

BP GAS MARKETING LIMITED

(Registered No.908982)

ANNUAL REPORT AND ACCOUNTS 2004

Board of Directors: B Gilvary
 D M Rotenberg
 I Springett
 W P M M Donkers

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2004.

Principal activity

The company's principle activity during the year was the trading and marketing of gas and other energy products in the UK and overseas.

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

Review of activities and future developments

The company has had a challenging year and the directors believe that the trend will continue. The company is in a good position to take advantage of any opportunities which may arise in the future.

Results and dividends

The loss for the year after taxation was £186,358,000, when added to the retained deficit brought forward at 1 January 2004 of £134,948,000, together with exchange adjustments taken directly to reserves of £4,192,000, gives a total retained deficit carried forward at 31 December 2004 of £325,498,000. The directors do not propose the payment of a final dividend.

Post balance sheet event

After the balance sheet date the authorised share capital was increased from 200,000,000 ordinary shares of £1 each to 1,000,000,000 ordinary shares of £1 each. 135,000,000 ordinary shares were subsequently issued to the immediate parent company at par value.



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BP GAS MARKETING LIMITED

REPORT OF THE DIRECTORS

Directors

The present directors are listed on page 1.

T Fountain, A H Haywood and D M Rotenberg served as directors throughout the financial year.

Changes since 1 January 2004 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
D S Fitzsimmons		30 December 2004
T Fountain		1 April 2005
B Gilvary	1 April 2005	
A H Haywood		1 September 2005
I Springett	1 August 2005	
W P M M Donkers	1 September 2005	

Directors' interests

The interests of the directors holding office at 31 December 2004, and their families, in the US \$0.25 ordinary shares of BP p.l.c., were as set out below:

	<u>31 December 2004</u>	<u>1 January 2004</u>
T Fountain	53,719	43,406
A H Haywood	15,762	10,163
D M Rotenberg	48,240*	-

In addition, rights to subscribe for US \$0.25 ordinary shares in BP p.l.c. were granted to, or exercised by, those directors between 1 January 2004 and 31 December 2004 as follows:

	<u>Granted</u>	<u>Exercised</u>
T Fountain	48,000	-
A H Haywood	7,485	7,642
D M Rotenberg	42,000*	-

*These holdings include shares held in the form of ADRs (American Depositary Receipts)

No director had any interest in the shares or debentures of subsidiary undertakings of BP p.l.c. at 31 December 2004.

BP GAS MARKETING LIMITED

REPORT OF THE DIRECTORS

Policy and practice with respect to payment of suppliers

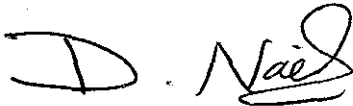
It is the company's policy to follow the CBI's prompt payment code of practice for all suppliers to the company. A copy of the code of practice may be obtained from the CBI.

The number of days' purchases represented by trade creditors at the year-end was 27.

Auditors

Ernst & Young LLP will continue in office as the company's auditor in accordance with the elective resolution passed by the company under Section 386 of the Companies Act 1985.

By order of the Board



Secretary
26 October 2005

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP

BP GAS MARKETING LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, 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 accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the company and to prevent and detect 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.

BP GAS MARKETING LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF
BP GAS MARKETING LIMITED

We have audited the company's accounts for the year ended 31 December 2004 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, accounting policies and the related notes 1 to 19. These accounts have been prepared on the basis of the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards 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 judgements 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 of the state of affairs of the company as at 31 December 2004 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP
Registered Auditor
London.


26 October 2005

BP GAS MARKETING 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.

Basis of Preparation

At 31 December 2004 the company's balance sheet had net liabilities amounting to £124,946,000. The directors consider it appropriate to prepare the accounts on a going concern basis because since the balance sheet date the company received an injection of cash from its immediate parent of £135,000,000.

Statement of cash flows

The Group financial statements 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.

Stock valuation

Stocks comprising gas in storage are valued at cost to the company, using the first-in first-out method or at net realisable value, whichever is the lower.

