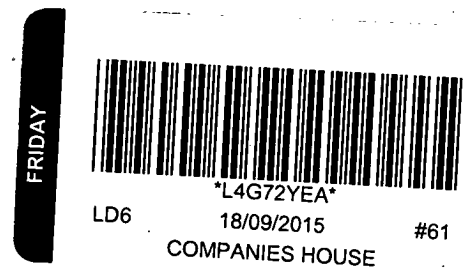


**BG North Sea Holdings Limited**  
**Annual Report and Financial Statements**  
**For the year ended 31 December 2014**



**Company Registration Number: 2383911**

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## **Strategic report for the year ended 31 December 2014**

The Directors present their Strategic report for BG North Sea Holdings Limited for the year ended 31 December 2014.

### **Review of the business**

BG North Sea Holdings Limited (the "Company") was incorporated on 15 May 1989 and is a wholly owned subsidiary of BG Energy Holdings Limited. The Company acts as a holding company and has investments in a number of entities with operations around the world involved in the exploration for and production of oil and gas hydrocarbons.

### **UK**

The Company has an interest of 2.7% in the Erskine field, which is operated by Chevron. Production volumes from the Erskine field in respect of the interest held by the Company reached 0.04 million barrels of oil equivalent (mmboe) (2013: 0.08 mmboe).

### **Trinidad and Tobago**

BG Trinidad and Tobago Limited, a subsidiary of the Company, retains interests in two operating blocks, both held under separate Production Sharing Contracts. These interests comprise (i) a 45.885% interest in the North Coast Marine Area (NCMA) 1 block, located off the north coast of Trinidad and Tobago containing the Hibiscus, Poinsettia, Chaconia, Ixora, Heliconia and Bougainvillea Fields; and (ii) a 50% interest in Block 6, located off the east coast of Trinidad and Tobago, which includes the Dolphin Field.

During 2014, BG Trinidad and Tobago Limited continued to supply both the domestic and export markets from these fields. Production volumes from the Dolphin field reached 9.5 mmboe in 2014 (2013: 9.0 mmboe), and production from the NCMA 1 block reached 9.0 mmboe (2013: 9.3 mmboe).

### **Egypt**

BG Egypt SA, a subsidiary of the Company, has a 40% interest in the Rosetta Concession and a 20% shareholding in the Rashid Petroleum Company SAE (Rashpetco), a joint venture company formed by the Rosetta Concession Holders to undertake exploration, field development and operations on their behalf. The Company's affiliate BG Rosetta Limited holds a parallel 40% interest and 20% Rashpetco shareholding. The Rosetta field started production in January 2001 and supplies the domestic market.

### **India**

BG Exploration and Production India Limited, an indirect subsidiary of the Company, jointly operates the Mid & South Tapti Fields (gas) and the Panna-Mukta Fields (oil and gas) and has a 30% participating interest in each of these fields.

During 2014, the Panna-Mukta and Mid & South Tapti Fields production reached 6.7 mmboe (2013: 7.3 mmboe).

### **Colombia**

In January 2014, the Company signed an agreement to acquire a 30% equity interest in Guajira Offshore 3 Block, offshore Colombia. The block is held under a technical evaluation agreement and is located approximately 70 kilometre offshore in water depths of 1,500 to 4,000 metres. A 3D seismic programme was completed in 2014.

## **Strategic report for the year ended 31 December 2014 continued**

There have not been any changes in the Company's activities in the year under review. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year.

For a more detailed review of the activities, development and performance of the business during 2014 and the position of BG Group at the end of the year, please refer to the BG Group Annual Report and Accounts 2014 - Strategic report section on pages 2 to 41.

### **Principal risks and uncertainties**

The Company is subject to a broad range of risks such as political, commodity prices, reserves replacement, people resource and project delivery risks.

In addition, the Company faces risks which affect both the Company and BG Group as a whole. These risks are managed at group level on behalf of the Directors of the Company. Group risks are discussed in the BG Group plc Annual Report and Accounts 2014 which does not form part of this report.

### **Key performance indicators (KPIs)**

BG Group monitors, reviews and assesses its operations at segment and geographical levels, therefore the Directors are of the opinion that analysis of the business of the Company using KPIs is not appropriate for an understanding of the development, performance or position of the business of the Company. For further information about KPIs, in the context of the group as a whole, please refer to the BG Group Annual Report and Accounts 2014.

