

BP GAS MARKETING LIMITED
(Registered in England and Wales No.908982)

ANNUAL REPORT AND ACCOUNTS 1999

Board of Directors: Mr P J Mather
 Mr S K Welch

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 1999.

Principal activity

The company's principal activity during the year was the purchase and sale of BP Amoco Equity gas into the Commercial and Industrial and Spot markets.

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

Review of the business

The company has had a satisfactory year with an overall increase in sales of 20% and the directors believe that the trend will continue.

Results

The profit for the year after taxation of £1,675,000, when deducted from the retained deficit brought forward at 1 January 1999 of £7,519,000, and after a prior year adjustment of £8,100,000 gives a total retained deficit carried forward at 31 December 1999 of £13,944,000.

Directors

Dr A B Hayward, Ms A C Quinn and Mr A M Jones served as directors throughout the financial year. Changes since 1 January 1999 are as follows:-

	<u>Appointed</u>	<u>Resigned</u>
Ms A C Quinn		1 February 2000
Dr A B Hayward		1 February 2000
Mr A M Jones		1 February 2000
Mr P J Mather	1 February 2000	-
Mr S K Welch	1 February 2000	-



BP GAS MARKETING LIMITED

REPORT OF THE DIRECTORS

Directors' interests

The interests of the directors holding office at 31 December 1999, and their families, in the ordinary shares of BP Amoco p.l.c., were as set out below. Following shareholder approval at its 1 September 1999 Extraordinary General Meeting, BP Amoco p.l.c. subdivided each of its US\$ 0.50 nominal value shares into two US\$ 0.25 new ordinary shares with effect from 4 October 1999. As a result, the number of ordinary shares held at the close of business on 1 October 1999 doubled. All share holdings prior to the subdivision have been adjusted to reflect the share subdivision.

	31 December 1999	1 January 1999
A B Hayward	53,289	38,160
A M Jones	162,308	33,672
A C Quinn	25,332*	25,332*

** These holdings include shares held in the form of American Depositary Shares.*

In addition, rights to subscribe for ordinary shares in BP Amoco p.l.c. (adjusted for the share subdivision) were granted to, or exercised by, those directors between 1 January and 31 December 1999 as follows:

	Granted	Exercised
A B Hayward	Nil	1,402
A M Jones	Nil	7,200
A C Quinn	Nil	Nil

No director had any interest in the shares or debentures of subsidiary undertakings of BP Amoco p.l.c. at 31 December 1999.

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 5.

BP GAS MARKETING LIMITED

REPORT OF THE DIRECTORS

The Euro

BP Amoco's commercial and financial processes were successfully adapted to allow its European operations to undertake transactions in the euro and capture competitive advantage offered by the new currency, from 1 January 1999. In common with experience generally across Europe, the actual level of transactions in euros for our businesses has until now been low. The currency of accounting records and the related systems will be converted during the transition period, which ends on 1 January 2000. The capability to conduct business in national currencies will be retained as long as necessary. The costs associated with the euro programme are estimated at \$100 million, of which some \$26 million had been incurred and expensed by the end of 1999.

Auditors

In accordance with Section 386 of the Companies Act 1985, the company has elected to dispense with the obligation to appoint auditors annually and Ernst & Young continue in office.

By order of the Board

J. Stanley

Secretary

Registered Office:
Britannic House
1 Finsbury Circus
London EC2M 7BA

19/12/ 2000

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, or has access within the BP Amoco Group to, 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 accounts on pages 6 to 15, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 6.

Respective responsibilities of directors and auditors

As described on page 4, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. Our responsibilities, as independent auditors, are established in the United Kingdom by Statute, the Auditing Practices Board and by our profession's ethical guidance.

Basis of 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 1999 and of the profit of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young

Registered Auditor
London

19 December 2000

BP GAS MARKETING LIMITED

ACCOUNTING POLICIES

Accounting convention

The accounts are prepared under the historical cost convention and in accordance with applicable UK accounting standards.

As the ultimate parent undertaking has published a group cash flow statement in compliance with Financial Reporting Standard No. 1 (Revised), a cash flow statement is not presented in these accounts.

Derivative financial instruments

The company is a party to derivative financial instruments to manage some of its margin exposure from changes in gas prices. Profit or loss on these derivatives are recognised as the physical contracts unwind.

