BP GAS MARKETING LIMITED

(Registered No.00908982)

ANNUAL REPORT AND FINANCIAL STATEMENTS 2017

Board of Directors: R J Harrison
A H Haywood
D W Knipe

The directors present the strategic report, their report and the financial statements for the year ended 31 December 2017.

STRATEGIC REPORT

Results

The profit for the year after taxation was £90,391,000 which, when added to the accumulated loss brought forward at 1 January 2017 of £479,698,000, gives a total accumulated loss carried forward at 31 December 2017 of £389,307,000. This excludes exchange adjustments taken directly to reserves.

Principal activities and review of the business

The company's principal activity is the trading of gas, power, liquefied natural gas (LNG), emissions and other energy products in the UK and overseas. It also holds investments in subsidiary undertakings engaged in similar activities.

The key financial and other performance indicators during the year were as follows:

	2017	2016	Variance
	£000	£000	£000
Turnover	3,157,035	2,696,470	460,565
Operating profit / (loss)	32,234	(93,526)	125,760
Profit / (loss) for the year	90,391	(86,590)	176,981
Total Equity	1,105,419	1,269,203	(163,784)

	2017	2016	Variance
	%	%	
Quick ratio*	139	138	1
Return on assets**	2	(2)	4

* Quick ratio is defined as current assets, excluding stock, debtors receivable after one year and derivatives after one year, as a percentage of current liabilities

** Return on assets is defined as net profit divided by total assets.

The increase in turnover, operating profit and result for the year is attributable to a rise in commodity prices impacting the average price of LNG cargoes and the volume of cargoes sold. There has been a decrease in provisions following updates in assumptions. The decrease in total equity is attributable primarily to foreign exchange adjustments recognized in Other Comprehensive Income.

The quick ratio has increased due to the increase in the amounts owed from fellow subsidiaries.

Principal risks and uncertainties

The company aims to deliver sustainable value by identifying and responding successfully to risks. Risk management is integrated into the process of planning and performance management for the group.

The risks listed below, separately or in combination, could have a material adverse effect on the implementation of the company's strategy, business, financial performance, results of operations, cash flows, liquidity, prospects, shareholder value and returns and reputation. Unless stated otherwise, further details on these risks are included within the risk factors in the strategic report of the BP group Annual Report and Form 20-F for the year ended 31 December 2017.

Strategic and commercial risks

Prices and markets
The company's financial performance is subject to fluctuating prices of oil, gas and refined products, technological change, exchange rate fluctuations and the general macroeconomic outlook.

Geopolitical
The company is exposed to a range of political developments and consequent changes to the operating and regulatory environment.

Liquidity, financial capacity and financial, including credit, exposure
Failure to work within the group's financial framework could impact the company's ability to operate and result in financial loss.

Digital infrastructure and cybersecurity
Breach of the company's digital security or failure of its digital infrastructure could damage its operations and reputation.

Climate change and carbon pricing
Public policies could increase costs and reduce future turnover and strategic growth opportunities.

Competition
Inability to remain efficient, innovate and retain an appropriately skilled workforce could negatively impact delivery of the company's strategy in a highly competitive market.

Crisis management and business continuity
Potential disruption to the company's business and operations could occur if it does not address an incident effectively.

Insurance
The BP group's insurance strategy could expose the BP group to material uninsured losses which in turn could adversely affect the company.

Safety and operational risks

Product quality
Supplying customers with off-specification products could damage the company's reputation, lead to regulatory action and legal liability, and potentially impact its financial performance.

Compliance and control risks

Regulation
Changes in the regulatory and legislative environment could increase the cost of compliance, affect the company's provisions.

Ethical misconduct and non-compliance
Ethical misconduct or breaches of applicable laws by the company's businesses or its employees could be damaging to its reputation, and could result in litigation, regulatory action and penalties.

Treasury and trading activities
Ineffective oversight of treasury and trading activities could lead to business disruption, financial loss, regulatory intervention or damage to the company's reputation.

Reporting
Failure to accurately report the company's data could lead to regulatory action, legal liability and reputational damage.

Financial risk management

The company is exposed to a number of different financial risks arising from natural business exposures as well as its use of financial instruments including market risks relating to commodity prices, foreign currency exchange rates and interest rates; credit risk; and liquidity risk. Further details on these financial risks are included within Note 27 of the BP group Annual Report and Form 20-F for the year ended 31 December 2017.

By order of the Board

For and on behalf of
Sunbury Secretaries Limited
Company Secretary

28 June 2018

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

DIRECTORS' REPORT

BP GAS MARKETING LIMITED

Directors

The present directors are listed on page 1.

D W Knipe, R J Harrison and A H Haywood served as directors throughout the financial year. Changes since 1 January 2017 are as follows:

	Appointed	Resigned
A H Haywood	1 January 2017	-
P J Reed	-	1 January 2017

Directors' indemnity

The company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006. Such qualifying third party indemnity provisions for the benefit of the company's directors remain in force at the date of this report.

Dividends

The company has not declared any dividends during the year (2016: £Nil). The directors do not propose the payment of a dividend.

Financial instruments

In accordance with section 414C of the Companies Act 2006 the directors have included information regarding financial instruments as required by Schedule 7 (Part 1.6) of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 in the strategic report under Financial risk management.

Post balance sheet events

No events have been identified.

Future developments

The directors aim to maintain the management policies which have resulted in the company's stability in recent years. They believe that the company is in a good position to take advantage of any opportunities which may arise in the future.

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

Directors' statement as to the disclosure of information to the auditor

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquiries of fellow directors and of the company's auditor, each of these directors confirms that:

- To the best of each director's knowledge and belief, there is no information relevant to the preparation of the auditor's report of which the company's auditor is unaware; and

- Each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditor is aware of that information.

By order of the Board

For and on behalf of
Sunbury Secretaries Limited
Company Secretary

28 June 2018

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP
United Kingdom

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

BP GAS MARKETING LIMITED

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable UK law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss for that period. In preparing these financial statements, 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 United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of 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, and will continue to adopt the going concern basis in preparing the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF BP GAS MARKETING LIMITED

Opinion

We have audited the financial statements of BP Gas Marketing Limited for the year ended 31 December 2017 which comprise the Profit and Loss Account, the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors
As explained more fully in the directors' responsibilities statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor's 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.