### **Financial performance and position**

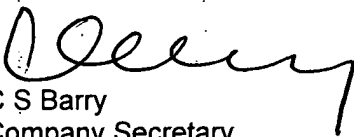
As shown in the Company's profit and loss account on page 9, turnover of the Company decreased by 51% during the year to £2,247,000 (2013: £4,599,000). The loss on ordinary activities before taxation of £68,267,000 (2013: profit of £461,415,000) is mainly as a result of the impairment of investments recorded in the year. The prior year profit on ordinary activities before taxation was mainly as a result of receiving dividends from subsidiaries.

The loss for the year ended 31 December 2014 of £72,749,000 (2013: profit of £467,773,000) has been transferred to reserves.

The balance sheet on page 10 shows that the Company's net assets decreased by 13%. This is principally due to there being a reduction in the value of the investments.

**Strategic report for the year ended 31 December 2014 continued**

By order of the Board:



C S Barry  
Company Secretary

Date: 2.5.15

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

Registered in England & Wales No. 2383911

## **Directors' report for the year ended 31 December 2014**

The Directors present their report and the audited Financial Statements for BG North Sea Holdings Limited for the year ended 31 December 2014.

### **Dividend**

The Directors did not propose an interim dividend for the year ended 31 December 2014 (2013: £nil). The Directors have not proposed a final dividend (2013: £nil).

### **Future developments**

Future developments are included in the Strategic report.

### **Post balance sheet events**

On 8 April 2015, the Boards of Royal Dutch Shell plc and BG Group plc announced that they have reached agreement on the terms of a recommended cash and share offer to be made by Royal Dutch Shell plc for the entire issued and to be issued share capital of BG Group plc. The combination is subject to various regulatory and shareholder approvals and is expected to complete in early 2016.

### **Directors**

The following served as Directors during the year and up to the date of this report:

M Bayounes (resigned 31 December 2014)

N W H Blaker (appointed 1 April 2014)

I J Bradshaw (resigned 19 December 2014)

J M Collingwood (resigned 3 October 2014)

P S Vidler

The following Directors were appointed after the year end:

A Martin-Davis (appointed 2 March 2015)

J G Seaton (appointed 27 January 2015)

### **Company Secretaries**

The following served as joint Company Secretaries during the year and up to the date of this report:

C S Barry

R L Dunn

### **Directors' insurance**

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

### **Directors' remuneration**

For details of the Directors' remuneration, see note 6 to the Financial Statements.

## **Directors' report for the year ended 31 December 2014 continued**

### **Branches**

In January 2015, the Company opened a branch in Colombia.

### **Derivative financial instruments and financial risks**

The Company has a commodity-based contract that contains an embedded derivative. Details of the Company's financial instruments can be found in note 15.

Full details of the BG Group policies and procedures surrounding financial risks, financial instruments and details of such transactions can be found in the BG Group Annual Report and Accounts 2014.

### **Auditors**

Pursuant to Section 487 of the Companies Act 2006, Ernst & Young LLP (the auditors) are deemed to have been re-appointed and remain in office as the auditors of the Company.

### **Statement as to disclosure of information to auditors**

As required by Sections 418 and 419 of the Companies Act 2006, each of the Directors has approved this report and confirmed that, so far as he is aware, there is no relevant audit information (being information needed by the auditors in connection with preparing their audit report) of which the Company's auditors are unaware, and he has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### **Statement of Directors' responsibilities**

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

The Directors consider that in preparing the Financial Statements on pages 9 to 22 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements 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.

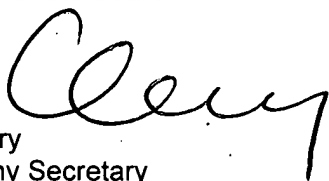
The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enables them to ensure that the Financial Statements comply with the Companies Act 2006.

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.

**Directors' report for the year ended 31 December 2014 continued**

By order of the Board:



C S Barry  
Company Secretary

Date: 2.9.15

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

Registered in England & Wales No. 2383911



## **Independent Auditor's report to the member of BG North Sea Holdings Limited**

We have audited the Financial Statements of BG North Sea Holdings Limited for the year ended 31 December 2014 which comprise the Profit and loss account, the Statement of total recognised gains and losses, the Balance sheet and the related notes, set out on pages 9 to 22. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of Directors and auditor**

As explained more fully in the Statement of Directors' responsibilities (set out on page 5), the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for auditors.