Leases

Rentals under operating leases are charged against income as incurred.

Deferred taxation

Where required, deferred taxation is calculated using the liability method. (in respect of timing differences arising primarily from the different accounting and tax treatments of both depreciation and petroleum revenue tax). Provision is made or recovery anticipated where timing differences are expected to reverse in the foreseeable future.

Discounting

The unwinding of the discount on provisions is included within interest expense. Any change in the amount recognised for provisions arising through changes in the discount rate is included within the interest charge.

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BP GAS MARKETING LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1999

	<u>Note</u>	<u>1999</u>	<u>1998</u> as restated
		£'000	£'000
Turnover	1	369,823	305,805
Cost of sales		(304,612)	(245,024)
		<hr/>	<hr/>
Gross profit		65,211	60,781
Distribution and marketing expenses		(50,838)	(50,655)
Administration expenses		<u>(15,781)</u>	<u>(13,067)</u>
		(1,408)	(2,941)
Other income	3	2,008	4,681
		<hr/>	<hr/>
Profit on ordinary activities before interest and tax		600	1,740
Interest	4	1075	271
		<hr/>	<hr/>
Profit before taxation		1,675	2,011
Taxation	5	-	-
		<hr/>	<hr/>
Retained profit for the year		<u><u>1,675</u></u>	<u><u>2,011</u></u>

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BP GAS MARKETING LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 1999

	<u>Note</u>	<u>1999</u>	<u>1998</u>
		£'000	£'000
Total recognised gains and losses relating to the year		1,675	2,011
Prior year adjustment	2	(8,100)	-
		<u> </u>	<u> </u>
		(6,425)	2,011
		<u>=====</u>	<u>=====</u>

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BP GAS MARKETING LIMITED

BALANCE SHEET AT 31 DECEMBER 1999

	<u>Note</u>	<u>1999</u> £'000	<u>1998</u> as restated £'000
Fixed assets			
Investments	7	5,420	10,133
Current assets			
Debtors amounts falling due within one year	8	101,878	105,043
Cash at bank and in hand		3,218	9,114
		<hr/>	<hr/>
		105,096	114,157
Creditors - amounts falling due within one year	9	(114,098)	(126,757)
		<hr/>	<hr/>
Net Current Liabilities		(9,002)	(12,600)
		<hr/>	<hr/>
EXCESS OF LIABILITIES OVER ASSETS		(3,582)	(2,467)
Provisions	10	(8,810)	(11,600)
		<hr/>	<hr/>
EXCESS OF LIABILITIES OVER ASSETS		(12,392)	(14,067)
		<hr/>	<hr/>
Represented by			
Capital and reserves			
Called up share capital	11	1,000	1,000
Share premium account	12	552	552
Reserves	12	(13,944)	(15,619)
		<hr/>	<hr/>
SHAREHOLDERS' FUNDS - EQUITY INTERESTS		(12,392)	(14,067)
		<hr/>	<hr/>



DIRECTOR

Dated: 19/12/00

BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

1. Turnover

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

	<u>1999</u>	<u>1998</u>
	£000's	£000's
By geographical area		
UK	338,548	304,482
Rest of Europe	31,275	1,323
Total	<u>369,823</u>	<u>305,805</u>
	=====	=====

2. Prior year adjustment

The Company has adopted the Financial Reporting Standard 12 (Provisions, Contingent Liabilities and Contingent Assets) and has made provision for future losses on an onerous contract which was in existence in prior years. Future losses have been discounted over the term of the contract and a provision made against these future losses. The previous policy was to recognise only two years of the loss. The provision at the 31st December 1998 was £3,500,000.

3. Other income

	<u>1999</u>	<u>1998</u>
	£000's	£000's
Other interest and miscellaneous income	2,008	4,681
	=====	=====

4. Interest

Income from other fixed assets investments	346	313
Interest receivable	17	-
Interest payable	(9)	(12)
FRS12 - unwind discount	(115)	(30)
- effect of change in discount rate	836	-
Total	<u>1,075</u>	<u>271</u>
	=====	=====

5. Taxation

The company is a member of a group for the purposes of relief under Section 402 of the Income and Corporation Taxes Act 1988. No corporation tax liability arises.

Provision for deferred taxation is not required.

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BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

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 (1998 £Nil).

(b) Employee costs

The company does not directly employ any staff.

