

BG UK HOLDINGS LIMITED

**REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31 DECEMBER 2001**



REGISTERED NO. 2059279

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Directors' report for the year ended 31 December 2001

The Directors present their report and audited accounts of the Company for the year ended 31 December 2001.

Principal activity

The Company's principal activity is to act as an investment holding company to promote the interests of BG Group plc. It is expected that this will remain the principal activity of the company for the foreseeable future. Details of the Company's subsidiary undertakings and their principal activities are given in note 6 of the accounts.

Results and dividend

The Company's profit on ordinary activities before taxation was £447,379,000 (2000: Loss £44,711,000). £48,165,000 has been transferred to reserves from the profit and loss account (2000: Loss £31,268,000).

An interim dividend of £400,000,000 (2000: £nil) has been declared and paid. The Directors have proposed no final dividend (2000: £nil).

Directors' insurance

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

Directors

The Directors, who served throughout the year were:

	Date of resignation
D F Hatton	
J P O'Driscoll	
D Newlyn	
C E Bolton (Alternate to D F Hatton)	
J C W Stewart (Alternate to J P O'Driscoll)	
S J Sharman (Alternate to D Newlyn)	27 September 2002

Company secretary

J E H Griffin

Directors' interests

At no time did any Director, still holding office at 31 December 2001, have any beneficial interest in the shares of the company or any other company within the BG Group plc except for those interests in the shares of the parent company, BG Group plc, stated below:

Beneficial holdings

	Ordinary shares	
	As at 31 Dec 2000	As at 31 Dec 2001
D F Hatton	6,093	8,716
J P O'Driscoll	22,169	24,871
D Newlyn	2,655	5,278
C E Bolton	2,102	12,141
J C W Stewart	22,189	20,475
S J Sharman	36,298	38,201

Savings Related Share Options Scheme

	As at 31 Dec 2000	Lapsed	Granted	Exercised	As at 31 Dec 2001
D F Hatton	7,368	-	-	-	7,368
J P O'Driscoll	4,230	-	-	-	4,230
D Newlyn	4,230	-	-	-	4,230
C E Bolton	8,460	-	-	-	8,460
J C W Stewart	4,230	-	-	-	4,230

Each share option is over one ordinary share.

Company Share Option Scheme

	As at 31 Dec 2000	Granted	Exercised	As at 31 Dec 2001
D F Hatton	25,698	-	-	25,698
J P O'Driscoll	22,346	30,053	-	52,399
D Newlyn	9,050	21,897	-	30,947
C E Bolton	8,324	33,499	-	41,823
J C W Stewart	17,290	22,819	-	40,109
S J Sharman	14,563	19,037	-	33,600

Each share option is over one ordinary share.

Long Term Incentive Scheme Notional Allocations

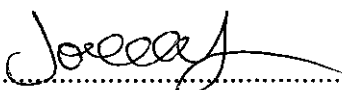
	As at 31 Dec 2000	Allocated	Transferred to main register	As at 31 Dec 2001
D F Hatton	23,801	-	-	23,801
J P O'Driscoll	19,864	23,657	-	43,521
D Newlyn	6,213	-	-	6,213
C E Bolton	10,634	-	-	10,634
J C W Stewart	16,929	-	-	16,929
S J Sharman	17,358	-	-	17,358

Full details of all employee share and option schemes can be found in the BG Group plc Annual Report and Accounts 2001.

Auditors

The Company resolved on 22 March 1994 to dispense with the obligation to appoint auditors annually in accordance with Section 386 of the Companies Act 1985 and PricewaterhouseCoopers have indicated their willingness to continue as the Company's auditors.

BY ORDER OF THE BOARD


.....
J Griffin, Secretary
Date 28 October 2002

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

Registered in England: No. 2059279

Directors' responsibilities

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit and loss for the financial year.

The Directors consider that in preparing the financial statements on pages 7 to 11 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and all accounting standards have been followed and that they have been prepared on the going concern basis.

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 enable them to ensure that the financial statements comply with the Companies Act 1985.

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 purposes of enabling them to give their audit report.

Independent auditors' report to the member of BG UK Holdings Limited

We have audited the financial statements on pages 7 to 11.

Respective responsibilities of Directors and auditors

The Director's responsibilities for preparing the Annual Report and Accounts in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

We report to you our opinion as to whether the financial statements 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 is not disclosed.

We read the other information contained in the Annual Report and Accounts and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Directors' report.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board in the UK. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2001 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
1 Embankment Place
London WC2N 6RH



Date *28 October* 2002

Profit and loss account

		2001 £'000	2000 £'000
	Notes		
Income from shares in Group undertakings		450,000	100
Profit on ordinary activities before interest and taxation		450,000	100
Interest and similar expenditure	4	(2,621)	(44,811)
Profit/(loss) on ordinary activities before taxation		447,379	(44,711)
Tax on loss on ordinary activities	5	786	13,443
Profit/(loss) for the financial year		448,165	(31,268)
Dividends		(400,000)	-
Retained profit/(loss) for the year		48,165	(31,268)

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 historical cost profits and the results presented.

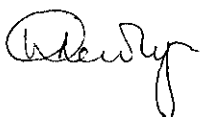
The notes on pages 9 to 11 form part of these financial statements.