### **Scope of the audit of the Financial Statements**

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial Statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on the Financial Statements**

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of its loss for the year;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic report and Directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

**Independent Auditor's report to the member of BG North Sea Holdings Limited**  
continued

**Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Financial Statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

*Ernst & Young LLP*

Gary Donald  
(Senior Statutory Auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

Date: *6/9/15*

**Profit and loss account for the year ended 31 December**

	Notes	2014 £000	2013 £000
Turnover	3	2,247	4,599
Operating costs		(3,909)	(424)
Exploration expenditure		(28,177)	-
Depreciation		(616)	(622)
Impairment and revaluation	4	<u>(74,452)</u>	<u>-</u>
<b>Operating (loss)/profit</b>	5	<b>(104,907)</b>	<b>3,553</b>
Income from other fixed asset investments		35,759	457,861
Net interest receivable/(payable) and similar income/(charges)	7	<u>881</u>	<u>1</u>
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(68,267)</b>	<b>461,415</b>
Tax on (loss)/profit on ordinary activities	8	<u>(4,482)</u>	<u>6,358</u>
<b>(Loss)/profit for the financial year</b>	18, 19	<b><u>(72,749)</u></b>	<b><u>467,773</u></b>

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

The notes on pages 11 to 22 form part of these Financial Statements.

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

	Notes	2014 £000	2013 £000
(Loss)/profit for the financial year	18, 19	(72,749)	467,773
Unrealised loss on trade investments	18, 19	(619,387)	(845,824)
Foreign currency translation (losses)/gains	18, 19	<u>(112,863)</u>	<u>134,131</u>
<b>Total recognised gains and losses for the financial year</b>		<b><u>(804,999)</u></b>	<b><u>(243,920)</u></b>

**Balance sheet as at 31 December**

	Notes	2014 £000	2013 £000
<b>Fixed assets</b>			
Tangible assets	9	4,703	8,075
Investments	10	<u>5,265,994</u>	<u>5,609,570</u>
		<u>5,270,697</u>	<u>5,617,645</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	11	978,355	998,780
Debtors: amounts falling due after more than one year	12	<u>546</u>	<u>398</u>
		978,901	999,178
Creditors: amounts falling due within one year	14	<u>(925,896)</u>	<u>(486,672)</u>
<b>Net current assets</b>		<u>53,005</u>	<u>512,506</u>
<b>Total assets less current liabilities</b>		<b>5,323,702</b>	<b>6,130,151</b>
<b>Provisions for other liabilities and charges</b>	16	<u>(3,513)</u>	<u>(4,963)</u>
<b>Net assets</b>		<u><b>5,320,189</b></u>	<u><b>6,125,188</b></u>
<b>Capital and reserves</b>			
Called up share capital	17	3,181,441	3,181,441
Profit and loss account	18	216,602	402,214
Revaluation reserve	18	<u>1,922,146</u>	<u>2,541,533</u>
<b>Equity shareholder's funds</b>	19	<u><b>5,320,189</b></u>	<u><b>6,125,188</b></u>

The notes on pages 11 to 22 form part of these Financial Statements.

The Financial Statements on pages 9 to 22 were approved by the Board of Directors and were signed on its behalf by:



P S Vidler  
Director

Date: 2.9.15

## 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.

BG Group plc 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 Group plc and BG Energy Holdings Limited are both registered in England and Wales. Copies of the Group 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

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and in accordance with applicable accounting standards.

The accounting policies, where applicable, are materially in accordance with a Statement of Recommended Practice (SORP) issued by the Oil Industry Accounting Committee entitled 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities' although the accounting policies differ from the SORP as follows. The SORP requires depreciation of licence acquisition costs on a straight line basis over the period of the licence, whereas the Company depreciates licence acquisition costs (once transferred to tangible fixed assets on the determination of proved reserves), on a unit of production basis, consistent with the treatment of other exploration fixed assets. The SORP also requires under- and over-lift adjustments to be booked against Cost of Sales on an entitlement basis, whereas the Company recognises them through Turnover. The SORP sets out certain specific rules for impairment test cash flow calculations which, whilst appropriate for a value in use calculation, are not necessarily appropriate for a net realisable value calculation, which the Company may perform on a post-tax basis including certain future capital expenditure.