7. Fixed Assets - Investments

	Loans	Share Capital	Total
	£'000	£'000	£'000
As at 1 January 1999	7,160	2,973	10,133
Additions	-	-	-
Repayments	(4,713)	-	(4,713)
As at 31 December 1998	<u>2,447</u>	<u>2,973</u>	<u>5,420</u>
	=====	=====	=====

The company owns 10% of the issued Ordinary 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.

The loan to Interconnector (U.K.) Limited is used to provide additional finance for the design, construction, commissioning and operation of a gas pipeline between the United Kingdom and Belgium. The interest rate is 0.05% above LIBOR and the loan repayable within twenty years.

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BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

8. Debtors - amounts falling due within one year

	<u>1999</u> <u>Within</u> <u>1 year</u> £'000	<u>1998</u> <u>Within</u> <u>1 year</u> £'000
Trade Debtors	5,698	10,457
Fellow subsidiary undertakings	15,519	16,039
Prepayments and accrued income	80,661	78,547
	<u>101,878</u> =====	<u>105,043</u> =====

9. Creditors - amounts falling due within one year

	<u>1999</u> <u>Within</u> <u>1 year</u> £'000	<u>1998</u> <u>Within</u> <u>1 year</u> £'000
Bank loans and overdrafts	5,332	16,290
Trade	1,727	8,237
Parent and fellow subsidiary undertakings	35,838	34,175
Other taxation and social security	5,723	3,438
Accruals and deferred income	56,903	63,337
Other	8,575	3,500
	<u>114,098</u> =====	<u>126,757</u> =====

The amounts owing to the parent and fellow subsidiary undertakings are not subject to any fixed repayment terms.

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BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

10. Provisions for liabilities and charges

	<u>1999</u> £'000	<u>1998</u> as restated £'000
At 1 January	11,600	10,344
Amounts incurred	-	3,991
Charged to income	(721)	-
Utilised during the year	(2,069)	(2,735)
At 31 December	<u>8,810</u>	<u>11,600</u>

The provision relates to an onerous contract whereby BP Gas Marketing is committed to purchase gas from a third party at a significant loss compared to current and long term market prices. The provision was raised to recognise these future losses over the remaining term of the contract, and the utilisation of this provision is expected over the next 8 years.

11. Called up share capital

	<u>1999</u> £'000	<u>1998</u> £'000
Authorised share capital		
12,500,000 ordinary shares of 10p each	1,250	1,250
Issued, fully paid:		
10,001,000 ordinary shares of 10p each	1,000	1,000

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BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

12. Reconciliation of shareholders' funds and movements on reserves

	Share capital <u>£'000</u>	Share premium <u>£'000</u>	Profit & Loss account <u>£'000</u>	Total <u>£'000</u>
At 1 January 1998	1,000	552	(9,530)	(7,978)
Profit for the year	-	-	2,011	2,011
Prior year adjustment	-	-	(8,100)	(8,100)
	<hr/>	<hr/>	<hr/>	<hr/>
At 1 January 1999	1,000	552	(15,619)	(14,067)
Profit for the year	-	-	1,675	1,675
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 1999	<u>1,000</u>	<u>552</u>	<u>(13,944)</u>	<u>(12,392)</u>

13. Contingent liabilities

There were no contingent liabilities at 31 December 1999 in respect of guarantees and indemnities entered into as part of, and claims arising from, the ordinary course of the company's business, upon which no material losses are likely to arise.

14. Related party transactions

The company has taken advantage of the exemption contained within FRS 8, and has not disclosed transactions with group companies.

15. Pensions

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

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BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

16. 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 Amoco p.l.c. company registered in England and Wales. Copies of BP Amoco p.l.c.'s accounts can be obtained from Britannic House, 1 Finsbury Circus, London EC2M 8BA.

17. Operating Lease Commitments

At 31 December 1999 the company had annual commitments under non-cancellable operating leases as set out below:

	1999 Land and buildings £	Other £	1998 Land and buildings £	Other £
Expiring:				
Within 1 year	-	17,473	-	4,535
Between 2 to 5 years	516,094	5,329	516,094	17,474
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	516,094	22,802	516,094	22,009
	=====	=====	=====	=====

18. Group support

The directors of the company's parent undertaking have confirmed that it will continue to provide financial support to all those companies which have liabilities in excess of their total assets while the said companies remain as its subsidiaries.

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