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BG GROUP

BG Energy Holdings Limited
Annual Report and Accounts 2013

Contents

1 Board of Directors
2 Strategic report
5 Directors' report
7 Auditor's report
8 Principal accounting policies
13 Financial statements
17 Notes to the accounts

Parent Company Financial statements of BG Energy Holdings Limited
54 Auditor's report
55 Principal accounting policies
56 Financial statements
57 Notes to the accounts
60 Shareholder information

Board of Directors

Chris Cox

Chris Cox was appointed to the BG Energy Holdings Limited Board on 1 January 2013 He was appointed Executive Vice President BG Advance of BG Group plc on 1 January 2013 He is responsible for developments, operations, capital projects well engineering HSSE, climate change, IT contracts and procurement and technology, and providing the Group with technical and commercial assurance and services, including resourcing and development of staff capabilities Prior to joining BG Group in 2006 Chris spent 22 years with Chevron Corporation and two years with Amerada Hess in senior roles in a number of international settings He was appointed to his current position having previously been Senior Vice President, Developments Operations and Well Engineering in BG Advance

Malcolm Brown

Malcolm Brown was appointed to the BG Energy Holdings Limited Board on 1 January 2013 He was appointed Executive Vice President Exploration of BG Group plc on 1 January 2013 He is responsible for exploration worldwide Malcolm is a petroleum geologist with global exploration expertise and has worked in the oil and gas industry for 36 years He joined British Gas in 1982 and has been responsible for worldwide exploration in BG Group for 14 of the last 18 years He was appointed to his current position having previously been Senior Vice President, Exploration

Sir John Grant KCMG

Sir John Grant was appointed to the BG Energy Holdings Limited Board in September 2009 He is responsible for government and public affairs communications, social performance and BG Groups Business Principles He joined BG Group plc in 2009, having been president of BHP Billiton Europe since 2007 Prior to that he had been a member of the Diplomatic Service from 1976 to 2007 holding posts in Stockholm, Moscow and Brussels, where he was the UK's Permanent Representative to the European Union from 2003 to 2007

Sami Iskander

Sami Iskander was appointed to the BG Energy Holdings Limited Board in September 2009 He was appointed Chief Operating Officer of BG Group plc in November 2013 He is responsible for the Group's operations across Africa, Australia, the Caribbean, Europe, North America, South America and Asia Prior to joining the Group in 2008 Sami held a number of key leadership roles with Schlumberger undertaking assignments in Latin America, the USA Africa Europe and the Middle East He was appointed to his current position having previously been Executive Vice President Operations and Executive Vice President and Managing Director Africa Central and South Asia

Strategic report

The Directors present their Strategic report for BG Energy Holdings Limited for the year ended 31 December 2013 The Strategic report is pages 2 to 4

BUSINESS REVIEW

BG Energy Holdings Limited (the Company) is a wholly owned subsidiary of BG Group plc the ultimate holding company of the BG Group of companies (the 'BG Group) and the entity through which BG Group plc holds all of its subsidiaries and subsidiary undertakings

The Company its subsidiaries, subsidiary undertakings and share of jointly controlled entities and associates (the Group') is an internationally diversified Exploration and Production (E&P) company with a specialism in gas, with activities including exploration and production of gas and oil, and the liquefaction shipping and marketing and regasification of Liquefied Natural Gas (LNG)

BUSINESS SEGMENTS

The Group has two principal operating and reporting segments, Upstream and LNG Shipping & Marketing Upstream comprises exploration, development production liquefaction and marketing of hydrocarbons LNG Shipping & Marketing combines the development and use of LNG import facilities with the purchase, shipping and sale of LNG and regasified natural gas The Group s remaining Transmission and Distribution businesses (T&D), principally Mahanagar Gas in India and certain corporate activities have been included in the Other segment

UPSTREAM

The Group's Upstream segment covers exploration and production activities for gas, oil and liquids production plus liquefaction operations associated with integrated LNG projects The Group uses its technical commercial and gas chain skills to deliver projects at a competitive cost and to maximise the sales value of its hydrocarbons

The Group's total production was 230 9 million barrels of oil equivalent (mmboe) in 2013 (2012 240 5 mmboe) The decrease in volumes was largely attributable to Egypt and the USA, only partly offset by new developments coming onstream

The Group s average daily production in 2013 was 633 thousand barrels of oil equivalent per day (kboed) Net production from Egypt was 112 kboed in 2013 in the UK was 100 kboed, in Kazakhstan 92 kboed in Trinidad and Tobago 70 kboed, and 58 kboed in the USA Hydrocarbons were also produced in Thailand, Brazil, Tunisia, Bolivia Australia, India and Norway

The continuing deterioration in the operating and business environment in Egypt led the Group to issue Force Majeure notices under its LNG Agreements in January 2014, and to record a non-cash post-tax impairment charge of $1 3 billion in the fourth quarter of 2013 that also reflected a reserves revision

In the USA as a result of lower production expectations based on the well performance of the Group s US shale assets, and lower forward US gas prices, the Group recorded a non-cash post-tax impairment of $1 1 billion in the fourth quarter of 2013

The Group is currently exploring and appraising seven new material basins With the exception of Australia and Tanzania, these are primarily oil prospects Between 2014 and 2016, the Group expects to drill 50-60 conventional exploration and appraisal wells and target 12-17 high-impact wells In addition, the Group expects to drill 20-50 unconventional exploration wells, mostly in Australia

The Group's total reserves and resources represent the Group's total resources base The size of reserves and resources is a key determinant of the Group's ability to replace production and deliver production growth in the future From the year ended 31 December 2013 onwards, the Group has decided to adopt the reserves definitions and guidelines consistent with the Petroleum Resources Management System published by the Society of Petroleum Engineers (SPE PRMS) and other bodies Prior to this, the Group used the United States Securities and Exchange commission (SEC) definition of proved and probable reserves

On a SEC basis, the Group's total reserves and resources decreased by 4% to 17 721 mmboe (2012 18 511 mmboe) with the Group's proved and probable reserves falling by 3% to 6 940 mmboe (2012 7 189 mmboe) The change in definition to SPE PRMS has had little impact on the measurement of the Group's reserves and resources Under SPE PRMS, proved and probable reserves were 6 990 mmboe and total reserves and resources were 17 771 mmboe The Group monetised resources in 2013 through the production and disposal of certain assets (part sell-down of Queensland Curtis LNG (QCLNG) to the China National Offshore Oil Corporation (CNOOC), Cotton Valley in the USA, Bream in Norway) and this led to a reduction of around 860 mmboe in total reserves and resources

LNG SHIPPING & MARKETING

The Group s LNG Shipping & Marketing segment covers the purchasing shipping, marketing and sale of LNG as well as the Group's interests and capacity in regasification facilities

The Group has a portfolio of flexible LNG supplies that can be deployed globally in order to capture greater margin opportunities These supplies are sourced from the Group s equity LNG in Egypt and Trinidad and Tobago and from third-party suppliers in Equatorial Guinea and Nigeria During 2013 the Group supplied LNG cargoes to 15 countries, delivering a total of 178 cargoes The Group has supplied 25 of the 27 markets able to import LNG

LNG delivered volumes in 2013 were 10 9 million tonnes per annum (mtpa), which was some 1 2 mtpa lower than in 2012 This was mainly due to supply disruptions in Egypt and Nigeria and a reduction in third-party spot purchases

The Group is developing a two-train 8 5 mtpa liquefaction plant on Curtis Island in Queensland, Australia Significant progress has been made with the construction of the QCLNG terminal and related infrastructure, with first LNG expected in the fourth quarter of 2014 In November 2013 the Group completed the agreement with CNOOC for the sale of a further 5 mtpa of LNG sourced from its global LNG portfolio for 20 years beginning in 2015 Combined with the 3 6 mtpa LNG sale agreement signed in March 2010, the Group s total committed LNG sales to China will be 8 6 mtpa

Construction of the Sabine Pass LNG terminal in Louisiana, USA has continued BG Group will purchase 5 5 mtpa of LNG over a 20-year period

For a more detailed review of the activities, development and performance of the business during 2013 and the position of BG Group at the end of the year, refer to the BG Group plc Annual Report and Accounts 2013 – Operating Review on pages 24 to 29

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is subject to a broad range of risks such as project delivery and operational performance, credit risk, capital investment programmes global economic uncertainty and social and political change

The Directors believe that the principal risks and uncertainties of the Group which include those of the Company, are the same as those faced by BG Group These risks are not managed separately by the Group For a detailed description of the principal risks and uncertainties facing BG Group (and therefore the Group), refer to BG Group plc's Annual Report and Accounts 2013 – Principal risks and uncertainties on pages 38 to 43

FINANCING

As at 31 December 2013, net borrowings (comprising cash and cash equivalent investments finance leases, currency and interest rate derivative financial instruments and short and long-term borrowings) were $10 610 million compared with $10 626 million as at 31 December 2012

All borrowing and investment of surplus funds is undertaken in accordance with policies and/or parameters approved by the Finance Committee of the Board of BG Group plc (Finance Committee) BG Group's principal borrowing entity is BG Energy Holdings Limited (the Company') including wholly owned subsidiary undertakings of the Company the majority of whose borrowings are guaranteed by the Company (collectively BGEH Borrowers')

As at 31 December 2013, the Company had aggregate committed bank multi-currency revolving credit facilities of $2 2 billion expiring in 2016 and $3 0 billion expiring in 2017 There are no restrictions on the application of funds under these facilities As at 31 December 2013 the Company also had $1 8 billion of undrawn credit facilities provided by an export credit agency, subject to documentation

As at 31 December 2013, BGEH Borrowers had a $4 0 billion US Commercial Paper Programme and a $2 0 billion Euro Commercial Paper Programme both of which were unutilised, and a $15 0 billion Euro Medium-Term Note Programme, of which $9 0 billion was unutilised In addition the Company had uncommitted borrowing facilities, including multi-currency lines, overdraft facilities of £45 million and credit facilities of $20 million all of which were unutilised

During 2013, capital markets issuance by BGEH Borrowers comprised bonds of $300 million and €100 million maturing in 2018 and 2033 respectively, with additional funding from bilateral loans totalling $750 million and £1 billion with maturities ranging from 2015 to 2017

In order to fund the Groups growth programme, the Group proposes to continue to meet its financing commitments from the operating cash flows of the business, proceeds from asset disposals existing cash and cash equivalent investments, and borrowings from a range of sources that are expected to include money and debt capital markets, government lending agencies and existing committed lines of credit

FINANCIAL RISK FACTORS

The principal financial risks faced by the Group are capital requirements, liquidity and interest rate risk, commodity price and exchange rate risk, and counterparty credit risk A description of these principal risks and the actions taken by management to mitigate some of the exposure is outlined in the following sections

Capital requirements, liquidity and interest rate risk

The Group's ability to deliver its strategic growth objectives is dependent on a number of factors including the ability to fund capital intensive development projects at present most notably in Australia and Brazil

The Groups capital requirements depend on a number of factors including variations in the planned level of capital expenditure funds from operations prevailing hydrocarbon prices in core markets exchange rates and the results of portfolio rationalisation activities Some of these factors are outside the Groups control and may cause capital requirements to vary materially from planned levels

Funding plans are updated throughout the year and are subject to review and challenge by the Finance Committee Base and downside cases are presented together with funding proposals for each Probabilistic outcomes of cash flows are derived using cash flow at risk studies that take account of potential variations in and correlations between, commodity prices, exchange rates, project delivery and operational performance

In response to changing requirements, the Group may adjust its portfolio management programme or capital expenditure plans This may have an impact on planned growth Increases in the Group's capital requirements could affect adversely the Groups financial and business performance and the Group's ability to access financing on attractive terms A credit or debt crisis affecting sovereign states banks, financial markets and/or the economy more generally could affect the Groups ability to raise capital

The Group is exposed to liquidity risks including risks associated with refinancing borrowings as they mature and the risk that financial assets cannot be readily converted to cash without loss of value The Group invests surplus funds primarily in short-term, liquid investments that are readily convertible to cash, and imposes limits on the amount of borrowings that can mature within any specific period In addition, the Group maintains access to a minimum level of committed borrowing facilities, to be used as a source of back-up liquidity These facilities, which are held with a diversified group of major banks totalled $5 2 billion and were undrawn as at 31 December 2013

The Groups financing costs may be adversely affected by interest rate volatility The Groups interest rate risk management policy requires that substantially all borrowings are at a floating rate Exceptions to this policy require approval from BG Groups Finance Committee In the light of the current low interest rate environment a substantial proportion of the Groups debt is currently held under fixed interest rate arrangements

Commodity price and exchange rate risk

The Group's cash flows and profitability are sensitive to commodity prices for crude oil natural gas, LNG and other hydrocarbons

The Groups exposure to commodity prices varies according to a number of factors including the mix of production and sales Oil prices are one of the most significant drivers of the Groups profitability The Group's sensitivity to commodity prices arises from the purchase of third-party supply, the direct sale of commodities into spot markets and the indexation terms in longer-term sales contracts The Groups portfolio also includes a range of long-term gas contracts that are not directly linked to short-term changes in commodity prices

While industry costs tend to rise or fall with commodity prices in the long term there is no guarantee that movements in sales prices and costs will align in any year This can put pressure on investment and project economics which depend in part upon the degree and timing of commitments in line with particular cost structures

The Group does not hedge all commodity prices as a matter of course, but may hedge certain expected commodity sales LNG contracts and other revenue streams from time to time In marketing its energy portfolio the Group may undertake commodity hedging and trading activities

FINANCIAL RISK FACTORS continued

Commodity price and exchange rate risk continued

including the use of option contracts, futures contracts, (financial and physical) forward-based contracts and swap contracts The standalone value of hedges can move significantly potentially increasing the volatility of cash required for margin calls and the accounting profit recognised within a particular quarter

Group capital expenditure in US Dollars depends on prevailing exchange rates particularly for the Australian Dollar, the Brazilian Real and Pound Sterling The Group does not apply any minimum hedging levels as a matter of course but instead takes into account factors such as the volatility of cash flows and the correlation between exchange rates and commodity prices in determining whether, and to what extent, it will hedge hydrocarbon price or exchange rate exposures

Potential variations in commodity prices and exchange rates, along with other major risk factors are considered as part of corporate funding and strategic decisions Projects and investments are screened against a wide range of external sensitivities, including benchmark commodity prices Insights into the impact of changes in commodity price risks and foreign exchange rates are enhanced through cash flow at risk and earnings at risk models which consider the combined impact of a variety of market and operational risks on the Group's business

Counterparty credit risk

The Group s exposure to counterparty credit risk takes the form of a loss that would be recognised if counterparties (including sovereign entities) failed or were unable to meet their payment or performance obligations These include commodity sales, trading and hedging, treasury derivatives and cash investments, and partnerships and arrangements with contractors and suppliers

The Group is also exposed to political and economic risk events that may contribute to non-payment of financial obligations to BG Group by governments or government-owned entities or which may otherwise impact successful project delivery and implementation As discussed below, the Group is exposed to significant counterparty credit risk in Egypt

As at 31 December 2013, the Group's receivable balance with Egypt General Petroleum Corporation (EGPC) in respect of domestic gas sales was $1 2 billion (2012 $1 3 billion) of which $0 5 billion (2012 $0 6 billion) was overdue Following an agreement signed with EGPC in 2011, the repayment of this receivable balance is partly secured by cash from LNG exports through Egyptian LNG Higher than agreed gas volumes continue to be diverted to the Egyptian domestic market, and as a result, the volume of gas available for export has reduced and the effectiveness of this receivable securitisation agreement has diminished In addition, the Group issued Force Majeure notices under its Egyptian LNG arrangements in January 2014 Despite this, the Group considers that the current receivable balance remains fully recoverable as direct cash payments from EGPC continue to be received and discussions with the Egyptian government to seek other forms of payment security are ongoing However the recoverability of the receivable balance depends on the business environment in Egypt the Group s continued investment plans and the volume of gas available for export, together with the outcome of ongoing negotiations with EGPC The Group reviewed the agreement signed with EGPC in 2011 to determine whether the receivable balance should be derecognised and replaced with another asset As the Group retained the rights to receive cash flows from the asset, and the risks and rewards associated with the asset it concluded that no derecognition was required

The financial and credit condition of counterparties is considered prior to entering into commercial contracts trading sales agreements swaps, or futures and options contracts Contractual or other forms of protection or mitigation may be sought, including cash collateral, letters of credit and security over asset or parent company guarantees

KEY PERFORMANCE INDICATORS

The Group has identified the key performance indicators that it believes are useful in assessing the Group's performance against its strategic aims The Directors believe that the key performance indicators of the Group are the same as those identified by BG Group For a detailed description and commentary of BG Groups (and therefore the Group's) key performance indicators, refer to BG Group plc s Annual Report and Accounts 2013 – Our Performance on page 22

