

BG Great Britain Limited

Annual Report and Financial Statements

For the year ended 31 December 2009

Company Registration Number: 909162

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Directors' report for the year ended 31 December 2009

The Directors present their report and the audited Financial Statements for the year ended 31 December 2009. The Company has taken advantage of the small companies exemption available under Section 415A of the Companies Act 2006 and have not prepared a business review.

Principal Activities

BG Great Britain Limited (the "Company") was incorporated on 23 June 1967. The principal activity of the Company is the exploration for and production of oil and gas hydrocarbons in the United Kingdom and overseas.

The Company is operator of an exploration licence covering the entire marine area offshore the Gaza Strip. On 1 September 2000, the Company assigned its beneficial rights to the Heather field to the DNO ASA group, which subsequently became part of the Lundin AB group, with the operated interest now owned by EnQuest Plc which was formed as a result of a demerger of Lundin Petroleum and Petrofac Limited North Sea assets. The Company will be liable for any future decommissioning costs, in accordance with their previous share of the Heather field, and has retained its interest in the Ninian Pipeline and the Sullom Voe Terminal.

The future costs of the Heather decommissioning are expected to be spread over a number of years following Cessation of Production (CoP) which is forecast by EnQuest to be after 2022. However, the actual CoP date will be a function of (inter alia) the production levels from the Heather field and the Broom satellite development (and any future tie-back developments), production costs, the prevailing oil price and US Dollar exchange rate.

As a sleeping owner in the Ninian Pipeline and Sullom Voe Terminal, the Company continues to participate in tariff negotiations with potential new users of the Ninian Pipeline and Sullom Voe Terminal infrastructure.

Results and dividend

The profit for the year ended 31 December 2009 of £460,000 (2008 £2,703,000) has been transferred to reserves. An interim dividend of £nil was declared and paid in the year (2008 £8,000,000). The Directors do not propose to declare a final dividend for the year ended 31 December 2009 (2008 £nil).

Directors

The following served as Directors during the year and up to the date of this report

	Appointed	Resigned
J A Berget		4 September 2009
G Hall	21 January 2010	
M J Houston		21 January 2010
S M A Iskander	4 September 2009	
C M O'Shea	21 January 2010	
J C W Stewart	21 January 2010	

Company Secretaries

The following served as joint Company Secretaries during the year

C S Inman
A W McCulloch

Directors' insurance

The ultimate parent undertaking has purchased insurance to cover the Directors against liabilities in relation to the Company.

Directors' report for the year ended 31 December 2009 continued

Derivative financial instruments

The Company did not transact in any derivative financial instruments during the year. Full details of the BG Group policies and procedures surrounding financial instruments and details of such transactions can be found in the BG Group Annual Report and Accounts 2009.

Auditors

The Auditors are deemed to be re-appointed under Section 487 of the Companies Act 2006 and accordingly PricewaterhouseCoopers LLP (the "Auditors") remain in office.

Statement as to disclosure of information to auditors

As required by Sections 418 and 419 of the Companies Act 2006, each of the Directors has approved this report and confirmed that, so far as he is aware, there is no relevant audit information (being information needed by the auditors in connection with preparing their audit report) of which the Company's Auditors are unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable 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). The Financial Statements are required by law to 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 year.

The Directors consider that in preparing the Financial Statements on pages 6 to 14 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and that all applicable accounting standards have been followed and that the Financial Statements have been prepared on the going concern basis. The Company has complied with UK disclosure requirements.

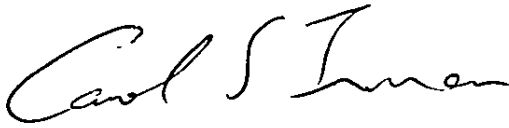
The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enables them to ensure that the Financial Statements comply with the Companies Act 2006.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors, having prepared the Financial Statements, have requested the Auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

Directors' report for the year ended 31 December 2009 continued

By Order of the Board

A handwritten signature in black ink, appearing to read 'C S Inman', written in a cursive style.

