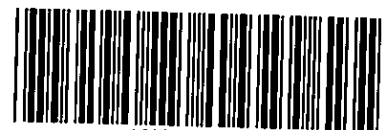


CONOCOPHILLIPS (U.K.) ALPHA LIMITED

FINANCIAL STATEMENTS 2008

(Registered in England No 2374592)

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CONOCOPHILLIPS (U.K.) ALPHA LIMITED

(Registered in England No 2374592)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2008

Board of Directors: P C Warwick
T W Fredin
C Gautrey
A R Halliwell
D A V Farthing
J M Warrender

REPORT OF THE DIRECTORS

The directors present their report and audited financial statements for the year ended 31 December 2008.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

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

The company's principal activities are the exploration for, and production of, natural gas and natural gas liquids. The company's principal assets are its interests in the South Valiant and Vulcan fields (operated by ConocoPhillips). 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 is committed to maintaining significant production from its principal assets and continued to trade profitably during the year.

The Balance Sheet on page 6 of the financial statements shows the company has net assets at 31 December 2008 of £45.7 million, an increase of £2.1 million from 31 December 2007. This represents the profit for the financial year, which has been transferred to reserves. The company did not declare an ordinary dividend in 2008 (2007 : £nil million).

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

The company has many performance indicators in place measuring Health, Safety and the Environment to ensure that it continues to build on a legacy of strong commitment and performance. Safety of personnel, coupled with a responsible proactive 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 section 234ZZB of the Companies Act 1985, 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 further 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.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties facing the company are those that impact profitability. The company operates in the worldwide gas market, and as such, is exposed to fluctuations in gas prices. Generally, the ConocoPhillips' group policy is to remain exposed to market prices of commodities.

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 gas prices decline significantly for long periods of time. Following an impairment review, management do not believe there is any impairment in the company's asset values.

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

CONOCOPHILLIPS (U.K.) ALPHA LIMITED

REPORT OF THE DIRECTORS (continued)

RESULTS AND DIVIDENDS

The profit for the year amounts to £2.1 million (2007 : £4.4 million). The company did not pay a dividend during the year (2007 - £Nil million). The resulting surplus of £2.1 million (2007 : £4.4 million) has been transferred to reserves.

DIRECTORS OF THE COMPANY

The present directors are listed on page 1. Mr T W Fredin, Mr C Gautrey, Mr A W Kennedy and Mr A R Halliwell served as directors throughout the financial year. On 14th November 2008, Mr D A V Farthing and Mr J M Warrender were appointed directors of the company. On 3rd April 2009, Mr A W Kennedy resigned as a director of the company. Mr P C Warwick was appointed director of the company on the same date.

DISCLOSURE OF INFORMATION TO THE 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 the steps that they ought to have taken as a director 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 s234ZA of the Companies Act 1985.

RE-APPOINTMENT OF AUDITORS

Pursuant to an elective resolution to dispense with the requirement to hold Annual General Meetings, the company is not obliged to reappoint its auditors annually and Ernst & Young LLP will therefore continue in office.

Approved by the Board of Directors
and signed on behalf of the Board



C Gautrey
Director

29 June 2009

Registered Office
Portman House
2 Portman Street
LONDON
W1H 6DU

CONOCOPHILLIPS (U.K.) ALPHA LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual 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 directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to 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 these 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;
- 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 proper accounting records that 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.

CONOCOPHILLIPS (U.K.) ALPHA LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF CONOCOPHILLIPS (U.K.) ALPHA LIMITED

We have audited the company's financial statements for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 17. These financial statements have been prepared under 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' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are 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 whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other transactions 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 judgments 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 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

Ernst & Young LLP
Ernst & Young LLP
Registered auditor
Aberdeen

.....30 JUNE.....2009

CONOCOPHILLIPS (U.K.) ALPHA LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2008

	<u>Note</u>	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
Turnover	2	6,486	12,514
Cost of sales		<u>(2,951)</u>	<u>(2,083)</u>
Operating profit	3	3,535	10,431
Income from shares in group undertakings		94	85
Interest receivable and similar income	4	1,497	1,717
Interest payable and similar charges	5	<u>(331)</u>	<u>(160)</u>
Profit on ordinary activities before taxation		4,795	12,073
Taxation on profit on ordinary activities	6	<u>(2,737)</u>	<u>(7,696)</u>
Profit for the financial year	14	<u>2,058</u>	<u>4,377</u>

