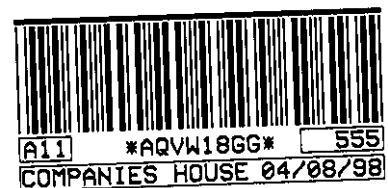


**BG Great Britain Limited**

**Directors' Report and Financial Statements**

**For the year ended 31 December 1997**



**Registered No : 909162**

**BG Great Britain Limited**

**Directors' report and Financial Statements  
for the year ended 31 December 1997**

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## **BG Great Britain 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 the exploration for, and production of, hydrocarbons on the United Kingdom Continental Shelf, which for the purposes of the Companies Act 1985, constitutes one class of business.

### **Review of business**

The Company currently has an interest in the producing Heather oil field.

On 1 January 1997 the Franklin/Elgin assets were transferred to BG Exploration and Production Ltd, another subsidiary of BG plc. The Ross asset was disposed of with effect from 1 April 1997.

On 1 January 1998 the company disposed of its interest in the Orion asset.

### **Directors**

The following served as Directors during the year:

M A H Brown	
F J Chapman	
D G Doughty	(Appointed 15 October 1997)
T J Forbes	
C D Friedlander	(Resigned 2 June 1997)
R T Liddell	(Appointed 4 September 1997)
S C B Lucas	
D Preston	
P H Schwarz	
B R Thornley	
E T Walshe	

Mr SGC Sutcliffe was appointed as a director on 30 June, 1998.

## BG Great Britain 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 group except for those interests in the shares of the parent company, BG plc, stated below:

### 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.

### Capital Reorganisation

Following the capital re-organisation of BG plc on 27 October 1997, 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.

### Beneficial holdings

\* on appointment

	<u>1.1.97</u>	<u>31.12.97</u>	
		<u>Ordinary Shares</u>	<u>B Shares</u>
M A H Brown	1,860	4,955	874
F J Chapman	Nil	Nil	Nil
D G Doughty	Nil*	Nil	Nil
T J Forbes	Nil	Nil	Nil
R T Liddell	Nil*	Nil	Nil
S C B Lucas	471	416	471
D Preston	4,764	6,147	929
P H Schwarz	2,929	5,925	1,058
B R Thornley	20,373	24,807	942
E T Walshe	2,401	2,375	471

**BG Great Britain Limited****Savings Related Share Options**

\* on appointment

	<u>1.1.97</u>	<u>Exercised</u>	<u>Lapsed</u>	<u>Granted</u>	<u>31.12.97</u>
M A H Brown	6,317	3,755	2,562	8,271	8,271
F J Chapman	Nil	-	-	-	Nil
D G Doughty	Nil*	-	-	-	Nil
T J Forbes	Nil	-	-	7,169	7,169
R T Liddell	Nil*	-	-	-	Nil
S C B Lucas	Nil	-	-	-	Nil
D Preston	8,511	5,340	3,171	12,683	12,683
P H Schwarz	7,976	3,787	4,189	10,147	10,147
B R Thornley	8,932	2,040	6,892	12,683	12,683
E T Walshe	Nil	-	-	12,683	12,683

**Executive Share Option Scheme**

\* on appointment

	<u>1.1.97</u>	<u>Restated Following Demerger</u>	<u>Granted</u>	<u>Exercised</u>	<u>31.12.97</u>
M A H Brown	Nil	-	-	-	Nil
F J Chapman	Nil	-	-	-	Nil
D G Doughty	Nil*	-	-	-	Nil
T J Forbes	Nil	-	-	-	Nil
R T Liddell	Nil*	-	-	-	Nil
S C B Lucas	27,475	37,958	-	37,958	Nil
D Preston	15,512	21,430	-	-	21,430
P H Schwarz	28,620	39,540	-	-	39,540
B R Thornley	48,845	67,481	-	-	67,481
E T Walshe	27,148	37,506	-	-	37,506

## BG Great Britain Limited

### Long Term Incentive Scheme

\* on appointment

	<u>1.1.97</u>	Restated Following <u>Demerger</u>	<u>Allocated</u>	<u>Transferred</u>	<u>31.12.97</u>
M A H Brown	7,253	10,020	49,455	-	59,475
F J Chapman	Nil	-	258,338	-	258,338
D G Doughty	Nil*	-	38,389	-	38,389
T J Forbes	Nil	-	58,264	-	58,264
R T Liddell	Nil*	-	38,389	-	38,389
S C B Lucas	10,713	14,800	57,566	-	72,366
D Preston	7,477	10,329	30,179	-	40,508
P H Schwarz	10,155	14,029	32,395	-	46,424
B R Thornley	9,820	13,566	32,770	-	46,336
E T Walshe	28,881	39,901	101,074	-	140,975

All options were granted under the terms of the BG plc Executive Share Option Scheme or Savings Related Share Option Scheme, details of which are given in that company's annual report and financial statements.