Balance sheet as at 31 December

	Notes	2001 £'000	2000 £'000
Fixed Assets			
Investments	6	<u>3,732,122</u>	<u>3,727,909</u>
Current Assets			
Debtors - amount due from group undertakings		240,547	190,547
Creditors: amounts falling due within one year			
Amounts due to group undertakings		<u>(866,666)</u>	<u>(864,831)</u>
Net current liabilities		<u>(626,119)</u>	<u>(674,284)</u>
Net assets		<u>3,106,003</u>	<u>3,053,625</u>
Capital & reserves			
Called up share capital	7	2,904,818	2,900,605
Share premium account	8	177,895	177,895
Profit and loss account	8	23,290	(24,875)
Equity shareholder's funds	9	<u>3,106,003</u>	<u>3,053,625</u>

The financial statements on pages 7 to 11 were approved by the Board of Directors and were signed on its behalf by:

Director **DAVE NEWLYN**



Approved by the Board on **28 October 2002**

The notes on pages 9 to 11 form part of these financial statements.

Notes to the accounts

1 Accounting policies

Accounting convention

The accounts have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below. The financial statements are prepared in accordance with the historical cost convention. Financial Reporting Standard (FRS) 18 'Accounting Policies', has been adopted in the current year but this did not require any change in accounting policy.

Group accounts

As the Company is a wholly owned subsidiary undertaking of BG Energy Holdings Limited, the subsidiary undertakings of the Company have not been consolidated with these accounts, in accordance with Section 228 of the Companies Act 1985.

Fixed asset investments

Fixed asset investments are stated at historical cost, less provision for impairments.

Deferred Tax

FRS 19 'Deferred Tax' was adopted on 1 January 2001. In accordance with this standard, the difference between the accounting treatment and tax treatment for depreciation in respect of accelerated capital allowances and other timing differences, is provided in full. Provision is made, or recovery anticipated, where timing differences will reverse in the foreseeable future.

2 Directors' emoluments

No directors received emoluments in respect of their services to the Company during the year ended 31 December 2001 (2000 £nil).

3 Profit and loss account

The Company had no employees (2000: nil).

Remuneration of the auditors has been borne by BG Energy Holdings Limited.

4 Interest and similar expenditure

	2001 £'000	2000 £'000
Interest payable	-	44,811
Foreign exchange losses	2,621	-
	<u>2,621</u>	<u>44,811</u>

All interest arose on intercompany balances.

5 Tax on profit on ordinary activities

	2001 £'000	2000 £'000
Group relief at 30%	786	13,443
	<u>786</u>	<u>13,443</u>

6 Investments

	Subsidiary undertakings £'000
Cost	
At 1 January 2001	3,727,909
Addition	4,213
Disposal	-
At 31 December 2001	<u><u>3,732,122</u></u>

As at 31 December 2001, the Company's primary investment was BG Overseas Holdings Limited, an investment and holding company registered and operating in England. The investment is wholly owned by the Company. In accordance with the Companies Act 1985, particulars of other companies held by the Company will be annexed to the next annual return.

7 Called up share capital

	2001 £'000	2000 £'000
Authorised		
Ordinary shares of £1 each	3,000,000	3,000,000
Allotted and fully paid up		
Ordinary shares of £1 each	<u><u>2,904,818</u></u>	<u><u>2,900,605</u></u>

8 Reserves

	Share premium £'000	Profit & loss account £'000
As at 1 January 2001	177,895	(24,875)
Shares issued	-	-
Retained profit for the year	-	48,165
As at 31 December 2001	<u><u>177,895</u></u>	<u><u>23,290</u></u>

9 Reconciliation of movements in shareholder's funds

	2001 £'000	2000 £'000
As at 1 January	3,053,625	3,084,893
Shares issued	4,213	-
Retained profit/(loss) for the year	48,165	(31,268)
As at 31 December	<u>3,106,003</u>	<u>3,053,625</u>

10 Post balance sheet events

During February 2002 the Company issued 198,629,000 shares to BG Energy Holdings Limited at par in consideration for cash. In the same month the Company increased its investment in BG Overseas Holdings Limited by £198,629,000 via a cash contribution, in consideration for which BG Overseas Holdings Limited issued 198,629,000 shares at par.

11 Related parties

As the Company is a wholly owned subsidiary undertaking of BG Group plc, advantage has been taken of the exemption afforded by FRS 8, Related Party Transactions, not to disclose any related party transactions with BG Group plc or subsidiary and associated undertakings and joint ventures of BG Group plc.

12 Cash flow statement

The Company is a wholly owned subsidiary undertaking of BG Energy Holdings Limited, which is a wholly owned subsidiary undertaking of BG Group plc. The cash flows of the Company are included in the consolidated group cash flow statement of both BG Energy Holdings Limited and BG Group plc. Consequently the Company is exempt under the terms of FRS 1 (revised) from publishing a cash flow statement.

13 Ultimate parent company

The Company's immediate parent company is BG Energy Holdings Limited, and ultimate parent company and controlling party is BG Group plc.

BG Energy Holdings Limited and BG Group plc are both registered in England and are the only companies to consolidate the accounts of the Company. Copies of these consolidated accounts may be obtained from the Company Secretary, BG Group plc, 100 Thames Valley Park Drive, Reading, Berkshire, RG6 1PT.