

BP GAS MARKETING LIMITED

(Registered No.908982)

ANNUAL REPORT AND ACCOUNTS 2008

Board of Directors: S P Cattle
B Gilvary
A H Haywood

REPORT OF THE DIRECTORS

The directors present their report and accounts for the year ended 31 December 2008.

Results and dividends

The profit for the year after taxation was £253,292,000 which, when added to the retained deficit brought forward at 1 January 2008 of £1,125,028,000 together with exchange adjustments taken directly to reserves of £118,269,000, gives a total retained deficit carried forward at 31 December 2008 of £753,467,000. The directors do not propose the payment of a final dividend.

Principal activity and review of the business

The company's principal activity is the trading of gas and other energy products in the UK and overseas.

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

	2008 £000	2007 £000	Variance %
Turnover	12,078,793	12,096,601	-
Operating profit / (loss)	226,592	(217,176)	204
Profit / (loss) after taxation	253,292	(205,746)	223
Shareholders' funds	312,085	(59,476)	625
Current assets as % of current liabilities (quick ratio)	110%	94%	

The change from an operating loss to profit is attributable to increase in gross profit (due to increase in gas prices) and the movement in the onerous contract provision (decrease of £92,805,000).

Principal risks

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 at a group level. Monitoring and accountability for the management of these risks occur through quarterly performance reviews at a group level.

Company level risks have been identified and classified in three categories: strategic, compliance and ethics and financial risk management.

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BP GAS MARKETING LIMITED

REPORT OF THE DIRECTORS

Strategic risks

Access and renewal

Successful execution of our group plan depends critically on implementing activities to renew and reposition our portfolio. The challenges to the renewal of our upstream portfolio are growing due to increasing competition for access to opportunities globally. Inability to complete planned disposals and/or lack of material positions in new markets could result in an inability to capture above-average market growth.

Prices and markets

Oil, gas and product prices are subject to international supply and demand. Political developments (especially in the Middle East) and the outcome of meetings of OPEC can particularly affect world supply and oil prices. In addition to the adverse effect on revenues, margins and profitability from any future fall in oil and natural gas price, a prolonged period of low prices or other indicators would lead to a review for impairment of the group's oil and natural gas properties. This review would reflect management's view of long-term oil and natural gas prices. Such a review could result in a charge for impairment that could have a significant effect on the group's results of operations in the period in which it occurs.

Competition

The oil, gas and petrochemicals industries are highly competitive. There is strong competition, both within the oil and gas industry and with other industries, in supplying the fuel needs of commerce, industry and the home. Competition puts pressure on product prices, affects oil products marketing and requires continuous management focus on reducing unit costs and improving efficiency.

Compliance and ethics risks

Regulatory

The oil industry is subject to regulation and intervention by governments throughout the world in such matters as the award of exploration and production interests, the imposition of specific drilling obligations, environmental protection controls, controls over the development and decommissioning of a field (including restrictions on production) and, possibly, nationalization, expropriation, cancellation or non-renewal of contract rights. We buy, sell and trade oil and gas products in certain regulated commodity markets. The oil industry is also subject to the payment of royalties and taxation, which tend to be high compared with those payable in respect of other commercial activities, and operates in certain tax jurisdictions that have a degree of uncertainty relating to the interpretation of, and changes to, tax law. As a result of new laws and regulations or other factors, we could be required to curtail or cease certain operations, causing our production to decrease, or we could incur additional costs.

Ethical misconduct and non-compliance

Our code of conduct, which applies to all employees, defines our commitment to integrity, compliance with all applicable legal requirements, high ethical standards and the behaviours and actions we expect of our business and people wherever we operate. Incidents of non-compliance with applicable laws and regulation or ethical misconduct could be damaging to our reputation and shareholder value. Multiple events of non-compliance could call into question the integrity of our operations.

BP GAS MARKETING LIMITED

REPORT OF THE DIRECTORS

Financial risk management

The main financial risks faced by the company through its normal business activities are market risk, currency risk, credit risk and liquidity risk. The management of these financial risks is performed at a group (BP p.l.c. Group) level.