C S Inman
Company Secretary

Date *24 September 2010*

Registered Office
100 Thames Valley Park Drive
Reading
Berkshire
RG6 1PT
Registered in England & Wales No 909162

Independent Auditors' report to the member of BG Great Britain Limited

We have audited the Financial Statements of BG Great Britain Limited for the year ended 31 December 2009 which comprise the Profit and loss account, the Balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' responsibilities, the directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the Financial Statements.

Opinion on financial statements

In our opinion the Financial Statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2009 and of its profit 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

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

**Independent Auditors' report to the member of BG Great Britain Limited
continued**

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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, or
- the directors were not entitled to prepare the directors' report in accordance with the small company regime

Nicholas Blackwood
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date 27 September 2010

Profit and loss account for the year ended 31 December

	Notes	2009 £000	2008 £000
Turnover	3	3	11
Net operating income	13	3,089	6,903
Exploration expenditure		(636)	-
Depreciation		(2)	(2)
Operating profit	4	<u>2,454</u>	<u>6,912</u>
Net interest payable and similar expenses	5	(1,241)	(1,541)
Profit on ordinary activities before taxation		<u>1,213</u>	<u>5,371</u>
Tax on profit on ordinary activities	6	(753)	(2,668)
Profit for the financial year	15,16	<u>460</u>	<u>2,703</u>

The results for the year are derived solely from continuing operations

There were no recognised gains and losses other than in the profit and loss account and, therefore, a separate statement of total recognised gains and losses has not been presented

There is no difference between the historical cost profits and losses and the results presented

The notes on pages 8 to 14 form part of these Financial Statements

Balance sheet as at 31 December

	Notes	2009 £000	2008 £000
Fixed assets			
Intangible assets	8	37,933	37,322
Tangible assets	9	<u>19</u>	<u>21</u>
		37,952	37,343
Current assets			
Debtors amounts falling due within one year	10	9,140	3,614
Debtors amounts falling due after more than one year	11	3,823	5,615
Cash at bank and in hand		<u>8</u>	<u>22</u>
		12,971	9,251
Creditors: amounts falling due within one year	12	<u>(20,786)</u>	<u>(15,036)</u>
Net current liabilities		(7,815)	(5,785)
Total assets less current liabilities		30,137	31,558
Provisions for liabilities and charges	13	<u>(23,905)</u>	<u>(25,786)</u>
Net assets		<u>6,232</u>	<u>5,772</u>
Capital and reserves			
Called up share capital	14	-	-
Profit and loss account	15	<u>6,232</u>	<u>5,772</u>
Equity shareholder's funds	16	<u>6,232</u>	<u>5,772</u>

The notes on pages 8 to 14 form part of these Financial Statements

The Financial Statements on pages 6 to 14 were approved and authorised for issue by the Board of Directors and were signed on its behalf by



J C W Stewart
Director

Date *24 September 2010*

Notes to the Financial Statements

1 Ultimate parent undertaking

The immediate parent undertaking is BG Energy Holdings Limited

The ultimate parent undertaking and controlling party is BG Group plc, which is the parent undertaking of the largest group to consolidate these Financial Statements. The smallest group into which the Company is consolidated is that of which BG Energy Holdings Limited is the parent undertaking. BG Energy Holdings Limited and BG Group plc are both registered in England and Wales. Copies of these consolidated accounts may be obtained from the Company Secretary, 100 Thames Valley Park Drive, Reading, Berkshire, RG6 1PT.

2 Accounting policies

Basis of preparation and accounting principles

The Company is in a net current liabilities position as at 31 December 2009. The Directors of the Company have received confirmation from the Directors of the parent company that the parent company intends to financially support the Company to enable it to meet its liabilities as they fall due and carry on its business without curtailment of its operations. As a result, the Directors consider the going concern basis of preparation to be appropriate.

These accounts have been prepared in accordance with applicable law and accounting standards in the United Kingdom, using historical cost principles. A summary of the more important accounting policies, which have been applied consistently, is set out below.

The accounting policies, where applicable, are materially in accordance with a Statement of Recommended Practice (SORP) issued by the Oil Industry Accounting Committee entitled 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities' although there are two areas where the accounting policies differ from the SORP. These are shown in the section on exploration expenditure (see below).

