BG North Sea Holdings Limited

Annual Report and Financial Statements

For the year ended 31 December 2008

Company Registration Number: 2383911

Contents

Directors' report for the year ended 31 December 2008

The Directors present their report and the audited Financial Statements for the year ended 31 December 2008.

Business Review and Principal Activities
BG North Sea Holdings Limited (the "Company") was incorporated on 15 May 1989 and is a wholly owned subsidiary of BG Energy Holdings Limited, which is part of the BG Group. The principal activities of the Company are the exploration for and production of oil and gas hydrocarbons in the United Kingdom which, for the purposes of the Companies Act 1985, constitutes one class of business. The Company also acts as a holding company and has investments in a number of exploration and production entities with operations around the world.

During the year, 49,724,550 ordinary shares of £1 each were issued at par.

UK
The BP-operated Amethyst field is located in the southern North Sea. Amethyst East started production in October 1990 and Amethyst West in October 1991. The development's four offshore platforms are unmanned with production being controlled via the onshore terminal facilities. Production is exported via a dedicated 30-inch diameter line from the A2D platform 40 km to the Easington terminal, where it is processed. The average daily production rate in 2008 was 59 million standard cubic feet per day (mmscfd) (2007: 53 mmscfd). Amethyst gas is sold under a life of field contract.

In December 2008, BG Group announced an asset exchange with BP Plc ("BP") under which it proposes to acquire BP's entire equity in the Everest, Lomond and Armada fields, increasing its equity stake in these fields from around 60% to around 80%, and part of BP's equity in the Erskine field in the central North Sea. BG Group will become operator of the Everest and Lomond fields and will continue to operate the Armada field. In return, BG Group will transfer all its equity interests in fields in the southern North Sea to BP.

As a result of this asset swap, the Company will dispose of its 8.64% interest in the Amethyst field and gain a 2.7% share of the Erskine field.

Algeria
In December 2006, the Company acquired a 36.75% interest in and became operator of the Hassi Ba Hamou (HBH) PSC block in Central Algeria. The first exploration phase has been completed on the HBH acreage. The Company and partners have entered the two year, second exploration period and relinquished 30% of the block area. Under the first phase drilling programme, three appraisal and three exploration wells were completed. The RM-1 exploration well was a new gas discovery and is in addition to the existing HBH discovery appraised by the three appraisal wells completed. The RM discovery will be appraised during the second exploration period.

The Company was successful in the first Algerian licence round held under the new hydrocarbon law, securing the Guern el Guessa concession north-west of the existing HBH permit. The Company will hold 49% and be operator. Sonatrach will hold a 51% interest.

Trinidad and Tobago
BG Trinidad and Tobago Limited, a subsidiary of the Company, retains interests in two operating blocks, both held under separate Production Sharing Contracts. The two blocks consist of (i) the NCMA (North Coast Marine Area) 1 block, located off the north coast of Trinidad and which contains the Hibiscus, Poinsettia, Chaconia and Ixora Fields; and (ii) Block 6, located off the east coast of Trinidad and containing the Dolphin Field.

Directors' report for the year ended 31 December 2008 continued

Business Review and Principal Activities continued

Trinidad and Tobago continued

Turnover and production expenses arise from the Dolphin, Hibiscus and Chaconia Fields. Production volumes from the Dolphin field reached 8.56 mmboe (million barrels of oil equivalent) in 2008 (2007: 9.32 mmboe), whereas production from the NCMA block reached 9.75 mmboe (2007: 9.55 mmboe).

During 2008, BG Trinidad and Tobago Limited continued to supply both the domestic and export markets from these fields. The key project during the year has been the development of the Poinsettia field as part of Phase 3c and will include accessing the Heliconia and Bougainvillea fields as part of Phase 3d. This has involved building a new drilling and production platform, the largest topside installed in Trinidadian waters with the 4,200 tonne topsides built entirely in Trinidad, and with initial production from a single sub-sea well. A new pipeline connects the new platform to the Hibiscus export pipeline. First gas from Poinsettia was achieved in January 2009.

Egypt

BG Egypt SA, a subsidiary of the Company, has a 20% shareholding in the Rashid Petroleum Company (Rashpetco) which operates the Rosetta Concession.

The Rosetta field started production in January 2001 and continues to be a key supplier of the domestic market. In September 2008, BG Group signed an agreement with the Egyptian Government to increase domestic gas pricing for production from this field.

