

BG Gas Services Limited

Annual Report and Financial Statements

For the year ended 31 December 2003

Company Registration Number: 3299002



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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

A subsidiary of BG International Limited, the principal activity of BG Gas Services Limited is the management of BG Group's UK gas shipping operations associated with the sale of UK continental shelf gas production.

Review of Business

The Company started trading during 1999 following the granting, on 31 March 1999, by the Director General of Gas Supply, of a gas shippers licence under section 7A(2) of the Gas Act 1986. The costs of its operation are recharged to fellow subsidiaries of the ultimate parent undertaking, BG Group plc.

The Company's loss for the financial year was £46,741 (2002: profit £24,459). The loss for the year was transferred to reserves.

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

Directors' insurance

The ultimate parent undertaking, BG Group plc, 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 C Wormley		
W H Adamson	6 January 2003	
S J Surrall		6 January 2003

Directors' interests.

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.

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

Beneficial holdings

	Beneficial interests in ordinary shares	
	As at 1 Jan 2003*	As at 31 Dec 2003
J C Wormley	**43,594	**55,772
W H Adamson	5,326	15,993

* Or at date of appointment (if later).

** Includes 10,000 shares in the form of American Depository Receipts.

Sharesave scheme

	Options as at 1 Jan 2003*	Options granted in year	Options exercised in year	Options as at 31 December 2003
J C Wormley	4,230	-	-	4,230
W H Adamson	-	-	-	-

Company share option scheme

	Options as at 1 Jan 2003*	Options granted in year	Options exercised in year	Options as at 31 December 2003
J C Wormley	285,436	120,147	-	405,583
W H Adamson	112,018	36,192	-	148,210

Long term incentive scheme

	Notional allocations of shares as at 1 Jan 2003*	Notional allocations of shares made during the year	Number of shares added through dividend reinvestment	Forfeited at end of performance period	Shares vested during the year	Notional allocation of shares as at 31 Dec 2003
J C Wormley	278,308	178,557	208	13,567	17,606	425,900
W H Adamson	79,111	41,911	190	9,526	16,054	95,632

* Or at date of appointment (if later).

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

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

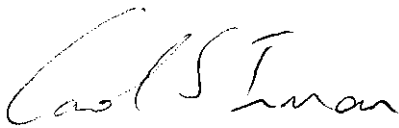
Suppliers

The Company aims to pay all of its creditors promptly. It is the Company's policy to agree the terms of the payment at the start of business with each supplier; ensure that suppliers are aware of the terms of payment; and pay in accordance with contractual and other legal obligations.

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 22 10 04

Registered Office:
100 Thames Valley Park Drive
Reading
Berkshire
RG6 1PT
Registered in England & Wales No. 3299002

Statement of Directors' responsibilities

The Directors are required by the Companies Act 1985 to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit and loss for the financial year.

The Directors consider that in preparing the Financial Statements on pages 8 to 12 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates, except as set out in note 2 to the Financial Statements on page 10. The Directors consider 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 enable them to ensure that the Financial Statements comply with the Companies Act 1985.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors, having prepared the Financial Statements, have requested the Auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purposes of enabling them to give their audit

Independent auditors' report to the member of BG Gas Services Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective Responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's 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 auditors' report to the member of BG Gas Services 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 the loss 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

Date 22/10/04.

Profit and loss account for the year ended 31 December 2003

	Notes	2003 £	2002 Restated £
Turnover		531,470	218,485
Operating Costs		<u>(598,243)</u>	<u>(183,543)</u>
Operating (loss)/ profit	3	(66,773)	34,942
Tax on (loss)/ profit on ordinary activities	4	20,032	(10,483)
Retained (loss)/ profit for the year	8	<u>(46,741)</u>	<u>24,459</u>

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

There are no recognised gains and losses other than those reported 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 the historical cost profits and losses and the results presented.

