

BG Employee Shares Trustees Limited

Annual Report and Financial Statements

For the year ended 31 December 2004



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COMPANIES HOUSE 10/11/2005
COMPANIES HOUSE 28/10/2005

Company Registration Number: 2023808

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Directors' report for the year ended 31 December 2004

The Directors present their report and audited Financial Statements for the year ended 31 December 2004.

Principal activities

The principal activity of the Company is to act as the trustee for the employees of BG Group plc and its subsidiary undertakings in accordance with the terms of the Trust Deed and Rules dated 27 October 1986 (as amended), which governs "The BG Employee Profit Sharing Scheme" (the Scheme). Additionally, the Company was the trustee of the BG Qualifying Employee Share Ownership Trust (the QUEST) until 20 October 2000 when the Trust Period came to an end.

Review of business and future developments

No shares have been appropriated to participants under the Scheme since 1999. A new employee profit sharing scheme was established by BG Group plc following the corporate restructuring and refinancing arrangements which became effective in December 1999 and a new trustee, other than the Company, was appointed as trustee of that scheme. It is not intended to make any further appropriations under the Scheme. All shares appropriated by the Trust have now been transferred to participants.

Results and dividend

The Company has no income and, under the provisions of the Trust Deed and Rules dated 27 October 1986 (as amended), all costs and expenses of the trustees are met by the ultimate parent company. Accordingly, no profit and loss account has been prepared.

The Directors do not propose to declare a dividend for the year ended 31 December 2004 (2003: £Nil).

Directors' insurance

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

Directors

The following served as Directors during the year:

P G Duffy (Chairman)

T R Sach

Directors' report for the year ended 31 December 2004 (continued)

Company Secretary

The following served as Company Secretary during the year:

C S Inman

P A Moore (Appointed 5 August 2004)

Directors' interests

At no time did any Director, still holding office at 31 December 2004, have any beneficial interest in the shares of the Company or any other company within the BG Group plc except for interests in the shares of the parent company, BG Group plc, as stated below:

Beneficial holdings

	Beneficial interests in ordinary shares	
	As at 1 Jan 2004	As at 31 Dec 2004
P G Duffy	3,632	9,350
T R Sach	18,531	24,063

Sharesave scheme

	Options as at 1 Jan 2004	Options granted in year	Options exercised in year	Options as at 31 Dec 2004
P G Duffy	4,286	3,458	(4,286)	3,458
T R Sach	5,485	-	(2,538)	2,947

Company share option scheme

	Options as at 1 Jan 2004	Options granted in year	Options exercised in year	Options as at 31 Dec 2004
P G Duffy	362,538	105,000	-	467,538
T R Sach	75,787	21,025	-	96,812

Directors' report for the year ended 31 December 2004 (continued)

Long-term incentive scheme


	Notional allocations of shares as at 1 Jan 2004	Notional allocations of shares made during the year	Number of shares added through dividend reinvestment	Number of shares forfeited at end of performance period	Number of shares vested during the year	Notional allocation of shares as at 31 Dec 2004
P G Duffy	389,541	160,000	-	(14,500)	-	535,041
T R Sach	34,009	12,791	21	-	(2,225)	44,596

Full details of all employee share schemes can be found in the BG Group Annual Report and Accounts 2004.

Auditors

The Company has elected to dispense with the annual appointment of auditors in accordance with Section 386 of the Companies Act 1985 and accordingly PricewaterhouseCoopers LLP remain in office.

By order of the Board


P A Moore
 Secretary

Date: 21-10-05

Registered Office:
 100 Thames Valley Park Drive
 Reading
 Berkshire
 RG6 1PT
 Registered in England & Wales No. 2023808

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 10 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates. The Directors confirm that all applicable accounting standards have been followed and that the Financial Statements have been prepared on the going concern basis. The Company has complied with UK disclosure requirements.

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.