Exemptions

The Company has taken advantage of the exemptions available to wholly-owned UK subsidiaries under Financial Reporting Standard (FRS) 1 (Revised 1996) 'Cash Flow Statements', and accordingly has not prepared a cash flow statement, and within FRS 8 'Related Party Disclosures' from disclosure of transactions with other group companies.

Tangible fixed assets

All tangible fixed assets are carried at depreciated historical cost. Additions represent extensions to, or significant increases in, the capacity of tangible fixed assets. Interest charges on borrowings used to finance major capital projects are capitalised up to the point of commissioning.

Depreciation

Tangible fixed assets are depreciated on a straight-line basis at rates sufficient to write off the historical cost of individual assets over their estimated useful economic lives. The depreciation periods for the principal categories of assets are as follows:

Fixtures and fittings up to 10 years. Asset lives are kept under review and complete asset life reviews are conducted periodically.

Notes to the Financial Statements continued

2 Accounting policies continued

Impairment of fixed assets

Any impairment is calculated as the difference between the carrying values of income generating units and the estimated value in use at the date the impairment loss is recognised. Value in use represents the net present value of expected future cash flows discounted on a pre-tax basis.

Impairment of fixed assets is recognised in the Profit and loss account within operating costs.

Revenue recognition

Revenue associated with tariff income is recorded when the joint venture facilities are used by a third party. Revenue from tariff income is recognised on the basis of the Company's working interest in the facilities.

Exploration expenditure

The SORP (see 'Basis of preparation and accounting principles' above) requires depreciation of licence acquisition costs on a straight-line basis. It also permits capitalisation of all costs incurred as intangible fixed assets. The Company accounts for exploration expenditure under the successful efforts method which differs from the SORP as follows:

Exploration expenditure, including licence acquisition costs, is capitalised as an intangible fixed asset when incurred and certain expenditure, such as geological and geophysical exploration costs, is expensed. A review of each licence or field is carried out, at least annually, to ascertain whether proved reserves have been discovered. When proved reserves are determined the relevant expenditure, including licence acquisition costs, is transferred to tangible fixed assets and depreciated on a unit of production basis. Expenditure deemed to be unsuccessful is written off to the Profit and loss account.

The Company considers this application of the successful efforts method to be appropriate as it provides comparability with the Company's peer group and because it treats licence acquisition costs in a manner which is consistent with the treatment of other exploration assets within intangible fixed assets.

Decommissioning costs

Where a legal or constructive obligation has been incurred, provision is made for the net present value of the estimated cost of decommissioning at the end of the producing lives of fields.

When this provision gives access to future economic benefits, an asset is recognised and then subsequently depreciated in line with the life of the underlying producing field, otherwise the costs are charged to the income statement. The unwinding of the discount on the provision is included in the profit and loss account within finance costs. Any changes to estimated costs or discount rates are dealt with prospectively.

Foreign currencies

Transactions in foreign currencies are translated into Pounds Sterling at average rates of exchange. Foreign currency monetary assets and liabilities are translated into Pounds Sterling at the rates of exchange ruling at the balance sheet date. Differences arising from changes in exchange rates are taken to the Profit and loss account in the period in which they arise.

Deferred taxation

Provision is made in full, on an undiscounted basis, for the deferred tax arising on the difference between the accounting treatment and tax treatment for depreciation in respect of accelerated capital allowances and other timing differences. Deferred tax assets are recognised to the extent that they are regarded as recoverable.

Notes to the Financial Statements continued

3 Turnover

Turnover, which excludes value added tax and is stated gross of royalties, represents amounts receivable from tariff income

4 Operating profit

The operating profit is stated after charging

	2009 £000	2008 £000
Depreciation charge on tangible owned fixed assets	2	2
Release of decommissioning provision	<u>(3,151)</u>	<u>(7,003)</u>

No Directors received emoluments in respect of their services to the Company during the year ended 31 December 2009 (2008 £nil) The Company had no employees during the year (2008 nil) The remuneration of the Auditors, amounting to £2,300 (2008 £2,200), has been borne by BG Energy Holdings Limited and has not been recharged to the Company

5 Net interest payable and similar expenses

	2009 £000	2008 £000
Foreign exchange (losses)/gains	(2)	16
Unwinding of discount	<u>(1,239)</u>	<u>(1,557)</u>
	<u>(1,241)</u>	<u>(1,541)</u>