Stock held for trading purposes is marked-to-market and any gains or losses are recognised in the income statement rather than the statement of total recognised gains and losses. The directors consider that the nature of the group's trading activity is such that, in order for the accounts to show a true and fair view of the state of affairs of the group and the results for the year, it is necessary to depart from the requirements of Schedule 4 to the Companies Act 1985. Had the treatment in Schedule 4 been followed, the profit and loss account reserve would have been reduced by £12,329,120 (£10,163,000) and a revaluation reserve established and increased accordingly.

Foreign currencies

Assets and liabilities of foreign currency branches are translated into sterling/dollars at closing rates of exchange. Income statements are translated at average rates of exchange. Exchange differences resulting from the retranslation of net investments in foreign currency branches at closing rates, together with differences between income statements translated at average rates and at closing rates of exchange, are dealt with in reserves. Exchange gains and losses arising on long-term foreign currency borrowings used to finance the company's foreign currency investments are also dealt with in reserves.

All other exchange gains or losses on settlement or translation at closing rates of exchange of monetary assets and liabilities are included in the determination of profit/loss for the year.

BP GAS MARKETING LIMITED

ACCOUNTING POLICIES

Derivative financial instruments

The company is a party to derivative financial instruments primarily to manage exposures to fluctuations in foreign currency exchange rates and interest rates, and to manage some of its margin exposure from changes in oil and natural gas prices.

All derivatives which are held for trading purposes and all oil price and natural gas derivatives held for risk management purposes are marked to market and all gains and losses recognised in the profit and loss account.

Depreciation

Tangible fixed assets are depreciated on the straight line method over their estimated useful lives. The company undertakes a review for impairment of a fixed asset if events or changes in circumstances indicate that the carrying amount of the fixed asset 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 fixed asset is written down to its recoverable amount. The value in use is determined from estimated discounted future net cash flows.

Maintenance Expenditure

Expenditure on major maintenance, refits or repairs is capitalized where it enhances the performance of an asset above its originally assessed standard of performance; replaces an asset or part of an asset which was separately depreciated and which is then written off; or restores the economic benefits of an asset which has been fully depreciated. All other maintenance expenditure is charged to income as incurred

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 group's share of production are not significant.

BP GAS MARKETING LIMITED

ACCOUNTING POLICIES

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 with the following exceptions:

- Provision is made for tax on gains arising from the revaluation of fixed assets, and gains on disposals of fixed asset 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 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 recognized only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of 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 periods in which timing differences reverse, based on tax rates enacted or substantively enacted at the balance sheet date.

Discounting

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

Comparative figures

Certain prior year figures have been restated to conform with the 2004 presentation.

BP GAS MARKETING LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2004

		<u>2004</u>	<u>2003</u>
	Note	£'000	£'000
Turnover	1	7,537,558	6,470,664
Cost of sales		<u>(7,419,601)</u>	<u>(6,318,407)</u>
Gross profit		117,957	152,257
Distribution and marketing expenses		(43,548)	(60,788)
Administration expenses		<u>(263,729)</u>	<u>(109,480)</u>
		(189,320)	(18,011)
Other income	3	8,116	9,423
Operating loss	2	<u>(181,204)</u>	<u>(8,588)</u>
Loss on ordinary activities before interest and tax		(181,204)	(8,588)
Interest payable and similar charges	4	<u>(5,154)</u>	<u>(2,363)</u>
Loss before taxation		(186,358)	(10,951)
Taxation	5	<u>-</u>	<u>-</u>
Retained loss for the year		<u>(186,358)</u>	<u>(10,951)</u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2004

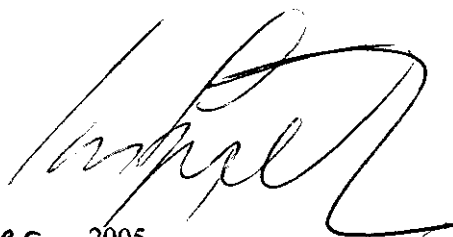
	<u>2004</u>	<u>2003</u>
	£'000	£'000
Loss for the year	(186,358)	(10,951)
Currency translation differences	<u>(4,192)</u>	<u>(4,317)</u>
Total recognised gains and losses for the year	<u>(190,550)</u>	<u>(15,268)</u>

