

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

**ANNUAL REPORT AND ACCOUNTS 2002**

Board of Directors:   D S Fitzsimmons  
                              A H Haywood  
                              D M Rotenburg  
                              T. Fountain

**REPORT OF THE DIRECTORS**

The directors present their report and accounts for the year ended 31 December 2002.

**Principal activity**

The company's principal activity during the year was the trading and marketing of gas and other energy products in the UK and overseas.

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

**Review of activities**

The company has had a good year with an increase in Turnover of 5% and in Gross Profit of 95% and a reduction in Loss for the year of 73%. The directors believe that this trend will continue.

The company is in a good position to take advantage of any opportunities which may arise in the future.

**Results**

The loss for the year after taxation was £20,207,000, when added to the restated retained deficit brought forward at 1 January 2002 of £99,473,000, gives a total retained deficit carried forward at 31 December 2002 of £119,680,000.



## **BP GAS MARKETING LIMITED**

### **REPORT OF THE DIRECTORS**

#### **Directors**

The present directors are listed on page 1.

Mr S K Welch served as director throughout the financial year. Changes since 1 January 2002 are as follows:

	<u>Appointed</u>	<u>Resigned</u>
P J Mather		1 March 2002
F A Macleod	1 March 2002	19 November 2003
T Fountain	1 February 2003	
S K Welch		1 May 2003
D M Rotenburg	1 June 2003	
A H Haywood	19 November 2003	
D S Fitzsimmons	1 May 2003	

#### **Directors' interests**

The interests of the directors holding office at 31 December 2002, and their families, in the US \$0.25 ordinary shares of BP p.l.c., were as set out below:

	<u>31 December 2002</u>	<u>1 January 2002/Or date of appointment</u>
F Macleod	15,621	11,716
S K Welch	72,166*	72,166*

In addition, rights to subscribe for US \$0.25 ordinary shares in BP p.l.c. were granted to, or exercised by, those directors between 1 January 2002 (or date of appointment) and 31 December 2002 as follows:

	<u>Granted</u>	<u>Exercised</u>
F Macleod	2,196	3,580
S K Welch	107,010*	-

\*These holdings include shares held in the form of ADRs (American Depositary Receipts)

No director had any interest in the shares or debentures of subsidiary undertakings of BP p.l.c. at 31 December 2002.

**BP GAS MARKETING LIMITED**

**REPORT OF THE DIRECTORS**

**Policy and practice with respect to payment of suppliers**

It is the company's policy to follow the CBI's prompt payment code of practice for all suppliers to the company. A copy of the code of practice may be obtained from the CBI.

The number of days' purchases represented by trade creditors at the year-end was 8.

**Auditors**

Ernst & Young LLP will continue in office as the company's auditor in accordance with the elective resolution passed by the company under Section 386 of the Companies Act 1985.

By order of the Board



Secretary

24 January 2004

Registered Office:

Britannic House  
1 Finsbury Circus  
London EC2M 7BA

**BP GAS MARKETING LIMITED**

**STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE  
ACCOUNTS**

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors confirm that they have complied with these requirements and having a reasonable expectation that the company has, or has access within the BP Group to, adequate resources to continue in operational existence for the foreseeable future, continue to adopt the going concern basis in preparing the accounts.

**BP GAS MARKETING LIMITED**

**REPORT OF THE AUDITORS TO THE MEMBERS OF**  
**BP GAS MARKETING LIMITED**

We have audited the accounts for the year ended 31 December 2002, which comprise Profit and Loss Account, Balance Sheet, Statement of Total Recognised Gains and Losses, Accounting Policies and the related notes 1 to 19. These accounts have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

As described in the Statement of Directors' Responsibilities, the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

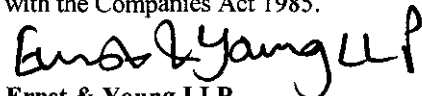
**Basis of audit opinion**

We conducted our audit in accordance with United Kingdom Auditing Standards. 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 2002 and of the loss of the company for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP

Registered Auditor

London

24 January 2004

## **BP GAS MARKETING LIMITED**

### **ACCOUNTING POLICIES**

#### **Accounting convention**

The accounts are prepared under the historical cost convention. Accounts prepared on this basis show the profits available to shareholders and are the most appropriate basis for presentation of the company's balance sheet. 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.

