

# **BG North Sea Holdings Limited**

## **Annual Report and Financial Statements**

**For the year ended 31 December 2003**



**Company Registration Number: 2383911**

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## **Directors' Report for the year ended 31 December 2003**

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

### **Principal activities**

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's main interests are in the Amethyst East / West Fields. The Company still holds an investment in a number of exploration licences in the North Sea.

BG North Sea Holdings Limited also acts as a holding company for some overseas subsidiaries within the BG Group, these are listed on page 17 in the notes to the Financial Statements.

### **Results and dividend**

The loss on ordinary activities before taxation was £15.1 million (2002: profit £1.9 million). The Directors do not recommend the payment of a dividend (2002: £nil). The retained loss for the year was £16 million (2002: profit £1.4 million) and this has been transferred to reserves.

### **Review of business**

#### **UK**

Gas from the Amethyst field is processed onshore at the Easington terminal under contractual arrangements with Centrica Storage Limited and is then sold to EDF Trading Limited at the National Transmission System entry point. During the year modifications were made to the Amethyst facilities to enable third party gas to be transported in the Amethyst system. The Amethyst field partners entered into agreements with the owners of the Helvellyn field and Rose field for the transportation of gas from those fields through the Amethyst system, and for the provision of production and operating services to Helvellyn and Rose, in return for payment of tariffs and fees to the Amethyst partners.

#### **Trinidad and Tobago**

The Company currently supplies gas into the domestic market from the Dolphin field in the East Coast Marine Area (ECMA), and into Atlantic LNG trains 2 and 3, for subsequent export to North America from the North Coast Marine Area (NCMA) fields.

The final well of the first two phases of the NCMA development was completed in August 2003. Well performance has exceeded predicted levels.

## **Directors' Report for the year ended 31 December 2003 (continued)**

### **Egypt**

The Company has a 40% interest in the Rosetta field which started production in January 2001. Rosetta is contracted to supply the domestic market at a DCQ of 275 mmscfd under a 25 year gas sales agreement (GSA). In 2003, Rosetta produced a total of 75.9 bcf of gas (16.5 bcf net BG Group). This represented 77% of the annual contracted quantity. There is a 75% take or pay obligation under the GSA. In early 2004, compression facilities for the Rosetta field were commissioned as part of the ongoing field development to maintain the production rate. Phase 2 of the Rosetta development is expected to produce first gas in mid-2005. The development consists of an unmanned minimum facilities wellhead platform and four additional wells.

### **India**

The Company and its partners secured government approval for enhancement investment in the Panna/Mukta oil and gas and Tapti gas fields. The enhancement projects involve a gross investment of up to \$138 million. Drilling of up to 18 infill wells in Panna/Mukta and four in Tapti is scheduled to commence in the first quarter of 2004.

The fields have significant expansion potential and further development plans agreed with partners will require government approval.

The Company also has a controlling stake in the Gujarat Gas Company Limited (GGCL), which is the country's largest private gas distribution and transmission company. In 2003, gas sales volumes increased 129% to 1.7bcm.

### **Other Events**

In May, the Margarita-X1 well in Bolivia was successfully side-tracked and completed. During testing, the development well produced gas at a gross rate of 36 mmscfd and condensate at 1330 bopd. Higher rates are expected once the well is brought on-stream as part of the Margarita Early Production Scheme in 2004.

The Company has written off an amount off fixed asset investments to record its investment in BG Bolivia Corporation (BG Bolivia) at the subsidiary undertaking's net asset value, in line with the Company's accounting policy. The reduction in BG Bolivia's net assets during 2003 arises from operating losses incurred as a result of reduced demand for gas from BG Bolivia's principal customers in Brazil, and foreign exchange movements on the retranslation of net assets.

### **Directors' insurance**

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

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

The following served as Directors during the year:

**Resigned**

F J Chapman

M J Houston

D McManus

30 September 2004

**Directors' interests**

F J Chapman is also a Director of the ultimate parent company BG Group plc and details of his interests in the shares of BG Group plc appear in that company's Annual Report and Accounts for 2003.

At no time did any Director, still holding office at 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.

