

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

ANNUAL REPORT AND ACCOUNTS 2001

Board of Directors: Mr S K Welch
Miss F Macleod

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2001.

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

The company has had a satisfactory year with an overall increase in sales of 60% 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 £75,800,000, when added to the retained deficit brought forward at 1 January 2001 of £29,452,000 gives a total retained deficit carried forward at 31 December 2001 of £105,252,000.



BP GAS MARKETING LIMITED

REPORT OF THE DIRECTORS

Directors

The present directors are listed on page 1.

Mr P J Mather and Mr S K Welch served as directors throughout the financial year. Changes since 1 January 2001 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
P J Mather		1 March 2002
F Macleod	1 March 2002	

Directors' interests

The interests of the directors holding office at 31 December 2001, and their families, in the US \$0.25 ordinary shares of BP p.l.c., (formerly BP Amoco p.l.c.), were as set out below:

	<u>31 December 2001</u>	<u>1 January 2001</u>
P J Mather	42,470	33,139
S K Welch	72,166*	19,056*

In addition, rights to subscribe for US \$0.25 ordinary shares in BP p.l.c. (formerly BP Amoco p.l.c.) were granted to, or exercised by, those directors between 1 January 2001 and 31 December 2001 as follows:

	<u>Granted</u>	<u>Exercised</u>
P J Mather	-	2,624
S K Welch	72,240*	91,200*

*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. (formerly BP Amoco p.l.c.) at 31 December 2001.

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 1.

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

23 January 2003

Registered Office:

Britannic House
1 Finsbury Circus
London EC2M 7BA

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 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 for the year ended 31 December 2001, which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 19. These accounts have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As set out 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.

67

BP GAS MARKETING LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF
BP GAS MARKETING LIMITED (continued)

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 2001 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

Ernst & Young LLP
Registered Auditor
London.

23 January 2003

64

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.

Accounting Standards

The company has adopted Financial Reporting Standard No. 18 "Accounting Policies" (FRS 18) with effect from 1 January 2001. Adoption of Financial Reporting Standard 18 has not had any effect on the results for the year or required any restatement of prior year comparatives.

Group accounts

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.

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.

Derivative financial instruments

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

All derivatives which are held for trading purposes and all oil price derivatives held for risk management purposes are marked to market and all gains and losses recognised in the income statement.

Depreciation

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

69

BP GAS MARKETING LIMITED

ACCOUNTING POLICIES (continued)

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 treatment of depreciation. 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 recognized for provisions arising through changes in the discount rate is included within the interest charge.

Comparative figures

Certain previous years figures have been restated to conform with the 2001 presentation.

54

BP GAS MARKETING LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2001

	Note	<u>2001</u> £000	<u>2000</u> £000
Turnover	1	1,065,001	667,055
Cost of Sales		<u>(1,004,243)</u>	<u>(581,064)</u>
Gross Profit		60,758	85,991
Distribution and marketing expenses		(75,382)	(58,893)
Administration expenses		<u>(71,035)</u>	<u>(46,505)</u>
	2	(85,659)	(19,407)
Other income	3	11,725	4,259
(Loss) on ordinary activities before interest and taxation		<u>(73,934)</u>	<u>(15,148)</u>
Interest payable	4	(1,866)	(360)
(Loss) before taxation		<u>(75,800)</u>	<u>(15,508)</u>
Taxation	5	-	-
(Loss) for the year		<u><u>(75,800)</u></u>	<u><u>(15,508)</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2001

There are no recognised gains or losses attributable to the shareholders of the company other than the (loss) of £75,800,000 for the year ended 31 December 2001 (2000 (loss) of £15,508,000.

57

BP GAS MARKETING LIMITED

BALANCE SHEET AT 31 DECEMBER 2001

		<u>2001</u>	<u>2000</u>
	Note	£000	(restated) £000
Fixed assets			
Tangible assets	7	9,543	2,673
Investments	8	2,973	2,973
Current assets			
Stocks		4,167	3,435
Debtors	9	405,477	288,174
Cash at bank and in hand		16,826	6,267
		<u>426,470</u>	<u>297,876</u>
Creditors – amounts falling due within one year	10	(437,667)	(297,006)
Net current assets/(liabilities)		<u>(11,197)</u>	<u>870</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		1,319	6,516
Creditors – amounts falling due after more than one year	10	(14,442)	(17,836)
Provisions for liabilities and charges	11	(84,798)	(8,673)
		<u>(97,921)</u>	<u>(19,993)</u>
EXCESS OF LIABILITIES OVER ASSETS		<u>(97,921)</u>	<u>(19,993)</u>
SHAREHOLDERS' INTEREST			
Represented by			
Capital and reserves			
Called up share capital	12	1,000	1,000
Share premium account	13	552	552
Reserves	13	(99,473)	(21,545)
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		<u>(97,921)</u>	<u>(19,993)</u>

By order of the Board

Director

23 January 2003

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>2001</u>	<u>2000</u>
	<u>£000</u>	<u>£000</u>
By business:		
Gas and Power	1,065,001	667,055
Total	<u>1,065,001</u>	<u>667,055</u>
By geographical area:		
UK	1,000,323	608,164
Rest of Europe	64,678	58,891
Total	<u>1,065,001</u>	<u>667,055</u>

67

BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

2. Operating profit

This is stated after charging/(crediting):

