

Registered number: 792712

CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

**Annual report and financial statements
for the year ended 31 December 2010**

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CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2010

Board of directors:

P C Warwick
D E Chenier
R H Anderson
A D Hastings
C W Conway

Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report, for the year ended 31 December 2010

Principal activities

The company is a wholly owned subsidiary of ConocoPhillips Holdings Limited. The company's ultimate parent company is ConocoPhillips, an international, integrated energy company listed on the New York Stock Exchange.

The principal activities of the company comprise the exploration for, and the development and production of crude oil and natural gas resources in the United Kingdom and on the United Kingdom continental shelf, and the processing and marketing of hydrocarbon products.

The directors are not aware, at the date of this report, of any likely major changes in the company's principal activities in the next year.

Business review

The company has traded profitably during the year and it is the intention that the principal activities of the company will continue for the foreseeable future.

The profit for the year was £122.1 million (2009: £81.0 million). The company paid an ordinary dividend of £105.0 million (2009: £105.0 million) and a preference dividend of £1.9 million (2009: £1.8 million). The resulting surplus was transferred to distributable reserves.

The company's balance sheet, on page 9, of the financial statements, shows the company has net assets of £252.3 million (2009: £235.2 million). The movements on the company's reserves comprise the profit for the year and the payment of ordinary dividends.

The company has many performance indicators in place measuring Health, Safety and Environment to ensure that it continues to build on a legacy of strong commitment and performance. Safety of personnel, coupled with a responsible pro-active approach to managing the environment is core to the company's business. The ultimate financial impact arising from environmental policies, laws and regulations is difficult to determine as current and new standards continue to evolve.

CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

Directors' report (continued)

Business review (continued)

Under s417 of the Companies Act 2006, the directors are required to disclose the company's financial and non financial Key Performance Indicators. ConocoPhillips manages its operations at a segmental and geographical level. For this reason the company's directors believe that the disclosure of Key Performance Indicators for this company is not necessary or appropriate for an understanding of the development, performance or position of the business. The performance of the ConocoPhillips group, which includes this company, is discussed within the annual report of the ultimate parent undertaking, ConocoPhillips.

There were no significant events arising after the balance sheet date.

Principal risks and uncertainties

The principal risks and uncertainties facing the company are those that impact profitability. The company operates in the worldwide crude oil and natural gas markets, and as such, is exposed to fluctuations in crude oil and gas prices. Generally, the ConocoPhillips' group policy is to remain exposed to market prices of commodities, however, executive management may elect to use derivative instruments to hedge the price risk of natural gas and crude oil production.

Another significant factor that can affect profitability is asset impairment. The company's investment in fixed assets can become impaired when reserve estimates are revised downward or when commodity prices decline significantly for long periods of time. Following an impairment review management do not believe there is any impairment in the asset value.

The risks and uncertainties facing the ConocoPhillips group, which includes this company, are discussed within the annual report of the ultimate parent undertaking, ConocoPhillips.

Financial risk management objectives and policies

Commodity price risk

The company operates in the worldwide crude oil and natural gas markets, and is exposed to fluctuations in the prices for these commodities. Generally, the ConocoPhillips group policy is to remain exposed to market prices of commodities, however, executive management may elect to use derivative instruments to hedge the price risk of crude oil and gas production.

The group's commercial organisation uses futures, forwards, swaps and options in various markets to accomplish the following objectives:

- Balance physical systems. In addition to cash settlement prior to contract expiration, exchange traded futures contracts may also be settled by physical delivery of the commodity, providing another source of supply to meet marketing demand,
- Manage the risk to the company's cash flows from price exposures on specific crude oil and natural gas transactions,
- Enable the use of market knowledge gained from these activities to do a limited amount of trading not directly related to the company's physical business. For the years ended 31 December 2010 and 2009, the gains and losses from this activity were not material to the company's cash flows or income from continuing operations.

The company engages the services of an affiliate company, ConocoPhillips Limited, to enter into risk management transactions on its behalf. The affiliate company's commercial organisation uses futures and swaps in various markets to manage the risk to cash flows from price exposures on specific crude oil transactions.

CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

Directors' report (continued)

Financial risk management objectives and policies (continued)

Interest Rate Risk

The company may be exposed to interest rate risk resulting from the company's loan and banking arrangements. The interest charged on the company's loans is linked to LIBOR and therefore is exposed to movements in UK rates. The company does not comprehensively hedge its exposure to interest rate changes although the company may selectively hedge exposure to interest rate risk.

