

BRITISH GAS EMPLOYEE SHARES TRUSTEES LIMITED

REPORT AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995

Registration No: 2023808



BRITISH GAS EMPLOYEE SHARES TRUSTEES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1995

The Directors submit their report and the audited accounts of the Company for the year ended 31 December 1995.

PRINCIPAL ACTIVITIES

The principal activity of the Company is to act as the trustee for the employees of the ultimate parent company in accordance with the terms of the Trust Deed and Rules dated 27 October 1986 which govern "The British Gas Employee Profit Sharing Scheme" (the Scheme).

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

The number of participants in the Scheme and the number of ordinary shares of the ultimate parent company held by the Company as trustee on behalf of the participants, is as follows:-

	31 December 1995	31 December 1994
Number of participants	81,023	82,225
Number of ordinary shares	41,112,263	44,761,413

The Company has been advised by the Board of the ultimate parent company that it has decided that the Scheme should be operated after the announcement of the British Gas annual results in February 1996. An amount of £18,300,000 has been set aside out of the current cost profit before taxation of the British Gas Group for the year ended 31 December 1995, for the provision of purchasing ordinary shares of the ultimate parent company on behalf of eligible employees.

Any operation of the Scheme in future years will continue to be at the discretion of the Board of the ultimate parent company, and dependent upon the performance of British Gas plc and its subsidiary and associated undertakings.

On 6 February 1996 the ultimate parent company announced that the Group intended to demerge into two separate listed Groups of companies. The effect upon the scheme has not yet been established.

The Company will continue to act as trustee of the Scheme.

DIVIDENDS

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 1995 (31 December 1994 nil).

BRITISH GAS EMPLOYEE SHARES TRUSTEES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1995 (CONTINUED)

DIRECTORS

The following served as Directors during the year:-

B Adams (resigned 30 June 1995)
G L Bateson
D W Cottrell (Chairman)
J H Jackson (appointed 30 September 1995)
R J Matthews (appointed 21 September 1995)
J Parkin
B J Reynolds (resigned 30 September 1995)
J G Shoebridge
R J Whitehouse

D W Cottrell resigned as Director and Chairman on 18 March 1996.

P Jones was appointed Director and Chairman on 18 March 1996.

P G Leslie was appointed Director on 30 March 1996.

R J Whitehouse resigned as a Director on 30 March 1996.

DIRECTORS' INTERESTS

- (1) Directors holding office on 31 December 1995 did not have any beneficial interest in the shares of the Company or any other company within the British Gas Group at any time during the year except for interests in the shares of the ultimate parent company, British Gas plc. These interests (which include those of their families), are as stated below:-

	<u>BENEFICIAL</u>		<u>EXECUTIVE SHARE OPTIONS</u>			
	<u>HOLDINGS</u>					
	31 Dec 1995	31 Dec 1994	1 Jan 1995	Granted	Exercised	31 Dec 1995
G L Bateson	4,034	2,956	-	-	-	-
D W Cottrell (i)	6,607	4,724	81,391	-	(38,804)	42,587
J H Jackson (ii)	3,630	3,630	21,804	-	-	21,804
R J Matthews (ii)	392	392	-	-	-	-
J Parkin (i)	5,063	5,137	50,861	-	(26,853)	24,008
R J Whitehouse	1,952	1,769	-	-	-	-

(i) Executive share options were exercised at £2.45167 per ordinary share

(ii) Or date of appointment.

BRITISH GAS EMPLOYEE SHARES TRUSTEES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1995 (CONTINUED)

SAVINGS RELATED SHARE OPTIONS

		<u>1 January 1995</u>	<u>Granted</u>	<u>Exercised</u>	<u>31 December 1995</u>
G L Bateson	(i)	5,056	2,716	(867)	6,905
D W Cottrell	(i)	8,125	-	(867)	7,258
J H Jackson	(i) (ii)	650	-	(650)	-
R J Matthews	(ii)	7,558	-	-	7,558
J Parkin	(i)	9,742	-	(2,168)	7,574

(i) Savings-related share options were exercised at £1.66 per ordinary share.

(ii) Or date of appointment.

LONG - TERM INCENTIVE SCHEME

	<u>Notional Allocation</u>	
	<u>31 December 1995</u>	<u>1 January 1995</u>
D W Cottrell	31,247	-
J H Jackson (i)	8,271	-

(i) Or at date of appointment.

- (2) All options were granted under the terms of the ultimate parent company's Savings Related Share Option Scheme, Executive Share Option Scheme and Long-Term Incentive Scheme, details of which are given in that company's annual report and accounts.