## **Review of results and dividend**

The results for the year are set out in the profit and loss account on page 9.

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

## **Reserves**

The profit for the year of £42,966,000 has been transferred to reserves (1996 - £2,793,000)

## **Auditors**

Our auditors, Price Waterhouse, have merged with Coopers & Lybrand on 1 July and a resolution to appoint the new firm, PricewaterhouseCoopers, as auditors to the company and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

## **By order of the Board**



**John Edward Henry Griffin**  
**Secretary**

28 JULY, 1998

## **Directors' Responsibility 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 9 to 18 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.



**Auditors' report to the members of  
BG Great Britain Limited**

We have audited the financial statements on pages 9 to 18 which have been prepared under the historical cost convention and the accounting policies set out on pages 11 to 13.

**Respective responsibilities of directors and auditors**

As described on page 7, 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 profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Price Waterhouse*

**Price Waterhouse**  
Chartered Accountants  
and Registered Auditors  
London

*28 July* 1998

**Profit and loss account  
for the year ended 31 December 1997**

	Notes	1997 £000	1996 £000
<b>Turnover</b>	3	8,665	11,194
Operating costs		(8,807)	(6,955)
Exploration expenditure		(501)	(617)
Depreciation		-	(1)
		<hr/>	<hr/>
<b>Operating (loss)/profit</b>		(643)	3,621
Profit on disposal of fixed assets		47,317	-
Net interest receivable	6	327	72
		<hr/>	<hr/>
<b>Profit on ordinary activities before taxation</b>	4	47,001	3,693
Taxation	7	(4,035)	(900)
		<hr/>	<hr/>
<b>Profit on ordinary activities after taxation transferred to reserves</b>	15	<u>42,966</u>	<u>2,793</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.

The notes on pages 11 to 18 form part of these financial statements.

**Balance sheet at 31 December 1997**

	Notes	1997 £000	1996 £000
<b>Fixed assets</b>			
Intangible assets	8	-	23,521
Tangible assets	9	-	-
		<hr/>	<hr/>
		-	23,521
<b>Current assets</b>			
Stocks	10	-	36
Debtors	11	49,569	3,159
Cash at bank and in hand		-	34
		<hr/>	<hr/>
		49,569	3,225
<b>Creditors (amounts falling due within one year)</b>	12	(4,892)	(26,507)
		<hr/>	<hr/>
<b>Net current assets/(liabilities)</b>		44,677	(23,282)
<b>Total assets less current liabilities</b>		44,677	239
<b>Provisions for liabilities and charges</b>	13	(16,281)	(14,809)
		<hr/>	<hr/>
<b>Net assets/(liabilities)</b>		28,396	(14,570)
		<hr/>	<hr/>
<b>Capital and reserves (equity interests)</b>			
Called up share capital	14	-	-
Profit and loss account	15	28,396	(14,570)
		<hr/>	<hr/>
<b>Shareholders' funds</b>		28,396	(14,570)
		<hr/>	<hr/>

The financial statements on pages 9 to 18 were approved by the Board of Directors on 28 July, 1998 and were signed on its behalf by:



**Stephen C B Lucas**  
**Director**

## **Notes to the financial statements**

### **1 Ultimate parent company**

BG plc, (formerly British Gas plc, name changed 17th February 1997), 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 Great Britain Limited.

Copies of the parent company's consolidated financial accounts can be obtained from BG 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 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.

#### **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 effect of revisions to reserve estimates are accounted for prospectively.

### **Stocks**

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

### **Abandonment 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 abandonment costs, calculated field by field on a throughput basis by reference to the volume of hydrocarbons produced each year 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.