Foreign Currency Risk

The company may be exposed to foreign currency exchange rate risk resulting from entering into certain transactions denominated in currencies other than GBP Sterling. The company does not comprehensively hedge its exposure to currency rate changes, although the company may selectively hedge exposures to foreign currency rate risk.

Going concern

There are no material uncertainties relating to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern.

The company's business activities, together with the factors likely to affect its future development, its financial position and its exposure to price and interest rate risk are described within this Directors' Report.

The company's assets are expected to generate positive cash flows for the foreseeable future. The company has significant financial resources and together with financial forecasts and production budgets the directors believe that the company is well placed to manage its business and financial risks for the foreseeable future. The company participates in the group's centralised cash pooling arrangements and so shares banking arrangements with other ConocoPhillips affiliates. The liquidity of the cash pool is underwritten by ConocoPhillips Company.

After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

Dividends

The company paid dividends to ordinary shareholders during the year of £105.0 million (2009: £105.0 million).

The dividends on the 5.75% redeemable preference shares, amounting to £1.9 million (2009: £1.8 million), were paid throughout the year.

The directors did not recommend a final dividend for the year ended 31 December 2010.

On 15 April 2011, the company paid a dividend to ordinary shareholders of £30.0 million.

CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

Directors' report (continued)

Directors

The directors, who served throughout the year except as noted, were as follows

P C Warwick
T W Fredin (resigned 31 January 2010)
A R Halliwell (resigned 5 March 2010)
N G Lee (resigned 15 October 2010)
S Vaage (resigned 15 October 2010)
R H Anderson
D E Chenier
A D Hastings
C W Conway (appointed 9 April 2010)

Auditors

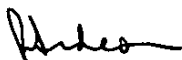
Each of the persons who is a director at the date of approval of this report confirms that

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware, and
- the director has taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006

Pursuant to s386 of the Companies Act 1985, an elective resolution was passed dispensing with the requirement to appoint auditors annually. This election was in force immediately before 1 October 2007, therefore Ernst & Young LLP are deemed to continue as auditors

Approved by the Board and signed on its behalf by



R H Anderson
Director

8 September 2011

Registered office
Portman House
2 Portman Street
London
W1H 6DU

CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare the financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of the affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence taking reasonable steps for the prevention and detection of fraud and other irregularities

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

We have audited the financial statements of ConocoPhillips Petroleum Company U.K. Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Accounting Policies and the related notes 1 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice)

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been properly prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED (continued)

Matters on which we are required to report on by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

Ernst & Young LLP

Moirra Ann Lawrence
Senior Statutory Auditor
For and on behalf of Ernst & Young LLP
Statutory Auditor
Aberdeen

9 SEPTEMBER 2011

CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

Profit and loss account

For the year ended 31 December 2010

	Note	2010 £'000	2009 £'000
Turnover	1	1,525,804	1,063,454
Cost of sales		<u>(1,291,857)</u>	<u>(897,559)</u>
Operating profit	2	233,947	165,895
Income from shares in associated undertaking		<u>9,317</u>	<u>7,318</u>
Profit on ordinary activities before interest and taxation		243,264	173,213
Interest receivable and similar income	5	677	2,172
Interest payable and similar charges	6	<u>(11,478)</u>	<u>(10,723)</u>
Profit on ordinary activities before taxation		232,463	164,662
Tax on profit on ordinary activities	7	<u>(110,327)</u>	<u>(83,648)</u>
Profit for the financial year	18	<u><u>122,136</u></u>	<u><u>81,014</u></u>

All recognised gains and losses are included in the profit and loss account and all activities related to continuing operations

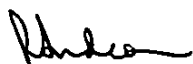
CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED
Registered number: 792712

Balance sheet

At 31 December 2010

	Note	2010 £'000	2009 £'000
Fixed Assets			
Intangible assets	10	102	43,933
Tangible assets	11	342,073	229,608
Investments	12	<u>32,034</u>	<u>32,034</u>
		374,209	305,575
Current Assets			
Stocks	13	14,483	10,781
Debtors			
- due within one year	14	730,233	662,092
- due out with one year	14	-	40,000
Cash at bank and in hand		<u>286,340</u>	<u>124,157</u>
		1,031,056	837,030
Creditors – amounts falling due within one year	15	(719,810)	(645,903)
Provisions for liabilities	16	<u>(20,206)</u>	<u>(323)</u>
Net current assets		<u>291,040</u>	<u>190,804</u>
Total assets less current liabilities		665,249	496,379
Creditors – amounts falling due after one year	15	(145,792)	(32,092)
Provisions for liabilities	16	<u>(267,144)</u>	<u>(229,110)</u>
Net assets		<u>252,313</u>	<u>235,177</u>
Capital and reserves			
Called up share capital	17	57	57
Share premium	18	28,517	28,517
Capital contribution	18	585	585
Profit and loss account	18	<u>223,154</u>	<u>206,018</u>
Shareholder's funds	19	<u>252,313</u>	<u>235,177</u>

