

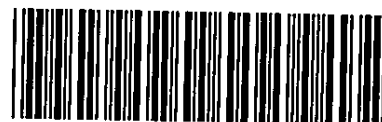
**PHP INVESTMENTS LIMITED**  
(Registered No. SC311032)

**ANNUAL REPORT AND ACCOUNTS 2011**

Board of Director: J S Blythe

**REPORT OF THE DIRECTORS**

THURSDAY



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19/07/2012

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COMPANIES HOUSE

The director presents his report and accounts for the year ended 31 December 2011.

**Results and dividends**

The profit for the year after taxation was \$527,353,000 which, when added to the retained profit brought forward at 1 January 2011 of \$133,578,000 gives a total retained profit carried forward at 31 December 2011 of \$660,931,000.

The company has not declared any dividends during the year (2010: \$Nil). The director does not propose the payment of a dividend.

**Principal activity and review of the business**

The company is a holding company of an associate undertaking based in the UK.

No key financial and other performance indicators have been identified for this company.

**Principal risks and uncertainties**

The company aims to deliver sustainable value by identifying and responding successfully to risks. Risk management is integrated into the process of planning and performance management at a group level. Monitoring and accountability for the management of these risks occur through quarterly performance reviews at a group level.

Consider carefully the risks described below and the potential impact of their occurrence on the business, financial condition and results of operations for the company.

Company level risks have been categorised against the following area: compliance and control. In addition, we have also set out a further category of risk for your attention – those resulting from the 2010 Gulf of Mexico oil spill (the Incident).

**Gulf of Mexico oil spill**

The Gulf of Mexico oil spill has had and could continue to have a material adverse impact on BP as a group, and consequently may also have an adverse impact on PHP Investments Limited.

There is significant uncertainty in the extent and timing of costs and liabilities relating to the Incident, the impact of the Incident on the reputation of the BP group and the resulting possible impact on the company's ability to access new opportunities. There is also significant uncertainty

## **PHP INVESTMENTS LIMITED**

### **REPORTS OF THE DIRECTORS**

#### **Principal risks and uncertainties (continued)**

##### **Gulf of Mexico oil spill (continued)**

regarding potential changes in applicable regulations and the operating environment that may result from the Incident. These increase the risks to which the group and therefore the company are exposed to. These uncertainties are likely to continue for a significant period. Thus, the Incident has had, and could continue to have, a material adverse impact on the group's business, competitive position, financial performance, cash flows, prospects, liquidity, shareholder returns and/or implementation of its strategic agenda, particularly in the US.

The BP Group recognized charges totalling \$40.9 billion in 2010 and a credit of \$3.7 billion in 2011 as a result of the Incident. The total amounts that will ultimately be paid by BP in relation to all obligations relating to the Incident are subject to significant uncertainty and the ultimate exposure and cost to BP will be dependent on many factors. Furthermore, the amount of claims that become payable by BP, the amount of fines ultimately levied on BP (including any potential determination of BP's negligence or gross negligence), the outcome of litigation, and any costs arising from any longer-term environmental consequences of the oil spill, will also impact upon the ultimate cost for BP. Although the provision recognized is the current best estimate of expenditures required to settle certain present obligations at the end of the reporting period, there are future expenditures for which it is not possible to measure the obligation reliably. The risks associated with the Incident could also heighten the impact of the other risks to which the group is exposed as further described below. Further information on the Incident, is included within the BP group Annual Report and Form 20-F for the year ended 31 December 2011.

#### **Compliance and control risk**

##### ***Reporting***

External reporting of financial and non-financial data is reliant on the integrity of systems and people. Failure to report data accurately and in compliance with external standards could result in regulatory action, legal liability and damage to the company's reputation.

#### **Future developments**

The director aims to maintain the management policies which have resulted in the company's stability in recent years. He believes that the company is in a good position to take advantage of any opportunities which may arise in the future.

It is the intention of the director that the business of the company will continue for the foreseeable future.

#### **Director**

The present director is listed on page 1.

Changes since 1 January 2011 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
R C Fearnley	-	10 Oct 2011
J S Blythe	10 Oct 2011	-

**PHP INVESTMENTS LIMITED**

**REPORTS OF THE DIRECTORS**

**Director's indemnity**

The company indemnifies the director in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006.

