS

The net proceeds to the Issuer from the sale of the Securities will be made available to the Guarantor. The Guarantor intends to use such proceeds to repay approximately \$394 million of the \$453 million of outstanding indebtedness, which was incurred in August 1997 in connection with the Dacion Area project in Venezuela. See "Recent Developments." This outstanding floating rate indebtedness, which matures on December 4, 1997 (subject to the Guarantor's right of renewal), was drawn down under the Bank Credit Facility and carries an effective current interest rate of 6.057%. See "Underwriting".

DESCRIPTION OF THE SECURITIES AND THE GUARANTEES

The following description of the particular terms of the Securities offered hereby (referred to in the Prospectus as "Debt Securities") supplements, and to the extent inconsistent therewith replaces, the description of the general terms and provisions of the Debt Securities and the Guarantees set forth in the Prospectus, to which description reference is hereby made. Capitalized terms not otherwise defined herein have the meanings set forth in the Prospectus. Section references are to sections in the Indenture.

General

The Securities will be limited to \$400,000,000 aggregate principal amount and will mature on November 15, 2027. The Securities will be issued in the form of one or more fully registered Debt Securities in global form ("Global Securities"). Global Securities will be deposited with, or on behalf of, DTC (the "Depository"), New York, New York and registered in the name of the Depository's nominee. The Securities will bear interest at the rate per annum shown on the front cover of this Prospectus Supplement from November 12, 1997 or from the most recent Interest Payment Date to which interest has been paid or provided for, payable semi-annually on May 15 and November 15 of each year, commencing on May 15, 1998, to the person in whose name each Global Security (or any predecessor Global Security) is registered at the close of business on May 1 or November 1, as the case may be, next preceding such Interest Payment Date.

Same-Day Settlement and Payment

Settlement for the Securities will be made in same day funds. All payments of principal and interest will be made by the Issuer in same day funds. The Securities will trade in the Settlement System of the Depository until maturity or redemption, and secondary market trading activity in the Securities will therefore settle in same day funds.

Redemption

Taxation. The Securities are redeemable at the option of the Issuer or the Guarantor in whole, but not in part, upon not less than 30 nor more than 60 days' notice mailed to each Holder of Securities to be redeemed at his address appearing in the Security Register at any time at the principal amount thereof plus accrued interest to the Redemption Date in the event of certain changes in the tax laws of the United Kingdom after the date hereof as specified in the Prospectus. (Article Eleven and Sections 301, 1104 and 1108) See "Description of the Debt Securities and the Guarantees — Optional Tax Redemption" in the Prospectus.

Optional Redemption. The Securities will be redeemable in whole or in part, at the option of the Issuer at any time, at a Redemption Price equal to the greater of (i) 100% of the principal amount of such Securities and (ii) the sum of the present values of the remaining scheduled payments of principal and interest thereon discounted to the Redemption Date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the Treasury Rate plus 10 basis points, plus accrued interest thereon to the date of redemption.

"Treasury Rate" means, with respect to any Redemption Date, the rate per annum equal to the semi-annual equivalent yield to maturity of the Comparable Treasury Issue, assuming a price for the Comparable Treasury Issue (expressed as a percentage of its principal amount) equal to the Comparable Treasury Price for such Redemption Date.

"Comparable Treasury Issue" means the United States Treasury security selected by an Independent Investment Banker as having a maturity comparable to the remaining term of the Securities to be redeemed that would be utilized, at the time of selection and in accordance with customary financial practice, in pricing new issues of corporate debt securities of comparable maturity to the remaining term of such Securities. "Independent Investment Banker" means one of the Reference Treasury Dealers appointed by the Issuer.

"Comparable Treasury Price" means, with respect to any Redemption Date, (1) the average of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal

amount) on the third business day preceding such Redemption Date, as set forth in the daily statistical release (or any successor release) published by the Federal Reserve Bank of New York and designated "Composite 3:30 p.m. Quotations for U.S. Government Securities" or (ii) if such release (or any successor release) is not published or does not contain such prices on such business day, (A) the average of the Reference Treasury Dealer Quotations for such Redemption Date, after excluding the highest and lowest such Reference Treasury Dealer Quotations, or (B) if the Trustee obtains fewer than four such Reference Treasury Dealer Quotations, the average of all such Quotations. "Reference Treasury Dealer Quotations" means, with respect to each Reference Treasury Dealer and any Redemption Date, the average, as determined by the Trustee, of the bid and asked prices for the Comparable Treasury Issue (expressed in each case as a percentage of its principal amount) quoted in writing to the Trustee by such Reference Treasury Dealer at 5:00 p.m. on the third business day preceding such Redemption Date.

"Reference Treasury Dealer" means each of Chase Securities Inc., NationsBanc Montgomery Securities, Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated and their respective successors; provided, however, that if any of the foregoing shall cease to be a primary U.S. Government securities dealer in New York City (a "Primary Treasury Dealer"), the Issuer shall substitute therefor another Primary Treasury Dealer.

Notice of any redemption will be mailed at least 30 days but not more than 60 days before the Redemption Date to each holder of the Securities to be redeemed.

Unless the Issuer defaults in payment of the Redemption Price, on and after the Redemption Date interest will cease to accrue on the Securities or portions thereof called for redemption. All Securities surrendered for redemption shall, if surrendered to any Person other than the Trustee, be delivered to the Trustee and shall be promptly cancelled by the Trustee.

The Guarantees

The Guarantor will fully, absolutely and unconditionally guarantee the due and punctual payment of the principal of, premium, if any, and interest on the Securities (and the payment of additional amounts described under "Payment of Additional Amounts" in the Prospectus) when and as the same shall become due and payable, whether at maturity, by declaration of acceleration, call for redemption or otherwise (Sections 205 and 1004). The Securities and the Guarantees will be unsecured obligations of and will rank on a parity with other unsecured and unsubordinated indebtedness of the Issuer and the Guarantor.

Book-Entry System

Upon issuance, the Securities will be represented by one or more Global Securities. Each global security representing the Global Securities will be deposited with, or on behalf of, the Depositary, and registered in the name of a nominee of the Depositary. Except under the circumstances described below, Global Securities will not be exchangeable at the option of the Holder for certificated Securities and Global Securities will not otherwise be issuable in definitive form.

The Depositary has advised the Issuer and the Underwriters as follows: The Depositary is a limited-purpose trust company organized under the Banking Law of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. The Depositary was created to hold securities of its participants and to facilitate the clearance and settlement of securities transactions among its participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of securities certificates. The Depositary's participants include securities brokers and dealers (including the Underwriters), banks, trust companies, clearing corporations and certain other organizations, some of whom (and/or their representatives) own the Depositary. Indirect access to the Depositary's book-entry system is also available to others, such as banks, brokers, dealers and trust companies, that clear through or maintain a custodial relationship with a participant, either directly or indirectly (including Euroclear and Cedel).

Upon issuance of the Global Securities, the Depositary will credit, on its book-entry registration and transfer system, the respective principal amounts of the Securities represented by such Global Securities to the accounts of institutions that have accounts with the Depositary or its nominee ("participants"). The accounts to be credited shall be designated by the Underwriters. Ownership of beneficial interests in the Global Securities will be limited to participants or persons that may hold interests through participants. Ownership of beneficial interests in such Global Securities will be shown on, and the transfer of that ownership will be effected only through, records maintained by the Depositary or its nominee (with respect to participants' interests) for such Global Securities or by participants or persons that hold through participants. The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in definitive form. Such laws may impair the ability to transfer beneficial interests in the Global Securities.

So long as the Depositary or its nominee, is the registered owner of the Global Securities, such Depositary or such nominee, as the case may be, will be considered the sole owner or holder of the Global Securities for all purposes under the Indenture. Except as set forth below, owners of beneficial interests in such Global Securities will not be entitled to have the Securities represented by such Global Securities registered in their names, will not receive or be entitled to receive physical delivery of Securities in definitive form and will not be considered the owner or holders thereof under the Indenture. Accordingly, each person owning a beneficial interest in a Global Security must rely on the procedures of the Depositary and, if such person is not a participant, on the procedures of the participant through which such person owns its interest, to exercise any rights of a holder under the Indenture. The Indenture provides that the Depositary may grant proxies and otherwise authorize participants to take any action which a holder is entitled to take under the Indenture. The Issuer understands that under existing industry practice, in the event that the Issuer requests any action of holders or a beneficial owner desires to take any action a holder is entitled to take, the Depositary would authorize the participants to take such action and that the participants would authorize beneficial owners owning through such participants to take such action or would otherwise act upon the instructions of beneficial owners owning through them.

Principal and interest payments on Global Securities registered in the name of or held by the Depositary or its nominee will be made to the Depositary or its nominee, as the case may be, as the registered owner or holder of the Global Securities. Neither the Issuer, the Trustee, nor any paying agent for such Global Securities will have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in Global Securities or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The Issuer expects that the Depositary, upon receipt of any payments of principal or interest in respect of the Global Securities, will credit immediately the accounts of the related participants with payments in amounts proportionate to their respective beneficial interests in the principal amount of such Global Securities as shown on the records of the Depositary. The Issuer also expects that payments by participants to owners of beneficial interests in such Global Securities held through such participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such participants.

Unless and until exchanged in whole or in part for Securities in definitive form in accordance with the terms of the Securities, the Global Securities may not be transferred except as a whole by the Depositary to a nominee of the Depositary or by a nominee of the Depositary to the Depositary or another nominee of the Depositary. (Section 305)

Definitive Securities

Global Securities shall be exchangeable for definitive Securities registered in the names of persons other than the Depositary for such Global Securities or its nominee only if (A) such Depositary (i) notifies the Issuer and the Guarantor that it is unwilling or unable to continue as Depositary for such Global Securities or (ii) at any time ceases to be a clearing agency registered under the Exchange Act, (B) there shall have occurred and be continuing an Event of Default (as defined in the Indenture) with respect to the Securities or

(C) the Issuer executes and delivers to the Trustee a Company Order that such Global Securities shall be so exchangeable. Any Global Security that is exchangeable for definitive Securities pursuant to the preceding sentence shall be exchangeable for definitive Securities issuable in denominations of \$1,000 and integral multiples thereof and registered in such names as the Depositary shall direct. Subject to the foregoing, a Global Security shall not be exchangeable, except for a Global Security of like denomination to be registered in the name of the Depositary or its nominee. (Section 305)

Defeasance and Discharge

The provisions of Article 13 of the Indenture relating to defeasance described under the caption "Description of the Debt Securities and the Guarantees — Defeasance and Discharge" in the Prospectus will apply to the Securities.

UNDERWRITING

Subject to the terms and conditions set forth in the Underwriting Agreement and the Pricing Agreement among the Issuer, the Guarantor and each of the Underwriters named below (the "Underwriters"), the Issuer has agreed to sell to the Underwriters, and the Underwriters have severally agreed to purchase, the principal amount of the Securities set forth after their names below. The Underwriting Agreement and the Pricing Agreement provide that the obligations of the Underwriters are subject to certain conditions precedent and that the Underwriters will be obligated to purchase all of the Securities if any are purchased.

<u>Underwriter</u>	<u>Principal Amount of Securities</u>
Chase Securities Inc.....	\$140,000,000
NationsBanc Montgomery Securities, Inc.....	140,000,000
ABN AMRO Chicago Corporation.....	40,000,000
Merrill Lynch, Pierce, Fenner & Smith Incorporated	40,000,000
UBS Securities LLC	40,000,000
Total	<u>\$400,000,000</u>

The Underwriters propose to offer the Securities in part directly to retail purchasers at the initial public offering prices set forth on the cover page of this Prospectus Supplement and in part to certain securities dealers at such prices less a concession of .50% of the principal amount of the Securities. The Underwriters may allow, and such dealers may reallow, a concession not to exceed .25% of the principal amount of the Securities to certain brokers and dealers. After the Securities are released for sale to the public, the offering price and other selling terms may from time to time be varied by the representatives.

The Securities are new issues of securities with no established trading market. The Issuer and the Guarantor have been advised by the Underwriters that they intend to make a market in the Securities but are not obligated to do so and may discontinue market making at any time without notice. No assurance can be given as to the liquidity of the trading market for the Securities.

The Guarantor and the Issuer have agreed to indemnify the several Underwriters against certain liabilities, including liabilities under the Securities Act of 1933.

In connection with the offering of the Securities, Chase Securities Inc., on behalf of the Underwriters, may engaged in overallotment, stabilizing transactions and syndicate covering transactions in accordance with Regulation M under the Exchange Act. Overallotment involves sales in excess of the offering size, which creates a short position for the Underwriters. Stabilizing transactions involve bids to purchase the Securities in the open market for the purpose of pegging, fixing or maintaining the price of the Securities. Syndicate covering transactions involve purchases of the Securities in the open market after the distribution has been completed in order to cover short positions. Such stabilizing transactions and syndicate covering transactions may cause the price of the Securities to be higher than it would otherwise be in the absence of such transactions. Such activities, if commenced, may be discontinued at any time.

Certain of the Underwriters or their affiliates may engage from time to time in general financing and banking transactions with LASMO. LASMO intends to use more than 10% of the net offering proceeds to repay debt drawn down under the Bank Credit Facility to affiliates of Chase Securities Inc., NationsBanc Montgomery Securities, Inc. and ABN AMRO Chicago Corporation, which are lenders under the Bank Credit Facility. See "Use of Proceeds". The offering is therefore being made pursuant to the provisions of Rule 2710(c)(8) of the NASD Conduct Rules.