FINANCIAL PERFORMANCE AND POSITION

As shown in the Groups consolidated income statement on page 13, Group revenue and other operating income increased to $19 311 million (2012 $19 200 million) However, profit before tax decreased to $3 892 million (2012 $6 326 million) as a result of pre-tax impairments of $4 059 million (2012 $2 161 million)

The profit for the year ended 31 December 2013 of $2 449 million (2012 $4 602 million) has been transferred to reserves

The consolidated balance sheet on page 14 shows that the Group's financial position has not significantly changed with net assets decreasing by 0 4%

By order of the Board

R L Dunn
Joint Company Secretary
30 April 2014

Registered office
100 Thames Valley Park Drive
Reading
Berkshire RG6 1PT

Registered in England & Wales
No 3763515

REFERENCE CONDITIONS

- Brent Oil price real (1/1/2014) 2014 and 2015 $100/bbl
- US Henry Hub real (1/1/2014) 2014 $4 0/mmbtu 2015 $4 25/mmbtu
- US/UK exchange rate of $1 55 £1
- US/AUD exchange rate of $1 $A1 05
- US/BRL exchange rate of $1 BRL2 10
- Prepared under International Financial Reporting Standards
- All production includes fuel gas

Directors' report

The Directors present their report and the audited Financial statements for BG Energy Holdings Limited for the year ended 31 December 2013 The Directors report is pages 5 to 6

RESULTS AND DIVIDEND

For the year ended 31 December 2013, the profit before tax was $3 892m (2012 $6 326m) No dividend was paid or proposed during 2013 (2012 no dividend paid or proposed) Further details are set out in the Financial statements, pages 13 to 53

FUTURE DEVELOPMENTS

Future developments are included in the Strategic report

POST BALANCE SHEET EVENTS

Chris Finlayson stepped down as Chief Executive and Executive Director of BG Group plc on 28 April 2014

SHAREHOLDERS

The Company is a direct wholly owned subsidiary undertaking of BG Group plc BG Group plc is a public limited company registered in England & Wales and listed on the London Stock Exchange

DIRECTORS

The names of the current Directors of the Company and their biographical details are given on page 1 During the year under review Chris Cox and Malcolm Brown were appointed as Directors with effect from 1 January 2013 Robert Booker Fabio Barbosa, Martin Houston and Den Jones ceased to be Directors on 11 February 2013, 15 February 2013, 13 November 2013 and 17 January 2014 respectively Chris Finlayson resigned as Director of the Company with effect from 28 April 2014

DIRECTORS' INSURANCE

The ultimate parent undertaking BG Group plc, has purchased insurance to cover the Directors against liabilities in relation to the Group The Directors Company Secretaries and members of BG Group plc's Group Executive Committee (GEC) have also been granted a qualifying third-party indemnity under Section 234 of the Companies Act 2006 (the Act') which remains in force Neither BG Group plc s indemnity nor insurance provides cover in the event that the indemnified individual is proved to have acted fraudulently or dishonestly

COMPANY SECRETARIES

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

S P Allen
R L Dunn
C S Inman (resigned 22 July 2013)

DIRECTORS' REMUNERATION

None of the Directors received any fees or remuneration in respect of their services to the Company during the financial year

RESEARCH AND DEVELOPMENT

The Act requires the Directors' report to state any activities in the field of research and development undertaken by the Company In 2013, the Group invested $76 5 million in research and development projects up from $51 8 million in 2012 Focus areas of the 2013 investments have been coal seam gas operations and drilling optimisation, carbon management and gas utilisation and research to support the Group's exploration activities and to improve understanding of carbonate fields The Group is committed to increasing technology investment in Brazil and expects to open a Global Technology Centre in Rio de Janeiro in the second half of 2014

See note 2 on page 21 for research and development expenditure included in the income statement

BRANCHES

The Group through various subsidiaries has established branches in a number of different countries in which the business operates

EMPLOYEES

The Group had 5 418 employees worldwide as at 31 December 2013 the majority of whom were employed outside the UK

The Group takes a positive approach to issues of equality and diversity and encourages its partners to do likewise By using the talent and skills available in all groups and communities in the countries in which it operates, the Group is able to build a strong foundation for the lasting success of its business This is achieved by using appropriate recruitment and selection techniques, ensuring equality of employment opportunities and equal access to development opportunities

The Group is also committed to providing a work environment free from harassment and discrimination and remains committed to the full and fair treatment of people with disabilities in relation to job applications, training, promotion and career development Every effort is made to find appropriate alternative jobs for those who are unable to continue in their existing job because of disability The Group encourages its partners to take a similar approach to these issues where BG Group Policies or Standards are not able to be implemented directly

Certain employees of the Group are encouraged to become shareholders in the Group's ultimate parent company (BG Group plc) and a significant number participate in BG Groups share plans

Employees are informed about significant business issues and the Group s performance using webcasts the BG Group plc intranet and in-house publications, as well as at face-to-face briefing meetings at each business location When appropriate, consultation with employee and union representatives also takes place

The Company participates in the Group's policies and practices, including BG Group s Business Principles For further information about the Group s policies and practices, refer to the BG Group plc Annual Report and Accounts 2013

FINANCIAL INSTRUMENTS

The Group uses certain financial instruments to manage financial risk Further details of these instruments and details of the Group's financial risk management practices and policies are set out in the Strategic report on pages 3 to 4 and in note 18 on pages 37 to 43

AUDITORS

Pursuant to Section 485 of the Act, Ernst & Young LLP were appointed auditors of the Company for the year ended 31 December 2013 by an ordinary resolution of the shareholder following the expiry of PricewaterhouseCoopers LLP's term of office

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

As required by Sections 418 and 419 of the Act each of the Directors has approved this report and confirmed that so far as they are 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 they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

GOING CONCERN

The Directors consider that the Group's business activities and financial resources ensure that it is well placed to manage its business risks successfully The Directors are satisfied that the Group's and the Company's activities are sustainable for the foreseeable future, and that the business is a going concern and the Financial statements have therefore been prepared on this basis

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR PREPARING THE FINANCIAL STATEMENTS

The Directors are responsible for preparing the Annual Report and the Group and the parent Company Financial statements in accordance with applicable law and regulations

The Act requires the Directors to prepare Financial statements for each financial year Under the Act, the Directors have prepared the Group Financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and as applied in accordance with the provisions of the Act, and the parent Company Financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) The Financial statements are required by law to give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period

The Directors consider that, in preparing the Financial statements on pages 13 to 53 and on pages 56 to 59, the Company has used appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates, and all applicable accounting standards have been followed The Company has complied with UK disclosure requirements in this report in order to present a consistent picture to all shareholders

The Directors have responsibility for ensuring that the Company keeps accounting records that disclose with reasonable accuracy the financial position of the Company and of the Group and that enable them to ensure that the Financial statements comply with the Act and as regards the Group Financial statements Article 4 of the International Accounting Standard Regulations

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities and have adopted a control framework for application across the Group

The Directors, having prepared the Financial statements have asked the auditors to take whatever steps and to undertake whatever inspections they consider to be appropriate for the purposes of enabling them to give their audit report

Legislation in the UK governing the preparation and dissemination of Financial statements may differ from legislation in other jurisdictions

By order of the Board

RL Dunn

R L Dunn
Joint Company Secretary
30 April 2014

Registered office
100 Thames Valley Park Drive
Reading
Berkshire RG6 1PT

Registered in England & Wales
No 3763515

Independent Auditor's report to the members of BG Energy Holdings Limited

We have audited the Group Financial statements of BG Energy Holdings Limited for the year ended 31 December 2013 which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated balance sheet the Consolidated statement of changes in equity the Consolidated cash flow statement, the Principal accounting policies and the related notes 1 to 26 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union

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 report, for this report or for the opinions we have formed

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As explained more fully in the Statement of Directors Responsibilities for preparing the Financial statements set out on page 6 the Directors are responsible for the preparation of the Group 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 Group 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 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 Group 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 Accounts 2013 to identify material inconsistencies with the audited Financial statements If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report

OPINION ON FINANCIAL STATEMENTS

In our opinion the Group Financial statements

- give a true and fair view of the state of the Group's affairs as at 31 December 2013 and of its profit for the year then ended
- have been properly prepared in accordance with IFRSs as adopted by the European Union 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 the Directors Report for the financial year for which the Group Financial statements are prepared is consistent with the Group Financial statements

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

- 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

OTHER MATTER

We have reported separately on the parent Company Financial statements of BG Energy Holdings Limited for the year ended 31 December 2013

Allister Wilson

Allister Wilson (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP Statutory Auditor

London
30 April 2014

Principal accounting policies

BASIS OF PREPARATION

The Financial statements of the Group for the year ended 31 December 2013 have been prepared in accordance with International Financial Reporting Standards (IFRS) and IFRS Interpretations Committee (IFRIC) interpretations as adopted by the European Union In addition, the Financial statements have been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS The Financial statements have been prepared primarily using historical cost principles except that as disclosed in the accounting policies below certain items, including derivatives, are measured at fair value

The Financial statements of the Company are prepared under UK GAAP Those Financial statements and the principal accounting policies adopted in relation to those Financial statements are set out on pages 55 to 59 The Auditors' report for the Company's Financial statements is on page 54

BASIS OF CONSOLIDATION

The Financial statements comprise a consolidation of the accounts of the Company and its subsidiary undertakings and incorporate the results of its share of jointly controlled entities and associates using the equity method of accounting All inter-company transactions are eliminated on consolidation Consistent accounting policies have been used to prepare the consolidated Financial statements

Most of the Group's exploration and production (E&P) activity is conducted through jointly controlled operations The Group accounts for its own share of the assets, liabilities and cash flows associated with these jointly controlled operations using the proportional consolidation method

The results of undertakings acquired or disposed of are consolidated from or to the date when control passes to or from the Company

PRESENTATION OF RESULTS

The Group presents its results in the income statement to separately identify the contribution of disposals, certain re-measurements impairments and certain other exceptional items in order to provide readers with a clear and consistent presentation of the underlying operating performance of the Group's ongoing business, see note 1 page 17

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of Financial statements in conformity with IFRS requires management to make judgements and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the Financial statements and the reported revenues and expenses during the reporting period Actual results could differ from these estimates

The Group believes that the accounting policies associated with reserves impairment, depreciation exploration expenditure decommissioning costs and tax are the policies where changes in estimates and assumptions could have a significant impact on the Financial statements

Reserves, impairment and depreciation

One factor that affects the calculation of depreciation and impairment in particular is the estimation of hydrocarbon reserves and resources The Group's estimates of reserves and resources of gas and oil are reviewed and, where appropriate, updated quarterly They are also subject to periodic review by external petroleum engineers A number of factors impact on the amount of gas and oil reserves and resources including the available reservoir data commodity prices and future costs and the amount is subject to periodic revision as these factors change

The Group estimates that a 1% change throughout 2013 in the estimation of proved, proved developed and proved plus probable reserves associated with producing fields would have changed the 2013 depreciation charge by $26 million

The Group uses a range of short and long-term assumptions to determine the net present value of future cash flows for use in impairment reviews unless short term market assumptions are more appropriate to the asset under review Particular assumptions that impact the calculations are commodity prices, reserves estimates, exchange rates discount rates and the value of risked exploration acreage Pages 3 to 4 include further detail in relation to commodity prices and exchange rates

In 2013, there was a pre tax impairment charge of $2 0 billion (post-tax $1 3 billion) in relation to the Group's upstream operations in Egypt The impairment resulted from reserve revisions and revised expectations of the value of the Group s Egyptian operations, given continuing uncertainty over the business environment in country In addition, the Group issued Force Majeure notices under its Egyptian LNG agreements in January 2014 The impairment is sensitive to assumptions including the level of domestic gas diversions, the sanctioning of future investment projects, the continued repayment of the domestic receivables balance and the discount rate applied to cash flow projections Any changes in these assumptions could result in an additional impairment in the next financial year

In 2013 there was a pre-tax impairment charge of $1 7 billion (post-tax $1 1 billion) in relation to the Group's shale gas business in the USA The impairment resulted from lower forward gas market prices, lower production expectations based on well performance and the continued low rig count The impairment is sensitive to Henry Hub gas prices price discounts to Henry Hub in the Appalachia region and the discount rate applied to future cash flow projections Any changes in these assumptions could result in an additional impairment in the next financial year

Exploration expenditure

Expenditure on unproved gas and oil reserves within intangible assets is reviewed at least annually to confirm the Group's continued right and intent to explore develop or otherwise realise value from these assets As at 31 December 2013 the Group held a balance of $3 752 million (2012 $4 344 million) relating to expenditure on unproved gas and oil reserves within intangible assets Capitalised exploratory well costs included within this total amounted to $3 058 million (2012 $2 891 million) Unsuccessful exploration expenditure written off to the income statement in 2013 was $394 million (2012 $319 million) Capitalised exploratory well costs relate to areas where further work is being undertaken on geological and geophysical assessment, development design and commercial arrangements

SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES continued

Decommissioning costs

The recognition and measurement of decommissioning provisions involves the use of estimates and assumptions These include the existence of a legal or constructive obligation to decommission based on current legislation contractual or regulatory requirements or best practice, the risk-free discount rate used to determine the net present value of the liability the estimated cost of decommissioning based on internal and external engineering estimates and reports and the payment dates of expected decommissioning costs which are uncertain and are based on economic assumptions surrounding the useful economic lives of the fields concerned Actual costs could differ from estimated costs due to changes in legislation regulations technology price levels and the expected date of decommissioning

On the basis that all other assumptions in the calculation remain the same a 10% change in the cost estimates used to assess the final decommissioning obligations would result in a change to the decommissioning provision of $366 million as at 31 December 2013 This change would be principally offset by a change in the value of the associated asset resulting in no material change to the consolidated net assets The impact on 2014 profit of such a change is estimated to be $61 million (pre-tax) comprising a $46 million change in the depreciation charge and a $15 million change in the unwinding of the discount charge

Current and deferred tax

The Group is subject to income taxes in numerous jurisdictions There are transactions and calculations for which the ultimate tax determination is uncertain The Group periodically evaluates situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate based on amounts expected to be paid to the tax authorities In estimating these provisions consideration is taken of the strength of the technical arguments, the local statute of limitations likely scope of double tax relief, and whether penalties and interest could apply

Deferred tax assets are recognised for deductible temporary differences unutilised tax losses and unused tax credits to the extent that realisation of the related tax benefit through future taxable income is probable To determine the future taxable income reference is made to the latest available profit forecasts This requires assumptions regarding future profitability and is therefore inherently uncertain Significant items where the Group has relied on estimates of future taxable income include a deferred tax asset in respect of the US tax group amounting to $1 056 million (2012 $520 million)

SIGNIFICANT ACCOUNTING POLICIES

The gas and oil disclosure requirements of the Statement of Recommended Practice issued by the Oil Industry Accounting Committee entitled Accounting for Oil and Gas Exploration, Development Production and Decommissioning Activities' have been omitted as they are shown in BG Group plc's Annual Report and Accounts 2013 – Supplementary information – gas and oil (unaudited) pages 134 to 140

Exploration expenditure

The Group uses the 'successful efforts method of accounting for exploration expenditure

Exploration expenditure, including licence acquisition costs is capitalised as an intangible 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 commercial reserves have been discovered

For conventional E&P activities intangible exploration and appraisal expenditure is reclassified to property, plant and equipment on the determination of proved reserves This is the point when exploration and appraisal activities become a development project and reflects the importance of individual well performance and reserves to conventional E&P projects By comparison unconventional coal seam and shale gas activities have a relatively short exploration and appraisal phase and are more focused on the average deliverability of a large number of wells over an entire licence area rather than the performance and reserves associated with individual wells Accordingly, the Group uses the determination of proved plus probable reserves as the point at which exploration and appraisal expenditure on unconventional E&P activities is reclassified to property plant and equipment This approach is consistent with the methodology used to depreciate these activities

Exploration expenditure transferred to property plant and equipment is subsequently depreciated on a unit of production basis Exploration expenditure deemed to be unsuccessful is written off to the income statement

Depreciation and amortisation

Freehold land is not depreciated Other property plant and equipment, except exploration and production assets is depreciated on a straight-line basis at rates sufficient to write off the historical cost less residual value of individual assets over their estimated useful economic lives Asset lives and residual values are reassessed annually

The depreciation periods for the principal categories of assets are as follows

Freehold and leasehold buildings	up to 50 years
Plant and machinery	5 to 40 years
Motor vehicles and office equipment	up to 10 years

Exploration and production assets associated with conventional activities are depreciated from the commencement of commercial 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 for facilities

Exploration and production assets associated with unconventional activities, including coal seam and shale gas are depreciated from commencement of commercial production in the fields concerned, using the unit of production method based on proved plus probable reserves, together with the estimated future development expenditure required to develop those reserves

Intangible assets in respect of contractual rights are recognised at cost less amortisation They are amortised on a straight-line basis over the term of the related contract

Changes in depreciation and amortisation estimates are dealt with prospectively

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 income statement The unwinding of the discount on the provision is included in the income statement within finance costs Any changes to estimated costs or discount rates are dealt with prospectively

SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of non-current assets

Non-current assets subject to depreciation or amortisation are reviewed for impairments whenever events or other changes in circumstances indicate that the carrying amount may not be recoverable Expenditure on unproved gas and oil reserves is assessed for impairment when facts and circumstances suggest that its carrying amount exceeds its recoverable amount

Any impairment of non-current assets (excluding financial assets) is calculated as the difference between the carrying values of cash-generating units (including associated goodwill) and their recoverable amount, being the higher of the estimated value in use or fair value less costs of disposal 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 Fair value less costs of disposal is based on the best evidence available to the Group and may include appropriate valuation techniques, market data or sales of comparable assets

For the purposes of impairment testing, exploration and production assets may be aggregated into appropriate cash-generating units based on considerations including geographical location the use of common facilities and marketing arrangements

Financial instruments

Derivative financial instruments are initially recognised and subsequently re-measured at fair value

Derivative financial instruments utilised by the Group's treasury operations include interest rate swaps foreign currency swaps cross-currency interest rate swaps, forward rate agreements and forward exchange contracts

Certain derivative financial instruments are designated as hedges in line with the Group's risk management policies Gains and losses arising from the re-measurement of these financial instruments are either recognised in the income statement or deferred in other comprehensive income depending on the type of hedging relationship When a hedging instrument is sold or expires, any cumulative gain or loss previously recognised in other comprehensive income remains in other comprehensive income until the hedged transaction is recognised in the income statement or is no longer expected to occur Movements in the fair value of derivative financial instruments not included in hedging relationships are recognised in the income statement

Loans held by the Group are initially measured at fair value and subsequently carried at amortised cost except where they form the underlying transaction in an effective fair value hedge relationship when the carrying value is adjusted to reflect fair value movements associated with the hedged risks Such adjustments are reported in the income statement

Other financial instruments such as receivable balances are measured at amortised cost less impairments

Commodity instruments

Within the ordinary course of business the Group routinely enters into sale and purchase transactions for commodities The majority of these transactions take the form of contracts that were entered into and continue to be held for the purpose of receipt or delivery of the commodity in accordance with the Group's expected sale, purchase or usage requirements Such contracts are not within the scope of IAS 39

Certain commodity contracts have pricing terms that bring them into the scope of IAS 39 In addition, commodity instruments are used to manage certain price exposures in respect of optimising the timing and location of physical gas and LNG commitments These contracts are recognised on the balance sheet at fair value with movements in fair value recognised in the income statement

The Group uses various commodity-based derivative instruments to manage some of the risks arising from fluctuations in commodity prices Such contracts include physical and net-settled forwards futures swaps and options Where these derivatives have been designated as cash flow hedges of underlying commodity price exposures certain gains and losses attributable to these instruments are deferred in other comprehensive income and recognised in the income statement when the underlying hedged transaction crystallises or is no longer expected to occur

All other commodity contracts within the scope of IAS 39 are measured at fair value with gains and losses taken to the income statement Gas contracts and related derivative instruments associated with the physical purchase and re sale of third-party gas are presented on a net basis within other operating income

Revenue recognition

Revenue associated with E&P sales (of natural gas, crude oil and petroleum products) is recorded when title passes to the customer Revenue from the production of natural gas and oil in which the Group has an interest with other producers is recognised based on the Group s working interest and the terms of the relevant production sharing contracts (entitlement method)

Sales of LNG and associated products are recognised when title passes to the customer LNG shipping revenue is recognised over the period of the relevant contract

All other revenue is recognised when title passes to the customer

Current and deferred income tax

The tax expense for the period comprises current and deferred tax, determined using currently enacted or substantively enacted tax laws

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Financial statements Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised

Deferred income tax is provided on temporary differences arising on investments in subsidiaries jointly controlled entities and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future

OTHER ACCOUNTING POLICIES

Business combinations and goodwill

In the event of a business combination the acquisition method of accounting is applied and fair values are attributed to the net assets acquired Goodwill, which represents the difference between the purchase consideration, the amount of any non-controlling interest the fair value of any previously held equity interest and the fair value of the net assets acquired, is capitalised and subject to an impairment review at least annually or more frequently if events or changes in circumstances indicate that the goodwill may be impaired Goodwill is treated as an asset of the relevant entity to which it relates including non-US Dollar entities Accordingly it is retranslated into US Dollars at the closing rate of exchange at each balance sheet date

Property, plant and equipment excluding decommissioning assets

All property plant and equipment is carried at depreciated historical cost Additions represent new or replacements of specific components of property, plant and equipment Finance costs associated with borrowings used to finance major capital projects are capitalised up to the point at which the asset is ready for its intended use

Inventories

Inventories including inventories of gas LNG and oil held for sale in the ordinary course of business, are stated at weighted average historical cost less provision for deterioration and obsolescence or, if lower, net realisable value

Foreign currencies

The Group presents its consolidated Financial statements in US Dollars and its parent Company Financial statements in Pounds Sterling The functional currency of the Company is Pounds Sterling

The exchange rates of US Dollar to Pound Sterling over the periods included in this Annual Report and Accounts are as follows

US$/UK£ exchange rate	2013	2012	2011	2010	2009
Closing rate	**1 6563**	1 6255	1 5541	1 5657	1 6149
Average rate	**1 5640**	1 5848	1 6079	1 5489	1 5510

On consolidation, assets and liabilities denominated in currencies other than US Dollars are translated into US Dollars at closing rates of exchange Non-US Dollar trading results of the parent company, subsidiary undertakings, jointly controlled entities and associates are translated into US Dollars at average rates of exchange Differences resulting from the retranslation of the opening net assets and the results for the year are recognised in other comprehensive income Any differences arising from 1 January 2003, the date of transition to IFRS, are presented as a separate component of equity

Share capital, share premium and other reserves are translated into US Dollars at the historical rates prevailing at the date of the transaction

Exchange differences on monetary assets and liabilities arising in individual entities are taken to the income statement, including those in respect of inter-company balances unless related to exchange differences on items that form part of a net investment in a foreign operation These differences are taken to reserves until the related investment is disposed of All other exchange movements are dealt with through the income statement

Leases

Assets held under finance leases are capitalised and included in property, plant and equipment at the lower of fair value and the present value of the minimum lease payments as determined at the inception of the lease The obligations relating to finance leases net of finance charges in respect of future periods are determined at the inception of the lease and included within borrowings The interest element of the rental obligation is allocated to accounting periods during the lease term to reflect the constant rate of interest on the remaining balance of the obligation for each accounting period

The Group has certain long-term arrangements under which it has acquired all of the capacity of certain property plant and equipment In circumstances where it is considered that the Group has the majority of the risks and rewards of ownership of the plant, the arrangement is considered to contain a finance lease

Rentals under operating leases are charged to the income statement on a straight-line basis over the lease term

Pensions

The amount recognised on the balance sheet in respect of liabilities for defined benefit pension and post retirement benefit plans represents the present value of the obligations offset by the fair value of plan assets

The cost of providing retirement pensions and related benefits is charged to the income statement over the periods benefiting from the employees services Current service costs are reflected in operating profit and net interest costs are reflected in finance costs in the period in which they arise Actuarial gains and losses are recognised in full as they occur in other comprehensive income

Contributions made to defined contribution pension plans are charged to the income statement when payable

Share-based payments

The cost of providing share-based payments to employees is charged to the income statement over the vesting period of the related share options or share allocations made by BG Group plc The cost is based on the fair value of the options or shares allocated and the number of awards expected to vest The fair value of each option or share is determined using either the share price on the date of the grant or a Monte Carlo projection model depending on the type of award Market-related performance conditions are reflected in the fair value of the share Non-market-related performance conditions are allowed for using a separate assumption about the number of awards expected to vest the final charge made reflects the number actually vesting

ACCOUNTING DEVELOPMENTS DURING 2013

Amendment to IAS 19 'Employee Benefits'

The International Accounting Standards Board (IASB) issued an amended IAS 19 in June 2011 The main amendment is to eliminate the option to defer the recognition of actuarial gains and losses, known as the corridor method, which was previously used by the Group The impact on the Group is that all actuarial gains and losses are recognised in other comprehensive income as they occur In addition, net interest expense is calculated based on applying a single discount rate to the net defined benefit liability replacing interest cost and expected return on plan assets The impact on the balance sheet as at 1 January 2012 1 January 2013 and 31 December 2013 is a reduction in net assets of $164 million, $146 million and $223 million respectively consisting of an increase in the net defined benefit liability of $222 million, $189 million and $279 million respectively, offset by an increase in the deferred tax asset of $58 million, $43 million and $56 million respectively For the year ended 31 December 2012 the impact on profit before tax is a $21 million reduction and the post-tax impact on other comprehensive income is a $14 million gain For the year ended 31 December 2013 the impact on profit before tax is a $31 million reduction and the post-tax impact on other comprehensive income is a $58 million loss

Other amendments

A number of other amendments to accounting standards issued by the IASB are applicable from 1 January 2013 They have not had a material impact on the Groups Financial statements for the year ended 31 December 2013

ACCOUNTING DEVELOPMENTS NOT YET ADOPTED

The following standards and amendments have been issued by the IASB up to the date of this report and in some cases have not yet been endorsed by the European Union

IFRS 10 'Consolidated Financial Statements'

The IASB issued IFRS 10 in May 2011 The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be consolidated The standard also provides additional guidance to assist in the determination of control The standard will be adopted by the Group for the year ended 31 December 2014 and is not expected to have a material impact on the Group's Financial statements

IFRS 11 'Joint Arrangements'

The IASB issued IFRS 11 in May 2011 The standard aims to provide a more substance-based reflection of joint arrangements in the Financial statements by focusing on the rights and obligations of the arrangement rather than the legal form The standard will be adopted by the Group for the year ended 31 December 2014 and is not expected to have a material impact on the Group's Financial statements

IFRS 12 'Disclosure of Interests in Other Entities'

The IASB issued IFRS 12 in May 2011 The standard introduces new and comprehensive disclosure requirements for all forms of interests in other entities including joint arrangements, associates special purpose vehicles and other off balance sheet vehicles The standard will be adopted by the Group for the year ended 31 December 2014 and will result in new disclosures in the Groups Financial statements

IFRS 9 'Financial Instruments'

The IASB issued IFRS 9 in November 2009 and has since added to the scope of the standard, most recently in November 2013 IFRS 9 introduces new requirements for the classification and measurement of financial instruments and hedge accounting and will be adopted by the Group when it becomes mandatory in the European Union The Group is currently reviewing the standard to determine the likely impact on the Groups Financial statements

Other revisions and amendments

Other revisions and amendments are not expected to have a material impact on the Group's Financial statements

Consolidated income statement

for the year ended 31 December	Notes	2013 Business Performance $m	2013 Disposals, re-measurements and impairments $m	2013 Total $m	2012 Restated[a] Business Performance $m	2012 Restated[a] Disposals re measurements and impairments $m	2012 Restated[a] Total $m
Group revenue	1	**19 192**	**–**	**19 192**	18 933	–	18 933
Other operating income	1, 4	**(91)**	**210**	**119**	30	237	267
Group revenue and other operating income	1	**19 101**	**210**	**19 311**	18 963	237	19 200
Operating costs	2 4	**(11 961)**	**154**	**(11 807)**	(11 329)	–	(11 329)
Profits and losses on disposal of non current assets and impairments	4	**–**	**(3 817)**	**(3 817)**	–	(1 651)	(1 651)
Operating profit/(loss)[b]	1	**7 140**	**(3 453)**	**3 687**	7 634	(1 414)	6 220
Finance income	4 5	**104**	**65**	**169**	125	97	222
Finance costs	4 5	**(300)**	**–**	**(300)**	(283)	(122)	(405)
Share of post tax results from joint ventures and associates	1	**336**	**–**	**336**	289	–	289
Profit/(loss) before tax		**7 280**	**(3 388)**	**3 892**	7 765	(1 439)	6 326
Taxation	4 6	**(2 907)**	**1 219**	**(1 688)**	(3 401)	353	(3 048)
Profit/(loss) for the year from continuing operations	1 4	**4 373**	**(2 169)**	**2 204**	4 364	(1 086)	3 278
Profit/(loss) for the year from discontinued operations	7	**–**	**245**	**245**	–	1 324	1 324
Profit/(loss) for the year		**4 373**	**(1 924)**	**2 449**	4 364	238	4 602
Profit attributable to							
Shareholders (earnings)	1	**4 373**	**(1 933)**	**2 440[c]**	4 364	144	4 508[c]
Non-controlling interest	1	**–**	**9**	**9**	–	94	94
		4 373	**(1 924)**	**2 449**	4 364	238	4 602

(a) See Accounting developments during 2013 page 12
(b) Operating profit/(loss) is before share of results from joint ventures and associates
(c) Comprises earnings from continuing operations of $2 204m (2012 $3 278m) and from discontinued operations of $236m (2012 $1 230m)

For information on dividends paid and proposed in the year see note 8 page 31

Consolidated statement of comprehensive income

for the year ended 31 December	2013 $m	2012 Restated[a] $m
Profit for the year	**2 449**	4 602
Items that may be reclassified to the income statement		
Fair value gains/(losses) on cash flow hedges	**121**	(244)
Transfers to income statement on cash flow hedges[b]	**146**	836
Fair value gains on net investment hedges	**198**	627
Fair value movements on available for sale assets	**(8)**	8
Tax on cash flow and net investment hedges and available for sale assets[c]	**(90)**	(298)
Currency translation adjustments[d]	**(2 911)**	(1 253)
Other items		
Re measurement of defined benefit pension obligation	**(48)**	31
Tax on re measurement of defined benefit pension obligation	**–**	(9)
Other comprehensive income for the year net of tax[e]	**(2 592)**	(302)
Total comprehensive income for the year	**(143)**	4 300
Attributable to		
Shareholders	**(152)**	4 223
Non controlling interest	**9**	77
	(143)	4 300

(a) See Accounting developments during 2013 page 12
(b) During 2013 a pre-tax loss of $108m (2012 $843m) was transferred from the hedging reserve to revenue to match against the underlying transactions a pre tax gain of $nil (2012 $47m) was transferred from the hedging reserve to other operating income in respect of discontinued cash flow hedges and a pre-tax loss of $38m was transferred from the hedging reserve related to the disposal of an associate (2012 $40m)
(c) Includes tax relating to cash flow hedges of $(54)m (2012 $(141)m), tax relating to net investment hedges of $(36)m (2012 $(163)m) and tax on available-for sale assets of $nil (2012 $6m)
(d) In 2013 a $119m gain (2012 $355m gain) was transferred to the income statement as part of the profit/(loss) on disposal of non US Dollar denominated operations
(e) Includes other comprehensive income in respect of joint ventures and associates of $20m (2012 $72m)

The accounting policies on pages 8 to 12 together with the notes on pages 17 to 53 form part of these accounts

Consolidated balance sheet

as at 31 December	Note	2013 $m	2012 Restated[a] $m	2011 Restated[a] $m
Assets				
Non-current assets				
Goodwill	10	**25**	24	752
Other intangible assets	11	**3 864**	4 469	6 159
Property plant and equipment	12	**42 225**	43 925	37 316
Investments	13	**2 933**	2 488	3 044
Deferred tax assets	6	**1 387**	809	638
Trade and other receivables	15	**777**	896	695
Commodity contracts and other derivative financial instruments	18	**623**	532	366
		51 834	53 143	48 970
Current assets				
Inventories	14	**838**	792	768
Trade and other receivables	15	**6 928**	6 409	7 425
Current tax receivable		**77**	25	141
Commodity contracts and other derivative financial instruments	18	**107**	129	331
Cash and cash equivalents	16	**6 208**	4 432	3 599
		14 158	11 787	12 264
Assets classified as held for sale	7	**–**	386	245
Total assets		**65 992**	65 316	61 479
Liabilities				
Current liabilities				
Borrowings	17	**(475)**	(1 064)	(1 160)
Trade and other payables	19	**(8 489)**	(9 051)	(9 718)
Current tax liabilities		**(1 878)**	(1 408)	(1 263)
Commodity contracts and other derivative financial instruments	18	**(297)**	(423)	(1 345)
		(11 139)	(11 946)	(13 486)
Non-current liabilities				
Borrowings	17	**(17 054)**	(14 443)	(13 977)
Trade and other payables	19	**(150)**	(123)	(72)
Commodity contracts and other derivative financial instruments	18	**(173)**	(347)	(696)
Deferred tax liabilities	6	**(4 120)**	(4 636)	(3 961)
Retirement benefit obligations	24	**(168)**	(288)	(436)
Provisions for other liabilities and charges	20	**(4 115)**	(4 182)	(3 603)
		(25 780)	(24 019)	(22 745)
Liabilities associated with assets classified as held for sale	7	**–**	(158)	(99)
Total liabilities		**(36 919)**	(36 123)	(36 330)
Net assets		**29 073**	29 193	25 149
Equity				
Ordinary shares	21	**4 614**	4 614	4 614
Share premium		**504**	504	504
Hedging reserve		**22**	(191)	(642)
Translation reserve		**(732)**	2 017	2 789
Retained earnings		**24 665**	22 192	17 593
Total shareholders equity		**29 073**	29 136	24 858
Non controlling interest in equity		**–**	57	291
Total equity		**29 073**	29 193	25 149

