BRITOIL PUBLIC LIMITED COMPANY
(Registered No.77750)

ANNUAL REPORT AND ACCOUNTS 2008

Board of Directors: M M Auchincloss
J H Bartlett
D S M Campbell
B Looney
A Lunn
J C Skipper

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2008.

Results and dividends

The profit for the year after taxation was $523.0 million which, when added to the retained profit brought forward at 1 January 2008 of $983.5 million gives a total retained profit carried forward at 31 December 2008 of $1,506.5 million. The directors do not propose the payment of a final dividend.

Principal activity and review of the business

The company is engaged in the exploration for, and production of, oil and natural gas in the United Kingdom.

The company has had a satisfactory year and the directors believe that the trend will continue.

The key financial and other performance indicators during the year were as follows:

	2008 $000	2007 $000	Variance %
Turnover	1,890,711	1,654,304	14.3
Operating profit	1,241,102	1,020,650	21.6
Profit after taxation	523,045	449,469	16.4
Shareholders' funds	1,929,551	1,406,506	37.2

Oil revenue has increased as a result of a higher oil price in the year. This increase in price was offset to an extent by a decrease in the volume of barrels sold. Gas revenue increased due to an increase in both the price of gas and the volumes sold. Cost of sales has increased by $22 million. The increase is primarily due to a movement in oil stocks as the price at which these stocks were valued was significantly lower at the end of 2008 compared to 2007, and also an increase in petroleum revenue tax driven predominantly by higher revenues. These increases were offset by a decrease in depreciation, depletion and amortisation charges, mainly as a result of changes in the decommissioning provisions following the revaluation of the provision at the year end exchange rate for the fields which are in decommissioning.

BRITOIL PUBLIC LIMITED COMPANY

REPORT OF THE DIRECTORS

Principal risks

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.

Company level risks have been identified and classified in four categories: strategic, compliance and ethics, financial risk management and operations.

Strategic risks

Access and renewal
Successful execution of our group plan depends critically on implementing activities to renew and reposition our portfolio. The challenges to the renewal of our upstream portfolio are growing due to increasing competition for access to opportunities globally. Inability to complete planned disposals and/or lack of material positions in new markets could result in an inability to capture above-average market growth.

Prices and markets
Oil, gas and product prices are subject to international supply and demand. Political developments (especially in the Middle East) and the outcome of meetings of OPEC can particularly affect world supply and oil prices. In addition to the adverse effect on revenues, margins and profitability from any future fall in oil and natural gas price, a prolonged period of low prices or other indicators would lead to a review for impairment of the group's oil and natural gas properties. This review would reflect management's view of long-term oil and natural gas prices. Such a review could result in a charge for impairment that could have a significant effect on the group's results of operations in the period in which it occurs.

Compliance and ethics risks

Regulatory
The oil industry is subject to regulation and intervention by governments throughout the world in such matters as the award of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, controls over the development and decommissioning of a field (including restrictions on production) and, possibly, nationalization, expropriation, cancellation or non-renewal of contract rights. We buy, sell and trade oil and gas products in certain regulated commodity markets. The oil industry is also subject to the payment of royalties and taxation, which tend to be high compared with those payable in respect of other commercial activities, and operates in certain tax jurisdictions that have a degree of uncertainty relating to the interpretation of, and changes to, tax law. As a result of new laws and regulations or other factors, we could be required to curtail or cease certain operations, causing our production to decrease, or we could incur additional costs.

Ethical misconduct and non-compliance
Our code of conduct, which applies to all employees, defines our commitment to integrity, compliance with all applicable legal requirements, high ethical standards and the behaviours and actions we expect of our business and people wherever we operate. Incidents of non-compliance with applicable laws and regulation or ethical misconduct could be damaging to our reputation and shareholder value. Multiple events of non-compliance could call into question the integrity of our operations.

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Financial risk management

The main financial risks faced by the company through its normal business activities are market risk, currency risk, credit risk and liquidity risk. The management of these financial risks is performed at a group (BP p.l.c. Group) level.

