

Registered number: 1491002

CONOCOPHILLIPS (U.K.) THETA LIMITED

**Annual report and financial statements
for the year ended 31 December 2013**

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CONOCOPHILLIPS (U.K.) THETA LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2013

Board of directors: D E Chenier
A D Hastings
M D Wright

Strategic report

The directors present their strategic report for the year ended 31 December 2013.

Review of the business

The company is a wholly owned subsidiary of ConocoPhillips (U.K.) Sigma 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, development, production of crude oil, natural gas and natural gas liquids. The activities are principally undertaken in the North Sea.

The company also holds the group's investment in ConocoPhillips (U.K.) Lambda Limited, a company registered in Ireland.

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.

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 £37.7 million (2012: £9.7 million). The company paid an ordinary dividend of £29.0 million (2012: £20.0 million).

The company's balance sheet, on page 10, of the financial statements, shows the company has net assets of £210.7 million (2012: £202.0 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.

Under s414C 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.

CONOCOPHILLIPS (U.K.) THETA LIMITED

Strategic report (continued)

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 2013 and 2012, the gains and losses from this activity were not material to the company's cash flows or income from continuing operations.

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.

There are no unrealised commodity derivative contracts at 31 December 2013 (2012: nil) in relation to the company.

CONOCOPHILLIPS (U.K.) THETA LIMITED

Strategic report (continued)

Approved by the Board and signed on its behalf by:



M D Wright
Director

16 July 2014

Registered office:
Portman House
2 Portman Street
London
W1H 6DU

CONOCOPHILLIPS (U.K.) THETA LIMITED

Directors' report

The directors present their report for the year ended 31 December 2013.

Directors

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

R H Anderson (resigned 13 May 2013)
A D Hastings
J M Warrender (resigned 3 July 2013)
D E Chenier
M D Wright (appointed 13 May 2013)

Dividends

The company paid dividends to ordinary shareholders during the year of £29.0 million (2012: £20.0 million).

The directors did not recommend a final dividend for the year ended 31 December 2013.

Events since the balance sheet date

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

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.

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.

CONOCOPHILLIPS (U.K.) THETA LIMITED

Directors' report (continued)

Auditors (continued)

Pursuant to s386 of the Companies Act 1985 and continuing under the 2006 Companies Act, 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:



M D Wright
Director

.....16 July 2014

Registered office:
Portman House
2 Portman Street
London
W1H 6DU

CONOCOPHILLIPS (U.K.) THETA LIMITED

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, 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 (U.K.) THETA LIMITED

We have audited the financial statements of ConocoPhillips (U.K.) Theta Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Accounting Policies and the related notes 1 to 19. 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 6, 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 the financial statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. 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 2013 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 Strategic Report and 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 (U.K.) THETA 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

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

22 July2014

CONOCOPHILLIPS (U.K.) THETA LIMITED

Profit and loss account

For the year ended 31 December 2013

	Note	2013 £'000	2012 £'000
Turnover	1	66,642	55,909
Cost of sales		<u>(30,532)</u>	<u>(42,917)</u>
Operating profit	2	36,110	12,992
Income from shares in group undertakings		<u>26,000</u>	<u>20,000</u>
Profit on ordinary activities before interest and taxation		62,110	32,992
Interest receivable and similar income	5	993	1,505
Interest payable and similar charges	6	<u>(2,421)</u>	<u>(2,599)</u>
Profit on ordinary activities before taxation		60,682	31,898
Tax on profit on ordinary activities	7	<u>(22,996)</u>	<u>(22,224)</u>
Profit for the financial year	16	<u>37,686</u>	<u>9,674</u>