\$ 600,000,000

LASMO (USA) Inc.

Guaranteed Debt Securities

**Payment of the principal of and interest on the
Debt Securities is guaranteed by**

LASMO plc

LASMO (USA) Inc. may from time to time offer Guaranteed Debt Securities (the "Debt Securities") consisting of debentures, notes and/or other unsecured evidences of indebtedness, guaranteed as to payment of principal, premium, if any, and interest, if any, by LASMO plc, in one or more series at an aggregate initial offering price not to exceed \$600,000,000 or its equivalent in any other currency or composite currency. The Debt Securities may be offered as separate series in amounts, at prices and on terms to be determined at the time of sale. The accompanying Prospectus Supplement sets forth with regard to the series of Debt Securities in respect of which this Prospectus is being delivered the title, aggregate principal amount, denominations (which may be in United States dollars, in any other currency or in a composite currency), maturity, rate, if any (which may be fixed or variable), and time of payment of any interest, any terms for redemption at the option of LASMO (USA) Inc., LASMO plc or the holder, any terms for sinking fund payments, any listing on a securities exchange and the initial public offering price and any other terms in connection with the offering and sale of such series of Debt Securities.

LASMO (USA) Inc. may sell Debt Securities to or through underwriters, and also may sell Debt Securities directly to other purchasers or through agents. The accompanying Prospectus Supplement sets forth the names of any underwriters or agents involved in the sale of the Debt Securities in respect of which this Prospectus is being delivered, the principal amounts, if any, to be purchased by underwriters and the compensation, if any, of such underwriters or agents. The applicable Prospectus Supplement may also contain additional information, where applicable, about certain United States federal income tax considerations relating to the Debt Securities and the Guarantees covered by the Prospectus Supplement.

**THESE SECURITIES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE SECURITIES
AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION NOR HAS THE
SECURITIES AND EXCHANGE COMMISSION OR ANY STATE SECURITIES COMMISSION
PASSED UPON THE ACCURACY OR ADEQUACY OF THIS PROSPECTUS. ANY
REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.**

The date of this Prospectus is June 5, 1997

LASMO plc is a public limited company incorporated in England and Wales and LASMO (USA) Inc. is a Delaware corporation. As used herein, the terms "Company" and "Guarantor" refer to LASMO plc; the term "LASMO" refers to the Company and/or its subsidiaries as appropriate and "Group" refers to the Company and its subsidiaries; and the terms "LASMO (USA)" and "Issuer" refer to LASMO (USA) Inc. All of the directors and the executive officer of the Company and two directors of the Issuer (and certain experts named in this Prospectus) are residents of the United Kingdom. All or a substantial portion of the assets of such persons and a substantial portion of the assets of the Company are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or the Company or to enforce against them judgments of courts of the United States predicated upon the civil liability provisions of the federal or state securities laws of the United States. The Company has been advised by its English solicitors, Slaughter and May, that there is doubt as to the enforceability in England, in original actions or in actions for enforcement of judgments of US courts, of civil liabilities predicated upon such securities laws.

AVAILABLE INFORMATION

The Company is subject to the information requirements of the Securities Exchange Act of 1934 (the "Exchange Act") and in accordance therewith files reports and other information with the Securities and Exchange Commission (the "Commission"). Reports and other information filed by the Company with the Commission are available for inspection and copying at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the following Regional Offices of the Commission: New York Regional Office, Room 1400, 13th Floor, 7 World Trade Center, New York, New York 10048; and Northwestern Atrium Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511. Copies of such material will also be available from the Public Reference Section of the Commission, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. In addition, such reports and other information may also be inspected and copied at the offices of the New York Stock Exchange, Inc., 20 Broad Street, New York, New York 10005, on which the Company's American Depositary Shares and American Depositary Shares, Series A representing the Company's Ordinary Shares and Cumulative Dollar Preference Shares, Series A, respectively, are listed.

The Company will furnish to any holder of Debt Securities, upon request of such holder, its annual report containing a review of operations and annual audited consolidated financial statements prepared under accounting principles generally accepted in the United Kingdom ("UK GAAP") with an opinion thereon by independent auditors to the Company. The annual reports contain a reconciliation of profit/(loss) for the year and shareholders' equity to amounts in accordance with the United States generally accepted accounting principles ("US GAAP") of net income and shareholders' equity. The Company will also furnish to any holder of Debt Securities, when available and upon request of such holder, interim reports, which include unaudited interim consolidated financial information prepared in conformity with UK GAAP.

INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE

The Company's Annual Report on Form 20-F for the financial year ended December 31, 1996 (the "1996 Form 20-F"), has been filed with the Commission (File No. 1-11912) pursuant to the Exchange Act and is incorporated herein by reference. This Prospectus is qualified in its entirety by the more detailed information contained in such report. Capitalized terms and abbreviations used and not otherwise defined herein are as defined in the 1996 Form 20-F, except as the context may otherwise require. References to the "AUK Loan Notes" are to the Guaranteed Unsecured Floating Rate Notes 2003, guaranteed by Elf Aquitaine, issued by AUK (formerly AUK Limited).

In addition, all documents or reports filed by the Company pursuant to Section 13(a), 13(c) or 13(d) of the Exchange Act and, to the extent designated therein, certain Reports on Form 6-K submitted to the Commission by the Company after the date of this Prospectus and prior to the termination of the offering of the Debt Securities contemplated hereby shall be deemed to be incorporated by reference in this Prospectus and to be a part hereof or

thereof from the date of filing or submitting of such documents or reports, to the extent not superseded by documents or reports subsequently filed or submitted.

Any statement contained herein or in a document incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Prospectus to the extent that a statement contained herein or therein or in any other subsequently filed document which also is incorporated by reference herein modifies or replaces such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Prospectus.

The Company will provide without charge to each person, including any beneficial owner of Debt Securities, to whom a copy of this Prospectus is delivered, upon the written or oral request of such person, a copy of any or all of the documents referred to above which have been or may be incorporated herein by reference (not including the exhibits to such documents, unless such exhibits are specifically incorporated by reference in such documents). Requests should be directed to the Company Secretary, 100 Liverpool Street, London EC2M 2BB, England (telephone: 011-44-171-945-4545).

The Company publishes its consolidated financial statements in pounds sterling. In this Prospectus, references to "pounds sterling", "£", "pence" or "p" are to UK currency, references to "US dollars", "US\$" or "\$" are to US currency and references to "Can\$" are to Canadian currency. Merely for the convenience of the reader, this Prospectus contains translations of certain pound sterling amounts into US dollars at specified rates, or, if not so specified, the noon buying rate in New York City for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York (the "Noon Buying Rate") on December 31, 1996 of £1.00 = \$1.71. No representation is made that the pounds sterling amounts have been, could have been or could be converted into US dollars at the rates indicated or at any other rates. See "Exchange Rates" for historical information regarding Noon Buying Rates.

The principal executive office of the Company is located at 100 Liverpool Street, London EC2M 2BB, England and its telephone number is 011-44-171-945-4545. The Issuer's principal executive office is located at Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801 and its telephone number is (302) 658-7581.

LASMO

LASMO plc, which is the holding company of the Group, was incorporated as London & Scottish Marine Oil Company Limited on April 23, 1971. It was formed by a number of UK financial institutions to explore for and produce oil and gas, principally in the UK sector of the North Sea. In 1974, LASMO participated in the discovery of the Ninian oil field, the third largest in the UK North Sea. The cash flow provided by Ninian enabled LASMO to expand overseas into areas where attractive opportunities existed to explore for and develop oil and gas with the objective of gaining significant interests in the ventures in which it participated and, where possible, to act as operator of the ventures in order to be in a better position to control the pace of activities.

LASMO is a substantial international oil and gas exploration and production company whose reserves and producing assets are presently concentrated primarily in the UK and Indonesia regions, with Algeria the other major contributor to reserves. At the end of 1996, LASMO had interests in exploration and development projects in twelve countries around the world, in eight of which it acted as operator. Production was derived from seven of these countries (the United Kingdom, The Netherlands, Indonesia, Colombia, Gabon, Pakistan and from an extended well ~~xxx~~ in Italy).

LASMO's investment strategy, as an oil and gas exploration and production company, is to develop further in areas where it currently operates, using its competitive advantages; to invest in countries newly opening to foreign

investment that offer significant growth potential; to seek technology-led opportunities; and to invest in gas, LNG and the integrated gas chain where LASMO can realize the competitive advantage of its strong gas and LNG position. LASMO's objectives are to add value by the efficient management of existing assets and new investment in international exploration, production and related business, to build a business which is profitable at low oil and gas prices, and to maintain a sound financial base and high quality staff to manage the Group's business in the long term interests of its shareholders.

At December 31, 1996, LASMO's net proved oil and gas reserves were estimated at 558 mmboe, of which approximately 43% relate to oil and approximately 57% relate to gas, with 35% of the Group's net proved reserves located in the UK region, 45% located in the Indonesia region and 15% located in Algeria. For the year ended December 31, 1996, approximately 49% of the Group's average daily production of 175 mboepd derived from the UK region (where at December 31, 1996, LASMO has interests in eighteen fields in production, three fields under development and a further eight fields subject to development studies) and approximately 43% derived from the Indonesia region. In the same period, production of crude oil and natural gas each accounted for approximately 45% and 55% respectively of LASMO's average daily production.

LASMO (USA)

LASMO (USA), an indirect wholly-owned subsidiary of the Guarantor, was incorporated under the laws of the State of Delaware on April 16, 1993 for the sole purpose of issuing and selling debt securities and making the proceeds of such issued available to the Group. The Issuer has no subsidiaries and only minimal independent operations of its own. Separate financial statements of the Issuer are not presented herein because management has determined that they would not be material to investors.

SUMMARY AVERAGE DAILY PRODUCTION DATA

	Year Ended December 31				
	1996	1995	1994	1993	1992
	(mbopd)				
Crude oil					
UK	58.0	46.8	47.1	49.1	41.3
Indonesia	9.4	9.3	15.5	15.8	15.9
International	<u>10.6</u>	<u>22.0</u>	<u>23.9</u>	<u>20.2</u>	<u>18.0</u>
Total	<u>78.0</u>	<u>78.1</u>	<u>86.5</u>	<u>85.1</u>	<u>75.2</u>
	(mmcfd)				
Natural gas					
UK	163.7	129.6	116.2	112.3	58.3
Indonesia	393.2	365.6	389.0	368.2	363.1
International	<u>25.9</u>	<u>20.1</u>	<u>12.0</u>	<u>11.6</u>	<u>39.6</u>
Total	<u>582.8</u>	<u>515.3</u>	<u>517.2</u>	<u>492.1</u>	<u>461.0</u>
	(mboepd)				
Combined Crude Oil and Natural Gas					
UK	85.3	68.4	66.5	67.7	51.0
Indonesia	74.9	70.2	80.3	77.2	76.4
International	<u>14.9</u>	<u>25.4</u>	<u>25.9</u>	<u>22.1</u>	<u>24.6</u>
Total	<u>175.1</u>	<u>164.0</u>	<u>172.7</u>	<u>167.0</u>	<u>152.0</u>

SUMMARY RESERVE INFORMATION

At December 31, 1996, LASMO's combined net proved reserves of crude oil and natural gas were estimated at 558 mmboe. Of this total, approximately 64% consisted of proved developed reserves and approximately 36% consisted of proved undeveloped reserves. Crude oil represented approximately 43% of the combined net proved reserves, and natural gas represented approximately 57%. The proved reserves are principally located in the UK and Indonesia regions, accounting for 35% and 45%, respectively, of total Group proved reserves. Net proved reserves in Algeria accounted for a further 15% of total reserves. Of total net proved natural gas reserves at December 31, 1996, 69% was located in the Indonesia region.

The table below sets out by area LASMO's worldwide crude oil, natural and combined net proved reserves at the dates indicated. LASMO has interests in a number of discoveries not yet sufficiently appraised to be included within proved undeveloped reserves.

	Net Proved Developed and Undeveloped Reserves								
	UK		Indonesia		International		Total		Combined
	Crude Oil	Natural Gas	Crude Oil	Natural Gas	Crude Oil	Natural Gas	Crude Oil	Natural Gas	
	(mmb)	(bcf)	(mmb)	(bcf)	(mmb)	(bcf)	(mmb)	(bcf)	(mmboe)
At December 31, 1994	127.8	584.5	43.9	1,610.3	44.2	102.8	215.9	2,297.6	598.9
At December 31, 1995	121.0	569.7	29.6	1,449.8	61.8	54.2	212.4	2,073.7	558.0
At December 31, 1996	104.0	541.5	30.5	1,317.6	106.8	39.2	241.3	1,898.3	557.7

USE OF PROCEEDS

Except as otherwise set forth in the applicable Prospectus Supplement, the net proceeds to the Issuer from the sale of Debt Securities will be made available to the Company and added to the Company's general funds and, together with other funds, used for working capital and other corporate purposes, which may include the repurchase, redemption or repayment of outstanding indebtedness, although any decision to repurchase, redeem or repay any such indebtedness will depend on a number of factors, including market conditions at the time. Additional information on the use of net proceeds from the sale of any particular Debt Securities offered hereby will be set forth in the Prospectus Supplement relating to such Debt Securities.