(a) See Accounting developments during 2013 page 12

The accounts on pages 8 to 53 were approved by the Board and signed on its behalf on 30 April 2014 by

Malcolm Brown
Director

Consolidated statement of changes in equity

	Called up share capital $m	Share premium account $m	Hedging reserve $m	Translation reserve[b] $m	Retained earnings[c] $m	Total $m	Non controlling interest $m	Total $m
As at 1 January 2012 as previously reported	4 614	504	(642)	2 788	17 758	25 022	291	25 313
Impact of change of accounting policy[a]	–	–	–	1	(165)	(164)	–	(164)
As at 1 January 2012 (restated)	4 614	504	(642)	2 789	17 593	24 858	291	25 149
Total comprehensive income for the year	–	–	451	(772)	4 544	4 223	77	4 300
Profit for the year	–	–	–	–	4 508	4 508	94	4 602
Hedges, net of tax	–	–	451	464	–	915	–	915
Available for sale assets net of tax	–	–	–	–	14	14	–	14
Defined benefit pension obligation net of tax	–	–	–	–	22	22	–	22
Currency translation adjustments	–	–	–	(1 236)	–	(1 236)	(17)	(1 253)
Adjustment for share schemes	–	–	–	–	74	74	–	74
Tax in respect of share schemes[d]	–	–	–	–	(19)	(19)	–	(19)
Dividends	–	–	–	–	–	–	(17)	(17)
Disposal of non controlling interest	–	–	–	–	–	–	(294)	(294)
As at 31 December 2012 (restated)	**4 614**	**504**	**(191)**	**2 017**	**22 192**	**29 136**	**57**	**29 193**
Total comprehensive income for the year	–	–	213	(2 749)	2 384	(152)	9	(143)
Profit for the year	–	–	–	–	2 440	2 440	9	2 449
Hedges net of tax	–	–	213	162	–	375	–	375
Available for sale assets net of tax	–	–	–	–	(8)	(8)	–	(8)
Defined benefit pension obligation net of tax	–	–	–	–	(48)	(48)	–	(48)
Currency translation adjustments	–	–	–	(2 911)	–	(2 911)	–	(2 911)
Adjustment for share schemes	–	–	–	–	74	74	–	74
Tax in respect of share schemes[d]	–	–	–	–	15	15	–	15
Disposal of non controlling interest	–	–	–	–	–	–	(66)	(66)
As at 31 December 2013	**4 614**	**504**	**22**	**(732)**	**24 665**	**29 073**	**–**	**29 073**

(a) See Accounting developments during 2013 page 12
(b) As at 31 December 2013 includes currency translation gains of $20m (2012 $26m) relating to joint ventures and associates
(c) As at 31 December 2013 includes retained earnings in respect of joint ventures and associates of $771m (2012 $666m)
(d) This consists of current tax of $6m (2012 $6m) and deferred tax of $9m (2012 $(25)m)

The accounting policies on pages 8 to 12 together with the notes on pages 17 to 53 form part of these accounts

Consolidated cash flow statement

for the year ended 31 December	Note	2013 $m	2012 $m
Cash generated by operations	25	**10 294**	10 729
Income taxes paid		**(2 463)**	(2 716)
Net cash inflow from operating activities		**7 831**	8 013
Cash flows from investing activities			
Dividends received		**147**	151
Proceeds from disposal of subsidiary undertakings and investments[a]		**774**	2 185
Proceeds from disposal of property plant and equipment and intangible assets[b]		**3 827**	754
Purchase of property, plant and equipment and intangible assets		**(10 605)**	(9 974)
Loans to joint ventures and associates		**–**	(4)
Repayments from joint ventures and associates		**73**	702
Interests in subsidiaries joint ventures and associates and other investments		**(610)**	(429)
Other loan repayments/(advances)		**112**	(280)
Net cash outflow from investing activities		**(6 282)**	(6 895)
Cash flows from financing activities			
Interest paid		**(675)**	(658)
Interest received		**115**	117
Dividends paid to non-controlling interest		**–**	(18)
Net proceeds from issue of new borrowings[c]		**2 713**	2 925
Repayment of borrowings		**(1 093)**	(1 736)
Funding movements with parent company		**(904)**	(856)
Net cash inflow/(outflow) from financing activities		**156**	(226)
Net increase in cash and cash equivalents		**1 705**	892
Cash and cash equivalents at 1 January	16	**4 518**	3 599
Effect of foreign exchange rate changes		**(15)**	27
Cash and cash equivalents at 31 December[d]	16	**6 208**	4 518

There were no major non-cash transactions in 2013 or 2012

The cash flows above are inclusive of discontinued operations (see note 7, page 29)

(a) 2013 includes proceeds from the disposal of Gujarat Gas Company Limited of $259m (net of cash held at the date of disposal of $84m) TGGT of $240m and the Groups remaining 20% equity in GNL Quintero of $172m 2012 includes the disposal of Comgás for gross cash proceeds of $1 674m ($1 572m net of the $102m cash held at the date of disposal) Philippines power assets of $360m and 20% equity in GNL Quintero of $176m
(b) 2013 includes proceeds of $3 633m from the disposal of certain interests in upstream coal seam gas tenements in Australia and equity interests in the QCLNG project Train 1 liquefaction facility 2012 includes $651m for the disposal of 10% of the Groups interest in the Karachaganak gas condensate project
(c) Includes net cash flows relating to short maturity financing
(d) The balance at 31 December 2013 includes cash and cash equivalents of $6 208m (2012 $4 432m) and cash included within assets held for sale of $nil (2012 $86m)

The accounting policies on pages 8 to 12 together with the notes on pages 17 to 53 form part of these accounts

Notes to the accounts

1 SEGMENTAL ANALYSIS AND RESULTS PRESENTATION

The Group's reportable segments are those used by the Group's Board and management (the 'Chief Operating Decision Maker' as defined in IFRS 8 Operating Segments) to run the business and are based on differences in the Group's products and services Segment information is presented on the same basis as that used for internal reporting purposes The Group has two principal operating and reporting segments Upstream and LNG Shipping & Marketing Upstream comprises exploration development, production, liquefaction and marketing of hydrocarbons LNG Shipping & Marketing combines the development and use of LNG import facilities with the purchase shipping and sale of LNG and regasified natural gas The Group s remaining Transmission and Distribution businesses (T&D) principally Mahanagar Gas in India and certain corporate activities have been included in the Other segment

Intra-Group sales are settled at market prices and are generally based on the same prices as those charged to third parties (arm's length principle) Group revenue, profit for the year depreciation, amortisation and impairment and capital investment attributable to the Group activities are shown on pages 17 to 20 analysed by operating segment

The presentation of the Group's results under IFRS separately identifies the effect of the re-measurement of certain financial instruments, profits and losses on the disposal and impairment of non-current assets and certain other exceptional items Results excluding discontinued operations and disposals, certain re-measurements certain other exceptional items and impairments (Business performance) are used by management and are presented in order to provide readers with a clear and consistent presentation of the underlying operating performance of the Group's ongoing business

The disposals re-measurements and impairments column includes unrealised gains and losses in respect of certain gas sales contracts classified as derivatives under IAS 39, commodity instruments that represent economic hedges but do not qualify for hedge accounting and financial instruments used to manage foreign exchange and interest rate exposure Where these instruments represent economic hedges but cannot be designated as hedges under IAS 39, unrealised movements in fair value, together with foreign exchange movements associated with the underlying borrowings and foreign exchange movements in respect of certain inter-company balances are recorded in the income statement and disclosed separately as disposals re-measurements and impairments' The separate presentation of these items best reflects the underlying performance of the business since it distinguishes between the temporary timing differences associated with re-measurements under IAS 39 rules and actual realised gains and losses

Under IFRS the results from jointly controlled entities (joint ventures) and associates are presented net of tax and finance costs on the face of the income statement The Group also presents the operating profit of the Group including results of joint ventures and associates before interest and tax as this approach provides additional information on the source of the Group's operating profits

The following tables provide a reconciliation between the overall results and Business performance, and operating profit including and excluding the results of joint ventures and associates The geographical information provided for external revenue is based on country of production

GROUP REVENUE
Analysed by operating segment

for the year ended 31 December	External Revenue		Intra Group Revenue		Total Group Revenue	
	2013 $m	2012 $m	**2013 $m**	2012 $m	**2013 $m**	2012 $m
Group revenue(a)						
Upstream	**11 455**	11 161	**688**	780	**12 143**	11 941
LNG Shipping & Marketing	**7 730**	7 760	**31**	297	**7 761**	8 057
Other	**7**	12	**–**	–	**7**	12
Segmental revenue	**19 192**	18 933	**719**	1 077	**19 911**	20 010
Less Intra Group revenue	**–**	–	**(719)**	(1 077)	**(719)**	(1 077)
Group revenue	**19 192**	18 933	**–**	–	**19 192**	18 933

(a) External revenue attributable to the UK is $3 270m (2012 $3 052m) External revenue attributable to non UK countries is $15 922m (2012 $15 881m) Included in the Upstream segment is revenue of $2 090m attributable to Kazakhstan representing 11% of Group revenue (2012 $2 299m 12%) LNG Shipping & Marketing revenues are not considered reliant on individual countries since they are associated with the global deployment of the Group s portfolio of flexible LNG supplies

External revenue in respect of a single external customer amounted to $2 198m (2012 $2 402m) recognised in the Upstream segment These revenues are associated with the sale of marketable commodities and over 95% are secured by letters of credit accordingly this single customer is not considered to represent a concentration of business risk to the Group For further information on credit risk see the Group s principal risks and uncertainties page 3 and note 18 page 37

1 SEGMENTAL ANALYSIS AND RESULTS PRESENTATION continued
PROFIT FOR THE YEAR
Analysed by operating segment

for the year ended 31 December	Business Performance		Disposals re measurements and impairments		Total	
	2013 $m	2012 $m	**2013 $m**	2012 $m	**2013 $m**	2012 $m
Group revenue	**19 192**	18 933	**–**	–	**19 192**	18 933
Other operating income[a][b]	**(91)**	30	**210**	237	**119**	267
Group revenue and other operating income	**19 101**	18 963	**210**	237	**19 311**	19 200
Operating profit/(loss) before share of results from joint ventures and associates[c]						
Upstream[d]	**4 543**	5 121	**(3 815)**	(1 695)	**728**	3 426
LNG Shipping & Marketing	**2 623**	2 544	**363**	297	**2 986**	2 841
Other activities	**(26)**	(31)	**(1)**	(16)	**(27)**	(47)
	7 140	7 634	**(3 453)**	(1 414)	**3 687**	6 220
Share of pre-tax operating results of joint ventures and associates						
Upstream	**436**	360	**–**	–	**436**	360
LNG Shipping & Marketing	**26**	41	**–**	–	**26**	41
Other activities	**34**	41	**–**	–	**34**	41
	496	442	**–**	–	**496**	442
Total operating (loss)/profit						
Upstream	**4 979**	5 481	**(3 815)**	(1 695)	**1 164**	3 786
LNG Shipping & Marketing	**2 649**	2 585	**363**	297	**3 012**	2 882
Other activities	**8**	10	**(1)**	(16)	**7**	(6)
	7 636	8 076	**(3 453)**	(1 414)	**4 183**	6 662
Net finance (costs)/income						
Finance income	**104**	125	**65**	97	**169**	222
Finance costs	**(300)**	(283)	**–**	(122)	**(300)**	(405)
Share of joint ventures and associates	**(24)**	(39)	**–**	–	**(24)**	(39)
	(220)	(197)	**65**	(25)	**(155)**	(222)
Taxation						
Taxation	**(2 907)**	(3 401)	**1 219**	353	**(1 688)**	(3 048)
Share of joint ventures and associates	**(136)**	(114)	**–**	–	**(136)**	(114)
	(3 043)	(3 515)	**1 219**	353	**(1 824)**	(3 162)
Profit for the year from continuing operations	**4 373**	4 364	**(2 169)**	(1 086)	**2 204**	3 278
Profit for the year from discontinued operations	**–**	–	**245**	1 324	**245**	1 324
	4 373	4 364	**(1 924)**	238	**2 449**	4 602
Profit attributable to						
Shareholders (earnings)	**4 373**	4 364	**(1 933)**	144	**2440**	4 508
Non-controlling interest	**–**	–	**9**	94	**9**	94
	4 373	4 364	**(1 924)**	238	**2 449**	4 602

(a) Other operating income includes the results of the purchase and re sale of third party gas in the UK income arising from asset optimisation activities undertaken by the Groups LNG Shipping & Marketing operations and unrealised gains and losses arising from the mark to market movements of commodity based derivative instruments including certain gas sales contracts classified as derivatives under IAS 39 Further details of the use and valuation of commodity based financial instruments are shown in note 18 page 37 Further information on other operating income is given in note 4 page 26

(b) Business performance Other operating income is attributable to segments as follows Upstream $15m (2012 $13m) and LNG Shipping & Marketing $(106)m (2012 $17m)

(c) Operating profit/(loss) before share of results from joint ventures and associates includes

(i) Disposals and provisions for impairment of $(3 817)m (2012 $(1 651)m) attributable to segments as follows Upstream $(3 941)m (2012 $(1 640)m) LNG Shipping & Marketing $140m (2012 $5m) and Other activities $(16)m (2012 $(16)m)

(ii) Non cash re measurements of $210m (2012 $237m) attributable to segments as follows Upstream $33m (2012 $(55)m) and LNG Shipping & Marketing $177m (2012 $292m) and

(iii) Other operating costs of $154m (gain) (2012 $nil) attributable to segments as follows Upstream $93m LNG Shipping & Marketing $46m and Other activities $15m

(d) Business performance operating profit before share of results from joint ventures and associates includes $394m (2012 $319m) of unsuccessful exploration expenditure written off and charged to the Upstream segment

1 SEGMENTAL ANALYSIS AND RESULTS PRESENTATION continued
PROFIT FOR THE YEAR continued
Analysed by operating segment

Total operating profit/(loss)	Business Performance		Disposals re measurements and impairments		Total	
for the year ended 31 December	**2013 $m**	2012 $m	**2013 $m**	2012 $m	**2013 $m**	2012 $m
Upstream	**4 979**	5 481	**(3 815)**	(1 695)	**1 164**	3 786
LNG Shipping & Marketing	**2 649**	2 585	**363**	297	**3 012**	2 882
	7 628	8 066	**(3 452)**	(1 398)	**4 176**	6 668
Other activities	**8**	10	**(1)**	(16)	**7**	(6)
	7 636	8 076	**(3 453)**	(1 414)	**4 183**	6 662
Less share of pre tax operating results from joint ventures and associates					**(496)**	(442)
Add share of post tax results from joint ventures and associates					**336**	289
Net finance costs					**(131)**	(183)
Profit before tax					**3 892**	6 326
Taxation					**(1 688)**	(3 048)
Profit for the year from continuing operations					**2 204**	3 278
Profit for the year from discontinued operations					**245**	1 324
					2 449	4 602

JOINT VENTURES AND ASSOCIATES
Analysed by operating segment

	Share of pre tax operating results from joint ventures and associates		Share of net finance costs and tax from joint ventures and associates		Share of post tax results from joint ventures and associates	
for the year ended 31 December	**2013 $m**	2012 $m	**2013 $m**	2012 $m	**2013 $m**	2012 $m
Upstream	**436**	360	**(139)**	(126)	**297**	234
LNG Shipping & Marketing	**26**	41	**(6)**	(16)	**20**	25
Other activities	**34**	41	**(15)**	(11)	**19**	30
Continuing operations	**496**	442	**(160)**	(153)	**336**	289
Discontinued operations	**1**	22	**(2)**	–	**(1)**	22
	497	464	**(162)**	(153)	**335**	311

Notes to the accounts continued

1 SEGMENTAL ANALYSIS AND RESULTS PRESENTATION continued
DEPRECIATION, AMORTISATION AND IMPAIRMENT
Analysed by operating segment

for the year ended 31 December	Depreciation and Amortisation 2013 $m	2012 $m	Impairment[a] 2013 $m	2012 $m	Total 2013 $m	2012 $m
Upstream	**2 793**	2 348	**4 029**	2 107	**6 822**	4 455
LNG Shipping & Marketing	**158**	158	**–**	44	**158**	202
Other activities	**3**	4	**30**	10	**33**	14
Continuing operations	**2 954**	2 510	**4 059**	2 161	**7 013**	4 671
Discontinued operations	**1**	83	**–**	150	**1**	233
	2 955	2 593	**4 059**	2 311	**7 014**	4 904