During first quarter 2008, first gas was successfully delivered from the Rosetta Phase 3 project. Production from this field will be used to maintain plateau rates of gas to the domestic market. The development consists of infill wells into the producing Rashid 1 and 2 fields along with the development of the discovered Rashid-3 and Rashid North fields. Rosetta Phase 3 is the first utilisation of subsea technology within the Rosetta Concession.

India

BG Exploration and Production India Limited ("BGEPIL"), a subsidiary of the Company, jointly operates the Mid & South Tapti Fields (gas) and the Panna-Mukta Fields (oil and gas) and has a 30% participating interest in each of these fields.

In 2008, the Panna-Mukta and Mid & South Tapti Fields (the "PMT Fields") produced around 15.5 mmboe (net to BG). In June 2008, the production from Panna-Mukta Fields was adversely impacted by an incident relating to an explosion of Gas-Fired Hot Oil Heater at the Panna offshore platform, which resulted in the death of a contractor. Following this incident, the Panna-Mukta Field was shut down for about a month.

The Ministry of Petroleum and Natural Gas reappointed GAIL (India) Limited ("GAIL") as the Government of India nominee to purchase gas produced from the PMT Fields, effective 1 April 2008. All gas produced from the PMT Fields is delivered and sold under the terms of a Gas Sales and Purchase Agreement with GAIL.

BGEPIL executed a PSC for exploration block KG-OSN-2004/1 in the Krishna Godavari Basin in March 2007 pursuant to a successful bid in the NELP VI licensing round. The acquisition of 3D seismic was completed in May 2008 with further seismic activity and two exploration wells planned for 2009.

In February 2008, BG Group signed two farm-in agreements with Oil and Natural Gas Corporation Ltd (ONGC) to acquire a participating interest in two deep water blocks off the Indian east coast – a 30% interest in KG-DWN-98/4 block and a 25% interest in MN-DWN-2002/02 block.

Directors' report for the year ended 31 December 2008 continued

Business Review and Principal Activities continued

Bolivia
The Company's subsidiary undertaking, BG Bolivia Corporation, produced net volumes of 5.7 million barrels of oil equivalent (mmboe) in 2008 (2007: 5.5 mmboe), including the Margarita Early Production Facilities (BG Group 37.5%).

In 2008, the partnership issued a Declaration of Commerciality in respect of the Huacaya X-1 discovery on the northern part of the Caipipendi block where Margarita is located.

Principal risks and uncertainties
The Company is primarily exposed to risks through its investments in subsidiary undertakings. In addition, the Company faces risks which affect both the Company and the Group as a whole. These risks are managed at Group level on behalf of the Directors' of the Company. For a detailed description of the risks and uncertainties facing the Group (and therefore the Company), please refer to the BG Group Annual Report and Accounts 2008 – Principle risks and uncertainties on pages 17 to 19.

Key performance indicators ("KPIs")
The performance of the Company is monitored, reviewed and assessed at group level, and therefore the Directors are of the opinion that analysis of the business of the Company using KPIs is not appropriate for an understanding of the development, performance or position of the business of the Company. For further information about KPIs, in the context of the group as a whole, please refer to the BG Group Annual Report and Accounts 2008.

Results and dividend
The loss for the year ended 31 December 2008 of £14,852,000 (2007: profit of £11,249,000) has been transferred from reserves. The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2008 (2007: £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:

	Appointed	**Resigned**
J A Berget		4 September 2009
S A Fysh		24 November 2008
I Hewitt	26 February 2009	
S M A Iskander	4 September 2009	
M J Houston		
P S Vidler		

Company Secretaries
The following served as joint Company Secretaries during the year:

C S Inman
A W McCulloch

Directors' report for the year ended 31 December 2008 continued

Suppliers
It is the Company's policy to pay all its creditors promptly and in accordance with contractual and other legal obligations. It is the Company's policy to agree the payment terms at the start of business with each supplier and to ensure that they are aware of the terms of payment. The Company had 1 day of purchases outstanding as at 31 December 2008 (2007: nil) based on the average daily amount invoiced by suppliers during the year.

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 2008.

Auditors
The Company has elected to dispense with the annual reappointment of auditors in accordance with Section 386 of the Companies Act 1985 and accordingly PricewaterhouseCoopers LLP remain in office.

Statement as to disclosure of information to auditors
As required by Section 234ZA of the Companies Act 1985, each of the Directors has approved this report and confirmed that, so far as he/she 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/she has taken all the steps that he/she ought to have taken as a director in order to make him/herself 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.

