

BG International Limited

Directors' Report and Financial Statements

For the year ended 31 December 2000

Company Registration Number: 902239



BG International Limited

**Directors' report and Financial Statements
for the year ended 31 December 2000**

	Pages
Directors' report	1 -7
Directors' responsibilities statement	8
Auditors' report	9
Profit and loss account	10
Balance sheet	11
Notes to the financial statements	12-23

BG International Limited

Directors' report for the year ended 31 December 2000

The Directors submit their report and the audited financial statements for the year ended 31 December 2000.

Principal activities

The principal activities of the Company are the exploration for and production of oil and gas hydrocarbons in the United Kingdom and overseas, which for the purposes of the Companies Act 1985, constitutes one class of business.

Review of business and future developments

On 16th October 2000, the shareholders of BG Group, BG International Ltd's parent company, approved the demerger of certain businesses to the Lattice Group effective on 23rd October 2000. The demerger provided both companies with greater opportunity to realise their potential for growth, based on their different core skills and markets.

Turnover of the company increased by 42% during the year to £959 million (1999 £674 million). Operating profit increased by 37% to £262 million (1999 £192 million). Profit on ordinary activities before tax amounted to £226 million (1999 £171 million).

United Kingdom Continental Shelf

During 1999, the London Court of Appeal heard the appeal by Teesside Gas Transportation (an Enron subsidiary) (TGTL) against the judgement of June 1997 in favour of the owners of the Central Area Transmission System (CATS). BG International Ltd has an ownership share in CATS. The Court of Appeal found in partial favour of the appeal, resulting in the CATS partners being ordered to pay a sum to TGTL, of which BG International Ltd's share was £26m plus £9.5m interest. These amounts were included in BG International Ltd's 1999 results. The CATS partners were granted leave to appeal to the House of Lords. The hearing is set for March 2001.

The United Kingdom Continental Shelf (UKCS) remains a core area of activity for BG International Limited. BG International Limited's principal UKCS production area is the central sector of the North Sea comprising interests in the Armada, Everest, Lomond and J-Block fields. These deliver hydrocarbons to Teesside through the Central Area Transmission System (CATS) pipeline, in which BG International Limited is the largest equity holder. BG International Limited's two other principal production areas are the Brae area in the northern sector and fields supplying to Bacton and Easington in the southern gas basin.

In July 2000, the Elgin processing, utilities and quarters platform was installed for the development of the Elgin/Franklin high pressure/high temperature gas condensate fields (BG International Limited 12.35%). The SEAL gas export pipeline (BG International Limited 6.88%) to Bacton and the onshore Shell/Esso Bacton terminal modifications project were completed in June jointly for the Elgin/Franklin and Shearwater development consortium. The SILK (SEAL Interconnector Linkline) pipeline connecting the SEAL pipeline to the UK-Continent Interconnector pipeline was also commissioned in June.

BG International Limited

BG International Limited received UK Department of Trade and Industry (DTI) approval for development of the Blake oil field in the Outer Moray Firth in January 2000 and development drilling took place during the year. First production is expected in Autumn 2001 with an average daily rate of about 30,000 bbls expected over the first three years.

UK Government consent was also received in January 2000 for the Jade field, a high pressure/high temperature gas condensate field in the central North Sea in which BG International Ltd has 35% equity. The field is currently under development with first production expected towards the end of 2001.

The Maureen field (BG International Ltd 11.50%) is being decommissioned. The decommissioning programme has been approved by the DTI. Refloat of the platform is scheduled to take place in summer 2001.

Egypt

BG International Limited is an important participant in the development of the gas chain in Egypt with investments both upstream and downstream.

BG International Limited continued its successful drilling record in Egypt. Of the 17 exploration and appraisal wells drilled since 1997 by BG in the Nile Delta, 16 have been successful. Five of these wells were drilled in 2000 and included two substantial gas discoveries: Sapphire I and Sienna 1. As a result of this successful exploration and appraisal programme BG International Ltd holds the largest inventory of uncommitted gas reserves in Egypt.

Indonesia

The Tangguh project is pursuing sales contracts in the traditional LNG markets of Japan, South Korea and Taiwan, and the potential new markets in China. BG International Limited and the other partners are supporting the marketing activities being led by the Indonesia state oil and gas company Pertamina.