The financial statements were approved by the Board of Directors and authorised for issue on 8 September 2011 and signed on its behalf by



R H Anderson
Director

8 September 2011

CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

Statement of accounting policies

For the year ended 31 December 2010

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards and the Statement of Recommended Practice "Accounting for oil and gas exploration, development, production and decommissioning activities" ("the SORP"), except for certain provisions of the SORP as detailed below.

The financial statements have been prepared in accordance with the provisions of the SORP currently in effect, except in respect of the valuation of crude oil overlifts/underlifts, the depreciation policy for production and development costs and the disclosure of reserves. The SORP recommends that crude oil overlifts/underlifts should be valued at market value, whereas the company values its stock of crude oil overlifts/underlifts at the lower of production cost, calculated on an average basis, and net realisable value. This is consistent with corporate policy and the company believes it is appropriate to recognise profit at the point of sale. The SORP recommends that the cost element of the unit of production amortisation calculation for well costs should be the costs incurred to date together with the estimated future development costs of obtaining access to all the reserves included in the unit of production calculation. The company believes that using estimated future development costs to compute amortisation rates can introduce a subjective element into the financial accounting and reporting process and therefore, consistent with corporate policy, only costs incurred to date are amortised on the basis of proved developed reserves (future capital expenditure and proved undeveloped reserves are excluded from the calculation). The company has not made reserves disclosures on the basis that these are commercially sensitive. Reserve disclosures are made in the financial statements of the company's ultimate parent company, ConocoPhillips, for the ConocoPhillips group worldwide.

In accordance with FRS1 (5) (revised) "Cash flow statements" the company has taken advantage of the 90% owned subsidiary exemption and not presented a cash flow statement. The company's cash flows are included in the cash flow statement prepared by its ultimate parent company, ConocoPhillips.

Basis of consolidation

The company is exempt from preparing consolidated financial statements by virtue of section 400 of the Companies Act 2006.

Intangible assets

Intangible assets are included at cost and are amortised over their estimated useful economic lives.

Tangible fixed assets

All capitalised costs including license and concession costs associated with developed properties are considered to be tangible costs for the purpose of these financial statements. Such costs are amortised on a unit-of-production basis which is calculated to write off the book value of each field in line with the depletion of total proved reserves, or proved developed reserves for well costs. Where tangible fixed assets comprise two or more major components with substantially different useful economic lives, each component is accounted for separately for depreciation purposes and depreciated over its individual useful economic life.

Other tangible assets, excluding freehold land, are depreciated at rates between 10% to 33 1/3%, which are calculated to write off their cost by equal annual instalments over their estimated useful lives.

CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

Statement of accounting policies (continued)

For the year ended 31 December 2010

Impairment of fixed assets

Fixed assets used in operations are assessed for impairment whenever changes in facts and circumstances indicate a possible significant deterioration in the future cash flows expected to be generated. Where the sum of the discounted pre-tax cash flows is less than the carrying value of the asset, the carrying value is written down to estimated fair value. Assets are grouped for impairment purposes at the lowest level for which there are identifiable cash flows that are largely independent of the cash flows of other assets.

The fair value of impaired assets is determined based on the present values of expected future cash flows using discount rates. The discount rates used equate to the rate of return that the market would generally expect from equally risky investments.

The expected future cash flows used for impairment reviews are based on estimated future production volumes, prices and costs, considering all available evidence at the date of review.

Investments

Fixed asset investments are stated at cost less provisions for diminution in value.

Investments are assessed for impairment whenever changes in the facts and circumstances indicate a loss in value has occurred which is other than a temporary decline in value.

Stocks

Under or overlift of production compared to the company's entitlement is stated at the lower of production cost, calculated on an average basis, and net realisable value and the amounts are reflected in current assets or current liabilities respectively. Other stocks, including warehouse stock, are valued at average cost.

Taxation

Current taxation, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using tax rates and law that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be sufficient taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless, by the balance sheet date, there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

Statement of accounting policies (continued)

For the year ended 31 December 2010

Petroleum revenue tax

The charge for petroleum revenue tax (PRT) forms part of the taxation charge in the profit and loss account. It is calculated on a period-by-period basis with reference to the operating income of chargeable fields, PRT allowances utilised and timing differences arising in the period.