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

CONOCOPHILLIPS (U.K.) ALPHA LIMITED

BALANCE SHEET AT 31 DECEMBER 2008

	<u>Note</u>	<u>2008</u> <u>£'000</u>	<u>2007</u> <u>£'000</u>
Fixed assets			
Tangible assets	7	5,188	4,199
Investments	8	-	-
		<u>5,188</u>	<u>4,199</u>
Current assets			
Debtors	9	10,923	13,307
Cash at bank and in hand		<u>46,127</u>	<u>34,907</u>
		57,050	48,214
Creditors - amounts falling due within one year	10	<u>(5,362)</u>	<u>(4,709)</u>
Net current assets		<u>51,688</u>	<u>43,505</u>
Total assets less current liabilities		56,876	47,704
Creditors – amounts falling due after one year	10	(4,767)	-
Provisions for liabilities	11	<u>(6,445)</u>	<u>(4,098)</u>
		<u>45,664</u>	<u>43,606</u>
Capital and reserves			
Called up share capital	13	10,000	10,000
Capital redemption reserve	14	10,000	10,000
Profit and loss account	14	<u>25,664</u>	<u>23,606</u>
Total equity shareholder's funds	15	<u>45,664</u>	<u>43,606</u>

These financial statements were approved by the Board of Directors on 29 June 2009 and signed on its behalf by:



C Gautrey
Director

29 June 2009

CONOCOPHILLIPS (U.K.) ALPHA LIMITED
NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

(a) Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable UK accounting standards and the Statement of Recommended Practice "Accounting for oil and gas exploration, development, production and decommissioning activities", except 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 depreciation policy for production and development costs and the disclosure of reserves. 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.

The company is exempt from preparing group financial statements by virtue of Section 228 of the Companies Act 1985.

In accordance with FRS 1(5) the company has taken advantage of the 90% owned subsidiary exemption and not presented a cashflow statement. The company's cashflows are included in the cashflow statement prepared by its ultimate parent company, ConocoPhillips.

(b) Revenue recognition

Revenues associated with the production of natural gas and natural gas liquids 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.

Where revenues are receivable based upon future events or production targets no amount is recognised unless those terms are either met or virtually certain. Amounts received in advance are recognised as deferred income in the balance sheet and are released to the profit and loss account on an appropriate and reasonable basis (e.g. production levels).

(c) Gas field expenditure

Expenditure on acquiring unproved properties and exploring for and developing 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.

CONOCOPHILLIPS (U.K.) ALPHA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

(c) Gas field expenditure (continued)

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; and
- (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.

(d) 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.

(e) 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.

(f) Decommissioning

Provision for the future cost of decommissioning natural gas production and 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.) ALPHA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

1. Accounting policies (continued)

(g) 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.

(h) 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.

(i) Related party transactions

In accordance with FRS 8(3) the company has taken advantage of the 90% owned subsidiary exemption not to disclose related party transactions with members of the group.

(j) Foreign currencies

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

CONOCOPHILLIPS (U.K.) ALPHA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

2. Turnover

Turnover represents the sales amounts derived from the company's production of gas and condensate during the year, and of tariff income on a receivable basis, stated net of value added tax.

Turnover and operating profit are principally attributable to the production of hydrocarbons in the United Kingdom. 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.

3. Operating profit

(a) Operating profit is stated after charging:

	2008 <u>£'000</u>	2007 <u>£'000</u>
Depreciation	<u>1,063</u>	<u>494</u>

(b) Auditors' remuneration

	2008 <u>£'000</u>	2007 <u>£'000</u>
Fee for the audit of the company	<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 in this company's accounts as the consolidated accounts of ConocoPhillips (U.K.) Limited, the parent undertaking of the smallest group of undertakings for which consolidated financial statements are prepared, are required to disclose non-audit fees on a consolidated basis.

The auditors' remuneration is borne by another group company.

(c) Directors' emoluments

No emoluments were paid to the directors during the year in respect of their services to ConocoPhillips (U.K.) Alpha Limited.

(d) Employees

Other than the directors, the company has no employees. All of the directors' employment contracts are held with another group company.