The Multiple Front End Engineering Design (FEED) studies for Tangguh commenced in 2000 with designs using two liquefaction processes. The award of the two FEEDs sets the stage for a highly competitive Engineering Procurement and Construction tender environment.

Kazakhstan

BG International Limited holds a 32.50% interest in, and is joint operator of the Karachaganak gas condensate field in western Kazakhstan. Karachaganak has gross recoverable reserves of approximately 2 billion barrels of oil and condensate and approximately 16 tcf of gas. The field is already producing liquids and gas but BG International Limited and its partners are investing in the field to increase production with a phased development plan. Production increased strongly in 2000, breaking previous records in March, October, November and December. BG International Limited sales of liquids and gas totalled 18 mmboe in 2000 compared with 13 mmboe in 1999 and 8 mmboe in 1998.

Currently all hydrocarbons are sold into local Russian/Kazakh markets. The average condensate price achieved in the fourth quarter of 2000 was more than twice that achieved in 1999. Unit operating costs have halved since the first year of operations under the Final Production Sharing Agreement, signed in November 1997.

BG International Limited

In October 2000, construction awards worth around \$1 billion were announced for the further development of the field. The contracts covered a range of project activities: the construction of processing and utility systems to increase liquids production to nine million tonnes per year; provision of gas reinjection capacity; construction of an export pipeline from Karachaganak to the Caspian Pipeline Consortium (CPC) pipeline at Atyrau, and the supply of rigs for drilling and workover activities.

A review of the current phase (Phase 2) of the Karachaganak development was carried out in 2000. The results indicated an increase in capital expenditure for Phase 2, due to higher infrastructure and logistical costs.

BG International Limited is also involved in the North Caspian exploration venture (BG International Limited 14.29%). The consortium announced a potentially world class oil discovery Kashagan East-1 in July. Drilling operations on a second exploration well Kashagan West-1 commenced in October. During testing oil flowed at a rate of 3,398 barrels per day and 215,000 cubic meters of gas per day.

Russia

In April 2000 BG International Limited sold JSC Komi Arctic Oil to a fellow subsidiary BG North Sea Holdings Limited.

Southern Cone

BG International Limited reserves holdings in Bolivia were further strengthened with the successful completion of the Margarita X-3 well and its extended production test. These accomplishments have resulted in BG International Limited becoming one of the largest net reserve holders in Bolivia.

Eastern Mediterranean

BG International Limited continues to be a significant player in the development of the gas industry in Israel. A gas discovery well Nir-1 drilled in the Med Ashdod Licence, produced gas at rates of up to 15 mmscfd.

The Gal A, B and C permits in deep water, offshore Israel expired on 2nd December 2000. BG International Limited and its partners exercised their option to convert the most prospective parts of these permits into six new exploration licences. Of BG International Limited's other licences offshore Israel, a development lease was granted over the Or-1 and Or South-1 discoveries in the Med Yavne Licence, the Med Ashdod Licence was extended for two years from 15 June 2000 following the Nr-1 discovery and three licences Med Hadena, Med Hasharon and Med Tel Aviv, were allowed to expire.

Other operations

BG International Limited is also active in other countries including the Republic of Ireland, Italy and Pakistan.

BG International Limited

Directors

The following served as Directors during the year:

	<u>Appointed</u>	<u>Resigned</u>
P Anthony	15 th January, 2001	
F J Chapman		
D G Doughty		31 st August, 2000
W M Friedrich		
M J Houston		
D Mc Manus	23 rd May, 2000	
E le M Trafford		31 st August, 2000
J C Wormley		

Directors' interests

Frank Chapman and William Friedrich are also directors of the ultimate parent company BG Group plc and details of their interests in the shares of BG Group plc appear in that company's Annual Report and Accounts for 2000.

Other Directors' Interests

At no time did any Director still holding office at 31 December 2000, 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

	<u>31.12.99</u> <u>Ordinary Shares</u>	<u>31.12.00</u> <u>Ordinary</u> <u>Shares</u>	<u>31.12.99</u> <u>ADR's</u>	<u>31.12.00</u> <u>ADR's</u>
M J Houston	17,218	55,597	-	-
J C Wormley	4,073	29,406	-	10,000

ADR's = American Depository Receipts

Savings-related share options

	<u>1.1.00</u>	<u>Granted</u>	<u>Lapsed</u>	<u>Exercised</u>	<u>31.12.00</u>
M J Houston	12,683	4,230	4,770	7,913	4,230
J C Wormley	7,187	4,230	4,053	3,134	4,230

All options were granted under the terms of the BG Employee Share Scheme details of which are given on page 47 of the BG Group plc Annual Report and Accounts 2000.

