

BG Intellectual Property Limited

Directors' Report and Financial Statements

For the year ended 31 December 1997

Company Registration Number: 2842953



BG Intellectual Property Limited

Directors' Report and Financial Statements

for the year ended 31 December 1997

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BG Intellectual Property Limited

Directors' report for the year ended 31 December 1997

The Directors submit their report and the audited financial statements for the year ended 31 December 1997.

Principal Activities

The principal activity of the Company is that of holding the corporate trademarks of ultimate parent undertaking, BG plc.

Directors' Emoluments and Employees

No director received emoluments in respect of his services to the Company during the year (1996 nil). The Company had no employees during the year (1996 nil).

Directors in Post During 1997

The following served as Directors during the year:

Director

A. Garrihy	(resigned 17 February 1997)
D.W.J. Patience	(resigned 21 February 1997)
W.M. Friedrich	(appointed 21 February 1997)
C.N.W. Hui	(appointed 21 February 1997, resigned 10 July 1997)
T.M. Melvin	(appointed 21 February 1997)
B.A.E. Laurie	(appointed 21 February 1997)

BG INTELLECTUAL PROPERTY LIMITED

Directors' Interests

At no time did any Director, still holding office at 31 December 1997, have any beneficial interest in the shares of the Company or any other company within the BG plc group except for those interests in the shares of the parent company, BG plc, stated below:

Beneficial Interests

	<u>21 February</u> <u>1997</u> <u>(on appointment)</u>	<u>31 December</u> <u>1997</u>	
	<u>Ordinary Shares</u>	<u>Ordinary Shares</u>	<u>B Shares</u>
B.A.E. Laurie	7168	6474	1104
W.M. Friedrich	0	21,745 +	0
T.M.Melvin	14,066	12,410	1,432

+ Shares held in the form of ADRs. The number shown is the equivalent number of ordinary shares.

Savings-related share options

	<u>21 February</u> <u>1997</u> <u>(on appointment)</u>	<u>31 December</u> <u>1997</u>			
			<u>Lapsed</u>	<u>Exercised</u>	<u>Granted</u>
B.A.E. Laurie	0	-	-	-	5,735
W.M. Friedrich	0	-	-	-	12,683
T.M. Melvin	0	-	-	-	12,683

Executive share option schemes

	<u>21 February</u> <u>1997</u> <u>(on appointment)</u>	<u>31 December</u> <u>1997</u>		
			<u>Granted</u>	<u>Exercised</u>
B.A.E. Laurie	36,196	-	-	-
W.M. Friedrich	0	-	-	-
T.M. Melvin	177,437	-	-	-

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Long term incentive scheme - Notional Allocations

	<u>21 February</u> <u>1997</u> <u>(on appointment)</u>	<u>Allocated</u>	<u>Transferred</u>	<u>31 December</u> <u>1997</u>
B.A.E. Laurie	13,566	46,394	-	59,960
W.M. Friedrich	0	196,930	-	196,930
T.M. Melvin	18,963	67,626	-	86,589

BG Intellectual Property Limited

Demerger

Following the Demerger of British Gas plc on 12 February 1997, shares allocated under the Executive Share Options Scheme and Long Term, Incentive Scheme were restated to take account of the fall in value of the shares. In both cases, the number of shares were increased by a factor of 1.38157 and the option or base price reduced by a factor of 0.7238. These figures were calculated from the 10 day averages of BG plc and Centrica plc shares from their first day of trading on 17 February 1997 as proportions of the combined share prices.

Employees were given the option of exercising their Share Save options early or allowing the option to lapse in return for a payment of 15p per share.

Capital re-organisation

Following the capital re-organisation of BG plc on 27 October 1997, BG plc shares were consolidated with shareholders receiving 15 new shares for every 17 old shares held, plus either a B share for every old share held or 30p, free of all dealing charges. All directors took the option of 30p per B share. However, shares in Trust also attracted B shares and those shares remain in Trust as long as the ordinary shares remain there.

Mr W M Friedrich is also a director of BG plc and his interests in the shares of that company are shown in that company's annual report and accounts.

BG Intellectual Property Limited

Review of results and dividend

The results for the year are set out in the profit and loss account on page 7.

The Directors do not propose to declare a dividend for the year ended 31 December 1997 (1996: nil).

Reserves

There was a loss of £308,000 for the year to be transferred to reserves (1996: nil).