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

CONOCOPHILLIPS (U.K.) THETA LIMITED
Registered number: 1491002

Balance sheet
At 31 December 2013

	Note	2013 £'000	2012 £'000
Fixed Assets			
Tangible assets	9	112,312	107,802
Investments	10	<u>18</u>	<u>18</u>
		112,330	107,820
Current Assets			
Stocks	11	885	723
Debtors	12	123,831	128,969
Cash at bank and in hand		<u>130,705</u>	<u>112,273</u>
		255,421	241,965
Creditors – amounts falling due within one year	13	(41,176)	(31,802)
Provisions for liabilities	14	<u>(21,864)</u>	<u>(12,192)</u>
Net current assets		<u>192,381</u>	<u>197,971</u>
Total assets less current liabilities		304,711	305,791
Provisions for liabilities	14	<u>(94,003)</u>	<u>(103,769)</u>
Net assets		<u><u>210,708</u></u>	<u><u>202,022</u></u>
Capital and reserves			
Called up share capital	15	5,502	5,502
Share premium	16	91	91
Revaluation reserve	16	31,910	31,910
Other reserves	16	80,745	80,745
Profit and loss Account	16	<u>92,460</u>	<u>83,774</u>
Shareholder's funds	17	<u><u>210,708</u></u>	<u><u>202,022</u></u>

The financial statements were approved by the Board of Directors and authorised for issue on 10 July 2014 and signed on its behalf by:



M D Wright
Director

10 July 2014

CONOCOPHILLIPS (U.K.) THETA LIMITED

Statement of accounting policies

For the year ended 31 December 2013

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.

Tangible fixed assets

All capitalised costs including licence 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.

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.

CONOCOPHILLIPS (U.K.) THETA LIMITED

Statement of accounting policies (continued)

For the year ended 31 December 2013

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 recognised in respect of retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

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.

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.

CONOCOPHILLIPS (U.K.) THETA LIMITED

Statement of accounting policies (continued)

For the year ended 31 December 2013

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.

Fixed asset revaluations prior to the implementation of FRS15 are treated as cost under the transitional provisions of FRS15 and the company will not be updating the valuation in the future.

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.

Derivative instruments

The group policy is to remain exposed to market prices.

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 (U.K.) THETA LIMITED

Notes to the financial statements

For the year ended 31 December 2013

1. Turnover

Turnover represents the sales amounts derived from the company's production of oil, gas and condensate during the year, and of 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. No further segmental analysis of turnover and operating profit is provided as the directors believe that this could be seriously prejudicial to the best interests of the company.

2. Operating profit

Operating profit is stated after charging/(crediting):

	2013 £'000	2012 £'000
Deferred Consideration	(541)	(1,104)
Depreciation and amortisation		
- impairment (reversal)/charge	(1,164)	13,545
- owned assets	<u>15,122</u>	<u>17,434</u>

Following an impairment review of the company's assets, an impairment reversal of £1.2 million has been recognised (2012: impairment charge of £13.5 million). The future cashflows were discounted at a pre tax discount rate based on a post tax discount rate of 10%.

Under the terms of a Sale & Purchase Agreement, dated 10 May 2006, between the company and Faroe Petroleum (UK) Limited, deferred consideration of \$0.9 million (£0.5 million) became payable on first gas from the Orca field. The consideration became due in December 2013 and has been recognised within cost of sales.

Under the terms of a Sale & Purchase Agreement, dated 5 September 2000, between the company and Roc Oil (GB) Limited, deferred consideration of \$1.75 million (£1.1 million) became payable on the 9th million barrel of production from the Chestnut field. The consideration became due in March 2012 and was recognised within cost of sales.

3. Information regarding directors' and employees

(a) Directors' emoluments

No emoluments were paid to the directors for their qualifying services in respect of ConocoPhillips (U.K.) Theta Limited in the current or preceding year. All directors' contracts of employment are held within another group company.

ConocoPhillips manages its operations at a segmental and geographical level. For this reason the company's directors believe that it is not practicable to apportion their remuneration between qualifying services for this company and other group companies in which they hold office.