4. Interest receivable and similar income

	2008 <u>£'000</u>	2007 <u>£'000</u>
Bank interest	<u>1,497</u>	<u>1,717</u>

5. Interest payable and similar charges

	2008 <u>£'000</u>	2007 <u>£'000</u>
Other interest	19	8
Unwinding of discount on provisions (Note 11)	<u>312</u>	<u>152</u>
	<u>331</u>	<u>160</u>

CONOCOPHILLIPS (U.K.) ALPHA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

6. Taxation on profit on ordinary activities

	2008	2007
	<u>£'000</u>	<u>£'000</u>
Current tax:		
UK corporation tax at 28.5% and 50% (2007: 30% & 50%)	1,581	4,075
Adjustments in respect of previous periods and group relief	46	277
UK petroleum revenue tax at 50% (2007: 50%)	<u>2,087</u>	<u>3,483</u>
Total current tax	<u>3,714</u>	<u>7,835</u>
Deferred tax:		
Origination and reversal of timing differences	(298)	(234)
Deferred petroleum revenue tax at 50% (2007: 50%)	<u>(679)</u>	<u>95</u>
	(977)	(139)
Taxation on profit on ordinary activities	<u>2,737</u>	<u>7,696</u>

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

	2008	2007
	<u>£'000</u>	<u>£'000</u>
Profit on ordinary activities before taxation	<u>4,795</u>	<u>12,073</u>
Current tax charge	3,714	7,835
Effective current rate of tax	<u>77.5%</u>	<u>65%</u>
Factors affecting current tax charge:	% profit before tax	
UK corporation tax rate	28.5%	30%
Increase/(decrease) resulting from:		
UK ring fence corporation tax and supplementary charge	13.9%	17%
Timing differences	13.3%	1%
Dividends from UK companies	(1.0)%	-
Adjustments in respect of previous periods	1.0%	3%
Petroleum revenue tax (PRT) net of corporation tax relief	<u>21.8%</u>	<u>14%</u>
Effective current tax rate	<u>77.5%</u>	<u>65%</u>

The statutory rate of UK corporation tax on profits other than North Sea oil & gas profits was reduced to 28% with effect from 1 April 2008. The effective statutory rate of corporation tax on the company's profits other than its North Sea oil & gas profits for the year was therefore 28.5% (2007 : 30%).

CONOCOPHILLIPS (U.K.) ALPHA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

7. Tangible assets

	<u>Tangible assets £'000</u>
Cost	
At 1 January 2008	29,082
Additions	<u>2,052</u>
At 31 December 2008	<u>31,134</u>
 Accumulated depreciation	
At 1 January 2008	24,883
Charge for the year	<u>1,063</u>
At 31 December 2008	<u>25,946</u>
 Net book amount	
At 31 December 2008	<u>5,188</u>
At 31 December 2007	<u>4,199</u>

8. Investments

In subsidiary undertakings

	<u>£</u>
At 1 January 2008 and 31 December 2008	<u>10</u>

Particulars of principal subsidiary undertakings:

	<u>Principal Activities</u>
ConocoPhillips (U.K.) Beta Limited (registered in England & Wales)	Natural gas production and transportation

The company holds 100% of the ordinary shares and voting rights and 100% of the preference shares in ConocoPhillips (U.K.) Beta Limited. Details of the rights attached to the preference shares are included in the audited financial statements of ConocoPhillips (U.K.) Beta Limited.

In accordance with Section 228 of the Companies Act 1985, ConocoPhillips (U.K.) Alpha Limited is exempt from preparing consolidated financial statements as the company is a wholly owned subsidiary of ConocoPhillips (U.K.) Limited, for which consolidated financial statements are prepared.

CONOCOPHILLIPS (U.K.) ALPHA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

9. Debtors

	2008	2007
	<u>£'000</u>	<u>£'000</u>
Trade debtors	-	8
Other debtors	68	168
Amounts owed by group undertakings	9,855	13,108
Deferred taxation (Note 12)	<u>1,000</u>	<u>23</u>
	<u>10,923</u>	<u>13,307</u>

Included in debtors are amounts of £1.0 million (2007 : £0.02 million) in respect of deferred tax which is due outwith one year. All other amounts are due within one year.

10. Creditors

	2008		2007	
	Within	After	Within	After
	1 Year	1 Year	1 Year	1 Year
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
Trade creditors	46	-	24	-
Amounts owed to group undertakings	2,678	-	1,344	-
Current taxation	2,552	-	3,243	-
Accruals and deferred income	<u>86</u>	<u>4,767</u>	<u>98</u>	<u>-</u>
	<u>5,362</u>	<u>4,767</u>	<u>4,709</u>	<u>-</u>

In 1999, the company received a compensation payment in respect of the renegotiation of certain take or pay gas sales contracts. The company has received a further payment which has been recognised within deferred income and will be released to the profit and loss account on an appropriate and reasonable basis (e.g. production levels).

