

BG EMPLOYEE SHARES TRUSTEES LTD
DIRECTORS' REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1998



Registration No: 2023808

BG EMPLOYEE SHARES TRUSTEES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998

The Directors submit their report and the audited accounts of the Company for the year ended 31 December 1998.

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 BG 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 1998	31 December 1997
Ordinary Shares		
Number of participants	57,535	65,294
Number of ordinary shares – BG plc	18,684,757	14,092,850
B Shares		
Number of participants *	0	65,248
Number of B Shares	0	15,959,601

* See Capital Reorganisation

BGEST is also Trustee of the BG Qualifying Employee Share Ownership Trust (QUEST) and as at 31 December 1998 25,132,100 BG ordinary shares were held by the QUEST.

For 1998, profits of £36.81m have been set aside for the provision of ordinary shares of the Company on behalf of eligible employees (1997 £37.53m).

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 BG plc and its subsidiary and associated undertakings and on current legislation.

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

BG EMPLOYEE SHARES TRUSTEES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998 (CONTINUED)

DIVIDENDS

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 1998 (31 December 1997 nil).

DIRECTORS

The following served as Directors during the year:-

C E Chamberlain
E P Jones
R King (Resigned 30/04/99)
M J Lockwood (Appointed 30/04/99)
R J Matthews
T R Matthews (Appointed 22/04/98)
C E Lancelott (Resigned 22/04/98)

DIRECTORS' INTERESTS

- (1) Directors holding office on 31 December 1998 did not have any beneficial interest in the shares of the Company or any other company within the BG Group at any time during the year except for interests in the shares of the ultimate parent company, BG plc. These interests (which include those of their families), are as stated below:-

Year ended 31 December	<u>Beneficial Holdings</u>		
	1998 Ordinary Shares	1997 Ordinary Shares	1997 B Shares
CE Chamberlain	Nil	Nil	Nil
E P Jones	6,817	3,990	Nil
R King	10,736	9,010	874
R J Matthews	615	1,316	251
T R Matthews *	2,737	2,227	120

* As at date of appointment

BG EMPLOYEE SHARES TRUSTEES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998 (CONTINUED)

Savings Related Share Options

	31 December 97	Exercised	Lapsed	Granted	31 December 98
C E Chamberlain	Nil	-	-	-	Nil
E P Jones	12,683	-	-	-	12,683
R King	4,301	-	-	1,625	5,926
R J Matthews	3,749	-	-	1,349	5,098
T R Matthews*	Nil	-	-	1,056	1,056

* As at date of appointment

Long Term Incentive Scheme

	31 December 97	Allocated	Transferred	31 December 98
C E Chamberlain	Nil	-	-	Nil
E P Jones	126,512	48,170	-	174,682
R King	31,888	9,100	-	40,988
R J Matthews	Nil	-	-	Nil
T R Matthews*	Nil	-	-	Nil

* As at date of appointment

CAPITAL RE-ORGANISATION

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 remained in Trust until 16 December 1998 when they were converted to ordinary shares.

BG EMPLOYEE SHARES TRUSTEES LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 1998 (CONTINUED)

YEAR 2000

The Year 2000 issue arises from the possibility that computer based systems will fail correctly to process dates at the change of the millennium. The issue arises where the year within the date is held as two characters (e.g. '98 for '1998'). On the turn of the century the value '00' may be incorrectly treated as '1900' or processed unpredictably.

Year 2000 compliance has been tackled on behalf of the Company by BG plc at Group level with Board commitment to the task. Details of the Year 2000 activities undertaken are included in the BG plc Annual Report and Accounts 1998 on pages 27 to 29.

AUDITORS

As a result of the merger of Price Waterhouse and Coopers & Lybrand, Price Waterhouse resigned As the Company's auditors on 10 September 1998 and the Board appointed PricewaterhouseCoopers to fill the vacancy thus arising until the conclusion of the Annual General Meeting. PricewaterhouseCoopers have expressed their willingness to be reappointed as Auditors of the Company.

By order of the Board

M. Singleterry

Maria Singleterry
Secretary

Registered Office:
100 Thames Valley Park Drive
Reading
Berkshire
RG6 IPT
Registered in England
No. 2023808

Date *27 October*1999

BG 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 7 to 9, 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.