BG International Limited

Company Share Option Scheme

* on appointment	<u>1.1.00</u>	<u>Granted</u>	<u>Exercised</u>	<u>31.12.00</u>
M J Houston	-	22,782	-	22,782
D Mc Manus*	-	55,865	-	55,865
J C Wormley	-	44,692	-	44,692

Short Term Incentive Scheme

	<u>1.1.00</u>	<u>Restated following demerger</u>	<u>Transferred</u>	<u>31.12.00</u>
M J Houston	5,600	8,580	-	8,580

Long term incentive scheme

* on appointment	<u>1.1.00</u>	<u>Transferred</u>	<u>Restated following demerger</u>	<u>Allocated</u>	<u>31.12.00</u>
M J Houston	57,639	27,569	15,211	24,731	39,942
D McManus*	-	-	-	35,330	35,330
M J Houston	59,964	20,023	37,062	28,264	65,326

Details of the Long Term Incentive Scheme are given on page 47 of the BG Group plc Annual Report and Accounts 2000.

Demerger

Following the Demerger of the Lattice Group on 23 October 2000, shares allocated under the Executive Share Option Scheme, the 1999 Long Term Incentive Scheme and pilot Short Term Incentive Scheme were restated to take account of the fall in value of the shares. In all cases, the number of shares was increased by a factor of 1.532008 and the option or base price reduced by a factor of 0.652738. These figures were calculated on the 10 day averages of BG Group and Lattice Group shares from their first day of trading on 23 October 2000 as proportions of the combined share prices.

Dividends received by the Trustees in June 2000 in relation to the Long Term Incentive Scheme allocations made in October 1995 and March 1997 were re-invested into shares and added to the individual participants' allocations prior to demerger.

As a result of demerger, notional allocations of shares made in October 1995, March 1997, October 1997 and October 1998 under this Scheme were transferred early to participants, based on the extent to which the respective performance targets had been achieved.

Employees were given the option of exercising their Sharesave options early to the value of savings accrued.

BG International Limited

Long Term incentive scheme

The notional allocation of shares made in October 1999 was forfeited and replacement allocations have been made over shares under the New Long Term Incentive Scheme.

Awards were made in November 2000 under the New Long Term Incentive Scheme introduced following demerger.

Company Share Option Scheme

A Company Share Option Scheme was introduced following Demerger and the first award was made in November 2000.

Pilot Short Term Incentive Scheme

A pilot Short Term Incentive Scheme was introduced on 1 January 2000 applicable to certain employees, with a performance period ending on 31 December 2000. At that time, the relevant percentage achieved as a result of performance would be placed in Trust for a one-year retention period.

Full details of all employee share schemes can be found in the BG Group plc Annual Report and Accounts 2000.

Review of results and dividend

During the year the company made a profit of £157,177,000 (1999- £90,109,000). The directors do not propose to pay a dividend for the year ended 31st December 2000 (1999-£20,000,000)

Policy on the payment of creditors

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 17 days purchases outstanding as at 31st December 2000 (1999: 25 days) based on the average daily amount invoiced by suppliers during the year.

Reserves

The retained profit for the year was £157,177,000 (1999 - £90,109,000) and this has been transferred to reserves.

BG International Limited

Auditors

PricewaterhouseCoopers have expressed their willingness to be re-appointed as Auditors of the Company.

By order of the Board

A handwritten signature in black ink, appearing to read 'JENGH', with a stylized flourish extending from the end.

John Edward Henry Griffin
Secretary

2001

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 10 to 23 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements 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 International Limited

Auditors' report to the members of BG International Limited

We have audited the financial statements on pages 10 to 23 which have been prepared under the historical cost convention and the accounting policies set out on pages 12 to 14.