Ernst & Young LLP

Andrew Woosey (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
29 June 2018

EY

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2017

BP GAS MARKETING LIMITED

	Note	2017	2016
		£000	£000
Turnover	**3**	3,157,035	2,696,470
Cost of sales		(2,795,890)	(2,400,648)
Gross profit		361,145	295,822
Distribution and marketing expenses		(236,742)	(378,274)
Administrative expenses		(92,169)	(112,304)
Other operating income		—	1,295
Gain on derivatives		—	54,194
Profit on disposal of investment	**6**	—	45,741
Operating profit / (loss)	**4**	32,234	(93,526)
Income from shares in group undertakings		44,684	18,447
Interest receivable and similar income	**7**	22,062	12,078
Interest payable and similar charges	**8**	(8,589)	(16,579)
Profit / (loss) before taxation		90,391	(79,580)
Taxation	**9**	—	(7,010)
Profit / (loss) for the year		90,391	(86,590)

The profit of £90,391,000 for the year ended 31 December 2017 was derived in its entirety from continuing operations.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

BP GAS MARKETING LIMITED

	2017	2016
	£000	£000
Profit / (loss) for the year	90,391	(86,590)
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Currency translation differences	(254,175)	476,405
Exchange gains on translation of foreign operations reclassified to gain or loss on sale of businesses and fixed assets	—	521
Other comprehensive income for the year net of tax	(254,175)	476,926
Total comprehensive income for the year	(163,784)	390,336

BALANCE SHEET

AT 31 DECEMBER 2017

BP GAS MARKETING LIMITED

(Registered No.00908982)

	Note	2017 £000	2016 £000
Fixed assets			
Intangible assets	**11**	22,267	23,777
Tangible assets	**12**	76	143
Investments	**13**	214,337	210,837
		236,680	234,757
Current assets			
Stocks	**14**	176,478	126,187
Debtors – amounts falling due:			
within one year	**15**	3,786,906	2,565,814
after one year	**15**	247,888	949,643
Derivatives and other financial instruments:			
within one year	**19**	162,492	254,393
after one year	**19**	41,151	54,363
Deferred tax assets	**9**	—	—
Cash and cash equivalents	**16**	108,998	58,230
		4,523,913	4,008,630
Creditors: amounts falling due within one year	**17**	(2,659,394)	(1,823,057)
Derivatives and other financial instruments due within one year	**19**	(263,723)	(263,845)
Net current assets		1,600,796	1,921,728
TOTAL ASSETS LESS CURRENT LIABILITIES		1,837,476	2,156,485
Creditors: amounts falling due after more than one year	**17**	(182,429)	(226,443)
Derivatives and other financial instruments due after more than one year	**19**	(57,728)	(72,874)
Provisions for liabilities and charges			
Other provisions	**20**	(491,900)	(587,965)
NET ASSETS		1,105,419	1,269,203
Capital and reserves			
Called up share capital	**21**	1,065,000	1,065,000
Share premium account	**22**	552	552
Foreign currency translation reserve	**22**	429,174	683,349
Profit and loss account	**22**	(389,307)	(479,698)
TOTAL EQUITY		1,105,419	1,269,203

On behalf of the Board

A H Haywood
Director
28 June 2018

EY

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

BP GAS MARKETING LIMITED

	Called up share capital (Note 21)	Share premium account (Note 22)	Foreign currency translation reserve (Note 22)	Profit and loss account (Note 22)	Total
	£000	£000	£000	£000	£000
Balance at 1 January 2016	1,065,000	552	206,944	(393,629)	878,867
(Loss) for the year	—	—	—	(86,590)	(86,590)
Other comprehensive income for the year	—	—	476,405	521	476,926
Total comprehensive income for the year	—	—	476,405	(86,069)	390,336
Balance at 31 December 2016	1,065,000	552	683,349	(479,698)	1,269,203
Profit for the year	—	—	—	90,391	90,391
Other comprehensive income for the year	—	—	(254,175)	—	(254,175)
Total comprehensive income for the year	—	—	(254,175)	90,391	(163,784)
Balance at 31 December 2017	1,065,000	552	429,174	(389,307)	1,105,419

EY

1. Authorisation of financial statements and statement of compliance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101)

The financial statements of BP Gas Marketing Limited for the year ended 31 December 2017 were approved by the board of directors on 28 June 2018 and the balance sheet was signed on the board's behalf by A H Haywood. BP Gas Marketing Limited is a private company, limited by shares incorporated, domiciled and registered in England and Wales (registered number 00908982). The company's registered office is at Chertsey Road, Sunbury on Thames, Middlesex, United Kingdom, TW16 7BP. These financial statements were prepared in accordance with Financial Reporting Standard 101 'Reduced Disclosure Framework' (FRS 101) and the provisions of the Companies Act 2006.

2. Significant accounting policies, judgements, estimates and assumptions

The significant accounting policies and critical accounting judgements, estimates and assumptions of the company are set out below.

Basis of preparation

These financial statements have been prepared in accordance with FRS 101. The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for the assets.

The accounting policies that follow have been consistently applied to all years presented.

These financial statements are separate financial statements. The company has taken advantage of the exemption under s400 of the Companies Act 2006 not to prepare consolidated financial statements, because it is included in the group financial statements of BP p.l.c. Details of the parent in whose consolidated financial statements the company is included are shown in Note 25 to the financial statements.

As permitted by FRS 101, the company has taken advantage of the disclosure exemptions available under that standard in relation to:

(a) the requirements of IFRS 7 Financial Instruments: Disclosures;
(b) the requirements of paragraphs 91 – 99 of IFRS 13 Fair Value Measurement;
(c) the requirements of paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1 Presentation of Financial Statements
(d) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of
    (i) paragraph 79(a)(iv) of IAS 1 ;
    (ii) paragraph 73(e) of IAS 16 Property, Plant and Equipment
    (iii) paragraph 118(e) of IAS 38 Intangible Assets
(e) the requirements of IAS 7 Statement of Cash Flows
(f) the requirements of paragraphs 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors in relation to standards not yet effective
(g) the requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
(h) the requirements of IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
(i) the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c)-135(e) of IAS 36, Impairment of Assets

EY

NOTES TO THE FINANCIAL STATEMENTS

Where required, equivalent disclosures are given in the group financial statements of BP p.l.c. The group financial statements of BP p.l.c. are available to the public and can be obtained as set out in Note 25.

The financial statements are presented in British pounds and all values are rounded to the nearest thousand pounds (£000), except where otherwise indicated.

Critical accounting policies: use of judgements, estimates and assumptions

Inherent in the application of many of the accounting policies used in preparing the financial statements is the need for management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the period. Actual outcomes could differ from the estimates and assumptions used. The critical judgements and estimates that could have a significant impact on the results of the company are set out below and should be read in conjunction with the information provided in the Notes to the financial statements.