Decommissioning

Provision for the future cost of decommissioning oil and natural gas production related facilities is recognised in full in the period in which the legal obligation is incurred. When the liability is initially recorded, this cost is capitalised by increasing the carrying value of the related tangible fixed assets.

The amount recognised is the present value of the estimated future expenditure determined in accordance with statutory conditions and requirements. The provision increases as the discount factors applied in calculating the present value of estimated future expenditure unwind. The unwinding of the discount is included within interest payable in the profit and loss account. The capitalised cost is depreciated as part of the overall capital costs of the related assets.

Revenue recognition

Revenues associated with the production of crude oil and natural gas properties are recognised based on the actual volumes sold during any period. Volumes sold are recognised when title passes to the customer, which is when the risk of ownership passes to the purchaser and physical delivery occurs, either immediately or within a fixed delivery schedule that is reasonable and customary in the industry.

Oil/gas field expenditure

Expenditure on acquiring unproved properties and exploring for and developing oil/gas reserves is, in general, capitalised and amortised over the life of the field on a unit-of-production basis. Only those costs that are directly attributable to bringing the relevant assets into working condition for their intended use are capitalised. Subsequent expenditure is capitalised where such expenditure -

- (i) Enhances the economic benefits of the asset in excess of its previously assessed standard of performance or
- (ii) Replaces or restores a component of the asset that has been treated separately for depreciation purposes and depreciated over its individual useful economic life or
- (iii) Relates to a major inspection or overhaul that restores the economic benefits of the asset that have been consumed by the entity and have already been reflected in depreciation.

Immediate write-offs are made in the following circumstances

- (i) Geological and geophysical expenses as incurred
- (ii) Expenditure on unproved properties to the extent that the value is considered to have been impaired by the absence of successful drilling results
- (iii) Costs of those exploratory wells which have been determined as being dry holes
- (iv) Subsequent expenditure undertaken to ensure that the asset maintains its previously assessed standard of performance, for example routine repairs and maintenance expenditure.

Receipts and payments in respect of unitisations and redeterminations are credited or charged to the respective fixed asset accounts when the new partner shares have been formally agreed.

Foreign currency

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

Statement of accounting policies (continued)

For the year ended 31 December 2010

Operating leases

Rentals paid under operating leases are charged to the profit and loss account in the period in which they arise

Derivative instruments

The company, through arrangements with an affiliate company, ConocoPhillips Limited, uses derivative instruments to hedge the effects of fluctuations in the price of crude oil. Any gains or losses arising from commodity derivative contracts are recognised in the profit and loss account in line with the underlying sales transaction.

Share based payments

The company has applied the requirements of FRS20 "Share based payments". FRS20 requires that the entity receiving the benefit of service should recognise an expense relating to share based payments irrespective of the entity holds the employees contract of service. All contracts of service are held within other group undertakings.

All UK employees are eligible to participate in the Share Incentive Plan. The shares purchased by the employees are eligible for matching. In accordance with FRS20, the company records an expense of obtaining the matching shares to satisfy the terms of the Partnership Share Agreement for employees who provide services to the company.

Certain eligible UK employees are awarded Restricted Stock Units as part of the Restricted Stock Programme granted by ConocoPhillips. The awards are held in escrow until the restrictions lapse. The company records the expense of obtaining the shares to satisfy its obligations to the employees who provide services to this company. A liability equal to the cost of obtaining the shares to satisfy the company's obligations to its employees is recognised for each cash-settled share based payment.

Related party transactions

In accordance with FRS 8(3) "Related party disclosures" the company has taken advantage of the exemption not to disclose related party transactions with other wholly-owned members of the group.

CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

Notes to the financial statements

For the year ended 31 December 2010

1. Turnover

Turnover represents the sales amounts derived from the company's production of oil and gas during the year, crude trading and tariff income on a receivable basis, stated net of value added tax. No significant difference arises between the company's share of production and its sales entitlement based on equity ownership of its interests

Turnover and operating profit are principally attributable to the production and trading of hydrocarbons in Europe. An analysis of turnover is given below. No further segmental analysis of operating profit is provided as the directors believe that this could be seriously prejudicial to the best interests of the company.