**Beneficial holdings****Beneficial interests in ordinary shares**

	As at 1 Jan 2003	As at 31 Dec 2003
M J Houston	62,832	68,911
D McManus	3,129	4,618

**Sharesave scheme**

	Options as at 1 Jan 2003	Options granted in year	Options exercised in year	Options as at 31 Dec 2003
M J Houston	4,230	-	-	4,230
D McManus	7,466	-	-	7,466

**Company share option scheme**

	Options as at 1 Jan 2003	Options granted in year	Options exercised in year	Options as at 31 Dec 2003
M J Houston	267,317	125,914	-	393,231
D McManus	318,818	116,133	-	434,951

**Directors' Report for the year ended 31 December 2003 (continued)****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
M J Houston	255,023	186,720	84	11,871	7,122	422,834
D McManus	278,644	172,372	-	16,959	-	434,057

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

**Suppliers**

The Company aims to pay all of its creditors promptly. For trade creditors, it is the Company's policy to:

- i) agree the terms of the payment at the start of business with that supplier;
- ii) ensure that suppliers are aware of the terms of payment; and
- iii) pay in accordance with contractual and other legal obligations.

The Company had 3 days of purchases outstanding as at 31 December 2003 (2002: 4 days) based on the average daily amount invoiced by suppliers during the year.

**Auditors**

The Company has elected to dispense with the annual reappointment of auditors in accordance with s386 of the companies Act 1985 and accordingly PricewaterhouseCoopers LLP remain in office.

By order of the Board



**C S Inman**  
Secretary

Date 7/10/04

Registered Office  
100 Thames Valley Park Drive  
Reading  
Berkshire  
RG6 1PT  
Registered in England & Wales No. 2383911

## **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 or loss for the financial year.

The Directors consider that in preparing the Financial Statements on pages 9 to 20 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 Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enables 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 auditor's report to the member of BG North Sea Holdings Limited**

We have audited the Financial Statements which comprise the profit and loss account, the statement of total gains and losses, the balance sheet and the related notes.

### **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 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 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 auditor's report to the member of BG North Sea 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 loss 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 7/10/04.

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

	Notes	2003 £000	2002 £000
<b>Turnover</b>	3	<b>5,331</b>	<b>4,611</b>
Operating costs		(1,789)	(2,526)
Exploration expenditure		(385)	(35)
Depreciation		(2,164)	(885)
Amounts written off investments	9	<u>(18,245)</u>	<u>(1,153)</u>
<b>Operating (loss)/profit</b>		<b>(17,252)</b>	<b>12</b>
Income from fixed asset investment		1,140	1,444
Net interest	4	<u>985</u>	<u>431</u>
<b>(Loss)/profit on ordinary activities before taxation</b>	5	<b>(15,127)</b>	<b>1,887</b>
Tax on (loss)/profit on ordinary activities	6	<u>(828)</u>	<u>(537)</u>
<b>Retained (loss)/profit for the year</b>	16	<b><u>(15,955)</u></b>	<b><u>1,350</u></b>

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

	Notes	2003 £000	2002 £000
<b>Retained (loss) /profit for the financial year</b>		<b>(15,955)</b>	<b>1,350</b>
Surplus arising on revaluation of fixed asset investments	16	989,451	120,621
Currency translation adjustment	16	<u>(191,375)</u>	<u>(53,921)</u>
<b>Total recognised gains and losses relating to the financial year</b>		<b><u>782,121</u></b>	<b><u>68,050</u></b>

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 11 to 20 form part of these Financial Statements.

**Balance sheet as at 31 December**

	<b>Note</b>	<b>2003 £000</b>	<b>2002 £000</b>
<b>Fixed assets</b>			
Intangible assets	7	37	-
Tangible assets	8	5,440	6,852
Investments	9	<u>3,079,360</u>	<u>2,368,016</u>
		<b>3,084,837</b>	<b>2,374,868</b>
<b>Current assets</b>			
Stocks	10	29	48
Debtors: amounts falling due within one year	11	<u>959,815</u>	<u>1,018,375</u>
		<b>959,844</b>	<b>1,018,423</b>
<b>Creditors: amounts falling due within one year</b>	12	<u>(557,860)</u>	<u>(688,994)</u>
<b>Net current assets</b>		<b>401,984</b>	<b>329,429</b>
<b>Total assets less current liabilities</b>		<b>3,486,821</b>	<b>2,704,297</b>
<b>Creditors: amounts falling due after more than one year</b>	13	<u>(300,674)</u>	<u>(300,674)</u>
<b>Provisions for liabilities and charges</b>	14	<u>(2,370)</u>	<u>(1,967)</u>
<b>Net assets</b>		<b><u>3,183,777</u></b>	<b><u>2,401,656</u></b>
<b>Capital and reserves</b>			
Called up share capital	15	2,318,899	2,318,899
Revaluation reserve	16	1,110,072	120,621
Profit and loss account	16	<u>(245,194)</u>	<u>(37,864)</u>
<b>Equity shareholder's funds</b>	17	<b><u>3,183,777</u></b>	<b><u>2,401,656</u></b>