Significant judgements and estimates: interests in other entities
Judgement is required in assessing the level of control or influence over another entity in which the company holds an interest. Depending upon the facts and circumstances in each case, the company may obtain control, joint control or significant influence over the entity or arrangement. Transactions which give the company control of a business are business combinations. If the company obtains joint control of an arrangement, judgement is also required to assess whether the arrangement is a joint operation or a joint venture. If the company has neither control nor joint control, it may be in a position to exercise significant influence over the entity, which is then accounted for as an associate held at cost.

Significant judgements and estimates: impairment of investments
Determination as to whether, and how much, an investment is impaired involves management estimates on highly uncertain matters such as the effects of inflation and deflation on operating expenses, discount rates, production profiles, reserves and resources, and future commodity prices, including the outlook for global or regional market supply-and-demand conditions for crude oil, natural gas and refined products.

For value in use calculations, future cash flows are adjusted for risks specific to the cash-generating unit and are discounted using a pre-tax discount rate. The pre-tax discount rate is based upon the cost of funding the group derived from an established model, adjusted to a pre-tax basis. Fair value less costs of disposal calculations use the post-tax discount rate. The discount rates applied in impairment tests are reassessed each year. See Note 13 for details of assumptions used.

In cases where fair value less costs to sell is used to determine the recoverable amount of an asset, where recent market transactions for the asset are not available for reference, accounting judgements are made about the assumptions market participants would use when pricing the asset. Fair value less costs to sell may be determined based on similar recent market transaction data or using discounted cash flow techniques. Where discounted cash flow analyses are used to calculate fair value less costs to sell, the discount rate used is based upon the cost of funding the group derived from an established model.

Impairment of financial assets
Judgements are required in assessing the recoverability of overdue trade debtors and determining whether a provision against the future recoverability of those debtors is required. Factors considered include the credit rating of the counterparty, the amount and timing of anticipated future payments and any possible actions that can be taken to mitigate the risk of non-payment.

Fair value measurement
In some cases the fair values of derivatives are estimated using internal models due to the absence of quoted prices or other observable, market-corroborated data. This applies to the company's longer-term derivative contracts and certain options, as well as to the majority of the company's natural gas embedded contracts. The company's embedded derivatives arise primarily from long-term UK gas contracts that use pricing formulae

not related to gas prices, for example, oil product and power prices. These contracts are valued using models with inputs that include price curves for each of the different products that are built up from active market pricing data and extrapolated to the expiry of the contracts using the maximum available external pricing information. Additionally, where limited data exists for certain products, prices are interpolated using historic and long-term pricing relationships. Price volatility is also an input for the models.

Changes in the key assumptions could have a material impact on the fair value gains and losses on derivatives and embedded derivatives recognized in the profit and loss account.

Significant estimate or judgement: deferred tax
Management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits. Details of deferred tax balances are provided in Note 9.

Significant accounting policies

Going concern

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for at least the next 12 months from the date these financial statements were approved and the financial statements have therefore been prepared under the going concern basis.

Foreign currency

The functional and presentation currency of the financial statements is British pounds. The functional currency is the currency of the primary economic environment in which an entity operates and is normally the currency in which the entity primarily generates and expends cash.

Assets and liabilities of foreign currency branches are translated into British pounds at rates of exchange ruling at the balance sheet date. The profit and loss account is translated into British pounds using average rates of exchange. Exchange differences arising when the opening net assets and the profits for the year retained by foreign currency branches are translated into British pounds are taken directly to reserves and reported in other comprehensive income. When a foreign currency branch is disposed of the cumulative amount of foreign currency differences included in other comprehensive income is reclassified to the profit and loss account.

Investments

Fixed asset investments in subsidiaries and associates are held at cost. The company assesses investments for an impairment indicator annually. If any such indication of possible impairment exists, the company makes an estimate of the investment's recoverable amount. Where the carrying amount of an investment exceeds its recoverable amount, the investment is considered impaired and is written down to its recoverable amount.

Where these circumstances have reversed, the impairment previously made is reversed to the extent of the original cost of the investment.

Interests in associates
An associate is an entity over which the company has significant influence, through the power to participate in the financial and operating policy decisions of the investee, but which is not a subsidiary or a joint arrangement.

Intangible assets

Intangible assets, other than goodwill, are stated at the amount initially recognized, less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired separately from a business are carried initially at cost. The initial cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. An intangible asset acquired as part of a business combination is measured at fair value at the date of acquisition and is recognized separately from goodwill if the asset is separable or arises from contractual or other legal rights.

Intangible assets with a finite life are amortised on a straight-line basis over their expected useful lives. For patents, licences and trademarks, expected useful life is the shorter of the duration of the legal agreement and economic useful life, and can range from three to fifteen years. Computer software costs generally have a useful life of three to five years.

The expected useful lives of assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

The carrying value of intangible assets is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

Tangible assets

Tangible assets are stated at cost, less accumulated depreciation and accumulated impairment losses. The initial cost of an asset comprises its purchase price or construction cost, any costs directly attributable to bringing the asset into the location and condition necessary for it to be capable of operating in the manner intended by management, the initial estimate of any decommissioning obligation, if any, and, for assets that necessarily take a substantial period of time to get ready for their intended use, directly-attributable finance costs. The purchase price or construction cost is the aggregate amount paid and the fair value of any other consideration given to acquire the asset. The capitalized value of a finance lease is also included within tangible assets.

Exchanges of assets are measured at fair value unless the exchange transaction lacks commercial substance or the fair value of neither the asset received nor the asset given up is reliably measurable. The cost of the acquired asset is measured at the fair value of the asset given up, unless the fair value of the asset received is more clearly evident. Where fair value is not used, the cost of the acquired asset is measured at the carrying amount of the asset given up. The gain or loss on derecognition of the asset given up is recognized in profit or loss.

Expenditure on major maintenance refits or repairs comprises the cost of replacement assets or parts of assets, inspection costs and overhaul costs. Where an asset or part of an asset that was separately depreciated is replaced and it is probable that future economic benefits associated with the item will flow to the company, the expenditure is capitalized and the carrying amount of the replaced asset is derecognized. Inspection costs associated with major maintenance programmes are capitalized and amortised over the period to the next inspection. Overhaul costs for major maintenance programmes, and all other maintenance costs are expensed as incurred.

Tangible assets are depreciated on a straight-line basis over their expected useful lives. The typical useful lives of the company's tangible assets are as follows:

Office equipment	4 years
Fixtures and fittings	4 years

The expected useful lives of tangible assets are reviewed on an annual basis and, if necessary, changes in useful lives are accounted for prospectively.

The carrying amounts of tangible assets are reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

An item of tangible assets is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the profit and loss account in the period in which the item is derecognized.