Market risk
Market risk is the possibility that changes in currency exchange rates, interest rates or oil, natural gas and power prices will adversely affect the value of the group's financial assets, liabilities or expected future cash flows. The management of such risks is performed at BP Group level. The group has developed policies aimed at managing the market risk inherent in its natural business activities and, in accordance with these policies, the group enters into various transactions using derivative financial and commodity instruments (derivatives). Derivatives are contracts whose value is derived from one or more underlying financial instruments, indices or prices that are defined in the contract. The group also trades derivatives in conjunction with these risk management activities.

Currency risk
Fluctuations in exchange rates can have significant effects on the company's reported profit. The company's financial assets and liabilities give rise to transactional currency exposures. Such exposures arise from transactions in a currency other than the company's functional currency. The management of such risks is performed at BP Group level.

BP's foreign exchange management policy is to minimize economic and significant transactional exposures arising from currency movements against the US dollar. The group co-ordinates the handling of foreign exchange risks centrally, by netting off naturally occurring opposite exposures wherever possible to reduce the risks, and then dealing with any material residual foreign exchange risks. Significant residual non-dollar exposures are managed using a range of derivatives.

Oil, natural gas and power prices
BP's trading function uses financial and commodity derivatives as part of the overall optimisation of the value of the group's equity oil production and as part of the associated trading of crude oil, products and related instruments. It also uses financial and commodity derivatives to manage certain of the group's exposures to price fluctuations on natural gas and power transactions.

Credit risk
Credit risk is the potential exposure of the company to loss in the event of non-performance by a counterparty. The management of such risks is performed at BP Group level. The group controls the related credit risk through credit approvals, limits, use of netting arrangements and monitoring procedures. Before trading with a new counterparty, its creditworthiness is assessed and a credit rating allocated that indicates the probability of default, along with a credit exposure limit. Creditworthiness continues to be evaluated after transactions have been initiated and a watchlist of higher-risk counterparties is maintained.

Concentrations of credit risk
The primary activities of the company are oil and natural gas exploration and production. The company's principal customers, suppliers and financial institutions with which it conducts business are located throughout the world. The credit ratings of interest rate and currency swap counterparties are all of at least investment grade. The credit quality is actively managed over the life of the swap.

BRITOIL PUBLIC LIMITED COMPANY

REPORT OF THE DIRECTORS

Liquidity risk
Liquidity risk is the risk that sources of funding for the company's business activities may not be available. This risk is managed by the BP Group on the company's behalf and as such the company has access to the resources of the group. The group has long-term debt ratings of Aa1 and AA, assigned respectively by Moody's and Standard & Poor's.

Operations risks

Operations – safety and operations

Process safety
Inherent in our operations are hazards that require continual oversight and control. There are risks of technical integrity failure and loss of containment of hydrocarbons and other hazardous material at operating sites or pipelines. Failure to manage these risks could result in injury or loss of life, environmental damage and/or loss of production.

Personal safety
Inability to provide safe environments for our workforce and the public could lead to injuries or loss of life.

Environmental
If we do not apply our resources to overcome the perceived trade-off between global access to energy and the protection or improvement of the natural environment, we could fail to live up to our aspirations of no or minimal damage to the environment and contributing to human progress.

Drilling and production
Exploration and production require high levels of investment and are subject to natural hazards and other uncertainties, including those relating to the physical characteristics of an oil or natural gas field. The cost of drilling, completing or operating wells is often uncertain. We may be required to curtail, delay or cancel drilling operations because of a variety of factors, including unexpected drilling conditions, pressure or irregularities in geological formations, equipment failures or accidents, adverse weather conditions and compliance with governmental requirements.

Transportation
All modes of transportation of hydrocarbons contain inherent risks. A loss of containment of hydrocarbons and other hazardous material could occur during transportation by road, rail or sea. Given the high volumes involved this is a significant risk due to the potential impact of a release on the environment and people.

Operations – planning and performance management

Investment efficiency
Our organic growth is dependent on creating a portfolio of quality options and investing in the best options. Ineffective investment selection could lead to loss of value and higher capital expenditure.

Major project delivery
Successful execution of our group plan depends critically on implementing the activities to deliver the major projects over the plan period. Poor delivery of any major project that underpins production growth and/or a major programme designed to enhance shareholder value could adversely affect our financial performance.