Prior year results have been adjusted to reflect a change in accounting policy. Please refer to Note 2 on page 10 of the accounts.

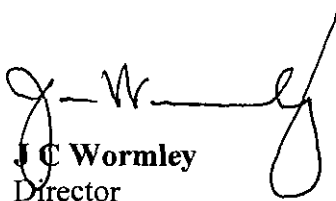
The notes on pages 10 to 12 form part of these Financial Statements.

Balance Sheet as at 31 December 2003

	Notes	2003 £	2002 £
Current assets			
Debtors	5	60,656	23,264
Cash at bank and in hand		11,473	394,151
Creditors: amounts falling due within one year	6	(94,409)	(392,954)
Total assets less current liabilities		<u>(22,280)</u>	<u>24,461</u>
Capital and reserves			
Called up share capital	7	2	2
Profit and loss account	8	<u>(22,282)</u>	<u>24,459</u>
Equity shareholder's funds	9	<u>(22,280)</u>	<u>24,461</u>

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

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


J C Wormley
 Director

Date 22.10.04

Notes to the Financial Statements

1 Ultimate parent undertaking

The immediate parent undertaking is BG International 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. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Exemptions

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

The Company has taken advantage of the exemptions available to wholly owned UK subsidiaries under Financial Reporting Standard (FRS) 1 (Revised 1996) "Cash Flow Statements", and accordingly has not prepared a cash flow statement; and within FRS 8 "Related Party Disclosures" from disclosure of transactions with other group companies.

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

Change in accounting policy regarding inter-group income

Recharges of capacity costs to inter-group companies are now treated as a credit in cost of sales. Previously, this was shown as turnover but accounting policy has been amended as this better reflects the nature of the charge as a pass-through of costs. The adjustment affects only turnover and operating costs. There is no change to operating profit.

Revenue recognition

Revenue is recognised on the occasion when excess capacity, purchased in advance, is resold to third parties.

3 Operating Loss

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

The audit fee of £2,000 (2002: £2,000) has been paid by the immediate parent Company BG International Limited.

The emoluments of the Directors are paid by the parent Company which makes no recharge to the Company. The Directors are also Directors of a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Accordingly, the above details include no emoluments in respect of the Directors.

4 Taxation

The (credit)/ charge for taxation comprises:

	2003 £	2002 £
Current tax		
UK Corporation Tax at 30%	-	-
Group relief at 30%	(20,032)	10,483
Total tax (credit)/charge	<u>(20,032)</u>	<u>10,483</u>
	2003 £	2002 £
Loss on ordinary activities before taxation	(66,773)	34,942
Loss on ordinary activities at 30% (2002:30%)	(20,032)	10,483
Current tax (credit)/ charge for the period	<u>(20,032)</u>	<u>10,483</u>

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

5 Debtors: amounts falling due within one year

	2003 £	2002 £
Trade Debtors	51,107	23,264
Amounts owed by other group companies for taxation	<u>9,549</u>	<u>-</u>
	<u>60,656</u>	<u>23,264</u>

6 Creditors: amounts falling due within one year

	2003	2002
	£	£
Trade creditors	(67,114)	(202,078)
Amounts owed to group undertakings	(27,295)	(3,254)
Amounts owed to other group companies for taxation		(10,483)
Accruals and deferred income	-	(177,139)
	<u>(94,409)</u>	<u>(392,954)</u>

7 Called up share capital

	2003	2002
	£	£
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted and fully paid up		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

8 Reserves

	Profit & loss account £
At 1 January 2003	24,459
Transfer from profit and loss account	<u>(46,741)</u>
At 31 December 2003	<u>(22,282)</u>

9 Reconciliation of movements in shareholder's funds

	2003	2002
	£	£
As at 1 January	24,461	2
Transfer from profit and loss account	<u>(46,741)</u>	<u>24,459</u>
As at 31 December	<u>(22,280)</u>	<u>24,461</u>