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 or loss for the financial year.

The Directors consider that in preparing the Financial Statements on pages 8 to 18 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 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.

Directors' report for the year ended 31 December 2008 continued

Statement of Directors' responsibilities continued
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.

By order of the Board:

Carol S Inman

C S Inman
Company Secretary

Date: 23/9/09

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

Registered in England & Wales No. 2383911

Independent Auditors' report to the member of BG North Sea Holdings Limited

We have audited the Financial Statements of BG North Sea Holdings Limited for the year ended 31 December 2008 which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors
The Directors' responsibilities for preparing the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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 International Standards on Auditing (UK and Ireland). 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 whether in our opinion the information given in the Directors' report is consistent with the Financial Statements.

In addition we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 North Sea Holdings Limited continued

Opinion

In our opinion:

- the Financial Statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its loss for the year then ended;

- the Financial Statements have been properly prepared in accordance with the Companies Act 1985; and

- the information given in the Directors' report is consistent with the Financial Statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London

Date: 23 September 2009

Profit and loss account for the year ended 31 December 2008

	Notes	2008 £000	2007 £000
Turnover	3	**9,126**	5,473
Operating costs		**(2,592)**	(2,508)
Exploration expenditure		**(13,491)**	(26,678)
Depreciation		**(3,173)**	(805)
Amounts written off investments		**-**	(6,593)
Operating loss	4	**(10,130)**	(31,111)
Income from fixed asset investment		**-**	17,173
Profit on disposal of Investment		**-**	18,600
Net interest payable and similar charges	5	**(177)**	(173)
(Loss)/profit on ordinary activities before taxation		**(10,307)**	4,489
Tax on ordinary activities	6	**(4,545)**	6,760
(Loss)/profit for the financial year	16,17	**(14,852)**	11,249

Statement of total recognised gains and losses for the year ended 31 December

	Notes	2008 £000	2007 £000
(Loss)/profit for the financial year	16,17	**(14,852)**	11,249
(Deficit)/surplus arising on revaluation of fixed asset investments	16,17	**(1,408,234)**	931,733
Currency translation adjustments	16,17	**441,411**	(45,574)
Total recognised gains and losses for the year		**981,675**	897,408

The results for the year are derived solely from continuing operations.

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

The notes on pages 10 to 18 form part of these Financial Statements.

Balance sheet as at 31 December 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Intangible assets	7	**61,103**	42,568
Tangible assets	8	**10,331**	8,941
Investments	9	**6,236,758**	6,110,694
		6,308,192	6,162,203
Current assets			
Stocks	10	**72**	56
Debtors: amounts falling due within one year	11	**3,982,120**	2,748,882
Cash at bank and in hand		**437**	-
		3,982,629	2,748,938
Creditors: amounts falling due within one year	12	**(4,738,408)**	(2,131,913)
Net current (liabilities)/assets		**(755,779)**	617,025
Total assets less current liabilities		**5,552,413**	6,779,228
Creditors: amounts falling due after more than one year	13	**-**	(300,674)
Provisions for liabilities and charges	14	**(17,985)**	(12,176)
Net assets		**5,534,428**	6,466,378
Capital and reserves			
Called up share capital	15	**3,112,821**	3,063,096
Profit and loss account	16	**(28,257)**	(454,816)
Revaluation reserve	16	**2,449,864**	3,858,098
Equity shareholder's funds	17	**5,534,428**	6,466,378

The notes on pages 10 to 18 form part of these Financial Statements.

The Financial Statements on pages 8 to 18 were approved and authorised for issue by the Board of Directors and were signed on its behalf by:

P. Vidler

P Vidler
Director

Date: 23/9/09

Notes to the Financial Statements

1 Ultimate parent undertaking

The immediate parent undertaking is BG Energy Holdings Limited and 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 the Group's 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 2008. 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 on the going concern basis and 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 sections on depreciation and impairment of fixed assets (see below).

In addition, the SORP recommends the disclosure of oil and gas reserve quantities. The oil and gas reserve quantities of the Company are included in the oil and gas reserve quantities disclosed in the Annual Report and Accounts of the Company's parent, BG Group plc. The Directors have elected not to publish this information for the Company as the information is disclosed by BG Group plc on a consolidated basis and this disclosure is analysed geographically. The consolidated disclosures and the basis on which the information is disclosed can be found on pages 121 and 122 of the Annual Report and Accounts of BG Group plc for the year ended 31 December 2008.