CONOCOPHILLIPS (U.K.) ALPHA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

11. Provisions for liabilities	2008
	£'000
Deferred credits on contract sales	
Balance at 1 January	89
Payments and receipts	<u>-</u>
Balance at 31 December	<u>89</u>
Decommissioning provision	
Balance at 1 January	4,009
Changes in estimates of existing obligations	2,035
Unwinding of discount (Note 5)	<u>312</u>
Balance at 31 December	<u>6,356</u>
Deferred taxation	
Balance at 1 January (Note 9)	(23)
Profit and loss account (Note 6)	(977)
Presentation of balance within debtors (Note 9)	<u>1,000</u>
Balance at 31 December	<u>-</u>
Total provisions for liabilities at 31 December 2008	<u>6,445</u>
Total provisions for liabilities at 31 December 2007	<u>4,098</u>

At 31 December 2008, the provision for the future costs of decommissioning natural gas production and related facilities was £6.4 million (2007: £4.0 million). The provision has been estimated using the present value of future expected decommissioning costs, inflated at 2.5% (2007: 2.5%) and discounted at 6% (2007: 6%). These costs are not currently expected to be incurred before 2022.

12. Deferred taxation asset	2008	2007
	£'000	£'000
(i) Analysis of movements during the year		
Balance at 1 January	23	(116)
Profit and loss account (Note 6)	<u>977</u>	<u>139</u>
Balance at 31 December (Note 9)	<u>1,000</u>	<u>23</u>
(ii) Analysis of balance		
Accelerated capital allowances	(2,470)	(1,934)
Other timing differences	3,178	2,005
Petroleum Revenue Tax (net of corporation tax)	<u>292</u>	<u>(48)</u>
	<u>1,000</u>	<u>23</u>

CONOCOPHILLIPS (U.K.) ALPHA LIMITED
NOTES TO THE FINANCIAL STATEMENTS (continued)

13. Called up share capital

	2008 <u>£'000</u>	2007 <u>£'000</u>
Authorised:		
100,000 ordinary shares of £100 each	10,000	10,000
200,000 cumulative redeemable preference shares of £100 each	<u>20,000</u>	<u>20,000</u>
	<u>30,000</u>	<u>30,000</u>
Allotted, issued and fully paid:		
100,000 ordinary shares of £100 each	<u>10,000</u>	<u>10,000</u>

14. Reserves

	Capital redemption reserve <u>£'000</u>	Profit and loss account <u>£'000</u>
Balance at 1 January 2008	10,000	23,606
Profit for the financial year	<u>-</u>	<u>2,058</u>
Balance at 31 December 2008	<u>10,000</u>	<u>25,664</u>

15. Reconciliation of movement in shareholder's funds

	2008 <u>£'000</u>	2007 <u>£'000</u>
Profit for the financial year	<u>2,058</u>	<u>4,377</u>
Net increase in shareholder's funds	2,058	4,377
Opening shareholder's funds	43,606	39,229
Closing shareholder's funds	<u>45,664</u>	<u>43,606</u>

16. Capital commitments

The company has no capital commitments as at 31 December 2008 (2007 : Nil).

17. Parent undertaking

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 2008, 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 2008 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.

THE FOLLOWING NON-STATUTORY
INFORMATION IS UNAUDITED

CONOCOPHILLIPS (U.K.) ALPHA LIMITED

Non-statutory information on oil exploration and production activities - unaudited

This data 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 gas exploration and production activities as at 31 December:

	2008	2007
	<u>£'000</u>	<u>£'000</u>
Gross capitalised costs - proved properties	31,134	29,082
Accumulated depreciation and amortisation	<u>(25,946)</u>	<u>(24,883)</u>
Net capitalised costs	<u>5,188</u>	<u>4,199</u>

(b) Results of operations of gas exploration and production activities for the year ended 31 December:

	2008	2007
	<u>£'000</u>	<u>£'000</u>
Turnover	6,486	12,514
Production costs	(1,888)	(1,589)
Depreciation	<u>(1,063)</u>	<u>(494)</u>
Profit before allocable taxes	3,535	10,431
Allocable taxes	<u>(2,471)</u>	<u>(7,259)</u>
Results of operations from exploration and production	<u>1,064</u>	<u>3,172</u>