EXCHANGE RATES

The table below sets forth, for the periods and dates indicated, certain information regarding the US dollar/pound sterling exchange rate, based on the Noon Buying Rate, expressed in US dollars per £1.00. Such rates were not used by the Company in the preparation of its consolidated financial statements included in the 1996 Form 20-F.

<u>Year</u>	<u>Period End</u>	<u>Average Rate(1)</u>	<u>High</u>	<u>Low</u>
1992	1.51	1.76	2.00	1.51
1993	1.48	1.50	1.59	1.42
1994	1.57	1.54	1.64	1.46
1995	1.55	1.58	1.64	1.53
1996	1.71	1.57	1.71	1.49
1997 (through June 4, 1997)	1.63	1.63	1.70	1.59

(1) The average of the Noon Buying Rates on the last business day of each full month during the relevant period.

EXCHANGE CONTROLS AND OTHER LIMITATIONS AFFECTING SECURITY HOLDERS

There are currently no UK foreign exchange control restrictions that restrict the export or import of capital, or any other governmental laws, decrees or regulations in the UK that affect the payment of interest or other amounts pursuant to the Guarantees to non-resident holders of the Debt Securities.

There are no restrictions under the Company's Memorandum and Articles of Association (the "Articles of Association") or under English law that limit the right of non-resident or foreign owners to hold or vote the Company's debt securities, including the Debt Securities with the Guarantees endorsed thereon.

RATIO OF EARNINGS TO FIXED CHARGES

Set forth in the table below are the ratios of earnings to fixed charges in accordance with UK GAAP and US GAAP for each of the five years in the period ended December 31, 1996.

	<u>Year Ended December 31</u>				
	<u>1996</u>	<u>1995</u>	<u>1994</u>	<u>1993</u>	<u>1992</u>
In accordance with UK GAAP	3.2	2.1	1.9	0.9(1)	0.9(1)
In accordance with US GAAP	2.3	1.1	0.6(1)	0.3(1)	0.3(1)

(1) Under UK GAAP, fixed charges exceeded earnings by £11 million and £12 million for the years ended December 31, 1993 and 1992, respectively. Under US GAAP, fixed charges exceeded earnings by £44 million, £86 million and £100 million for the years ended December 31, 1994, 1993 and 1992, respectively.

In the calculation of the ratio of earnings to fixed charges, "earnings" consists of profit before taxation plus fixed charges (excluding capitalized interest), adjusted to exclude the share of retained earnings or losses of associated companies and the gain or loss on disposal of assets/businesses held for resale and to reflect amortization or previously capitalized interest, and "fixed charges" consists of interest expense, including interest capitalized.

DESCRIPTION OF THE DEBT SECURITIES AND THE GUARANTEES

The Debt Securities and the Guarantees are to be issued under an Indenture, dated as of June 1, 1993 (the "Indenture"), among the Issuer, the Guarantor and the Bank of New York, as Trustee (the "Trustee"), a copy of which is filed as an exhibit to the Registration Statement of which this Prospectus is a part. The Debt Securities may be issued from time to time in one or more series. The particular terms of each series, or of Debt Securities forming a part of a series, which are offered by a Prospectus Supplement will be described in such Prospectus Supplement.

The following summaries of certain provisions of the Indenture do not purport to be complete and are subject, and are qualified in their entirety by reference, to all the provisions of the Indenture, including the definitions therein of certain terms, and, with respect to any particular Debt Securities, to the description of the terms thereof included in the Prospectus Supplement relating thereto. Wherever particular Sections or defined terms of the Indenture are referred to herein or in a Prospectus Supplement, such Sections or defined terms are incorporated by reference herein or therein, as the case may be.

General

The Indenture provides that Debt Securities in separate series may be issued thereunder from time to time without limitation as to aggregate principal amount. The Issuer may specify a maximum aggregate principal amount for the Debt Securities of any series. (Section 301) The Debt Securities are to have such terms and provisions which are not inconsistent with the Indenture, including as to maturity, principal and interest, as the Issuer may determine. The Debt Securities will be unsecured obligations of the Issuer and will be unconditionally guaranteed by the Guarantor as to payment of principal of, premium, if any, and interest thereon.

The applicable Prospectus Supplement will set forth the price or prices at which the Debt Securities to be offered will be issued and will describe the following term of such Debt Securities: (1) the title of such Debt Securities; (2) any limit on the aggregate principal amount of such Debt Securities or the series of which they are a part; (3) the date or dates on which the principal of any of such Debt Securities will be payable; (4) the rate or rates at which any of such Debt Securities will bear interest, if any, the date or dates from which any such interest will accrue, the Interest Payment Dates on which any such interest will be payable and the Regular Record Date for any such interest payable on any Interest Payment Date; (5) the place or places where, subject to the provisions of the Indenture described under "Covenants - Maintenance of Office or Agency", the principal of and any premium and interest on any of such Debt Securities will be payable, Debt Securities of the series may be surrendered for exchange and notices and demands to or upon the Issuer or the Guarantor in respect of any Debt Securities of the series and the Indenture may be served; (6) the period or periods within which, the price or prices at which and the terms and conditions on which any of such Debt Securities may be redeemed, in whole or in part, at the option of the Issuer or the Guarantor (including the period referred to in the Indenture under "Redemption of Securities - Optional Redemption Due to Changes in Tax Treatment"); (7) other than with respect to any redemption of Debt Securities pursuant to the provisions of the Indenture described under "Redemption of Securities - Optional Redemption Due to Changes in Tax Treatment", the obligation, if any, of the Issuer to redeem or purchase any of such Debt Securities pursuant to any sinking fund or analogous provision or at the option of the Holder thereof, and the period or periods within which, the price or prices at which and the terms and conditions on which any of such Debt Securities will be redeemed or purchased, in whole or in part, pursuant to any such obligation; (8) the denominations in which any of such Debt Securities will be issuable, if other than denominations of \$1,000 and any integral multiple thereof; (9) if the amount of principal of or any premium or interest on any of such Debt Securities may be determined with reference to an index or pursuant to a formula, the manner in which such amounts will be determined; (10) if other than the currency of the United States of America, the currency, currencies or currency units in which the principal of or any premium or interest on any of such Debt Securities will be payable (and the manner in which the equivalent of the principal amount thereof in the currency of the United States of America is to be determined for any purpose, including for the purpose of determining the principal

amount deemed to be Outstanding at any time); (11) if the principal of or any premium or interest on any of such Debt Securities is to be payable, at the election of the Issuer or the Guarantor or the Holder thereof, in one or more currencies or currency units other than those in which such Debt Securities are stated to be payable, the currency, currencies or currency units in which payment of any such amount as to which such election is made will be payable, the periods within which and the terms and conditions upon which such election is to be made and the amount so payable (or the manner in which such amount is to be determined); (12) if other than the entire principal amount thereof, the portion of the principal amount of any of such Debt Securities which will be payable upon declaration of acceleration of the Maturity thereof; (13) if the principal amount payable at the Stated Maturity of any of such Debt Securities will not be determinable as of any one or more dates prior to the Stated Maturity, the amount which will be deemed to be such principal amount as of any such date for any purpose, including the principal amount thereof which will be due and payable upon any Maturity other than the Stated Maturity or which will be deemed to be Outstanding as of any such date (or, in any such case, the manner in which such deemed principal amount is to be determined); (14) the forms of the Debt Securities of the series and the Guarantees to be endorsed thereon; (15) if applicable, that such Debt Securities, in whole or any specified part, are defeasible pursuant to the provisions of the Indenture described under "Defeasance and Covenant Defeasance — Defeasance and Discharge" or "Defeasance and Covenant Defeasance — Covenant Defeasance", or under both such captions; (16) whether any of such Debt Securities will be issuable in whole or in part in the form of one or more Global Securities and, if so, the respective Depositaries for such Global Securities, the form of any legend or legends to be borne by any such Global Security in addition to or in lieu of the legend referred to in the Indenture under "Security Forms — Form of Legend for Global Securities" and, if different from those described under such caption, any circumstances under which any such Global Security may be exchanged in whole or in part for Debt Securities registered, and any transfer of such Global Security in whole or in part may be registered, in the names of Persons other than the Depositary for such Global Security or its nominee; (17) any addition to or change in the Events of Default applicable to any of such Debt Securities and any change in the right of the Trustee or the Holders to declare the principal amount of any of such Debt Securities due and payable; (18) any addition to or change in the covenants in the Indenture described under "Covenants" applicable to any of such Debt Securities; (19) if additional amounts, pursuant to the provisions of the Indenture described under "Covenants—Additional Amounts", will be payable by the Issuer; and (20) any other terms of such Debt Securities not inconsistent with the provisions of the Indenture (Section 301).

Debt Securities, including Original Issue Discount Debt Securities, may be sold at a substantial discount below their principal amount. Certain special United States federal income tax considerations (if any) applicable to Debt Securities sold at an original issue discount are described below under "Taxation - United States - Original Issue Discount". In addition, certain special United States federal income tax or other considerations (if any) applicable to any Debt Securities which are denominated in a currency or currency unit other than United States dollars may be described in the applicable Prospectus Supplement.

Some of the Debt Securities may be denominated and payments thereon may be made in currencies other than US dollars or composite currencies (including European Currency Units ("ECUs")). A summary of any special considerations applicable to Debt Securities denominated and paid in currencies other than US dollars or paid in composite currencies (including ECUs) will be described in a Prospectus Supplement relating thereto. In the case of a Debt Security denominated in a foreign currency, a state court in the State of New York rendering a judgment on such Debt Security would be required under Section 27 of the New York Judiciary Law to render such judgment in the foreign currency in which the Debt Security is denominated, and such judgment would be converted into United States dollars at the exchange rate prevailing on the date of entry of the judgment.

The Indenture does not provide for any debt covenants that would afford the Holders of Debt Securities any protection in the event of a highly leveraged transaction or a change in control of the Issuer or the Guarantor.

The Guarantees

The Guarantor will fully, absolutely and unconditionally guarantee the due and punctual payment of the principal of, premium, if any, and interest on the Debt Securities (and the payment of additional amounts described under "Payment of Additional Amounts") when and as the same shall become due and payable, whether at Stated Maturity, by declaration of acceleration, call for redemption or otherwise (Sections 205 and 1004). The Debt Securities and the Guarantees will be unsecured obligations of and will rank on a parity with other unsecured and unsubordinated indebtedness of the Issuer and the Guarantor.

Form, Exchange and Transfer

The Debt Securities of each series will be issuable only in fully registered form, without coupons, and, unless otherwise specified in the applicable Prospectus Supplement, only in denominations of \$1,000 and integral multiples thereof (Section 302).

At the option of the Holder, subject to the terms of the Indenture and the limitations applicable to Global Securities, Debt Securities of each series will be exchangeable for other Debt Securities of the same series of any authorized denomination and of a like tenor and aggregate principal amount each such Debt Security having endorsed thereon a Guarantee of the Guarantor (Section 305).

Subject to the terms of the Indenture and the limitations applicable to Global Securities, Debt Securities may be presented for exchange as provided above or for registration of transfer (duly endorsed or with the form of transfer endorsed thereon duly executed) at the office of the Security Registrar or at the office of any transfer agent designated by the Issuer for such purpose. No service charge will be made for any registration of transfer or exchange of Debt Securities, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith. Such transfer or exchange will be effected upon the Security Registrar or such transfer agent, as the case may be, being satisfied with the documents of title and identity of the person making the request. The Issuer has appointed the Trustee as Security Registrar. Any transfer agent (in addition to the Security Registrar) initially designated by the Issuer for any Debt Securities will be named in the applicable Prospectus Supplement (Section 305). The Issuer may at any time designate additional transfer agents or rescind the designation of any transfer agent or approve a change in the office through which any transfer agent acts, except that the Issuer will be required to maintain a transfer agent in each Place of Payment for the Debt Securities of each series (Section 1002).

If the Debt Securities of any series (or of any series and specified terms) are to be redeemed in part, the Issuer will not be required to (i) issue, register the transfer of or exchange any Debt Security of that series (or of that series and specified terms, as the case may be) during a period beginning at the opening of business 15 days before the day of mailing of a notice of redemption of any such Debt Security that may be selected for redemption and ending at the close of business on the day of such mailing or (ii) register the transfer of or exchange any Debt Security so selected for redemption, in whole or in part, except the unredeemed portion of any such Debt Security being redeemed in part (Section 305).

Book-Entry Debt Securities

The Debt Securities of a series may be issued in the form of one or more global securities (the "Global Securities") that will be deposited with a Depositary or its nominee identified in the Prospectus Supplement relating to a series of Debt Securities. In such a case, one or more Global Securities will be issued in a denomination or aggregate denominations equal to the portion of the aggregate principal amount of Debt Securities of the series to be represented by such Global Security or Securities. Unless and until it is exchanged in whole or in part for Debt Securities in definitive registered form, a Global Security may not be registered for transfer or exchange except as a whole by the Depositary for such Global Security to a nominee of such Depositary or by a nominee of such Depositary to such

Depository or another nominee of such Depository and except in the circumstances described in the Prospectus Supplement relating to the series of Debt Securities (Sections 301 and 305).

Payment and Paying Agents

Unless otherwise indicated in the applicable Prospectus Supplement, payment of interest on a Debt Security on any Interest Payment Date will be made to the Person in whose name such Debt Security (or one or more Predecessor Debt Securities) is registered at the close of business on the Regular Record Date for such interest (Section 307).