DIRECTORS' INSURANCE

The ultimate parent company has purchased insurance to cover the Directors against liabilities in relation to the Company.

AUDITORS

A resolution to re-appoint the retiring auditors, Price Waterhouse, and to authorise the Directors to fix their remuneration will be proposed at the next general meeting.

By order of the Board

.....
Mark Edwards
Joint Secretary

Date 29 October 1996

Registered Office:
Rivermill House
152 Grosvenor Road
London
SW1V 3JL
Registered in England
No. 2023808

BRITISH GAS EMPLOYEE SHARES TRUSTEES LIMITED

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 6 to 8, 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 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.

BRITISH GAS EMPLOYEE SHARES TRUSTEES LIMITED

AUDITORS' REPORT TO THE MEMBERS OF BRITISH GAS EMPLOYEE SHARES TRUSTEES LIMITED

We have audited the financial statements on pages 6 to 8 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

Respective responsibilities of Directors and auditors

As described on page 4, 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 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 as at 31 December 1995 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Price Waterhouse
Chartered Accountants
and Registered Auditors
Southwark Towers
32 London Bridge Street
London SE1 9SY**

Price Waterhouse

Date *29 October* 1996

BRITISH GAS EMPLOYEE SHARES TRUSTEES LIMITED

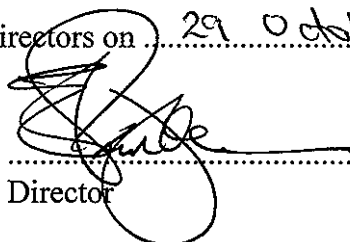
BALANCE SHEET

AS AT 31 DECEMBER

	Notes	1995 £	1994 £
CURRENT ASSETS			
Debtors	3	17,560	111,304
Cash at bank and in hand		<u>489,839</u>	<u>437,650</u>
		507,399	548,954
CREDITORS (amounts falling due within one year)	4	<u>(507,397)</u>	<u>(548,952)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>2</u>	<u>2</u>
CAPITAL AND RESERVES			
Called up share capital	5	<u>2</u>	<u>2</u>

No recognised gains or losses arose in the financial year.

These accounts were approved by the Board of Directors on 29 October 1996 and
were signed on its behalf by:


.....
Director

The accompanying notes on pages 7 and 8 form part of these accounts.

BRITISH GAS EMPLOYEE SHARES TRUSTEES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995

(1) PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared in accordance with applicable accounting standards and under the historical cost convention.

(2) PROFIT AND LOSS ACCOUNT

The Company has no income and under the provisions of the Trust Deed and Rules dated 27 October 1986 all costs and expenses of the trustees (including the audit fee) are met by the ultimate parent company.

The Company has no employees (1994 nil). The Chairman and Directors received no emoluments in respect of their services to the Company during the year (1994 nil).

(3) DEBTORS

	31 Dec 1995	31 Dec 1994
	£	£
AMOUNTS FALLING DUE WITHIN ONE YEAR		
Accrued proceeds from the sale of shares authorised by participants	17,560	110,335
Proceeds due from participants	<u> - </u>	<u> 969 </u>
	<u><u>17,560</u></u>	<u><u>111,304</u></u>

(4) CREDITORS

	31 Dec 1995	31 Dec 1994
	£	£
AMOUNTS FALLING DUE WITHIN ONE YEAR		
To participants leaving the Scheme	23,617	116,392
Income tax collected from participants leaving the Scheme	210,428	169,967
Undistributed dividends owed to participants	273,352	261,624
Bank overdraft	<u> - </u>	<u> 969 </u>
	<u><u>507,397</u></u>	<u><u>548,952</u></u>

(5) SHARE CAPITAL

	31 Dec 1995	31 Dec 1994
	£	£
<u>Authorised</u>		
100 ordinary shares of £1 each (1994 100)	<u>100</u>	<u>100</u>
 <u>Issued, allotted and fully paid</u>		
2 ordinary shares of £1 each (1994 2)	<u>2</u>	<u>2</u>

BRITISH GAS EMPLOYEE SHARES TRUSTEES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1995 (CONTINUED)

(6) RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

There was no movement in shareholders' funds during the financial year (1994 nil).

(7) ULTIMATE PARENT COMPANY

The Company is a wholly owned subsidiary undertaking of British Gas plc which is registered in England and Wales. British Gas plc is the only company to consolidate the accounts of this Company. Copies of the group accounts of British Gas plc may be obtained from British Gas plc, Rivermill House, 152 Grosvenor Road, London, SW1V 3JL.