6 Taxation on ordinary activities

	2009 £000	2008 £000
Current tax		
Group relief at 28% and 50% (2008 28 5% and 50%)	(1,039)	(1,135)
Prior year adjustment	-	(5)
Total current tax credit	<u>(1,039)</u>	<u>(1,140)</u>
Deferred tax		
Deferred corporation tax at 28% and 50% (2008 28% and 50%)	1,792	3,808
Total deferred tax charge	<u>1,792</u>	<u>3,808</u>
Total tax charge	<u>753</u>	<u>2,668</u>

Notes to the Financial Statements continued**6 Taxation on ordinary activities continued**

Factors affecting the tax charge for the period	2009	2008
	£000	£000
Profit on ordinary activities before tax	<u>1,213</u>	<u>5,371</u>
Tax on ordinary activities at 28% and 50% (2008 28.5% and 50%)	753	2,691
Effects of		
Capital allowances in excess of depreciation	(845)	(1,089)
Other timing differences	(947)	(2,719)
Effect of change in tax rate	-	(18)
Prior year adjustment	-	(5)
Current tax credit for the year	<u>(1,039)</u>	<u>(1,140)</u>

7 Dividends

	2009	2008
	£000	£000
Equity dividends paid – interim	<u>-</u>	<u>8,000</u>

An interim dividend of £nil (2008 £80,000 per share) was paid during the year. The Directors have not declared a final dividend in respect of the year ended 31 December 2009 (2008 £nil)

8 Intangible fixed assets

	Unproved properties £000
At 1 January 2009	37,322
Additions	611
At 31 December 2009	<u>37,933</u>

Notes to the Financial Statements continued

9 Tangible fixed assets

	Fixtures and fittings £000
Cost	
At 1 January 2009	103
Additions	-
Disposals	(9)
At 31 December 2009	94
Accumulated depreciation	
At 1 January 2009	82
Charge for the year	2
Disposals	(9)
At 31 December 2009	75
Net book value	
At 31 December 2009	19
At 31 December 2008	21

10 Debtors: amounts falling due within one year

	2009 £000	2008 £000
Amounts owed by group undertakings	7,108	-
Amounts owed by group undertakings in respect of taxation	1,974	3,559
Other debtors	19	18
Prepayments and accrued income	39	37
	9,140	3,614

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment

11 Debtors: amounts falling due after more than one year

	2009 £000	2008 £000
Deferred tax		
At 1 January	5,615	9,423
Profit and loss charge	(1,792)	(3,808)
At 31 December	3,823	5,615

The deferred taxation asset comprises

	2009 £000	2008 £000
Accelerated capital allowances	(8,104)	(7,259)
Other timing differences	11,927	12,874
	3,823	5,615

Notes to the Financial Statements continued**12 Creditors: amounts falling due within one year**

	2009	2008
	£000	£000
Amounts owed to group undertakings	20,715	14,970
Accruals and deferred income	71	66
	<u>20,786</u>	<u>15,036</u>

Amounts owed to group undertakings are unsecured, interest free and are repayable on demand

13 Provisions for liabilities and charges

	2009	2008
	£000	£000
As at 1 January	25,786	31,217
Unwinding of discount	1,239	1,557
Release of decommissioning provision	(3,151)	(7,003)
Other movement during the year	31	15
As at 31 December	<u>23,905</u>	<u>25,786</u>

The provisions primarily relate to decommissioning costs for the Heather field and are expected to be spread over a 14 year period, with decommissioning due to commence on 31 December 2021. The current year and prior year release of decommissioning provision has been credited to the Profit and loss account.

14 Called up share capital

	2009	2008
	£	£
Allotted and fully paid:		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>

15 Reserves

	Profit and loss account £000
As at 1 January 2009	5,772
Transfer from profit and loss account	460
As at 31 December 2009	<u>6,232</u>

Notes to the Financial Statements continued

16 Reconciliation of movements in shareholder's funds

	2009	2008
	£000	£000
As at 1 January	5,772	11,069
Transfer from profit and loss account	460	2,703
Dividends paid	-	(8,000)
As at 31 December	6,232	5,772