

BP GAS MARKETING LIMITED
(Registered No.908982)

ANNUAL REPORT AND ACCOUNTS 2003

Board of Directors: T Fountain
A H Haywood
D M Rotenberg

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2003.

Principal activity

The company's principal 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 satisfactory 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

The loss for the year after taxation was £10,951,000, when added to the retained deficit brought forward at 1 January 2003 of £119,680,000, together with exchange adjustments taken directly to reserves of £4,317,000, gives a total retained deficit carried forward at 31 December 2003 of £134,948,000. The directors do not propose the payment of a final dividend.



BP GAS MARKETING LIMITED

REPORT OF THE DIRECTORS

Directors

The present directors are listed on page 1.

Changes since 1 January 2003 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
D S Fitzsimmons	1 May 2003	30 December 2004
T Fountain	1 February 2003	
A H Haywood	19 November 2003	
D M Rotenberg	1 June 2003	
F A MacLeod		19 November 2003
S K Welch		1 May 2003

Directors' interests

The interests of the directors holding office at 31 December 2003, and their families, in the US \$0.25 ordinary shares of BP p.l.c., were as set out below:

	<u>31 December 2003</u>	<u>1 January 2003</u> (or date of appointment)
D S Fitzsimmons	221,855	220,115
T Fountain	43,406	42,017
A H Haywood	10,163	10,080
D M Rotenberg	-	-

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 2003 (or date of appointment) and 31 December 2003 as follows:

	<u>Granted</u>	<u>Exercised</u>
D S Fitzsimmons	4,550	-
T Fountain	63,550	12,000
A H Haywood	-	-
D M Rotenberg	-	-

No director had any interest in the shares or debentures of subsidiary undertakings of BP p.l.c. at 31 December 2003.

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 39.

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

31 January 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 2003 which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, accounting policies and the related notes 1 to 18. 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.

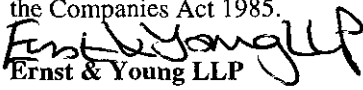
Basis of audit opinion

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 2003 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.

31 January 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.

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 £10,163,000 (£7,472,000) and a revaluation reserve established and increased accordingly.

Foreign currencies

Assets and liabilities of foreign currency branches are translated into sterling 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 loss for the year.

Derivative financial instruments

The company is a party to derivative financial instruments to manage some of its margin exposure from changes in 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.

BP GAS MARKETING LIMITED

ACCOUNTING POLICIES

Depreciation

Tangible fixed assets are depreciated on the straight line method over their estimated useful lives.

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.

Discounting

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

Comparative figures

Certain prior year figures have been restated to conform with the 2003 presentation.

BP GAS MARKETING LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2003

		<u>2003</u> £000	<u>restated</u> <u>2002</u> £000
Turnover	1	6,417,887	4,943,512
Cost of sales		<u>(6,318,407)</u>	<u>(4,825,283)</u>
Gross profit		99,480	118,229
Distribution and marketing expenses		(60,788)	(79,608)
Administration expenses		<u>(56,703)</u>	<u>(61,461)</u>
		(18,011)	(22,840)
Other income	3	9,423	4,843
Loss on ordinary activities before interest and tax	2	<u>(8,588)</u>	<u>(17,997)</u>
Interest payable and similar charges	4	<u>(2,363)</u>	<u>(2,333)</u>
Loss before taxation		(10,951)	(20,330)
Taxation	5	-	-
Retained loss for the year	14/15	<u>(10,951)</u>	<u>(20,330)</u>


STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2003

	<u>2003</u> £000	<u>restated</u> <u>2002</u> £000
Loss for the year	(10,951)	(20,330)
Currency translation differences (net of taxation)	<u>(4,317)</u>	<u>123</u>
Total recognised gains and losses for the year	<u>(15,268)</u>	<u>(20,207)</u>

BP GAS MARKETING LIMITED

BALANCE SHEET AT 31 DECEMBER 2003

		<u>2003</u>	<u>restated</u>
	<u>Note</u>	<u>£000</u>	<u>2002</u>
			<u>£000</u>
Fixed assets			
Tangible assets	7	21,771	14,342
Investments	8	<u>2,973</u>	<u>2,973</u>
		24,744	17,315
Current assets			
Stocks	9	59,551	25,889
Debtors	10	1,110,463	2,212,611
Cash at bank and in hand		<u>3,111</u>	<u>4,454</u>
		1,173,125	2,242,954
Creditors – amounts falling due within one year	11	(1,026,791)	(2,123,060)
Net current assets		<u>146,334</u>	<u>119,894</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		171,078	137,209
Creditors – amounts falling due after more than one year	11	(10,292)	(11,635)
Provisions for liabilities and charges	12	(95,182)	(44,702)
NET ASSETS		<u>65,604</u>	<u>80,872</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>(134,948)</u>	<u>(119,680)</u>
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		<u>65,604</u>	<u>80,872</u>


Director

31 January 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>2003</u>	<u>restated</u>
	<u>£000</u>	<u>2002</u>
		<u>£000</u>
By business:		
Gas and Power	6,417,887	4,943,512
Total	<u>6,417,887</u>	<u>4,943,512</u>
By geographical area:		
UK	5,022,689	3,935,190
USA	75,118	33,463
Rest of World	68,085	9,841
Rest of Europe	<u>1,251,995</u>	<u>965,018</u>
Total	<u>6,417,887</u>	<u>4,943,512</u>