	2010 £'000	2009 £'000
Exploration and production activities	356,542	298,350
Crude trading	1,163,575	758,988
Other income	5,687	6,116
	<u>1,525,804</u>	<u>1,063,454</u>

2. Operating profit

Operating profit is stated after charging

	2010 £'000	2009 £'000
Operating lease rentals		
- land & buildings	-	67
Depreciation and amortisation		
- owned assets	59,056	61,828
Exploration write off	<u>6</u>	<u>3,366</u>

CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2010

3. Information regarding directors' and employees

(a) Directors' emoluments

	2010 £'000	2009 £'000
Aggregate emoluments for qualifying services	<u>590</u>	<u>271</u>

At 31 December 2010, 5 directors were accruing benefits under a defined benefit pension scheme (2009 : 8)

During the year, 3 directors exercised share options with respect to the shares of the parent company (2009 : 2)

Emoluments of the highest paid director

	2010 £'000	2009 £'000
Aggregate emoluments	462	141
Accrued pension at the end of the year	17	51

(b) Employees

The company had no employees in the current or preceding year. All contracts of employment are held with another group company.

4. Auditors' remuneration

	2010 £'000	2009 £'000
Fees payable to the company's auditors for the audit of the company's annual accounts	<u>90</u>	<u>90</u>

Fees paid to the company's auditor, Ernst & Young LLP, for services other than the statutory audit of the company are not disclosed within this company's accounts as the consolidated accounts of the company's parent, ConocoPhillips Holdings Limited, are required to disclose non-audit fees on a consolidated basis.

The auditors' remuneration is borne by another group company.

5. Interest receivable and similar income

	2010 £'000	2009 £'000
Bank interest	204	360
Interest received from group companies	346	1,651
Other interest	<u>127</u>	<u>161</u>
	<u>677</u>	<u>2,172</u>

CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2010

6. Interest payable and similar charges

	2010 £'000	2009 £'000
Bank loans and overdrafts	11	44
Interest paid to group companies	906	-
Unwinding of discount (Note 16)	8,690	8,767
Other interest	-	84
Dividends paid on preference shares	1,871	1,828
	<u>11,478</u>	<u>10,723</u>

7. Tax on profit on ordinary activities

	2010 £'000	2009 £'000
Current tax		
UK corporation tax at 28% and 50% (2009 28% & 50%)	95,298	81,829
Adjustments in respect of prior periods	(3,575)	(1,851)
UK petroleum revenue tax at 50%	2,238	8,003
Total current tax	<u>93,961</u>	<u>87,981</u>
Deferred tax		
Origination and reversal of timing differences	15,550	(6,480)
Petroleum revenue tax at 50% (2009 50%)	816	2,147
Total deferred tax	<u>16,366</u>	<u>(4,333)</u>
Taxation on profit on ordinary activities	<u>110,327</u>	<u>83,648</u>

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

Factors affecting current tax charge

	2010 £'000	2009 £'000
Profit on ordinary activities before taxation	232,463	164,662
Current tax charge	93,961	87,981
Effective rate of current tax	<u>40.4%</u>	<u>53.4%</u>

CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2010

7. Tax on profit on ordinary activities (continued)

	% profit before tax	
UK corporation tax rate	28.0%	28.0%
Increase/(decrease) resulting from		
UK ring fence corporation tax and supplementary charge	20.7%	21.0%
Timing differences	(6.9%)	3.9%
Adjustments in respect of prior periods	(1.8%)	(1.0%)
Permanent differences	(0.2%)	(0.9%)
Petroleum revenue tax (net of corporation tax)	0.6%	2.4%
Effective current tax rate	<u>40.4%</u>	<u>53.4%</u>

The statutory rate of UK corporation tax on profits other than ring fence oil & gas profits was 28% (2009 28%). With effect from 1 April 2011 the enacted UK corporation tax rate has been reduced to 26%. The company expects that its total effective tax rate on profits will continue to exceed the UK statutory corporation tax rate of 28% (26% effective 1 April 2011) as a consequence of ring fence corporation tax and the supplementary charge applying to its ring fence profits.

With effect from 24 March 2011, the rate of supplementary charge was increased from 20% to 32% in respect of Ring Fence profits. Relevant legislation was enacted on 19 July 2011. The one-time restatement of the company's deferred taxation liability as at 31 December 2010 to the revised rate will result in an additional taxation charge of approximately £17.7 million in the 2011 financial statements.

In 2012, it is anticipated that the rate of supplementary corporation tax relief available in respect of decommissioning costs will be restricted to 20%.

8. Dividends on equity shares

Amounts recognised as distributions to equity holders in the year

	2010 £'000	2009 £'000
Interim dividend for the year ended 31 December 2010 of £1,826.09 (2009 £1,826.09) per ordinary share	<u>105,000</u>	<u>105,000</u>
	<u>105,000</u>	<u>105,000</u>

There are no proposed final dividends for the year ended 31 December 2010 (2009 Nil).