**Policy and practice on payment of creditors**

It is the company's policy to follow the CBI's prompt payment code of practice for all suppliers to the company with payments made in accordance with the relevant contractual payment terms. A copy of the code of practice may be obtained from the CBI.

The number of days' purchases represented by trade creditors at the year-end was nil.

**Auditor**

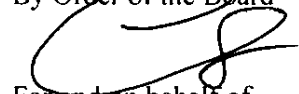
In the absence of a notice proposing that the appointment be terminated, Ernst & Young LLP will be deemed to be re-appointed as the company's auditor for the next year.

**Director's statement as to the disclosure of information to the auditor**

The director who was a member of the board at the time of approving the director's report is listed on page 1. The director confirms that:

- To the best of his knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditor is unaware; and
- He has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information.

By Order of the Board



For and on behalf of  
Sunbury Secretaries Limited  
Company Secretary

9 JULY

~~Month~~ 2012

Registered Office:

1 Wellheads Avenue  
Dyce  
Aberdeen  
AB21 7PB  
United Kingdom

## **PHP INVESTMENTS LIMITED**

### **STATEMENT OF DIRECTOR'S RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

The director is responsible for preparing the Director's Report and the financial statements in accordance with applicable law and regulations.

Company law requires the director to prepare financial statements for each financial year. Under that law the director has 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 director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss for that period. In preparing these accounts, the director is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom 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 director is responsible for keeping proper 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The director confirms that he has complied with these requirements and, having a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future, continues to adopt the going concern basis in preparing the accounts.

**PHP INVESTMENTS LIMITED**

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF**  
**PHP INVESTMENTS LIMITED**

We have audited the financial statements of PHP Investments Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the accounting policies and the related notes 1 to 16. 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 director and auditor**

As explained more fully in the Statement of Director's Responsibilities set out on page 4, the director is 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). These 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 director; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts 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 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 2011 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 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 Director's Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

**Matters on which we are required to report 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 director's 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*

**WILLIAM TESTA** (Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor

London

*16 July*

2012

## **PHP INVESTMENTS LIMITED**

### **ACCOUNTING POLICIES**

#### **Accounting standards**

The financial statements of PHP Investments Limited were approved for issue by the Board of Directors on 21 JUNE 2012

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

#### **Accounting convention**

The accounts are prepared under the historical cost convention.

#### **Statement of cash flows**

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

#### **Group accounts**

Group accounts are not submitted as the company is exempt from the obligation to prepare group accounts under Section 400 (1) of the Companies Act 2006. The result of the associated undertaking is dealt with in the consolidated accounts of the ultimate parent undertaking, BP p.l.c., a company registered in England and Wales. These accounts present information about the company as an individual undertaking and not about the group.

#### **Foreign currency transactions**

Foreign currency transactions are initially recorded in dollars by applying the exchange rate ruling on the date of transaction. Foreign currency monetary assets and liabilities are translated into dollars at the rate of exchange ruling at the balance sheet date. Exchange differences are included in the profit and loss account.

#### **Interest**

Interest is charged against income in the year in which it is incurred.

#### **Interest income**

Interest income is recognised on an accruals basis.

#### **Investments**

Fixed asset investments in the associate are held at cost. The company assesses investments for impairment whenever events or changes in circumstances indicate that the carrying value of an investment may not be recoverable. If any such indication of impairment exists, the company makes an estimate of its recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

Where these circumstances have reversed the impairment previously made is reversed to the extent of the original cost of the investment.

**PHP INVESTMENTS LIMITED**

**ACCOUNTING POLICIES**

**Trade and other debtors**

Trade and other debtors are carried at the original invoice amount, less allowances made for doubtful receivables. Provision is made when there is objective evidence that the company will be unable to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

**Trade and other creditors**

Trade and other creditors are carried at payment or settlement amounts. If the effect of the time value of money is material, trade and other creditors are determined by discounting the expected future cash flows at a pre-tax rate.