2. Loss on ordinary activities before interest and taxation

This is stated after charging/(crediting):

	<u>2003</u>	<u>restated</u>
	<u>£000</u>	<u>2002</u>
		<u>£000</u>
Exchange loss/ (gain) on foreign currency		
borrowings less deposits	(8,704)	(3,900)
Depreciation of owned fixed assets	5,133	3,266
Auditors' remuneration:		
Audit fees – current year		
UK	<u>143</u>	<u>90</u>

BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

3. Other income

	<u>2003</u>	<u>restated</u>
	<u>£000</u>	<u>2002</u>
		<u>£000</u>
Interest income from fellow subsidiary undertakings	3,323	1,676
Income from other fixed asset investments	3,100	2,887
Other interest and miscellaneous income	<u>3,000</u>	<u>280</u>
	<u>9,423</u>	<u>4,843</u>

4. Interest payable and similar charges

	<u>2003</u>	<u>2002</u>
	<u>£000</u>	<u>£000</u>
Interest expense on:		
Loans from fellow subsidiary undertakings	(1,690)	(2,331)
Other loans	<u>(673)</u>	<u>(2)</u>
	<u>(2,363)</u>	<u>(2,333)</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>2003</u>	<u>restated</u>
	<u>£000</u>	<u>2002</u>
		<u>£000</u>
Loss before taxation	(10,951)	(20,330)
Current taxation	-	-
Effective current tax rate	0%	0%

BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

5. Taxation (continued)

	<u>2003</u>	<u>restated</u>
	<u>%</u>	<u>2002</u>
		<u>%</u>
UK statutory corporation tax rate:	30	30
Increase/(decrease) resulting from:		
Timing differences	6	-
Non deductible expenditure / non taxed income	8	-
Group relief	(44)	(30)
	<hr/>	<hr/>
Effective current tax rate	-	-
	<hr/>	<hr/>

6. Directors Interests

(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 (2002 £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 2003	20,253
Additions	12,669
Deletions	<u>(706)</u>
At 31 December 2003	32,216
	<hr/>
Depreciation	
At 1 January 2003	5,911
Charge for the year	5,133
Deletions	<u>(599)</u>
At 31 December 2003	10,445
	<hr/>
Net book amount	
At 31 December 2003	21,771
	<hr/>
At 31 December 2002	14,342
	<hr/>
Principal rates of depreciation	33.33%

8. Fixed assets – investments

	Other £000	Total £000
Cost		
At 1 January 2003	<u>2,973</u>	<u>2,973</u>
At 31 December 2003	<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.

BP GAS MARKETING LIMITED**NOTES TO THE ACCOUNTS****9. Stocks**

	<u>2003</u> £000	<u>2002</u> £000
Raw materials and consumables	<u>59,551</u> 59,551	<u>25,889</u> 25,889

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

10. Debtors

	<u>2003</u> £000	<u>restated</u> <u>2002</u> £000
Trade	694,800	1,812,845
Parent and fellow subsidiary undertakings	181,967	132,585
Prepayments and accrued income	228,971	267,181
Other	<u>4,725</u>	<u>-</u>
	<u>1,110,463</u>	<u>2,212,611</u>

11. Creditors

	<u>2003</u> Within 1 year £000	After 1 year £000	<u>restated</u> <u>2002</u> Within 1 year £000	After 1 year £000
Bank overdraft	(18,161)	-	(40,837)	-
Trade	(675,090)	-	(1,780,343)	-
Parent and fellow subsidiary undertakings	(151,870)	-	(1,831)	-
Taxation on profits	-	-	(12,359)	-
Accruals and deferred income	(181,082)	(10,292)	(287,690)	(11,635)
Other	<u>(588)</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(1,026,791)</u>	<u>(10,292)</u>	<u>(2,123,060)</u>	<u>(11,635)</u>

BP GAS MARKETING LIMITED**NOTES TO THE ACCOUNTS****12. Provisions for liabilities and charges**

	Onerous Contract £000	Restructuring £000	Total £000
At 1 January 2003	(42,378)	(2,324)	(44,702)
Charged to income	(67,039)	-	(67,039)
Utilised during the year	14,262	2,297	16,559
At 31 December 2003	<u>(95,155)</u>	<u>(27)</u>	<u>(95,182)</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 a reorganisation of the UK and European Marketing businesses.

13. Called up share capital

	<u>2003</u> £000	<u>2002</u> £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 £000	Share premium account £000	Profit and Loss account £000	Total £000
At 1 January 2003	200,000	552	(119,680)	80,872
Loss for the year	-	-	(10,951)	(10,951)
Currency translation differences	-	-	(4,317)	(4,317)
At 31 December 2003	<u>200,000</u>	<u>552</u>	<u>(134,948)</u>	<u>65,604</u>

BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

15. Reconciliation of movements in shareholders' interest

	<u>2003</u> £000	<u>restated</u> <u>2002</u> £000
Loss for the year	(10,951)	(20,330)
Currency translation differences	(4,317)	123
Issue of ordinary share capital	-	199,000
Net (decrease) / increase in shareholders' interests	<u>(15,268)</u>	<u>178,793</u>
Shareholders' interest at 1 January	80,872	(97,921)
Shareholders' interest at 31 December	<u>65,604</u>	<u>80,872</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

18. 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.