Impairment of intangible and tangible assets

The company assesses assets or groups of assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable, for example, changes in the company's business plans, changes in commodity prices leading to sustained unprofitable performance. If any such indication of impairment exists, the company makes an estimate of the asset's recoverable amount. Individual assets are grouped for impairment assessment purposes at the lowest level at which there are identifiable cash flows that are largely independent of the cash flows of other groups of assets. An asset group's recoverable amount is the higher of its fair value less costs to sell and its value in use. Where the carrying amount of an asset group exceeds its recoverable amount, the asset group is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are adjusted for the risks specific to the asset group and are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money. Fair value less costs to sell is identified as the price that would be received to sell the asset in an orderly transaction between market participants and does not reflect the effects of factors that may be specific to the entity and not applicable to entities in general.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such a reversal, the depreciation charge is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Stock

Stock, other than stock held for trading purposes, is stated at the lower of cost and net realizable value. Cost is determined by the first-in first-out method and comprises direct purchase costs, cost of production, transportation and manufacturing expenses. Net realizable value is based on estimated selling price less any further costs expected to be incurred to completion and disposal. Net realizable value is determined by reference to prices existing at the balance sheet date, adjusted where the sale of inventories after the reporting period gives evidence about their net realizable value at the end of the period.

Stock held for short-term trading purposes are stated at fair value less costs to sell and any changes in fair value are recognized in the profit and loss account.

Supplies are valued at the lower of cost on a weighted average basis and net realizable value.

Leases

Leases where the lessor retains a significant portion of the risks and benefits of ownership of the asset are classified as operating leases and rentals payable are charged in the profit and loss account on a straight line basis over the lease term.

For all leases, contingent rents are recognized in the profit and loss account in the period in which they are incurred.

Financial assets

Financial assets are recognized initially at fair value, normally being the transaction price plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The subsequent measurement of financial assets depends on their classification, as set out below. The company derecognizes financial assets when the contractual rights to the cash flows expire or the financial asset is transferred to a third party.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method if the time value of money is significant. Gains and losses are recognized in the profit and loss account when the loans and receivables are derecognized or impaired and when interest is recognized using the effective interest method. This category of financial assets includes trade and other receivables.

Financial assets at fair value through profit or loss
Financial assets, at fair value through profit or loss are carried on the balance sheet at fair value with gains or losses recognized in the profit and loss account. Derivatives, other than those designated as effective hedging instruments, are classified as held for trading and are included in this category.

Cash equivalents
Cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash, are subject to insignificant risk of changes in value and generally have a maturity of three months or less from the date of acquisition. Cash equivalents are classified as loans and receivables, held-to-maturity financial assets or available-for-sale financial assets.

Impairment of financial assets

The company assesses at each balance sheet date whether a financial asset or group of financial assets is impaired.

Loans and receivables
If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced, with the amount of the loss recognized in the profit and loss account.

Significant judgement: recoverability of trade receivables
Judgements are required in assessing the recoverability of overdue trade receivables and determining whether a provision against those receivables is required. Factors considered include the credit rating of the counterparty, the amount and timing of anticipated future payments and any possible actions that can be taken to mitigate the risk of non-payment.

Financial liabilities

The measurement of financial liabilities is as follows:

Financial liabilities at fair value through profit or loss
Financial liabilities, at fair value through profit or loss are carried on the balance sheet at fair value with gains or losses recognized in the profit and loss account. Derivatives, other than those designated as effective hedging instruments, are classified as held for trading and are included in this category.

Financial liabilities measured at amortised cost
All other financial liabilities are initially recognized at fair value, net of transaction costs. For interest-bearing loans and borrowings this is the fair value of the proceeds received net of issue costs associated with the borrowing.

After initial recognition, these financial liabilities are subsequently measured at amortised cost using the effective interest method. Amortised cost is calculated by taking into account any issue costs, and any discount or premium on settlement. Gains and losses arising on the repurchase, settlement or cancellation of liabilities are recognized respectively in interest receivable and similar income and interest payable and similar charges. This category of financial liabilities includes trade and other payables and finance debt, except finance debt designated in a fair value hedge relationship.

Derivative financial instruments

The company is exempt from the disclosure requirements of IFRS 7 "Financial Instruments: Disclosures" and IFRS 13 "Fair value measurement" as the company is included in the consolidated financial statements of the ultimate parent undertaking, BP p.l.c., which include the disclosures on a group basis that comply with these standards. Relevant disclosures as required by the Companies Act 2006 in relation to instruments held at fair value have been included in these financial statements.

The company uses derivative financial instruments to manage certain exposures to fluctuations in foreign currency exchange rates, interest rates and commodity prices as well as for trading purposes. Such derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at fair value. Derivatives relating to unquoted equity instruments are carried at cost where it is not possible to reliably measure their fair value subsequent to initial recognition. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Contracts to buy or sell a non-financial item (for example oil, oil products, gas and power) that can be settled net in cash or another financial instrument, or by exchanging financial instruments as if the contracts were financial instruments, with the exception of contracts that were entered into and continue to be held for the purpose of the receipt or delivery of a non-financial item in accordance with the company's expected purchase, sale or usage requirements, are accounted for as financial instruments. Contracts to buy or sell equity investments, including investments in associates, are also financial instruments. Gains or losses arising from changes in the fair value of derivatives that are not designated as effective hedging instruments are recognized in the profit and loss account.

If, at inception of a contract, the valuation cannot be supported by observable market data, any gain or loss determined by the valuation methodology is not recognized in the profit and loss account but is deferred on the balance sheet and is commonly known as 'day-one profit or loss'. This deferred gain or loss is recognized in the profit and loss account over the life of the contract until substantially all the remaining contract term can be valued using observable market data at which point any remaining deferred gain or loss is recognized in the profit and loss account. Changes in valuation from the initial valuation are recognized immediately through the profit and loss account.

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. The company categorizes assets and liabilities measured at fair value into one of three levels depending on the ability to observe inputs employed in their measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs that are observable, either directly or indirectly, other than quoted prices included within level 1 for the asset or liability. Level 3 inputs are unobservable inputs for the asset or liability reflecting significant modifications to observable related market data or BP group's assumptions about pricing by market participants.

Significant judgement and estimate: valuation of derivatives

In some cases the fair values of derivatives are estimated using internal models due to the absence of quoted prices or other observable, market-corroborated data. This applies to the company's longer-term derivative contracts. The majority of these contracts are valued using models with inputs that include price curves for each of the different products that are built up from available active market pricing data and modelled using the maximum available external pricing information. Additionally, where limited data exists for certain products, prices are determined using historic and long-term pricing relationships. Price volatility is also an input for options models. Changes in the key assumptions could have a material impact on the carrying amounts of derivative assets and liabilities in the next financial year. For more information see Note 19.