In addition, the SORP recommends the disclosure of oil and gas reserve quantities. The oil and gas reserve quantities of the Company are included in the oil and gas reserve quantities disclosed in the Annual Report and Accounts of the Company's parent, BG Group plc. The Directors have elected not to publish this information for the Company as the information is disclosed by BG Group plc on a consolidated basis and this disclosure is analysed geographically. The consolidated disclosures and the basis on which the information is disclosed can be found on pages 132 to 134 of the BG Group plc Annual Report and Accounts 2014.

Where the Company has entered into joint operating agreements with other companies to participate in exploration, development and production activities, the Company records its own share of the assets, liabilities, income and expenses including the Company's share of the expenditure incurred by the operator.

## Notes to the Financial Statements continued

### 2 Accounting policies continued

#### Exemptions

The Company is a wholly owned subsidiary undertaking of BG Group plc and is therefore exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated accounts.

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.

The Company has taken advantage of the exemption in FRS 8 'Related Party Disclosures' and paragraph 72 of Schedule 1 of The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 from disclosure of transactions with other group companies.

#### Exploration expenditure

The Company accounts for exploration expenditure under the successful efforts method. Exploration expenditure, including licence acquisition costs, is capitalised as an intangible fixed asset when incurred and certain expenditure, such as geological and geophysical exploration costs, is expensed. A review of each licence or field is carried out, at least annually, to ascertain whether proved reserves have been discovered. When proved reserves are determined, the relevant expenditure, including licence acquisition costs, is transferred to tangible fixed assets and depreciated on a unit of production basis. Expenditure deemed to be unsuccessful is written off to the profit and loss account.

#### Decommissioning costs

Where a legal or constructive obligation has been incurred, provision is made for the net present value of the estimated cost of decommissioning at the end of the producing lives of assets. When this provision gives access to future economic benefits, an asset is recognised and then subsequently depreciated in line with the life of the underlying producing asset, otherwise the costs are charged to the profit and loss account. The unwinding of the discount on the provision is included in the profit and loss account within the net interest charge. Any changes to estimated costs or discount rates are dealt with prospectively.

#### Tangible fixed assets

All tangible fixed assets are carried at depreciated historical cost. Additions represent extensions to, or significant increases in, the capacity of tangible fixed assets.

#### Depreciation

Exploration and production assets are depreciated from the commencement of production in the fields concerned, using the unit of production method based on the proved developed reserves of those fields, except that a basis of total proved reserves is used for acquired interests and facilities.

Changes in depreciation estimates are dealt with prospectively.

## Notes to the Financial Statements continued

### 2 Accounting policies continued

#### Impairment of fixed assets

Any impairment of fixed assets is calculated as the difference between the carrying values of cash generating units and their recoverable amounts, being the higher of the estimated value in use or net realisable value at the date the impairment loss is recognised. Value in use represents the net present value of expected future cash flows discounted on a pre-tax basis. Net realisable value is based on the best evidence available to the Company, and may include appropriate valuation techniques, market data or sales of comparable assets.

Impairment of fixed assets is recognised in the profit and loss account within operating costs.

#### Fixed asset investments

Fixed asset investments are stated at cost less provision for impairment, with the exception of the investments in operating and financing subsidiaries, BG Atlantic Finance Limited, BG Egypt SA, and BG Trinidad and Tobago Limited, which are held at the underlying net asset value in the subsidiary and the investment in an intermediate holding company, BG Asia Pacific Holdings Limited, which is held at valuation based on the net present value of future cash flows. These subsidiaries are designated as foreign currency assets in accordance with the net investment hedging provisions of SSAP 20. The revaluation involves both the adjustment to the year end net asset value and the retranslation of the opening valuation to the year end rate. Gains arising from adjustment to the closing net asset valuation are credited to the revaluation reserve. Losses, to the extent not offset by gains arising in prior periods, are recognised in the profit and loss account. Gains and losses, arising on the retranslation of the opening valuation to the year end rate, are recognised directly in the profit and loss reserve.