Market risk

Market risk is the possibility that changes in currency exchange rates, interest rates or oil, natural gas and power prices will adversely affect the value of the group's financial assets, liabilities or expected future cash flows. The management of such risks is performed at BP Group level. The group has developed policies aimed at managing the market risk inherent in its natural business activities and, in accordance with these policies, the group enters into various transactions using derivative financial and commodity instruments (derivatives). Derivatives are contracts whose value is derived from one or more underlying financial instruments, indices or prices that are defined in the contract. The group also trades derivatives in conjunction with these risk management activities.

Currency risk

Fluctuations in exchange rates can have significant effects on the company's reported profit. The company's financial assets and liabilities give rise to transactional currency exposures. Such exposures arise from transactions in a currency other than the company's functional currency. The management of such risks is performed at BP Group level.

BP's foreign exchange management policy is to minimize economic and significant transactional exposures arising from currency movements against the US dollar. The group co-ordinates the handling of foreign exchange risks centrally, by netting off naturally occurring opposite exposures wherever possible to reduce the risks, and then dealing with any material residual foreign exchange risks. Significant residual non-dollar exposures are managed using a range of derivatives.

Credit risk

Credit risk is the potential exposure of the company to loss in the event of non-performance by a counterparty. The management of such risks is performed at BP Group level. The group controls the related credit risk through credit approvals, limits, use of netting arrangements and monitoring procedures. Before trading with a new counterparty, its creditworthiness is assessed and a credit rating allocated that indicates the probability of default, along with a credit exposure limit. Creditworthiness continues to be evaluated after transactions have been initiated and a watchlist of higher-risk counterparties is maintained.

Concentrations of credit risk

The primary activities of the company are oil and natural gas exploration and production, gas and power marketing and trading, oil refining and marketing and the manufacture and marketing of petrochemicals. The company's principal customers, suppliers and financial institutions with which it conducts business are located throughout the world. The credit ratings of interest rate and currency swap counterparties are all of at least investment grade. The credit quality is actively managed over the life of the swap.

Liquidity risk

Liquidity risk is the risk that sources of funding for the company's business activities may not be available. This risk is managed by the BP Group on the company's behalf and as such the company has access to the resources of the group. The group has long-term debt ratings of Aa1 and AA, assigned respectively by Moody's and Standard & Poor's.

BP GAS MARKETING LIMITED

REPORT OF THE DIRECTORS

Future developments

The directors aim to maintain the management policies which have resulted in the company's performance in the current year. 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

The present directors are listed on page 1.

There have been no director appointments or resignations since 1 January 2008.

Directors' indemnity

The company indemnifies the directors in its Articles of Association to the extent allowed under section 232 of the Companies Act 2006.

Auditors

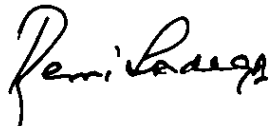
Ernst & Young LLP will continue in office as the company's auditor in accordance with the elective resolution passed by the company under Section 386 of the Companies Act 1985.

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 their 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



Secretary

18 September 2009

Registered Office:

Chertsey Road
Sunbury on Thames
Middlesex
TW16 7BP

BP GAS MARKETING LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

The directors are responsible for preparing the accounts in accordance with applicable United Kingdom law and United Kingdom generally accepted accounting practice.

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

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

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the accounts comply with the Companies Act 1985. 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, continue to adopt the going concern basis in preparing the accounts.

BP GAS MARKETING LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
BP GAS MARKETING LIMITED

We have audited the company's accounts for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, the accounting policies and the related notes 1 to 20. These accounts have been prepared under 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

The directors' responsibilities for preparing the Annual Report and the accounts in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 whether in our opinion the information given in the directors' report is consistent with the accounts.

In addition we report to you if, in our opinion, 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 other transactions 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 International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the accounts have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the accounts.

Ernst & Young LLP

Ernst & Young LLP

Registered auditor

London

24 September 2009

BP GAS MARKETING LIMITED

ACCOUNTING POLICIES

Accounting standards

These accounts are prepared in accordance with applicable UK accounting standards.