Unless otherwise indicated in the applicable Prospectus Supplement, principal of and any premium and interest on the Debt Securities of a particular series will be payable at the office of such Paying Agent or Paying Agents as the Issuer may designate for such purpose from time to time, except that at the option of the Issuer payment of any interest may be made by check mailed to the address of the Person entitled thereto as such address appears in the Security Register. Unless otherwise indicated in the applicable Prospectus Supplement, the corporate trust office of the Trustee in The City of New York will be designated as the Issuer's sole Paying Agent for payments with respect to Debt Securities of each series. Any other Paying Agents initially designated by the Issuer for the Debt Securities of a particular series will be named in the applicable Prospectus Supplement. The Issuer may at any time designate additional Paying Agents or rescind the designation of any Paying Agent or approve a change in the office through which any Paying Agent acts, except that the Issuer will be required to maintain a Paying Agent in each Place of Payment for the Debt Securities of a particular series (Section 1002).

All moneys paid by the Issuer to a Paying Agent for the payment of the principal of or any premium or interest on any Debt Security which remain unclaimed at the end of two years after such principal, premium or interest has become due and payable will be repaid to the Issuer, and the Holder of such Debt Security thereafter may look only to the Issuer or the Guarantor for payment thereof (Section 1003).

Optional Tax Redemption

The Debt Securities may be redeemed at the option of the Issuer or the Guarantor, in whole but not in part, upon not less than 30 nor more than 60 days' notice given as provided in the Indenture, at any time at a Redemption Price equal to the principal amount thereof plus accrued interest to the date fixed for redemption if, as a result of any change in or amendment to the laws or any regulations or rulings promulgated thereunder of the jurisdiction (or of any political subdivision or taxing authority thereof or therein) in which the Guarantor is incorporated or any change in the official application or interpretation of such laws, regulations or rulings, or any change in the official application or interpretation of, or any execution of or amendment to, any treaty or treaties affecting taxation to which such jurisdiction (or such political subdivision or taxing authority) is a party, which change, execution or amendment becomes effective on or after the date specified for such series in the Prospectus Supplement, (i) the Issuer or the Guarantor is or would be required on the next succeeding Interest Payment Date to pay additional amounts with respect to the Debt Securities or the Guarantees, respectively, as described under "Payment of Additional Amounts", or (ii) the Guarantor or any Subsidiary of the Guarantor is or would be required to deduct or withhold tax on any payment to the Issuer to enable the Issuer to make any payment of principal or interest in respect of the Debt Securities and, in each case, the payment of such additional amounts in the case of (i) above or such deduction or withholding in the case of (ii) above cannot be avoided by the use of any reasonable measures available to the Issuer, the Guarantor or the Subsidiary (Section 1108).

The Debt Securities may also be redeemed, in whole but not in part, upon not less than 30 or more than 60 days' notice given as provided in the Indenture at any time at a Redemption Price equal to the principal amount thereof plus accrued interest to the date fixed for redemption if the Person formed by a consolidation of the Guarantor or into which the Guarantor is merged or to which the Guarantor conveys, transfers or leases its properties and assets

substantially as an entirety is required to pay additional amounts in respect of any tax, assessment or governmental charge imposed on any Holder or required to be withheld or deducted from any payment to such Holder as a consequence of such consolidation, merger, conveyance, transfer or lease. See "Consolidation, Merger and Sale of Assets" below (Sections 801, 1104 and 1108).

The Issuer or the Guarantor, as the case may be, will also pay, or make available for payment, to Holders on the Redemption Date any additional amounts (as described under "Payment of Additional Amounts" below) resulting from the payment of such Redemption Price (Sections 1004, 1104 and 1108).

Payment of Additional Amounts

If any deduction or withholding for any present or future taxes, assessments or other governmental charges of the jurisdiction (or any political subdivision or taxing authority thereof or therein) in which the Guarantor is incorporated, shall at any time be required by such jurisdiction (or any such political subdivision or taxing authority) in respect of any payments by the Issuer of principal of or interest on a Debt Security, or by the Guarantor under the Guarantees, the Issuer or the Guarantor, as the case may be, will pay to the Holder of a Debt Security such additional amounts of interest as may be necessary in order that the net amounts paid to such Holder of such Debt Security, who, with respect to any such tax, assessment or other governmental charge, is not resident in such jurisdiction, after such deduction or withholding, shall be not less than the amounts specified in such Debt Security to which such Holder is entitled; *provided, however*, that the Issuer or the Guarantor, as the case may be, shall not be required to make any payment of additional amounts (i) for or on account of any such tax, assessment or governmental charge imposed by the United States or any political subdivision or taxing authority thereof or therein, (ii) to a Holder other than a Holder resident in the United States or (iii) for or on account of:

(a) any tax, assessment or other governmental charge which would not have been imposed but for (i) the existence of any present or former connection between such Holder (or between a fiduciary, settlor, beneficiary, member or shareholder of, a possessor of a power over, such Holder, if such Holder is an estate, trust, partnership or corporation) and the taxing jurisdiction or any political subdivision or territory or possession thereof or area subject to its jurisdiction, including, without limitation, such Holder (or such fiduciary, settlor, beneficiary, member, shareholder or possessor) being or having been a citizen or resident thereof or being or having been present or engaged in trade or business therein or having or having had a permanent establishment therein or (ii) the presentation of a Debt Security (where presentation is required) for payment on a date more than 30 days after the date on which such payment became due and payable or the date on which payment thereof is duly provided for, whichever occurs later;

(b) any estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge;

(c) any tax, assessment or other governmental charge which is payable otherwise than by withholding from payments of (or in respect of) principal of, or any interest on, the Debt Securities;

(d) any tax, assessment or other governmental charge that is imposed or withheld by reason of the failure to comply by the Holder or the beneficial owner of the Debt Security with a request of the Issuer or the Guarantor addressed to the Holder (i) to provide information concerning the nationality, residence or identity of the Holder or such beneficial owner or (ii) to make any declaration or other similar claim to satisfy any information or reporting requirement which, in the case of (i) or (ii), is required or imposed by statute, treaty, regulation or administrative practice of the taxing jurisdiction as a precondition to exemption from all or part of such tax, assessment or other governmental charge; or

- (e) any combination of items (a), (b), (c) and (d) above;

nor shall additional amounts of interest be paid with respect to any payment of the principal of, or any interest on, any Debt Security to any Holder who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent such payment would be required by the laws of the jurisdiction (or any political subdivision or taxing authority thereof or therein) to be included in the income for tax purposes of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to such additional amounts of interest had it been the Holder of such Debt Security (Section 205).

Additional amounts may also be payable in the event of certain consolidations, mergers, sales or assets or assumptions of obligations (Sections 801 and 803).

In the opinion of Slaughter and May, English legal advisers to the Guarantor, under English law and UK Inland Revenue practice as applied and interpreted on the date of this Prospectus and on the basis of the United Kingdom/United States Double Taxation Treaty (the "Treaty") currently in force, no taxes, levies, imposts or charges of the United Kingdom or any political subdivision or taxing authority thereof or therein would be required to be deducted or withheld (a) from any payment to a beneficial owner of the Debt Securities who is a resident of the United States (who is not also a resident of the United Kingdom nor has a permanent establishment or a fixed base in the United Kingdom to which the Debt Securities are connected), made (i) by the Issuer pursuant to the Debt Securities in the manner described under "General" above or (ii) by the Guarantor pursuant to guarantees in the form provided in the Indenture or (b) from any payment by the Guarantor to the Issuer to enable the Issuer to make any payment of principal or interest in respect of the Debt Securities, *provided that*, in respect of payments made by the Guarantor to a beneficial owner of the Debt Securities who is a resident of the United States (who is not also a resident of the United Kingdom nor has a permanent establishment or a fixed base in the United Kingdom to which the Debt Securities are connected), as regards the portion of any such payment which represent interest due from the Issuer:

(A) that portion constitutes "interest" (as such term is defined in Article 11(3) of the Treaty) or is exempt from taxation in the United Kingdom under Article 22 of the Treaty ("Other Income");

(B) the holder is entitled to and has claimed the benefit of the Treaty in respect of such payment; and

(C) the Guarantor shall have received from the UK Inland Revenue a direction pursuant to the Treaty allowing payment to be made without deduction of UK tax.

With regard to (A) above, although the matter is not free from doubt, the better view is that the portion of any payment made by the Guarantor under the Guarantee which represents interest due from the Issuer should constitute "interest" (as defined in the Treaty). If this view is incorrect, it is arguable that the portion of the payment would be subject to UK withholding tax except where exemption has been obtained under Article 22 of the Treaty. Even if (C) above is not satisfied so that tax is withheld by the Guarantor, a person entitled to exemption under the Treaty may claim repayment of such tax from the UK Inland Revenue.

The opinion of Slaughter and May is based on and assumes the accuracy of the statements and representations made to them by the Guarantor as to the manner in which the Issuer will be managed and controlled.

Limitation on Liens

The Indenture provides that so long as any of the Debt Securities are Outstanding, the Guarantor will not, and the Guarantor will procure that no Restricted Subsidiary will, create or permit to subsist any Encumbrance on the whole or any part of any Principal Property (or documents of title thereto) or upon any shares or stock of any Restricted Subsidiary to secure any present or future indebtedness for borrowed money without making, or causing such

Restricted Subsidiary to make, effective provision whereby the Debt Securities (together with, if the Guarantor shall so determine, any other indebtedness of the Guarantor or such Restricted Subsidiary then existing or thereafter created which is not subordinate to the Debt Securities) will be secured equally and ratably with (or, at the option of the Guarantor or such Restricted Subsidiary, prior to) such indebtedness for borrowed money, so long as such indebtedness for borrowed money will be so secured. However, such limitation will not apply to: (a) any Encumbrance subsisting on or prior to the date of the Indenture; (b) any Encumbrance created on the AUK Loan Notes; (c) any Encumbrance arising by operation of law and not securing amounts more than 90 days overdue or otherwise being contested in good faith by appropriate procedures; (d) judgment Encumbrances not giving rise to an Event of Default; (e) any Encumbrance subsisting over a Principal Property (or documents of title thereto), or shares or stock of any Restricted Subsidiary (which becomes a Restricted Subsidiary after the date of the Indenture) prior to the date of such Restricted Subsidiary becoming a Restricted Subsidiary, provided that such Encumbrance was not created in contemplation of such Restricted Subsidiary becoming a Restricted Subsidiary; (f) any Encumbrance created on any Principal Property (or documents of title thereto), shares or stock of any Restricted Subsidiary acquired or developed after the date hereof for the sole purpose of financing or refinancing or securing the cost of that acquisition or the projected cost of that development so long as the principal moneys thereby secured do not exceed the cost of that acquisition or the projected cost of that development *provided* that such Encumbrance is limited to such Principal Property (or documents of title hereto) or shares or stock of such Restricted Subsidiary; (g) any Encumbrance over any Principal Property (or documents of title thereto), shares or stock of any Restricted Subsidiary which is acquired by the Guarantor or any Restricted Subsidiary subject to such Encumbrance; (h) any Encumbrance to secure indebtedness for borrowed money incurred in connection with a specifically identifiable project where the Encumbrance relates to a Principal Property (or documents of title thereto) for which such project has been undertaken and the recourse of the creditors in respect of such indebtedness is substantially limited to such project and Principal Property (or documents of title thereto); (i) any Encumbrance arising solely by operation of law over any credit balance or cash held in any account with a financial institution; (j) rights of financial institutions to offset credit balances in connection with the operation of cash management programs established for the benefit of the Guarantor and/or any Restricted Subsidiary or in connection with the issuance of letters of credit for the benefit of the Guarantor and/or any Restricted Subsidiary; (k) any Encumbrance securing indebtedness of the Guarantor or any Restricted Subsidiary for borrowed money incurred in connection with the financing of accounts receivable; (l) any Encumbrance incurred or deposits made in the ordinary course of business, including, but not limited to, (i) any mechanics', materialmen's, carriers', workmen's, vendors' or other Encumbrances, (ii) any Encumbrances securing amounts in connection with workers' compensation, unemployment insurance and other types of social security, and (iii) any easements, rights-of-way, restrictions and other similar charges; (m) any Encumbrances securing the whole or any part of the interest of the Guarantor or any Restricted Subsidiary in any petroleum field and/or facilities and/or agreement or instrument relating thereto which is in favor of any operator (including any person for the time being fulfilling any of the functions of an operator) or participant in such field and/or facilities as security for any sum which may become due to such operator in its capacity as such or to such participant by virtue of any agreement or instrument relating to such field and/or facilities, *provided* that such Encumbrance is limited to such field and/or facilities; (n) any Encumbrances created for the purpose of securing the costs of abandonment of any petroleum field and/or facilities created by virtue of any agreement or instrument relating to such field or facilities; (o) any Encumbrances reserved in oil, gas and/or mineral leases, production sharing contracts and petroleum concession agreements and licenses for bonus or rental payments and for compliance with the terms of such leases, contracts, agreements and licenses; (p) any Encumbrances pursuant to partnership agreements, oil, gas and/or mineral leases, production sharing contracts, petroleum concession agreements and licenses, farm-out agreements, division orders, contracts for the sale, purchase, exchange, processing or transportation of oil, gas and/or other hydrocarbons, unitization and pooling declarations and agreements, operating agreements, development agreements, area of mutual interest agreements, and other agreements which are customary in the oil, gas and other mineral exploration, development and production business and in the business of processing of gas and gas condensate production for the extraction of products therefrom; (q) any Encumbrance upon specific items of inventory or other goods and proceeds of such inventory or other goods of the Guarantor or any Restricted Subsidiary securing the Guarantor's or any such Restricted Subsidiary's obligations in respect of bankers' acceptances issued or created for the account of such person to facilitate the purchase, shipment or storage of such inventory or other goods; (r) any

