

CONOCO SPECIALTY PRODUCTS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005



CONOCO SPECIALTY PRODUCTS LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2005

Company registration number 2371340

The directors submit their report and financial statements for the year ended 31 December 2005, together with the comparative financial statements for the year to 31 December 2004.

Results and dividends

The results for the year show a loss after taxation of £204 (2004 - loss of £311).

The directors do not recommend the payment of a dividend (2004 - Nil).

Principal activities

There was no trading activity during 2005, the nature of the transactions were bank interest and bank charges.

Directors

The directors that held office during the year were as follows:

| | |
|---------------|---|
| C R Freestone | (Resigned 28 th February 2006) |
| R P B Swallow | |
| C Gautrey | |

There are no directors' interests requiring disclosure under the Companies Act 1985.

Statement of directors' responsibilities

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

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

Auditors

An elective resolution has been passed dispensing with the need to re-appoint the auditors annually and consequently the auditors Ernst & Young LLP will be deemed to be reappointed for the next financial year.

By order of the Board
R P B Swallow
Director




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

Date

24th October 2006

CONOCO SPECIALTY PRODUCTS LIMITED

REPORT OF THE DIRECTORS

FOR THE YEAR ENDED 31 DECEMBER 2005

Independent auditors' report to the members of Conoco Speciality Products Limited

We have audited the company's financial statements for the year ended 31 December 2005 which comprise Profit and Loss Account, Balance Sheet, and the related notes 1 to 11. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

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

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

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2005 and of the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Ernst & Young LLP

Registered Auditor

Luton

Date

26 October 2006

CONOCO SPECIALTY PRODUCTS LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2005

| | Note | 2005 £ | 2004 £ |
|---|------|-----------|-----------|
| Interest receivable and similar income | 4 | 59 | 67 |
| Interest payable and similar charges | 5 | (263) | (378) |
| Loss on ordinary activities before taxation | | (204) | (311) |
| Taxation on loss on ordinary activities | 6 | - | - |
| Loss for the financial year | | (204) | (311) |
| Retained loss for the financial year | | (204) | (311) |
| Retained profit brought forward | | 485 | 796 |
| Retained profit carried forward | | 281 | 485 |

The loss for the year includes all recognised gains and losses incurred during the year.

The notes on pages 6 to 8 form an integral part of these financial statements.

CONOCO SPECIALTY PRODUCTS LIMITED

BALANCE SHEET

AT 31 DECEMBER 2005

| | Note | 2005 £ | 2004 £ |
|--|------|------------|--------------|
| Current assets | | | |
| Cash at Bank and in hand | | 387 | 1,709 |
| | | <u>387</u> | <u>1,709</u> |
| Creditors: Amounts falling due within one year | 7 | (6) | (1,124) |
| Net current assets | | <u>381</u> | <u>585</u> |
| Capital and reserves | | | |
| Called up share capital | 8 | 100 | 100 |
| Profit and Loss Account | | 281 | 485 |
| Shareholders' funds | 9 | <u>381</u> | <u>585</u> |

Financial statements approved by the Board of Directors and signed on their behalf
C Gautrey, Director



Date: 24th October 2006

The notes on pages 6 to 8 form an integral part of these financial statements.

CONOCO SPECIALTY PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

(a) Basis of Preparation

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

(b) Cash Flow Statement

The company meets the definition of a small company as defined by section 247 of the Companies Act 1985 and is therefore exempted under Financial Reporting Standard 1 (Revised- 1996) 'Cash Flow Statements' from preparing a cash flow statement.

(c) Foreign Currencies

Assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Net translation and conversion differences are taken to the profit and loss account.

(d) Deferred Taxation

Deferred tax is recognized in respect of all timing differences, arising from the different accounting and tax treatment of individual items in the financial statements, that have originated but not reversed at the balance sheet date and which will result in an obligation to pay more, or a right to pay less, tax in the future.

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

2. Turnover

There was no trading activity during 2005, the nature of the transactions were bank interest and bank charges.

3. Directors Remuneration

No remuneration was paid to the directors during the year ended 31 December 2005 in respect of their services as directors to Conoco Specialty Products Ltd (2004 - £Nil).

4. Interest receivable and similar income

| | 2005 £ | 2004 £ |
|---------------|-----------|-----------|
| Bank Interest | <u>59</u> | <u>67</u> |

CONOCO SPECIALTY PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

5. Interest payable and similar charges

| | 2005 £ | 2004 £ |
|---------------------------|--------------|--------------|
| Bank loans and overdrafts | <u>(263)</u> | <u>(378)</u> |

6. Taxation

(a) Tax based on profit on ordinary activities:

| | 2005 £ | 2004 £ |
|--|-----------|-----------|
| Current Tax : | | |
| UK Corporation tax at 30% (2003 - 30%) - in respect of current year | - | - |
| Total Current Tax | <u>-</u> | <u>-</u> |

(b) Factors affecting the current tax charge

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 tax.

| | 2005 £ | 2004 £ |
|--|----------------|----------------|
| Loss on ordinary activities before tax | <u>(204)</u> | <u>(311)</u> |
| Current tax credit | <u>-</u> | <u>-</u> |
| Effective current rate of tax | <u>0%</u> | <u>0%</u> |
| <u>Percentage (loss)/profit before tax</u> | | |
| UK statutory corporation tax rate | 30.0% | 30.0% |
| Tax losses carried forward | <u>(30.0%)</u> | <u>(30.0%)</u> |
| Effective current Tax rate | <u>0.0%</u> | <u>0.0%</u> |

7. Creditors

| | 2005 £ | 2004 £ |
|----------|-----------|--------------|
| Taxation | <u>6</u> | <u>1,124</u> |

8. Share capital

Authorised (2005 and 2004): 100 ordinary shares of £1 each.

Allotted, called up and fully paid (2005 and 2004): 100 ordinary shares of £1 each.

CONOCO SPECIALTY PRODUCTS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

9. Reconciliation of movements in Shareholders' Funds

| | 2005 £ | 2004 £ |
|--------------------------------------|-----------|-----------|
| Loss for the financial year | (204) | (311) |
| Net reduction in shareholders' funds | (204) | (311) |
| Shareholders' funds at 1 January | 585 | 896 |
| Shareholders' funds at 31 December | 381 | 585 |

10. Parent undertakings

CSPL Holdings Ltd which is a company limited by guarantee is the immediate parent company of Conoco Specialty Products Ltd. Conoco Petroleum Operations Inc provides the guarantee.

The directors regard ConocoPhillips, a Company registered in Delaware, USA, as the Company's ultimate parent undertaking with respect to the year to 31 December 2005, and 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 2005 Annual Report may be obtained from B-41 Adams Building, 411 South Keeler Ave., Bartlesville, OK 74004.

11. Related Party Transactions

There were no related party transactions during the year (2004: £nil).