The investments in these subsidiaries are financed through debt denominated in the functional currency of the subsidiary, in order to hedge the currency exposure on the net investment. In accounting for the currency exchange differences arising on the retranslation of this debt to the year end exchange rate, the Company has applied the net investment hedging provisions of SSAP 20 and recognises the gains and losses, to the extent that they offset gains and losses arising on the retranslation of the investment, directly in the profit and loss reserve.

#### Revenue

Revenue associated with exploration and production sales (of natural gas, crude oil and petroleum products) is recorded when title passes to the customer. Revenue from the production of hydrocarbons in which the Company has an interest with other producers is recognised based on the Company's working interest and the terms of the relevant production sharing contracts (entitlement method). All other revenue is recognised when title passes to the customer.

## Notes to the Financial Statements continued

### 2 Accounting policies continued

#### 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.

#### Foreign currencies

Management considers that the Company's functional currency is Pounds Sterling and the Financial Statements are presented in that currency. Transactions in foreign currencies are translated into Pounds Sterling at the rates of exchange ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated into Pounds 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.

#### Financial instruments

All loans are stated at the fair value of the consideration paid/received less any repayments and if necessary, provisions for impairment.

The Company has entered into a long-term agreement for the sale and purchase of natural gas from the Erskine Field, which expires in September 2016. The contract contains an embedded derivative. The Company does not recognise unrealised fair value movements in respect of derivative financial instruments.

### 3 Turnover

Turnover, which excludes value added tax and is stated gross of royalties, represents amounts receivable for sales of hydrocarbons as follows:

	2014	2013
	£000	£000
Gas, condensate and liquefied petroleum gas	1,402	1,626
Oil	845	2,973
	<u>2,247</u>	<u>4,599</u>



## Notes to the Financial Statements continued

### 4 Impairment and revaluation

At the end of 2014, based on the declining oil price, the Company wrote down the value of its interest in the Erskine field on a net realisable value basis using a post-tax discount rate of 8%, which resulted in an impairment charge of £1,295,000.

Revaluation losses on a number of the Company's subsidiaries in excess of cumulative revaluation gains totalling £73,157,000 have been recognised in the profit and loss account in 2014.

### 5 Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	2014 £000	2013 £000
<b>Amounts written off fixed assets:</b>		
Depreciation of owned assets	616	622
Impairment and revaluation	<u>74,452</u>	<u>-</u>

The auditor's remuneration of £5,667 (2013: £5,300) has been borne by BG Energy Holdings Limited and has not been recharged to the Company. Any fees paid to the Company's auditor and its associates for services other than the statutory audit of the Company are not disclosed in these accounts since the consolidated accounts of the Company's ultimate parent, BG Group plc, are required to disclose non-audit fees on a consolidated basis.

The Company had no employees during the year (2013: nil).

## Notes to the Financial Statements continued

### 6 Directors' remuneration

The total remuneration for all serving Directors for their period of directorship to the Company is disclosed below. The remuneration of the Directors has been borne by another Group Company and has not been recharged to the Company. A number of Directors are considered group function Directors of BG Group and received no remuneration for services to the Company.

	2014 £000	2013 £000
Remuneration	65	53
Pension scheme contributions	2	2
	<u>67</u>	<u>55</u>

During the year the number of Directors who received benefits and share incentives was as follows:

	2014 No.	2013 No.
Accruing benefits under defined benefit pension scheme	-	-
Accruing benefits under defined contribution pension scheme	1	1
Exercised share options	-	-
Received or were entitled to receive shares under long term incentive schemes	<u>1</u>	<u>1</u>

### 7 Net interest receivable/(payable) and similar income/(charges)

	2014 £000	2013 £000
Foreign exchange gain	971	30
Interest receivable	-	2
Unwinding of discount on provisions	(90)	(31)
	<u>881</u>	<u>1</u>

## Notes to the Financial Statements continued

## 8 Tax on (loss)/profit on ordinary activities

The charge/(credit) for taxation comprises:

	2014 £000	2013 £000
<b>Current tax</b>		
Corporation tax charge	1,825	2,117
Adjustments in respect of prior periods	2,805	(8,712)
Group relief	-	(570)
<b>Total current tax</b>	<b>4,630</b>	<b>(7,165)</b>
<b>Deferred tax</b>		
Deferred corporation tax (credit)/charge	(148)	410
Deferred tax adjustments in respect of prior periods	-	85
Effect of rate changes	-	312
<b>Total deferred tax</b>	<b>(148)</b>	<b>807</b>
<b>Total tax charge/(credit)</b>	<b>4,482</b>	<b>(6,358)</b>