Encumbrance incurred or deposits made securing the performance of tenders, bids, leases, statutory obligations, surety and appeal bonds, government contracts, performance and return-of-money bonds and other obligations of like nature incurred in the ordinary course of business; (s) any Encumbrance on any Principal Property (or documents of title thereto) of the Guarantor or any Restricted Subsidiary in favor of the federal government of the United States or the government of any State thereof, or the government of the United Kingdom, or the European Community, or any instrumentality of any of them, securing the obligations of the Guarantor or any Restricted Subsidiary pursuant to any contract or payments owed to such entity pursuant to applicable laws, rules, regulations or statutes; (t) any Encumbrance securing taxes or assessments or other applicable governmental charges or levies; (u) any Encumbrance securing industrial revenue, development or similar bonds issued by or for the benefit of the Guarantor or any of its Restricted Subsidiaries, *provided* that such industrial revenue development or similar bonds are non-recourse to the Guarantor or such Restricted Subsidiary; (v) the sale or other transfer of (i) any gas or oil or other minerals in place or for the future production of, for a period of time until, or in an amount such that, the purchaser will realize therefrom a specified amount of money (however determined) or a specified amount of such gas or oil or other minerals, or (ii) any other interest in property of the character commonly referred to as a "production payment"; (w) any extension, renewal or replacement (or successive extensions, renewals or replacements), as a whole or in part, of any Encumbrance referred to in (a) to (v), inclusive, for amounts not exceeding the principal amount of the borrowed money secured by the Encumbrance so extended, renewed or replaced, *provided* that such extension, renewal or replacement Encumbrance is limited to all or a part of the same Principal Property (or documents of title thereto), shares or stock of the Restricted Subsidiary that secured the Encumbrance extended, renewed or replaced (plus improvements on such Principal Property); and (x) Encumbrances in favor of the Guarantor or any Subsidiary.

Notwithstanding the foregoing, the Guarantor or any Restricted Subsidiary may create or permit to subsist Encumbrances over any Principal Property (or documents of title thereto), shares or stock of any of the Restricted Subsidiaries so long as the aggregate amount of indebtedness for borrowed money secured by all such Encumbrances (excluding therefrom the amount of the indebtedness secured by Encumbrances set forth in clauses (a) through (x), inclusive, above) does not exceed 15% of the Consolidated Assets of the Guarantor. (Section 1009)

Definitions of Certain Terms

For the purposes of the above provisions and the provisions under "Limitation on Sales and Leasebacks" below, the term "Restricted Subsidiary" means any Subsidiary (i) substantially all of the physical properties of which are located, or substantially all the operations of which are conducted, within the United States, the United Kingdom or Canada, (ii) which owns a Principal Property and (iii) whose (a) profits or (in the case of a Subsidiary which has subsidiaries) consolidated profits (before tax and extraordinary items but after excluding minority interests) for its last financial year as shown in its latest audited profit and loss account which are attributable to the Guarantor are at least 15% of the consolidated profits (before tax and extraordinary items but after excluding minority interests) of the Guarantor and its Subsidiaries for its last financial year as shown in the latest audited consolidated profit and loss account of the Guarantor and its subsidiaries, or (b) total assets or (in the case of a Subsidiary which has subsidiaries) total consolidated assets (excluding goodwill and other intangible assets and inter-company indebtedness and minority interests) as shown by its latest audited balance sheet which are attributable to the Guarantor are at least 15% of the total assets (excluding goodwill and other intangible assets and minority interests) of the Guarantor and its Subsidiaries as shown by the latest audited consolidated balance sheet of the Guarantor and its Subsidiaries. A report by the auditors of the Guarantor that in their opinion a Subsidiary is or is not Restricted Subsidiary shall, in the absence of manifest error, be conclusive and binding. The term "Restricted Subsidiary" does not include any Subsidiary which is principally engaged in leasing or in financing instalment receivables or which is principally engaged in financing the operations of the Guarantor and its consolidated Subsidiaries. Additionally, the term "Principal Property" means any interests in a producing oil or gas field, including any building, structure or other facility thereon, located in the United States, the United Kingdom or Canada, whether onshore or offshore, the net book value of which on the date as of which the determination is being made exceeds 4% of Consolidated Assets of the Guarantor, other than (i) any such property or portion thereof which, in the opinion of the Board of Directors of the Guarantor, is not of material importance to the

total business conducted by the Guarantor and its Subsidiaries as an entirety or (ii) any portion of any such property which, in the opinion of the Board of Directors of the Guarantor, is not of material importance to the use or operation of such property. At the date of this Prospectus, LASMO (TNS) Limited and LASMO (ULX) Limited are Restricted Subsidiaries and the Piper field and the Liverpool Bay development are Principal Properties. "Consolidated Assets" means, with respect to the Guarantor and its Subsidiaries considered as an entirety, the sum of fixed assets and current assets less intangible assets (other than exploration and appraisal expenditure) calculated in accordance with the Guarantor's most recent audited Consolidated Balance Sheet.

Limitation on Sales and Leasebacks

The Indenture also provides that so long as any of the Debt Securities are Outstanding, the Guarantor will not, and the Guarantor will procure that no Restricted Subsidiary will, enter into any arrangement with any bank, insurance company or other lender or investor (not including the Guarantor or any Subsidiary), or to which any such lender or investor is a party, providing for the leasing by the Guarantor or a Restricted Subsidiary for a period, including renewals, in excess of three years of any Principal Property which has been owned by the Guarantor or a Restricted Subsidiary for more than six months and which has been or is to be sold or transferred by the Guarantor or any Restricted Subsidiary to such lender or investor or to any person to whom funds have been or are to be advanced by such lender or investor on the security of such Principal Property (herein referred to as a "sale and leaseback transaction") unless either (a) the Guarantor or such Restricted Subsidiary could create indebtedness secured by an Encumbrance (pursuant to the provisions governing limitations on liens as discussed above) on the Principal Property to be leased back in an amount equal to the indebtedness attributable to such sale and leaseback transaction without equally and ratably securing the Debt Securities; or (b) the Guarantor, within one year after the sale or transfer will have been made by the Guarantor or a Restricted Subsidiary, applies an amount equal to the greater of (i) the net proceeds of the sale of the Principal Property sold and leased back pursuant to such arrangement or (ii) the fair market value of the Principal Property so sold and leased back at the time of entering into such arrangement (as determined by any two directors of the Guarantor) to (A) the retirement of indebtedness for money borrowed, incurred or assumed by the Guarantor or any Restricted Subsidiary which by its terms matures at, or is extendible or renewable at the option of the obligor to, a date more than 12 months after the date of incurring, assuming or guaranteeing such indebtedness or (B) investment in any Principal Property (Section 1010).

Events of Default

The following events will constitute Events of Default under the Indenture with respect to Debt Securities of any series: (a) failure to pay any interest or additional interest on any Debt Security of such series when due, continued for 30 days; (b) failure to pay principal of or any premium on any Debt Security of such series when due; (c) failure to deposit any sinking fund payment, when due or beyond any period of grace provided with respect thereto, in respect of any Debt Security of such series; (d) failure to perform any other covenant of the Issuer or the Guarantor in the Indenture (other than a covenant included in the Indenture solely for the benefit of another series of securities), continued for 60 days after written notice has been given by the Trustee or the Holders of at least 25% in principal amount of the Outstanding Debt Securities of such series, as provided in the Indenture; and (e) certain events in bankruptcy, insolvency or reorganization involving the Issuer or the Guarantor (other than, in the case of the Guarantor, a voluntary winding up for the purposes of a corporate reconstruction carried out in accordance with UK statutory requirements and which results immediately thereafter (in the case of such a voluntary winding up of the Guarantor) in a legal entity which is liable under the Guarantees, and which owns all or substantially all those assets of the Guarantor which the Guarantor owned immediately before such reconstruction occurred) (Section 501).

If an Event of Default (other than an Event of Default described in clause (e) above) with respect to a series of Outstanding Debt Securities shall occur and be continuing, either the Trustee or the Holders of at least 25% in aggregate principal amount of the Outstanding Debt Securities of such series by notice as provided in the Indenture may declare the principal amount of the Outstanding Debt Securities of that series, and any interest accrued thereon (or

in the case of any Debt Security that is an Original Issue Discount Debt Security or the principal amount of which is not then determinable, such portion of the principal amount of such Debt Security, or such other amount in lieu of such principal amount, as may be specified in the terms of such Debt Security), to be due and payable immediately. If an Event of Default described in clause (e) above with respect to a series of the Outstanding Debt Securities shall occur, the principal amount of the Outstanding Debt Securities of such series, and any accrued interest thereon (or in the case of any such Original Issue Discount Debt Security or other Debt Security, such specified amount), will automatically, and without any action by the Trustee or any Holder, become immediately due and payable. At any time after such declaration of acceleration has been made, but before a judgment or decree for payment of money has been obtained by the Trustee, the Holders of a majority in aggregate principal amount of the Outstanding Debt Securities of such series, under certain circumstances, may rescind and annul such declaration if all Events of Default, other than non-payment of accelerated principal (or other specified amounts), have been cured or waived as provided in the Indenture (Section 502). For information as to waiver of defaults, see "Modification and Waiver" below.

Subject to the provisions of the Indenture relating to the duties of the Trustee in case an Event of Default shall occur and be continuing with respect to a series of Debt Securities, the Trustee will be under no obligation to exercise any of its rights or powers under the Indenture at the request or direction of any of the Holders of Debt Securities of such series unless such Holders shall have offered to the Trustee reasonable indemnity (Section 603). Subject to such provisions for the indemnification of the Trustee, the Holders of a majority in aggregate principal amount of the Outstanding Debt Securities of such series will have the right to direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee (Section 512).

No Holder of any Debt Security will have any right to institute any proceeding with respect to the Indenture, the Debt Securities, the Guarantees or for any remedy thereunder, unless such Holder shall have previously given to the Trustee written notice of a continuing Event of Default and unless also the Holders of at least 25% in aggregate principal amount of the Outstanding Debt Securities of the same series shall have made written request, and offered reasonable indemnity, to the Trustee to institute such proceedings as trustee, and the Trustee shall not have received from the Holders of a majority in aggregate principal amount of the Outstanding Debt Securities of such series a direction inconsistent with such request and the Trustee shall have failed to institute such proceeding within 60 days (Section 507). However, such limitations do not apply to a suit instituted by a Holder of a Debt Security for the enforcement of payment of the principal or interest on such Debt Security on or after the respective due dates (Section 508).

The Issuer and the Guarantor will be required to furnish to the Trustee annually a statement as to the performance by them of certain of their obligations under the Indenture and as to any default in such performance and, if so, specifying all such known defaults (Section 1005)

Defeasance and Discharge

The Indenture provides that the Issuer and the Guarantor will be deemed to have paid and be discharged from any and all obligations in respect of the Debt Securities of a series (except for certain obligations to register the transfer or exchange of Debt Securities, to replace mutilated, destroyed, lost or stolen Debt Securities, to maintain paying agencies and to hold monies for payment in trust) upon the deposit with the Trustee, irrevocably in trust, of US money or US Government Obligations which through the payment of interest and principal in respect thereof in accordance with their terms will provide money in an amount sufficient to pay and discharge the principal of, premium, if any, and each instalment of interest on the Outstanding Debt Securities of such series on the Stated Maturity of such payments in accordance with the terms of the Indenture and such Debt Securities. Such defeasance and discharge may occur only if, among other things, the Issuer or the Guarantor has delivered to the Trustee an opinion of counsel, or has received from, or there has been published by, the Internal Revenue Service a ruling or there has been a change in tax law, in either case to the effect that Holders of the Debt Securities of such series will not recognize

income, gain or loss for US Federal income tax purposes as a result of such deposit, defeasance and discharge and will be subject to US Federal income tax on the same amount and in the same manner and at the same times as would have been the case if such deposit, defeasance and discharge had not occurred (Sections 1302 and 1304).

Modification and Waiver

Modification of and amendments to the Indenture with respect to any series of Debt Securities may be made by the Issuer, the Guarantor and the Trustee with the consent of the Holders of not less than a majority in aggregate principal amount of the Outstanding Debt Securities of that series; *provided, however*, that no such modification or amendment may, without the consent of the Holder of each Outstanding Debt Security of such series, (a) change the Stated Maturity of the principal of, or any instalment of interest on, any security of such series, (b) reduce the principal amount of, premium, if any, or interest on any security of such series, (c) change any obligations of the Guarantor to pay additional amounts, (d) change any Place of Payment where, or the coin or currency in which, the securities of such series or any premium or interest thereon is payable, (e) impair the right to institute suit for the enforcement of any payment on or with respect to any security or guarantee of such series, (f) reduce the percentage in principal amount of Outstanding Debt Securities of such series required for modification or amendment of the Indenture or for waiver of compliance with certain provisions of the Indenture or the waiver of certain defaults, (g) reduce the requirements contained in the Indenture for quorum or voting, (h) change any obligation of the Issuer or the Guarantor to maintain an office or agency in the places and for the purposes required by the Indenture, (i) modify such provisions with respect to modification and waiver or (j) modify or affect in any manner adverse to the interest of the Holders of the Debt Securities of such series the terms and conditions of the obligations of the Guarantor regarding the due and punctual payment of the principal thereon, premium, if any, and interest thereon or any sinking fund payments with respect to the Debt Securities of such series (Section 902).

