

Directors' report for the year ended 31 December 2003 (continued)

Beneficial holdings

	Beneficial interests in ordinary shares	
	As at 1 Jan 2003	As at 31 Dec 2003
J P O'Driscoll	26,482	19,815
C E Bolton	12,406	18,091
J C W Stewart	7,869	7,664

Sharesave scheme

	Options as at 1 Jan 2003	Options granted in year	Options exercised in year	Options as at 31 Dec 2003
J P O'Driscoll	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

	Options as at 1 Jan 2003	Options granted in year	Options exercised in year	Options as at 31 Dec 2003
J P O'Driscoll	97,086	41,922	-	139,008
C E Bolton	81,554	47,637	-	129,191
J C W Stewart	69,900	19,408	-	89,308

Each share option is over one ordinary share.

Long term incentive scheme

	Notional allocations of shares as at 1 Jan 2003	Notional allocations of shares made during the year	Number of shares added through dividend reinvestment	Forfeited at end of performance period	Shares vested during the year	Notional allocation of shares as at 31 Dec 2003
J P O'Driscoll	85,153	57,216	70	3,489	5,898	133,052
C E Bolton	6,537	-	40	1,446	3,565	1,566
J C W Stewart	10,853	22,663	62	2,700	5,292	25,586

Full details of all employee share and option schemes can be found in the BG Group plc Annual Report and Accounts 2003.

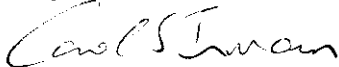


Directors' report for the year ended 31 December 2003 (continued)

Auditors

In accordance with s386 of the Companies Act the Company has elected to dispense with the annual appointment of auditors and accordingly PricewaterhouseCoopers LLP remain in office.

By order of the Board



C S Inman

Secretary

Date: 22 September 2004

Registered Office:

100 Thames Valley Park Drive

Reading

Berkshire

RG6 1PT

Registered in England & Wales No. 2059279

Statement of 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 8 to 12 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and all applicable accounting standards have been followed and that the Financial Statements 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 which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Financial Statements 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. This report, including the opinion, has been prepared for and only for the company's member as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

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. 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 judgments 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.

**Independent auditors' report to the member of BG UK Holdings Limited
(continued)**

Opinion

In our opinion, the Financial Statements give a true and fair view of the state of affairs of the company at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP.

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

Date: *22 September 2004.*

Profit and loss account for the year ended 31 December

		2003	2002
		£'000	£'000
	Notes		
Net interest receivable	4	-	11,930
Income from shares in group undertakings	5	10,000	-
Profit on ordinary activities before taxation		10,000	11,930
Tax on profit on ordinary activities	6	-	(3,579)
Retained profit for the year	13	10,000	8,351

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 10 to 12 form part of these Financial Statements.

Balance sheet as at 31 December

	Notes	2003 £'000	2002 £'000
Fixed assets			
Investments	7	3,930,751	3,930,751
Current assets			
Debtors: amounts falling due within one year	8	250,545	240,271
Creditors: amounts falling due within one year	9	(137,409)	(137,135)
Net current assets		<u>113,136</u>	<u>103,136</u>
Total assets less current liabilities		<u>4,043,887</u>	<u>4,033,887</u>
Creditors: amounts falling due after more than one year	10	(720,904)	(720,904)
		<u>3,322,983</u>	<u>3,312,983</u>
Capital & reserves			
Called up share capital	11	3,103,447	3,103,447
Share premium account	12	177,895	177,895
Profit and loss account	12	41,641	31,641
Equity shareholder's funds	13	<u>3,322,983</u>	<u>3,312,983</u>

The Financial Statements on pages 8 to 12 were approved by the Board of Directors and were signed on its behalf by:

J P O'Driscoll
Director

Date:

22 September 2004

The notes on pages 10 to 12 form part of these Financial Statements.

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

These accounts have been prepared on the going concern basis and in accordance with applicable 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.

Exemptions

The Company is a wholly owned subsidiary undertaking of BG Group plc and is therefore exempt under s228 of the Companies Act 1985 from the requirement to prepare consolidated accounts.

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.

Fixed asset investments

Fixed asset investments are stated at cost less provision for impairment.

Deferred Tax

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

3. Profit on ordinary activities before taxation

No directors received emoluments in respect of their services to the Company during the year ended 31 December 2003 (2002 £nil).