#### **Accounting Standards**

These accounts are prepared in accordance with applicable UK accounting standards. In preparing the financial statements for the current year, the company has adopted Financial Reporting Standard No. 19 "Deferred Tax" (FRS 19). The adoption of FRS 19 has not had any effect on the results for the year or required any restatement of prior year comparatives.

#### **Stock valuation**

Stocks, comprising gas in storage, are valued at cost to the company, using the first-in first-out method or at net realisable value, whichever is the lower.

Stock held for trading purposes is marked-to-market and any gains or losses are recognised in the income statement rather than the statement of total recognised gains and losses. The directors consider that the nature of the group's trading activity is such that, in order for the accounts to show a true and fair view of the state of affairs of the group and the results for the year, it is necessary to depart from the requirements of Schedule 4 to the Companies Act 1985. Had the treatment in Schedule 4 been followed, the profit and loss account reserve would have been reduced by £7,472,000 (£1,418,000) and a revaluation reserve established and increased accordingly.

#### **Derivative financial instruments**

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

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

#### **Depreciation**

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

#### **Discounting**

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

## **BP GAS MARKETING LIMITED**

### **ACCOUNTING POLICIES (continued)**

#### **Foreign Currencies**

All exchange gains or losses on settlement or translation at closing rates of exchange of monetary assets and liabilities are included in the determination of loss for the year.

#### **Leases**

Rentals under operating leases are charged against income as incurred.

#### **Deferred taxation**

Deferred tax is recognized in respect of timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, tax with the following exceptions:

- Provision is made for tax on gains arising from the revaluation of fixed assets, and gains on disposals of fixed asset that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold;
- Provision is made for deferred tax that would arise on remittance of the retained earnings of overseas subsidiaries, associates and joint ventures only to the extent that, at the balance sheet date, dividends have been accrued as receivable;
- Deferred tax assets are recognized only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates enacted or substantively enacted at the balance sheet date.

#### **Revenue Recognition**

Revenues associated with the sale of oil, natural gas liquids, liquefied natural gas, petroleum and chemical products and all other items are recognised when the title passes to the customer.

Generally, revenues from the production of natural gas and oil properties in which the company has an interest with other producers are recognised on the basis of the company's working interest in those properties (the entitlement method). Differences between the production sold and the group's share of production are not significant.

#### **Interest**

Interest is capitalised gross during the period of construction where it relates either to the financing of major projects with long periods of development or to dedicated financing of other projects. All other interest is charged against income.

#### **Comparative figures**

Certain prior year figures have been restated to conform with the 2002 presentation.

**BP GAS MARKETING LIMITED**

**PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2002**

	Note	<u>2002</u> £000	<u>2001</u> £000
Turnover	1	1,113,726	1,065,001
Cost of Sales		<u>(995,497)</u>	<u>(1,004,243)</u>
<b>Gross Profit</b>		118,229	60,758
Distribution and marketing expenses		(79,608)	(75,382)
Administration expenses		<u>(65,361)</u>	<u>(71,035)</u>
		(26,740)	(85,659)
Other income	3	8,866	11,725
<b>Loss on ordinary activities before interest and taxation</b>	2	<u>(17,874)</u>	<u>(73,934)</u>
Interest	4	(2,333)	(1,866)
<b>Loss before taxation</b>		<u>(20,207)</u>	<u>(75,800)</u>
Taxation	5	-	-
<b>Retained loss for the year</b>		<u><u>(20,207)</u></u>	<u><u>(75,800)</u></u>

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**FOR THE YEAR ENDED 31 DECEMBER 2002**

There are no recognised gains or losses attributable to the shareholders of the company other than the loss of £20,207,000 for the year ended 31 December 2002 (2001 loss of £75,800,000). Certain prior year balance sheet figures have been restated due to a processing error in debtor accounts. The corrections have no bearing on the results of the current period.