The Holders of a majority in principal amount of the Outstanding Debt Securities of any series may waive compliance by the Issuer and the Guarantor with certain restrictive provisions of the Indenture relating to such series (Section 1011). The Holders of not less than a majority in aggregate principal amount of the Outstanding Debt Securities of such series may waive any past default under the Indenture with respect to that series, except a default (i) in the payment of principal of, premium, if any, or any interest on any Debt Security of such series or (ii) in respect of a covenant or provision of the Indenture which cannot be modified or amended without the consent of the Holder of each Outstanding Debt Security of that series (Section 513).

The Indenture may also be modified or amended by the Issuer, the Guarantor and the Trustee without the consent of Holders (1) to evidence the succession of another Person to the Issuer or the Guarantor, (2) to add to the covenants of the Issuer or the Guarantor for the benefit of Holders of all or any series of securities or to surrender any power conferred upon the Issuer or the Guarantor, (3) to add any Events of Default, (4) to permit or facilitate the issuance of securities in bearer or uncertificated form, (5) to add to, change or eliminate any provisions of the Indenture in respect of one or more series of Debt Securities applying to or affecting Holders of Debt Securities of any series entitled to the benefit of such provision, (6) to secure the Debt Securities, (7) to establish the form of terms of Debt Securities as permitted by Sections 201 and 301, (8) to provide for successor or additional trustees, or (9) to cure any ambiguity, to correct or supplement any provision which may be inconsistent with any other provision or to make any other provisions with respect to matters or questions arising under the Indenture, *provided* such action shall not adversely affect the interests of Holders of Debt Securities of any series in any material respect (Section 901).

The Indenture provides that in determining whether the Holders of the requisite principal amount of the Outstanding Debt Securities have given or taken any direction, notice, consent, waiver or other action under the Indenture as of any date, (i) the principal amount of an Original Issue Discount Debt Security that will be deemed to be Outstanding will be the amount of the principal thereof that would be due and payable as of such date upon acceleration of the Maturity thereof to such date, (ii) if, as of such date, the principal amount payable at the Stated Maturity of a Debt Security is not determinable (for example, because it is based on an index), the principal amount of

such Debt Security deemed to be Outstanding as of such date will be an amount determined in the manner prescribed for such Debt Security and (iii) the principal amount of a Debt Security denominated in one or more foreign currencies or currency units that will be deemed to be Outstanding will be the U.S. dollar equivalent, determined as of such date in the manner prescribed for such Debt Security, of the principal amount of such Debt Security (or, in the case of a Debt Security described in clause (i) or (ii) above, of the amount described in such clause). Certain Debt Securities, including those for whose payment or redemption money has been deposited or set aside in trust for the Holders and those that have been fully defeased pursuant to Section 1302, will not be deemed to be Outstanding (Section 101).

Except in certain limited circumstances, the Issuer and the Guarantor will be entitled to set any day as a record date for the purpose of determining the Holders of Outstanding Debt Securities of any series entitled to give or take any direction, notice, consent, waiver or other action under the Indenture, in the manner and subject to the limitations provided in the Indenture. In certain limited circumstances, the Trustee will be entitled to set a record date for action by Holders. If a record date is set for any action to be taken by Holders of a particular series, such action may be taken only by persons who are Holders of Outstanding Debt Securities of that series on the record date. To be effective, such action must be taken by Holders of the requisite principal amount of such Debt Securities within a specified period following the record date. For any particular record date, this period will be 180 days or such other period as may be specified by the Issuer (or the Trustee, if it set the record date), and may be shortened or lengthened from time to time (Section 104).

Consolidation, Merger and Sale of Assets

The Issuer or the Guarantor, without the consent of the Holders of the Debt Securities, may consolidate with, or merge into, or transfer or lease their respective assets substantially as entirety to, in the case of Issuer, any Person organized under the laws of the United States, any State thereof or the District of Columbia, and, in the case of the Guarantor, any Person, *provided* that (i) any successor Person assumes the Issuer's obligations on the Debt Securities or the Guarantor's obligations on the Guarantees, (ii) after giving effect to the transaction, no event which, after notice or lapse of time, would become an Event of Default, shall have occurred and be continuing and (iii) certain other conditions (including payment of additional amounts, if any, resulting therefrom by any Person succeeding the Guarantor who is not organized under the laws of the United States, any State thereon or the District of Columbia) are met (Article Eight).

The Guarantor or any of its Subsidiaries may, subject to certain restrictions, assume the obligations of the Issuer under the Debt Securities without the consent of the Holders of such Debt Securities. In the event of any assumption, the Guarantor or such Subsidiary will pay all amounts of principal and interest without deduction or withholding for any present future taxes, levies, imposts and other governmental charges whatsoever imposed by or for the account of the jurisdiction, or any political subdivision or taxing authority thereof or therein in which the Guarantor or such Subsidiary is incorporated or, if such deduction or withholding is required, the Guarantor or Subsidiary will pay such additional amounts in respect of principal and interest as may be necessary in order that the net amounts paid to the Holders of the Debt Securities or to the Trustee, as the case may be, after such deduction or withholding shall equal the respective amounts of principal and interest to which such Holders or the Trustee would be entitled if no such deduction or withholding had been made, subject to certain exceptions (Section 803). The Guarantor or Subsidiary who assumes the obligations of the Issuer in such cases will also be entitled to redeem the Debt Securities in the circumstances described in "Optional Tax Redemption" above, subject to certain conditions. (Section 1108)

An assumption of the obligations of the Issuer under the Debt Securities by the Guarantor, any of its Subsidiaries or any other Person might be deemed for US federal income tax purposes to be an exchange of Debt Securities for new securities by the Holders thereof, resulting in recognition of taxable gain or loss for such purposes and possibly certain other adverse tax consequences. Holders should consult their own tax advisers regarding the US federal, state and local income tax consequences of such an assumption.

Replacement of Debt Securities

Any mutilated Debt Security will be replaced by the Issuer at the expense of the Holder upon surrender of such Debt Security to the Trustee. Debt Securities that become destroyed, stolen or lost will be replaced by the Issuer at the expense of the Holder upon delivery to the Trustee of evidence of the destruction, loss or theft satisfactory to the Issuer, the Guarantor and the Trustee. In the case of a destroyed, lost or stolen Debt Security, indemnity satisfactory to the Trustee, the Issuer and the Guarantor may be required at the expense of the Holder of such Debt Security before a replacement Debt Security will be issued (Section 306).

Consent to Service

The Indenture provides that the Guarantor designates CT Corporation System as its authorized agent for service of process in any legal action or proceeding arising out of or relating to the Indenture, the Debt Securities or the Guarantees brought in any federal or state court in the Borough of Manhattan, The City of New York, State of New York and irrevocably submits to the non-exclusive jurisdiction of such courts as long as there are any Outstanding Debt Securities (Section 115).

Notices

Notices to Holders of Debt Securities will be given by mail to the addresses of such Holders as they may appear in the Security Register (Sections 101 and 106).

Title

The Issuer, the Guarantor and the Trustee and any agent of the Issuer, the Guarantor or the Trustee may treat the Person in whose name a Debt Security is registered as the absolute owner thereof (whether or not such Debt Security be overdue) for the purpose of making payment and for all other purposes (Section 308).

Governing Law

The Indenture, the Debt Securities and the Guarantees shall be governed by, and construed in accordance with, the law of the State of New York (Section 113).

Regarding the Trustee

The Bank of New York is the Trustee under the Indenture. The Bank of New York is also depository for the Issuer's American Depositary Receipts.

TAXATION

The following summary of certain U.K. and U.S. Federal income tax consequences of the acquisition, ownership and disposition of the Debt Securities by a "United States Holder", as defined below, represents the opinion of Sullivan & Cromwell with respect to U.S. Federal income taxes and is based upon the opinion of Slaughter and May with respect to U.K. taxes.

The statement regarding U.S. and U.K. tax laws and practices set forth below, including the statements regarding the Treaty (i) are based on the laws as in force and as applied in practice on the date of this Prospectus and are subject to changes to those laws and practices, and any relevant judicial decision, subsequent to the date of this Prospectus and (ii) assume that the Debt Securities will be issued, and transfers thereof and payments thereon will be made, in accordance with the Indenture.

As used herein, the term "United States Holder" means a beneficial owner of a Debt Securities who or that is (i) a citizen or resident of the United States, (ii) a domestic corporation or (iii) otherwise subject to United States Federal income taxation on a net income basis in respect of a Debt Security.

PROSPECTIVE PURCHASERS OF DEBT SECURITIES ARE ADVISED TO CONSULT THEIR OWN TAX ADVISORS AS TO THE U.S., U.K., OR OTHER TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND DISPOSITION OF DEBT SECURITIES, INCLUDING THE EFFECT OF ANY STATE OR LOCAL TAX LAWS.

United Kingdom

The following summary of material U.K. tax considerations under current U.K. law and practice is based on the advice of Slaughter and May, U.K. Counsel to the Guarantor, and describes certain U.K. tax considerations for a person who (a) is the beneficial owner of registered Debt Securities, (b) is resident for tax purposes in the United States of America (and is not also resident or ordinarily resident for tax purposes in the U.K.) and (c) does not carry on a trade, profession or vocation in the U.K. through a branch or agency (for the purposes of this discussion, a "U.S. Holder"):

(i) No stamp duty, issue, registration or similar tax or duty will generally be payable in the U.K. by a U.S. Holder in respect of the creation, issue or redemption of the Debt Securities.

(ii) A U.S. Holder will not be subject to U.K. tax on income or capital gains on the receipt of any payment made by the Issuer under the Debt Securities.

(iii) A U.S. Holder will not be subject to U.K. tax on any profit or gain accrued or realized on the sale or other disposal of the Debt Securities.

(iv) Reference is made to the description on page 12 of this Prospectus of the opinion of Slaughter and May in relation to the applicability of U.K. withholding tax to payments made pursuant to the Debt Securities and the Guarantees.

(v) Any payment made by the Guarantor to a U.S. Holder under the Guarantee will have a U.K. source for U.K. tax purposes. As, however, the payment would be interest in the hands of the U.S. Holder, any such payment made free of U.K. withholding tax will not be charged to U.K. income tax by direct assessment.

(vi) A U.S. Holder who is an individual domiciled outside the U.K. will not be liable to U.K. Inheritance Tax in respect of his holding of Debt Securities.

Persons who own Debt Securities and who are not U.S. Holders or who are in any doubt as to their tax position should consult their professional advisers.

United States

General

The following summary of the principal United States federal income tax consequences of ownership of Debt Securities deals only with Debt Securities held as capital assets by initial purchasers, and not with special classes of holders, such as dealers in securities or currencies, banks, tax-exempt organizations, life insurance companies, persons that hold Debt Securities that are a hedge or that are hedged against currency risks or that are part of a straddle or conversion transaction, persons that are not United States Holders, or persons whose functional currency is not the U.S. dollar. Moreover, the summary deals only with Debt Securities that are due to mature 30 years or less from the date on which they are issued. The United States federal income tax consequences of ownership of Debt Securities that are due to mature more than 30 years from their date of issue will be discussed in an applicable Prospectus Supplement. The summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, all as currently in effect and all subject to change at any time, perhaps with retroactive effect.

Prospective purchasers of Debt Securities should consult their own tax advisors concerning the consequences, in their particular circumstances, under the Code and the laws of any other taxing jurisdiction, of the ownership of Debt Securities.

Payments of Interest

Interest on a Debt Security, whether payable in U.S. dollars or a currency, composite currency or basket of currencies other than U.S. dollars (a "foreign currency"), other than interest on a "Discount Debt Security" that is not "qualified stated interest" (each as defined below under "Original Issue Discount — General"), will be taxable to a United States Holder as ordinary income at the time it is received or accrued, depending on the holder's method of accounting for tax purposes.

Interest paid by the Company on the Debt Securities and original issue discount, if any, accrued with respect to the Debt Securities (as described below under "Original Issue Discount") constitutes income from sources outside the United States, but, with certain exceptions, will be "passive" or "financial services" income, which is treated separately from other types of income for purposes of computing the foreign tax credit allowable to a United States Holder.

If an interest payment is denominated in, or determined by reference to, a foreign currency, the amount of income recognized by a cash basis United States Holder will be the U.S. dollar value of the interest payment, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

An accrual basis United States Holder may determine the amount of income recognized with respect to an interest payment denominated in, or determined by reference to, a foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, with respect to an accrual period that spans two taxable years, the part of the period within the taxable year).

Under the second method, the United States Holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period or, in the case of an accrual

period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period or taxable year, an electing accrual basis United States Holder may instead translate such accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the United States Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the United States Holder, and will be irrevocable without the consent of the Internal Revenue Service (the "Service").