(b) Employees

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

CONOCOPHILLIPS (U.K.) THETA LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2013

4. Auditors' remuneration

	2013 £'000	2012 £'000
Fees payable to the company's auditors for the audit of the company's annual accounts	<u>7</u>	<u>7</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 (U.K.) 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

	2013 £'000	2012 £'000
Bank interest	185	181
Interest received from group companies	<u>808</u>	<u>1,324</u>
	<u>993</u>	<u>1,505</u>

6. Interest payable and similar charges

	2013 £'000	2012 £'000
Interest paid to group companies	5	7
Unwinding of discount (Note 14)	<u>2,416</u>	<u>2,592</u>
	<u>2,421</u>	<u>2,599</u>

CONOCOPHILLIPS (U.K.) THETA LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2013

7. Tax on profit on ordinary activities

	2013 £'000	2012 £'000
Current tax		
UK corporation tax at 23.25% and 62% (2012: 24.5% and 62.0%)	18,911	7,945
Adjustments in respect of prior periods	(751)	(772)
UK petroleum revenue tax at 50% (2012: 50%)	1,067	3,185
Total current tax	<u>19,227</u>	<u>10,358</u>
Deferred tax		
Origination and reversal of timing differences	3,654	12,554
Petroleum revenue tax at 50% (2012: 50%)	115	(688)
Total deferred tax	<u>3,769</u>	<u>11,866</u>
Taxation on profit on ordinary activities	<u>22,996</u>	<u>22,224</u>

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

Factors affecting current tax charge:

	2013 £'000	2012 £'000
Profit on ordinary activities before taxation	<u>60,682</u>	<u>31,898</u>

	2013 £'000	2012 £'000
Profit on ordinary activities multiplied by standard rate of UK corporation tax of 23.25% (2012: 24.5%)	14,108	7,815
UK ring fence corporation tax and supplementary charge	13,889	15,336
Timing differences	(3,725)	(12,128)
Permanent differences	(4,699)	(1,103)
Adjustments in respect of prior periods	(751)	(772)
Petroleum revenue tax (net of corporation tax)	405	1,210
Effective current tax charge	<u>19,227</u>	<u>10,358</u>

Legislation was enacted on 17 July 2012 to reduce the non ring fence corporation tax rate from 24% to 23% effective 1 April 2013. Legislation was enacted on 17 July 2013 to reduce the non ring fence corporation tax rate from 23% to 21% effective 1 April 2014 and from 21% to 20% from 1 April 2015. These changes are expected to have no material impact.

The company expects that its total effective tax rate on profits will exceed the UK statutory non ring fence blended corporation tax rate of 23.25% (23% effective 1 April 2013) as a consequence of ring fence corporation tax at 30% and the supplementary charge at 32% applying to its ring fence profits.

CONOCOPHILLIPS (U.K.) THETA LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2013

8. Dividends on equity shares

Amounts recognised as distributions to equity holders in the year:

	2013 £'000	2012 £'000
Interim dividend for the year ended 31 December 2013 of £5.53 (2012: £3.82) per ordinary share	<u>29,000</u>	<u>20,000</u>
	<u><u>29,000</u></u>	<u><u>20,000</u></u>

There are no proposed final dividends for the year ended 31 December 2013 (2012: nil).

9. Tangible fixed assets

	Production & development costs £'000
Cost or valuation	
At 1 January 2013	557,745
Additions	<u>18,468</u>
At 31 December 2013	<u><u>576,213</u></u>
Depreciation	
At 1 January 2013	449,943
Charge in year	15,122
Impairment reversal	<u>(1,164)</u>
At 31 December 2013	<u><u>463,901</u></u>
Net book value	
At 31 December 2013	<u><u>112,312</u></u>
At 31 December 2012	<u><u>107,802</u></u>

On 1 January 1997, the tangible assets of the company were revalued to the fair value of the consideration paid for them by Saga Petroleum International Holdings Limited, the company's ultimate parent company in the UK prior to its acquisition by ConocoPhillips (U.K.) Limited. Subsequent to the company's acquisition by ConocoPhillips (U.K.) Limited, the company took advantage of the transitional provisions of FRS15 and will not be updating the valuation in the future.