## BALANCE SHEET AT 31 DECEMBER 2002

Director  
24 January 2004

**BP GAS MARKETING LIMITED**

**NOTES TO THE ACCOUNTS**

**1. Turnover**

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

	<u>2002</u>	<u>2001</u>
	£000	£000
By business:		
Gas and Power	1,113,726	1,065,001
Total	<u>1,113,726</u>	<u>1,065,001</u>
By geographical area:		
UK	925,189	1,000,323
USA	33,463	-
Rest of World	9,841	-
Rest of Europe	145,233	64,678
Total	<u>1,113,726</u>	<u>1,065,001</u>

**2. Loss on ordinary activities before interest and taxation**

This is stated after charging/(crediting):

	<u>2002</u>	<u>2001</u>
	£000	£000
Exchange loss on foreign currency borrowings less deposits	-	356
Depreciation of owned fixed assets (including amortisation of intangibles)	3,266	2,157
Auditors' remuneration:		
Audit fees – current year		
UK	90	85

**BP GAS MARKETING LIMITED**

**NOTES TO THE ACCOUNTS**

**3. Other income**

	<u>2002</u>	<u>2001</u>
	£000	£000
Interest receivable – Group	1,676	2,039
Interest Receivable – Non-group	280	-
Other interest and miscellaneous income	<u>6,910</u>	<u>9,686</u>
	<u>8,866</u>	<u>11,725</u>

**4. Interest**

	<u>2002</u>	<u>2001</u>
	£000	£000
Interest Payable – Group	(2,331)	(1,724)
Interest Payable – Non-group	(2)	(1)
FRS12 - unwind discount	-	(28)
- effect of change in discount rate	=	<u>(113)</u>
	<u>(2,333)</u>	<u>(1,866)</u>

**5. Taxation**

The Company is a member of a group for the purposes of relief under Section 402 of the Income & Corporation Taxes Act 1988. No corporation tax has been provided because another group company, BP International Limited, has undertaken to procure the claim or surrender of free group relief to the extent it is required and to provide for any current or deferred tax that arises.

	<u>2002</u>	<u>2001</u>
	%	%
UK statutory corporation tax rate:	30	30
Increase/(decrease) resulting from:		
Timing differences		
Permanent differences		
Group relief	(30)	(30)
Effective current tax rate	<u><u>0</u></u>	<u><u>0</u></u>

**BP GAS MARKETING LIMITED**

**NOTES TO THE ACCOUNTS**

**6. Directors and employees**

(a) Remuneration of directors

None of the directors received any fees or remuneration for services as a director of the company during the financial year (2001 £Nil).

(b) Employee Costs

The company does not directly employ any staff.

**7. Tangible Assets**

	Computer Equipment
<b>Cost</b>	£000
At 1 January 2002	12,226
Additions	8,533
Deletions	<u>(506)</u>
At 31 December 2002	<u>20,253</u>
<b>Depreciation</b>	
At 1 January 2002	2,683
Deletions	(38)
Charge for the year	<u>3,266</u>
At 31 December 2002	<u>5,911</u>
<b>Net book amount</b>	
At 31 December 2001	<u>9,543</u>
At 31 December 2002	<u>14,342</u>
Principal rates of depreciation	33.33%

**BP GAS MARKETING LIMITED**

**NOTES TO THE ACCOUNTS**

**8. Fixed assets – investments**

	Share Capital	Total
<b>Cost</b>	£000	£000
At 1 January 2002	<b>2,973</b>	<b>2,973</b>
At 31 December 2002	<b><u>2,973</u></b>	<b><u>2,973</u></b>

The company owns 10% of the issued share capital and 10.5% of the Preference Shares of Interconnector (U.K.) Limited, a company registered in England. The investment is made up of 1,178,568 Ordinary shares of £1 and 102,000 Preference Shares of £1.