(a) Further details of impairments are given in note 4 page 26

CAPITAL INVESTMENT
Analysed by operating segment

for the year ended 31 December	Capital expenditure[a] 2013 $m	2012 $m	Capital investment[b] 2013 $m	2012 $m
Upstream	**11 597**	10 983	**12 206**	11 409
LNG Shipping & Marketing	**27**	11	**28**	15
Other activities	**–**	–	**–**	3
Continuing operations	**11 624**	10 994	**12 234**	11 427
Discontinued operations	**10**	297	**10**	297
	11 634	11 291	**12 244**	11 724

(a) Comprises expenditure on property plant and equipment and other intangible assets
(b) Comprises expenditure on property plant and equipment other intangible assets and investments including business combinations

As at 31 December 2013, the Group non-current assets balance (excluding derivative financial instruments, deferred tax assets and finance lease receivable) of $49 690m (2012 $51 607m) included an amount attributable to the UK of $8 246m (2012 $7 777m) The amount attributable to non-UK countries was $41 444m (2012 $43 830m) and included $21 828m (2012 $21 277m) attributable to Australia representing 44% (2012 41%) of the Group total and $5 262m (2012 $4 000m) attributable to Brazil representing 11% of the Group total (2012 8%)

2 OPERATING COSTS

Included within the Group s operating costs charged to the income statement were the following items

	2013 $m	2012 $m
Raw materials consumables and finished goods	**3 062**	3 478
Inventory adjustments to net realisable value	**4**	1
Employee costs (see note 3(C) page 23)	**1 076**	1 271
Less Own work capitalised	**(295)**	(315)
Employee costs included within other operating charges below	**(116)**	(143)
Employee costs included within net finance costs	**(11)**	(14)
	654	799
Depreciation and amortisation		
Depreciation of Property plant and equipment	**2 945**	2 505
Amortisation of Other intangible assets	**9**	5
	2 954	2 510
Unsuccessful exploration expenditure written off	**394**	319
Other operating charges		
Other exploration expenditure[(a)]	**317**	365
Operating lease rentals	**653**	536
Research and development	**76**	52
Tariffs royalties, liquefaction and regasification costs	**1 883**	1 565
Net foreign exchange (gains)/losses on operating activities	**(31)**	27
Other costs[(b)]	**1 841**	1 677
Continuing operations total	**11 807**	11 329

(a) Broadly equivalent to cash flows attributable to operating activities arising from exploration and evaluation
(b) Includes certain E&P lifting, storage marketing and general administration costs

Notes to the accounts continued

2 OPERATING COSTS continued
AUDITORS' FEES AND SERVICES
Ernst & Young LLP were appointed as the Group s auditors in March 2013 following a competitive tender process and served as independent external auditors for the year ended 31 December 2013 PricewaterhouseCoopers LLP served as the independent external auditors for the year ended 31 December 2012 The external auditors are deemed to be re-appointed under Section 487 of the Companies Act 2006 and accordingly Ernst & Young LLP remains in office

Audit fees for the audit of the Company's and Group s accounts for the year ended 31 December 2013 were $68 400 (2012 $66 000)

The following table presents the aggregate fees for professional services and other services rendered by the external auditors to BG Energy Holdings

	2013 $m	2012 $m
Fees payable to the Group s auditors and its associates for other services		
The audit of the parent s subsidiaries	**2 0**	3 9
Audit related assurance services[a]	**1 2**	0 3
Total fees payable for audit services	**3 2**	4 2
Other assurance services	**0 1**	–
All other services[b]	**0 3**	0 4
	3 6	4 6

(a) Audit related assurance services includes costs relating to the interim review and regulatory reporting
(b) All other services includes fees billed for attestation services consultations concerning financial accounting and reporting standards and other advice

No audit fees were paid to the Group's auditors in 2013 in respect of the audits of the Group's pension schemes (2012 $36 000)

3 DIRECTORS AND EMPLOYEES

A) DIRECTORS' REMUNERATION

None of the Directors received any fees or remuneration in respect of their services to the Company during the financial year

B) KEY MANAGEMENT COMPENSATION

Key management compensation analysed below represents amounts in respect of the Directors and the executive officers, defined as BG Groups Group Executive Committee (GEC) and Company Secretary excluding Sir Frank Chapman (to 31 December 2012), Ashley Almanza (to 31 December 2012), Martin Houston (to 13 November 2013) Fabio Barbosa (to 15 February 2013), Chris Finlayson, and Simon Lowth (from 2 December 2013) whose emoluments are payable by BG Group plc

	2013 $000	2012 $000
Salaries	**6 092**	4 443
Benefits	**357**	307
Bonuses[a]	**919**	3 171
Pension charge[b]	**2 137**	1 206
Share based payments[c]	**10 169**	6 266
	19 674	15 393

(a) Bonus figures for 2013 include payments under the Annual Incentive Scheme (AIS) in respect of the 2013 incentive year which will be made in 2014 Bonus figures for 2012 represent payments under the AIS in respect of the 2012 incentive year which were made in 2013 Bonuses for 2013 and 2012 include remuneration to be given in the form of awards under the Voluntary Bonus Deferral Plan (VBDP) Bonuses exclude remuneration given in the form of mandatorily deferred shares under the Deferred Bonus Plan (DBP) (2013 $2 455 000 2012 $nil)
(b) Includes benefits accruing under defined benefit schemes and cash in lieu of pensions
(c) Share based payments include a charge for mandatorily deferred shares under the DBP awarded to key management under the DBP in respect of the previous incentive years

C) EMPLOYEE COSTS

	2013 $m	2012 $m
Wages and salaries[a]	**822**	906
Social security costs	**66**	87
Pension charge[b]	**(19)**	148
Share based payments (see note 3(E) page 24)	**80**	56
Other including incentive schemes[c]	**136**	176
	1 085	1 373
Less attributable to discontinued operations	**(9)**	(102)
Continuing operations	**1 076**	1 271

(a) Includes termination payments and payments in lieu of notice
(b) The pension charge for the year ended 31 December 2013 includes a curtailment gain of $154m (2012 $nil) interest on plan liabilities of $nil (2012 $9m) in respect of discontinued operations and a $11m charge (2012 $14m) which is presented within finance costs (see note 24 page 47)
(c) Includes payments under the AIS and remuneration to be given in the form of shares under the VBDP

In 2013, employee costs of $790m (2012 $1 058m) were charged to the income statement and $295m (2012 $315m) were capitalised

D) AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR

	2013 Number	2012 Number
Upstream	**4 886**	4 660
LNG Shipping & Marketing	**360**	436
Discontinued operations	**288**	1 467
	5 534	6 563

3 DIRECTORS AND EMPLOYEES continued
E) SHARE-BASED PAYMENTS

	2013 $m	2012 $m
Equity settled share-based payments		
Group share awards	**46**	42
Performance share awards	**10**	14
Other share awards[a]	**9**	9
	65	65
Cash-settled share-based payments	**15**	(9)
	80	56

(a) The charge for other share awards excludes an amount of $9m (2012 $8m) relating to shares and nil cost options awarded under the VBDP which was transferred to equity during 2013 This expense was recognised in the income statement during 2012 as part of the AIS charge The number of awards made was 0 5m (2012 0 3m)

Group Share Awards
BG Group plc's Group Share Awards under the Groups Long-Term Incentive Plan (LTIP) will normally vest three years after the date of grant subject to continued employment and the individual employee s performance Awards are in the form of shares (2013 1 7m shares 2012 1 8m shares) or nil-cost options (2013 1 6m options, 2012 1 8m options) The costs in respect of these awards are charged to the income statement over the vesting period, based on the fair value of the shares and options at the award date Dividend equivalents accrue on the award during the vesting period Accordingly the fair value of the shares and options awarded is based on the market value of BG Group plc s shares on the award date which was £12 69 per share in 2013 (2012 £12 56 per share)

Performance Share Awards
Details of BG Group plc's Performance Share Awards under the Groups LTIP are given in BG Group plc's Annual Report and Accounts 2013 Awards are in the form of shares (2013 0 6m shares, 2012 0 5m shares) or nil-cost options (2013 1 3m options 2012 1 0m options) The costs in respect of these awards are charged to the income statement over the vesting period based on the fair value of the shares and options at the award date adjusted for the probability of market-related performance conditions being achieved The fair value of shares and options awarded during the year is estimated using a Monte Carlo projection model with the following assumptions BG Group plc share price on date of issue of £12 71 (2012 £12 71) exercise price of £nil (2012 £nil) a risk-free rate of 0 81% (2012 0 36%) and a vesting period of three years (2012 three years) The model also contains assumptions for both BG Group plc and each member of the industry peer group (set out in BG Group plc s Annual Report and Accounts 2013) in respect of volatility average share price growth and share price correlation Expected volatility was determined by calculating the historical volatility of the share price over the previous three-year period Share price correlation was determined by calculating the historical correlation of the share price over the previous three-year period Average share price growth was determined from historical growth over the previous year Dividend equivalents accrue on the award during the vesting period The fair value of shares and options awarded during the year was £6 13 per share (2012 £5 02 per share)

Other Share Awards
The charge for Other share awards includes awards made under BG Group plc s DBP, BG Group plc's Sharesave Plan BG Group plc's Share Incentive Plan and BG Group plc s Share Award Plan

BG Group plc s DBP operates in conjunction with the AIS and is described in BG Group plcs Annual Report and Accounts 2013 Awards are in the form of shares (2013 0 1m shares 2012 0 1m shares) or nil-cost options (2013 nil, 2012 0 1m options) The charge to the Groups income statement in respect of these awards was $2m in 2013 (2012 $3m) and is based on the market value of BG Group plc's shares at the award date which was £11 72 in 2013 (2012 £15 38)

The charge to the Group's income statement in respect of BG Group plc's Sharesave Plan is based on the fair value of the share options at the grant date and the likelihood of allocations vesting under the scheme The charge was $2m in 2013 (2012 $1m) The fair value of the share options granted is determined using a Black-Scholes option pricing model and was £3 36 in 2013 (2012 £2 99)

In 2013, awards of 0 3m shares (2012 0 2m shares) were made in conjunction with BG Group plc's UK Flexible Benefits Plan, an element of BG Group plc's Share Incentive Plan The charge to the Groups income statement in respect of these awards was $4m in 2013 (2012 $5m) and is based on the market value of BG Group plc's shares at the grant date, which was £10 79 in 2013 (2012 £14 21)

BG Group plc s Share Award Plan was an award in 2013 in the form of shares or nil-cost options with a three year vesting period In 2013, awards of 0 1m shares and 0 3m nil-cost options were made under this plan (2012 nil) The charge to the Group's income statement in respect of these awards was $1m in 2013 (2012 nil) The fair value of the shares and options awarded is based on the market value of BG Group plc s shares at the grant date, which was £12 19

Cash-Settled Share-Based Payments
Cash-settled share-based payments arise when the Group incurs a liability to transfer cash amounts that are based on the price (or value) of BG Group plc s shares Most of the charge in respect of cash-settled share-based payments relates to social security costs on share awards which have not vested or, in the case of share options have not been exercised The charge to the income statement is based on the fair value of the awards outstanding at the balance sheet date, multiplied by the current employer s social security rate

3 DIRECTORS AND EMPLOYEES continued
F) SUMMARY OF MOVEMENTS IN SHARE AWARDS AND SHARE OPTIONS

	Share awards under BG Group plc s LTIP m	Nil cost options under BG Group plc s LTIP m	BG Group plc Sharesave Plan options m	BG Group plc CSOS options m	Other BG Group plc nil cost options(a) m
2012					
Outstanding as at 1 January 2012	5 1	12 7	1 6	13 2	0 6
Granted	2 3	4 3	0 9	–	0 4
Vested	(1 2)	n/a	n/a	n/a	n/a
Exercised	n/a	(0 3)	(0 4)	(3 1)	(0 1)
Forfeited	(1 1)	(4 2)	(0 5)	–	–
Outstanding as at 31 December 2012	5 1	12 5	1 6	10 1	0 9
Exercisable as at 31 December 2012	n/a	1 8	–	10 1	0 8
Option price range as at 31 December 2012 (£)	n/a	n/a	8 63–11 10	2 71–7 92	n/a
Weighted average remaining contractual life	n/a	8yrs 5mths	2yrs 6mths	3yrs 4mths	4yrs 7mths
Option price range for exercised options (£)	n/a	n/a	5 82–10 27	2 71–7 92	n/a
Weighted average share price at the date of exercise for options exercised in the year (£)	n/a	12 47	14 30	13 40	13 28
2013					
Outstanding as at 1 January 2013	5 1	12 5	1 6	10 1	0 9
Granted	2 3	4 7	0 2	–	0 8
Vested	(1 1)	n/a	n/a	n/a	n/a
Exercised	n/a	(1 1)	(0 3)	(4 0)	(0 2)
Forfeited	(1 0)	(3 7)	(0 1)	(0 1)	–
Outstanding as at 31 December 2013	**5 3**	**12 4**	**1 4**	**6.0**	**1 5**
Exercisable as at 31 December 2013	**n/a**	**1 9**	**–**	**6.0**	**1 1**
Option price range as at 31 December 2013 (£)	**n/a**	**n/a**	**8 63–11 10**	**3 47–7 92**	**n/a**
Weighted average remaining contractual life	**n/a**	**8yrs 5mths**	**2yrs 5mths**	**2yrs 6mths**	**4yrs 9mths**
Option price range for exercised options (£)	**n/a**	**n/a**	**8 63–11 10**	**2.71–7 92**	**n/a**
Weighted average share price at the date of exercise for options exercised in the year (£)	**n/a**	**11 95**	**11 57**	**12 10**	**12 16**

(a) Comprises nil cost options awarded under BG Group plc s DBP BG Group plc s Share Award Plan and BG Group plc s VBDP

The table includes share options granted to the Directors and other BG Group plc employees who are not employed by the Group but who have options under these schemes and plans

G) WEIGHTED AVERAGE EXERCISE PRICE OF SHARE OPTIONS

	2013 BG Group plc Sharesave Plan options £	**2013 BG Group plc CSOS options £**	2012 BG Group plc Sharesave Plan options £	2012 BG Group plc CSOS options £
Outstanding as at 1 January	**9 14**	**6 13**	9 29	6 04
Granted	**10 22**	**–**	8 74	–
Exercised	**8 65**	**5 76**	7 25	5 77
Forfeited	**9 51**	**5 51**	10 26	–
Outstanding as at 31 December	**9 43**	**6 38**	9 14	6 13
Exercisable as at 31 December	**8 63**	**6 38**	–	6 13

The figures include the weighted average exercise price of share options granted to the Directors and other BG Group plc employees who are not employed by the Group but who have options under BG Group plc's Company Share Option Scheme and BG Group plc's Sharesave Plan

Notes to the accounts continued

4 DISPOSALS, RE-MEASUREMENTS AND IMPAIRMENTS

The Group has separately identified profits and losses related to disposals of non-current assets impairments of non-current assets, certain other exceptional items, and certain re-measurements of financial instruments A reconciliation of results before and after disposals, re-measurements and impairments is given in note 1 page 17

	2013 $m	2012 $m
Other operating income		
Re-measurements of commodity-based contracts	**210**	237
Operating costs	**154**	–
Profits and losses on disposal of non-current assets and impairments		
Disposals of non-current assets	**253**	578
Impairments	**(4 059)**	(2 161)
Other	**(11)**	(68)
	(3 817)	(1 651)
Finance income	**65**	97
Finance costs	**–**	(122)
	(3 388)	(1 439)
Taxation on disposals re-measurements and impairments	**1 219**	353
Loss for the year from continuing operations	**(2 169)**	(1 086)

OTHER OPERATING INCOME

Re-measurements included within Other operating income amount to a credit of $210m (2012 $237m), of which a credit of $34m (2012 $140m) represents non-cash mark-to-market movements on certain gas contracts Whilst the activity surrounding these contracts involves the physical delivery of gas the contracts fall within the scope of IAS 39 and meet the definition of a derivative instrument In addition, re-measurements include a $176m credit (2012 $97m) representing unrealised mark-to-market movements associated with economic hedges Further information on commodity instruments is given in note 18 page 37

OPERATING COSTS

Operating costs comprise a curtailment gain of $154m (2012 $nil) in respect of the closure of the BG Group UK defined benefit pension scheme to future accrual of benefits on 31 December 2013 Further information on the pension scheme is given in note 24 page 47

DISPOSAL OF NON-CURRENT ASSETS AND IMPAIRMENTS
2013

Disposal of non-current assets

The Group completed transactions with China National Offshore Oil Corporation (CNOOC) for the sale of certain interests in the QCLNG project in Australia for total consideration of $3 801m, resulting in a pre and post-tax profit on disposal of $31m in the Upstream segment, and the sale of its 50% holding in TGGT in the USA for a total consideration of $257m resulting in a pre tax profit on disposal of $187m (post-tax $98m) in the Upstream segment

The Group completed the sale of its remaining 20% equity in the Quintero LNG regasification facility in Chile for a total consideration of $176m This resulted in a pre-tax profit on disposal of $140m (post-tax $107m) in the LNG Shipping & Marketing segment