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BRITOIL PUBLIC LIMITED COMPANY

REPORT OF THE DIRECTORS

Reserves replacement
Successful execution of our group plan depends critically on sustaining long-term reserves replacement. If upstream resources are not progressed to proved reserves in a timely and efficient manner, we will be unable to sustain long-term replacement of reserves.

Operations – enterprise systems, security and continuity

Digital infrastructure
The reliability and security of our digital infrastructure are critical to maintaining our business applications availability. A breach of our digital security could cause serious damage to business operations and, in some circumstances, could result in injury to people, damage to assets, harm to the environment and breaches of regulations.

Security
Security threats require continual oversight and control. Acts of terrorism that threaten our plants, offices, pipelines, transportation or computer systems would severely disrupt business and operations and could cause harm to people.

Business continuity and disaster recovery
Contingency plans are required to continue or recover operations following a disruption or incident. Inability to restore or replace critical capacity to an agreed level within an agreed timeframe would prolong the impact of any disruption and could severely affect business and operations.

Crisis management
Crisis management plans and capability are essential to deal with emergencies at every level of our operations. If we do not respond or are perceived not to respond in an appropriate manner to either an external or internal crisis, our business and operations could be severely disrupted.

Operations – people management

People and capability
Employee training, development and successful recruitment of new staff are key to the implementation of our plans. Inability to develop the human capacity and capability across the organisation could jeopardise performance delivery.

Research and development
Research and development costs relate to the company's share of group led research and development programmes and initiatives. The costs of these group projects are absorbed by the fields and therefore the legal entities which are expected to benefit from these developments in the future.

Future developments
The directors aim to maintain the management policies which have resulted in the company's substantial growth in recent years. They believe 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 directors that the business of the company will continue for the foreseeable future.

BRITOIL PUBLIC LIMITED COMPANY

REPORT OF THE DIRECTORS

Directors

The present directors are listed on page 1. J H Bartlett, A Lunn and J C Skipper served as directors throughout the financial year. Changes since 1 January 2008 are as follows:

	Appointed	Resigned
D O Nicolson	-	26 February 2008
M T Richards	-	3 September 2008
D J Blackwood	-	31 December 2008
B Looney	1 May 2008	-
M M Auchincloss	3 September 2008	-
D S M Campbell	3 September 2008	-

Directors' indemnity

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

Policy and practice with respect to payment of suppliers

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 30.

Auditors

A resolution to appoint Ernst &Young LLP as the Company's auditor will be put to the forthcoming Annual General Meeting.

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BRITOIL PUBLIC LIMITED COMPANY

REPORT OF THE DIRECTORS

Directors' statement as to disclosure of information to the auditor

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditors, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are 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 auditors are aware of that information.

By order of the Board

ASSISTANT Secretary
29 June 2009
Registered Office:

1 Wellheads Avenue
Dyce
Aberdeen
AB21 7PB

BRITOIL PUBLIC LIMITED COMPANY

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the accounts in accordance with applicable United Kingdom law and United Kingdom generally accepted accounting practice.

Company law requires the directors to prepare accounts for each financial year that give a true and fair view of the state of affairs of the company and the profit for the year. In preparing these accounts, the directors are required:

- To select suitable accounting policies and then apply them consistently;

- To make judgements and estimates that are reasonable and prudent;

- To state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and

- To prepare the accounts 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 enable them to ensure that the accounts 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.

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

BRITOIL PUBLIC LIMITED COMPANY

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BRITOIL PUBLIC LIMITED COMPANY

We have audited the company's accounts for the year ended 31 December 2008 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 26. These accounts 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 accounts in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts 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 accounts 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 accounts.

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 accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion
In our opinion:

- the accounts 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 accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the accounts.

Ernst & Young LLP

Ernst & Young LLP
Registered auditor
Aberdeen

30 JUNE 2009

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BRITOIL PUBLIC LIMITED COMPANY

ACCOUNTING POLICIES

Accounting standards

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

In addition to the requirements of accounting standards, the accounting for exploration and production activities is governed by the Statement of Recommended Practice ('SORP') 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities' issued by the UK Oil Industry Accounting Committee on 7 June 2001.