## Factors affecting current tax charge for the year:

	2014 £000	2013 £000
(Loss)/profit on ordinary activities before taxation	(68,267)	461,415
Tax on (loss)/profit on ordinary activities at 21.5% and 62% (2013: 23.25% and 62%)	(15,211)	108,337
Expenses not deductible for tax purposes	43	53
Capital allowances in excess of depreciation and impairment	(217)	(426)
Other timing differences	49	20
Adjustment in respect of prior periods	2,805	(8,712)
Non-taxable dividend income	(6,883)	(106,437)
Profits of overseas subsidiary	8,320	-
Impairment	15,724	-
<b>Total current tax</b>	<b>4,630</b>	<b>(7,165)</b>

Effective 1 April 2014, the applicable rate of UK corporation tax was reduced to 21%, with a further reduction in the UK corporation tax rate to 20% effective from 1 April 2015.

Effective 1 January 2015, the applicable rate of supplementary charge on North Sea Profits reduced from 32% to 20%.

## Notes to the Financial Statements continued

## 9 Tangible assets

	Proved oil and gas properties £000
<b>Cost</b>	
At 1 January 2014	11,300
Additions	251
Disposals	(1,712)
<b>At 31 December 2014</b>	<b>9,839</b>
<b>Accumulated depreciation</b>	
At 1 January 2014	3,225
Charge for the year	616
Impairment	1,295
<b>At 31 December 2014</b>	<b>5,136</b>
<b>Net book value</b>	
<b>At 31 December 2014</b>	<b>4,703</b>
At 31 December 2013	8,075

## 10 Investments

	Shares in subsidiary undertakings £000
<b>Cost and valuation</b>	
At 1 January 2014	5,616,163
Revaluation	(692,544)
Currency translation adjustment	348,968
<b>At 31 December 2014</b>	<b>5,272,587</b>
<b>Provision for impairment</b>	
At 1 January and 31 December 2014	6,593
<b>Net book value</b>	
<b>At 31 December 2014</b>	<b>5,265,994</b>
At 31 December 2013	5,609,570

## Notes to the Financial Statements continued

### 10 Investments continued

The Company's subsidiary undertakings as at 31 December 2014 comprise:

Name	Country of incorporation	Direct or indirect interest	Proportion of ordinary shares held	Activity
BG Atlantic Finance Limited	England and Wales	Direct	100%	Finance company
BG Egypt SA	Cayman Islands	Direct	100%	Exploration and production
BG Trinidad and Tobago Limited	England and Wales	Direct	100%	Exploration and production
BG Asia Pacific Holdings Pte Limited	Singapore	Direct	100%	Holding company
BG Asia Pacific Pte Limited	Singapore	Indirect	100%	Exploration and production
BG Asia Pacific Services Pte Limited	Singapore	Indirect	100%	LNG
BG India Energy Private Limited	India	Indirect	100%	Holding company
BG India Energy Services Private Limited	India	Indirect	100%	Dormant
BG India Energy Solutions Private Limited	India	Indirect	100%	Non-trading
BG Insurance Company (Singapore) Pte Limited	Singapore	Indirect	100%	Insurance
BG Mumbai Holdings Limited	Mauritius	Indirect	100%	Holding company
BG Exploration and Production India Limited	Cayman Islands	Indirect	100%	Exploration and production
BG Myanmar Pte Limited	Singapore	Indirect	100%	Exploration and production
BG Exploration & Production Myanmar Pte Limited	Singapore	Indirect	100%	Exploration and production
BG Oil Marketing Pte Limited	Singapore	Indirect	100%	Oil marketing
BG Singapore Gas Marketing Pte Limited	Singapore	Indirect	100%	LNG marketing
BG South Asia LNG Limited	England and Wales	Indirect	100%	LNG
BG Thailand Pte Limited	Singapore	Indirect	100%	Holding company
Thai Energy Company Limited	Thailand	Indirect	99.98%	Exploration and production

## Notes to the Financial Statements continued

**11 Debtors: amounts falling due within one year**

	2014 £000	2013 £000
Trade debtors	416	1,231
Amounts owed by group undertakings	977,693	997,027
Other debtors	246	522
	<u>978,355</u>	<u>998,780</u>

Amounts owed by group undertakings are unsecured, interest free and are repayable on demand.