**PHP INVESTMENTS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

	Note	2011 \$000	2010 \$000
Administration expenses		(11)	(9)
Reversal of amounts provided against fixed assets	2	587,663	-
<b>Profit / (loss) on ordinary activities before interest and taxation</b>		587,652	(9)
Interest payable and similar charges	3	(61,182)	(61,125)
Interest receivable and similar income	4	883	215
<b>Profit / (loss) before taxation</b>		527,353	(60,919)
Taxation	5	-	-
<b>Profit / (loss) for the year</b>		527,353	(60,919)

The profit of \$527,353,000 for the year ended 31 December 2011 has derived in its entirety from continuing operations.

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 DECEMBER 2011**

There are no recognised gains or losses attributable to the shareholders of the company other than the profit of \$527,353,000 for the year ended 31 December 2011 (2010 loss of \$60,919,000).



**PHP INVESTMENTS LIMITED**  
**(Registered No. SC311032)**

**BALANCE SHEET AT 31 DECEMBER 2011**

	Note	<u>2011</u> \$000	<u>2010</u> \$000
<b>Fixed assets</b>			
Investments	7	5,462,814	4,875,151
<b>Current assets</b>			
Debtors	8	665,645	741,359
<b>Creditors: amounts falling due within one year</b>	9	<u>(9)</u>	<u>(15,413)</u>
<b>Net current assets</b>		<u>665,636</u>	<u>725,946</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		6,128,450	5,601,097
<b>Creditors: amounts falling due after more than one year</b>	9	<u>(2,891,000)</u>	<u>(2,891,000)</u>
<b>NET ASSETS</b>		<u>3,237,450</u>	<u>2,710,097</u>
<b>Represented by</b>			
<b>Capital and reserves</b>			
Called up share capital	11	3,724	3,724
Share premium account	12	2,572,795	2,572,795
Profit and loss account	12	660,931	133,578
<b>SHAREHOLDERS' FUNDS – EQUITY INTERESTS</b>		<u>3,237,450</u>	<u>2,710,097</u>

On behalf of the Board



J S Blythe  
Director

9 JULY

~~14~~ Month 2012

**PHP INVESTMENTS LIMITED**

**NOTES TO THE ACCOUNTS**

**1. Auditor's remuneration**

	2011	2010
	\$000	\$000
Fees for the audit of the company	8	9

Fees paid to the company's auditor, Ernst & Young LLP, and its associates for services other than the statutory audit of the company are not disclosed in these accounts since the consolidated accounts of PHP Investments Limited's ultimate parent, BP p.l.c., are required to disclose non-audit fees on a consolidated basis.

**2. Exceptional item**

Exceptional item comprises reversal of amounts provided against fixed assets as follow:

	2011	2010
	\$000	\$000
Reversal of amounts provided against fixed assets	587,663	-

The reversal of amounts provided against fixed assets is in relation to the impairment reversal of the company's investment in PHP Operations. The reversal has no tax effect.

**3. Interest payable and similar charges**

	2011	2010
	\$000	\$000
Interest expense on loans from group undertakings	61,182	61,125

**4. Interest receivable and similar income**

	2011	2010
	\$000	\$000
Interest income from group undertakings	883	215

**5. Taxation**

The Company is a member of a group for the purposes of relief within Part 5, Corporation Tax Act 2010. No corporation tax has been provided because another group company, BP International Limited, has undertaken to procure the claim or surrender of group relief to the extent it is required and to provide for any current or deferred tax that arises without charge.

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

**PHP INVESTMENTS LIMITED**

**NOTES TO THE ACCOUNTS**

**5. Taxation (continued)**

	<u>2011</u>	<u>2010</u>
	<u>\$000</u>	<u>\$000</u>
Profit / (loss) before taxation	527,353	(60,919)
Current taxation	-	-
Effective current tax rate	0%	0%
	<u>2011</u>	<u>2010</u>
	<u>%</u>	<u>%</u>
UK statutory corporation tax rate :	26	28
Decrease resulting from:		
Non-deductible expenditure/ non-table income	(29)	-
Free group relief	3	(28)
Effective current tax rate	<u>-</u>	<u>-</u>

**6. Director and employees**

**(a) Remuneration of director**

The director did not receive any fees or remuneration for services as a director of the company during the financial year (2010: \$Nil).

