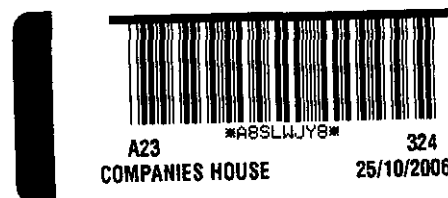


# **BG Group Employee Shares Trustees Limited**

## **Annual Report and Financial Statements**

**For the year ended 31 December 2005**



**Company Registration Number: 3167150**

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## Directors' report for the year ended 31 December 2005

The Directors present their report and the audited Financial Statements for the year ended 31 December 2005.

### Principal activities

The Company was established to act as the trustee of the BG Group Employee Profit Sharing Scheme (the 'Scheme'), an Inland Revenue approved employee share scheme established for the benefit of employees of participating subsidiary undertakings of BG Group plc in accordance with the terms of the Trust Deed and Rules dated 13 March 2000. The Scheme ceased to operate in 2002 with the last transfer to participants taking place in April 2005.

### Review of business

No shares have been appropriated to participants under the Scheme since 2001 and as the Scheme ceased to operate in 2002, no further appropriations will be made. All shares appropriated by the Trust have now been transferred to participants.

The Company is currently dormant.

### Results and dividend

The Company has no income (2004: £nil). Each participating company covenants to pay all of the costs and expenses incurred by the trustees in the establishment, operation and determination of the Scheme. Accordingly, no profit and loss account has been prepared (2004: £nil).

The Directors do not propose to declare a dividend for the year ended 31 December 2005 (2004: £nil).

### Directors

The following served as Directors during the year:

P G Duffy  
T R Sach

### Company Secretaries

The following served as joint Company Secretaries during the year:

#### Appointed

C S Inman  
P A Moore                      5 August 2005

### Directors' insurance

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

### Directors' interests

At no time did any Director still holding office at 31 December 2005 have any beneficial interest in the shares of the Company or any other company within BG Group except for those interests in the shares of the ultimate parent undertaking, BG Group plc, as stated below.

### Beneficial holdings

	Beneficial interests in ordinary shares	
	As at 1 Jan 2005	As at 31 Dec 2005
P G Duffy	9,350	101,924
T R Sach	24,063	21,920

**Directors' report for the year ended 31 December 2005 continued****Sharesave Scheme**

	Options as at 1 Jan 2005	Options granted in the year	Options exercised in the year	Options as at 31 Dec 2005
P G Duffy	3,458	-	-	3,458
T R Sach	2,947	-	-	2,947

**Company Share Option Scheme**

	Options as at 1 Jan 2005	Options granted in the year	Options exercised in the year	Options as at 31 Dec 2005
P G Duffy	467,538	135,157	(156,254)	446,441
T R Sach	96,812	12,867	(29,195)	80,484

**Long Term Incentive Scheme**

	Notional allocations of shares as at 1 Jan 2005	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 2005
P G Duffy	535,041	148,625	630	(62,684)	(155,033)	466,579
T R Sach	44,596	15,918	-	(3,932)	(5,210)	51,372

Full details of all employee share and option schemes can be found in the BG Group Annual Report and Accounts 2005.

**Derivative financial instruments**

The Company did not transact in any derivative financial instruments during the year. Full details of the BG Group policies and procedures surrounding financial instruments and details of such transactions can be found in the BG Group Annual Report and Accounts 2005.

**Auditors**

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

## **Directors' report for the year ended 31 December 2005 continued**

### **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 6 to 8 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and 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.

By order of the Board:



**P/A Moore**  
Company Secretary

Date: 9 OCTOBER 2006

Registered Office:  
100 Thames Valley Park Drive  
Reading  
Berkshire  
RG6 1PT

Registered in England and Wales No. 3167150

## **Independent Auditors' report to the member of BG Group Employee Shares Trustees Limited**

We have audited the Financial Statements of BG Group Employee Shares Trustees Limited for the year ended 31 December 2005 which comprise the balance sheet and the related notes. These Financial Statements have been prepared under the accounting policies set out therein.

### **Respective responsibilities of Directors and Auditors**

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the Financial Statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the Financial Statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). 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 other transactions is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 evaluated the overall adequacy of the presentation of information in the Financial Statements.

**Independent Auditors' report to the member of BG Group Employee Shares Trustees Limited continued**

**Opinion**

In our opinion the Financial Statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005; and of its result for the period 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: 9/10/06.

**Balance sheet as at 31 December**

	Notes	2005 £	2004 £
<b>Current assets</b>			
Debtors: amounts falling due within one year	4	34,011	34,540
Cash at bank and in hand		30,401	30,400
		<u>64,412</u>	<u>64,940</u>
<b>Creditors: amounts falling due within one year</b>	5	<u>(64,411)</u>	<u>(64,939)</u>
<b>Net current assets</b>		<u>1</u>	<u>1</u>
<b>Total assets less current liabilities</b>		<u>1</u>	<u>1</u>
<b>Net assets</b>		<u>1</u>	<u>1</u>
<b>Capital and reserves</b>			
Called up share capital	6	<u>1</u>	<u>1</u>
<b>Equity shareholder's funds</b>		<u>1</u>	<u>1</u>

The notes on pages 7 to 8 form part of these Financial Statements.

The Financial Statements on pages 6 to 8 were approved by the Board of Directors and were signed on its behalf by:



**T R Sach**  
Director

Date: 09.10.06



## 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 law 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.

#### Exemptions

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 taxation

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 13 March 2000 all costs and expenses of the trustees (including the audit fee) are met by each of the participating companies. Accordingly, no profit and loss account is presented.

No Directors received emoluments in respect of their services to the Company during the year ended 31 December 2005 (2004: £nil). The Company had no employees (2004: nil).

### 4 Debtors: amounts falling due within one year

	2005 £	2004 £
Amounts owed by BG Group plc	19,299	21,435
Amounts owed by other group undertakings	1	1
Amounts owed by National Grid plc	14,711	13,104
	<u>34,011</u>	<u>34,540</u>

**Notes to the Financial Statements continued****5 Creditors: amounts falling due within one year**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
Unclaimed dividends owed to participants (i)	<b>63,401</b>	63,930
Outstanding sales proceeds (ii)	<b>1,010</b>	1,009
	<b><u>64,411</u></b>	<b><u>64,939</u></b>

- (i) Dividends paid to participants in the Scheme who have not claimed the dividend (principally as a result of dividend cheques remaining unrepresented).
- (ii) Proceeds due to participants in the Scheme for the sale of shares, which have not been received by participants on or before the year end (principally as a result of cheques remaining unrepresented).

**6 Called up share capital**

	<b>2005</b>	<b>2004</b>
	<b>£</b>	<b>£</b>
<b>Authorised:</b>		
100 ordinary shares of £1 each	<b><u>100</u></b>	<b><u>100</u></b>
<b>Allotted and fully paid up:</b>		
1 ordinary share of £1 each	<b><u>1</u></b>	<b><u>1</u></b>

**7 Reconciliation of movements in shareholder's funds**

There were no movements in shareholder's funds or reserves during the financial year (2004: £nil).