	<u>2001</u>	<u>2000</u>
	£000	£000
Exchange loss on foreign currency borrowings less deposits	356	591
Depreciation of owned fixed assets (including amortisation of intangibles)	2,157	526
Auditors' remuneration:		
Audit fees – current year		
UK	85	81

3. Other income

	<u>2001</u>	<u>2000</u>
	£000	£000
Interest receivable – Group	2,039	1,287
Income from other fixed asset investments	-	78
Other interest and miscellaneous income	<u>9,686</u>	<u>2,894</u>
	<u>11,725</u>	<u>4,259</u>

4. Interest payable

	<u>2001</u>	<u>2000</u>
	£000	£000
Interest payable – Group	(1,724)	(275)
Interest payable – Non-group	(1)	-
FRS12 - unwind discount	(28)	(85)
- effect of change in discount rate	<u>(113)</u>	<u>-</u>
	<u>(1,866)</u>	<u>(360)</u>

57

BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

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 free group relief to the extent it is required and to provide for any current or deferred tax that arises.

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 (2000 £Nil).

(b) Employee Costs

The company does not directly employ any staff.

7. Tangible Assets

	Computer Equipment
Cost	£000
At 1 January 2001	3,199
Additions	<u>9,027</u>
At 31 December 2001	<u>12,226</u>
Depreciation	
At 1 January 2001	526
Charge for the year	<u>2,157</u>
At 31 December 2001	<u>2,683</u>
Net book amount	
At 31 December 2000	<u>2,673</u>
At 31 December 2001	<u>9,543</u>
Principal rates of depreciation	33.33%

4

BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

8. Fixed assets – investments

	Total
Cost	£
At 1 January 2001	2,973
At 31 December 2001	<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. Debtors – amounts falling due within one year

	<u>2001</u>	<u>2000</u>
	£000	£000
Trade	22,184	17,818
Subsidiary undertakings	4,390	28,918
Prepayments and accrued income	370,996	233,531
	<u>397,570</u>	<u>280,267</u>

10. Creditors

	<u>2001</u>		<u>2000</u>	
	Within	After	Within	After
	1 year	1 year	1 year	1 year
	£000	£000	£000	£000
Bank overdraft	(38,392)	-	(9,007)	-
Trade	(2,926)	-	(2,123)	-
Parent and fellow subsidiary undertakings	(91,485)	-	(112,773)	-
Taxation	(11,586)	-	(10,157)	-
Accruals and deferred income	(290,313)	(14,442)	(160,883)	(17,836)
Other	(2,965)	-	(2,063)	-
	<u>(437,667)</u>	<u>(14,442)</u>	<u>(297,006)</u>	<u>(17,836)</u>

BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

11. Provisions for liabilities and charges

	<u>2001</u>	<u>2001</u>	<u>2001</u>	<u>2000</u>	<u>2000</u>
	Onerous	Long term	Restructu-	Onerous	Restructu-
	Contract	Contracts	ring	Contract	ring
	£000	£000	£000	£000	£000
At 1 January	(7,687)	-	(986)	(8,810)	-
Amounts incurred	-	(75,353)	-	-	(986)
Charged to income	(141)	-	-	(85)	-
Utilised during the year	<u>511</u>	<u>-</u>	<u>986</u>	<u>1,208</u>	<u>-</u>
At 31 December	<u>(7,317)</u>	<u>(75,353)</u>	<u>-</u>	<u>(7,687)</u>	<u>(986)</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 7 years.

A provision for losses on certain gas purchase and supply sales contracts has been made for future forecast losses estimated to occur in 2002 and 2003. The contracts are only loss making when assessed against the current high gas prices in the UK. Beyond 2003, these contracts are forecast to be profitable.

12. Called up share capital

	<u>2001</u>	<u>2000</u>
	£000	£000
Authorised, allotted, called up and fully paid: 12,500,000 Ordinary shares of 10p each	<u>1,250</u>	<u>1,250</u>
Issued, fully paid: 10,001,000 Ordinary shares of 10p each	<u>1,000</u>	<u>1,000</u>

04

BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

13. Reconciliation of shareholders' funds and movements on reserves

	<u>Equity share capital</u>	<u>Share premium account</u>	<u>Profit and Loss account</u>	<u>Total</u>
	£	£	£	£
At 1 January 2000	1,000	552	(13,944)	(12,392)
(Loss) for the year	-	-	(15,508)	(15,508)
At 1 January 2001	1,000	552	(29,452)	(27,900)
(Loss) for the year	-	-	(75,800)	(75,800)
At 31 December 2001	<u>1,000</u>	<u>552</u>	<u>(105,252)</u>	<u>(103,700)</u>

14. Contingent liabilities

There were no contingent liabilities at 31 December 2001 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.

15. 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.

16. Pensions

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

57

BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

17. Operating Lease Commitments

At 31 December 2001 the company had annual commitments under non-cancellable operating leases as set out below:

	2001 Land and buildings £000	Other £000	2000 Land and buildings £000	Other £000
Expiring:				
Within 1 year	72	4	-	5
Between 2 to 5 years	10	-	516	
Thereafter	490	-	-	-
	<u>572</u>	<u>4</u>	<u>516</u>	<u>5</u>

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.

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 Britannic House, 1 Finsbury Circus, London EC2M 7BA.

67