The company's redeemable preference shares are included in the balance sheet as a liability and accordingly the dividends payable on them are included in interest payable and similar charges.

On 15 April 2011, the company paid dividends to ordinary shareholders of £30.0 million.

CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2010

9. Share based payments

Cash-settled share based payments

Share Incentive Plan

All UK employees are eligible to participate in the ConocoPhillips Share Incentive Plan. Employees can contribute a portion of their pre-tax monthly salary. The employee's contributions are then used to purchase shares in the company's ultimate parent company, ConocoPhillips, at market value. Contributions up to 2.5% of base salary (2009: 2.5%) are eligible for company matching on a "2 for 1" basis. The matching shares must be left in the plan for at least five years to qualify for tax relief.

To satisfy the group's obligation under the Share Incentive Plan, the company recognised an expense of

	2010 £'000	2009 £'000
Matching shares	564	505
	No.	No.
Number of issued ordinary shares	14,376	17,374
	£	£
Average price of ordinary shares issued	35.360	29.423

Restricted Stock Units

Certain eligible UK employees are awarded Restricted Stock Units (RSUs). Each award is held in escrow until the restrictions on the awards lapse. When the restrictions lapse, the number of shares of unrestricted stock, equal to the number of RSUs, will be registered in the name of the employee and the RSUs will be terminated.

To satisfy the group's obligations under the RSU award programme, the company recognised an expense of

	2010 £'000	2009 £'000
Restricted Stock Units	293	193
	No.	No.
Number of lapsed RSU awards and ordinary shares issued	4,673	3,455
Exercise price of ordinary shares (£)	29.75	32.68
Exercise price of ordinary shares (\$)	48.25	46.93

CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2010

10. Intangible fixed assets

	Total £'000
Cost	
At 1 January 2010	43,933
Additions	108
Transfers	(43,933)
Exploration write off	(6)
	<u>102</u>
At 31 December 2010	<u>102</u>

11. Tangible fixed assets

	Production & development costs £'000	Other operating assets £'000	Total £'000
Cost			
At 1 January 2010	899,543	5,322	904,865
Additions	127,588	-	127,588
Transfers	43,933	-	43,933
	<u>1,071,064</u>	<u>5,322</u>	<u>1,076,386</u>
At 31 December 2010	<u>1,071,064</u>	<u>5,322</u>	<u>1,076,386</u>
Depreciation			
At 1 January 2010	670,404	4,853	675,257
Charge in year	59,033	23	59,056
	<u>729,437</u>	<u>4,876</u>	<u>734,313</u>
At 31 December 2010	<u>729,437</u>	<u>4,876</u>	<u>734,313</u>
Net book value			
At 31 December 2010	<u>341,627</u>	<u>446</u>	<u>342,073</u>
At 31 December 2009	<u>229,139</u>	<u>469</u>	<u>229,608</u>

Included in Production & development costs is £90.5 million (2009 - £84.0 million) of Assets under construction

CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2010

12. Fixed asset investments

Cost	Subsidiary undertakings £'000	Associated undertakings £'000	Total £'000
As at 1 January 2010 and 31 December 2010	29,737	2,297	32,034

Particulars of principal subsidiary undertakings:

	Principal activities
ConocoPhillips Petroleum Chemicals UK Limited	Dormant
ConocoPhillips Oil (GB) Limited	Dormant
ConocoPhillips Pension Plan Trustees Limited	Dormant

The company holds 100% of the share capital and voting rights in each of the companies above

Particulars of associated undertakings:

	Proportion of shares and voting rights	Principal activities
Norsea Pipeline Limited	29.26%	NGL plant operation & crude oil stabilisation through its subsidiary
ConocoPhillips (U K) Limited	0.0004%	Exploration, development, production & sale of crude oil, natural gas & natural gas liquids

Norsea Pipeline Limited and ConocoPhillips (U K) Limited are registered in England and Wales and the interests are held directly by this company

The company also holds 9.832% of the preference share capital of ConocoPhillips (U K) Limited

The company is exempt from preparing consolidated financial statements by virtue of section 400 of the Companies Act 2006, as the company is a wholly owned subsidiary of ConocoPhillips Holdings Limited, for which consolidated financial statements are prepared

CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2010

13. Stocks

	2010 £'000	2009 £'000
Raw materials and consumables	<u>14,483</u>	<u>10,781</u>

14. Debtors

	2010		2009	
	Within one year £'000	After one year £'000	Within one year £'000	After one year £'000
Trade debtors	168,072	-	170,131	-
Amounts owed by group companies	552,864	-	470,690	40,000
Amounts owed by related parties	386	-	2,421	-
Other debtors	8,911	-	15,033	-
Petroleum Revenue Tax	-	-	3,817	-
	<u>730,233</u>	<u>-</u>	<u>662,092</u>	<u>40,000</u>

Amounts owed by group undertakings due after one year include an interest-bearing loan of £nil million (2009 £40.0 million). The loan was repaid in full in February 2010. The interest rate was 3/8ths of 1% over LIBOR. During the year interest of £0.3 million was charged and paid on the loan (2009 £1.4 million).

15. Creditors

	2010		2009	
	Within one year £'000	After one year £'000	Within one year £'000	After one year £'000
Bank loans and overdrafts	464,786	-	440,264	-
Trade creditors	41,268	-	32,296	-
Amounts owed to group companies	98,465	113,700	111,055	-
Corporation tax	40,416	-	25,570	-
Accruals and deferred income	74,875	-	36,718	-
Preference share capital (Note 17)	-	32,092	-	32,092
	<u>719,810</u>	<u>145,792</u>	<u>645,903</u>	<u>32,092</u>

Included within amounts owed to group undertakings are loans repayable as follows.

	2010 £'000	2009 £'000
Amounts repayable		
In one year or less, or on demand	896	-
After five years	<u>113,700</u>	<u>-</u>
	<u>114,596</u>	<u>-</u>

The interest rate applied to the company's loan is variable and linked to LIBOR. The loan is due for repayment in 2015.

CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2010

16. Provisions for liabilities

	Decommissioning provision £'000	Deferred taxation £'000	Total £'000
At 1 January 2010	169,531	59,902	229,433
Changes in estimates of existing obligations	4,908	-	4,908
New obligations	10,794	-	10,794
Adjustment for change in discount rate	22,718	-	22,718
Unwinding of discount (Note 6)	8,690	-	8,690
Costs incurred on existing obligations	(5,559)	-	(5,559)
Debited to profit & loss account	-	16,366	16,366
At 31 December 2010	<u>211,082</u> (a)	<u>76,268</u> (b)	<u>287,350</u>
At 31 December 2010			
Current	20,206	-	20,206
Non-current	<u>190,876</u>	<u>76,268</u>	<u>267,144</u>
	<u>211,082</u>	<u>76,268</u>	<u>287,350</u>
At 31 December 2009			
Current	323	-	323
Non-current	<u>169,208</u>	<u>59,902</u>	<u>229,110</u>
	<u>169,531</u>	<u>59,902</u>	<u>229,433</u>

- (a) At 31 December 2010, the provision for the future costs of decommissioning oil and natural gas production and related facilities was £211.1 million (2009 £169.5 million). The provision has been estimated using the present value of future decommissioning costs, inflated at 2.5% (2009 2.5%) and discounted at 3.4% and 4.4% where settlement is expected within 10 years and after 10 years respectively (2009 3.4% and 5.6%). Costs expected to be incurred within the next year have been disclosed as current. All other costs are not currently expected to be incurred within the next year.

CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2010

16. Provisions for liabilities (continued)

(b) Deferred taxation

	2010 £'000	2009 £'000
Analysis of movements during the year		
At 1 January	59,902	64,235
Profit and loss account (Note 7)	16,366	(4,333)
At 31 December	76,268	59,902
Analysis of provision		
Accelerated capital allowances	163,664	126,931
Rolled over gains	13,535	13,535
Decommissioning	(105,541)	(84,766)
Petroleum Revenue Tax (PRT)	4,610	4,202
	76,268	59,902

17. Called up share capital

Allotted, called up and fully-paid	2010 £'000	2009 £'000
57,500 ordinary shares of £1 00 each	57	57
Share capital classified as a liability under FRS25		
500,000 class "B" cumulative redeemable preference shares of US\$100 each	32,092	32,092

The 500,000 class "B" cumulative redeemable preference shares, which were issued at par in 1996, are redeemable at any time upon one months notice from the company. They carry a fixed dividend of 5.75% payable quarterly in arrears.

The class "B" cumulative redeemable preference shares are denominated in United States dollars and carry no voting rights unless the preference dividend is in arrears by six months or more. They have no premium paid on redemption. They have preferential rights over the ordinary shares to receive on winding up the amount of US\$100 per share together with the accrued dividend.

The issued preference share capital of £32.1 million is classified as a financial liability under the requirements of FRS25 "Financial Instruments: Disclosure and Presentation" (Note 15).

CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2010

18. Reserves

	Share premium £'000	Capital contribution £'000	Profit & loss account £'000
At 1 January 2010	28,517	585	206,018
Profit for the financial year	-	-	122,136
Dividends paid	-	-	(105,000)
At 31 December 2010	<u>28,517</u>	<u>585</u>	<u>223,154</u>

19. Reconciliation of movements in shareholder's funds

	2010 £'000	2009 £'000
Profit for the financial year	122,136	81,014
Dividends paid	<u>(105,000)</u>	<u>(105,000)</u>
Net increase/(decrease) to shareholder's funds	17,136	(23,986)
Opening shareholder's funds	<u>235,177</u>	<u>259,163</u>
Closing shareholder's funds	<u>252,313</u>	<u>235,177</u>

20. Financial commitments

(a) Capital commitments

At 31 December commitments for future capital expenditure were as follows

	2010 £'000	2009 £'000
Contracted but not provided for	<u>58,699</u>	<u>4,316</u>

CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2010

21. Derivatives not at fair value

The company has derivatives that it has not included in the financial statements at fair value. The fair value of derivatives held at the year end are as follows:

	2010		2009	
	Asset £'000	Liability £'000	Asset £'000	Liability £'000
Oil price contracts	198	-	1,566	-

The oil price contract hedge the price risk on specific crude oil transactions and are through arrangements with ConocoPhillips Limited, an affiliated company.

22. Related party transactions

In accordance with FRS 8 3(e) "Related Party Disclosures" the company has taken advantage of the exemption not to disclose related party transactions with other wholly-owned members of the group.

The company's interests in associated undertakings are detailed in Note 12.

Other related parties and their relationship to the company are as follows:

Company name	Relationship
Norpipe Petroleum UK Limited	Common control
Norpipe Oil AS	Common control

Transactions with related parties relating to recharged costs, on an arms length basis, are detailed below.

	Net Recharges to/(from)		Debtor/(Creditor) at 31 December	
	2010 £'million	2009 £'million	2010 £'million	2009 £'million
Norsea Pipeline Limited	73.3	61.6	2.6	5.8
Norpipe Petroleum UK Limited	29.9	33.0	5.2	2.9
Norpipe Oil AS	1.9	1.1	0.5	0.6

CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2010

23. Ultimate controlling party

ConocoPhillips, a company registered in Delaware, USA, which the directors regard as the company's ultimate parent undertaking with respect to the year to 31 December 2010, is the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member. Copies of the 2010 Annual Report may be obtained from 600 North Dairy Ashford, Houston, TX 77079, USA.

ConocoPhillips Holdings Limited, a company registered in England is the parent undertaking of the smallest group of undertakings for which group financial statements are drawn up and of which the company is a member. Copies of the financial statements may be obtained from Portman House, 2 Portman Street, London, W1H 6DU.

CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

THE FOLLOWING SUPPLEMENTARY
INFORMATION IS UNAUDITED

CONOCOPHILLIPS PETROLEUM COMPANY U.K. LIMITED

Supplementary information on oil exploration & production activities – unaudited

This information has been prepared in accordance with the provisions of the Statement of Recommended Practice – Accounting for Oil and Gas exploration, development, production and decommissioning activities

(a) Capitalised costs relating to oil & gas exploration and production activities as at 31 December:

	2010 £'000	2009 £'000
Gross capitalised costs		
Proved properties	1,076,386	904,865
Unproved properties	102	43,933
	<u>1,076,488</u>	<u>948,798</u>
Accumulated depreciation & amortisation	<u>(734,313)</u>	<u>(675,257)</u>
Net capitalised costs	<u>342,175</u>	<u>273,541</u>

(b) Pre-production costs incurred in oil & gas exploration and production activities as at 31 December:

	2010 £'000	2009 £'000
Exploration & appraisal costs	<u>3,985</u>	<u>24,115</u>
Capitalised costs included in total above	<u>102</u>	<u>-</u>

(c) Results of operations of oil & gas exploration and production activities as at 31 December:

	2010 £'000	2009 £'000
Turnover	1,525,804	1,063,454
Production costs	(1,228,918)	(811,616)
Exploration & appraisal costs	(3,883)	(24,115)
Depreciation & amortisation	<u>(59,056)</u>	<u>(61,828)</u>
	<u>233,947</u>	<u>165,895</u>
Allocable taxes	<u>(114,739)</u>	<u>(87,459)</u>
Results of operations & production	<u>119,208</u>	<u>78,436</u>