Where the Company has entered into joint operating agreements with other companies to participate in exploration, development and production activities, the Company records the expenditure incurred by the operator in respect of the Company's share in each licence group and includes its share of the capital commitments arising from the joint operations.

Exemptions
The Company is a wholly owned subsidiary undertaking of BG Group plc and is therefore exempt under Section 228 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.

Notes to the Financial Statements continued

2 Accounting policies continued

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. Contributions received towards the cost of tangible fixed assets (including government grants) are included in creditors as deferred income and credited to the profit and loss account over the life of the assets. Interest charges on borrowings used to finance major capital projects are capitalised.

Depreciation

Exploration and production assets are depreciated from the commencement of production in the fields concerned, using the unit of production method based on the proved developed reserves of those fields, except that a basis of total proved reserves is used for acquired interests and facilities. Changes in these estimates are dealt with prospectively. Asset lives are kept under review and complete asset life reviews are conducted periodically.

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 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, decommissioning provisions are recognised in the Financial Statements at the net present value of the future expenditure estimated to be required to settle the Group's decommissioning obligations. The discount implicit in recognising the decommissioning liability is unwound over the life of the provision and is included in the profit and loss account as a financial item within finance costs. Where a provision gives access to future economic benefits, an asset is recognised and depreciated in accordance with the Group's depreciation policy. Any changes to estimated costs are dealt with prospectively. The measurement of decommissioning provisions involves the use of estimates and assumptions such as the discount rate used to determine the net present value of the liability. The estimated cost of decommissioning is based on engineering estimates and reports. In addition, the payment dates of expected decommissioning costs are uncertain and are based on economic assumptions surrounding the useful economic lives of the fields concerned.

Notes to the Financial Statements continued

2 Accounting policies continued

Fixed asset investments
Fixed asset investments are stated at cost less provision for impairment, with the exception of the investments in operating and financing subsidiaries, BG Atlantic Finance Limited (formerly BG Atlantic 2/3 Finance Limited), BG Bolivia Corporation, BG Egypt SA, and BG Trinidad and Tobago Limited, which are held at the underlying net asset value in the subsidiary and the investment in an intermediate holding company, BG Asia Pacific Holdings Limited, which is held at valuation based on the net present value of future cash flows.

The Directors consider this to be an appropriate treatment, as these subsidiaries operate in a functional currency other than pounds sterling or hold investments which operate in a foreign currency other than pounds sterling and therefore their underlying assets and liabilities are denominated in a foreign currency. As such, underlying net asset value, translated at the year end rate or net present value of future cash flows, reflects a more appropriate valuation of the underlying business to historical cost. The revaluation of these investments involves both the adjustment to the year end valuation and the retranslation of the opening valuation to the year end rate. Gains arising from adjustment to the closing net asset valuation are credited to the revaluation reserve. Losses, to the extent not offset by gains arising in prior periods, are recognised in the profit and loss account. Gains and losses, arising on the retranslation of the opening valuation to the year end rate, are recognised directly in the profit and loss reserve.

In 2008, a loss of £1,408 million (2007: gain of £932 million) was recognised in the revaluation reserve and a gain of £1,485 million (2007: loss of £79 million) was recognised in the profit and loss reserve, relating to the revaluation of the investment in these subsidiaries to year end valuation at the closing rate.

The investments in these subsidiaries are financed through debt denominated in the functional currency of the underlying investments, in order to hedge the currency exposure on the net investment. In accounting for the currency exchange differences arising on the retranslation of this debt to the year end exchange rate, the Company has applied the net investment hedging provisions of SSAP 20 and recognises the gains and losses, to the extent that they offset gains and losses arising on the retranslation of the investment, directly in the profit and loss reserve.

Stocks
Stocks are stated at weighted average historical cost less provision for deterioration and obsolescence.

Revenue recognition
Revenue associated with exploration and production sales of hydrocarbons is recorded when title passes to the customer. Revenue from the production of hydrocarbons in which the Company has an interest with other producers is recognised on the basis of the Company's working interest (entitlement method).

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

Notes to the Financial Statements continued

capital allowances and other timing differences. Deferred tax assets are recognised to the extent that they are regarded as recoverable.