**12 Debtors: amounts falling due after more than one year**

	2014 £000	2013 £000
Deferred tax asset	<u>546</u>	<u>398</u>

**Deferred tax**

The movement in the deferred tax asset in the year is as follows:

	Deferred taxation £000
At 1 January 2014	398
Deferred tax credit	148
At 31 December 2014	<u>546</u>

**Analysis of deferred tax**

	2014 £000	2013 £000
Difference between accumulated depreciation and amortisation and capital allowances	(709)	(736)
Tax losses available	<u>1,255</u>	<u>1,134</u>
	<u>546</u>	<u>398</u>

The Company has an unrecognised deferred tax asset of £2,900,000 (2013: £2,900,000) relating to capital losses. The amount would be recoverable if the Company realised a taxable capital gain.

**13 Cash at bank and in hand**

At 31 December 2014 and 31 December 2013, cash at bank and in hand is a net overdraft. It is therefore included within creditors (see note 14).

## Notes to the Financial Statements continued

### 14 Creditors: amounts falling due within one year

	2014 £000	2013 £000
Bank loans and overdrafts	55	209
Trade creditors	101	123
Unsecured loan stock	293,131	293,131
Amounts owed to group undertakings	608,619	177,286
Amounts owed to group undertakings in respect of taxation	17,586	14,804
Other creditors	2,793	303
Accruals and deferred income	3,611	816
	<u>925,896</u>	<u>486,672</u>

Amounts owed to group undertakings are unsecured, interest free and are repayable on demand. The unsecured loan stock was issued to BG Energy Holdings Limited. It is non-interest bearing and does not have a specific repayment date.

### 15 Fair value of financial instruments

The fair value of the long-term agreement for the sale and purchase of natural gas from the Erskine Field, as described in the financial instruments accounting policy (refer to note 2), is a liability of £738,000 (2013: £2,149,000).

### 16 Provisions for liabilities and charges

	Decomm -issioning costs £000
At 1 January 2014	4,963
Utilisation of provision	(1,540)
Unwinding of discount	90
At 31 December 2014	<u>3,513</u>

#### Decommissioning costs

The estimated cost of decommissioning at the end of the producing lives of fields is 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 are uncertain, but are currently anticipated to be from 2020.

## Notes to the Financial Statements continued

## 17 Called up share capital

## Allotted and fully paid:

	No. 000	2014 £000	No. 000	2013 £000
Ordinary shares of £1 each	3,181,441	3,181,441	3,181,441	3,181,441

## 18 Reserves

	Revaluation reserve £000	Profit and loss account £000	Total £000
As at 1 January 2014	2,541,533	402,214	2,943,747
Revaluation of fixed asset investments	(619,387)	-	(619,387)
Transfer from profit and loss account	-	(72,749)	(72,749)
Foreign currency translation loss	-	(112,863)	(112,863)
As at 31 December 2014	<u>1,922,146</u>	<u>216,602</u>	<u>2,138,748</u>

Included in currency translation adjustments are amounts relating to the revaluation of fixed assets investments (2014: £349 million gain; 2013: £122 million loss), offset by the revaluation of the loans to finance the investments in these subsidiaries (2014: £306 million loss; 2013: £256 million gain).

Also included in currency translation adjustments is a loss of £156 million to reverse a gain incorrectly recognised in the prior year Statement of total recognised gains and losses.

## 19 Reconciliation of movement in shareholder's funds

	2014 £000	2013 £000
As at 1 January	6,125,188	6,369,108
Transfer from profit and loss account	(72,749)	467,773
Other recognised gains and losses	<u>(732,250)</u>	<u>(711,693)</u>
As at 31 December	<u>5,320,189</u>	<u>6,125,188</u>

## 20 Post balance sheet events

On 8 April 2015, the Boards of Royal Dutch Shell plc and BG Group plc announced that they have reached agreement on the terms of a recommended cash and share offer to be made by Royal Dutch Shell plc for the entire issued and to be issued share capital of BG Group plc. The combination is subject to various regulatory and shareholder approvals and is expected to complete in early 2016.