The Financial Statements on pages 9 to 20 were approved by the Board of Directors and were signed on its behalf by:

  
**F J Chapman**  
**Director**

Date 7 October 2004

The notes on pages 11 to 20 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, Berks, 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 except for the investments in BG Atlantic 2/3 Finance Limited, BG Bolivia Corporation, BG Egypt SA, British Gas Trinidad and Tobago Limited and British Gas Asia Pacific Holdings (Pte) Limited which have been recognised at their fair value, as the Directors consider that this value provides a more appropriate valuation in the accounts of the holding company as consolidated accounts are not prepared. 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 section on exploration expenditure (see below).

#### Exemptions

The Company is a wholly owned subsidiary undertaking of BG Energy Holdings Limited 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 and foreign currencies

Fixed asset investments are stated at historic cost less provision for impairment, with the exception of the investments in BG Atlantic 2/3 Finance Limited, BG Bolivia Corporation, BG Egypt SA, and British Gas Trinidad and Tobago Limited, which are held at the underlying net asset value in the subsidiary and 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 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 cashflows, reflects a more appropriate valuation of the underlying business than historic 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 2003, a gain of £989 million was recognised in the revaluation reserve and a loss of £260 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. No gain or loss was recognised in the profit and loss account in the period.

The investments in these subsidiaries are financed through debt denominated in the functional currency of the subsidiary, 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.

#### **Tangible fixed assets**

All tangible fixed assets are carried at depreciated historical cost.

Additions represent extension 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 regularly carried out.

#### **Impairment of fixed assets**

Any impairment of fixed assets is calculated as the difference between the carrying values of income generating units and the estimated value in use at the date the impairment loss is recognised. Value in use represents the net present value of expected future cash flows discounted on a pre-tax basis.

Impairment of fixed assets is recognised in the profit and loss account within operating costs.

#### **Stocks**

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

### **Revenue recognition**

Revenue recognition associated with exploration and production sales (natural gas, crude oil, petroleum and chemical products) is recorded when title passes to the customer.

Revenue from transportation and distribution activities is recognised in the same period in which the related volumes are delivered to the customers.

All other revenue is recognised when title passes to the customer.

### **Exploration expenditure**

The SORP (see 'Basis of preparation and accounting principles') 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 and 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 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**

Provision is made for the net present value of the estimated cost of decommissioning at the end of the producing lives of fields. When this provision gives access to future economic benefits, an asset is recognised and then subsequently depreciated in line with the life of the underlying producing field, otherwise the costs are charged to the profit and loss account. The unwinding of the discount on the provision is included in the profit and loss account as a financial item and is included within the net interest charge.

### **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. Provision for deferred petroleum revenue tax is shown net of allowable corporation tax relief (reflected in the deferred corporation tax balance) and is made in respect of applicable fields based on current forecasts.

### 3 Turnover

Turnover, which excludes value added tax and is stated gross of royalties, represents amounts receivable for sales of hydrocarbons and tariff income as follows:

	2003 £000	2002 £000
Gas, condensate and liquified petroleum gas	<u>5,331</u>	<u>4,611</u>

### 4 Net interest

	2003 £000	2002 £000
Interest payable on bank loans, overdrafts and other loans, repayable within 5 years, not by instalments	3	3
Unwinding of discount	189	189
Interest receivable	<u>(1,177)</u>	<u>(623)</u>
	<u>(985)</u>	<u>(431)</u>

Foreign exchange losses or gains relating to financing arrangements are disclosed as interest payable or receivable.

### 5 Loss/profit on ordinary activities before taxation

Loss/profit on ordinary activities before taxation is stated after charging:

	2003 £000	2002 £000
Historical cost depreciation charge for the year:		
Tangible owned fixed assets	2,164	885
Auditors' remuneration for:		
Audit services*	4	4

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 (2002: nil). A service charge is allocated to the company from the ultimate parent company and fellow group undertakings for services of their employees engaged on the Company's business.