**(b) Employee costs**

The company had no employees during the year (2010: Nil).

**7. Investments**

	<u>Investment in associate shares</u>
<b>Cost</b>	<u>\$000</u>
At 1 January 2011 / 31 December 2011	5,462,814
<b>Amounts provided</b>	
At 1 January 2011	(587,663)
Reversal for the year	587,663
At 31 December 2011	<u>-</u>
<b>Net book amount</b>	
At 31 December 2011	<u>5,462,814</u>
At 31 December 2010	<u>4,875,151</u>

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# **PHP INVESTMENTS LIMITED**

## **NOTES TO THE ACCOUNTS**

### **7. Investments (continued)**

The investment in the associated undertaking is unlisted.

The associated undertaking of the company at 31 December 2011 and the percentage of equity capital held are set out below. The principal country of operation is generally indicated by the company's country of incorporation or by its name.

Associated undertaking	Class of share held	%	Country of incorporation	Issued share capital	Principal activity
PHP Operations	Ordinary	49	England and Wales	574,623	Holding company

### **8. Debtors**

	2011	2010
	Within	Within
	1 year	1 year
	\$000	\$000
Amounts owed by group undertakings	<u>665,645</u>	<u>741,359</u>

### **9. Creditors**

	2011	2011	2010	2010
	Within	After	Within	After
	1 year	1 year	1 year	1 year
	\$000	\$000	\$000	\$000
Amounts owed to group undertakings	9	-	9	-
Loans (see note 9 )	-	2,891,000	15,404	2,891,000
	<u>9</u>	<u>2,891,000</u>	<u>15,413</u>	<u>2,891,000</u>

### **10. Loans**

Loans repayable, included within creditors, are analysed as follows:

	2011	2010
	Within	Within
	5 years	5 years
	\$000	\$000
Wholly repayable	<u>2,891,000</u>	<u>2,906,404</u>

Interest rates on borrowings repayable within 5 years from 31 December 2011 are calculated by reference to the LIBOR plus 160 basis points.

**PHP INVESTMENTS LIMITED**

**NOTES TO THE ACCOUNTS**

**11. Called up share capital**

	<u>2011</u>	<u>2010</u>
	\$000	\$000
Allotted, called up and fully paid:		
3,724,499 Ordinary shares of \$1 each for a total nominal value of \$3,724,499 and 1 Ordinary share of £1.00 for a total nominal value of £1.00	<u>3,724</u>	<u>3,724</u>

**12. Capital and reserves**

	Called up share capital	Share premium account	Profit and loss account	Total
	\$000	\$000	\$000	\$000
At 1 January 2011	3,724	2,572,795	133,578	2,710,097
Profit for the year	-	-	527,353	527,353
At 31 December 2011	<u>3,724</u>	<u>2,572,795</u>	<u>660,931</u>	<u>3,237,450</u>

**13. Reconciliation of movements in shareholders' funds**

	<u>2011</u>	<u>2010</u>
	\$000	\$000
Profit / (loss) for the year	527,353	(60,919)
Issue of ordinary share capital	-	2,570,834
Net increase in shareholders' funds	527,353	2,509,915
Shareholders' funds at 1 January	2,710,097	200,182
Shareholders' funds at 31 December	<u>3,237,450</u>	<u>2,710,097</u>

**14. Related party transactions**

The company has taken advantage of the exemption contained within Financial Reporting Standard No 8 "Related Party Disclosures", and has not disclosed transactions entered into with group companies. There were no other related party transactions in the year.

**15. Pensions**

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

**PHP INVESTMENTS LIMITED**

**NOTES TO THE ACCOUNTS**

**16. Immediate and ultimate controlling parent undertaking**

The immediate parent undertaking of this company is BP Exploration Operating Company Limited, a company registered in England and Wales. The ultimate controlling parent undertaking of the group of undertakings for which group accounts are drawn up, and of which the company is a member, is BP p.l.c., a company registered in England and Wales. Copies of BP p.l.c.'s accounts can be obtained from 1 St James's Square, London, SW1Y 4PD.