Upon receipt of the interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Debt Security) denominated in, or determined by reference to, a foreign currency, the United States Holder will recognize ordinary income or loss measured by the difference between (x) the average exchange rate used to accrue interest income, or the exchange rate as determined under the second method described above if the United States Holder elects that method, and (y) the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

Original Issue Discount

General. A Debt Security, other than a Debt Security with a term of one year or less (a "short-term Debt Security"), will be treated as issued at an original issue discount (a "Discount Debt Security") if the excess of the Debt Security's "stated redemption price at maturity" over its issue price is more than a "de minimis amount" (as defined below). Generally, the issue price of a Debt Security will be the first price at which a substantial amount of Debt Securities included in the issue of which the Debt Security is a part is sold to other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Debt Security is the total of all payments provided by the Debt Security that are not payments of "qualified stated interest". A qualified stated interest payment is generally any one of a series of stated interest payments on a Debt Security that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods) applied to the outstanding principal amount of the Debt Security. Special rules for "Variable Rate Debt Securities" (as defined below under "Original Issue Discount — Variable Rate Debt Securities") are described below under "Original Issue Discount — Variable Rate Debt Securities".

In general, if the excess of a Debt Security's stated redemption price at maturity over its issue price is less than $\frac{1}{4}$ of 1 percent of the Debt Security's stated redemption price at maturity multiplied by the number of complete years to its maturity (the "de minimis amount"), then such excess, if any, constitutes "de minimis original issue discount" and the Debt Security is not a Discount Debt Security. Unless the election described below under "Election to Treat All Interest as Original Issue Discount" is made, a United States Holder of a Debt Security with de minimis original issue discount must include such de minimis original issue discount in income as stated principal payments on the Debt Security are made. The includible amount with respect to each such payment will equal the product of the total amount of the Debt Security's de minimis original issue discount and a fraction, the numerator of which is the amount of the principal payment made and the denominator of which is the stated principal amount of the Debt Security.

United States Holders of Discount Debt Securities having a maturity of more than one year from their date of issue must, generally, include original issue discount ("OID") in income calculated on a constant-yield method before the receipt of cash attributable to such income, and generally will have to include in income increasingly greater amounts of OID over the life of the Debt Security. The amount of OID includible in income by a United States Holder of a Discount Debt Security is the sum of the daily portions of OID with respect to the Discount Debt Security for each day during the taxable year or portion of the taxable year on which the United States Holder holds such Discount Debt Security ("accrued OID"). The daily portion is determined by allocating to each day in any "accrual period" a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Debt Security may be of any length selected by the United States Holder and may vary in length over the term of the Debt Security as long as (i) no accrual period is longer than one year and (ii) each scheduled payment of interest or principal on the Debt Security occurs on

either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Debt Security's adjusted issue price at the beginning of the accrual period and such Debt Security's yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Debt Security allocable to the accrual period. The "adjusted issue price" of a Discount Debt Security at the beginning of any accrual period is the issue price of the Debt Security increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Debt Security that were not qualified stated interest payments. For purposes of determining the amount of OID allocable to an accrual period, if an interval between payments of qualified stated interest on the Debt Security contains more than one accrual period, the amount of qualified stated interest payable at the end of the interval (including any qualified stated interest that is payable on the first day of the accrual period immediately following the interval) is allocated pro rata on the basis of relative lengths to each accrual period in the interval, and the adjusted issue price at the beginning of each accrual period in the interval must be increased by the amount of any qualified stated interest that has accrued prior to the first day of the accrual period but that is not payable until the end of the interval. The amount of OID allocable to an initial short accrual period may be computed using any reasonable method if all other accrual periods other than a final short accrual period are of equal length. The amount of OID allocable to the final accrual period is the difference between (x) the amount payable at the maturity of the Debt Security (other than any payment of qualified stated interest) and (y) the Debt Security's adjusted issue price as of the beginning of the final accrual period.

Acquisition Premium. A United States Holder that purchases a Debt Security for an amount less than or equal to the sum of all amounts payable on the Debt Security after the purchase date other than payments of qualified stated interest but in excess of its adjusted issue price (as determined above under "Original Issue Discount — General") (any such excess being "acquisition premium") and that does not make the election described below under "Election to Treat All Interest as Original Issue Discount" shall reduce the daily portions of OID by a fraction, the numerator of which is the excess of the United States Holder's adjusted basis in the Debt Security immediately after its purchase over the adjusted issue price of the Debt Security, and the denominator of which is the excess of the sum of all amounts payable on the Debt Security after the purchase date, other than payments of qualified stated interest, over the Debt Security's adjusted issue price.

Market Discount. A Debt Security, other than a short-term Debt Security, will be treated as purchased at a market discount (a "Market Discount Debt Security") if (i) the amount for which a United States Holder purchased the Debt Security is less than the Debt Security's issue price (as determined above under "Original Issue Discount — General") and (ii) the Debt Security's stated redemption price at maturity or, in the case of a Discount Debt Security, the Debt Security's "revised issue price", exceeds the amount for which the United States Holder purchased the Debt Security by at least $\frac{1}{4}$ of 1 percent of such Debt Security's stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years to the Debt Security's maturity. If such excess is not sufficient to cause the Debt Security to be a Market Discount Debt Security, then such excess constitutes "de minimis market discount" and such Debt Security is not subject to the rules discussed in the following paragraphs. The Code provides that, for these purposes, the "revised issue price" of a Debt Security generally equals its issue price, increased by the amount of any OID that has accrued on the Debt Security.

Any gain recognized on the maturity or disposition of a Market Discount Debt Security will be treated as ordinary income to the extent that such gain does not exceed the accrued market discount on such Debt Security. Alternatively, a United States Holder of a Market Discount Debt Security may elect to include market discount in income currently over the life of the Debt Security. Such an election shall apply to all debt instruments with market discount acquired by the electing United States Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the Service.

Market discount on a Market Discount Debt Security will accrue on a straight-line basis unless the United States Holder elects to accrue such market discount on a constant-yield method. Such an election shall apply

only to the Debt Security with respect to which it is made and may not be revoked. A United States Holder of a Market Discount Debt Security that does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings allocable to such Debt Security in an amount not exceeding the accrued market discount on such Debt Security until the maturity or disposition of such Debt Security.

Pre-Issuance Accrued Interest. If (i) a portion of the initial purchase price of a Debt Security is attributable to pre-issuance accrued interest, (ii) the first stated interest payment on the Debt Security is to be made within one year of the Debt Security's issue date and (iii) the payment will equal or exceed the amount of pre-issuance accrued interest, then the United States Holder may elect to decrease the issue price of the Debt Security by the amount of pre-issuance accrued interest. In that event, a portion of the first stated interest payment will be treated as a return of the excluded pre-issuance accrued interest and not as an amount payable on the Debt Security.

Debt Securities Subject to Contingencies Including Optional Redemption. If a Debt Security provides for an alternative payment schedule or schedules applicable upon the occurrence of a contingency or contingencies (other than a remote or incidental contingency), whether such contingency relates to payments of interest or of principal, if the timing and amount of the payments that comprise each payment schedule are known as of the issue date and if one of such schedules is significantly more likely than not to occur, the yield and maturity of the Debt Security are determined by assuming that the payments will be made according to that payment schedule. If there is no single payment schedule that is significantly more likely than not to occur (other than because of a mandatory sinking fund), the Debt Security will be subject to the general rules that govern contingent payment obligations. These rules will be discussed in an applicable Prospectus Supplement.

Notwithstanding the general rules for determining yield and maturity in the case of Debt Securities subject to contingencies, if the Company or the holder has an unconditional option or options that, if exercised, would require payments to be made on the Debt Security under an alternative payment schedule or schedules, then (i) in the case of an option or options of the Company, the Company will be deemed to exercise or not exercise an option or combination of options in the manner that minimizes the yield on the Debt Security and (ii) in the case of an option or options of the holder, the holder will be deemed to exercise or not exercise an option or combination of options in the manner that maximizes the yield on the Debt Security. If both the Company and the holder have options described in the preceding sentence, those rules apply to such options in the order in which they may be exercised. For purposes of those calculations, the yield on the Debt Security is determined by using any date on which the Debt Security may be redeemed or repurchased as the maturity date and the amount payable on such date in accordance with the terms of the Debt Security as the principal amount payable at maturity.

If a contingency (including the exercise of an option) actually occurs or does not occur contrary to an assumption made according to the above rules (a "change in circumstances") then, except to the extent that a portion of the Debt Security is repaid as a result of the change in circumstances and solely for purposes of determining the amount and accrual of OID, the yield and maturity of the Debt Security are redetermined by treating the Debt Security as having been retired and reissued on the date of the change in circumstances for an amount equal to the Debt Security's adjusted issue price on that date.

Election to Treat All Interest as Original Issue Discount. A United States Holder may elect to include in gross income all interest that accrues on a Debt Security using the constant-yield method described above under the heading "Original Issue Discount — General", with the modifications described below. For purposes of this election, interest includes stated interest, OID, de minimis original issue discount, market discount, de minimis market discount and unstated interest, as adjusted by any amortizable bond premium (described below under "Debt Securities Purchased at a Premium") or acquisition premium.

In applying the constant-yield method to a Debt Security with respect to which this election has been made, the issue price of the Debt Security will equal its cost to the electing United States Holder, the issue date of the

Debt Security will be the date of its acquisition by the electing United States Holder, and no payments on the Debt Security will be treated as payments of qualified stated interest. This election will generally apply only to the Debt Security with respect to which it is made and may not be revoked without the consent of the Service. If this election is made with respect to a Debt Security with amortizable bond premium, then the electing United States Holder will be deemed to have elected to apply amortizable bond premium against interest with respect to all debt instruments with amortizable bond premium (other than debt instruments the interest on which is excludible from gross income) held by the electing United States Holder as of the beginning of the taxable year in which the Debt Security with respect to which the election is made is acquired or thereafter acquired. The deemed election with respect to amortizable bond premium may not be revoked without the consent of the Service.

If the election to apply the constant-yield method to all interest on a Debt Security is made with respect to a Market Discount Debt Security, the electing United States Holder will be treated as having made the election discussed above under "Original Issue Discount — Market Discount" to include market discount in income currently over the life of all debt instruments held or thereafter acquired by such United States Holder.

Variable Rate Debt Securities. A "Variable Rate Debt Security" is a Debt Security that: (i) has an issue price that does not exceed the total noncontingent principal payments by more than the lesser of (1) the product of (x) the total noncontingent principal payments, (y) the number of complete years to maturity from the issue date and (z) .015, or (2) 15 percent of the total noncontingent principal payments, and (ii) does not provide for stated interest other than stated interest compounded or paid at least annually at (1) one or more "qualified floating rates", (2) a single fixed rate and one or more qualified floating rates, (3) a single "objective rate" or (4) a single fixed rate and a single objective rate that is a "qualified inverse floating rate".

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a "current value" of that rate. A "current value" of a rate is the value of the rate on any day that is no earlier than 3 months prior to the first day on which that value is in effect and no later than 1 year following that first day.

A variable rate is a "qualified floating rate" if (i) variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Debt Security is denominated or (ii) it is equal to the product of such a rate and either (a) a fixed multiple that is greater than 0.65 but not more than 1.35, or (b) a fixed multiple greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate. If a Debt Security provides for two or more qualified floating rates that (i) are within 0.25 percentage points of each other on the issue date or (ii) can reasonably be expected to have approximately the same values throughout the term of the Debt Security, the qualified floating rates together constitute a single qualified floating rate. A rate is not a qualified floating rate, however, if the rate is subject to certain restrictions (including caps, floors, governors, or other similar restrictions) unless such restrictions are fixed throughout the term of the Debt Security or are not reasonably expected to significantly affect the yield on the Debt Security.

An "objective rate" is a rate, other than a qualified floating rate, that is determined using a single, fixed formula and that is based on objective financial or economic information that is not within the control of or unique to the circumstances of the issuer or a related party. A variable rate is not an objective rate, however, if it is reasonably expected that the average value of the rate during the first half of the Debt Security's term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Debt Security's term. An objective rate is a "qualified inverse floating rate" if (i) the rate is equal to a fixed rate minus a qualified floating rate, and (ii) the variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the cost of newly borrowed funds.

If interest on a Debt Security is stated at a fixed rate for an initial period of one year or less followed by either a qualified floating rate or an objective rate for a subsequent period and (i) the fixed rate and the qualified floating rate or objective rate have values on the issue date of the Debt Security that do not differ by more than 0.25

percentage points or (ii) the value of the qualified floating rate or objective rate is intended to approximate the fixed rate, the fixed rate and the qualified floating rate or the objective rate constitute a single qualified floating rate or objective rate.

In general, if a Variable Rate Debt Security provides for stated interest at a single qualified floating rate or objective rate, all stated interest on the Debt Security is qualified stated interest and the amount of OID, if any, is determined by using, in the case of a qualified floating rate or qualified inverse floating rate, the value as of the issue date of the qualified floating rate or qualified inverse floating rate, or, in the case of any other objective rate, a fixed rate that reflects the yield reasonably expected for the Debt Security.