Respective responsibilities of Directors and Auditors

The Directors are responsible for preparing the Annual Report. As described on page 8, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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 United Kingdom Companies Act. 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 consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

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 judgements 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 affairs of the Company as at 31 December 2000 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


PricewaterhouseCoopers

Chartered Accountants and Registered Auditors

1 Embankment Place

London WC2N 6RH

Date: 15 February 2001

Profit and loss account for the year ended 31 December 2000

	Notes	2000	1999
		£000	£000
Turnover	3	958,966	674,323
Operating costs		(434,559)	(215,871)
Exploration expenditure		(34,710)	(57,541)
Depreciation		(228,102)	(209,344)
Operating profit		261,595	191,567
Income from fixed asset Investment		1,270	-
Profit on disposal of fixed assets		1,129	499
Net interest payable	6	(38,242)	(20,831)
Profit on ordinary activities before taxation	4	225,752	171,235
Taxation	7	(68,575)	(61,126)
Profit on ordinary activities after taxation and profit for the financial year		157,177	110,109
Dividends		-	(20,000)
Retained profit for the year	17	157,177	90,109

There are no recognised gains and losses other than those reported in the profit and loss account.
There is no difference between the historical cost profits and losses and the results presented.
The results for the year are derived solely from continuing operations.

The notes on pages 12 to 23 form part of these financial statements.

BG International Limited

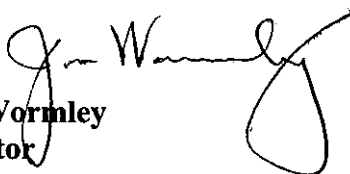
Balance sheet at 31 December 2000

	Notes	2000	1999
		£000	£000
Fixed assets			
Intangible assets	8	196,540	154,449
Tangible assets	9	1,340,576	1,565,934
Investments in subsidiary undertakings	10	648,655	439,410
Investments in associated undertakings	10	9	31,664
		<u>2,185,780</u>	<u>2,191,457</u>
Current assets			
Stocks	11	44,192	16,052
Debtors	12	1,462,891	1,588,207
Cash at bank and in hand		4,682	-
		<u>1,511,765</u>	<u>1,604,259</u>
Creditors (amounts falling due within one year)	13	(1,151,277)	(1,412,300)
Net current assets		<u>360,488</u>	<u>191,959</u>
Total assets less current liabilities		2,546,268	2,383,416
Creditors (amounts falling due after more than one year)	14	(57,182)	(61,421)
Provisions for liabilities and charges	15	(550,106)	(540,192)
Net assets		<u>1,938,980</u>	<u>1,781,803</u>
Capital and reserves			
Called up share capital	16	1,688,110	1,688,110
Profit and loss account	17	250,870	93,693
Equity shareholders' funds	18	<u>1,938,980</u>	<u>1,781,803</u>

The notes on pages 12 to 23 form part of these financial statements.

The financial statements on pages 10 to 23 were approved by the Board of Directors
On 15 February 2001 and were signed on its behalf by:

Jon Wormley
Director



Notes to the financial statements

1 Ultimate parent company

BG Group plc, a company registered in England and Wales is the ultimate holding company. BG Group plc has a 100% interest in the equity capital of BG Energy Holdings Limited. BG Energy Holdings Limited has a 100% interest in the equity capital of BG International Limited.

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

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 has taken advantage of the exemptions available to wholly owned UK subsidiaries under Financial Reporting Standard No.1 (Revised) "Cash Flow Statements", and accordingly has not prepared a cash flow statement; and within Financial Reporting Standard No.8 "Related Party Disclosures" from disclosure of transactions with other group companies.

The company has taken advantage of the exemption available under S228 Companies Act 1985, and accordingly has not prepared consolidated financial statements for the year ended 31 December 2000.

Intangible fixed assets

In accordance with the successful efforts method of accounting, the costs of licence acquisition and exploration wells are capitalised as intangible 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 when incurred.

Tangible fixed assets

Tangible fixed assets are stated at historic cost less accumulated depreciation, representing their value to the business.

Depreciation is calculated so as to write off the cost of tangible fixed assets, less their estimated residual values, over the expected useful economic lives of the assets concerned.

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

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

Other tangible assets are depreciated in equal annual instalments at rates calculated to write off the assets on a straight-line basis over their estimated useful lives as follows:

Leasehold buildings and improvement - the shorter of the lease term and fifty years

Furniture, fittings, office equipment and motor vehicles - five years

Operating leases

Costs in respect of operating leases are charged on a straight-line basis over the lease term.

Stocks

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

Take or pay gas

A number of other companies contract to purchase a given volume of gas from the Company each year. In any year when the contracted volume is not taken, they are obliged to pay the Company the full contractual value. In subsequent years, the Company is required to deliver this volume of gas, without payment, when the volume of gas taken by the purchaser equals or exceeds the contract volume.

