

British Gas Tunisia Limited
Directors' Report and Financial Statements
For the year ended 31 December 2000



Company Registration Number: 2750465

British Gas Tunisia Limited

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

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British Gas Tunisia 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 hydrocarbons in Tunisia, which for the purposes of the Companies Act 1985 constitutes one class of business.

Review of business and future developments

The Company has the following interests in permits in Tunisia:

50% interest in Amilcar permit

50% interest in Ulysse permit

All the above are operated by British Gas Tunisia Limited.

The percentages represent the Company's equity interest. During the exploration phase, British Gas Tunisia Limited carries Enterprise Tunisienne D'Activites Petrolieres (ETAP), the Tunisian state oil company, and is entitled to cost recovery on the carried costs.

~~British Gas Tunisia Limited holds a 100% interest in the offshore Miskar gas field in the Amilcar permit. Commercial production commenced on 1 June 1996.~~

British Gas Tunisia Limited committed to an expansion project for the Miskar field, including additional compression, the drilling of two wells by the end of 2002, and the development of Hasdrubal field. British Gas Tunisia Limited is also developing the power and natural gas vehicle sectors of the business.

Directors

The following served as Directors during the year:

Directors	Date of appointment	Date of resignation
F J Chapman		
D G Doughty		31 August, 2000
W M Friedrich		
P D M Haynes	1 January, 2001	
M J Houston		
D McManus	23 May, 2000	
S G C Sutcliffe		1 January, 2001
E Le M Trafford		31 August, 2000
J C Wormley		

British Gas Tunisia Limited

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.

At no time did any Director still holding office as 31 December, 2000, have any beneficial interest in the shares of the Company or any other company with the BG Group plc group except for those interests in the shares of the parent company BG Group plc stated below.

Beneficial Holdings

	<u>1st January 2000</u>	<u>31st December 2000</u>
	<u>Ordinary Shares</u>	<u>Ordinary Shares</u>
M. J. Houston	17,218	55,597
J. C. Wormley	4,073	39,406

Saving Related Share Options

	<u>1st January 2000</u>				<u>31st December 2000</u>
	<u>Ordinary Shares</u>	<u>Granted</u>	<u>Lapsed</u>	<u>Exercised</u>	<u>Ordinary Shares</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

Company Share Option Scheme

	<u>1st January 2000</u>	<u>Granted</u>	<u>Exercised</u>	<u>31st December 2000</u>
M. J. Houston	Nil	22,782	----	22,782
D. McManus*	Nil	55,865	----	55,865
J. C. Wormley	Nil	44,692	----	44,692

* As on date of appointment

Short Term Incentive Scheme

	<u>Allocated on 1st</u>	<u>Restated following</u>	<u>Transferred</u>	<u>31st December</u>
	<u>January 2001</u>	<u>Demerger</u>		<u>2000</u>
M. J. Houston	5,600	8,580	-----	8,580

British Gas Tunisia Limited

Long Term Incentive Share Scheme

	<u>1st January</u> <u>2000</u>	<u>Shares</u> <u>Transferred</u>	<u>Restated following</u> <u>Demerger</u>	<u>Allocated</u>	<u>31st December</u> <u>2000</u>
M. J. Houston	57,639	27,569	15,211	24,731	39,942
D. McManus*	Nil	-----	-----	35,330	35,330
J. C. Wormley	59,964	20,023	37,062	28,264	65,326

*As on date of appointment

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.

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.

British Gas Tunisia Limited

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.

British Gas Tunisia Limited

Review of results and dividend

The company's profit for the financial year is \$63,059,000 (1999: \$43,526,000).

The Directors do not propose to declare a dividend for the year ended 31 December 2000 (1999 \$ nil).

Reserves

The profit of \$63,059,000 has been transferred to reserves (1999 profit of \$43,526,000 transferred to reserves).