**9. Debtors – amounts falling due within one year**

	<u>2002</u> £000	<u>2001</u> £000
Trade	36,034	22,184
Parent and Subsidiary undertakings	132,585	4,390
Prepayments and accrued income	267,181	378,903
	<b><u>435,800</u></b>	<b><u>405,477</u></b>

**10. Creditors**

	<u>2002</u> Within 1 year £000	After 1 year £000	<u>2001</u> Within 1 year £000	After 1 year £000
Bank overdraft	(40,837)	-	(38,392)	-
Trade	(3,532)	-	(2,926)	-
Parent and fellow subsidiary undertakings	(1,831)	-	(91,485)	-
Taxation	(12,359)	-	(11,586)	-
Accruals and deferred income	(287,690)	(11,635)	(290,313)	(14,442)
Other	-	-	(2,965)	-
	<b><u>(346,249)</u></b>	<b><u>(11,635)</u></b>	<b><u>(437,667)</u></b>	<b><u>(14,442)</u></b>

**BP GAS MARKETING LIMITED**

**NOTES TO THE ACCOUNTS**

**11. Provisions for liabilities and charges**

	Onerous Contract £000	Restructur- ing £000	Total £000
At 1 January 2002	(84,798)	-	(84,798)
Amounts incurred		(2,324)	(2,324)
Unwind discount	-	-	-
Effect of change in discount rate	-	-	-
Charged to income	35,103	-	35,103
Utilised during the year	<u>7,317</u>	<u>-</u>	<u>7,317</u>
At 31 December 2002	<b><u>(42,378)</u></b>	<b><u>(2,324)</u></b>	<b><u>(44,702)</u></b>

Provisions for losses on certain gas purchase and supply sales contracts have been made for future forecast losses estimated to occur over the remaining lives of the contracts. The contracts are loss making when assessed against the current high gas prices in the UK. To the extent that these liabilities are not expected to be settled within the next three years, the provisions are discounted using a real discount rate at 3% (3%).

The restructuring provision represents the estimated severance payable to employees made redundant following a reorganisation of the UK and European Marketing businesses.

**12. Called up share capital**

	<u>2002</u> £000	<u>2001</u> £000
Authorised, allotted, called up and fully paid: 200,000,000 Ordinary shares of £1 each	200,000	1,250
	<u>          </u>	<u>          </u>
	<u>2002</u> £000	<u>2001</u> £000
Issued, fully paid: 200,000,000 Ordinary shares of £1 each	200,000	1,000
	<u>          </u>	<u>          </u>

On 9 December 2002, the authorised share capital of 12,500,000 ordinary shares of 10p each were consolidated into 1,250,000 ordinary shares of £1 each and 198,750,000 ordinary shares of £1 each were then authorised and issued fully paid at par.

**BP GAS MARKETING LIMITED**

**NOTES TO THE ACCOUNTS**

**13. Reconciliation of shareholders' funds and movements on reserves**

	<u>Equity share capital</u>	<u>Share premium account</u>	<u>Profit and Loss account</u>	<u>Total</u>
	£000	£000	£000	£000
At 1 January 2001	1,000	552	(23,673)	(22,121)
Loss for the year	-	-	(75,800)	(75,800)
At 1 January 2002	1,000	552	(99,473)	(97,921)
Loss for the year	-	-	(20,207)	(20,207)
Shares issued	199,000	-	-	199,000
At 31 December 2002	<u>200,000</u>	<u>552</u>	<u>(119,680)</u>	<u>80,872</u>

**14. Contingent liabilities**

There were no contingent liabilities at 31 December 2002 in respect of guarantees and indemnities entered into as part of, and claims arising from, the ordinary course of the company's business, upon which no material losses are likely to arise.

**15. Related party transactions**

The company has taken advantage of the exemption contained within Financial Reporting Standard No 8 "Related Party Disclosures", and has not disclosed transactions with group companies.

**16. Pensions**

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

## **BP GAS MARKETING LIMITED**

### **NOTES TO THE ACCOUNTS**

#### **17. Operating Lease Commitments**

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as set out below:

	2002		2001	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Expiring:				
Within 1 year	-	-	72	4
Between 2 to 5 years	-	-	10	-
Thereafter	490	-	490	-
	<u>490</u>	<u>-</u>	<u>572</u>	<u>4</u>

#### **18. Group support**

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

#### **19. Ultimate parent undertaking**

The ultimate parent undertaking of the group of undertakings for which group accounts are drawn up, and of which the company is a member, is BP p.l.c, a company registered in England and Wales. Copies of BP p.l.c.'s accounts can be obtained from 1 St James Square, London, SW1Y 4PD.