The Group completed the sale of all its interests in the Cotton Valley formation to EXCO Resources for $131m This resulted in a pre and post-tax profit on disposal of $10m in the Upstream segment Other disposals resulted in a pre and post-tax profit of $11m comprising $1m pre and post-tax charge in the Upstream segment and $12m pre and post-tax profit in the Other segment

A pre-tax charge of $126m (post-tax $83m) was recognised in the Upstream segment following the relinquishment of land licences in the US Lower 48 region

Impairments

As a result of reserves revisions and revised expectations of the value of its Egyptian operations given continuing uncertainty over the business environment in country, the Group reviewed the recoverable amount of its assets in Egypt The review was carried out on a fair value less costs of disposal basis using risk-adjusted cash flow projections discounted using a nominal rate of 8% (post-tax) and resulted in a pre-tax impairment charge of $2 000m (post-tax $1 286m) in the Upstream segment

In addition against the backdrop of lower forward gas market prices, lower production expectations based on well performance and a continued low rig count the Group reviewed the recoverable amount of certain assets associated with the shale gas business in the USA The review was carried out on a fair value less costs of disposal basis using risk-adjusted cash flow projections discounted using a nominal rate of 8% (post-tax), and acreage valuations for intangible assets This resulted in a pre-tax impairment charge of $1 700m (post-tax $1 105m) in the Upstream segment

A $171m pre-tax impairment charge (post-tax $94m) was recognised against certain Upstream assets as a result of a reserves revision Other impairments resulted in a pre-tax charge to the income statement of $188m (post-tax $85m) $158m (post-tax $55m) in the Upstream segment and $30m pre and post-tax in the Other segment The reviews of these assets were carried out on a fair value less costs of disposal basis using risk-adjusted cash flow projections discounted using a nominal rate of 8% (post-tax)

Other

Other write-offs and provisions for certain other exceptional items resulted in a pre-tax charge to the income statement of $11m (post-tax $5m)

4 DISPOSALS RE-MEASUREMENTS AND IMPAIRMENTS continued
DISPOSAL OF NON-CURRENT ASSETS AND IMPAIRMENTS continued
2012

Disposal of non-current assets

The Group disposed of 10% of its interest in the Karachaganak gas-condensate project for consideration of $651m together with additional capacity in the Caspian Pipeline Consortium pipeline and the final settlement of cost recovery and other claims This resulted in the recognition of a pre-tax profit on disposal of $404m (post-tax $168m) in the Upstream segment

The Group completed the sale of its initial tranche of 20% equity in the Quintero LNG regasification facility in Chile, for consideration of $176m This resulted in a pre-tax profit on disposal of $146m (post-tax $110m) in the LNG Shipping & Marketing segment

Other disposals resulted in a pre-tax profit of $28m (post-tax $37m) $118m pre-tax profit ($111m post-tax) in the Upstream segment and $90m pre-tax charge ($74m post-tax) in the LNG Shipping & Marketing segment

Impairments

As a result of the weaker outlook for US natural gas prices the Group reviewed the recoverable amount of certain assets associated with the shale gas business in the USA on a fair value less costs to sell basis using risk-adjusted cash flow projections and discounted using a nominal rate of 8% (post-tax) This resulted in a pre-tax impairment charge of $1 800m (post-tax $1 295m) in the Upstream segment

Following a reserves downgrade on the Gaupe field in Norway, the Group reviewed the recoverable amount of property plant and equipment associated with the Gaupe field on a fair value less costs to sell basis using risk-adjusted cash flow projections and discounted using a nominal rate of 8% (post-tax) This resulted in a pre-tax impairment charge of $154m (post-tax $34m) in the Upstream segment

Other impairments resulted in a pre tax impairment charge of $207m (post-tax $158m) $153m (post-tax $104m) in the Upstream segment $44m pre and post-tax in the LNG segment and $10m pre and post-tax in the Other segment

Other

Other write-offs and provisions for certain other exceptional items resulted in a pre and post-tax profit to the income statement of $68m

FINANCE INCOME AND COSTS

Re-measurements presented in finance income and costs include mark-to-market movements on certain derivatives used to hedge foreign exchange and interest rate risk partly offset by foreign exchange movements on the associated borrowings and certain inter-company balances

5 FINANCE INCOME AND COSTS

	2013 $m	2012 $m
Interest receivable[a]	**104**	222
Net fair value gains and losses on derivatives and fair value hedge adjustments[b]	**65**	–
Finance income	**169**	222
Interest payable[c]	**(594)**	(524)
Finance lease charges	**(108)**	(104)
Interest capitalised[d]	**522**	457
Unwinding of discount on provisions and pension assets and liabilities[e]	**(120)**	(112)
Net fair value gains and losses on derivatives and fair value hedge adjustments[f]	**–**	(122)
Finance costs	**(300)**	(405)
Net finance costs – continuing operations	**(131)**	(183)

(a) Interest receivable includes net exchange gains of $nil (2012 $97m)
(b) Comprises $65m gain associated with fair value hedge adjustments
(c) Interest payable includes net exchange losses of $44m (2012 $29m)
(d) Finance costs associated with general Group central borrowings used to finance major capital projects are capitalised up to the point that the project is ready for its intended use The weighted average interest cost applicable to these borrowings is 3 80% per annum (2012 3 67%) Tax relief for capitalised interest is approximately $121m (2012 $112m)
(e) Relates to the unwinding of the discount on provisions and amounts in respect of pension obligations which represent the unwinding of discount on the plans net deficit
(f) In 2012 comprises $4m gain associated with fair value hedge adjustments and $126m charge in respect of interest rate and currency exchange rate derivatives

Notes to the accounts continued

6 TAXATION

	2013 $m	2012 $m
Current tax		
UK tax	**1 392**	1 322
Overseas tax	**1 524**	1 486
Total current tax	**2 916**	2 808
Deferred tax	**(1 228)**	240
Total tax charge – continuing operations	**1 688**	3 048

The total tax charge reconciles with the charge calculated using the statutory rates of UK corporation tax as follows

	2013 $m	2012 $m
Profit before taxation	**3 892**	6 326
Tax at UK statutory rates on profit	**1 320**	2 145
Effect on tax charge of		
Non tax deductible items	**144**	370
Non-taxable items	**(673)**	(446)
Overseas taxes at different rates to UK statutory rates	**748**	1 257
Petroleum revenue tax	**11**	37
Effect of changes in tax rate on deferred tax balances	**(69)**	25
Prior year and other adjustments including unrelieved overseas tax losses	**207**	(340)
Tax charge – continuing operations	**1 688**	3 048

The tax credit relating to disposals, re-measurements, impairments and other items is $1 219m (2012 $353m) This consists of a tax charge on unrealised re-measurements of $166m (2012 $88m) and a tax credit on disposals, impairments and other items of $1 385m (2012 $441m)

The current tax charge includes a tax credit for prior year adjustments of $174m (2012 $440m) The deferred tax credit (2012 tax charge) includes a tax charge for prior year adjustments of $105m (2012 $298m)

The net movement in deferred tax assets and liabilities is shown below

	Accelerated capital allowances $m	Deferred petroleum revenue tax $m	Provisions $m	Retirement benefit obligations $m	Unused tax losses $m	Other temporary differences $m	Total $m
As at 1 January 2012	7 649	171	(1 156)	(120)	(2 776)	(445)	3 323
Charge/(credit) for the year	909	30	(116)	5	(330)	(292)	206
Charge to equity	–	–	–	9	–	322	331
Currency translation adjustments and other movements	122	8	(26)	–	(8)	(1)	95
Acquisitions/(disposals)	–	–	19	38	–	(171)	(114)
Transferred to assets held for sale	(14)	–	–	–	–	–	(14)
As at 31 December 2012	8 666	209	(1 279)	(68)	(3 114)	(587)	3 827
Charge/(credit) for the year	(1 955)	(9)	54	35	706	(57)	(1 226)
Charge to equity	–	–	–	–	–	81	81
Currency translation adjustments and other movements	89	3	(25)	(1)	(25)	12	53
Disposals	(2)	–	–	–	–	–	(2)
As at 31 December 2013	**6 798**	**203**	**(1 250)**	**(34)**	**(2 433)**	**(551)**	**2 733**

	2013 $m	2012 $m
Deferred tax liabilities	**4 120**	4 636
Deferred tax assets	**(1 387)**	(809)
Net deferred tax liability as at 31 December	**2 733**	3 827

6 TAXATION continued

The amount of the deferred tax asset of $1 387m (2012 $809m) expected to be recovered after more than 12 months is $1 351m (2012 $608m) The deferred tax liability of $4 120m (2012 $4 636m) is shown after the offset of certain deferred tax assets relating to the same fiscal authority, the liability prior to such offset is $7 367m (2012 $8 515m) The net amount expected to be settled after more than 12 months is $4 159m (2012 $4 551m)

Deferred tax assets are recognised for deductible temporary differences, unutilised tax losses and unused tax credits to the extent that realisation of the related tax benefit through future taxable income is probable To determine the future taxable income reference is made to the latest available profit forecast This requires assumptions regarding future profitability and is therefore inherently uncertain The Group has unrecognised deductible temporary differences of $840m (2012 $896m) and unrecognised tax losses of $3 228m (2012 $2 802m) to carry forward against future taxable income To the extent unutilised $180m of these losses will expire by 2018 In addition, the Group has unrecognised capital losses of $5m (2012 $183m) these tax losses can only be offset against specific types of future capital gains The Group also has unrecognised overseas tax credits of $464m (2012 $393m)

The aggregate amount of taxable temporary differences associated with undistributed earnings of subsidiaries, joint ventures and associates for which deferred tax liabilities have not been recognised is approximately $6m (2012 $5m) No liability has been recognised in respect of these differences either because no liability is expected to arise on distribution under applicable tax legislation or because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future

7 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

In the second quarter of 2013, the Group completed the sale of its interest in Gujurat Gas Company Limited (GGCL) in India In the fourth quarter of 2012 the Group completed the sale of its interest in Comgas in Brazil and the disposal of BG Italia Power (BGIP) in Italy Together, Comgas, BGIP and GGCL represented the majority of the Groups Transmission and Distribution (T&D) business segment and as a result of these transactions, these businesses together with certain other assets in the T&D segment have been treated as discontinued operations The remaining T&D businesses, primarily Mahanagar Gas in India have been allocated to the Other segment

RESULTS FROM DISCONTINUED OPERATIONS

	2013 $m	2012 $m
Revenue	**236**	3159
Operating costs	**(218)**	(2703)
Operating profit	**18**	456
Finance costs	**–**	(48)
Share of post tax results from joint ventures and associates	**(1)**	22
Profit before tax	**17**	430
Taxation	**(15)**	(129)
Profit after tax	**2**	301
Profits and losses on disposal of non current assets and impairments	**241**	1152
Taxation	**2**	(129)
Post-tax profits and losses on disposal of non-current assets and impairments	**243**	1023
Profit for the year from discontinued operations	**245**	1324

CASH FLOWS RELATING TO DISCONTINUED OPERATIONS

	2013 $m	2012 $m
Profit before tax	**17**	430
Share of post tax results from joint ventures and associates	**1**	(22)
Depreciation of property plant and equipment	**1**	20
Amortisation of other intangible assets	**–**	63
Increase/(decrease) in provisions	**1**	(12)
Finance costs	**–**	48
Movements in working capital	**120**	(114)
Cash generated by operations	**140**	413
Income taxes paid	**(6)**	(160)
Net cash inflow from operating activities	**134**	253
Net cash outflow from investing activities	**(8)**	(398)
Net cash (outflow)/inflow from financing activities	**(112)**	90
Net increase/(decrease) in cash and cash equivalents	**14**	(55)

7 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE continued

DISPOSAL OF NON-CURRENT ASSETS AND IMPAIRMENTS 2013

The sale of the Group's investment in GGCL in India for gross consideration of $422m resulted in a pre and post-tax profit of $245m being the gross consideration less net assets of $194m, recycling to the income statement of currency translation losses of $46m the derecognition of the non-controlling interest of $64m and $1m of other costs

Other disposals and impairments resulted in a pre-tax charge of $4m (post-tax charge of $2m)

DISPOSAL OF NON-CURRENT ASSETS AND IMPAIRMENTS 2012

The sale of the Groups investment in Comgás for gross consideration of $1 674m resulted in a pre-tax profit of $1 057m (post-tax $916m), being the gross consideration less net assets of $1 234m, recycling to the income statement of currency translation gains of $378m, the derecognition of the non-controlling interest of $294m and $55m of other costs

The sale of the Group's investment in the Santa Rita power plant and the San Lorenzo power plant in the Philippines for net cash proceeds of $360m resulted in a pre and post-tax profit of $252m

Following a decision to curtail the activities of BG Italia Power, a pre-tax charge of $110m (post-tax $89m) was recognised

Following classification as held for sale the Groups interest in the Bolivia-to-Brazil pipeline was revalued to fair value less costs to sell based on the sale and purchase agreement price This resulted in a pre-tax impairment charge of $43m (post-tax $52m) The sale was completed in 2013

Other disposals and impairments resulted in a pre and post-tax charge of $4m

NET ASSETS DISPOSED OF IN RESPECT OF COMGAS

	Comgás 2012 $m
Goodwill	671
Intangibles	1 798
Trade and other receivables	477
Commodity contracts and derivative financial instruments	68
Cash and cash equivalents	102
Borrowings	(1 133)
Current tax liabilities	(76)
Trade and other payables	(423)
Deferred tax liabilities	(114)
Provisions	(136)
Net assets	1 234

ASSETS HELD FOR SALE

The Group as at 31 December	**2013 $m**	2012 $m
Goodwill	–	3
Other intangible assets	–	1
Property plant and equipment	–	156
Investments in joint venture and associate entities	–	86
Inventories	–	6
Trade and other receivables	–	48
Cash and cash equivalents	–	86
Assets classified as held for sale	–	386
Trade and other payables	–	(105)
Current tax liabilities	–	(37)
Deferred income tax liabilities	–	(14)
Provisions for other liabilities and charges	–	(2)
Liabilities associated with assets classified as held for sale	–	(158)
Net assets classified as held for sale	–	228

Assets held for sale as at 31 December 2012 represented the assets and liabilities of GGCL, the Group's interest in the Bolivia to-Brazil pipeline and the Groups remaining 20% equity in the Quintero LNG regasification facility in Chile

There were no assets held for sale as at 31 December 2013

8 DIVIDENDS

No final dividend has been proposed by the Directors for 2013 (2012 $nil) No interim dividend was paid during the year (2012 $nil)

9 EARNINGS PER ORDINARY SHARE

Earnings per share information has not been shown in these accounts as the Company does not have any publicly traded equity shares

10 GOODWILL

	2013 $m	2012 $m
Cost as at 1 January	**24**	752
Disposals (see note 7 page 29)	**–**	(671)
Additions	**–**	–
Currency translation adjustments	**1**	(54)
Reclassified as held for sale	**–**	(3)
Cost and net book value as at 31 December	**25**	24

For the purpose of impairment testing, goodwill is allocated to cash-generating units, these represent the lowest level at which goodwill is monitored

The Group tests goodwill annually for impairment or more frequently if there are indications that it might be impaired As at 31 December 2013, no goodwill impairment has been recognised

11 OTHER INTANGIBLE ASSETS

	Expenditure on unproved gas and oil reserves		Service concession asset[a]		Other[b]		Total	
	2013 $m	2012 $m	**2013 $m**	2012 $m	**2013 $m**	2012 $m	**2013 $m**	2012 $m
Cost as at 1 January	**4 782**	4 820	**–**	1 940	**377**	582	**5 159**	7 342
Additions	**1 341[c]**	855[c]	**–**	193	**–**	72	**1 341**	1 120
Disposals and unsuccessful exploration expenditure[d]	**(810)**	(406)	**–**	(1 951)	**–**	(270)	**(810)**	(2 627)
Transfer to property plant and equipment	**(298)**	(562)	**–**	–	**–**	–	**(298)**	(562)
Other movements	**(16)**	62	**–**	–	**–**	91	**(16)**	153
Currency translation adjustments	**(199)**	13	**–**	(182)	**(4)**	(98)	**(203)**	(267)
Cost as at 31 December	**4 800**	4 782	**–**	–	**373**	377	**5 173**	5 159
Amortisation as at 1 January	**(438)**	(438)	**–**	(442)	**(252)**	(303)	**(690)**	(1 183)
Charge for the year[e]	**–**	–	**–**	(31)	**(9)**	(37)	**(9)**	(68)
Charge for impairment (see note 4 page 26)[e]	**(665)**	–	**–**	–	**–**	–	**(665)**	–
Disposals and transfers	**55**	–	**–**	392	**–**	31	**55**	423
Currency translation adjustments	**–**	–	**–**	81	**–**	57	**–**	138
Amortisation as at 31 December	**(1 048)**	(438)	**–**	–	**(261)**	(252)	**(1 309)**	(690)
Net book value as at 31 December	**3 752**	4 344	**–**	–	**112**	125	**3 864**	4 469