BP GAS MARKETING LIMITED

BALANCE SHEET AS AT 31 DECEMBER 2004

	Note	2004 £'000	2003 £'000
Fixed assets			
Tangible assets	7	17,987	21,771
Investments	8	2,973	2,973
		<u>20,960</u>	<u>24,744</u>
Current assets			
Stocks	9	89,172	59,551
Debtors	10	1,044,574	1,110,463
Cash at bank and in hand		2,125	3,111
		<u>1,135,871</u>	<u>1,173,125</u>
Creditors – amounts falling due within one year	11	<u>(1,013,429)</u>	<u>(1,026,791)</u>
Net current assets		<u>122,442</u>	<u>146,334</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>143,402</u>	<u>171,078</u>
Creditors – amounts falling due after more than one year	11	<u>(7,403)</u>	<u>(10,292)</u>
Provisions for liabilities and charges	12	<u>(260,945)</u>	<u>(95,182)</u>
NET ASSETS/ LIABILITIES		<u>(124,946)</u>	<u>65,604</u>
Represented by			
Capital and reserves			
Called up share capital	13	200,000	200,000
Share premium account	14	552	552
Profit and Loss account	14	<u>(325,498)</u>	<u>(134,948)</u>
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		<u>(124,946)</u>	<u>65,604</u>

Director
26 October 2005



BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

1. Turnover

Turnover is attributable to one continuing activity, the selling of gas and power purchased for resale, stated net of value added tax where applicable.

	<u>Turnover</u>	
	<u>2004</u>	<u>2003</u>
	<u>£'000</u>	<u>£'000</u>
By business:		
Gas and Power	<u>7,537,558</u>	<u>6,470,664</u>
Total	<u>7,537,558</u>	<u>6,470,664</u>
	<u>2004</u>	<u>2003</u>
	<u>£'000</u>	<u>£'000</u>
By geographical area:		
UK	5,668,916	5,075,466
Rest of Europe	1,578,807	1,251,995
USA	103,926	75,118
Rest of World	185,909	68,085
Total	<u>7,537,558</u>	<u>6,470,664</u>

2. Operating loss

This is stated after charging/(crediting):

	<u>2004</u>	<u>2003</u>
	<u>£'000</u>	<u>£'000</u>
Exchange loss/ (gain) on foreign currency borrowings less deposits	3,180	(8,704)
Depreciation of owned fixed assets	9,517	5,133
Auditors' remuneration:		
Audit fees – current year		
UK	-	143

The 2004 charge for depreciation and amortisation includes asset write-downs and impairment charges of £4,755,000 in total.

BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

3. Other income

	<u>2004</u>	<u>2003</u>
	<u>£'000</u>	<u>£'000</u>
Interest income from fellow subsidiary undertakings	4,949	3,323
Income from other fixed asset investments	3,167	3,100
Other interest and miscellaneous income	-	3,000
	<u>8,116</u>	<u>9,423</u>

4. Interest payable and similar charges

	<u>2004</u>	<u>2003</u>
	<u>£'000</u>	<u>£'000</u>
Interest expense on:		
Other loans	176	673
Loans from fellow subsidiary undertakings	<u>4,978</u>	<u>1,690</u>
Total charged against profit	<u>5,154</u>	<u>2,363</u>

5. Taxation

The Company is a member of a group for the purposes of relief under Section 402 of the Income & Corporation Taxes Act 1988. 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>2004</u>	<u>2003</u>
	<u>£'000</u>	<u>£'000</u>
Loss before taxation	(186,358)	(10,951)
Current taxation	-	-
Effective current tax rate	0%	0%

BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

5. Taxation cont.

	<u>2004</u>	<u>2003</u>
	<u>%</u>	<u>%</u>
UK statutory corporation tax rate:	30	30
Increase/(decrease) resulting from:		
Timing differences	-	6
Permanent differences	1	8
Group relief	(31)	(44)
Effective current tax rate	<u>-</u>	<u>-</u>

6. 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 (2003 £Nil).

(b) Employee costs

The company does not directly employ any staff.

BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

7. Tangible assets

	Plant and Machinery £'000
Cost	
At 1 January 2004	32,216
Additions	5,733
Deletions	<u>(4,947)</u>
At 31 December 2004	<u>33,002</u>
Depreciation	
At 1 January 2004	10,445
Charge for the year	9,517
Deletions	<u>(4,947)</u>
At 31 December 2004	<u>15,015</u>
Net book amount	
At 31 December 2004	<u>17,987</u>
At 31 December 2003	<u>21,771</u>
 Principal rates of depreciation	 33.33%

8. Fixed assets – investments

	Other £'000	Total £'000
Cost		
At 1 January 2004	2,973	2,973
At 31 December 2004	<u>2,973</u>	<u>2,973</u>

The company owns 10% of the issued share capital and 10.5% of the Preference shares of Interconnector (U.K.) Limited, a company registered in England. The investment is made up of 1,178,568 Ordinary shares of £1 and 102,000 Preference shares of £1.

9. Stocks

	2004 £'000	2003 £'000
Raw materials and consumables	<u>89,172</u>	<u>59,551</u>

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

BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

10. Debtors

	2004	2003
	£'000	£'000
Trade	502,479	694,800
Parent and fellow subsidiary undertakings	256,408	181,967
Prepayments and accrued income	282,216	228,971
Other	3,471	4,725
	<u>1,044,574</u>	<u>1,110,463</u>

11. Creditors

	2004		2003	
	Within 1 year £'000	After 1 year £'000	Within 1 year £'000	After 1 year £'000
Bank overdraft	(1)	-	(18,161)	-
Trade	(551,688)	-	(675,090)	-
Parent and fellow subsidiary undertakings	(256,702)	-	(151,870)	-
Accruals and deferred income	(204,891)	(7,403)	(181,082)	(10,292)
Other	(147)	-	(588)	-
	<u>(1,013,429)</u>	<u>(7,403)</u>	<u>(1,026,791)</u>	<u>(10,292)</u>

12. Provisions for liabilities and charges

	Onerous Contract £'000	Restructuring £'000	Total £'000
At 1 January 2004	(95,155)	(27)	(95,182)
Charged to Income	(212,965)		(212,965)
Utilised during the year	47,175	27	47,202
At 31 December 2004	<u>(260,945)</u>	<u>-</u>	<u>(260,945)</u>

Provisions for losses on certain gas purchase and supply sales contracts have been made for future forecast losses estimated to occur over the remaining lives of the contracts. The contracts are loss making when assessed against the current high gas prices in the UK.

The restructuring provision represents the estimated severance payable to employees made redundant following reorganisation of the UK and European Marketing businesses.

24

BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

13. Called up share capital

	<u>2004</u>	<u>2003</u>
	£'000	£'000
Authorised, allotted, called up and fully paid: 200,000,000 Ordinary shares of £1 each	200,000	200,000

14. Reconciliation of shareholders' funds and movements on reserves

	Equity share capital	Share premium account	Profit and Loss account	Total
	£'000	£'000	£'000	£'000
At 1 January 2004	200,000	552	(134,948)	65,604
Loss for the year	-	-	(186,358)	(186,358)
Currency translation differences	-	-	(4,192)	(4,192)
At 31 December 2004	<u>200,000</u>	<u>552</u>	<u>(325,498)</u>	<u>(124,946)</u>

15. Reconciliation of movements in shareholders' interest

	<u>2004</u>	<u>2003</u>
	£'000	£'000
Loss for the year	(186,358)	(10,951)
Currency translation differences	(4,192)	(4,317)
Issue of ordinary share capital	-	-
Net decrease in shareholders' interests	<u>(190,550)</u>	<u>(15,268)</u>
Shareholders' interest at 1 January	65,604	80,872
Shareholders' interest at 31 December	<u>(124,946)</u>	<u>65,604</u>

16. 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.

17. Pensions

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

BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

18. Post balance sheet event

After the balance sheet date the authorised share capital was increased from 200,000,000 ordinary shares of £1 each to 1,000,000,000 ordinary shares of £1 each. 135,000,000 ordinary shares were subsequently issued to the immediate parent company at par value.

19. Ultimate parent undertaking

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.