CONOCOPHILLIPS (U.K.) THETA LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2013

10. Fixed asset investments

	Subsidiary undertakings £'000
Cost	
At 1 January & 31 December 2013	<u>18</u>

Particulars of principal subsidiary undertakings:

	Principal activities
ConocoPhillips (U.K.) Lambda Limited	Oil exploration & production

The company holds 100% of the ordinary share capital and voting rights and 99% of the company's €1.26997 shares in ConocoPhillips (U.K.) Lambda 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 subsidiary of ConocoPhillips (U.K.) Sigma Limited which is a wholly owned subsidiary of ConocoPhillips (U.K.) Limited, for which consolidated financial statements are prepared.

11. Stocks

	2013 £'000	2012 £'000
Raw materials and consumables	<u>885</u>	<u>723</u>

12. Debtors

	2013 £'000	2012 £'000
Trade debtors	10,463	8,754
Amounts owed by group companies	106,510	109,214
Other debtors	3,228	3,602
Deferred taxation (Note 14)	<u>3,630</u>	<u>7,399</u>
	<u>123,831</u>	<u>128,969</u>

Amounts owed by group companies, include an interest-bearing loan of £80.0 million (2012: £80.0 million) with no specific repayment date. The interest rate is variable and linked to LIBOR. The remainder of the balance arises in the company's normal course of business.

Included in other debtors are amounts of £0.2 million (2012: nil) in respect of accrued income which is due outwith one year.

All other amounts are due within one year.

CONOCOPHILLIPS (U.K.) THETA LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2013

13. Creditors

	2013 £'000	2012 £'000
Amounts owed to group companies	22,966	22,916
Current tax	9,135	4,779
Accruals and deferred income	9,075	4,107
	<u>41,176</u>	<u>31,802</u>

14. Provisions for liabilities

	Decommissioning provision £'000	Deferred credits £'000	Deferred taxation £'000	Total £'000
At 1 January 2013	115,961	-	-	115,961
Opening balance disclosed within debtors (Note 12)	-	-	(7,399)	(7,399)
Adjustment for change in discount rate	(7,118)	-	-	(7,118)
Unwinding of discount (Note 6)	2,416	-	-	2,416
Changes in estimates of existing obligations	15,411	-	-	15,411
Costs incurred on existing obligations	(12,190)	-	-	(12,190)
New obligations	1,382	-	-	1,382
Debited to profit & loss account	-	-	3,769	3,769
Receipts & payments	-	5	-	5
Balance presented within debtors at 31 December 2013 (Note 12)	-	-	3,630	3,630
At 31 December 2013	<u>115,862</u>	<u>5</u>	<u>-</u>	<u>115,867</u>
	(a)	(b)	(c)	
At 31 December 2013				
Current	21,864	-	-	21,864
Non-current	93,998	5	-	94,003
	<u>115,862</u>	<u>5</u>	<u>-</u>	<u>115,867</u>
At 31 December 2012				
Current	12,192	-	-	12,192
Non-current	103,769	-	-	103,769
	<u>115,961</u>	<u>-</u>	<u>-</u>	<u>115,961</u>

CONOCOPHILLIPS (U.K.) THETA LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2013

14. Provisions for liabilities (continued)

- (a) At 31 December 2013 the provision for the future costs of decommissioning oil and natural gas production and related facilities was £115.9 million (2012: £116.0 million). The provision has been estimated using the present value of future decommissioning costs, inflated at 2.5% (2012: 2.5%) and discounted at 3.0% and 4.0% where settlement is expected within 10 years and after 10 years respectively (2012: 1.8% and 3.0%). 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. The provision is based on the latest estimates available and reflects information received after the balance sheet date.
- (b) Deferred credit balances relate to amounts outstanding for "Take or Pay" or "Send or Pay" arrangements in respect of transportation systems and dedicated gas contracts, where economic benefits are expected to transfer over the course of the related asset useful lives.
- (c) Deferred taxation