Accounting convention

The accounts are prepared under the historical cost convention, except for certain financial instruments which are accounted for at fair value (see accounting policy on derivative financial instruments below).

Basis of preparation

The directors consider it appropriate to prepare the accounts on a going concern basis, since the parent undertaking agreed to provide sufficient finance, whether directly or through one of its subsidiaries to enable the company to meet its liabilities as they fall due for the foreseeable future.

Statement of cash flows

The group accounts of the ultimate parent undertaking contain a consolidated cash flow statement. The company has taken advantage of the exemption granted by the Financial Reporting Standard No. 1 (Revised), whereby it is not required to publish its own cash flow statement.

Revenue recognition

Revenues associated with the sale of oil, natural gas liquids, liquefied natural gas, petroleum and chemical products, oil and natural gas forward sales/purchase contracts and sales/purchases of trading inventory are included on a net basis in sales and other operating revenues.

Foreign currency transactions

Assets and liabilities of foreign currency branches are translated into sterling at rates of exchange ruling at the balance sheet date. The profit and loss account is translated into sterling 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 sterling are taken directly to reserves and reported in the statement of total recognised gains and losses. Exchange gains and losses arising on long-term foreign currency borrowings used to finance the company's foreign currency investments are also dealt with in reserves.

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

Derivative financial instruments

The company uses derivative financial instruments (derivatives) to manage certain exposures to fluctuations in foreign currency exchange rates and interest rates, and to manage some of its margin exposure from changes in oil, natural gas and power prices.

All derivatives which are held for trading purposes and all oil price and natural gas price derivatives held for risk management purposes are held on the balance sheet at fair value ('marked to market') with changes in that value recognised in earnings for the year.

BP GAS MARKETING LIMITED

ACCOUNTING POLICIES

Interest

Interest is charged against income in the year in which it is incurred.

Tangible fixed assets

Tangible fixed 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 operation, the initial estimate of any decommissioning obligation, if any, and, for qualifying assets, borrowing 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 capitalised value of a finance lease is also included within tangible fixed assets.

Tangible assets, with the exception of freehold land and assets under construction, are depreciated on the straight line method over their estimated useful lives.

Maintenance expenditure

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 and is now written off is replaced and it is probable that future economic benefits associated with the item will flow to the company, the expenditure is capitalised. Overhaul costs for major maintenance programmes are expensed as incurred. All other maintenance costs are expensed as incurred.

Impairment of intangible assets and tangible fixed 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. 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. If any such indication of impairment exists or when annual impairment testing for an asset group is required, the company makes an estimate of its recoverable amount. An asset group's recoverable amount is the higher of its net realisable value 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.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised 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 recognised. 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 recognised for the asset in prior years. Such reversal is recognised 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.

BP GAS MARKETING LIMITED

ACCOUNTING POLICIES

Stock valuation

Stocks are valued at cost to the company, using the first-in first-out method or at net realisable value, whichever is the lower. Stores are valued at cost to the company mainly using the average method or 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.

Trade and other debtors

Trade and other debtors are carried at the original invoice amount, less allowances made for doubtful receivables. Provision is made when there is objective evidence that the group will be unable to recover balances in full. Balances are written off when the probability of recovery is assessed as being remote.

Trade and other creditors

Trade and other creditors are carried at payment or settlement amounts. If the effect of the time value of money is material, trade and other creditors are determined by discounting the expected future cash flows at a pre-tax rate.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) 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 the company expects some or all of a provision to be reimbursed, the reimbursement is recognised as separate asset, but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the profit and loss account net of any reimbursement. 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 rate.

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability. Contingent assets are not recognised, but are disclosed where an inflow of economic benefits is probable.

Use of estimates

The preparation of accounts in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the accounts and the reported amounts of revenues and expenses during the reporting period. Actual outcomes could differ from those estimates.

