

BP GAS MARKETING LIMITED

ANNUAL REPORT AND ACCOUNTS 1997

(Registered in England and Wales No 908982)



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Board of Directors: Dr A B Hayward
Mr A M Jones
Ms A C Quinn

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 1997.

Principal Activity

The company's principal activity during the year was the purchase and sale of BP 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

In the view of the Directors they anticipate that the company will continue to trade profitably into the future as it has done so in the last 12 months.

Results

The profit for the year, after tax, of £1,861,000 when added to the deficit brought forward at 1 January 1997 of £11,391,000 gives a total deficit carried forward at 31 December 1997 of £9,530,000. The directors do not recommend the payment of a dividend.

Directors

Ms A C Quinn served as a director of the company throughout the financial year. Mr G C Greve resigned as a director on 1 July 1997 and Mr G D Bourne and Mr S Weston resigned as directors on 31 August 1997. Dr A B Hayward and Mr A M Jones were appointed on 1 September 1997.

Directors' Interests

The interests of the directors holding office at 31 December 1997, and their families, in the 25p ordinary shares of The British Petroleum Company p.l.c. were as set out below:

	31 December 1997	1 January 1997 or date of appointment
A B Hayward	13,236	13,142
A M Jones	52,519	47,721
A C Quinn	7,668 *	6,586 *

* All held in the form of American Depositary Shares.

REPORT OF THE DIRECTORS

Directors' Interests (continued)

In addition, rights to subscribe for 25p ordinary shares in The British Petroleum Company p.l.c. were granted to, or exercised by, those directors between 1 January or date of appointment and 31 December 1997 as follows:

	Granted	Exercised
A B Hayward	1,790	Nil
A M Jones	Nil	4,733
A C Quinn	Nil	Nil

No director had any interest in the shares or debentures of subsidiary undertakings of The British Petroleum Company p.l.c. at 31 December 1997.

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 2.

Auditors

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

By order of the Board



R C Cumming, Secretary

Registered Office
Britannic House
1 Finsbury Circus
London EC2M 7BA

23rd October 1998

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 on pages 5 to 11, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on page 5.

Respective responsibilities of directors and auditors

As described on page 3, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

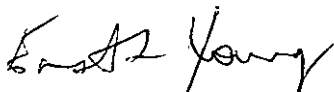
Basis of opinion

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 1997 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

23rd October 1998

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.

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

Operating leases

Rentals under operating leases are charged against income as incurred.

Deferred taxation

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 for recovery anticipated where timing differences are expected to reverse in the foreseeable future.

BP GAS MARKETING LIMITED

PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 1997

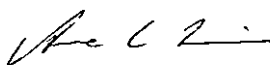
	<u>Note</u>	<u>1997</u> £'000	<u>1996</u> <u>as restated</u> £'000
Turnover	1	324,597	124,309
Cost of sales		(258,174)	(109,691)
Gross profit		66,423	14,618
Distribution and marketing expenses		(54,657)	(19,555)
Administration expenses		(10,005)	(6,031)
		1,761	(10,968)
Other income	3	107	72
Profit/(Loss) on ordinary activities before interest and tax		1,868	(10,895)
Interest receivable	4	4	2
Interest payable		(11)	(1)
Profit/(Loss) before taxation		1,861	(10,895)
Taxation	4	-	-
Retained profit/(loss) for the year		1,861	(10,895)

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 1997

	<u>Note</u>	<u>1997</u> £'000	<u>1996</u> <u>as restated</u> £'000
Total recognised gains and losses relating to the year		(719)	(10,895)
Prior year adjustment (see note 2)		2,580	-
		<u>1,861</u>	<u>(10,895)</u>

BP GAS MARKETING LIMITED
BALANCE SHEET AT 31 DECEMBER 1997

	<u>Note</u>	<u>1997</u> £'000	<u>1996</u> £'000
Current assets			
Debtors	6	104,812	136,452
Cash at bank and in hand		<u>14,550</u>	<u>611</u>
		119,362	137,063
Creditors - amounts falling due within one year	7	(127,340)	(146,902)
EXCESS OF LIABILITIES OVER ASSETS		<u>(7,978)</u>	<u>(9,839)</u>
Represented by			
Capital and reserves			
Called up share capital	8	1,000	1,000
Share premium account	9	552	552
Reserves	9	(9,530)	(11,391)
SHAREHOLDERS' FUNDS - EQUITY INTERESTS		<u>(7,978)</u>	<u>(9,839)</u>


AC Quinn, Director

23rd October 1998

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. The country of origin and destination is the UK.

2. Prior year adjustment

A prior year adjustment has been made for £2,580,000 of lifting costs relating to the period ended 31 December 1996 but omitted from the accounts for that period.

3. Other income

	<u>1997</u> £'000	<u>1996</u> £'000
Other interest and miscellaneous	107	72

4. 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.

5. 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 (1996 £Nil).

(b) Employee costs

The company does not directly employ any staff.

6. Debtors

	<u>1997</u> <u>Within</u> <u>1 year</u> £'000	<u>1996</u> <u>Within</u> <u>1 year</u> £'000
Trade	16,032	12,764
Fellow subsidiary undertakings	4,521	63,056
Prepayments and accrued income	84,259	60,632
	<u>104,812</u>	<u>136,452</u>

BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

7. Creditors - amounts falling due within one year

	<u>1997</u> <u>Within</u> <u>1 year</u> £'000	<u>1996</u> <u>Within</u> <u>1 year</u> £'000
Trade	11,362	9,612
Parent and fellow subsidiary undertakings	64,036	70,647
Other taxation and social security	4,454	6,292
Accruals and deferred income	40,387	55,474
Other	7,101	4,877
	<u>127,340</u>	<u>146,902</u>

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

8. Called up share capital

	<u>1997</u> £'000	<u>1996</u> £'000
Authorised share capital		
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>

On the 31 July 1996, 1,000 ordinary shares of 10p each were issued fully paid at par in connection with a restructuring of a group investment in an associate undertaking. There were no share issues in 1997.

BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

9. 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 1996	1,000	552	(496)	1,056
Loss for the year	-	-	(8,315)	(8,315)
At 1 January 1997 as previously stated	1,000	552	(8,811)	(7,259)
Prior year adjustment	-	-	(2,580)	(2,580)
At 1 January 1997 as restated	1,000	552	(11,391)	(9,839)
Profit for the year	-	-	1,861	1,861
At 31 December 1997	<u>1,000</u>	<u>552</u>	<u>(9,530)</u>	<u>(7,978)</u>

10. Contingent liabilities

There were no contingent liabilities at 31 December 1997 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.

11. Related party transactions

The company has taken advantage of the exemption contained within FRS8, and has not disclosed transactions with group companies.

12. Pensions

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

13. 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 The British Petroleum Company p.l.c., a company registered in England and Wales. Copies of The British Petroleum Company p.l.c.'s accounts can be obtained from Britannic House, 1 Finsbury Circus, London EC2M 7BA.

BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

14. Operating Lease Commitments

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

	1997 Land and buildings £	Other £	1996 Land and buildings £	Other £
Expiring:				
Within 1 year	526,094	15,800	526,094	4,535
Between 2 to 5 years	1,578,282	28,787	1,578,282	13,606
Thereafter	<u>832,982</u>	<u>-</u>	<u>1,359,076</u>	<u>2,079</u>
	2,937,358	44,587	3,463,452	20,221

15. 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.