(a) The arrangements between Comgás and the local Regulator were classified as a service concession arrangement in accordance with IFRIC 12 The Group disposed of its entire interest in Comgas in 2012

(b) Other includes capacity rights in the Caspian Pipeline Consortium export pipeline which are amortised on a straight line basis over the term of the contract and have an average remaining useful life of 24 years (2012 25 years) Other also includes the contractual rights in respect of the purchase of LNG regasification services and related gas sales These rights are amortised on a straight line basis over the term of the contract and have a weighted average remaining useful life of eight years (2012 eight years)

(c) Broadly equivalent to cash flows attributable to investing activities arising from exploration and evaluation

(d) Disposals and unsuccessful exploration expenditure includes $394m (2012 $339m) in respect of unsuccessful exploration expenditure written off

(e) Amortisation charge and charge for impairment for the year is attributable to continuing and discontinued operations as follows

	Amortisation		Impairment	
	2013 $m	2012 $m	**2013 $m**	2012 $m
Continuing operations	**9**	5	**665**	–
Discontinued operations	**–**	63	**–**	–
	9	68	**665**	–

Notes to the accounts continued

12 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $m	Mains services and meters $m	Plant and machinery $m	Motor vehicles and office equipment $m	Exploration and production $m	Total $m
Cost as at 1 January 2013	148	–	10 945	1 704	48 838	61 635
Additions	–	–	1 904	179	8 210	10 293
Disposals transfers and other movements[a]	–	–	(1 073)	(5)	(2 677)	(3 755)
Currency translation adjustments	(10)	–	(41)	(9)	(2 254)	(2 314)
Cost as at 31 December 2013	**138**	**–**	**11 735**	**1 869**	**52 117**	**65 859**
Accumulated depreciation as at 1 January 2013	(48)	–	(784)	(844)	(16 034)	(17 710)
Charge for the year[b]	–	–	(149)	(193)	(2 613)	(2 955)
Charge for impairment[b] (see note 4 page 26)	–	–	–	–	(3 124)	(3 124)
Disposals and transfers	–	–	(2)	5	200	203
Currency translation adjustments	(1)	–	(3)	(3)	(41)	(48)
Accumulated depreciation as at 31 December 2013	**(49)**	**–**	**(938)**	**(1 035)**	**(21 612)**	**(23 634)**
Net book value as at 31 December 2013[c][d][e]	**89**	**–**	**10 797**	**834**	**30 505**	**42 225**

	Land and buildings $m	Mains services and meters $m	Plant and machinery $m	Motor vehicles and office equipment $m	Exploration and production $m	Total $m
Cost as at 1 January 2012	122	184	7 962	1 515	41 283	51 066
Additions	7	25	3 170	173	6 796	10 171
Disposals transfers and other movements[a]	32	(48)	(125)	(25)	318	152
Currency translation adjustments	2	(4)	–	44	441	483
Reclassified as held for sale	(15)	(157)	(62)	(3)	–	(237)
Cost as at 31 December 2012	**148**	**–**	**10 945**	**1 704**	**48 838**	**61 635**
Accumulated depreciation as at 1 January 2012	(53)	(46)	(932)	(665)	(12 054)	(13 750)
Charge for the year[b]	(1)	(5)	(161)	(182)	(2 183)	(2 532)
Charge for impairment[b] (see note 4 page 26)	(7)	–	(124)	(1)	(1 653)	(1 785)
Disposals and transfers	13	–	407	22	103	545
Currency translation adjustments	(2)	1	(1)	(20)	(247)	(269)
Reclassified as held for sale	2	50	27	2	–	81
Accumulated depreciation as at 31 December 2012	**(48)**	**–**	**(784)**	**(844)**	**(16 034)**	**(17 710)**
Net book value as at 31 December 2012[c][d][e]	**100**	**–**	**10 161**	**860**	**32 804**	**43 925**

(a) Includes within Exploration and production a transfer from other intangible assets of $298m (2012 $562m) and an increase in the decommissioning asset of $112m (2012 $166m) Includes within Plant and machinery a decrease in the decommissioning asset of $172m (2012 increase of $329m)
(b) Depreciation charge and charge for impairment for the year is attributable to continuing and discontinued operations as follows

	Depreciation		Impairment	
	2013 $m	2012 $m	**2013 $m**	2012 $m
Continuing operations	**2 954**	2 512	**3 124**	1 679
Discontinued operations	**1**	20	**–**	106
	2 955	2 532	**3 124**	1 785

(c) The Group's net book value includes capitalised interest of $1 225m (2012 $928m) comprising Exploration and production $838m (2012 $690m) and Plant and machinery $387m (2012 $238m) A deferred tax liability is recognised in respect of this taxable temporary difference at current enacted rates
(d) Includes the net book value of decommissioning assets of $2 432m (2012 $2 729m) and expenditure on Plant and machinery and Exploration and production assets under construction of $23 405m (2012 $22 971m)
(e) The net book value of assets capitalised and held under finance leases is shown below and comprises $1 884m (2012 $1 985m) included in Plant and machinery and $64m (2012 $nil) included in Exploration and production

as at 31 December	**2013 $m**	2012 $m
Cost	**2 738**	2 670
Accumulated depreciation	**(790)**	(685)
Net book value	**1 948**	1 985

13 INVESTMENTS

	Joint ventures		Associates			
	Share of net assets $m	Loans $m	Share of net assets $m	Loans $m	Other investments $m	Total investments $m
Carrying value as at 1 January 2013	317	335	1 384	380	72	2 488
Investments	–	–	604	–	6	610
Disposals transfers and other movements	(120)	20	48	(36)	14	(74)
Impairments[a]	–	–	(268)	(2)	–	(270)
Share of retained profits less losses during the year[b]	57	–	130	–	–	187
Currency translation adjustments and fair value movements	(14)	6	3	11	(14)	(8)
Carrying value as at 31 December 2013	**240**	**361**	**1 901**	**353**	**78[c]**	**2 933**
Carrying value as at 1 January 2012	611	580	918	887	48	3 044
Investments	–	–	390	4	39	433
Disposals transfers and other loan movements	–	(261)	78	(498)	(78)	(759)
Impairments[a]	(356)	–	(59)	–	–	(415)
Reclassified as held for sale	–	–	(86)	–	–	(86)
Share of retained profits less losses during the year[b]	59	–	118	–	–	177
Currency translation adjustments and fair value movements	3	16	25	(13)	63	94
Carrying value as at 31 December 2012	**317**	**335**	**1 384**	**380**	**72[c]**	**2 488**

(a) Comprises impairments of continuing operations of $270m (2012 $372m) and discontinued operations of $nil (2012 $43m)
(b) Comprises share of post tax results for the year of $336m (2012 $289m) from continuing operations and $(1)m (2012 $22m) from discontinued operations offset by share of dividends receivable by the Group of $148m (2012 $134m)
(c) Includes an investment in Drillsearch Energy Limited and Azure Midstream Energy LP (Azure)

In 2013 the Group disposed of its entire 50% equity holding in TGGT, a joint venture midstream company operating in east Texas and north Louisiana to Azure The Group received net cash of $240m along with a $17m stake in Azure equating to approximately 3% equity holding

In 2012, the Group acquired an 8 47% interest in Drillsearch Energy Limited, a company listed on the Australian Securities Exchange As at 31 December 2013, the fair value of this investment was $43m (2012 $57m)

Analysis of the Group's share of assets, liabilities income and expenses in joint ventures and associates is shown below

as at 31 December	Joint ventures 2013 $m	Joint ventures 2012 $m	Associates 2013 $m	Associates 2012 $m
Share of assets – non current assets	**614**	964	**2 803**	2 464
– current assets	**122**	151	**479**	319
	736	1 115	**3 282**	2 783
Share of liabilities – current liabilities	**(83)**	(97)	**(269)**	(181)
– non current liabilities	**(413)**	(701)	**(1 112)**	(1 218)
	(496)	(798)	**(1 381)**	(1 399)
Share of net assets[a]	**240**	317	**1 901**	1 384

(a) Presented after impairment charge of $270m (2012 $372m)

for the year ended 31 December	Joint ventures 2013 $m	Joint ventures 2012 $m	Associates 2013 $m	Associates 2012 $m
Share of revenue	**216**	325	**1 163**	1 105
Share of operating costs	**(122)**	(225)	**(760)**	(741)
Share of operating profit	**94**	100	**403**	364
Share of finance costs	**2**	1	**(26)**	(37)
Share of tax	**(18)**	(20)	**(120)**	(97)
Share of post-tax results	**78**	81	**257**	230
Share of post tax results from continuing operations	**78**	81	**258**	208
Share of post tax results from discontinued operations	**–**	–	**(1)**	22

Further information on principal subsidiary undertakings, joint ventures and associates is given in note 26, page 52

Notes to the accounts continued

14 INVENTORIES

as at 31 December	2013 $m	2012 $m
Raw materials and consumables	**448**	452
Finished goods for resale	**390**	340
	838	792

15 TRADE AND OTHER RECEIVABLES

as at 31 December	2013 $m	2012 $m
Amounts falling due within one year		
Trade receivables	**2 283**	2 304
Amounts owed by parent undertaking	**28**	40
Amounts owed by joint ventures and associates (see note 23 page 47)	**69**	45
Other receivables	**1 488**	833
Prepayments	**787**	1 062
Accrued income	**2 273**	2 125
	6 928	6 409
Amounts falling due after more than one year		
Trade receivables	**449**	376
Other receivables	**328**	520
	777	896
Total receivables	**7 705**	7 305

Trade receivables are stated net of provisions When management consider the recovery of a receivable to be improbable a provision is made against the carrying value of the receivable The movement in this provision is as follows

	2013 $m	2012 $m
Provision as at 1 January	**60**	101
Credit to the income statement	**(19)**	–
Disposals	**–**	(41)
Provision as at 31 December	**41**	60

As at 31 December 2013, $754m (2012 $849m) of trade and other receivables were past due but not provided for, and an analysis of these receivables is as follows

	2013 $m	2012 $m
Less than three months past due	**129**	277
Between three and six months past due	**185**	150
Between six and 12 months past due	**241**	326
More than 12 months past due	**199**	96
	754	849

Included within past due but not impaired receivables is a balance of $525m (2012 $606m) with Egypt General Petroleum Corporation (EGPC) The remaining balance relates to a diversified number of independent customers $29m of which has been received post year end For further information on the credit risk associated with trade receivables, including the EGPC balance see note 18 page 37

16 CASH AND CASH EQUIVALENTS

as at 31 December	2013 $m	2012 $m
Cash at bank and in hand	**597**	126
Cash equivalent investments	**5 611**	4 306
	6 208	4 432

Cash and cash equivalents comprise cash in hand, deposits with a maturity of three months or less and other short-term money market deposit accounts that are readily convertible into known amounts of cash

For further information on the interest rate composition of the Group's financial assets see note 18, page 37

17 BORROWINGS

Details of the Group's financing and financial risk factors are disclosed on pages 3 and 4

GROSS BORROWINGS

as at 31 December	2013 $m	2012 $m
Amounts falling due within one year		
Bonds		
3 375% Euro 750m bond due July 2013	–	988
Fair value hedge relationships	–	20
	–	1 008
Bank loans and overdrafts	**414**	–
Obligations under finance leases	**61**	56
	475	1 064
Amounts falling due after more than one year		
Bonds and other loans		
2 5% US Dollar 350m bond due December 2015	**349**	349
2 875% US Dollar 750m bond due October 2016	**748**	748
5 125% Pound Sterling 500m bond due December 2017	**827**	812
Floating rate US Dollar 300m bond due September 2018	**300**	–
3 0% Euro 1 000m bond due November 2018	**1 376**	1 316
3 625% Euro 500m bond due July 2019	**686**	656
3 625% Euro 250m bond due July 2019	**352**	339
3 94% Hong Kong Dollar 370m bond due October 2019	**48**	48
4 0% US Dollar 650m bond due December 2020	**643**	643
4 0% US Dollar 1 350m bond due October 2021	**1 338**	1 336
5 125% Pound Sterling 750m bond due December 2025	**1 228**	1 204
3 5% Euro 100m bond due October 2033	**134**	–
5 0% Pound Sterling 750m bond due November 2036	**1 214**	1 190
5 125% US Dollar 900m bond due October 2041	**880**	879
6 5% Pound Sterling 600m bond due November 2072[a]	**990**	973
6 5% US Dollar 500m bond due November 2072[a]	**497**	496
6 5% Euro 500m bond due November 2072[a]	**686**	655
Fair value hedge adjustments	**172**	227
	12 468	11 871
Bank loans	**2 242**	250
Obligations under finance leases	**2 344**	2 322
	17 054	14 443
Gross borrowings	**17 529**	15 507

(a) These bonds are long dated subordinated securities which although accounted for as debt incorporate some features typical of equity such as potential coupon deferral The Group may at sole discretion redeem all but not part of the securities at their principal amount on 30 November 2017 30 November 2022 or any subsequent coupon date thereafter to maturity

NET BORROWINGS[a]

as at 31 December	2013 $m	2012 $m
Amounts falling due within one year		
Cash and cash equivalents	**6 208**	4 432
Trade and other receivables[b]	**38**	–
Borrowings	**(475)**	(1 064)
Commodity contracts and other derivative financial instruments[c]	**(11)**	(71)
	5 760	3 297
Amounts falling due after more than one year		
Borrowings	**(17 054)**	(14 443)
Trade and other receivables[d]	**134**	195
Commodity contracts and other derivative financial instruments[c]	**550**	325
	(16 370)	(13 923)
Net borrowings	**(10 610)**	(10 626)

(a) Net borrowings are defined on page 36
(b) Trade and other receivables comprise a finance lease receivable of $38m (2012 $nil) See Note 18 page 37
(c) Commodity contracts and other derivative financial instruments comprise treasury financial derivatives of $539m (2012 $254m)
(d) Trade and other receivables comprise a finance lease receivable of $134m (2012 $195m) See Note 18 page 37

Notes to the accounts continued

17 BORROWINGS continued

NET BORROWINGS continued

The following table shows a reconciliation of net borrowings

	2013 $m	2012 $m
Net borrowings as at 1 January	**(10 626)**	(11 338)
Net increase in cash and cash equivalents	**1 705**	892
Cash inflow from changes in borrowings	**(1 620)**	(1 189)
Inception of finance leases	**(103)**	2
Currency translation and other re measurements	**(52)**	(40)
Disposal of gross borrowings (see note 7 page 29)	**-**	1 133
Movement in net borrowings classified as held for sale	**86**	(86)
Net borrowings as at 31 December	**(10 610)**	(10 626)

As at 31 December 2013 the Group s share of the net borrowings in joint ventures and associates amounted to approximately $0 6bn including shareholder loans of approximately $0 7bn These net borrowings are included in the Group's share of the net assets in joint ventures and associates

MATURITY AND INTEREST RATE PROFILE OF THE GROUP'S BORROWINGS

The following tables analyse the Group's gross borrowings These are repayable as follows

Gross borrowings (including obligations under finance leases)	Fixed rate borrowings		Total gross borrowings	
	2013 $m	2012 $m	2013 $m	2012 $m
Within one year	**61**	56	**475**	1 064
Between one and two years	**413**	60	**1 655**	60
Between two and three years	**818**	413	**1 068**	413
Between three and four years	**66**	812	**1 471**	812
Between four and five years	**1 452**	67	**2 005**	1 002
After five years	**10 236**	11 424	**10 855**	12 156
	13 046	12 832	**17 529**	15 507

For the purpose of the table above, borrowings with an initial maturity within one year such as commercial paper, are treated as floating rate

As part of its interest rate risk strategy the Group has entered into swaps The disclosure above is presented after the effect of these swaps Further information on the fair value of the swaps is included in note 18 page 37

The weighted average post-swap interest rate of borrowings as at 31 December 2013 was 4 0% (2012 3 8%) Post swap fixed-rate borrowings mature between 2014 and 2072 (2012 mature between 2013 and 2072)

Obligations under finance leases pre-swap	Minimum lease payments		Obligations under finance leases	
Amounts due	2013 $m	2012 $m	2013 $m	2012 $m
Within one year	**154**	141	**61**	56
Between one and five years	**672**	583	**278**	257
After five years	**2 966**	2 775	**2 066**	2 065
Less future finance charges	**(1 387)**	(1 121)	**-**	-
	2 405	2 378	**2 405**	2 378

The Group has finance lease obligations in respect of infrastructure and LNG ships These lease obligations expire between 2024 and 2038 (2012 expire between 2024 and 2037)

CURRENCY COMPOSITION OF THE GROUP'S BORROWINGS

The following table analyses the currency composition of the Group's borrowings

	2013 $m	2012 $m
Currency		
Pound Sterling	**6 477**	4 780
US Dollar	**7 667**	6 666
Euro	**3 253**	3 993
Other	**132**	68
	17 529	15 507

