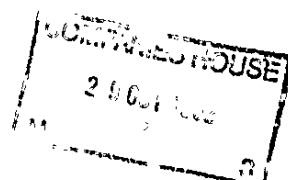


BG NORTH SEA HOLDINGS LIMITED

DIRECTORS' REPORT AND ACCOUNTS

31 December 1991



Registration Number: 2383911

BG NORTH SEA HOLDINGS LIMITED

REPORT AND ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 1991

CONTENTS	PAGE
DIRECTORS' REPORT	1 - 3
AUDITORS' REPORT	4
PROFIT AND LOSS ACCOUNT	5
BALANCE SHEET	6
NOTES TO THE ACCOUNTS	7-15

BG NORTH SEA HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1991

The Directors submit their report and audited accounts of the Company for the year ended 31 December 1991. The Company is a wholly-owned subsidiary of British Gas plc.

PRINCIPAL ACTIVITIES

The principal activities of BG North Sea Holdings Limited are the exploration for hydrocarbons offshore United Kingdom, and the selling of hydrocarbons resulting from successful exploration and development.

At the end of the year, the Company held interests in a total of 16 licences offshore United Kingdom. During the year two licences were surrendered, P378 and P544.

The Company participated in the drilling of twelve wells (8 exploration, 4 appraisal) during the year. None of the licences or wells are operated by the Company.

During the year the Company received the benefit of production from the Beryl, Ness and Linnhe fields.

FUTURE DEVELOPMENTS

The Company intends to develop further its reserves of hydrocarbons.

DIVIDEND

The Directors do not propose to declare a dividend for the year ended 31 December 1991 (period to 31 December 1990 - £Nil).

RESERVES

The profit of £17,201,000 has been transferred to reserves (31 December 1990 - loss £27,436,000).

BG NORTH SEA HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1991 (CONTINUED)

DIRECTORS

The following served as Directors during the year:

	<u>Appointed</u>	<u>Resigned</u>
HW Dalton (Chairman) (American)	4 February 1991	-
JL Gregory (American)	-	29 May 1992
Dr AO Beall (American)	4 February 1991	-
Dr K Bray	4 February 1991	-
Dr PA Collins	4 February 1991	-
Dr PJ Lehmann	-	4 February 1991
BP Murphy	4 February 1991	-
Dr JT Southern (alternate director)	-	4 February 1991
JCW Vercoe	-	-
AR Webb	4 February 1991	-
JD White (alternate director)	-	4 February 1991

DIRECTORS' INTERESTS

At no time did any Director still holding office on 31 December 1991 have any beneficial interest in the shares of the Company or any other company within the British Gas group except for the interests in the shares of the ultimate parent company, British Gas plc, as stated below:-

	<u>Beneficial Holdings</u>		<u>Savings Related Share Options</u>	
	<u>31 December 1991</u>	<u>31 December 1990</u>	<u>31 December 1991</u>	<u>31 December 1990</u>
HW Dalton	660	660	-	-
JL Gregory	-	-	-	-
AO Beall *	4,882	-	-	-
K Bray	3,442	2,439	10,765	6,978
PA Collins	3,210	3,457	11,289	7,502
BP Murphy	4,293	3,290	11,282	7,495
J Vercoe	2,970	2,234	6,505	6,505
AR Webb	3,438	2,435	6,845	5,709

* Held in trust under an associated company's Savings and Investment Plan.

BG NORTH SEA HOLDINGS LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1991 (CONTINUED)

DIRECTORS' INTERESTS (CONTINUED)

The following Directors have been granted options over shares in the ultimate parent company's Executive Share Option Schemes:-

	31 December <u>1991</u>	31 December <u>1990</u>
HW Dalton	140,801	90,429
AO Beall **	46,929	-
JL Gregory **	56,816	-

** Share Options granted under US Stock Option Plan.

None of the Directors exercised share options during the year. All options were granted under the terms of the ultimate parent company's Savings Related Share Option Scheme and Executive Share Option Schemes, details of which are given in that company's annual report and accounts.

FIXED ASSETS

Changes in tangible fixed assets during the year are shown in note 10 to the accounts.

DIRECTORS' INSURANCE

The ultimate parent company has maintained insurance premiums to cover all Directors and other officers against liabilities in relation to the Company.

AUDITORS

A resolution to re-appoint the retiring auditors Price Waterhouse, and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

By Order of the Board



John Michael Sadler
Secretary

15 JULY 1992

Price Waterhouse



**AUDITORS' REPORT TO THE MEMBERS OF
BG NORTH SEA HOLDINGS LIMITED**

We have audited the accounts on pages 5 to 15 in accordance with Auditing Standards.

