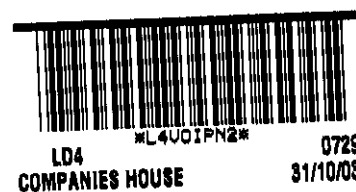


**BG UK HOLDINGS LIMITED**

**ANNUAL REPORT AND  
FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
31 DECEMBER 2002**

**REGISTERED NO. 2059279**



**BG UK Holdings Limited**  
**Annual Report and Accounts for the year ended 31 December 2002**

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# **BG UK Holdings Limited**

## **Annual Report and Accounts for the year ended 31 December 2002**

### **Directors' report for the year ended 31 December 2002**

The directors present their annual report and audited accounts of the Company for the year ended 31 December 2002.

#### **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 £11,930,000 (2001: £447,379,000), and its retained profit for the year of £8,351,000 (2001: £48,165,000) has been transferred to reserves.

The directors have not proposed a final dividend (2001: £nil). An interim dividend was not proposed (2001: £400,000,000).

#### **Directors' insurance**

The ultimate parent company, BG Group plc, has purchased insurance to cover the directors against liabilities in relation to the Company.

#### **Directors**

The directors, who served throughout the year were:

	<b>Date of resignation</b>	<b>Date of appointment</b>
J P O'Driscoll		
J C W Stewart (Alternate to J P O'Driscoll)		
C E Bolton (Alternate to D F Hatton)	18 November 2002	
C E Bolton		18 November 2002
D F Hatton	18 November 2002	
S J Sharman	27 September 2002	
D Newlyn	31 December 2002	

#### **Company secretary**

	<b>Date of resignation</b>	<b>Date of appointment</b>
J E H Griffin	22 April 2003	
C S Inman		22 April 2003

#### **Directors' interests**

At no time did any director, still holding office at 31 December 2002, 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 ultimate parent company, BG Group plc, stated below:

# BG UK Holdings Limited

## Annual Report and Accounts for the year ended 31 December 2002

### Directors' report for the year ended 31 December 2002 (continued)

#### Beneficial holdings

	Ordinary shares	
	As at 31 Dec 2001	As at 31 Dec 2002
J P O'Driscoll	24,871	26,482
C E Bolton	12,051	12,406
J C W Stewart	20,475	7,869

#### Savings Related Share Options Scheme

	As at 31 Dec 2001	Granted	Exercised	Lapsed	As at 31 Dec 2002
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

	As at 31 Dec 2001	Granted	Exercised	As at 31 Dec 2002
J P O'Driscoll	52,399	44,687	-	97,086
C E Bolton	41,823	31,485	-	73,208
J C W Stewart	40,109	29,791	-	69,900

Each share option is over one ordinary share.

#### Long Term Incentive Scheme notional allocations

	As at 31 Dec 2001	Allocated	Lapsed	As at 31 Dec 2002
J P O'Driscoll	43,521	48,400	(6,802)	85,119
C E Bolton	10,634	-	(4,117)	6,517
J C W Stewart	16,929	-	(6,106)	10,823

Full details of all employee share and option schemes can be found in the BG Group plc Annual Report and Accounts for the year ended 31 December 2002.

#### Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 11 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. The Company has resolved to dispense with the obligations to appoint auditors annually in accordance with section 386 of the Companies Act 1985.

**BG UK Holdings Limited**  
**Annual Report and Accounts for the year ended 31 December 2002**

**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.

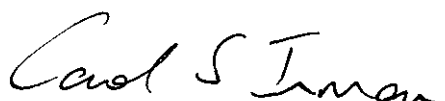
The directors consider that in preparing the financial statements on pages 7 to 12 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and all accounting standards have been followed and that they have been prepared 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 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.

**BY ORDER OF THE BOARD**

  
.....  
C S Inman, Secretary

Date 27 October .....2003

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

Registered in England:      No. 2059279

**BG UK Holdings Limited**  
**Annual Report and Accounts for the year ended 31 December 2002**

**Independent auditors' report to the members 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 annual report and 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 members 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 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 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.

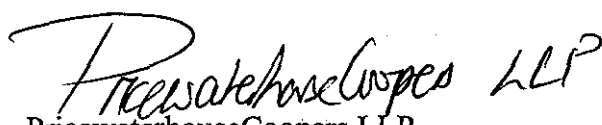
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**BG UK Holdings Limited**  
**Annual Report and Accounts for the year ended 31 December 2002**

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

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

27 October 2003

**BG UK Holdings Limited**  
**Annual Report and Accounts for the year ended 31 December 2002**

**Profit and loss account for the year ended 31 December**

		2002 £'000	2001 £'000
	Notes		
Income from shares in Group undertakings		-	450,000
<b>Profit on ordinary activities before interest and taxation</b>		-	450,000
Net interest receivable / (payable)	4	11,930	(2,621)
<b>Profit on ordinary activities before taxation</b>		11,930	447,379
Tax on profit on ordinary activities	5	(3,579)	786
<b>Profit for the financial year</b>		8,351	448,165
Dividends		-	(400,000)
<b>Retained profit for the year</b>		8,351	48,165

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 12 form part of these financial statements.


