

PHP INVESTMENTS LIMITED

(Registered No.SC311032)

ANNUAL REPORT AND ACCOUNTS 2010

Board of Director: R C Fearnley

REPORT OF THE DIRECTOR

The director presents his report and accounts for the year ended 31 December 2010

Results and dividends

The loss for the year after taxation was \$60,919,000 which, when deducted from the retained profit brought forward at 1 January 2010 of \$194,497,000, gives a total retained profit carried forward at 31 December 2010 of \$133,578,000.

The company has not declared any dividends during the year (2009: \$5,000,000,000). The directors do not propose the payment of a dividend.

Principal activity and review of the business

The company is a holding company of a subsidiary 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, the potential impact of their occurrence on the business, financial condition and results of operations on the company.

Company level risks have been categorised against compliance and control. In addition, we have also set out a further category of risk for your attention – that resulting from the 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.

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PHP INVESTMENTS LIMITED

REPORT OF THE DIRECTOR

Principal risks and uncertainties (continued)

Gulf of Mexico oil spill (continued)

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 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 income statement for the year ended 31 December 2010 includes a pre-tax charge of \$40.9 billion in relation to the Gulf of Mexico oil spill. The total amounts that will ultimately be paid by the BP group in relation to all obligations relating to the Incident are subject to significant uncertainty and the ultimate exposure and cost to the BP group will be dependent on many factors. The risks associated with the Incident could also heighten the impact of the other risks to which the company 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 2010.

Compliance and control risks

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.

Going concern

The director considers that, despite the uncertainties deriving from the current economic environment and the loss reported for the year, the company has adequate resources to continue in operational existence for the foreseeable future.

Director

The present director is listed on page 1.

There have been no director appointments or resignations since 1 January 2010.

Directors' indemnity

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

PHP INVESTMENTS LIMITED

REPORT OF THE DIRECTOR

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.

Auditors

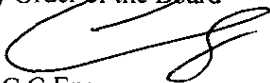
In the absence of a notice proposing that the appointment be terminated, Ernst & Young LLP will be deemed to be re-appointed as the company's auditor for the next year.

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. Having made enquiries of the company's auditor, 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
- Each director 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


K C G Eng
For and on behalf of
Sunbury Secretaries Limited
Company Secretary

19 MAY 2011

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
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 directors 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 him to ensure that the financial statements comply with the Companies Act 2006. He is 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 2010 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 15. 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 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

As explained more fully in the Statement of Directors' Responsibilities 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). 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 directors; and the overall presentation of the financial statements.

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 loss 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 Directors' 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 by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company 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

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

London

24 May 2011

PHP INVESTMENTS LIMITED

ACCOUNTING POLICIES

Accounting standards

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 results of subsidiary and associated undertakings are 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.

Investments

Fixed asset investments in subsidiaries 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.

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 2010

	Note	<u>2010</u> \$000	<u>2009</u> \$000
Administration expenses		(9)	(2)
Loss on ordinary activities before interest and taxation		(9)	(2)
Interest payable and similar charges	2	(61,125)	(106,162)
Interest receivable and similar income	3	215	5,169
Loss before taxation		(60,919)	(100,995)
Taxation	4	-	-
Loss for the year		(60,919)	(100,995)

The loss of \$60,919,000 for the year ended 31 December 2010 has derived in its entirety from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2010

There are no recognised gains or losses attributable to the shareholders of the company other than the loss of \$60,919,000 for the year ended 31 December 2010 (2009 \$100,995,000).

PHP INVESTMENTS LIMITED

(Registered No.SC311032)

BALANCE SHEET AT 31 DECEMBER 2010

	Note	<u>2010</u> \$000	<u>2009</u> \$000
Fixed assets			
Investments	6	<u>4,875,151</u>	<u>2,304,317</u>
Current assets			
Debtors	7	741,359	803,753
Creditors: amounts falling due within one year	8	<u>(15,413)</u>	<u>(16,888)</u>
Net current assets		<u>725,946</u>	<u>786,865</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,601,097	3,091,182
Creditors: amounts falling due after more than one year	8	<u>(2,891,000)</u>	<u>(2,891,000)</u>
NET ASSETS		<u>2,710,097</u>	<u>200,182</u>
Represented by			
Capital and reserves			
Called up share capital	10	3,724	590
Share premium account	11	2,572,795	5,095
Profit and loss account	11	133,578	194,497
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		<u>2,710,097</u>	<u>200,182</u>

On behalf of the Board



R C Fearnley
Director

19 MAY 2011

PHP INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

1. Auditor's remuneration

	<u>2010</u>	<u>2009</u>
	\$000	\$000
Fees for the audit of the company	<u>9</u>	<u>2</u>

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. Interest payable and similar charges

	<u>2010</u>	<u>2009</u>
	\$000	\$000
Interest expense on loans from group undertakings	<u>61,125</u>	<u>106,162</u>

3. Interest receivable and similar income

	<u>2010</u>	<u>2009</u>
	\$000	\$000
Interest income from group undertakings	<u>215</u>	<u>5,169</u>

4. Taxation

The Company is a member of a group for the purposes of relief under 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.

	<u>2010</u>	<u>2009</u>
	\$000	\$000
Profit before taxation	(60,919)	(100,995)
Current taxation	-	-
Effective current tax rate	0%	0%
	<u>2010</u>	<u>2009</u>
	%	%
UK statutory corporation tax rate:	28	28
Decrease resulting from:		
Free group relief	(28)	(28)
Effective current tax rate	<u>-</u>	<u>-</u>

PHP INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

5. Directors and employees

(a) Remuneration of director

None of the directors received any fees or remuneration for services as a director of the company during the financial year (2009: \$Nil).

(b) Employee costs

The company had no employees during the year (2009: Nil).

6. Investments

	Investment in associate's shares
Cost	\$000
At 1 January 2010	2,891,980
Additions	2,570,834
At 31 December 2010	<u>5,462,814</u>
Amounts provided	
At 1 January 2010 and 31 December 2010	<u>(587,663)</u>
Net book amount	
At 31 December 2010	<u>4,875,151</u>
At 31 December 2009	<u>2,304,317</u>

The investment in the subsidiary undertaking is unlisted.

The associated undertakings of the company at 31 December 2010 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 undertakings	Class of share held	%	Country of incorporation	Issued share capital	Principal activity
PHP Operations	Ordinary	49	England and Wales	285,474	Holding company

7. Debtors

	2010	2009
	Within	Within
	1 year	1 year
	\$000	\$000
Amounts owed by group undertakings	<u>741,359</u>	<u>803,753</u>

PHP INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

8. Creditors

	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
	Within	After	Within	After
	1 year	1 year	1 year	1 year
	\$000	\$000	\$000	\$000
Amounts owed to group undertakings	9	-	7	-
Loans (see note 9)	15,404	2,891,000	16,881	2,891,000
	<u>15,413</u>	<u>2,891,000</u>	<u>16,888</u>	<u>2,891,000</u>

9. Loans

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

	<u>2010</u>	<u>2010</u>	<u>2009</u>	<u>2009</u>
	Within	After	Within	After
	5 years	5 years	5 years	5 years
	\$000	\$000	\$000	\$000
Wholly repayable	2,906,404	-	16,881	2,891,000

Interest rates on borrowings repayable wholly or partly more than five years from 31 December 2010 are calculated by reference to the LIBOR plus 160 basis points.

10. Called up share capital

	<u>2010</u>	<u>2009</u>
	\$000	\$000
Allotted and called up:		
590,100 Ordinary shares of \$1 each for a total nominal value of \$590,100	590	590
3,134,399 Ordinary share of \$1 each for a total nominal value of \$3,134,399	3,134	-
1 Ordinary share of £1 for a total nominal value of £1	-	-
	<u>3,724</u>	<u>590</u>

On 28 June 2010, 3,134,399 ordinary shares of \$1 each for a total nominal value of \$3,134,399, were allotted to the immediate parent company at a premium.

11. Capital and reserves

	<u>Called up</u>	<u>Share</u>	<u>Profit and</u>	<u>Total</u>
	<u>share</u>	<u>premium</u>	<u>loss</u>	
	<u>capital</u>	<u>account</u>	<u>account</u>	<u>\$000</u>
	\$000	\$000	\$000	\$000
At 1 January 2010	590	5,095	194,497	200,182
Issue of ordinary share capital	3,134	2,567,700	-	2,570,834
Loss for the year	-	-	(60,919)	(60,919)
At 31 December 2010	<u>3,724</u>	<u>2,572,795</u>	<u>133,578</u>	<u>2,710,097</u>

PHP INVESTMENTS LIMITED

NOTES TO THE ACCOUNTS

12. Reconciliation of movements in shareholders' funds

	<u>2010</u>	<u>2009</u>
	<u>\$000</u>	<u>\$000</u>
Loss for the year	(60,919)	(100,995)
Dividends – current year interim paid	-	(5,000,000)
Issue of ordinary share capital	2,570,834	-
Net increase / (decrease) in shareholders' funds	2,509,915	(5,100,995)
Shareholders' funds at 1 January	200,182	5,301,177
Shareholders' funds at 31 December	<u>2,710,097</u>	<u>200,182</u>

13. 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.

14. Pensions

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

15. Immediate and ultimate parent undertaking

The immediate parent undertaking of this company is BP Exploration Operating Company Limited, a company registered in England and Wales. The ultimate 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.