In some cases, judgement is required to determine whether contracts to buy or sell commodities meet the definition of a derivative. Contracts to buy and sell LNG are not considered to meet the definition as they are not considered capable of being net settled and so are accounted for on an accruals basis.

Offsetting of financial assets and liabilities

Financial assets and liabilities are presented gross in the balance sheet unless both of the following criteria are met: the company currently has a legally enforceable right to set off the recognized amounts; and the company intends to either settle on a net basis or realize the asset and settle the liability simultaneously. If both of the criteria are met, the amounts are set off and presented net. A right of set off is the company's legal right to settle an amount payable to a creditor by applying against it an amount receivable from the same counterparty. The relevant legal jurisdiction and laws applicable to the relationships between the parties are considered when assessing whether a current legally enforceable right to set off exists.

Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where appropriate, the future cash flow estimates are adjusted to reflect the risks specific to the liability.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax risk-free rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized in the profit and loss account. A provision is discounted using either a nominal discount rate of 2.5% (2016: 2%) or a real discount rate of 0.5% (2016: 0.5%), as appropriate. Provisions are split between amounts expected to be settled within 12 months of the balance sheet date (current) and amounts expected to be settled later (non-current).

Taxation

Income tax expense represents the sum of current tax and deferred tax.

Income tax is recognized in the profit and loss account, except to the extent that it relates to items recognized in other comprehensive income or directly in equity, in which case the related tax is recognized in other comprehensive income or directly in equity.

Current tax is based on the taxable profit for the period. Taxable profit differs from net profit as reported in the profit and loss account because it is determined in accordance with the rules established by the applicable taxation authorities. It therefore excludes items of income or expense that are taxable or deductible in other periods as well as items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided, using the balance sheet method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences except:

- where the deferred tax liability arises on the initial recognition of goodwill;
- where the deferred tax liability arises on the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; or
- in respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, where the company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilized. An exception is where the deferred tax asset relates to the deductible temporary difference arising from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss.

In respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset only when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the current tax assets and liabilities on a net basis or to realize the assets and settle the liabilities simultaneously.

Where tax treatments are uncertain, if it is considered probable that a taxation authority will accept the company's proposed tax treatment, income taxes are recognized consistent with the company's income tax filings. If it is not considered probable, the uncertainty is reflected using either the most likely amount or an expected value, depending on which method better predicts the resolution of the uncertainty.

Customs duties and sales taxes

Customs duties and sales taxes which are passed on to customers are excluded from turnover and expenses. Assets and liabilities are recognized net of the amount of customs duties or sales tax except:

- Where the customs duty or sales tax incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the customs duty or sales tax is recognized as part of the cost of acquisition of the asset.
- Receivables and payables are stated with the amount of customs duty or sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included within receivables or payables in the balance sheet.

Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods or services provided in the normal course of business, net of discounts, customs duties and sales taxes.

Turnover associated with the sale of natural gas liquids, liquefied natural gas, emission and power products and all other items is recognized when title passes to the customer.

Turnover associated with the sale of power, liquefied natural gas and natural gas forward sales / purchase contracts and sales / purchases of trading stock is included on a net basis in turnover and other operating revenues.

Interest income

Interest income is recognized as the interest accrues using the effective interest rate – that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Dividend income

Dividend income from investments is recognized when the shareholders' right to receive the payment is established.

Finance costs

All finance costs are recognized in the profit and loss account in the period in which they are incurred.

Exceptional items

The company discloses as exceptional items those material items impacting the profit and loss account which, because of the nature and expected infrequency of the events giving rise to them, merit separate disclosure to allow shareholders to understand better the elements of financial performance in the year, so as to facilitate comparison with prior periods and to assess better trends in financial performance.

3. Turnover

An analysis of the company's turnover is as follows:

	2017	2016
	£000	£000
Sales of goods	3,046,580	2,319,561
Group gain / (loss) sharing arrangements	136,132	(19,496)
Held for trading (loss) / gain	(25,677)	396,405
	3,157,035	2,696,470
Other operating income	—	1,295
Income from shares in group undertakings	44,684	18,447
Interest receivable and similar income (Note 7)	22,062	12,078
	3,223,781	2,728,290

An analysis of turnover by class of business is set out below:

	2017	2016
	£000	£000
Class of business:		
Upstream	3,157,035	2,696,470
Total	3,157,035	2,696,470

An analysis of turnover by geographical market is set out below:

	2017	2016
	£000	£000
By geographical area:		
UK	1,294,384	1,040,313
Rest of Europe	978,681	1,020,638
USA	—	259,509
Rest of World	883,970	376,010
Total	3,157,035	2,696,470

4. Operating profit / (loss)

This is stated after charging / (crediting):

	2017	2016
	£000	£000
Net foreign exchange losses	11,516	35,801
Amortisation of intangible assets		
- Internally generated*	11,328	13,802
- Other*	—	54
Depreciation of tangible assets	67	174
Reversal of impairment of investments**	—	(23,925)

* Amount is included in Administrative expenses.

** The reversal of impairment in 2016 was recognised against the investment in Bahia de Bizkaia Electricidad, S.L. Please see note 13 for further details.

5. Auditor's remuneration

	2017	2016
	£000	£000
Fees for the audit of the company	35	27

Fees paid to the company's auditor, Ernst & Young LLP, and its associates for services other than the statutory audit of the company are not disclosed in these financial statements since the consolidated financial statements of BP Gas Marketing Limited's ultimate parent, BP p.l.c., are required to disclose non-audit fees on a consolidated basis.

The fees were borne by another group company.

6. Exceptional items

Exceptional items comprise the profit on disposal of investments as follows:

	2017	2016
	£000	£000
Profit on disposal of investment	—	45,741
Exceptional items	—	45,741

In 2016, the company divested its entire 20% shareholding in Trans Adriatic Pipeline AG to BP Pipelines TAP Limited for consideration of €276m. There were no exceptional items in the current year.

7. Interest receivable and similar income

	2017	2016
	£000	£000
Bank interest receivable	1,684	1,588
Interest income from amounts owed by group undertakings	20,378	10,490
Total interest receivable and similar income	22,062	12,078

8. Interest payable and similar charges

	2017	2016
	£000	£000
Interest expense on:		
Loans from group undertakings	8,161	15,980
Other loans	428	599
Total interest expense	8,589	16,579
Total interest payable and similar charges	8,589	16,579

9. Taxation

The company is a member of a group for the purposes of relief within Part 5, Corporation Tax Act 2010.