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 31 December 1991 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Chartered Accountants and
Registered Auditor

15 July

1992

BG NORTH SEA HOLDINGS LIMITED**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 1991**

	<u>Notes</u>	<u>1991</u> £'000	<u>1990</u> £'000
TURNOVER	4	46,054	31,222
Operating costs		(21,347)	(15,224)
Exploration expenditure		(5,833)	(1,252)
Depreciation		(10,403)	(12,839)
OPERATING PROFIT		8,471	1,907
Income from shares in group companies		-	218,037
Interest receivable		65	434
Interest payable	8	(150)	(18,174)
Exceptional item	5	9,773	(226,635)
Amounts written-off investment	11 16	(40)	-
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	5	18,119	(24,431)
Tax on profit/(loss) on ordinary activities	9	(918)	(3,005)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION TRANSFERRED TO RESERVES	18	17,201	(27,436)

Movements on reserves are shown in note 18 to the accounts. The notes on pages 7 to 15 form part of these accounts.

BG NORTH SEA HOLDINGS LIMITED

BALANCE SHEET AT 31 DECEMBER 1991

	Notes	1991 £'000	1990 £'000
FIXED ASSETS			
Tangible assets	10	361,484	295,986
Fixed asset investments	11	-	15
		361,484	296,001
CURRENT ASSETS			
Stocks	12	2,169	2,140
Debtors	13	123,657	61,440
Cash at bank		2,713	476
		128,539	64,056
CREDITORS (Amounts falling due within one year)	14	165,259	68,386
NET CURRENT LIABILITIES		(36,720)	(4,330)
TOTAL ASSETS LESS CURRENT LIABILITIES		324,764	291,671
CREDITORS (Amounts falling due after more than one year)	15	330,952	317,324
PROVISIONS FOR LIABILITIES AND CHARGES	16	4,047	1,783
CAPITAL AND RESERVES			
Called up share capital	17	-	-
Profit and loss account	18	(10,235)	(27,436)
		324,764	291,671

HOWARD WILLIAM DALTON
DIRECTOR



APPROVED BY THE BOARD
ON 15 JULY 1992

The notes on pages 7 to 15 form part of these accounts.

BG NORTH SEA HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1991

1 OWNERSHIP AND FINANCIAL SUPPORT

BG North Sea Holdings Limited is a wholly owned subsidiary undertaking of British Gas plc, a company registered in Great Britain. Copies of the ultimate parent company's report and accounts can be obtained from British Gas plc, Rivermill House, 152 Grosvenor Road, London SW1V 3JL.

British Gas plc has confirmed that it will continue to provide financial support to the Company to enable it to meet its obligations as they become due in the foreseeable future.

2 BASIS OF ACCOUNTING

- (1) The accounts have been prepared in accordance with applicable accounting standards.
- (2) The accounts for the year ended 31 December 1991 have been prepared under the historical cost accounting convention.
- (3) In accordance with Section 228(2) of the Companies Act 1985, group accounts have not been prepared.
- (4) 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 (in Note 19) its share of the capital commitments arising from the joint operations.

3 PRINCIPAL ACCOUNTING POLICIES

(1) Tangible assets

Tangible assets are stated in the balance sheet at their historical cost to the business, less accumulated depreciation.

Exploration expenditure

Exploration expenditure is accounted for in accordance with the successful efforts method. The costs of exploration wells are capitalised as tangible assets pending determination of whether the well has found proved reserves. Unless the well is determined to have found proved reserves which can be developed economically using existing technology, the costs are written off to the profit and loss account. All other exploration costs are charged to the profit and loss account.

BG NORTH SEA HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1991 (CONTINUED)

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Development expenditure

Tangible assets include expenditure on the development of reserves of hydrocarbons. Such costs comprise the cost of acquiring and installing production facilities such as platforms, pipelines and terminals and in drilling production wells.

(2) Depreciation

Expenditure on the exploration for and development of reserves of hydrocarbons is not depreciated until such time as commercial production commences from the field concerned.

When production has commenced, the historical cost of exploration and development expenditure is depreciated on a throughput basis by reference to the volume of hydrocarbons produced each period from the field, compared with the total proved developed reserves of the fields. The costs of acquisition of development properties are depreciated on a throughput basis by reference to the total proved reserves of the fields concerned. The effect of revisions to reserve estimates are accounted for prospectively.

(3) Abandonment costs

Operators of oil and gas fields on the United Kingdom Continental Shelf are required to restore the seabed at the end of the producing lives of the fields to a condition acceptable to the Department of Trade and Industry.