### **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:

	<b>1997</b>	<b>1996</b>
	<b>£000</b>	<b>£000</b>
Gas, condensate and liquefied petroleum gas	198	205
Oil	7,262	9,659
Tariff and other income	1,205	1,330
	<u>8,665</u>	<u>11,194</u>

**4 Profit on ordinary activities before taxation**

	<b>1997</b>	<b>1996</b>
	<b>£000</b>	<b>£000</b>
Profit on ordinary activities is stated after charging:		
Depreciation charge for the year:		
Tangible owned fixed assets	-	1
Auditors' remuneration for:		
Audit services - current year	2	2
Non audit services	-	1

The Company has no employees and the ultimate parent company and a fellow group undertaking make charges for the service of their employees engaged on the Company's business.

**5 Directors' emoluments**

The Directors are employed as officers of BG plc and are remunerated by that company, or other companies in the group, in respect of their services to the group as a whole.

**6 Net interest receivable/(payable)**

	<b>1997</b>	<b>1996</b>
	<b>£000</b>	<b>£000</b>
Interest payable	-	(1)
Interest receivable	317	18
Foreign exchange gains/(losses)	10	55
	<u>327</u>	<u>72</u>

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

**7 Taxation on ordinary activities**

	<b>1997</b>	<b>1996</b>
	<b>£000</b>	<b>£000</b>
United Kingdom corporation tax at 33% and 31% (1996: 33%)	(4,035)	-
Group relief	-	(901)
Over provision in respect of prior year	-	1
	<u>(4,035)</u>	<u>(900)</u>

## 8 Intangible assets

	Unproved properties £000
At 1 January 1997	23,521
Additions	354
Disposals	(23,514)
Well write offs	(361)
	<hr/>
At 31 December 1997	-
	<hr/>

## 9 Tangible assets

	Proved Oil and Gas properties £000
<b>Cost</b>	
At 1 January 1997	3,701
Additions	21
Disposals	(24)
	<hr/>
As At 31 December 1997	3,698
	<hr/>
<b>Accumulated depreciation</b>	
At 1 January 1997	3,701
Disposals	(3)
	<hr/>
As At 31 December 1997	3,698
	<hr/>
<b>Net book value</b>	
At 31 December 1997	-
	<hr/>
At 31 December 1996	-
	<hr/>



**10 Stocks**

	<b>1997</b>	<b>1996</b>
	<b>£000</b>	<b>£000</b>
Raw materials and consumables	<u>-</u>	<u>36</u>

**11 Debtors**

	<b>1997</b>	<b>1996</b>
	<b>£000</b>	<b>£000</b>
Amounts falling due within one year:		
Trade debtors	552	226
Amounts owed by fellow subsidiary undertakings (includes group relief)	47,416	1,403
Other debtors	123	-
Prepayment and accrued income	1,478	1,530
	<u>49,569</u>	<u>3,159</u>

**12 Creditors (amounts falling due within one year)**

	<b>1997</b>	<b>1996</b>
	<b>£000</b>	<b>£000</b>
Trade creditors	-	89
Corporation tax	2,832	-
Amounts owed to fellow subsidiary undertakings	185	23,906
Accruals and deferred income	1,850	2,512
Overdraft at bank	25	-
	<u>4,892</u>	<u>26,507</u>

### 13 Provisions for liabilities and charges

#### Abandonment

	<b>Total £000</b>
At 1 January 1997	14,809
Charge for the year	1,656
Utilisation of provision	(184)
At 31 December 1997	<u>16,281</u>

The provision for abandonment which refers to the Heather field currently meets in full the expected liability.

#### Potential deferred taxation liabilities/(assets)

The major components of potential deferred corporation tax not provided, calculated at 33% and 31% (1996 - 33%) are as follows:

	<b>1997 £000</b>	<b>1996 £000</b>
Accelerated capital allowances	-	10,075
Provisions for liabilities allowable for tax in future years	(4,637)	(4,891)
	<u>(4,637)</u>	<u>5,184</u>

### 14 Called up share capital

	<b>1997</b>	<b>1996</b>
<b>Ordinary Shares of £1 each</b>		
Authorised	<u>100</u>	<u>100</u>
	£	£
Allotted and fully paid	<u>100</u>	<u>100</u>

**15 Reserves**

	<b>Profit and loss account £000</b>
Balance at 1 January 1997	(14,570)
Transfer to profit and loss account for the year	42,966
Balance at 31 December 1997	<u>28,396</u>

There were no movements in shareholders' funds other than those reported in reserves.

**16 Capital commitments and contingencies**

<b>Capital Expenditure</b>	<b>1997 £000</b>	<b>1996 £000</b>
In respect of contracts placed	<u>-</u>	<u>4,156</u>