	2013 £'000	2012 £'000
Analysis of movements during the year		
At 1 January	(7,399)	(19,265)
Profit and loss account (Note 7)	3,769	11,866
	<u>(3,630)</u>	<u>(7,399)</u>
At 31 December		
	2013 £'000	2012 £'000
Analysis of debtor		
Accelerated capital allowances	54,808	51,091
Petroleum Revenue Tax (PRT)	(1,580)	(1,583)
Decommissioning	(57,931)	(57,980)
Other timing differences	1,073	1,073
	<u>(3,630)</u>	<u>(7,399)</u>

15. Called up share capital

	2013 £'000	2012 £'000
Allotted, called up and fully-paid		
5,240,000 ordinary "A" shares of £1.00 each	5,240	5,240
5,240,000 ordinary "B" shares of £0.05 each	262	262
	<u>5,502</u>	<u>5,502</u>

CONOCOPHILLIPS (U.K.) THETA LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2013

16. Reserves

	Share premium £'000	Revaluation reserve £'000	Other reserves £'000	Profit & loss account £'000
At 1 January 2013	91	31,910	80,745	83,774
Profit for the financial year	-	-	-	37,686
Dividends paid	-	-	-	(29,000)
At 31 December 2013	<u>91</u>	<u>31,910</u>	<u>80,745</u>	<u>92,460</u>

On 1 January 1997, the tangible assets of the company were revalued to the fair value of the consideration paid for them by Saga Petroleum International Holdings Limited, the company's ultimate parent company in the UK prior to its acquisition by ConocoPhillips (U.K.) Limited. Subsequent to the company's acquisition by ConocoPhillips (U.K.) Limited, the company took advantage of the transitional provisions of FRS15 and will not be updating the valuation in the future.

Other reserves relate to amounts contributed to the company by its immediate parent undertaking. In April 1998, the company received a capital contribution of \$80.0 million (£49.7 million) by way of a transfer of a promissory note with Saga Petroleum International AS. The promissory note was subsequently cancelled in exchange for repayment of amounts due to Saga Petroleum International AS by the company. In November 1998 the company received a further capital contribution of \$50.0 million (£31.0 million) from its immediate parent undertaking by way of cash.

17. Reconciliation of movements in shareholder's funds

	2013 £'000	2012 £'000
Profit for the financial year	37,686	9,674
Dividends paid	<u>(29,000)</u>	<u>(20,000)</u>
Net increase/(decrease) in shareholder's funds	8,686	(10,326)
Opening shareholder's funds	<u>202,022</u>	<u>212,348</u>
Closing shareholder's funds	<u>210,708</u>	<u>202,022</u>

CONOCOPHILLIPS (U.K.) THETA LIMITED

Notes to the financial statements (continued)

For the year ended 31 December 2013

18. Financial commitments

(a) Capital commitments

At 31 December commitments for future capital expenditure were as follows:

	2013 £'000	2012 £'000
Contracted but not provided for	<u>11,136</u>	<u>4,390</u>

19. 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 2013, 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 2013 Annual Report may be obtained from 600 North Dairy Ashford, Houston, TX 77079, USA.

ConocoPhillips (U.K.) 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 (U.K.) THETA 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:

	2013 £'000	2012 £'000
Gross capitalised costs		
Proved properties	576,213	557,745
Accumulated depreciation & amortisation	<u>(463,901)</u>	<u>(449,943)</u>
Net capitalised costs	<u>112,312</u>	<u>107,802</u>

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

	2013 £'000	2012 £'000
Turnover	66,642	55,909
Production costs	(16,574)	(11,938)
Impairment reversal/(charge)	1,164	(13,545)
Depreciation & amortisation	<u>(15,122)</u>	<u>(17,434)</u>
	36,110	12,992
Allocable taxes	<u>(23,975)</u>	<u>(23,154)</u>
Results of operations & production	<u>12,135</u>	<u>(10,162)</u>