\* Paid for by BG Energy Holdings Limited.

## 6 Taxation on ordinary activities

Taxation is charged/(credited) as follows:

	2003 £000	2002 £000
<b>Current Tax</b>		
UK corporation tax at 30% and 40%	418	26
Group Relief at 30% (2002 40% and 30%)	-	-
Underprovision in respect of prior periods	880	-
Total current tax charge	1,298	26
<b>Deferred tax (note 14)</b>		
Deferred corporation tax at 30% and 40%	(99)	361
Deferred tax (over)/under provision in respect of previous periods	(832)	203
Effect of increased tax rate on opening balance	-	(268)
Deferred PRT	461	215
Total deferred tax (credit)/charge	(470)	511
Total tax charge/(credit)	828	537

The current tax charge reconciles with the charge calculated using the standard rate of UK corporation tax as follows:

	2003 £000	2002 £000
(Loss)/Profit on ordinary activities before tax	(15,127)	1,887
Tax on ordinary activities at 40%/30% (2002: 40%/30%)	(4,458)	679
Effects of:		
Income not taxable for tax purposes	(695)	(664)
Capital allowances in excess of depreciation	23	(405)
Other timing differences	76	70
Expenses not deductible for tax purposes	5,472	346
Underprovision in respect of prior years	880	-
Current tax charge for year	1,298	26



**7 Intangible fixed assets**

	<b>Unproved Properties</b>
	<b>£000</b>
<b>Cost</b>	
At 1 January 2003	-
Additions	<u>37</u>
<b>At 31 December 2003</b>	<u><b>37</b></u>

**8 Tangible fixed assets**

	<b>Exploration &amp; Production</b>
	<b>£000</b>
<b>Cost</b>	
At 1 January 2003	25,328
Additions	<u>752</u>
<b>At 31 December 2003</b>	<u><b>26,080</b></u>
<b>Accumulated depreciation</b>	
At 1 January 2003	18,476
Charge for the year	<u>2,164</u>
<b>At 31 December 2003</b>	<u><b>20,640</b></u>
<b>Net book value</b>	
<b>At 31 December 2003</b>	<u><b>5,440</b></u>
At 31 December 2002	<u>6,852</u>

## 9 Fixed asset investments

	Shares in subsidiary undertakings £000	Other Investments £000	Total £000
<b>Cost or valuation</b>			
At 1 January 2003	2,354,769	14,400	2,369,169
Additions	-	-	-
Revaluations	989,451	-	989,451
Currency translation adjustment	(259,862)	-	(259,862)
<b>At 31 December 2003</b>	<b>3,084,358</b>	<b>14,400</b>	<b>3,098,758</b>
<b>Amounts written off</b>			
At 1 January 2003	1,153	-	1,153
Provided during the year*	18,245	-	18,245
<b>At 31 December 2003</b>	<b>19,398</b>	<b>-</b>	<b>19,398</b>
<b>Net book value</b>			
<b>At 31 December 2003</b>	<b>3,064,960</b>	<b>14,400</b>	<b>3,079,360</b>
At 31 December 2002	2,353,616	14,400	2,368,016

\* Represents revaluation loss on investments.

The Company's principal subsidiary undertakings as at 31 December 2003 comprise:

Name	Country of Incorporation	Activity	Direct interest in ordinary shares	Indirect interest in ordinary shares
BG Atlantic 2/3 Finance Limited	England	Finance company	100%	0%
British Gas Asia Pacific Holdings (Pte) Limited	Singapore	Holding and investment company	100%	0%
BG Bolivia Corporation	Cayman Islands	Exploration and production	100%	0%
BG Egypt SA	Cayman Islands	Exploration and production	100%	0%
British Gas Trinidad and Tobago Limited	England	Exploration and production	100%	0%
British Gas Thailand (Pte) Limited**	Singapore	Exploration and production	0%	100%
BG Exploration and Production India Limited**	Cayman Islands	Exploration and production	0%	100%
Gujarat Gas Company Limited**	India	Gas distribution	0%	65.12%
<b>Other Investments</b>			<b>Holding</b>	
Interconnector (UK) Limited	England	Gas transportation	5% ordinary shares	5.3% preference shares

\*\* Interest held indirectly through intermediate company.