BP GAS MARKETING LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2008

		<u>2008</u>	<u>2007</u>
	Note	£000	£000
Turnover	1	12,078,793	12,096,601
Cost of sales		<u>(11,618,317)</u>	<u>(11,908,625)</u>
Gross profit		460,476	187,976
Distribution and marketing expenses		(67,105)	(96,219)
Administration expenses		<u>(124,367)</u>	<u>(377,860)</u>
		269,004	(286,103)
(Loss) / gain on derivatives		<u>(42,412)</u>	68,927
Operating profit / (loss)	2	226,592	(217,176)
(Loss) on disposal of fixed assets		<u>-</u>	<u>(6)</u>
Profit / (loss) on ordinary activities before interest and tax		226,592	(217,182)
Interest payable and similar charges	4	(31,428)	(24,224)
Interest receivable and similar income	5	<u>58,128</u>	<u>35,660</u>
Profit / (loss) before taxation		253,292	(205,746)
Taxation	6	<u>-</u>	<u>-</u>
Profit / (loss) for the year		<u>253,292</u>	<u>(205,746)</u>

The profit of £253,292,000 for the year ended 31 December 2008 has derived in its entirety from continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 2008

	<u>2008</u>	<u>2007</u>
	£000	£000
Profit / (loss) for the year	253,292	(205,746)
Currency translation differences	<u>118,269</u>	<u>(3,632)</u>
Total recognised gains and losses for the year	<u>371,561</u>	<u>(209,378)</u>

BP GAS MARKETING LIMITED

BALANCE SHEET AT 31 DECEMBER 2008

	Note	<u>2008</u> £000	<u>2007</u> £000
Fixed assets			
Tangible assets	8	8,441	9,418
Non current assets			
Debtors	10	685,048	685,048
Derivative financial assets	12	414,288	83,662
		<u>1,099,336</u>	<u>768,710</u>
Current assets			
Stocks	9	149,476	74,559
Debtors	10	1,675,043	788,570
Derivative financial instruments	12	474,454	372,319
Cash at bank and in hand		835	1,427
		<u>2,299,808</u>	<u>1,236,875</u>
Creditors: amounts falling due within one year			
Derivative financial instruments	12	(533,710)	(434,574)
Other creditors	11	(1,549,299)	(879,337)
		<u>(2,083,009)</u>	<u>(1,313,911)</u>
Net current assets / (liabilities)		<u>216,799</u>	<u>(77,036)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,324,576</u>	<u>701,092</u>
Creditors: amounts falling due after more than one year			
Derivative financial instruments	12	(900,866)	(556,138)
Provisions for liabilities and charges	13	(111,625)	(204,430)
NET ASSETS / (LIABILITIES)		<u>312,085</u>	<u>(59,476)</u>
Represented by			
Capital and reserves			
Called up share capital	14	1,065,000	1,065,000
Share premium account	15	552	552
Profit and loss account	15	(753,467)	(1,125,028)
SHAREHOLDERS' FUNDS – EQUITY INTERESTS		<u>312,085</u>	<u>(59,476)</u>

On behalf of the Board



Director

18 September 2009

BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

1. Turnover

Turnover, which is stated net of value added tax, represent amounts invoiced to third parties.

An analysis of turnover by geographical market is given below:

	<u>2008</u>	<u>2007</u>
	<u>£000</u>	<u>£000</u>
By geographical area:		
UK	9,267,165	8,370,810
Rest of Europe	2,206,552	3,134,823
USA	114,813	219,164
Rest of World	490,263	371,804
Total	<u>12,078,793</u>	<u>12,096,601</u>

Turnover is attributable to one continuing activity, the selling of gas and power purchased for resale.

2. Operating profit / (loss)

This is stated after charging:

	<u>2008</u>	<u>2007</u>
	<u>£000</u>	<u>£000</u>
Exchange loss on foreign currency borrowings less deposits	26,028	6,876
Depreciation of owned fixed assets	<u>4,427</u>	<u>6,196</u>

3. Auditor's remuneration

	<u>2008</u>	<u>2007</u>
	<u>£000</u>	<u>£000</u>
Fees for the audit of the company	<u>21</u>	<u>29</u>

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 accounts since the consolidated accounts of BP Gas Marketing Limited's ultimate parent, BP p.l.c., are required to disclose non-audit fees on a consolidated basis.

4. Interest payable and similar charges

	<u>2008</u>	<u>2007</u>
	<u>£000</u>	<u>£000</u>
Interest expense on:		
Loans from group undertakings	29,352	23,691
Other loans	<u>2,076</u>	<u>533</u>
	<u>31,428</u>	<u>24,224</u>

BP GAS MARKETING LIMITED**NOTES TO THE ACCOUNTS****5. Interest receivable and similar income**

	<u>2008</u>	<u>2007</u>
	£000	£000
Interest income from group undertakings	57,832	35,660
Other interest	<u>296</u>	<u>-</u>
	<u>58,128</u>	<u>35,660</u>

6. Taxation

The Company is a member of a group for the purposes of relief under Section 402 of the Income & Corporation Taxes Act 1988. No corporation tax has been provided because another group company, BP International Limited, has undertaken to procure the claim or surrender of group relief to the extent it is required and to provide for any current or deferred tax that arises without charge.

The following table provides a reconciliation of the UK statutory corporation tax rate to the effective current tax rate on profit before taxation.

	<u>2008</u>	<u>2007</u>
	£000	£000
Profit/(Loss) before taxation	253,292	(205,746)
Current taxation	-	-
Effective current tax rate	0%	0%
	<u>2008</u>	<u>2007</u>
	%	%
UK statutory corporation tax rate:	28	30
Increase / (decrease) resulting from:		
Permanent differences	(12)	(4)
Group relief	(15)	(25)
Transfer pricing adjustments	(1)	(1)
Effective current tax rate	<u>-</u>	<u>-</u>

7. 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 (2007: £Nil).

(b) Employee costs

The company had no employees during the year (2007: £Nil).

BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

8. Tangible assets

	<u>Plant & machinery</u>
Cost	£000
At 1 January 2008	29,036
Write offs	(2,906)
Additions	3,450
At 31 December 2008	<u>29,580</u>
Depreciation and impairment	
At 1 January 2008	(19,618)
Write offs	2,906
Charge for the year	(4,427)
At 31 December 2008	<u>(21,139)</u>
Net book value	
At 31 December 2008	<u>8,441</u>
At 31 December 2007	<u>9,418</u>
Principal rates of depreciation	25%

9. Stock

	<u>2008</u>	<u>2007</u>
	£000	£000
Raw materials and consumables	<u>149,476</u>	<u>74,559</u>

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

10. Debtors

	<u>2008</u>	<u>2008</u>	<u>2007</u>	<u>2007</u>
	Within	After	Within	After
	1 year	1 year	1 year	1 year
	£000	£000	£000	£000
Trade debtors	681,797	-	375,406	-
Amounts owed by group undertakings	961,754	685,048	273,703	685,048
Other debtors	-	-	6,469	-
Prepayments and accrued income	31,492	-	132,992	-
	<u>1,675,043</u>	<u>685,048</u>	<u>788,570</u>	<u>685,048</u>

BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

11. Creditors

	<u>2008</u>	<u>2007</u>
	Within	Within
	1 year	1 year
	£000	£000
Trade creditors	756,144	394,382
Amounts owed to group undertakings	763,654	402,915
Social security & other taxes	13,368	16,505
Accruals and deferred income	16,120	65,522
Bank overdraft	13	13
	<u>1,549,299</u>	<u>879,337</u>

12. Derivatives and other financial instruments

The company is exempt from the disclosure requirements of FRS 29 and complies with the disclosure requirements of the Companies Act 1985, Schedule 4.

In the normal course of business the company is a party to derivative financial instruments (derivatives), primarily to manage its exposure to fluctuations in foreign currency exchange rates and interest rates, including management of the balance between floating rate and fixed rate debt. The company also manages certain of its exposures to movements in oil, natural gas and power prices. The fair value of the company's interest rate and foreign exchange contracts are based on pricing models that take into account relevant market data. The fair value of the company's oil, natural gas and power price contracts (future contracts, swap agreements, options and forward contracts) is based on market prices.

The company maintains active trading positions in a variety of derivatives. This activity is undertaken in conjunction with risk management activities. Derivatives held for trading purposes are marked-to-market and any gain or loss recognised in the income statement. For traded derivatives, many positions have been neutralised, with trading initiatives being concluded by taking opposite positions to fix a gain or loss, thereby achieving a zero net market risk.

The company holds embedded derivatives for trading. Prior to the development of an active gas trading market, UK gas contracts were priced using a basket of available price indices, primarily relating to oil products. Since the development of an active UK gas market, certain contracts were entered into or renegotiated using pricing formulae not directly related to gas prices, for example, oil product and power prices. In these circumstances, pricing formulae have been determined to be derivatives, embedded within the overall contractual arrangements that are not clearly and closely related to the underlying commodity. The resulting fair value relating to these contracts is recognised on the balance sheet with gains or losses recognised in the profit and loss account. These contracts are valued using price curves for each of the different products that are built up from active market pricing data and extrapolated to 2018 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.

BP GAS MARKETING LIMITED

NOTES TO THE ACCOUNTS

12. Derivatives and other financial instruments (continued)

The following table shows the fair value at 31 December of derivatives and other financial instruments held for trading or for economic hedging purposes.

	<u>2008</u>	<u>2008</u>	<u>2007</u>	<u>2007</u>
	Fair value asset £000	Fair value liability £000	Fair value asset £000	Fair value liability £000
Derivatives held for trading				
- Natural gas derivatives	541,182	(403,714)	154,579	(188,478)
- Power derivatives	96,709	(86,339)	173,011	(176,432)
Embedded derivatives held for trading				
- Natural gas contracts	250,851	(944,523)	128,391	(625,802)
	<u>888,742</u>	<u>(1,434,576)</u>	<u>455,981</u>	<u>(990,712)</u>
Of which:				
- current	474,454	(533,710)	372,319	(434,574)
- non-current	414,288	(900,866)	83,662	(556,138)

13. Other provisions

	<u>Other</u>
	£000
At 1 January 2008	204,430
Reversals	(130,810)
Utilised during the year	38,005
At 31 December 2008	<u>111,625</u>

Provisions for losses on certain gas supply sales contracts have been made based on future forecast losses estimated to occur over the remaining lives of the contracts.

14. Called up share capital

	<u>2008</u>	<u>2007</u>
	£000	£000
Authorised share capital:		
1,500,000,000 Ordinary shares of £1 each	<u>1,500,000</u>	<u>1,500,000</u>
	<u>2008</u>	<u>2007</u>
	£000	£000
Allotted, called up and fully paid:		
1,065,000,000 Ordinary shares of £1 each	<u>1,065,000</u>	<u>1,065,000</u>

BP GAS MARKETING LIMITED**NOTES TO THE ACCOUNTS****15. Capital and reserves**

	Equity share capital	Share premium account	Profit and loss account	Total
	£000	£000	£000	£000
At 1 January 2008	1,065,000	552	(1,125,028)	(59,476)
Currency translation differences	-	-	118,269	118,269
Profit for the year	-	-	253,292	253,292
At 31 December 2008	<u>1,065,000</u>	<u>552</u>	<u>(753,467)</u>	<u>312,085</u>

16. Reconciliation of movements in shareholders' funds

	2008 £000	2007 £000
Profit / (loss) for the year	253,292	(205,746)
Currency translation differences	118,269	(3,632)
Issue of ordinary share capital	-	630,000
Net increase in shareholders' interests	<u>371,561</u>	<u>420,622</u>
Shareholders' interest at 1 January	(59,476)	(480,098)
Shareholders' interest at 31 December	<u>312,085</u>	<u>(59,476)</u>

17. 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. There were no other related party transactions in the year.

18. Pensions

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

19. Immediate and ultimate parent undertaking

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

20. Comparative figures

Certain prior year figures have been reclassified to conform with 2008 presentation. This had no impact on the profit and loss for the year.