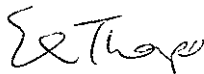
Auditors

Following the merger of Price Waterhouse and Coopers & Lybrand on 1 July 1998, Price Waterhouse resigned as auditors in favour of the new firm, PricewaterhouseCoopers. The Directors have appointed PricewaterhouseCoopers to fill the casual vacancy created by the resignation. A resolution to reappoint PricewaterhouseCoopers as auditors and to authorise the directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board

Registered Office:

100 Thames Valley Park Drive
Reading
Berkshire
RG6 1PT



Registered in England
No. 2842953

Elizabeth Anne Thorpe
Secretary

Date: 21 October 1998

BG Intellectual Property Limited

Directors' Responsibilities Statement

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 6 to 11 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and that all accounting standards which they consider to be applicable have been followed.

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 purpose of enabling them to give their audit report.

BG Intellectual Property Limited

Auditors' report to the members of BG Intellectual Property Limited

We have audited the financial statements on pages 7 to 11 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 5, the Company's Directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

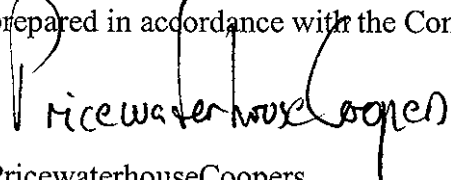
Basis of opinion

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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 December 1997 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants
and Registered Auditors
London

21 October 1998

BG Intellectual Property Limited

Profit and loss account for the year ended 31 December 1997

	Notes	1997 £000	1996 £000
Operating Costs		308	-
Loss on ordinary activities before taxation	3	308	-
Taxation	5	-	-
Retained loss after taxation for the year	9	308	-

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.

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

BG Intellectual Property Limited

Balance sheet at 31 December 1997

	Notes	1997 £000	1996 £000
Current assets			
Debtors	6	713	-
		<hr/> 713	<hr/> -
Creditors (amounts falling due within one year)	7	(21)	-
		<hr/> 692	<hr/> -
Net assets			
Capital and reserves			
Called up share capital	8	1000	-
Profit and loss account	9	(308)	-
		<hr/> 692	<hr/> -
Equity Shareholders' funds	10		
		<hr/>	<hr/>

The financial statements on pages 7 to 11 were approved by the Board of Directors on ^{21 October 1998} and were signed on its behalf by:



W.M. Friedrich
Director

BG Intellectual Property Limited

Notes to the financial statements

1 Ultimate parent company

BG plc, a company registered in England and Wales, is the immediate and ultimate holding company. BG plc has a 100% interest in the equity capital of BG Intellectual Property Limited.

Copies of the parent company's consolidated accounts can be obtained from BG plc, 100 Thames Valley Park Drive, Reading, RG6 1PT.

2 Principal accounting policies

The financial statements have been prepared in accordance with applicable accounting standards. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Exemptions

The Company has taken advantage of the exemptions within Financial Reporting Standard No. 1 (Revised 1996) "Cash Flow Statements", from presenting a cash flow statement; and within Financial Reporting Standard No. 8 "Related Party Disclosures" from disclosure of transactions with other group companies.

3 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	1997	1996
	£000	£000
Auditors remuneration - audit services	-	-

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4 Directors' emoluments

The Directors were employed as officers of the BG plc group and were remunerated by other companies in the group in respect of their services to the group as a whole.

5 Taxation

No provision has been made due to the loss for the year.

6 Debtors

	1997 £000	1996 £000
Amounts falling due within one year:		
Amounts owed by group undertakings:		
Parent company	713	-

7 Creditors (amounts falling due within one year)

	1997 £000	1996 £000
Amounts owed to group undertakings:		
Parent company and fellow subsidiary		
Undertakings	21	-

8 Called up share capital

	1997 £000	1996 £
Ordinary shares of £1 each		
Authorised, 100,000,000	100,000,000	100
Allotted issued and fully paid, 1,000,002 (1996-2)	1,000,002	2

On 19 May 1998 the authorised share capital was increased to 100,000,000 shares of £1 each and 1,000,000 shares were issued.

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9 Reserves

Profit and Loss Account

	1997 £000	1996 £000
Balance at 1 January 1997	-	-
Transfer from profit & loss account for the year	(308)	-
Balance at 31 December 1997	<u>(308)</u>	<u>-</u>

10 Reconciliation of movements in shareholders' funds

	1997 £000	1996 £000
Loss for the financial year	(308)	-
Issue of ordinary shares	1000	-
Net addition to shareholders' funds	<u>692</u>	<u>-</u>
Opening shareholders' funds	-	-
Closing shareholders' funds	<u><u>692</u></u>	<u><u>-</u></u>