If a Variable Rate Debt Security does not provide for stated interest at a single qualified floating rate or a single objective rate and also does not provide for interest payable at a fixed rate (other than at a single fixed rate for an initial period), the amount of interest and OID accruals on the Debt Security are generally determined by (i) determining a fixed rate substitute for each variable rate provided under the Variable Rate Debt Security (generally, the value of each variable rate as of the issue date or, in the case of an objective rate that is not a qualified inverse floating rate, a rate that reflects the reasonably expected yield on the Debt Security), (ii) constructing the equivalent fixed rate debt instrument (using the fixed rate substitutes described above), (iii) determining the amount of qualified stated interest and OID with respect to the equivalent fixed rate debt instrument, and (iv) making the appropriate adjustments for actual variable rates during the applicable accrual period.

If a Variable Rate Debt Security provides for stated interest either at one or more qualified floating rates or at a qualified inverse floating rate, and in addition provides for stated interest at a single fixed rate (other than at a single fixed rate for an initial period), the amount of interest and OID accruals are determined as in the immediately preceding paragraph with the modification that the Variable Rate Debt Security is treated, for purposes of the first three steps of the determination, as if it provided for a qualified floating rate (or a qualified inverse floating rate, as the case may be) rather than the fixed rate. The qualified floating rate (or qualified inverse floating rate) replacing the fixed rate must be such that the fair market value of the Variable Rate Debt Security as of the issue date would be approximately the same as the fair market value of an otherwise identical debt instrument that provides for the qualified floating rate (or qualified inverse floating rate) rather than the fixed rate.

Short-Term Debt Securities. In general, an individual or other cash basis United States Holder of a short-term Debt Security is not required to accrue OID (as specially defined below for the purposes of this paragraph) for United States federal income tax purposes unless it elects to do so (but may be required to include any stated interest in income as the interest is received). Accrual basis United States Holders and certain other United States Holders, including banks, regulated investment companies, dealers in securities, common trust funds, United States Holders who hold Debt Securities as part of certain identified hedging transactions, certain pass-through entities and cash basis United States Holders who so elect, are required to accrue OID on short-term Debt Securities on either a straight-line basis or under the constant-yield method (based on daily compounding), at the election of the United States Holder. In the case of a United States Holder not required and not electing to include OID in income currently, any gain realized on the sale or retirement of the short-term Debt Security will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the constant-yield method) through the date of sale or retirement. United States Holders who are not required and do not elect to accrue OID on short-term Debt Securities will be required to defer deductions for interest on borrowings allocable to short-term Debt Securities in an amount not exceeding the deferred income until the deferred income is realized.

For purposes of determining the amount of OID subject to these rules, all interest payments on a short-term Debt Security, including stated interest, are included in the short-term Debt Security's stated redemption price at maturity.

Foreign Currency Discount Debt Securities. OID for any accrual period on a Discount Debt Security that is denominated in, or determined by reference to, a foreign currency will be determined in a foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis United States Holder, as described under "Payments of Interest". Upon receipt of an amount attributable to OID (whether in connection with

a payment of interest or the sale or retirement of a Debt Security), a United States Holder may recognize ordinary income or loss.

Debt Securities Purchased at a Premium

A United States Holder that purchases a Debt Security for an amount in excess of its principal amount may elect to treat such excess as "amortizable bond premium", in which case the amount required to be included in the United States Holder's income each year with respect to interest on the Debt Security will be reduced by the amount of amortizable bond premium allocable (based on the Debt Security's yield to maturity) to such year. In the case of a Debt Security that is denominated in, or determined by reference to, a foreign currency, amortizable bond premium will be computed in units of foreign currency, and amortizable bond premium will reduce interest income in units of the foreign currency. At the time amortized bond premium offsets interest income, exchange gain or loss (taxable as ordinary income or loss) is realized measured by the difference between exchange rates at that time and at the time of the acquisition of the Debt Securities. Any election to amortize bond premium shall apply to all bonds (other than bonds the interest on which is excludible from gross income) held by the United States Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the United States Holder, and is irrevocable without the consent of the Service. See also "Original Issue Discount — Election to Treat All Interest as Original Issue Discount".

Purchase, Sale and Retirement of the Debt Securities

A United States Holder's tax basis in a Debt Security will generally be its U.S. dollar cost (as defined below), increased by the amount of any OID or market discount included in the United States Holder's income with respect to the Debt Security and the amount, if any, of income attributable to de minimis original issue discount and de minimis market discount included in the United States Holder's income with respect to the Debt Security, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortizable bond premium applied to reduce interest on the Debt Security. The U.S. dollar cost of a Debt Security purchased with a foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase or, in the case of Debt Securities traded on an established securities market, as defined in the applicable Treasury Regulations, that are purchased by a cash basis United States Holder (or an accrual basis United States Holder that so elects), on the settlement date for the purchase.

A United States Holder will generally recognize gain or loss on the sale or retirement of a Debt Security equal to the difference between the amount realized on the sale or retirement and the tax basis of the Debt Security. The amount realized on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of such amount on (i) the date payment is received in the case of a cash basis United States Holder, (ii) the date of disposition in the case of an accrual basis United States Holder or (iii) in the case of Debt Securities traded on an established securities market, as defined in the applicable Treasury Regulations, sold by a cash basis United States Holder (or an accrual basis United States Holder that so elects), on the settlement date for the sale. Except to the extent described above under "Original Issue Discount — Short-Term Debt Securities" or "Original Issue Discount — Market Discount", described in the next succeeding paragraph, attributable to accrued but unpaid interest or subject to the general rules governing contingent payment obligations, gain or loss recognized on the sale or retirement of a Debt Security will be capital gain or loss and will be long-term capital gain or loss if the Debt Security was held for more than one year.

Gain or loss recognized by a United States Holder on the sale or retirement of a Debt Security that is attributable to changes in exchange rates will be treated as ordinary income or loss. However, exchange gain or loss is taken into account only to the extent of total gain or loss realized on the transaction.

Exchange of Amounts in Other Than U.S. Dollars

Foreign currency received as interest on a Debt Security or on the sale or retirement of a Debt Security will have a tax basis equal to its U.S. dollar value at the time such interest is received or at the time of such sale or retirement. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase Debt Securities or upon exchange for U.S. dollars) will be ordinary income or loss.

Indexed Debt Securities

The applicable Prospectus Supplement will contain a discussion of any special United States federal income tax rules with respect to Debt Securities that are not subject to the rules governing Variable Rate Debt Securities payments on which are determined by reference to any index and other Debt Securities that are subject to the general rules governing contingent payment obligations.

Backup Withholding and Information Reporting

In general, information reporting requirements will apply to payments of principal, any premium and interest on a Debt Security and the proceeds of the sale of a Debt Security before maturity within the United States to, and to the accrual of OID on a Discount Debt Security with respect to, non-corporate United States Holders, and "backup withholding" at a rate of 31% will apply to such payments and to payments of OID if the United States Holder fails to provide an accurate taxpayer identification number or is notified by the Internal Revenue Service that it has failed to report all interest and dividends required to be shown on its federal income tax returns.

PLAN OF DISTRIBUTION

The Issuer may sell Debt Securities (i) through underwriters, (ii) through dealers, (iii) through agents or (iv) directly to purchasers. The applicable Prospectus Supplement with respect to any Debt Securities will set forth the terms of the offering of such Debt Securities, including the names of ~~any~~ underwriters, dealers or agents involved in the sale of such Debt Securities, the principal amounts of Debt Securities to be purchased by any such underwriters or dealers and any applicable commissions or discounts. The net proceeds to the Issuer are also set forth in the Prospectus Supplement.

If underwriters are used in the sale, the Debt Securities being sold will be acquired by the underwriters for their own account and may be resold from time to time in one or more transactions, including negotiated transactions, at a fixed public offering price or at varying prices determined at the time of sale. Unless otherwise set forth in the Prospectus Supplement with respect to the Debt Securities being offered thereby, the obligations of the underwriters to purchase such Debt Securities will be subject to certain conditions precedent and the underwriters will be obligated to purchase all of such Debt Securities if any of such Debt Securities are purchased. Any initial public offering price and any discounts or concessions allowed or reallocated or paid to dealers may be changed from time to time.

If dealers are used in the sale, unless otherwise indicated in the Prospectus Supplement with respect to the Debt Securities being offered thereby, the Issuer will sell such Debt Securities to the dealers as principals. The dealers may then resell such Debt Securities to the public at varying prices to be determined by such dealers at the time of resale.

Debt Securities may also be sold through agents designated by the Issuer from time to time or directly by the Issuer. Any agent involved in the offering and sale of the Debt Securities in respect of which this Prospectus is being delivered is named, and any commissions payable by the Issuer to such agent are set forth, in the Prospectus Supplement with respect to such Debt Securities. Unless otherwise indicated in such Prospectus Supplement, any such agent is acting on a best efforts basis for the period of its appointment.

If so indicated in the Prospectus Supplement with respect to the Debt Securities being offered thereby, the Issuer will authorize underwriters, dealers or agents to solicit offers by ~~certain~~ institutional investors to purchase such Debt Securities, in which case payment and delivery will be made on a future date specified in such Prospectus Supplement. There may be limitations on the minimum amount which may be purchased by any such institutional investor or on the portion of the aggregate principal amount of such Debt Securities which may be sold pursuant to such arrangements. Institutional investors to which such offers may be made, when authorized, may include commercial and savings banks, insurance companies, pension funds, investment companies, educational and charitable institutions and such other institutions as may be approved by the Issuer. The obligations of any such purchasers pursuant to such delayed delivery and payment arrangements will not be subject to any conditions except that the purchase by an institution of the particular Debt Securities shall not at any time of delivery be prohibited under the laws of any jurisdiction in respect of the validity of such arrangements or the performance of the Issuer or such institutional investors thereunder.

Underwriters, dealers and agents may be entitled under agreements entered into with the Issuer and the Company to indemnification by the Issuer and the Company against ~~certain~~ civil liabilities, including liabilities under the Securities Act of 1933 or to contribution with respect to payments which the underwriters, dealers or agents may be required to make in respect thereof. Underwriters, dealers and agents may be customers of, engage in transactions with, or perform services for, the Issuer, the Company and Group companies in the ordinary course of business.

In the event that Debt Securities of any series are not listed on a U.S. national securities exchange, certain broker-dealers may make a market in such Debt Securities, but will not be obligated to do so and may discontinue any market making at any time without notice. No assurance can be given that any broker-dealer will make a market in Debt Securities of any series or as to the liquidity of the trading market for such Debt Securities.

No Notes may be offered or sold to persons in the United Kingdom nor will be offered or sold to such persons, except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the UK Public Offers of Securities Regulations 1995. All applicable provisions of the UK Financial Services Act 1986 must be complied with in respect of anything done in relation to any Notes in, from or otherwise involving the United Kingdom. A document issued in connection with the issue of any Notes may only be issued or passed on in the United Kingdom to a person who is of a kind described in Article 11(3) of the UK Financial Services Act 1986 (Investment Advertisements) (Exemptions) Order 1995 or is a person to whom such document may otherwise lawfully be issued or passed on.

VALIDITY OF THE DEBT SECURITIES AND THE GUARANTEES

The validity of the Debt Securities and Guarantees offered hereby will be passed upon by Sullivan & Cromwell, U.S. counsel for the Guarantor and the Issuer, and by Shearman & Sterling, U.S. counsel for any underwriters. English legal matters will be passed upon by Anthony C. Golding, legal advisor to LASMO. Sullivan & Cromwell and Shearman & Sterling may rely upon the opinion of Anthony C. Golding, legal advisor to LASMO with respect to all matters of English law.

EXPERTS

The consolidated financial statements of LASMO, appearing in the 1996 Form 20-F, have been audited by Ernst & Young, chartered accountants, independent auditors, as set forth in their report thereon included therein and incorporated herein by reference. Such consolidated financial statements are incorporated herein by reference in reliance upon such report given upon the authority of such firm as experts in accounting and auditing.

ADDITIONAL INFORMATION

The Issuer and the Guarantor have filed with the Commission a registration statement on Form F-3 (herein, together with all amendments and exhibits thereto, referred to as the "Registration Statement") under the Securities Act of 1933 with respect to the Securities offered hereby. This Prospectus does not contain all of the information set forth in the Registration Statement, certain parts of which are omitted in accordance with the rules and regulations of the Commission. For further information, reference is hereby made to the Registration Statement, which may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, 450 Fifth Street, N.W., Washington, DC 20549, copies of which may be obtained by mail from the Public Reference Branch of the Commission at 450 Fifth Street, N.W., Washington, DC 20549, at prescribed rates.

No person has been authorized to give any information or to make any representations other than those contained or incorporated by reference in this Prospectus Supplement or the Prospectus, and, if given or made, such information or representations must not be relied upon as having been authorized. This Prospectus Supplement and the Prospectus do not constitute an offer to sell or the solicitation of an offer to buy any securities other than the securities to which they relate or any offer to sell or the solicitation or any offer to buy such securities in any circumstances in which such offer or solicitation is unlawful. Neither the delivery of this Prospectus Supplement or the Prospectus nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Issuer or the Guarantor since the date hereof or that the information contained herein is correct as of any time subsequent to its date.

Prospectus Supplement

LASMO (USA) Inc.

\$400,000,000

**7.30% Guaranteed Debentures
Due 2027**

Payment of principal and
interest guaranteed by

LASMO plc



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Chase Securities Inc.

NationsBanc Montgomery

ABN AMRO Chicago Corporation

Merrill Lynch & Co.

UBS Securities

Dated November 6, 1997