Provision is made for abandonment costs, calculated field by field on a throughput basis by reference to the volume of hydrocarbons produced each period from the fields, compared with the total proved reserves of those fields. Estimates of such costs (based on price levels at the balance sheet date), which are subject to considerable uncertainty, are reviewed periodically. Changes in estimates are dealt with prospectively.

(4) Stocks

Stocks are valued at cost less provision for deterioration and obsolescence.

(5) Deferred taxation

Deferred taxation, in respect of accelerated capital allowances and other timing differences, is provided only to the extent that it is probable that a liability or asset will crystallise.

BG NORTH SEA HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1991 (CONTINUED)

3 PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

(6) Foreign currencies

Transactions in foreign currencies are translated into sterling at the current rates of exchange. Foreign currency assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. Differences arising from changes in exchange rates are dealt with in the profit and loss account.

(7) Leased assets

Rentals payable under operating leases are charged to the profit and loss account as they are incurred. Assets acquired under finance leases are capitalised in the balance sheet and depreciated in accordance with the depreciation policy described above in (2). The interest element of the related rental obligations is charged to the profit and loss account so as to produce a constant rate of charge.

(8) Deferred Petroleum Revenue Tax

Provision is made on a unit of production basis for petroleum revenue tax expected to arise in the foreseeable future.

4 TURNOVER

Turnover represents amounts receivable for sales of oil.

5 PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION

	1991	1990
This is stated after charging/(crediting):	£'000	£'000
Depreciation	10,403	12,839
Auditors' remuneration	20	30
Exceptional item	(9,773)	226,635

The prior year exceptional item represents the loss on disposal by the Company of its interest in North Sea, Inc., which had paid a dividend of £218,037,000 to the Company, offset by the effect of foreign exchange gains arising on the repayment of loans from North Sea, Inc. and Amerada Hess Limited. The current year exceptional item represents adjustments to estimated amounts included within the prior year exceptional item.

BG NORTH SEA HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1991 (CONTINUED)

6 DIRECTORS' EMOLUMENTS

No Director received any emoluments in respect of services to the Company during the year.

7 STAFF COSTS

The Company has no employees.

8 INTEREST PAYABLE

	1991 £'000	1990 £'000
On loan from former subsidiary	-	17,000
On loans from British Gas plc and Amerada Hess Limited	-	1,174
Beryl Gas Finance Leases	<u>150</u>	<u>-</u>
	150	18,174
	<u>-</u>	<u>-</u>

9 TAXATION

(1) The charge/(credit) for taxation comprises:

	1991 £'000	1990 £'000
UK - corporation tax at 33.25% (1990 - 34%)	(402)	3,005
- under provision prior period	166	-
- deferred corporation tax at 33%	(569)	-
UK - deferred petroleum revenue tax @ 75%	<u>1,723</u>	<u>-</u>
	918	3,005
	<u>-</u>	<u>-</u>

(2) Potential Deferred Taxation Liabilities

The major components of deferred corporation tax not provided calculated at 33% (1990 - 33%) are as follows:

	1991 £'000	1990 £'000
Accelerated capital allowances	(90,899)	(87,467)
Provisions for liabilities allowable for tax in future years	<u>2,197</u>	<u>2,027</u>
	<u>(88,702)</u>	<u>(85,440)</u>

BG NORTH SEA HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1991 (CONTINUED)

10 TANGIBLE ASSETS

	<u>Exploration and development</u>		
	<u>Fields in</u>	<u>Pending</u>	
	<u>development</u>	<u>development</u>	<u>Total</u>
	<u>£'000</u>	<u>£'000</u>	<u>£'000</u>
<u>Historical cost</u>			
Balance at 1 January 1991	97,390	211,435	308,825
Transferred to development	109,449	(109,449)	-
Development expenditure	72,304		72,304
Exploration drilling expenditure	-	8,167	8,167
Unsuccessful exploration expenditure	-	(4,570)	(4,570)
Balance at 31 December 1991	<u>279,143</u>	<u>105,583</u>	<u>384,726</u>
<u>Accumulated depreciation</u>			
Balance at 1 January 1991	12,839	-	12,839
Charge for the year	<u>10,403</u>	-	<u>10,403</u>
Balance at 31 December 1991	<u>23,242</u>	-	<u>23,242</u>
<u>Net book amount</u>			
31 December 1991	<u>255,901</u>	<u>105,583</u>	<u>361,484</u>
31 December 1990	<u>84,551</u>	<u>211,435</u>	<u>295,986</u>
Leased assets included in the above at 31 December 1991	<u>29,504</u>	-	<u>29,504</u>

No depreciation has been charged on the Beryl gas leased assets as they are not yet operational.