3 Turnover

Turnover, which excludes value added tax and is stated gross of royalties and which, for the purposes of the Companies Act 1985, constitutes one class of business. Turnover represents amounts receivable for sales of hydrocarbons and tariff income as follows:

	2008	2007
	£000	£000
Gas, condensate and liquefied petroleum gas	8,335	5,123
Other	791	350
	9,126	5,473

4 Operating loss

The operating loss is stated after charging:

	2008	2007
	£000	£000
Depreciation charge for the year on :		
Tangible owned fixed assets	3,173	805
Well write-offs	6,924	-

No Directors received emoluments in respect of their services to the Company during the year ended 31 December 2008 (2007 £nil). The Company had no employees during the year (2007: nil).

The remuneration of the Auditors, amounting to £4,400 (2007: £4,200) has been borne by BG Energy Holdings Limited and has not been recharged to the Company.

5 Net interest payable and similar charges

	2008	2007
	£000	£000
Unwinding of discount	158	135
Interest receivable	(7)	-
Interest payable	26	38
	177	173

Notes to the Financial Statements continued

6 Taxation on ordinary activities

The charge/(credit) for taxation comprises:

	2008 £000	2007 £000
Current tax		
UK corporation tax at 28.5% and 50% (2007: 30% and 50%)	**1,025**	(14,671)
Over provision in respect of previous periods	**(74)**	(1,818)
Total current tax charge/(credit)	**951**	(16,489)
Deferred tax		
Deferred corporation tax at 28% and 50% (2007: 28% and 50%)	**3,595**	8,288
Effect of decreased tax rate on closing balance	**-**	(473)
Deferred tax (over)/under provision in respect of previous periods	**(1)**	1,914
Total deferred tax charge	**3,594**	9,729
Total tax charge/(credit)	**4,545**	(6,760)

The taxation charge/(credit) was computed taking the various elements in the table below:

	2008 £000	2007 £000
(Loss)/profit on ordinary activities before taxation	**(10,307)**	4,489
Tax on (loss)/profit on ordinary activities at 28.5% and 50% (2007: 30% and 50%)	**(2,235)**	1,838
Effects of:		
Non-deductible expenses	**14**	2,062
Income not taxable	**-**	(5,153)
Effect of change in tax rate	**(59)**	-
Capital allowances in excess of depreciation	**(3,674)**	(8,356)
Non-qualifying depreciation	**250**	450
Profit on disposal of fixed assets	**-**	(5,580)
Over provision in respect of previous periods	**(74)**	(1,818)
Other timing differences	**79**	68
Profits of overseas subsidiary	**6,650**	-
Current tax charge/(credit) for the year	**951**	(16,489)

Effective 1 April 2008, the applicable rate of UK corporation tax is 28%. This change does not affect UK North Sea profits.

7 Intangible fixed assets

	Unproved properties £000
At 1 January 2008	42,568
Additions	25,459
Well write-offs	(6,924)
At 31 December 2008	**61,103**

Notes to the Financial Statements continued

8 Tangible fixed assets

	Exploration and Production £000
Cost	
At 1 January 2008	34,501
Additions	4,563
At 31 December 2008	**39,064**
Accumulated depreciation	
At 1 January 2008	25,560
Charge for the year	3,173
At 31 December 2008	**28,733**
Net book value	
At 31 December 2008	**10,331**
At 31 December 2007	8,941

9 Fixed asset investments

	Shares in subsidiary undertakings £000
Cost or valuation	
At 1 January 2008	6,138,582
Additions	49,725
Revaluations	(1,408,234)
Currency translation adjustment	1,484,573
At 31 December 2008	**6,264,646**
Amounts written off	
At 1 January and 31 December 2008	**(27,888)**
Net book value at 31 December 2008	**6,236,758**
At 31 December 2007	6,110,694

Notes to the Financial Statements continued

9 Fixed asset investments continued

The Company's principal subsidiary undertakings as at 31 December 2008 comprise:

Name	Country of incorporation	Activity	Direct interest in ordinary shares	Indirect interest in ordinary shares
BG Atlantic Finance Limited	England and Wales	Finance company	100%	-
BG Bolivia Corporation	Cayman Islands	Exploration and production	100%	-
BG Egypt S.A.	Cayman Islands	Exploration and production	100%	-
BG Trinidad and Tobago Limited	England and Wales	Exploration and production	100%	-
BG Asia Pacific Holdings Pte Limited	Singapore	Holding and investment company	100%	-
BG Asia Pacific Pte Limited[a]	Singapore	Exploration and production	-	100%
BG Exploration and Production India Limited[a]	Cayman Islands	Exploration and production	100%	
Gujarat Gas Company Limited[a]	India	Gas distribution	-	65.1%

[a] Interest held indirectly through an intermediate company.

