

ACRE OIL (UK) LIMITED

DIRECTORS' REPORT AND ACCOUNTS

PERIOD ENDED 31ST DECEMBER 1997



Company Registered Number: 1272556

ACRE OIL (UK) LIMITED

REPORT AND ACCOUNTS FOR THE PERIOD ENDED 31ST DECEMBER 1997

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ACRE OIL (UK) LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31ST DECEMBER 1997

The Directors submit their report and accounts of the Company for the year to 31st December 1997.

1. PRINCIPAL ACTIVITIES

The Company did not trade during the period and has not commenced to trade as at the date of this report.

2. DIRECTORS

The following served as Directors of the Company during the accounting period:

<u>Director</u>	<u>Appointed</u>	<u>Resigned</u>
P M Senior		12 February, 1997
D F Hatton		
S J Sharman	17 March, 1997	

3. DIRECTORS' INTERESTS

Demerger

Following the Demerger of British Gas plc on 12 February 1997, shares allocated under the Executive Share Options Scheme and Long Term Incentive Scheme were restated to take account of the fall in value of the shares. In both cases, the number of shares were increased by a factor of 1.38157 and the option or base price reduced by a factor of 0.7238. These figures were calculated from the 10 day averages of BG and Centrica shares from their first day of trading on 17 February 1997 as proportions of the combined share prices.

Employees were given the option of exercising their Sharesave options early or allowing the option to lapse in return for a payment of 15p per share.

Capital Re-organisation

Following the capital re-organisation of the Company on 27 October 1997, shares were consolidated with shareholders receiving 15 new shares for every 17 old shares held, plus either a B share for every old share held or 30p, free of all dealing charges. All directors took the option of 30p per B share. However, shares in Trust also attracted B shares and those shares remain in Trust as long as the ordinary shares remain there.

ACRE OIL (UK) LIMITED
DIRECTORS' REPORT FOR THE PERIOD ENDED 31ST DECEMBER 1997

None of the Directors had any material interest, at any time during the period, in any contract or arrangement made by the Company which is significant to the business of the Company.

At no time did any Director still holding office on 31st December 1997 have any beneficial interest in the shares of the Company or any company within the BG plc Group except for interests in the shares of the parent company, BG plc, as stated below:

Beneficial Holdings

	<u>1.1.97</u>		<u>31.12.97</u>
		<u>Ordinary Shares</u>	<u>B Shares</u>
D F Hatton	939	828	939
S J Sharman*	1,569	1,384	874

Savings Related Share Options

	<u>1.1.97</u>	<u>Lapsed</u>	<u>Exercised</u>	<u>Granted</u>	<u>31.12.97</u>
D F Hatton	Nil	-	-	12,683	12,683
S J Sharman*	Nil	-	-	7,169	7,169

Long Term Incentive Scheme
Notional Allocations

	<u>1.1.97</u>	<u>Restated Following Demerger</u>	<u>Allocated</u>	<u>Transferred</u>	<u>31.12.97</u>
D F Hatton	6,695	9,249	28,824	-	38,073
S J Sharman*	22,316	-	10,779	-	33,095

* As at date of appointment.

All options were granted under the terms of the ultimate parent company's Savings Related Share Option Scheme, details of which are given in that company's annual report and accounts.

ACRE OIL (UK) LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31ST DECEMBER 1997 (CONTINUED)

4. **DIRECTORS' INSURANCE**

The ultimate parent company has maintained insurance premiums to cover Directors and other officers against any liabilities in relation to the Company.

5. **DIVIDEND**

The Directors do not propose to declare a dividend for the period ended 31st December 1997 (1996: Nil).

6. **RESERVES**

There have been no movements in reserves during the period.

7. **AUDITORS**

As the Company is dormant within the meaning of Section 250 of the Companies Act 1985, the Company is exempt from the obligation to appoint auditors as required by Section 384 of that Act.

By Order of the Board



J E H Griffin
Secretary

Registered Office:
100 Thames Valley Park Drive
Reading
Berkshire
RG6 1PT

Registered in England
No: 1272556

23 October 1998

ACRE OIL (UK) LIMITED

PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED 31ST DECEMBER 1997

The Company has not traded during the accounting period ended 31st December, 1997 and has received no income and incurred no expenditure. Consequently, during the period the Company has made neither a profit nor a loss (1996: Nil) nor were there any recognised gains and losses during the year (1996: Nil).

The notes on page 6 form part of these accounts.

ACRE OIL (UK) LIMITED

BALANCE SHEET AS AT 31ST DECEMBER 1997

	<u>Notes</u>	<u>31.12.97</u>	<u>31.12.96</u>
		£000	£000
CURRENT ASSETS			
Debtors (amount falling due within one year)	4	<u>440</u>	<u>440</u>
CAPITAL AND RESERVES			
Called up share capital	5	440	440

The Company was dormant (within the meaning of Section 250 of the Companies Act 1985) throughout the accounting period ending on the date of this balance sheet.

Approved by the Board on ^{23rd} October 1998



D F Hatton
Director

The notes on page 6 form part of these accounts.

ACRE OIL (UK) LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1997

1. OWNERSHIP

Acre Oil (UK) Limited is a direct wholly owned subsidiary undertaking of BG plc (formerly named British Gas plc), which is registered in England and Wales. BG plc is the only company to consolidate the accounts of this Company. Copies of the parent company's report and accounts can be obtained from BG plc, 100 Thames Valley Park Drive, Reading, Berkshire RG6 1PT.

2. BASIS OF ACCOUNTING

The accounts have been prepared under the historical cost accounting convention.

3. DIRECTORS' EMOLUMENTS AND EMPLOYEES

No director received emoluments in respect of his services to the Company during the year (1996: Nil). The Company had no employees during the year (1996: Nil).

4. <u>DEBTORS</u> (amount falling due within one year).	<u>31.12.97</u>	<u>31.12.96</u>
	£000	£000
Amounts owed by group undertakings	440	440
	=	=
5. <u>SHARE CAPITAL</u>	<u>31.12.97</u>	<u>31.12.96</u>
	£	£
<u>Authorised:</u>		
456,471,300 ordinary shares of 1p each	4,564,713	4,564,713
435,287 deferred shares of £1 each	<u>435,287</u>	<u>435,287</u>
<u>Allotted issued and fully paid:</u>		
435,287 ordinary shares of 1p each	4,352	4,352
435,287 deferred shares of £1 each	<u>435,287</u>	<u>435,287</u>
	<u>439,639</u>	<u>439,639</u>