These accounts have been prepared in accordance with the provisions of the SORP with the exception of the following:

(i) The SORP recommends that oil and gas reserve quantities be disclosed. The company is a wholly owned subsidiary of BP p.l.c. and, as such, the oil and gas reserve quantities of the company are included in the consolidated oil and gas reserve quantities disclosed in the Annual Report and Accounts of BP p.l.c. Consequently the directors have elected not to publish this information for the company;

(ii) The SORP contains rules around the estimation of future oil and gas reserves. The company, as part of the BP Group, estimates and calculates its reserves in accordance with the US Securities and Exchange Commission (SEC) rules. The main difference relates to the SEC requirement to use year-end prices to assess future reserves. This is the basis applied in the BP Group reporting and is comparable with other oil majors. It is not possible for the company to quantify the impact of this departure as SORP estimates of reserves are no longer maintained.

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.

Revenue recognition

Revenues associated with the sale of oil, natural gas liquids, liquefied natural gas, petroleum and chemical products and all other items are recognised when title passes to the customer. Generally revenues from the production of natural gas and oil properties in which the company has an interest with other producers are recognised on the basis of the company's working interests in those properties (the entitlement method). Differences between the production sold and the company's share of production (under/over lifts) are included as an adjustment to cost of sales.

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.

BRITOIL PUBLIC LIMITED COMPANY

ACCOUNTING POLICIES

Research

Expenditure on research is written off in the year in which it is incurred.

Interest

Interest is capitalised gross of related tax relief during the period of construction where it relates either to the financing of major projects with long periods of development or to dedicated financing of other projects. All other interest is charged against income in the year in which it is incurred.

Intangible assets

Intangible assets include expenditure on the exploration for and evaluation of oil and natural gas resources, computer software, patents, licences, trademarks and product development costs. Product development costs are capitalised as intangible assets when a project has obtained sanction and the future recoverability of such costs can reasonably be regarded as assured.

Intangible assets are not depreciated. The indefinite life of intangible assets is reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

The carrying value of intangible assets is reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, that is, the higher of net realisable value and value in use, the asset is written down to its recoverable amount. The value in use is determined from estimated discounted future net cash flows.

Oil and natural gas exploration and development expenditure

Oil and natural gas exploration and development expenditure is accounted for using the successful efforts method of accounting.

Licence and property acquisition costs

Exploration licence and property leasehold acquisition costs are initially capitalised within intangible fixed assets. Upon determination of economically recoverable reserves ('proved reserves' or 'commercial reserves'), the costs are aggregated with exploration expenditure and held on a field-by-field basis as proved properties awaiting approval within intangible assets. When development is sanctioned, the relevant expenditure is transferred to tangible production assets.

Each property is reviewed on an annual basis to confirm that drilling activity is planned and the property is not impaired. If no future activity is planned, the remaining balance of the licence and property acquisition costs is written off.

BRITOIL PUBLIC LIMITED COMPANY

ACCOUNTING POLICIES

Exploration expenditure

Geological and geophysical exploration costs are charged against income as incurred. Costs directly associated with an exploration well are capitalised as an intangible asset until the drilling of the well is complete and the results have been evaluated. These costs include employee remuneration, materials and fuel used, rig costs and payments made to contractors. If hydrocarbons are not found, the exploration expenditure is written off as a dry hole. If hydrocarbons are found and, subject to further appraisal activity, which may include the drilling of further wells, are likely to be capable of commercial development, the costs continue to be carried as an asset. All such carried costs are subject to regular technical, commercial and management review to confirm the continued intent to develop or otherwise extract value from the discovery. When this is no longer the case, the costs are written off. When proved reserves of oil and natural gas are determined and development is sanctioned, the relevant expenditure is transferred to tangible production assets.

Development expenditure

Expenditure on the construction, installation or completion of infrastructure facilities such as platforms, pipelines and the drilling of development wells, including unsuccessful development or delineation wells, is capitalised within tangible production assets.

Tangible fixed assets

Tangible fixed assets are stated at cost, less accumulated depreciation and accumulated impairment losses.

The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalised value of a finance lease is also included within tangible fixed assets.

Oil and natural gas properties are depreciated using a unit-of-production method. The cost of producing wells is depreciated over proved developed reserves. Licence acquisition, decommissioning and field development costs are depreciated over total proved reserves. The unit-of-production rate for the depreciation of field development costs takes into account expenditures incurred to date, together with future development expenditure required to access the total proved reserves.