The Company had no employees during the year ended 31 December 2003 (2002: nil).

Remuneration of the auditors has been borne by BG Energy Holdings Limited both in 2003 and 2002.

4. Net interest receivable

	2003 £'000	2002 £'000
Foreign exchange gains	-	11,930
	<u>-</u>	<u>11,930</u>

5. Dividends receivable

	2003 £'000	2002 £'000
Dividends receivable from subsidiaries	10,000	-
	<u>10,000</u>	<u>-</u>

6. Tax on profit on ordinary activities

The charge/(credit) for taxation comprises:

	2003 £'000	2002 £'000
UK Corporation Tax Charge at 30%	-	-
Group relief at 30%	-	3,579
Total tax charge	<u>-</u>	<u>3,579</u>

Proof for FRS19 Purposes

Profit/(loss) on ordinary activities before tax	10,000	11,930
Profit/(loss) on ordinary activities at 30%	3,000	3,579

For effects of:

Non taxable income	(3,000)	-
Current year tax charge	<u>-</u>	<u>3,579</u>

There is no deferred tax asset/liability for the year (2002: nil).

7. Fixed asset investments

	Subsidiary undertakings £'000
Cost	
At 1 January 2003	3,930,751
Addition	-
Disposal	-
At 31 December 2003	<u><u>3,930,751</u></u>

As at 31 December 2003, the Company's primary investment was BG Overseas Holdings Limited, an investment and holding company registered and operating in England. 100% of the ordinary share capital of BG Overseas Holdings Limited is directly owned by the Company. In accordance with the Companies Act 1985, a full list of subsidiary undertakings, joint ventures and associated undertakings will be included in the next annual return filed with the Registrar of Companies.

8. Debtors: amounts falling due within one year

	2003 £'000	2002 £'000
Amounts owed by group undertakings	<u>250,545</u>	<u>240,271</u>

9. Creditors: amounts falling due within one year

	2003 £'000	2002 £'000
Amounts owed to group undertakings	137,409	133,556
Amounts owed to group undertakings for taxation	-	3,579
	<u>137,409</u>	<u>137,135</u>

10. Creditors: amounts falling due after one year

	2003 £'000	2002 £'000
Amounts owed to group undertakings	<u>720,904</u>	<u>720,904</u>

11. Called up share capital

	2003 Number of shares '000	2002 Number of Shares '000	2003 £'000	2002 £'000
Authorised				
Ordinary shares of £1 each	4,000,000	4,000,000	4,000,000	4,000,000
Allotted and fully paid up				
Ordinary shares of £1 each	<u>3,103,447</u>	<u>3,103,447</u>	<u>3,103,447</u>	<u>3,103,447</u>

12. Reserves

	Share premium £'000	Profit & loss account £'000
As at 1 January 2003	177,895	31,641
Transfer from profit and loss account	-	10,000
As at 31 December 2003	<u>177,895</u>	<u>41,641</u>

13. Reconciliation of movements in shareholder's funds

	2003 £'000	2002 £'000
As at 1 January	3,312,983	3,106,003
Shares issued	-	198,629
Transfer from profit and loss account	10,000	8,351
As at 31 December	<u>3,322,983</u>	<u>3,312,983</u>

BG UK Holdings Limited

Annual Report and Financial Statements For the year ended 31 December 2003

Company Registration Number: 2059279

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Directors' report for the year ended 31 December 2003

The Directors submit their annual report and audited Financial Statements for the year ended 31 December 2003.

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 primary subsidiary undertaking and its principal activity is given in note 7 to the Financial Statements.

Results and dividend

The Company's profit for the financial year was £10,000,000 (2002: £8,351,000). The profit for the year was transferred to reserves.

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2003 (2002: £nil).

Directors' insurance

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

Directors

The following served as Directors during the year:

J P O'Driscoll
J C W Stewart (Alternate to J P O'Driscoll)
C E Bolton

Company secretary

	Appointed	Resigned
J E H Griffin		22 April 2003
C S Inman	22 April 2003	

Directors' interests

At no time did any Director, still holding office on 31 December 2003, have any beneficial interest in the shares of the Company or any other company within BG Group plc except for those interests in the shares of BG Group plc stated below: