

British Gas Trinidad and Tobago Limited
Annual Report and Financial Statements
For the year ended 31 December 2002



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Registered Number: 2386676

British Gas Trinidad and Tobago Limited

Annual Report and Financial Statements for the year ended 31 December 2002

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British Gas Trinidad and Tobago Limited

Directors' report for the year ended 31 December 2002

The directors present their report and the audited financial statements for the year ended 31 December 2002.

Principal activities and business review

The principal activity of the Company is the exploration for and the production of hydrocarbons in Trinidad and Tobago.

The Company retains interests in two exploration blocks, both held under separate PSC. One block is located off the north coast of Trinidad and Tobago and contains the Hibiscus, Poinsettia and Chaconia Fields. The other block is located off the east coast of Trinidad and Tobago and contains the Dolphin Field. Turnover and production expenses arise from the Dolphin Field.

In December 2001, Trinidad government approval was obtained to develop the North Coast Marine Area.

Directors

The following served as directors during the year:

F J Chapman
W M Friedrich
P Dranfield
M J Houston
D McManus
J C Wormley

Company secretary

The following served as secretary during the year:

	Date of appointment	Date of resignation
J E H Griffin		22 April 2003
C S Inman	22 April 2003	

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 Financial Statements for 2002.

At no time did any director still holding office at 31 December 2002, have any beneficial interest in the shares of the Company or any other company within the BG Group plc group except for those interests in the shares of the parent company, BG Group plc, stated below.

British Gas Trinidad and Tobago Limited

Directors' report for the year ended 31 December 2002 (continued)

Directors' interests (continued)

Beneficial holdings

	Ordinary Shares	
	1 January 2002	31 December 2002
F J Chapman	220,055	221,326
P Dranfield	34,355	36,855
W M Friedrich	211,120	212,685
M J Houston	58,335	62,832
D McManus	1,565	3,129
J C Wormley	(i) 42,029	43,594

(i) Includes 10,000 shares held in the form of American Depositary Receipts

Savings related share options

	1 January 2002	Ordinary shares		31 December 2002
		Granted	Exercised	
F J Chapman	4,286	-	-	4,286
P Dranfield	4,230	-	-	4,230
W M Friedrich	7,368	-	-	7,368
M J Houston	4,230	-	-	4,230
D McManus	7,466	-	-	7,466
J C Wormley	4,230	-	-	4,230

Company share option scheme

	1 January 2002	Ordinary shares		31 December 2002
		Granted	Exercised	
F J Chapman	549,901	409,136	-	959,037
P Dranfield	56,231	34,736	-	90,967
W M Friedrich	544,883	343,435	-	888,318
M J Houston	136,632	130,685	-	267,317
D McManus	186,306	132,512	-	318,818
J C Wormley	151,971	133,465	-	285,436

Short term incentive scheme

	1 January 2002	Ordinary shares		31 December 2002
		Allocated	Exercised	
P Dranfield	2,524	-	(2,524)	-
M J Houston	4,766	-	(4,766)	-

British Gas Trinidad and Tobago Limited

Directors' Report for the year ended 31 December 2002 (continued)

Directors' interests (continued)

Long term incentive scheme

	1 January 2002	Allocated	Ordinary shares Transferred	Lapsed	31 December 2002
F J Chapman	571,712	611,286	-	(88,726)	1,094,272
P Dranfield	49,541	31,353	-	(8,703)	72,191
W M Friedrich	517,181	450,881	-	(61,177)	906,885
M J Houston	98,902	164,294	-	(8,214)	254,982
D McManus	114,189	164,455	-	-	278,644
J C Wormley	130,722	167,790	-	(20,306)	278,206

Full details of all employee share schemes can be found in the BG Group plc Annual Report and Financial Statements 2002.

Review of results and dividends

During the year 2002 BG Trinidad and Tobago Ltd continued to explore and produce hydrocarbons and supply these to internal and external markets.

The improved performance in the year was partly a result of development drilling which began in late 2001 in the North Coast Marine Area with associated production on the Hibiscus field starting in Aug 2002.

The results for the year are set out in the profit and loss account on page 8.

Reserves

The profit for the year of \$31,062,000 (2001: \$3,915,000 loss) has been transferred to reserves.

Payment policy on 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.

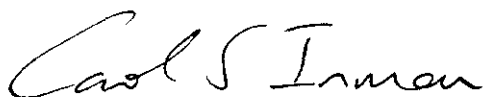
British Gas Trinidad and Tobago Limited

Directors' report for the year ended 31 December 2002 (continued)

Auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 11 March 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors.

By order of the Board

A handwritten signature in cursive script that reads "Carl S Inman".

C S Inman
Secretary
15 December 2003

British Gas Trinidad and Tobago Limited

Statement of directors' responsibilities

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

The directors consider that in preparing the financial statements on pages 8 to 20 the Company has used appropriate historical cost 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 enable them to ensure that the financial statements comply with the Companies Act 1985.

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

The directors, having prepared the financial statements, have requested the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the 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 Trinidad and Tobago Limited

Independent auditors' report to the member of British Gas Trinidad and Tobago Limited

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

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and 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.

British Gas Trinidad and Tobago Limited

Independent auditors' report to the member of British Gas Trinidad and Tobago Limited (continued)

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
1 Embankment Place
London
WC2N 6RH
Date: 15 December 2003

British Gas Trinidad and Tobago Limited

Profit and loss account for the year ended 31 December 2002

	Notes	2002 \$000	2001 \$000
Turnover	3	70,289	27,560
Operating costs		(11,377)	(8,658)
Exploration expenditure		(1,930)	(3,635)
Depreciation		(8,340)	(3,285)
Operating profit	4	<u>48,642</u>	<u>11,982</u>
Profit before interest and tax		<u>48,642</u>	<u>11,982</u>
Net interest receivable and similar income	5	(486)	(1,232)
Profit on ordinary activities before taxation		<u>48,156</u>	<u>10,750</u>
Taxation on ordinary activities	8	(17,094)	(14,665)
Profit/(loss) on ordinary activities after taxation and profit for the financial year		<u>31,062</u>	<u>(3,915)</u>

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

There is no difference between the historical cost profit and losses and the results presented.

The notes on pages 11 to 20 form part of these financial statements.

British Gas Trinidad and Tobago Limited

Statement of total recognised gains and losses for the year ended 31 December 2002

	2002 \$000	2001 \$000
Profit/(loss) for the financial year	31,062	(3,915)
Total recognised gains and losses for the financial year	<u>31,062</u>	<u>(3,915)</u>
Prior year adjustment	-	(22,207)
Total gains and losses recognised since the last annual report	<u>31,062</u>	<u>(26,122)</u>


British Gas Trinidad and Tobago Limited

Balance sheet as at 31 December 2002

	Notes	2002 \$000	2001 \$000
Fixed assets			
Intangible assets	9	1,140	1,109
Tangible assets	10	227,368	182,468
Investments	11	2	2
		<u>228,510</u>	<u>183,579</u>
Current assets			
Stocks	12	2,892	4,307
Debtors: amounts falling due within one year	13	50,733	168,149
Cash at bank		1,812	7,609
		<u>55,437</u>	<u>180,065</u>
Creditors: amounts falling due within one year	14	(118,240)	(226,699)
Net current liabilities		<u>(62,803)</u>	<u>(46,634)</u>
Provision for liabilities and charges	15	(26,916)	(29,216)
Net assets		<u>138,791</u>	<u>107,729</u>
Capital and reserves			
Capital reserves	17	96,341	96,341
Profit and loss account	17	42,450	11,388
Equity shareholder's funds	18	<u>138,791</u>	<u>107,729</u>

The notes on pages 11 to 20 form part of these financial statements.

The financial statements on pages 8 to 20 were approved by the Board of Directors on 15 December 2003 and were signed on its behalf by:



M J Houston
Director

15 December 2003

British Gas Trinidad and Tobago Limited

Notes to the financial statements for the year ended 31 December 2002

1. Ownership

The Company's immediate parent company is BG Overseas Holdings Limited, and ultimate parent company and controlling party is BG Group plc. BG Overseas Holdings Limited and BG Group plc are both registered in England and are the only companies to consolidate the accounts of the Company. Copies of these consolidated accounts may be obtained from the Company Secretary, BG Group plc, 100 Thames Valley Park Drive, Reading, Berkshire, RG6 1PT. On 8 July 2002, the immediate ownership of the Company changed from BG Overseas Holdings Ltd to BG North Sea Holdings Ltd.

2. Principal accounting policies

The financial statements have been prepared in accordance with applicable United Kingdom 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.

Cash flow statement

The Company has taken advantage of the exemptions available to wholly owned UK subsidiaries under FRS 1 (Revised 1996), "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 available within FRS 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 license 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 Trinidad and Tobago Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

2. Principal accounting policies (continued)

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 effect of revisions to reserve estimates is accounted for prospectively.

Other tangible assets are depreciated in equal annual installments 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.

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.

Decommissioning costs

Provision is made for the net present value of the estimated cost of decommissioning at the end of producing lives of fields. When 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.

British Gas Trinidad and Tobago Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

2. Principal accounting policies (continued)

Deferred taxation

FRS 19 was adopted on 1 January 2001. In accordance with this standard, provision is made for deferred tax liabilities and assets, using full provision accounting, otherwise known as the incremental liability method, when an event has taken place by the balance sheet date which gives rise to an increased or reduced tax liability in the future in accordance with FRS19. Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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.

Functional currency note

Management considers that the Company's functional currency is US Dollars and therefore the financial statements are presented in that currency.

The exchange rates of US Dollars to sterling used in preparing the Ultimate Parent's consolidated financial statements were as follows:

	Weighted average rate	Closing rate
Year ended 31 December 2001	1.4391	1.4534
Year ended 31 December 2002	1.5029	1.5925

The weighted average exchange rates have been calculated based on an average of the exchange rates prevailing at each month end during the relevant year.

3. Turnover

Turnover represents amounts receivable for sales of hydrocarbons as follows:

	2002 \$000	2001 \$000
Natural Gas	<u>70,289</u>	<u>27,560</u>

British Gas Trinidad and Tobago Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

4. Operating profit

Operating profit on ordinary activities before taxation is stated after charging

	2002 \$000	2001 \$000
Historic cost depreciation charge for the year:		
Tangible owned fixed assets	8,340	3,285
Auditors' remuneration for:		
Audit services	163	5
Operating lease rentals:		
Other	1,932	1,558
Profit on sale of fixed asset	<u>25</u>	<u>-</u>

5. Net interest receivable and similar income

	2002 \$000	2001 \$000
Interest Receivable	86	42
Foreign Exchange gain/(loss)	33	(669)
Unwinding of discount	<u>(605)</u>	<u>(605)</u>
	<u>(486)</u>	<u>(1,232)</u>

6. Employee Information

The average number of persons employed by the Company during the year 2002 was 131 (2001: 84).

	2002 \$000	2001 \$000
Employee costs during the year amounted to:		
Wages and salaries	754	599
Social security costs	40	11
Other pension costs	<u>73</u>	<u>40</u>
	<u>867</u>	<u>650</u>

British Gas Trinidad and Tobago Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

7. 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.

8. Taxation on ordinary activities

The charge for taxation comprises:	2002 \$000	2001 \$000
UK corporation tax at 30% (2001: 30%)	17,883	4,618
Double tax relief	(17,883)	(4,618)
Foreign tax for the year	20,000	16,500
Foreign tax under provision prior years	-	1,076
Total current tax charge	20,000	17,576
Deferred tax		
Deferred tax at 30% (2001: 30%)	(3,270)	(2,911)
Deferred tax under provision prior year	365	-
Total tax charge for the period	17,095	14,665

Factors affecting the tax charge for the period:

	2002 \$000	2001 \$000
Profit on ordinary activities before tax	48,157	10,750
Tax on profit on ordinary activities at 30%	14,447	3,225
Effects of:		
Expenses not deductible for tax purposes	166	168
Depreciation in excess of capital allowances	3,270	992
Other timing differences	-	233
Foreign tax suffered	2,117	11,882
Overseas (Over)/under provision in prior years	-	1,076
Current year tax charge	20,000	17,576

British Gas Trinidad and Tobago Limited

Notes to the financial statements for the year ended 31 December 2002
(continued)

9. Intangible assets

	Unproved Properties \$000
At 1 January 2002	1,109
Additions	31
At 31 December 2002	<u>1,140</u>

10. Tangible assets

	Proved oil and gas properties in production & development \$000	Motor vehicles & office equipment \$000	Total \$000
Cost			
At 1 January 2002	208,510	5,027	213,537
Additions/Transfers in	50,188	3,101	53,289
Disposals	-	(141)	(141)
At 31 December 2002	<u>258,698</u>	<u>7,987</u>	<u>266,685</u>
Accumulated Depreciation			
At 1 January 2002	28,619	2,450	31,069
Provision for the year	7,319	1,021	8,340
Disposals	-	(92)	(92)
At 31 December 2002	<u>35,938</u>	<u>3,379</u>	<u>39,317</u>
Net Book Value			
At 31 December 2001	<u>179,891</u>	<u>2,577</u>	<u>182,468</u>
At 31 December 2002	<u>222,760</u>	<u>4,608</u>	<u>227,368</u>

British Gas Trinidad and Tobago Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

11. Investments

	2002 \$000	2001 \$000
Investment in International School	<u>2</u>	<u>2</u>

12. Stocks

	2002 \$000	2001 \$000
Raw materials and consumables	<u>2,892</u>	<u>4,307</u>

13. Debtors: amounts falling due within one year

	2002 \$000	2001 \$000
Trade debtors	25,401	4,877
Amounts owed by parent and fellow subsidiary undertakings	-	136,519
Other debtors	25,098	26,570
Prepayments	<u>234</u>	<u>183</u>
	<u>50,733</u>	<u>168,149</u>

14. Creditors: amounts falling due within one year

	2002 \$000	2001 \$000
Trade creditors	32	32
Group creditors	71,368	178,449
Taxation creditors	19,822	-
Other creditors	397	-
Accruals and deferred income	<u>26,621</u>	<u>48,218</u>
	<u>118,240</u>	<u>226,699</u>

British Gas Trinidad and Tobago Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

15. Provisions for liabilities and charges

	Deferred taxation	Decommissioning	Total
	\$000	\$000	\$000
At 1 January 2002	19,296	9,920	29,216
Unwinding of discount		605	605
Current year (credit)	(3,270)		(3,270)
Under provision prior year	365		365
At 31 December 2002	<u>16,391</u>	<u>10,525</u>	<u>26,916</u>

(a) Decommissioning costs

The estimated costs of decommissioning at the end of the producing lives of fields are 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 2015 and 2025.

(b) Deferred taxation

The major components of the deferred corporation tax provided, calculated at 30% (2001 – 30%) are as follows:

	2002 \$000	2001 \$000
Accelerated capital allowance	19,612	22,335
Provision for liabilities allowable for tax in future years	<u>(3,221)</u>	<u>(3,039)</u>
	<u>16,391</u>	<u>19,296</u>

There is no unprovided deferred tax asset/liability in the year (2001: nil).

16. Called up share capital

	2002 \$	2001 \$
Ordinary shares of £1 each:		
Authorised – 1,000 £1 shares	<u>1,453</u>	<u>1,453</u>
Allotted and fully paid – 3 £1 shares	<u>4</u>	<u>4</u>

British Gas Trinidad and Tobago Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

The authorised shares are shown at the Sterling to the Dollar with the closing exchange rate on 31 December 2001 of 1.4534, being the first year the account was produced in USD.

17. Reserves

	Profit and loss account \$000	Capital reserve \$000	Total \$000
Balance at 1 January 2002	11,388	96,341	107,729
Transfer from profit and loss account for the year	31,062	-	31,062
Balance at 31 December 2002	<u>42,450</u>	<u>96,341</u>	<u>138,791</u>

18. Reconciliation of movements in shareholder's funds

	2002 \$000	2001 \$000
Opening shareholder's funds	107,729	111,644
Profit/(Loss) for the financial year	31,062	(3,915)
Closing shareholder's funds	<u>138,791</u>	<u>107,729</u>

19. Commitments and contingencies

(a) Commitments under operating leases

	2002 \$000	2001
Land and Buildings		
Lease commitments expiring:		
within one year	231	204
between two and five years	804	37
	<u>1,035</u>	<u>241</u>
Other		
Lease commitments expiring:		
within one year	-	-
between two and five years	-	-
	<u>-</u>	<u>-</u>

British Gas Trinidad and Tobago Limited

Notes to the financial statements for the year ended 31 December 2002 (continued)

(b) Capital commitments

At 31 December the Company had the following made commitments for capital expenditure:

	2002 \$000	2001 \$000
Contracted but not provided	-	5,607