Other tangible assets, with the exception of freehold land and assets under construction, are depreciated on the straight line method over their estimated useful lives.

Changes in unit-of-production factors

Changes in factors which affect unit-of-production calculations are dealt with prospectively, not by immediate adjustment of prior years' amounts.

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Maintenance expenditure

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the company, the expenditure is capitalised. All other maintenance costs are expensed as incurred.

Impairment of intangible assets and tangible fixed assets

The company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. If any such indication of impairment exists or when annual impairment testing for an asset group is required, the company makes an estimate of its recoverable amount. An asset group's recoverable amount is the higher of its net realisable value and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money.

Stock valuation

The company's stock consists predominately of plant and insurance spares which are valued at cost to the company mainly using the weighted average method or net realisable value whichever is lower.

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 group 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 time value of money is material, trade and other creditors are determined by discounting the expected future cash flows at a pre-tax rate.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate.

Provisions (continued)

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

Decommissioning

Provision for decommissioning costs are recognised when the company has an obligation to dismantle and remove a facility or an item of plant and to restore the site on which it is located, and when a reasonable estimate of that provision can be made. Where an obligation exists for a new facility, such as oil and natural gas production or transportation facilities, this will be on construction or installation. An obligation for decommissioning may also crystallise during the period of operation of a facility through a change in legislation or through a decision to terminate operations. The amount recognised is the present value of the estimated future expenditure determined in accordance with the local conditions and requirements. A corresponding tangible fixed asset of an amount equivalent to the provision is also created. This is subsequently depreciated as part of the capital costs of the production and transportation facilities.

Any change in the present value of the estimated expenditure is reflected as an adjustment to the provision and the fixed asset.

Deferred tax

Deferred tax is recognised in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, tax in the future. In particular:

- Provision is made for tax on gains arising on disposals of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the replacement assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- Deferred tax assets are recognised only to the extent that it is considered more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

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

Petroleum revenue tax

The charge for petroleum revenue tax includes deferred tax that is recognised in respect of timing differences that have originated, but not reversed at the balance sheet date, to the extent that the deferred tax liability does not exceed the forecast of future petroleum tax liabilities on a field-by-field basis. Deferred petroleum revenue tax is measured on an undiscounted basis on rates enacted or substantially enacted at the balance sheet date.

Discounting

The unwinding of the discount on provisions is included within interest expense. Any change in the amount recognised for environmental and other provisions arising through changes in discount rates is included within interest expense.

Leases

Operating lease payments are recognised either as an expense in the profit and loss account on a straight-line basis over the lease term or capitalised where in support of fixed asset development.

Financial liabilities and equity

Financial liabilities and equity are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

Non-equity shares are held as a current liability and the dividend paid is included within the interest charge for the year. Equity instruments issued by the company are recorded at the proceeds, net of direct issue costs.

Use of estimates

The preparation of accounts in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

Comparative figures

Certain prior year figures have been reclassified to conform with the 2008 presentation. This had no impact on the profit and loss for the year or the net assets of the company

BRITOIL PUBLIC LIMITED COMPANY

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008

	Note	2008 $000	2007 $000
Turnover	1	1,890,711	1,654,304
Cost of sales		(643,158)	(621,421)
Gross profit		1,247,553	1,032,883
Exploration expense		(7)	(4,054)
Distribution and marketing expenses		(472)	(733)
Administration expenses		(6,718)	(7,964)
		1,240,356	1,020,132
Other income	4	746	518
Operating profit	2	1,241,102	1,020,650
Profit on disposal of fixed assets	5	-	2,591
Profit on ordinary activities before interest and tax		1,241,102	1,023,241
Interest payable and similar charges	6	(133,781)	(194,554)
Interest receivable and similar income	7	3,421	29,635
Profit before taxation		1,110,742	858,322
Taxation	8	(587,697)	(408,853)
Profit for the year		523,045	449,469

The profit of $523.0 million for the year ended 31 December 2008 has derived in its entirety from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2008

There are no recognised gains or losses attributable to the shareholders of the company other than the profit of $523.0 million for the year ended 31 December 2008 (2007: $449.5 million).