10 Stocks

	2008 £000	2007 £000
Raw materials and consumables	**72**	56

11 Debtors: amounts falling due within one year

	2008 £000	2007 £000
Trade debtors	**-**	651
Amounts owed by group undertakings	**3,957,849**	2,725,549
Amounts owed by group undertakings in respect of taxation	**15,427**	17,157
Other debtors	**8,559**	-
Prepayments and accrued income	**285**	5,525
	3,982,120	2,748,882

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

12 Creditors: amounts falling due within one year

	2008 £000	2007 £000
Cash at bank and in hand	**-**	36
Unsecured loan stock	**300,674**	-
Trade creditors	**848**	915
Amounts owed to group undertakings	**4,422,189**	2,120,469
Other creditors	**510**	-
Taxation	**1,606**	-
Accruals and deferred income	**12,581**	10,493
	4,738,408	2,131,913

Notes to the Financial Statements continued

12 Creditors: amounts falling due within one year continued

Amounts owed by group undertakings are unsecured, interest free and are repayable on demand. The unsecured loan stock was issued to BG Energy Holdings Limited. It is non interest bearing and does not have a specific repayment date.

13 Creditors: amounts falling due after more than one year

	2008 £000	2007 £000
Unsecured loan stock	-	300,674

14 Provisions for liabilities and charges

	Deferred taxation £000	Decommissioning costs £000	Total £000
At 1 January 2008	9,020	3,156	12,176
Deferred tax profit and loss charge	3,595	-	3,595
Adjustment in respect of previous periods	(1)	-	(1)
Unwinding of discount	-	158	158
Increase in provision	-	2,057	2,057
At 31 December 2008	**12,614**	**5,371**	**17,985**

The deferred taxation liability comprises:

	2008 £000	2007 £000
Accelerated capital allowances	**15,299**	10,598
Provisions for liabilities allowable for tax in future years	**(2,685)**	(1,578)
	12,614	9,020

The Company has an unrecognised deferred tax asset of £31.7m (2007: £34.7m) relating to capital losses. The amount would be recoverable if the Company realised a taxable capital gain.

Decommissioning costs

The estimated cost of decommissioning at the end of the producing lives of fields is based on engineering estimates and reports from an independent expert. Provision is made for the estimated cost of decommissioning at the balance sheet date. The payment dates of total expected future decommissioning costs are uncertain, but are currently anticipated to be 2016.

15 Called up share capital

	2008 £000	2007 £000
Authorised:		
3,521,327,085 (2007: 3,500,000,000) ordinary shares of £1 each	**3,521,327**	3,500,000
Allotted and fully paid:		
3,112,820,909 (2007: 3,063,096,360) ordinary shares of £1 each	**3,112,821**	3,063,096

On 31 December 2008, a Special Resolution was passed to increase the authorised share capital of the Company to £3,521,327,085 from £3,500,000,000 by the creation of 21,327,085 ordinary shares of £1 each. The new shares rank pari passu in all respects with the existing ordinary shares of the Company.

During the year, 49,724,549 ordinary shares of £1 each were issued at par.

On 20 January 2009, a further issue of 3,972,433 ordinary shares of £1 each took place at par.

Notes to the Financial Statements continued

16 Reserves

	Profit and loss account £000	Revaluation of fixed asset investments £000
At 1 January 2008	(454,816)	3,858,098
Transfer from profit and loss account	(14,852)	-
Revaluation	-	(1,408,234)
Currency translation adjustments[a]	441,411	-
At 31 December 2008	**(28,257)**	**2,449,864**

[a] Includes a gain of £1,485m on the revaluation of fixed asset investments, offset by a loss of £1,044m of foreign exchange on the revaluation of loans to finance those investments.

17 Reconciliation of movement in shareholder's funds

	2008 £000	2007 £000
At 1 January	**6,466,378**	5,561,919
Transfer from profit and loss account	**(14,852)**	11,249
Issue of share capital	**49,725**	7,051
Revaluation of fixed asset investments	**(1,408,234)**	931,733
Currency translation adjustment	**441,411**	(45,574)
At 31 December	**5,534,428**	6,466,378

18 Commitments

As at 31 December 2008, the Company had placed contracts for capital expenditure amounting to £nil (2007: £1,591,000).