# BG UK Holdings Limited

## Annual Report and Accounts for the year ended 31 December 2002

### Balance sheet as at 31 December

	Notes	2002 £'000	2001 £'000
<b>Fixed Assets</b>			
Investments	6	<u>3,930,751</u>	<u>3,732,122</u>
<b>Current Assets</b>			
<b>Debtors</b> - amount due from group undertakings		240,271	240,547
<b>Creditors:</b> amounts falling due within one year			
Amounts due to group undertakings		(133,556)	(145,762)
Corporation Tax		<u>(3,579)</u>	<u>-</u>
<b>Net current assets</b>		<u>103,136</u>	<u>94,785</u>
<b>Creditors:</b> -amount falling due after more than one year			
Amounts due to group undertakings		(720,904)	(720,904)
<b>Net assets</b>		<u><u>3,312,983</u></u>	<u><u>3,106,003</u></u>
<b>Capital &amp; reserves</b>			
Called up share capital	7	3,103,447	2,904,818
Share premium account	8	177,895	177,895
Profit and loss account	8	<u>31,641</u>	<u>23,290</u>
<b>Equity shareholder's funds</b>	9	<u><u>3,312,983</u></u>	<u><u>3,106,003</u></u>

The financial statements on pages 7 to 12 were approved by the Board of Directors and were signed on its behalf by:

  
J P O'Driscoll  
Director

Approved by the Board on 27 October 2003

The notes on pages 9 to 12 form part of these financial statements.

# BG UK Holdings Limited

## Annual Report and Accounts for the year ended 31 December 2002

### 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.

##### 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 within 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 was adopted on 1 January 2001. In accordance with this standard, provision is made for deferred tax liabilities and assets, using full provision accounting, otherwise known as the incremental liability method, when an event has taken place by the balance sheet date which gives rise to an increased or reduced tax liability in the future in accordance with FRS19. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

##### Foreign Exchange

Monetary assets and liabilities are translated at the rate prevalent at the balance sheet date. Exchange differences on monetary assets and liabilities are taken to the profit and loss account.

#### 2 Directors' emoluments

No directors received emoluments in respect of their services to the Company during the year ended 31 December 2002 (2001 £nil).

#### 3 Profit and loss account

The Company had no employees (2001: nil).

Remuneration of the auditors has been borne by BG Energy Holdings Limited both in 2002 and 2001.

#### 4 Net interest receivable / (payable)

	2002	2001
	£'000	£'000
Foreign exchange gains / (losses)	11,930	(2,621)
	<u>11,930</u>	<u>(2,621)</u>

# BG UK Holdings Limited

## Annual Report and Accounts for the year ended 31 December 2002

### 5 Tax on profit on ordinary activities

The charge/(credit) for taxation comprises:

	2002 £'000	2001 £'000
UK Corporation Tax Charge at 30%	-	-
Group relief at 30%	3,579	(786)
Total tax charge/(credit)	<u>3,579</u>	<u>(786)</u>

#### **Proof for FRS19 Purposes**

Profit/(loss) on ordinary activities before tax	11,930	447,379
Profit/(loss) on ordinary activities at 30%	3,579	134,214

Effects of:

Non taxable income	-	(135,000)
<b>Current year tax charge/(credit)</b>	<u><b>3,579</b></u>	<u><b>(786)</b></u>

There is no deferred tax asset/liability for the year (2001: nil).

### 6 Investments

	Subsidiary undertakings £'000
<b>Cost</b>	
At 1 January 2002	3,732,122
Addition	198,629
Disposal	-
<b>At 31 December 2002</b>	<u><b>3,930,751</b></u>

As at 31 December 2002, 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.

During February 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.

# BG UK Holdings Limited

## Annual Report and Accounts for the year ended 31 December 2002

### 7 Called up share capital

	2002 Number of shares '000	2001 Number of Shares '000	2002 £'000	2001 £'000
<b>Authorised</b>				
Ordinary shares of £1 each	4,000,000	3,000,000	4,000,000	3,000,000
<b>Allotted and fully paid up</b>				
Ordinary shares of £1 each	3,103,447	2,904,818	3,103,447	2,904,818

During February 2002 the Company issued 198,629,000 £1 ordinary shares at par to BG Energy Holdings Limited in consideration for cash.

### 8 Reserves

	Share premium £'000	Profit & loss account £'000
As at 1 January 2002	177,895	23,290
Shares issued	-	-
Retained profit for the year	-	8,351
<b>As at 31 December 2002</b>	<b>177,895</b>	<b>31,641</b>

### 9 Reconciliation of movements in shareholder's funds

	2002 £'000	2001 £'000
As at 1 January	3,106,003	3,053,625
Shares issued	198,629	4,213
Retained profit for the year	8,351	48,165
<b>As at 31 December</b>	<b>3,312,983</b>	<b>3,106,003</b>

### 10 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 its subsidiary, associated undertakings and joint ventures.

### 11 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 1996) from publishing a cash flow statement.

**BG UK Holdings Limited**  
**Annual Report and Accounts for the year ended 31 December 2002**

**12 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.