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BRITOIL PUBLIC LIMITED COMPANY

BALANCE SHEET AT 31 DECEMBER 2008

	Note	2008 $000	2007 (restated) $000
Fixed assets			
Intangible assets	10	225,019	215,729
Tangible assets	11	1,783,680	2,015,971
		2,008,699	2,231,700
Current assets			
Stocks	12	15,607	14,186
Debtors – amounts falling due:			
Within one year	13	4,444,965	4,342,599
After more than one year	13	234,393	331,912
Cash at bank and in hand		664	-
		4,695,629	4,688,697
Creditors: amounts falling due within one year	14	(2,258,480)	(2,692,151)
Net current assets		2,437,149	1,996,546
TOTAL ASSETS LESS CURRENT LIABILITIES		4,445,848	4,228,246
Creditors: amounts falling due after more than one year	14	(1,104,313)	(1,105,176)
Provisions for liabilities and charges			
Deferred tax	8	(562,740)	(569,859)
Other provisions	16	(849,244)	(1,146,705)
NET ASSETS		1,929,551	1,406,506
Represented by			
Capital and reserves			
Called up share capital	17	289,898	289,898
Share premium account	18	133,109	133,109
Profit and loss account	18	1,506,544	983,499
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		1,929,551	1,406,506

On behalf of the Board

Director

29 June ~~2009~~

1. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and group companies.

An analysis of turnover by geographical market is given below:

	2008	2007
	$000	$000
By geographical area:		
UK	1,890,711	1,654,304

Turnover is attributable to one continuing activity, the purchasing and selling of petroleum products.

2. Operating profit

This is stated after charging/(crediting):

	2008	2007
	$000	$000
Hire charges under operating leases:		
Plant and machinery	44,878	56,629
Land and buildings	7	1,499
Exchange (gain)/losses charged to the profit and loss account	(15,036)	14,281
Expenditure on research	5,182	5,569
Depreciation of owned fixed assets	98,418	360,018

3. Auditor's remuneration

	2008	2007
	$000	$000
Fees for the audit of the company	41	41

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 Britoil p.l.c.'s ultimate parent, BP p.l.c., are required to disclose non-audit fees on a consolidated basis.

The fees were borne by another group company.

4. Other income

	2008	2007
	$000	$000
Miscellaneous income	746	518

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5. Exceptional items

Exceptional items comprise the profit on disposal of fixed assets as follows:

	2008	2007
	$000	$000
Profit on disposal of fixed assets	-	2,591
Taxation charge	-	(1,296)
Exceptional items (net of tax)	-	1,295

$1.9 million of the profit on disposal in 2007 related to deferred consideration received on the sale of the company's interest in block P033. The remaining gain on disposal of $0.7 million consisted of residual transactions relating to the sale of various assets.

6. Interest payable and similar charges

	2008	2007
	$000	$000
Interest expense on:		
Loans from group undertakings	104,286	174,716
Other interest	9,475	201
	113,761	174,917
Unwinding of discount on provisions	20,020	19,637
Total charged against profit	133,781	194,554

7. Interest receivable and similar income

	2008	2007
	$000	$000
Interest income from group undertakings	2,118	1,912
Other interest	1,303	27,723
	3,421	29,635

8. Taxation

The Company is a member of a group for the purposes of relief under Section 402 of the Income & Corporation Taxes Act 1988. Details of corporation tax that has been provided in respect of the company's oil extraction activity in the UK and UK Continental Shelf are shown below.

In respect of the company's other activities, 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.

BRITOIL PUBLIC LIMITED COMPANY

NOTES TO THE ACCOUNTS

8. Taxation (continued)

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2008	2007
	$000	$000
Current tax:		
UK corporation tax on income for the period	589,677	519,311
UK tax overprovided / underprovided in prior periods	5,139	-
Total current tax	594,816	519,311
Deferred tax:		
Current year timing differences	28,851	(36,514)
Adjustments in prior year timing differences	(35,970)	(73,944)
Total deferred tax	(7,119)	(110,458)
Tax on profit on ordinary activities	587,697	408,853

(b) Factors affecting the current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 28% (2007: 30%). The differences are reconciled below:

	2008	2007
	$000	$000
Profit on ordinary activities before taxation	1,110,742	858,322
Current taxation	594,816	519,311
Effective current tax rate	54%	61%