Credit is taken in the profit and loss account for the sale of the gas, at the original contract price, when it is delivered.

Government grants

Grants that relate to specific capital expenditure are treated as deferred income, which is then credited to the profit and loss account over the useful life of the related asset. Other grants are credited to the profit and loss account when received.

Decommissioning costs

Operators of oil and gas fields on the United Kingdom Continental Shelf are required to remove installations to the extent considered acceptable to the Department of Trade and Industry.

Provision is made for the net present value of the estimated cost of decommissioning at the end of producing lives of fields. When this provision gives access to future economic benefits an asset is recognised; otherwise the provision is charged to the profit and loss account. The unwinding of the discount is reported in the profit and loss account as a financial item and is added to the net interest charge.

Deferred taxation

Provision is made for deferred corporation tax, in respect of accelerated capital allowances and other timing differences, to the extent that it is probable that a liability or asset will crystallise.

Provision is made on a unit of production basis for petroleum revenue tax expected to arise in the foreseeable future. Changes in estimates are dealt with prospectively.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of the transaction. Foreign currency monetary 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 taken to the profit and loss account in the year in which they arise.

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:

	2000 £000	1999 £000
Gas, condensate and liquified petroleum gas	631,314	421,912
Oil	167,382	117,553
Tariff income	160,270	134,858
	<u>958,966</u>	<u>674,323</u>

4 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after (crediting)/ charging for:

	2000 £000	1999 £000
Historical cost depreciation charge for the year:		
Tangible owned fixed assets	228,099	209,344
Auditors' remuneration for:		
Audit services	150	150
Non audit services	13	41
Charges under operating leases:		
Other	1,686	1,776

Employee Costs are shown as follows:

	2000 £000	1999 £000
Wages and salaries	74,267	6,062
Social security costs	4,851	338
Pension costs	6,084	446
Long Term Incentive Scheme	9,359	1,378
Employee Profit Sharing Scheme	3,505	906
Redundancy	7,379	-
	<u>105,445</u>	<u>9,130</u>

The average number of employees during the year were:

UK	791	831
Foreign Offices	79	74
	<u>870</u>	<u>905</u>

Wages and salaries have increased due to a change in employment contracts from BG plc to BG International in November 1999. The 1999 figure includes one months costs.

Details of the pension scheme can be found on Page 93 of the BG Group plc annual accounts 2000.

5 Directors' emoluments

	2000 £000	1999 £000
Emoluments	441	1,466
Performance bonuses	-	13
Pension scheme contributions	-	26
Long Term Incentive Scheme Share Value	160	-
US Stock Option	572	-
Payments to retiring Director	929	324
	<u>2,102</u>	<u>1,829</u>

The Directors were employed as officers of either BG Group plc or other companies within the BG group and this note discloses the proportion of their total emoluments received in connection with their services to the Company.

7 of the 8 Directors who served during the year are members of the BG Staff Pension Scheme. This scheme is of the defined benefit final salary type. One Director is a participant in the Company's USA Defined Contribution Plan.

The highest paid Director was Mr F J Chapman. The emoluments, pension contributions for the year and the value of the pension contributions accruing for Mr F J Chapman are detailed in the BG Group plc accounts.

6 Net interest (payable)/receivable

	2000 £000	1999 £000
Interest payable:		
On bank loans, overdrafts and other loans, repayable within 5 years, not by instalments	2,008	(644)
Interest payable to subsidiary	-	(7,454)
Interest payable on legal judgment	-	(4,075)
Unwinding of discount	(46,086)	(20,631)
Interest receivable	6,783	765
Interest receivable from subsidiary	-	11,457
Foreign exchange losses	(947)	(249)
	<u>(38,242)</u>	<u>(20,831)</u>

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

7 Taxation on ordinary activities

Taxation is (charged) / credited as follows:

	2000 £000	1999 £000
United Kingdom corporation tax at 30 % (1999: 31% & 30%)		
Current	(112,854)	(92,316)
Group Relief	35,788	29,166
Deferred (note 15)	13,733	15,798
Over / under provision for prior years	-	-
Foreign tax	(1,591)	(3,088)
Deferred Income (note 15)	(1,426)	(5,383)
Other	-	(75)
United Kingdom petroleum revenue tax at 50% (1999: 50%)		
Current	(215)	-
Prior year	-	(458)
Deferred (note 15)	(2,010)	(4,770)
	<u>(68,575)</u>	<u>(61,126)</u>