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.

**10 Stocks**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Raw materials and consumables	<u>29</u>	<u>48</u>

**11 Debtors: amounts falling due within one year**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Trade debtors	-	329
Amounts owed by group undertakings	959,008	1,017,477
Prepayments and accrued income	807	569
	<u>959,815</u>	<u>1,018,375</u>

**12 Creditors: amounts falling due within one year**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Amounts owed to other group companies for taxation	23,734	13,948
Amounts owed to group undertakings	533,562	674,660
Accruals and deferred income	564	386
	<u>557,860</u>	<u>688,994</u>

**13 Creditors: amounts falling due after more than one year**

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Unsecured loan stock	<u>300,674</u>	<u>300,674</u>

The unsecured loan stock was issued to BG Energy Holdings Limited. It is non-interest bearing and does not have a specific repayment date.

**14 Provisions for liabilities and charges**

	<b>Deferred tax</b>	<b>Decommissioning</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January 2003	(737)	2,704	1,967
Unwinding of discount	-	189	189
Deferred tax profit and loss charge	(470)	-	(470)
Impact of reduction in discount rate	-	684	684
<b>At 31 December 2003</b>	<b>(1,207)</b>	<b>3,577</b>	<b>2,370</b>

The deferred taxation provision comprises:

	<b>2003</b>	<b>2002</b>
	<b>£000</b>	<b>£000</b>
Accelerated capital allowances	(212)	369
Provisions for liabilities allowable for tax in future years	(1,431)	(1,081)
Deferred petroleum revenue tax	436	(25)
	<b>(1,207)</b>	<b>(737)</b>

There is no unprovided deferred tax.

**Decommissioning costs**

The estimated cost of decommissioning at the end of the producing lives of fields is reviewed periodically and is based on engineering estimates and reports, including those from independent experts. Provision is made for the estimated cost of decommissioning at the balance sheet date. The payment dates of total expected future decommissioning costs is uncertain, but are currently anticipated to be between 2010 and 2014. At the year end, the discount rate used for calculating the decommissioning provision was reviewed and revised downwards to reflect the sustained trend in interest rates. The provision as at 31 December 2003 has been calculated assuming a nominal discount rate of 5% and both the decommissioning provision and associated asset have been increased by £684,000 to reflect this change.

**15 Called up share capital**

	<b>2003</b>	<b>2002</b>
	<b>£'000</b>	<b>£'000</b>
<b>Authorised</b>		
3,000,000,000 ordinary shares of £1 each	<b>3,000,000</b>	<b>3,000,000</b>
<b>Allotted and fully paid up</b>		
2,318,898,709 ordinary shares of £1 each	<b>2,318,899</b>	<b>2,318,899</b>

**16 Capital and reserves**

	<b>Called up share capital £000</b>	<b>Profit &amp; loss account £000</b>	<b>Revaluation of fixed asset investments £000</b>	<b>Total £000</b>
As at 1 January 2003	2,318,899	(37,864)	120,621	2,401,656
Transfer from profit and loss account	-	(15,955)	-	(15,955)
Revaluation	-	-	989,451	989,451
Currency translation adjustment	-	(191,375)	-	(191,375)
<b>As at 31 December 2003</b>	<b><u>2,318,899</u></b>	<b><u>(245,194)</u></b>	<b><u>1,110,072</u></b>	<b><u>3,183,777</u></b>

**17 Reconciliation of movements in shareholder's funds**

	<b>2003 £000</b>	<b>2002 £000</b>
As at 1 January	2,401,656	14,707
Transfer from profit and loss account	(15,955)	1,350
Issue of shares	-	2,318,899
Revaluation of fixed asset investments	989,451	120,621
Currency translation adjustment	<u>(191,375)</u>	<u>(53,921)</u>
<b>As at 31 December</b>	<b><u>3,183,777</u></b>	<b><u>2,401,656</u></b>

**18 Capital commitments and contingencies****Capital expenditure**

As at 31 December 2003, the Company had no capital expenditure contracts in place (2002: £nil).

**Future Well Costs**

It is a condition of the licences received by the consortia in which the Company is a participant, that a well or wells should be drilled in each licence area during the period for which the licence is issued. No such liability arose for the Company in the year ended 31 December 2003 (2002 : £nil) and accordingly no provision has been made in the financial statements.