	2008	2007
	%	%
UK statutory corporation tax rate:	28	30
Increase / (decrease) resulting from:		
UK supplementary tax at 20% (2007: 20%) on North Sea profits	21	25
Adjustments to tax charge in respect of previous years	1	-
Tax on ORF provided in BP International	2	4
Non deductible expenditure/ non taxed income	2	(1)
Accelerated capital allowances	(4)	3
IRF tax rate difference (30% IRF v 28% ORF)	2	-
Other timing differences	2	-
Effective current tax rate	54	61

8. Taxation (continued)

(c) Provision for deferred tax

The deferred tax included in the balance sheet is as follows:

	2008	2007
	$000	$000
Depreciation	911,353	1,023,250
Petroleum revenue tax	59,536	87,221
Decommissioning and other provisions	(393,540)	(545,615)
Other timing differences	(14,609)	5,003
Provision for deferred tax	562,740	569,859

	2008
	$000
At 1 January 2008	569,859
Deferred tax credited in the profit and loss account	(7,119)
At 31 December 2008	562,740

9. Directors and employees

(a) Remuneration of directors

None of the directors received any fees or remuneration for services as a director of the company during the financial year (2007: $Nil).

(b) Employee costs

The company had no employees during the year (2007: Nil).

10. Intangible assets

	Exploration expenditure
	$000
Cost	
At 1 January 2008	215,729
Additions	9,290
At 31 December 2008	225,019
Net book value	
At 31 December 2008	225,019
At 31 December 2007	215,729

11. Tangible assets

	Oil and gas properties	Other assets	Total	Of which: Assets Under Construction
	$000	$000	$000	$000
Cost				
At 1 January 2008	5,777,419	41,825	5,819,244	199,609
Additions	(133,873)	-	(133,873)	96,322
Transfers	-	-	-	(132,204)
At 31 December 2008	5,643,546	41,825	5,685,371	163,727
Depreciation and impairment				
At 1 January 2008	3,761,448	41,825	3,803,273	-
Charge for the year	98,418	-	98,418	-
At 31 December 2008	3,859,866	41,825	3,901,691	-
Net book value				
At 31 December 2008	1,783,680	-	1,783,680	163,727
At 31 December 2007	2,015,971	-	2,015,971	199,609

Assets under construction are not depreciated.

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11. Tangible assets (continued)

Capitalised interest included above:

	Cost	Depreciation	Net book amount
	$000	$000	$000
At 31 December 2008	179,449	125,790	53,659
At 31 December 2007	179,449	122,614	56,835

12. Stocks

	2008	2007
	$000	$000
Raw materials and consumables	15,607	14,186

The difference between the carrying value of stocks and their replacement cost is not material.

13. Debtors

	2008 Within 1 year	2008 After 1 year	2007 Within 1 year	2007 After 1 year
	$000	$000	$000	$000
Trade debtors	143,712	-	300,178	-
Amounts owed by group undertakings	4,149,053	-	3,811,510	-
Prepayments and accrued income	462	-	462	-
Petroleum revenue tax	-	169,569	-	229,917
Other debtors	151,738	64,824	230,449	101,995
	4,444,965	234,393	4,342,599	331,912

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14. Creditors

	2008 Within 1 year $000	2008 After 1 year $000	2007 (restated) Within 1 year $000	2007 (restated) After 1 year $000
Trade creditors	1,731	-	1,798	-
Amounts owed to group undertakings	1,940,502	1,104,313	2,335,733	1,105,176
Petroleum revenue tax	1,995	-	13,116	-
Taxation	67,878	-	159,923	-
Accruals and deferred income	114,289	-	125,274	-
Other creditors	131,776	-	56,182	-
Bank overdraft	309	-	125	
	2,258,480	1,104,313	2,692,151	1,105,176

15. Loans and overdrafts

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

	2008 Within 1 year $000	2007 Within 1 year $000
Wholly repayable	309	125

16. Other provisions

	Decom-missioning $000	Petroleum revenue tax $000	Other $000	Total $000
At 1 January 2008	1,091,230	55,475	-	1,146,705
(Credit)/charge for year	-	(4,977)	11,666	6,689
Unwinding of discount	20,020	-	-	20,020
Change in decommissioning estimate	(321,452)	-	-	(321,452)
Utilised during the year	(2,718)	-	-	(2,718)
At 31 December 2008	787,080	50,498	11,666	849,244