8 Intangible assets

	Unproved Properties £000
At 1 January 2000	154,449
Additions	47,887
Transfers to tangible assets (note 9)	(65)
Disposals	(2,581)
Unsuccessful exploration expenditure	(3,150)
At 31 December 2000	<u>196,540</u>

9 Tangible assets

	Proved oil & gas properties	Land Buildings & Motor Vehicles	Total Cost
Cost	£000	£000	£000
At 1 January 2000	2,630,548	69,920	2,700,468
Development expenditure additions	210,243	6,298	216,541
Transfer from intangible assets (note 8)	65	-	65
Disposals	(214,944)	(2,812)	(217,756)
At 31 December 2000	<u>2,625,912</u>	<u>73,406</u>	<u>2,699,318</u>
Accumulated depreciation			
At 1 January 2000	1,082,053	52,481	1,134,534
Provision for the year	222,674	5,425	228,099
Disposals	(676)	(3,215)	(3,891)
At 31 December 2000	<u>1,304,051</u>	<u>54,691</u>	<u>1,358,742</u>
Net book value			
At 31 December 2000	<u>1,321,861</u>	<u>18,715</u>	<u>1,340,576</u>
At 31 December 1999	<u>1,548,495</u>	<u>17,439</u>	<u>1,565,934</u>

10 Investments

Investments in subsidiaries

	2000	1999
	£000	£000
Alie Investments	376,320	376,320
Tesoro	63,639	63,090
BG Karachaganak Ltd	208,696	-
	<u>648,655</u>	<u>439,410</u>

Investments in Associates

	2000	1999
	£000	£000
KomiArcticOil JSC	-	31,655
OKIOC	5	5
Karachaganak Petroleum Operating BV	4	4
	<u>9</u>	<u>31,664</u>

The principal subsidiaries and associated undertakings at 31st December 2000 and their activities are as follows:

BG Karachaganak Ltd

BG International Ltd transferred its beneficial interest in the rights and obligations of BG Karachaganak Ltd to this subsidiary effective 1st January 2000 for a consideration of 208,695,868 shares in BG Karachaganak Ltd.

Alie Investments Limited

Alie Investments Limited, a financing company, was acquired by BG International Limited on 30th June 1998. BG International Limited owns 100% of the equity share capital which comprises 28,000,000 shares of nominal value of £1 each and £369,881,800 of interest bearing perpetual loan notes. On 25th June 1999 the perpetual loan notes were redeemed and new £1 shares issued. BG International Limited now owns 397,881,800 shares of nominal value of £1.

BG Bolivia Corporation

The entire issued share capital of this Cayman Islands company, represented by 40,000 shares of common stock, was acquired from Tesoro Petroleum Corporation on 29th December 1999.

Karachaganak Petroleum Operating BV

This company was incorporated in July 1998 and a branch was established in Kazakhstan in October 1998. The purpose of the company is to operate and develop the Karachaganak field on behalf of and for the account of the Contractors under the FPSA effective 27th January 1998. BG International Limited have 32.5% of the share capital and hold 6,500 shares of nominal value of 10 Netherlands Guilders each.

Investments continued**Offshore Kazakhstan International Operating Company (OKIOC)**

OKIOC is the operating company for the North Caspian Sea. BG International Limited owns 14.29% of the shares in OKIOC and the shares were acquired on 18th December 1998. BG International Limited holds 15,000 shares of nominal value of 1 Netherlands Guilders each.

KomiArcticOil JSC

On 7th April 2000 the 50% share in the equity of KomiArcticOil held by BG International Limited was transferred at net book value to fellow subsidiary BG North Sea Holdings Limited. The charge against these assets in favour of EBRD has also been transferred to BG North Sea Holdings Limited.