BG NORTH SEA HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1991 (CONTINUED)

11 FIXED ASSET INVESTMENTS

£'000

Cost of investment in shares at 31 December 1991 in BG North Sea Services Limited	15
Amount written-off investment	(15)

-

The Company owns all of the issued ordinary share capital of BG North Sea Services Limited, a company registered in the United Kingdom which is involved indirectly in research activities relating to oil and gas field technology.

The cost of the investment has been fully provided for in the profit and loss account for the year. A further amount has been provided for (see Note 16) to reflect the full diminution in value of the investment.

In the Directors' opinion, the value of the Company's investment in its subsidiary is not less than the aggregate amount at which it is shown in the balance sheet.

12 STOCKS

1991	1990
£'000	£'000

Raw materials and consumables	<u>2,169</u>	<u>2,140</u>
-------------------------------	--------------	--------------

13 DEBTORS

(Amounts falling due within one year)

1991	1990
£'000	£'000

Trade debtors	10,665	7,595
Other debtors	21,451	19,499
Prepayments and accrued income	768	2,120
Owed by group undertakings	<u>90,204</u>	<u>32,226</u>

123,088	61,440
---------	--------

(Amounts falling due after one year)

Deferred corporation tax	<u>569</u>	-
	<u>123,657</u>	<u>61,440</u>

BG NORTH SEA HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1991 (CONTINUED)

14 CREDITORS (Amounts falling due within one year)

	1991 £'000	1990 £'000
Trade creditors	16,274	15,343*
Corporation tax	-	3,005
Other creditors	40,576	49,896
Owed to group undertakings	108,231	-
Lease creditor	<u>178</u>	<u>142*</u>
	<u>165,259</u>	<u>68,386</u>

* Trade creditors and the lease creditor for 1990 have been restated to reflect the correct treatment for the Beryl Rig finance leases.

15 CREDITORS (Amounts falling due after more than one year)

	1991 £'000	1990 £'000
Convertible unsecured loan stock	300,674	300,674
Lease obligations	<u>30,278</u>	<u>16,650*</u>
	<u>330,952</u>	<u>317,324</u>

* The lease obligations for 1990 have been restated to reflect the correct treatment for the Beryl Rig finance leases.

The outstanding convertible loan stock was issued to British Gas in two tranches: one in September 1989 and one in June 1990. It is non-interest bearing, unsecured and has no fixed repayment date.

16 PROVISION FOR LIABILITIES AND CHARGES

	1991 £'000	1990 £'000
(i) Deferred petroleum revenue tax	1,723	-
(ii) Provision for abandonment costs	2,299	1,783
(iii) Provision for diminution in value of fixed asset investment below cost (see Note 11)	<u>25</u>	<u>-</u>
	<u>4,047</u>	<u>1,783</u>

BG NORTH SEA HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1991 (CONTINUED)

17 CALLED UP SHARE CAPITAL

Authorised

	1991 £'000	1990 £'000
500 million of ordinary shares of £1 each.	<u>500,000</u>	<u>500,000</u>

£ £

Issued

100 Ordinary shares of £1 each allotted and fully paid	<u>100</u>	<u>100</u>
--	------------	------------

18 RESERVES

£'000

Profit and loss account:

Balance at 1 January 1991 (27,436)

Profit for the year 17,201

Balance at 31 December 1991 (10,235)

19 CAPITAL COMMITMENTS

At 31 December 1991, the Company's share of future expenditure authorised for development of reserves of hydrocarbons which is not provided for in these accounts was as follows:

	1991 £'000	1990 £'000
In respect of contracts placed	36,661	34,732
Authorised but not contracted	<u>41,637</u>	<u>104,574</u>
	<u>78,298</u>	<u>139,306</u>

BG NORTH SEA HOLDINGS LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1991 (CONTINUED)

20 LEASE OBLIGATIONS

(1) Operating leases

At 31 December 1991, the Company had no commitments under operating leases.

(2) Finance leases

The following obligations were outstanding at 31 December 1991 in respect of finance lease commitments:

	<u>£'000</u>
Within one year	557
Between two and five years	33,614
After five years	<u>25,477</u>
Total gross obligations	59,648
Interest/expenses	<u>27,589</u>
Total net obligations	<u>32,059</u>

Five finance leases relate to development of the Beryl gas project and two relate to rigs in the Beryl field.

21 CONTINGENT LIABILITIES

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. The Company has commitments in respect of its share of the estimated future costs of drilling such wells amounting to approximately £2.7 million.