The company makes full provision for the future cost of decommissioning oil and natural gas production facilities and related pipelines on a discounted basis on the installation of those facilities. At 31 December 2008, the provision for the costs of decommissioning these production facilities and pipelines at the end of their economic lives was $787.1 million (2007: $1,091.2 million). The provision has been estimated using existing technology, at current prices and discounted using a real discount rate of 2% (2007: 2%). These costs are expected to be incurred over the next 23 years. While the provision is based on the best estimate of future costs and the economic lives of the facilities and pipelines, there is uncertainty regarding both the amount and timing of incurring these costs.

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16. Other provisions (continued)

Other provisions relate to contractual disputes.

17. Called up share capital

	2008	2007
Equity	£000	£000
Authorised share capital:		
1,650,000,000 ordinary shares of 10p each	165,000	165,000
Non-equity		
80 redeemable cumulative preference shares of £5m each attracting varying rates of interest	400,000	400,000
	565,000	565,000

	2008	2007
	$000	$000
Issued and fully paid:		
1,508,919,919 ordinary shares of 10p each	289,898	289,898

18. Capital and reserves

	Equity share capital	Share premium	Profit and loss account	Total
	$000	$000	$000	$000
At 1 January 2008	289,898	133,109	983,499	1,406,506
Profit for the year	-	-	523,045	523,045
At 31 December 2008	289,898	133,109	1,506,544	1,929,551

19. Reconciliation of movements in shareholders' funds

	2008	2007
	$000	$000
Profit for the year	523,045	449,469
Shareholders' interest at 1 January	1,406,506	957,037
Shareholders' interest at 31 December	1,929,551	1,406,506

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20. Operating lease commitments

Annual commitments under non-cancellable operating leases are set out below:

	2008	2008	2007	2007
	Land & Buildings	Other	Land & Buildings	Other
	$000	$000	$000	$000
Expiring:				
Within 1 year	46	37,492	-	2,424
Between 2 to 5 years	-	53,293	-	98,141
Thereafter	-	-	1	-

21. Capital commitments

Authorised and contracted future capital expenditure by the company for which contracts had been placed but not provided in the accounts at 31 December 2008 is estimated at $249.1 million (2007: $60.1 million).

22. Contingent liabilities

There were contingent liabilities at 31 December 2008 in respect of guarantees and indemnities entered into as part of the ordinary course of the company's business. No material losses are likely to arise from such contingent liabilities.

23. 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 with group companies. There were no other related party transactions in the year.

24. Pensions

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

25. Joint ventures

The most important joint ventures of the company at 31 December 2008 and the equity interest held by the company are:

	%	Principal Place Of Business	Principal activity
Harding	70.00	UK Offshore	Exploration/Production
Foinaven	40.00	UK Offshore	Exploration/Production
Schiehallion	29.05	UK Offshore	Exploration/Production
Sean	25.00	UK Offshore	Exploration/Production
Clair	0.98	UK Offshore	Exploration/Production
Amethyst	21.35	UK Offshore	Exploration/Production
Ravenspurn North	13.50	UK Offshore	Exploration/Production
Viking	50.00	UK Offshore	Exploration/Production
Hyde	45.00	UK Offshore	Exploration/Production
Deveron	1.00	UK Offshore	Exploration/Production
Don NE	80.29	UK Offshore	Exploration/Production
Devenick 9/28	1.67	UK Offshore	Exploration/Production
Devenick 9/29	80.00	UK Offshore	Exploration/Production
VTS	50.00	UK Offshore	Exploration/Production
Vixen	50.00	UK Offshore	Exploration/Production
Valkyrie	25.00	UK Offshore	Exploration/Production
Maclure	33.33	UK Offshore	Exploration/Production
Loyal	50.00	UK Offshore	Exploration/Production
Thistle	1.00	UK Offshore	Exploration/Production
West of Shetland gas pipeline	56.55	UK Offshore	Pipeline
SVT	4.34	UK Offshore	Terminal

26. 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.

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