The taxation charge / (credit) in the profit and loss account is made up as follows:

	2017	2016
Current tax	£000	£000
UK corporation tax on income for the year	—	—
UK tax underprovided / (overprovided) in prior years	—	—
Overseas tax on income for the year	—	—
Overseas tax underprovided / (overprovided) in prior years	—	—
Total current tax charged / (credited)	—	—
Deferred tax		
Origination and reversal of temporary differences	—	7,010
Effect of increased / (decreased) tax rate on opening liability	—	—
Overseas deferred tax	—	—
Adjustments in prior year temporary differences	—	—
Total deferred tax charged / (credited)	—	7,010
Tax charged / (credited) on (loss) / profit	—	7,010

In 2017 the total tax credit recognised within other comprehensive income was £Nil (2016: £Nil) and the total tax credit recognised directly in equity was £Nil (2016: £Nil).

(a) Reconciliation of the effective tax rate

The tax assessed on the profit / (loss) for the year is lower than the standard rate of corporation tax in the UK of 19.25% for the year ended 31 December 2017 (2016: 20%). The differences are reconciled below:

	2017	2016
	UK	UK
	£000	£000
Profit / (loss) before tax	90,391	(79,580)
Tax charge / (credit)	—	7,010
Effective tax rate	0%	(9)%

	2017	2016
	UK	UK
	%	%
UK corporation tax rate:	19.25	20
Overseas corporation tax rate:	—	—
Increase / (decrease) resulting from:		
Higher taxes on overseas earnings	—	—
Non-taxable income	0.33	11
Provision against investments in subsidiaries	—	6
Free group relief	(10.57)	—
Dividends not subject to UK tax	(9.51)	5
Movements in unrecognised deferred tax	0.50	(51)
Effective tax rate	—	(9)

The reconciling items shown above are those that arise for UK corporation tax purposes, rather than overseas tax purposes.

Change in corporation tax rate
The UK corporation tax rate reduced to 19% with effect from 1 April 2017, and will further reduce to 17% from 1 April 2020. Deferred tax has been measured using these rates, which have been substantively enacted at 31 December 2017.

(b) Provision for deferred tax

The deferred tax included in the profit and loss account and balance sheet is as follows:

	Profit and loss account		Balance sheet	
Deferred tax asset	2017	2016	2017	2016
	£000	£000	£000	£000
Depreciation in excess of CA's	—	7,122	—	—
	—	7,122	—	—

	Profit and loss account		Balance sheet	
Deferred tax liability	2017	2016	2017	2016
	£000	£000	£000	£000
Derivative financial instruments	—	(112)	—	—
	—	(112)	—	—
Net (charge) / provision for deferred tax	—	7,010	—	—

Analysis of movements during the year

	2017
	£000
At 1 January 2017	—
Deferred tax debit in the profit and loss account	—
At 31 December 2017	—

Deferred tax has not been recognised on deductible temporary differences relating to fixed assets of £65m (2016: £53.6m) and tax losses of £144m (2016: £153.0m) with no fixed expiry date on the basis that they are not expected to give rise to any future tax benefit.

10. Directors and employees

(a) Remuneration of directors

A number of directors are senior executives of the BP p.l.c Group and received no remuneration for services to this company or its subsidiary undertakings.

Directors who received remuneration for their services to the company

The total remuneration for all serving directors for their period of directorship to the company amounted to £233,000 (2016: £236,000).

None of these serving directors received non-cash benefits in relation to qualifying services.

None of these directors were members of the defined benefit section of the BP Pension Fund at 31 December 2017 (2016: None) and none of the directors exercised share options over BP p.l.c. shares during the year (2016: None)

The highest paid director received £233,000 (2016: £236,000). The accrued pension of the highest paid director at 31 December 2017 was £Nil (2016: £Nil). The highest paid director did not exercise share options over BP p.l.c shares during the year.

(b) Employee costs

The company had no employees during the year (2016: None).

11. Intangible assets

	Other intangibles
Cost	£000
At 1 January 2017	90,297
Additions	9,818
Transfers	—
At 31 December 2017	100,115
Amortisation	
At 1 January 2017	(66,520)
Charge for the year	(11,328)
At 31 December 2017	(77,848)
Net book value	
At 31 December 2017	22,267
At 31 December 2016	23,777

12. Tangible assets

	Plant & machinery
Cost	£000
At 1 January 2017	18,113
Additions	—
Transfers	—
At 31 December 2017	18,113
Depreciation	
At 1 January 2017	(17,970)
Charge for the year	(67)
At 31 December 2017	(18,037)
Net book value	
At 31 December 2017	76
At 31 December 2016	143

13. Investments

	Investment in subsidiaries	Investment in associates	Loans to associates	Total
Cost	£000	£000	£000	£000
At 1 January 2016	266,568	56,256	64,857	387,681
Exchange adjustments	—	(5,298)	3,428	(1,870)
Additions	—	500	65,891	66,391
Disposals	—	(50,958)	(132,676)	(183,634)
At 31 December 2016	266,568	500	1,500	268,568
At 1 January 2017	266,568	500	1,500	268,568
Additions	—	—	3,500	3,500
At 31 December 2017	266,568	500	5,000	272,068
Impairment losses				
At 1 January 2016	(81,656)	—	—	(81,656)
Reversal	23,925			23,925
At 31 December 2016	(57,731)	—	—	(57,731)
At 1 January 2017	(57,731)	—	—	(57,731)
Reversal	—	—	—	—
At 31 December 2017	(57,731)	—	—	(57,731)
Net book amount				
At 31 December 2017	208,837	500	5,000	214,337
At 31 December 2016	208,837	500	1,500	210,837

The investments in subsidiaries, associates and joint ventures are all stated at cost less provision for impairment.

The investments in the subsidiary and associated undertakings and joint ventures are unlisted.

In 2016, the company divested its entire 20% shareholding in Trans Adriatic Pipeline AG to BP Pipelines TAP Limited for a consideration of €276m.

A review of the recoverable amounts of investments was carried out in 2017, which has resulted in no impairment charge or reversal against the investment in Bahia de Bizkaia Electricidad, S.L. being recognised in these financial statements. The recoverable amount was determined to be the same as the carrying value. The recoverable amount was calculated using the value in use method applying a nominal 6% pre-tax discount rate to future cash flows.

The subsidiary undertakings of the company at 31 December 2017 and the percentage of equity capital held set out below are the investments which principally affected the profits or net assets of the company. The principal country of operation is generally indicated by the company's country of incorporation or by its name.

Subsidiary undertakings

Company name	Class of share held	%	Registered address	Principal activity
Bahia de Bizkaia Electridid, S.L.	Ordinary shares	75	Atraque Punta Lucero Explanada Punta Ceballos s/n Ziérbena (Vizcaya) Spain	Power Generation

Associated undertakings

Company name	Class of share held	%	Registered address	Principal activity
Blue Marble Holdings Limited	Ordinary shares	24	Desklodge - 5th Floor, 1 Temple Way Bristol, BS2 0BY United Kingdom	Holding company

14. Stocks

	2017	2016
	£000	£000
Emission certificates	58,409	17,680
Natural gas	33,852	34,465
Supplies	3,746	5,863
Trading stocks	80,471	68,179
	176,478	126,187

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

15. Debtors

Amounts falling due within one year:

	2017	2016
	£000	£000
Trade debtors	433,307	473,414
Amounts owed from fellow subsidiaries	3,346,494	2,073,452
Amounts owed from associates	711	297
Other debtors	4,256	15,374
Prepayments and accrued income	2,138	3,277
	3,786,906	2,565,814

Amounts falling due after one year:

	2017	2016
	£000	£000
Amounts owed from fellow subsidiaries	192,463	887,652
Other debtors	55,425	61,991
	247,888	949,643
Total debtors	4,034,794	3,515,457

Included within the amounts owed from fellow subsidiaries are intercompany derivative assets of £1,249,953,000 (2016: £1,292,319,000). Derivative assets due within one year are £1,057,490,000 (2016: £1,089,667,000), and due after one year £192,463,000 (2016: £202,652,000).

Please refer to Note 19 for a description of intercompany derivative assets.

16. Cash and cash equivalents

	2017	2016
	£000	£000
Cash	485	700
Cash equivalents	108,513	57,530
	108,998	58,230

Cash and cash equivalents at 31 December 2017 includes £108,513,000 (2016: £57,530,000) that is restricted. The restricted cash balances include amounts required to cover initial margin on trading exchanges and certain cash balances which are subject to exchange controls.

17. Creditors

Amounts falling due within one year:

	2017	2016
	£000	£000
Trade creditors	489,149	495,936
Amounts owed to fellow subsidiaries	1,609,908	1,284,750
Other creditors	538,417	16,318
Other taxes and social security costs	34	—
Accruals and deferred income	21,886	26,053
Total creditors	2,659,394	1,823,057

Amounts falling after one year:

	2017	2016
	£000	£000
Amounts owed to fellow subsidiaries	182,429	226,443
	182,429	226,443
Total creditors	2,841,823	2,049,500

Included within the amounts owed to fellow subsidiaries are intercompany derivative liabilities of £1,123,845,000 (2016: £1,337,902,000). Derivative liabilities due within one year are £941,416,000 (2016: £1,138,102,000), and due after one year £182,429,000 (2016: £199,800,000).

Please refer to Note 19 for a description of intercompany derivative liabilities.

18. Obligations under leases

Operating leases

Operating lease payments represent rentals payable by the company for certain ships. Time charters are negotiated for an average term of 7 years and rentals are fixed for an average of 7 years with an option to extend for a further period at the then prevailing market rate.

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2017	2016
	Shipping	Shipping
	£000	£000
Operating leases which expire:		
Within 1 year	72,879	—
In 1 to 5 years	488,344	—
After 5 years	601,910	—
	1,163,133	—

19. Derivatives and other financial instruments

In the normal course of business the company enters into derivative financial instruments (derivatives), to manage its normal business exposures in relation to commodity prices, foreign currency exchange rates and interest rates, including management of the balance between floating rate and fixed rate debt consistent with risk management policies and objectives.

For information on significant estimates and judgements made in relation to the application of hedge accounting and the valuation of derivatives, see Derivative financial instruments and hedging activities within Note 2.

Exchange traded derivatives are valued using closing prices provided by the exchange as at the balance sheet date. These derivatives are categorized within level 1 of the fair value hierarchy. Over-the-counter (OTC) financial swaps and physical commodity sale and purchase contracts are generally valued using readily available information in the public markets and quotations provided by brokers and price index developers. These quotes are corroborated with market data and are categorized within level 2 of the fair value hierarchy.

In certain less liquid markets, or for longer-term contracts, forward prices are not as readily available. In these circumstances, OTC financial swaps and physical commodity sale and purchase contracts are valued using internally developed methodologies that consider historical relationships between various commodities, and that result in management's best estimate of fair value. These contracts are categorized within level 3 of the fair value hierarchy.

Financial OTC and physical commodity options are valued using industry standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and contractual prices for the underlying instruments, as well as other relevant economic factors. The degree to which these inputs are observable in the forward markets determines whether the option is categorized within level 2 or level 3 of the fair value hierarchy.

Derivatives held for trading

The company maintains active trading positions in a variety of derivatives. The contracts may be entered into for risk management purposes, to satisfy supply requirements or for entrepreneurial trading. Certain contracts are classified as held for trading, regardless of their original business objective, and are recognized at fair value with changes in fair value recognized in the profit and loss account. Trading activities are undertaken by using a range of contract types in combination to create incremental gains by the arbitraging process between markets, locations and time periods. The net of these exposures is monitored using market value-at-risk techniques.

NOTES TO THE FINANCIAL STATEMENTS

19. Derivatives and other financial instruments (continued)

The fair values of derivative financial instruments at 31 December are set out below.

	2017	2017	2016	2016
	Fair value asset	Fair value liability	Fair value asset	Fair value liability
	£000	£000	£000	£000
Derivatives held for trading				
- Oil price derivatives	—	(114,721)	—	—
- Natural gas price derivatives	146,460	(151,534)	254,296	(287,019)
- Power price derivatives	57,183	(55,196)	54,460	(49,700)
	203,643	(321,451)	308,756	(336,719)
Of which:				
– current	162,492	(263,723)	254,393	(263,845)
– non-current	41,151	(57,728)	54,363	(72,874)
	203,643	(321,451)	308,756	(336,719)

EY

NOTES TO THE FINANCIAL STATEMENTS

2017	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	£000	£000	£000	£000	£000	£000	£000
Fair value of derivative assets							
Level 2	535,253	83,014	4,244	—	—	—	622,511
Level 3	2,782	—	—	315	407	2,984	6,488
	538,035	83,014	4,244	315	407	2,984	628,999
Less: netting by counterparty	(375,543)	(48,208)	(1,605)	—	—		(425,356)
	162,492	34,806	2,639	315	407	2,984	203,643
Fair value of derivative liabilities							
Level 2	(637,152)	(92,463)	(10,433)	(68)	—	—	(740,116)
Level 3	(2,114)	—	—	(59)	(479)	(4,039)	(6,691)
	(639,266)	(92,463)	(10,433)	(127)	(479)	(4,039)	(746,807)
Less: netting by counterparty	375,543	48,208	1,605	—	—	—	425,356
	(263,723)	(44,255)	(8,828)	(127)	(479)	(4,039)	(321,451)
Net fair value	(101,231)	(9,449)	(6,189)	188	(72)	(1,055)	(117,808)