Payment policy for creditors

The Company aims to pay all of its creditors promptly. It is the Company's policy to:

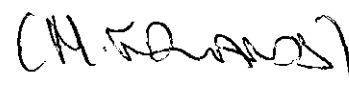

- i) agree the terms of the payment at the start of business with that supplier,
- ii) ensure that suppliers are aware of the terms of payment, and
- iii) pay in accordance with contractual and other legal obligations.

Trade creditor days as at 31st December 2000 were 28 days (1999 28 days).

Auditors

A resolution to reappoint the retiring auditors, PricewaterhouseCoopers, and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board



Acting Secretary
24 DECEMBER 2001

British Gas Tunisia Limited

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 8 to 18 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.

The Directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

British Gas Tunisia Limited

Auditors' report to the members of British Gas Tunisia Limited

We have audited the financial statements on pages 8 to 18.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report. As described on page 6, 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 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 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 the company's affairs at 31st December 2000 and of its 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

PricewaterhouseCoopers

24/12/01

British Gas Tunisia Limited

Profit and Loss Account for the year ended 31 December 2000

	Notes	2000 \$000	1999 \$000
Turnover	3	209,218	137,156
Operating Costs		(22,395)	(22,843)
Exploration expenditure		(1,100)	(3,143)
Depreciation		(40,907)	(45,945)
Foreign Exchange Gain/(Loss)		(21,442)	2389
Operating Profit	4,5,6	<u>123,374</u>	<u>67,614</u>
Profit on disposal of assets		20	18
Profit on ordinary activities before interest and taxation		<u>123,394</u>	<u>67,632</u>
Net interest payable	7	(25,731)	(22,546)
Profit on ordinary activities before taxation		<u>97,663</u>	<u>45,086</u>
Taxation	8	(34,604)	(1,560)
Profit for the financial year		<u><u>63,059</u></u>	<u><u>43,526</u></u>

There are no recognised gains or losses in the period other than those shown 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 10 to 20 form part of these financial statements.

British Gas Tunisia Limited

Balance Sheet as at 31 December 2000

	Notes	2000 \$000	1999 \$000
Fixed Assets			
Intangible assets	9	41,007	41,256
Tangible assets	10	395,237	417,355
		<u>436,244</u>	<u>458,611</u>
Current Assets			
Stocks	11	5,882	9,795
Debtors	12	186,603	225,156
Cash at bank		28	407
		<u>192,513</u>	<u>235,358</u>
Creditors (amounts falling due within one year)	13	(101,716)	(177,847)
Net current assets		<u>90,797</u>	<u>57,511</u>
Total assets less current liabilities		527,041	516,122
Creditors (amounts falling due after more than one year)	14	(236,334)	(295,667)
Provisions for liabilities and charges	15	(71,759)	(64,566)
Net assets		<u><u>218,948</u></u>	<u><u>155,889</u></u>
Capital and reserves			
Called up share capital	16	211,000	211,000
Share premium account	17	41,962	41,962
Profit and loss account	17	(34,014)	(97,073)
Equity shareholders' funds	18	<u><u>218,948</u></u>	<u><u>155,889</u></u>

The notes on pages 10 to 19 form part of these financial statements

The financial statements on pages 8 to 19 were approved by the Board of Directors on
24 December, 2001 and were signed on its behalf by:

D McMANUS.


Director

British Gas Tunisia Limited

Notes to the financial statements

1 Ultimate parent company

British Gas Tunisia Limited ("the Company") is a wholly owned subsidiary undertaking of BG General Holdings Limited. At 31 December 2000 the Company was an indirect wholly owned subsidiary of BG Group plc which is registered in England and Wales. BG Group plc is the largest group into which the Company is consolidated. BG Energy Holdings Limited is the smallest group into which the Company is consolidated. Copies of these accounts may be obtained from the Company Secretary, 100 Thames Valley Park Drive, Reading, Berks, RG6 1PT.

2 Principal accounting policies

Basis of accounting

The financial statements for the year ended 31 December 2000 have been prepared under the historical cost accounting convention and in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies, which have been applied consistently, is set out below.

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.

Currency Denomination

The Company uses Dollar reporting and transactions are recorded at the rate on the date of the transaction. The Balance Sheet is revalued quarterly and the Sterling exchange rate to the Dollar at 31 December 2000 was 1.4938.

Cash flow statement

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.

Related party disclosures

The Company is a wholly owned subsidiary of BG Group plc and has taken advantage of the exemption 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.

British Gas Tunisia Limited

Tangible fixed assets

Tangible fixed assets are stated at historic cost less accumulated depreciation.

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 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 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 and 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 improvements - the shorter of the lease term and fifty years.

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

FRS 15 'Tangible fixed assets', is effective for years ending after 23 March 2000. The adoption of FRS 15 has had no material effect on this company.

Operating leases

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

Stock

Stocks are valued at the lower of cost and net realisable value. Where necessary, provision is made for obsolete, slow moving and defective stocks.

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.

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.

British Gas Tunisia Limited

3 Turnover

Turnover represents amounts receivable for sales of hydrocarbons as follows:

	2000 \$000	1999 \$000
Condensate	45,932	29,862
Gas	163,286	107,294
	<u>209,218</u>	<u>137,156</u>

4 Operating profit

The operating profit before taxation is stated after charging / (crediting):

	2000 \$000	1999 \$000
Historic cost depreciation charge for the year:		
Tangible owned fixed assets	40,907	45,945
Auditors' remuneration for:		
Audit services	11	13
Non-audit services	2	2
Operating lease rentals	211	277
Foreign exchange loss	1,611	9
	<u> </u>	<u> </u>

5 Employee information

The average number of persons employed by the Company during the year was 223 (1999: 210). Average employee numbers are based on an average of quarterly headcount.

Staff Costs (for the above persons)

	2000 \$000	1999 \$000
Wages and salaries	3,264	3,382
Social security costs	883	755
	<u>4147</u>	<u>4,137</u>

British Gas Tunisia Limited

6 Directors' emoluments

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.

7 Net interest payable / (receivable)

	2000 \$000	1999 \$000
Interest payable on bank loans and overdrafts	320	14,096
Interest payable to group undertakings	23,398	6,405
Unwinding of discount on Provision	2,079	2,081
Interest receivable bank and other	(66)	(36)
	<u>25,731</u>	<u>22,546</u>

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

8 Taxation on ordinary activities

The (charge)/credit for taxation comprises:	2000 \$000	1999 \$000
UK Corporation Tax @ 30%	(33,614)	
Double tax relief	33,614	
Group Relief at 30% (1999 - 30.25%)	-	(16,792)
Deferred tax	(1,614)	5,942
Under provision in respect of prior year	3,710	9,314
Overseas taxation	(36,700)	(24)
	<u>(34,604)</u>	<u>(1,560)</u>

9 Intangible assets

	\$000
At 1 January 2000	41,256
Additions	203
Disposals	(452)
At 31 December 2000	<u>41,007</u>

British Gas Tunisia Limited

10 Tangible assets

	Proved oil and gas properties in production and development	Motor vehicles and office equipment	Total
	\$000	\$000	\$000
Cost			
At 1 January 2000	623,297	6,548	629,845
Additions	17,910	885	18,795
Disposals	-	(648)	(648)
At 31 December 2000	<u>641,207</u>	<u>6,785</u>	<u>647,992</u>
Accumulated depreciation			
At 1 January 2000	206,411	6,079	212,490
Provision for the year	40,691	216	40,907
Disposals	0	(642)	(642)
At 31 December 2000	<u>247,102</u>	<u>5,653</u>	<u>252,755</u>
Net book value			
At 31 December 2000	<u>394,105</u>	<u>1,132</u>	<u>395,237</u>
At 31 December 1999	<u>416,886</u>	<u>469</u>	<u>417,355</u>

11 Stocks

	2000	1999
	\$000	\$000
Oil stocks	153	1,904
Raw materials and consumables	5,729	7,891
	<u>5,882</u>	<u>9,795</u>

British Gas Tunisia Limited

12 Debtors

	2000 \$000	1999 \$000
Trade debtors	36,240	33,610
Amounts owed by parent and fellow subsidiary		
Undertakings	148,597	190,804
Other debtors	1,065	714
Prepayments	701	28
	<u>186,603</u>	<u>225,156</u>

13 Creditors (amounts falling due within one year)

	2000 \$000	1999 \$000
Amounts owed to parent and fellow subsidiary		
Undertakings	59,333	166,262
Accruals and deferred income	42,383	11,585
	<u>101,716</u>	<u>177,847</u>

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

	2000 \$000	1999 \$000
Amounts owed to fellow subsidiary company	236,334	295,667
	<u>236,334</u>	<u>295,667</u>

Creditors falling due after more than one year include the following amounts:

	2000 \$000	1999 \$000
In more than one year but not more than five years	236,334	207,667
In more than five years	-	88,000
	<u>236,334</u>	<u>295,667</u>

British Gas Tunisia Limited

The loan from the fellow subsidiary company, British Gas Netherlands Holdings B.V., is repayable in seven equal biannual instalments of \$29,666,667, ending on 15 June 2004, with the final amount of \$88,000,000 due on 15 June 2005.

Interest was payable on the loans during the year at rates between 5.4937% and 6.42625% (1999 - 6.231%).

15 Provisions for liabilities and charges

	Deferred Taxation	Decommissioning	Total
	\$000	\$000	\$000
At 1 January 2000	34,755	29,811	64,566
Unwinding of discount		2,079	2,079
Increase in Provision	1,614	3,500	5,114
At 31 December 2000	<u>36,369</u>	<u>35,390</u>	<u>71,759</u>

The major components of deferred taxation provided, calculated at 30% (1999 - 30.25%), are as follows:

	2000 \$000	1999 \$000
Accelerated capital allowances	36,369	37,274
Other timing differences	-	(2,519)
	<u>36,369</u>	<u>34,755</u>

Potential deferred taxation liabilities

The major components of potential deferred corporation tax not provided, calculated at 30% (1999 - 30.25%) are as follows:

	2000 \$000	1999 \$000
Accelerated capital allowances	64,367	65,041
Other timing differences	(10,617)	(3,267)
	<u>53,750</u>	<u>61,774</u>

British Gas Tunisia Limited

16 Called up share capital

	2000 \$000	1999 \$000
Ordinary shares of £1 each		
Authorised – 500,000,000	747,500	747,500
Allotted and fully paid – 141,137,127	211,000	211,000

17 Reserves

	Share premium account \$000	Profit and loss account \$000	Total \$000
At 1 January 2000	41,962	(97,073)	(55,111)
Transfer from profit and loss account for the year		63,059	63,059
At 31 December 2000	41,962	(34,014)	7,948

18 Reconciliation of movements in shareholders' funds

	2000 \$000	1999 \$000
Opening shareholders' funds as reported	155,889	127,505
Prior Year FX movements	-	(15,142)
Restated opening shareholders funds	155,889	112,363
Profit for the financial year	63,059	43,526
Closing shareholders' funds	218,948	155,889

British Gas Tunisia Limited

19 Capital commitments and contingencies

(a) Capital expenditure

	2000	1999
	\$000	\$000
Contracted but not provided	<u>2,518</u>	<u>180</u>

(b) Capital Commitment

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 has commitments in respect of its share of the estimated future costs of drilling such wells amounting to \$8 million. (1999: \$8 million)

20 Commitments under operating leases

At 31 December 2000 the Company was committed to making the following payments on operating leases for land and buildings during the year ending 31 December 2000:

	2000	1999
	\$000	\$000
Lease commitments expiring:		
Within one year	57	74
Between one and five years	-	-
After five years	37	47
	<u>94</u>	<u>121</u>