11 Stocks

	2000	1999
	£000	£000
Gas Stocks	33,924	5,761
Raw materials and consumables	10,268	10,291
	<u>44,192</u>	<u>16,052</u>

12 Debtors

	2000	1999
	£000	£000
Amounts falling due within one year:		
Trade debtors	122,806	93,735
Amounts owed by fellow subsidiary undertakings	1,290,088	1,422,215
Other debtors	15,244	6,521
Prepayments and accrued income	34,753	65,736
	<u>1,462,891</u>	<u>1,588,207</u>

13 Creditors (amounts falling due within one year)

	2000	1999
	£000	£000
Bank Overdraft	-	1,558
Trade creditors	24,048	8,833
Due to parent company and fellow subsidiary undertakings	980,041	864,687
Corporation tax	(36,055)	340,367
Other creditors	19,688	12,317
Accruals and deferred income	163,555	184,538
	<u>1,151,277</u>	<u>1,412,300</u>

14 Creditors (amounts falling due after more than one year)

	2000	1999
	£000	£000
Deferred Income	57,182	61,421
	<u>57,182</u>	<u>61,421</u>

15 Provisions for liabilities and charges

	Deferred Taxation £000	Decommissioning Costs £000	Gas Contracts £000	Other £000	Total £000
At 1 January 2000	202,610	112,503	216,965	8,114	540,192
Use of provision	-	(9,212)	(28,212)	(1,207)	(38,631)
Unwinding of discount	-	9,540	25,851	-	35,391
Other increase/ (decrease) in the year	(10,297)	23,659	-	(208)	13,154
At 31 December 2000	<u>192,313</u>	<u>136,490</u>	<u>214,604</u>	<u>6,699</u>	<u>550,106</u>

Deferred Tax

The deferred taxation provisions comprise:

	2000 £000	1999 £000
Accelerated capital allowances	149,306	163,414
Net Provisions for liabilities allowable for tax in future years	(17,153)	(18,954)
Other timing differences		
Deferred petroleum revenue tax net of related corporation tax relief	60,160	58,150
	<u>192,313</u>	<u>202,610</u>

Potential deferred taxation liabilities

The major components of potential deferred corporation tax not provided, calculated at 30.25% (1999 - 31%) are as follows:

	2000 £000	1999 £000
Accelerated capital allowances	165,402	184,707
Provisions for liabilities allowable for tax in future years	(40,947)	(30,042)
	<u>124,455</u>	<u>154,665</u>

Decommissioning costs

The estimated cost of decommissioning at the end of the producing lives of fields is based on engineering estimates and reports 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 2000 and 2019.

Long-term gas sales contract loss provisions

These represent forecast future losses under certain gas purchase and supply sales contracts assigned to the BG Group on demerger in 1997. In December 1999, following the restructuring and reorganisation of the Group, certain long-term gas sales and purchase contracts were transferred to BG International Limited. BG International Limited also uses its own gas to supply

Provisions for liabilities and charges continued

these contracts. The contracts terminate by 2009. The estimated net losses have been discounted and are dependent upon factors such as prices, which vary with a basket of indices, and supply and demand volumes.

Other

Relates primarily to the estimated liability of unrecoverable amounts on long-term rig contracts.

16 Called up share capital

	2000 £000	1999 £000
Ordinary shares of £1 each		
3,000,000,000 Authorised	3,000,000	3,000,000
1,688,110,000 Allotted and fully paid	1,688,110	1,688,110

17 Reserves

	Profit & Loss account £000
Balance at 1 January 2000	93,693
Transfer from profit and loss account for the year	157,177
Balance at 31 December 2000	250,870

18 Reconciliation of movements in shareholders' funds

	2000 £000	1999 £000
Opening shareholders' funds	1,781,803	1,691,694
Profit for the year	157,177	90,109
Closing shareholders' funds	1,938,980	1,781,803

19 Capital commitments and contingencies
(a) Capital Expenditure

	2000 £000	1999 £000
In respect of contracts placed	96,231	62,981

(b) Contingent Liabilities
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. The Company's share of the estimated future costs of drilling such wells amounted to £30,929,000 at 31 December 2000 (1999: £19,376,000).

Guarantee to a fellow subsidiary of BG Group plc

BG International Limited has provided a financial guarantee in respect of a fellow subsidiary's future trading commitments. The total exposure under the guarantee is estimated at US\$ 17 million.

20 Commitments under operating leases

As at 31 December 2000 the Company was committed to making the following payments under operating leases during the year ended 31 December 2001:

	2000		1999	
	£000		£000	
	Land & Buildings	Other	Land & Buildings	Other
Lease commitment Expiry				
Within One Year	376	-	-	-
2-5 Years	-	1,686	80	38
After 5 Years	7,503	-	470	20
	<u>7,879</u>	<u>1,686</u>	<u>550</u>	<u>58</u>