Independent auditors' report to the member of BG Employee Shares Trustees Limited

We have audited the Financial Statements which comprise the balance sheet 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 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 member 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 into 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 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

Independent auditors' report to the member of BG Employee Shares Trustees Limited (continued)

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 affairs of the company at 31 December 2004 and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

1 Embankment Place

London WC2N 6RH

Date: 21/10/05.

Balance sheet as at 31 December

	Notes	2004 £	2003 £
Current assets			
Debtors: amounts falling due within one year	4	2	25,388
Cash at bank and in hand		<u>362,240</u>	<u>331,585</u>
		<u>362,242</u>	<u>356,973</u>
Creditors: amounts falling due within one year	5	<u>(362,240)</u>	<u>(356,971)</u>
Net current assets		<u>2</u>	<u>2</u>
Total assets less current liabilities		<u>2</u>	<u>2</u>
Capital and reserves			
Called up share capital	6	<u>2</u>	<u>2</u>
Equity shareholder's funds	7	<u>2</u>	<u>2</u>

The Financial Statements on pages 8 to 10 were approved by the Board of Directors and signed on its behalf by:


P G Duffy

Director

Date: 21. 10. 05

The notes on pages 9 to 10 form part of these Financial Statements.

Notes to the Financial Statements

1 Ultimate parent undertaking

The immediate parent undertaking is BG Energy Holdings Limited.

The ultimate parent undertaking and controlling party is BG Group plc, which is the parent undertaking of the largest group to consolidate these Financial Statements. The smallest group into which the Company is consolidated is that of which BG Energy Holdings Limited is the parent undertaking. BG Energy Holdings Limited and BG Group plc are both registered in England and Wales. Copies of these consolidated accounts may be obtained from the Company Secretary, 100 Thames Valley Park Drive, Reading, Berkshire, RG6 1PT.

2 Accounting policies

Basis of preparation and accounting principles

These accounts have been prepared on the going concern basis and in accordance with applicable laws and accounting standards in the United Kingdom, using historical cost principles. A summary of the more important accounting policies, which have been applied consistently, is set out below.

The Company has taken advantage of the exemptions available to wholly owned UK subsidiaries under Financial Reporting Standard (FRS) 1 (Revised 1996) "Cash Flow Statements", and accordingly has not prepared a cash flow statement; and within FRS 8 "Related Party Disclosures" from disclosure of transactions with other group companies.

Deferred tax

Provision is made in full, on an undiscounted basis, for the deferred tax arising on the difference between the accounting treatment and tax treatment for depreciation in respect of accelerated capital allowances and other timing differences. Deferred tax assets are recognised to the extent that they are regarded as recoverable.

3 Profit and loss account

The Company has no income and under the provisions of the Trust Deed and Rules dated 27 October 1986 (as amended), all costs and expenses of the trustees (including the audit fee) are met by the ultimate parent company. Accordingly, no profit and loss account has been prepared.

No Directors received emoluments in respect of their services to the Company during the year ended 31 December 2004 (2003: £nil). The Company had no employees (2003: nil).

Notes to the Financial Statements

4 Debtors: amounts falling due within one year

	2004 £	2003 £
Amounts due from BG Group plc	2	16,892
Amounts due from National Grid Transco plc	-	8,496
	<u>2</u>	<u>25,388</u>

5 Creditors: amounts falling due within one year

	2004 £	2003 £
Unclaimed dividends owed to participants (*1)	353,273	355,993
Outstanding Sales Proceeds (*2)	-	978
Amounts owed to National Grid Transco plc	8,967	-
	<u>362,240</u>	<u>356,971</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, which have not been received by the participants on or before the year end.

6 Called up share capital

	2004 £	2003 £
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted and fully paid up		
2 ordinary shares of £1 each	<u>2</u>	<u>2</u>

7 Reconciliation of movements in shareholder's funds

There were no movements in shareholder's funds or reserves during the financial year (2003: £nil).