BG EMPLOYEE SHARES TRUSTEES LIMITED

AUDITORS' REPORT TO THE MEMBERS OF BG EMPLOYEE SHARES TRUSTEES LIMITED

We have audited the financial statements on pages 7 to 9 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

Respective responsibilities of Directors and auditors

As described on page 5, the Company's Directors are responsible for the preparation of financial statements. Our responsibilities, as independent auditors, are established primarily by statute, the Auditing Practices Board and our professional ethical guidance.

We report to you our opinion as to whether the financial statements give true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the director's 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 and for our audit, or if information specified by law regarding Director's remuneration and transactions is not disclosed

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 1998 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and
Registered Auditors
London

Date 27 October 1999

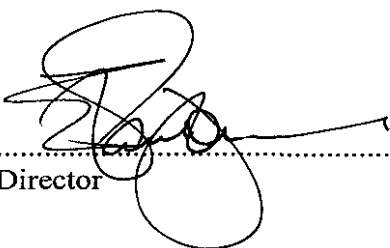
BG EMPLOYEE SHARES TRUSTEES LIMITED

BALANCE SHEET

AS AT 31 DECEMBER	Notes	1998	1997
		£	£
CURRENT ASSETS			
Debtors	3	12,570	21,163
Cash at bank and in hand		<u>446,803</u>	<u>534,085</u>
		459,373	555,248
CREDITORS (amounts falling due within one year)	4	<u>(459,371)</u>	<u>(555,246)</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 27 October 1999 and were signed on its behalf by:


.....
Director

27 October 1999
.....
Date

The accompanying notes on pages 8 to 9 form part of these accounts.

BG EMPLOYEE SHARES TRUSTEES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1998

(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 (1997 nil). The Chairman and Directors received no emoluments in respect of their services to the Company during the year (1997 nil).

(3) <u>DEBTORS</u>	31 Dec 1998 £	31 Dec 1997 £
AMOUNTS FALLING DUE WITHIN ONE YEAR.		
Accrued proceeds from the sale of shares authorised by participants		
Ordinary Shares	12,000	18,889
B Shares	570	2,274
Total	<u>12,570</u>	<u>21,163</u>
(4) <u>CREDITORS</u>	31 Dec 1998 £	31 Dec 1997 £
AMOUNTS FALLING DUE WITHIN ONE YEAR		
To participants leaving the Scheme		
Ordinary Shares	11,823	17,473
B Shares	-	2,097
Income tax collected from participants leaving the scheme	748	1,594
Unclaimed dividends owed to participants (*1)	435,616	447,053
Outstanding Sales Proceeds (*2)	<u>11,184</u>	<u>87,029</u>
	<u>459,371</u>	<u>555,246</u>

*1 Dividends paid to participants in the Scheme who have not claimed the dividend, (principally as a result of the dividend cheques remaining unrepresented).

*2 Proceeds due to participants in the Scheme for the sale of shares during 1998 which have not been received by the participants before or on the 31.12.98.

BG EMPLOYEE SHARES TRUSTEES LIMITED

NOTES TO THE ACCOUNTS - 31 DECEMBER 1998 (CONTINUED)

(5) <u>SHARE CAPITAL</u>	31 Dec 1998	31 Dec 1997
	£	£
<u>Authorised</u>		
100 ordinary shares of £1 each (1997 100)	<u>100</u>	<u>100</u>
<u>Issued, allotted and fully paid</u>		
2 ordinary shares of £1 each (1997 2)	<u>2</u>	<u>2</u>

(6) **RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

There was no movement in shareholders' funds during the financial year (1997 nil).

(7) **RELATED PARTY TRANSACTIONS**

As the Company is a wholly owned subsidiary of BG plc, advantage has been taken of the exemption afforded by FRS 8 not to disclose any related party transactions with members of the BG plc Group or with BG plc Associates and Joint Ventures.

(8) **ULTIMATE PARENT COMPANY**

The Company is a wholly owned subsidiary undertaking of BG plc which is registered in England and Wales. BG plc is the only company to consolidate the accounts of this Company. Copies of the group accounts of BG plc may be obtained from BG plc, 100 Thames Valley Park Drive, Reading, Berkshire, RG6 1PT.

(9) **CASH FLOW STATEMENT**

As part of its published financial statements BG plc prepares a consolidated cash flow statement. BG Employee Shares Trustees Limited has taken advantage of the exemption under FRS 1 (revised) and chosen not to publish its own cash flow statement.