NOTES TO THE FINANCIAL STATEMENTS

2016	Less than 1 year	1-2 years	2-3 years	3-4 years	4-5 years	Over 5 years	Total
	£000	£000	£000	£000	£000	£000	£000
Fair value of derivative assets							
Level 2	1,060,209	123,149	22,008	47	—	—	1,205,413
Level 3	—	—	—	—	—	—	—
	1,060,209	123,149	22,008	47	—	—	1,205,413
Less: netting by counterparty	(805,816)	(76,047)	(14,794)	—	—	—	(896,657)
	254,393	47,102	7,214	47	—	—	308,756
Fair value of derivative liabilities							
Level 2	(1,068,416)	(132,035)	(30,463)	(1,217)	—	—	(1,232,131)
Level 3	(1,245)	—	—	—	—	—	(1,245)
	(1,069,661)	(132,035)	(30,463)	(1,217)	—	—	(1,233,376)
Less: netting by counterparty	805,816	76,047	14,794	—	—	—	896,657
	(263,845)	(55,988)	(15,669)	(1,217)	—	—	(336,719)
Net fair value	(9,452)	(8,886)	(8,455)	(1,170)	—	—	(27,963)

EY

19. Derivatives and other financial instruments (continued)

Level 3 derivatives

The following table shows the changes during the year in the net fair value of derivatives held for trading purposes within level 3 of the fair value hierarchy.

	Total
	£000
Net fair value of contracts as at 1 January 2017	(1,245)
(Losses) recognised in the income statement	(1,042)
Net fair value of contracts as at 31 December 2017	(203)

	Total
	£000
Net fair value of contracts as at 1 January 2016	(7,207)
(Losses) recognised in the income statement	(435)
Transfer in of level 3	(810)
Transfer out level 3	7,207
Net fair value of contracts as at 31 December 2016	(1,245)

Derivative gains and losses

Gains and losses on derivative contracts are included within 'Turnover' in the profit and loss account. The total amount relating to these derivative contracts was a net gain of £110,455,000 (2016: net gain of £380,235,000).

20. Other provisions

	Other
	£000
At 1 January 2017	587,965
Exchange Adjustments	17,552
New or increased provisions:	
Charged to profit and loss account	(40,044)
Write-back of unused provisions	(29,039)
Unwinding of discount	5,039
Change in discount rate	(9,457)
Utilisation	(40,116)
At 31 December 2017	491,900

The provisions relate to five onerous contracts which are split between storage of gas and pipeline capacity contracts, two and three respectively.

Provisions decreased by £96m during the year. This was on the back of provision roll offs and assumption updates mainly impacting Viking and Bierwang, where the former storage contract had two additional caverns come online in the year increasing working gas volumes stored. £18m increase in provision related to exchange rate movements.

The Viking provision relates to gas Caverns in Germany with a contract expiry of 2046. The contract is denominated in Euro and there has been a £62m decrease in the provision as a result of an update in the assumptions (2016: £79m increase) and a £14m increase in the provision related to the exchange rate movements (2016: £18m increase).

The Bierwang provision relates to gas Caverns in Germany with a contract expiry of 2027. The contract is denominated in Euro and there has been a £3m increase in the provision as a result of the change in assumptions (2016: £13m increase) and a £2m increase in the provision related to the exchange rate movements (2016: £10m increase).

The Spain-France Inter-Connector provision relates to gas capacity through the Spain-France Pipeline. The expiry of this contract is 2023. The contract is denominated in Euro and there has been decrease in the provision during the year of £4m (2016: £2m).

The Inter-Connector UK provision relates to gas capacity through the UK-Belgium Pipeline. The expiration of this contract is 2018. The contract is denominated in Sterling and there has been a decrease in the provision during the year of £12m (2016: £10m).

The Trans-Austrian Gasline provision relates to the supply of gas capacity through the Trans-Austrian Gasline. The expiry of this contract is 2023. The contract is denominated in Euro and there has been a decrease in the provision during the year of £2m (2016: Decrease of £1m).

The uncertainties that face the provisions recognized above include the foreign exchange rate and the market price of gas.

21. Called up share capital

	2017	2016
	£000	£000
Issued and fully paid:		
1,065,000,000 ordinary shares of £1 each for a total nominal value of £1,065,000,000	1,065,000	1,065,000
	1,065,000	1,065,000

22. Reserves

Called up share capital
The balance on the called up share capital account represents the aggregate nominal value of all ordinary shares in issue.

Share premium account
The balance on the share premium account represents the amounts received in excess of the nominal value of the ordinary shares.

Foreign currency translation reserve
The foreign currency translation reserve is used to record the currency fluctuations in relation to the foreign currency branch.

Profit and loss account
The balance held on this reserve is the accumulated losses of the company.

In 2017, the company paid interim ordinary dividends of £Nil (2016:£Nil). The dividend per share was £0.00 (2016 dividend per share: £0.00).

23. Related party transactions

The company has taken advantage of the exemption contained within paragraphs 8(k) and (j) of FRS 101, and has not disclosed transactions entered into with wholly-owned group companies or key management personnel.

During the year the company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 December, are as follows:

Related party	Sales to related party	Purchases from related party	Amounts owed from related party	Amounts owed to related party
	£000	£000	£000	£000
BP Trinidad and Tobago LLC				
Fellow subsidiary				
Gas				
2017	—	23,179	—	4,902
2016	—	1,004	—	—
Atlantic 2/3 Holdings LLC				
Joint venture				
Gas				
2017	—	—	3,654	862
2016	—	9,659	789	1,854
Aker BP ASA				
Joint venture				
Exploration				
2017	7,278	197,856	711	30,570
2016	1,472	3,343	290	14,465

24. Post balance sheet events

No post balance sheet events have been identified.

25. Immediate and ultimate controlling parent undertaking

The immediate parent undertaking is BP Exploration Operating Company Limited, a company registered in England and Wales . The ultimate controlling parent undertaking is BP p.l.c., a company registered in England and Wales, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. Copies of the consolidated financial statements of BP p.l.c. can be obtained from its registered address: 1 St James's Square, London, SW1Y 4PD.