The disclosure above does not include the impact of certain currency swaps as these are separately recognised under IAS 39 and presented in note 18, page 37 As at 31 December 2013 the Group had swapped $2 437m (2012 $2 395m) of Pound Sterling borrowings into US Dollars $3 253m (2012 $3 993m) of Euro borrowings into US Dollars and $50m (2012 $54m) of other currencies into US Dollars

17 BORROWINGS continued

COMPOSITION OF THE GROUP'S UNDRAWN COMMITTED FACILITIES

The Group has undrawn committed borrowing facilities, in respect of which all conditions have been met, as follows

Expiring	2013 $m	2012 $m
Between two and three years	**2 180**	–
Between three and four years	**3 040**	2 180
Between four and five years	**–**	3 540
	5 220	5 720

18 FINANCIAL INSTRUMENTS

TREASURY INSTRUMENTS

The Group is exposed to credit risk interest rate risk, exchange rate risk and liquidity risk As part of its business operations the Group uses derivative financial instruments (derivatives) in order to manage exposure to fluctuations in interest rates and exchange rates The Group enters into interest rate derivatives to manage the fixed and floating composition of its debt The Group enters into currency exchange rate derivatives to hedge certain currency cash flows and to adjust the currency composition of its assets and liabilities Certain agreements are combined currency and interest swap transactions, described as cross-currency interest rate derivatives The Group's policy is to enter into interest or currency exchange rate derivatives only where these are matched by an underlying asset liability or transaction

Further information on treasury risks can be found on pages 3 and 4

COMMODITY INSTRUMENTS

Within the ordinary course of business the Group routinely enters into sale and purchase transactions for commodities The majority of these transactions take the form of contracts that were entered into and continue to be held for the purpose of the receipt or delivery of the commodity in accordance with the Group's expected sale purchase or usage requirements Such contracts are not within the scope of IAS 39

Certain gas sales contracts fall within the scope of IAS 39 These contracts include pricing terms that are based on a variety of commodities and indices They are recognised in the balance sheet at fair value with movements in fair value recognised in the income statement

Certain short-term market traded contracts for the purchase and subsequent resale of third-party commodities are within the scope of IAS 39 and are recognised in the balance sheet at fair value with movements in fair value recognised in the income statement The Group uses various commodity based derivative instruments to manage some of the risks arising from fluctuations in commodity prices Such contracts include physical and net-settled forwards, futures, swaps and options Where these derivatives have been designated as cash flow hedges of underlying commodity price exposures, certain gains and losses attributable to these instruments are deferred in other comprehensive income and subsequently recognised in the income statement when the underlying hedged transaction crystallises Commodity derivatives that are not part of a hedging relationship are recognised in the balance sheet within Other commodity derivatives at fair value, with movements in fair value recognised in the income statement

Further information on commodity price exposure can be found on pages 3 and 4

AMOUNTS RECOGNISED IN RESPECT OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

as at 31 December	2013		2012	
	Assets $m	**Liabilities $m**	Assets $m	Liabilities $m
Included in the balance sheet				
Interest rate derivatives	**127**	**(42)**	210	(161)
Currency exchange rate derivatives	**20**	**(17)**	23	(41)
Cross currency interest rate derivatives	**495**	**(44)**	351	(128)
Gas contracts	**–**	**(208)**	–	(249)
Other commodity derivatives	**88**	**(159)**	77	(191)
	730	**(470)**	661	(770)

As at 31 December 2013 the Group also held non-derivative available-for-sale financial assets of $61m (2012 $58m) which are recognised in the balance sheet at fair value

As at 31 December 2013, the Group had deposited cash of $110m (2012 $279m) and received cash of $54m (2012 $57m) in respect of collateral and margin payments associated with the use of commodity derivatives

Derivative financial instruments expected to be realised within one year are presented within current assets and current liabilities All other derivative financial instruments are classified as non-current

Notes to the accounts continued

18 FINANCIAL INSTRUMENTS continued

AMOUNTS RECOGNISED IN RESPECT OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE continued

The maturity profile of derivative financial instruments is as follows

	2013		2012	
	Assets $m	**Liabilities $m**	Assets $m	Liabilities $m
Within one year	**107**	**(297)**	129	(423)
Between one and five years	**237**	**(122)**	243	(221)
After five years	**386**	**(51)**	289	(126)
	730	**(470)**	661	(770)

The notional principal amounts of derivative financial instruments are as follows

	2013				2012			
	Within one year $m	**Between one and five years $m**	**After five years $m**	**Total $m**	Within one year $m	Between one and five years $m	After five years $m	Total $m
Interest rate derivatives	**9**	**2 194**	**3 253**	**5 456**	997	2 164	2 024	5 185
Currency exchange rate derivatives	**1 263**	**47**	**–**	**1 310**	1 861	355	–	2 216
Cross currency interest rate derivatives	**–**	**3 113**	**2 815**	**5 928**	2 105	1 746	4 034	7 885
Other commodity derivatives	**15 047**	**4 636**	**232**	**19 915**	22 882	6 926	370	30 178

The notional principal amounts of long-term gas contracts are $690m (2012 $524m) The amounts in respect of other commodity derivatives represent the gross combination of notional principals relating to all purchase and sale contracts and accordingly do not show the extent to which these contracts may offset These notional principal amounts give an indication of the scale of derivatives held but do not reflect the risks that the Group is exposed to from their use

VALUATION

All financial instruments that are initially recognised and subsequently re-measured at fair value have been classified in accordance with the hierarchy described in IFRS 13 'Fair Value Measurement'

Fair value measurement hierarchy

The fair value hierarchy, described below reflects the significance of the inputs used to determine the valuation of financial assets and liabilities measured at fair value

Level 1 fair value measurements are those derived directly from quoted prices (unadjusted) in active markets for identical assets and liabilities

Level 2 fair value measurements are those including inputs other than quoted prices included within Level 1 that are observable for the asset or liability directly or indirectly The fair value of the Group s interest rate and currency exchange rate derivatives and the majority of the Group's commodity derivatives are calculated from relevant market prices and yield curves at the balance sheet date and are therefore based solely on observable price information These instruments are not directly quoted in active markets and are accordingly classified as Level 2 in the fair value hierarchy

Level 3 fair value measurements are those derived from valuation techniques that include significant inputs for the asset or liability that are not based on observable market data Where observable market valuations of commodity contracts are unavailable, the fair value on initial recognition is the transaction price and is subsequently determined using the Group s forward planning assumptions for the price of gas other commodities and indices Due to the assumptions underlying their fair value certain gas contracts are categorised as Level 3 in the fair value hierarchy One of the assumptions used for their valuation is that observable commodity prices are liquid for four years (2012 four years) The fair values of the commodity contracts are calculated using the market yield curve at the balance sheet date

18 FINANCIAL INSTRUMENTS continued
VALUATION continued
Fair value measurement hierarchy continued

as at 31 December 2013	Financial assets Level 1 $m	Level 2 $m	Level 3 $m	Total $m	Financial liabilities Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Interest rate derivatives	–	127	–	127	–	(42)	–	(42)
Currency exchange rate derivatives	–	20	–	20	–	(17)	–	(17)
Cross currency interest rate derivatives	–	495	–	495	–	(44)	–	(44)
Gas contracts	–	–	–	–	–	(144)	(64)	(208)
Other commodity derivatives	3	51	34	88	(28)	(74)	(57)	(159)
	3	**693**	**34**	**730**	**(28)**	**(321)**	**(121)**	**(470)**

as at 31 December 2012	Financial assets Level 1 $m	Level 2 $m	Level 3 $m	Total $m	Financial liabilities Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Interest rate derivatives	–	210	–	210	–	(161)	–	(161)
Currency exchange rate derivatives	–	23	–	23	–	(41)	–	(41)
Cross currency interest rate derivatives	–	351	–	351	–	(128)	–	(128)
Gas contracts	–	–	–	–	–	(243)	(6)	(249)
Other commodity derivatives	4	52	21	77	(116)	(52)	(23)	(191)
	4	**636**	**21**	**661**	**(116)**	**(625)**	**(29)**	**(770)**

As at 31 December 2013, the Group also held available-for-sale financial assets of $61m (2012 $58m), the fair value of which is determined using Level 1 fair value measurements

There were no reclassifications between levels in the fair value hierarchy during 2013 Reclassifications from Level 3 to Level 2 during 2012 were attributable to contracts maturing within the four-year liquid period for observable commodity prices

Level 3 fair value measurements
The movements in the year associated with financial assets and liabilities measured at fair value and determined in accordance with Level 3, are shown below

	Gas contracts 2013 $m	2012 $m	Other commodity derivatives 2013 $m	2012 $m	Total 2013 $m	2012 $m
Fair value as at 1 January	**(6)**	(69)	**(2)**	8	**(8)**	(61)
Total gains or losses recognised in the income statement	**(61)**	(7)	**(24)**	(4)	**(85)**	(11)
Reclassification to Level 2	**–**	70	**–**	6	**–**	76
Settlements	**–**	–	**3**	(12)	**3**	(12)
Currency translation adjustments	**3**	–	**–**	–	**3**	–
Fair value as at 31 December	**(64)**	(6)	**(23)**	(2)	**(87)**	(8)

Total gains or losses recognised in the income statement are presented in Other operating income All gains or losses for the period are related to financial assets and liabilities held at 31 December 2013 All gains or losses for the period ended 31 December 2012 related to financial assets and liabilities held at 31 December 2012

As at 31 December 2013 the potential pre-tax change in the fair value of gas contracts assuming a $10 per barrel change in the Brent price assumption was $53m (2012 $4m) A reasonably foreseeable change in the valuation assumptions underlying other commodity derivatives would not significantly change their fair value measurement

18 FINANCIAL INSTRUMENTS continued
FAIR VALUE ADJUSTMENTS ON FINANCIAL INSTRUMENTS

Included in the income statement[a]	2013 $m	2012 $m
Interest rate and currency exchange rate derivatives not in a designated hedge relationship	**18**	(113)
Interest rate derivatives designated as fair value hedges	**(56)**	15
Cross currency interest rate derivatives designated as fair value hedges	**66**	(44)
Commodity derivatives designated as fair value hedges	**–**	16
Ineffectiveness on cash flow hedges	**–**	3
Ineffectiveness on net investment hedges	**(6)**	(6)
Gas contracts	**34**	140
Other commodity derivatives not in a designated hedge relationship	**42**	120
Continuing operations	**98**	131

(a) Includes $112m loss (2012 $20m gain) recognised as Other operating income within Business performance

Fair value losses of $8m (2012 $8m gains) on available-for-sale financial assets are included within other comprehensive income

HEDGE ACCOUNTING
In line with the Group's risk management policies, certain derivative and non-derivative instruments are designated as hedges of currency interest rate and commodity price exposures in accordance with IAS 39 Further information can be found on pages 3 and 4

Fair value hedges
As at 31 December 2013 the Group held a number of interest rate swaps and cross-currency interest rate swaps designated as hedges of the fair value risk associated with the Group s fixed rate debt At 31 December 2012, the Group also held a number of commodity derivatives designated as hedges of the fair value risk associated with fixed price firm sales commitments The hedged items and the related derivatives have the same critical terms to ensure that they are an effective hedge under IAS 39 The fair value of derivative instruments designated as fair value hedges outstanding as at 31 December 2013 is $66m (2012 $72m) During 2013, adjustments of $65m (2012 $(12)m) have been made to hedged items in respect of the risks being hedged

Cash flow hedges
The Group has forward commodity contracts currency exchange rate derivatives and interest rate derivatives designated as hedges of highly probable forecast purchases and sales, and of interest flows and currency exposure on Group debt As at 31 December 2013, an unrealised pre-tax loss of $4m (2012 $228m) was deferred in other comprehensive income in respect of effective cash flow hedges The hedged transactions are expected to occur within 24 years (2012 25 years) and the associated gains and losses deferred in other comprehensive income will be released to the income statement as the underlying transaction crystallises As at 31 December 2013 deferred pre-tax losses of $nil (2012 $96m) are expected to be released to the income statement within one year The fair value of derivative instruments designated as cash flow hedges outstanding as at 31 December 2013 is $174m (2012 $(210)m) During 2012 certain forecast commodity sales for which cash flow hedge accounting was used were no longer expected to occur This resulted in the transfer of a pre-tax gain of $47m from other comprehensive income to the income statement

Page 13 identifies the amounts that have been transferred from other comprehensive income in respect of transactions completed during the year These items are reported within the income statement to match against the underlying transaction

Hedges of net investments in foreign operations
As at 31 December 2013, certain borrowings and currency derivatives have been designated as hedges of the currency risk associated with net investments in foreign operations The portion of gains or losses on the hedging instruments determined to be an effective hedge are transferred to other comprehensive income to offset the gains or losses arising on the retranslation of net investments in foreign subsidiaries The pre-tax gain on effective hedging instruments deferred within other comprehensive income as at 31 December 2013 is $529m (2012 $331m) The fair value of financial instruments designated as hedges of net investments in foreign operations outstanding as at 31 December 2013 is $(5 681)m (2012 $(4 885)m)

18 FINANCIAL INSTRUMENTS continued

FINANCIAL ASSETS (EXCLUDING NON-INTEREST BEARING SHORT-TERM RECEIVABLES)

The Group's financial assets consist of cash and cash equivalents of $6 208m (2012 $4 432m) loans made to joint ventures and associates of $714m (2012 $715m) a finance lease receivable of $172m (2012 $195m), available-for-sale assets of $61m (2012 $58m), other long-term investments of $17m (2012 $nil) receivables due within one year of $640m (2012 $813m) and receivables due after more than one year of $571m (2012 $599m)

The currency and interest rate profile of financial assets is as follows

	2013				2012			
	Fixed rate financial assets $m	**Floating rate financial assets $m**	**Non interest bearing assets $m**	**Total $m**	Fixed rate financial assets $m	Floating rate financial assets $m	Non interest bearing assets $m	Total $m
Currency								
Pound Sterling	**–**	**–**	**361**	**361**	–	4	335	339
US Dollar	**231**	**7 563**	**34**	**7 828**	254	5 963	2	6 219
Other	**–**	**145**	**49**	**194**	–	191	63	254
	231	**7 708**	**444**	**8 383**	254	6 158	400	6 812

Within floating rate financial assets cash and cash equivalents earn interest at the relevant market rates Periodic interest rate determinations in respect of floating rate loans to joint ventures and associates generally comprise London Interbank Offered Rate (LIBOR) plus or minus an agreed margin As at 31 December 2013, floating rate receivables and loans to joint ventures and associates had an effective interest rate of between 1 26% and 4 00% (2012 between 1 46% and 4 11%) and are expected to expire between 2015 and 2020 (2012 between 2015 and 2020) The maturity profile of non-interest bearing loans to joint ventures and associates cannot be practicably estimated as repayments are based on the performance of the individual joint venture or associate

As at 31 December 2013 fixed rate assets expire between 2016 and 2024 (2012 2016 and 2022) and have effective interest rates of between 6% and 14% (2012 6% and 14%)

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following financial assets and financial liabilities are subject to offsetting, enforceable master netting arrangements or similar agreements

The Group Financial assets as at 31 December 2013	Amounts offset			Amounts not offset		Net
	Gross assets $m	Gross liabilities offset $m	Net presented in the balance sheet $m	Financial instruments $m	Cash collateral received $m	$m
Derivative financial assets	1 198	(492)	706	(48)	(33)	625
Other receivables	76	(76)	–	–	–	–
Trade receivables	864	(314)	550	–	(21)	529
	2 138	**(882)**	**1 256**	**(48)**	**(54)**	**1 154**

The Group Financial liabilities as at 31 December 2013	Amounts offset			Amounts not offset		Net
	Gross liabilities $m	Gross assets offset $m	Net presented in the balance sheet $m	Financial instruments $m	Cash collateral paid $m	$m
Derivative financial liabilities	(923)	568	(355)	48	37	(270)
Trade payables	(560)	314	(246)	–	–	(246)
	(1 483)	**882**	**(601)**	**48**	**37**	**(516)**

The Group Financial assets as at 31 December 2012	Amounts offset			Amounts not offset		Net
	Gross assets $m	Gross liabilities offset $m	Net presented in the balance sheet $m	Financial instruments $m	Cash collateral received $m	$m
Derivative financial assets	1 070	(427)	643	(210)	(43)	390
Other receivables	172	(172)	–	–	–	–
Trade receivables	862	(401)	461	–	(14)	447
	2 104	**(1 000)**	**1 104**	**(210)**	**(57)**	**837**

The Group Financial liabilities as at 31 December 2012	Amounts offset			Amounts not offset		Net
	Gross liabilities $m	Gross assets offset $m	Net presented in the balance sheet $m	Financial instruments $m	Cash collateral paid $m	$m
Derivative financial liabilities	(1 345)	599	(746)	210	157	(379)
Trade payables	(707)	401	(306)	–	–	(306)
	(2 052)	**1 000**	**(1 052)**	**210**	**157**	**(685)**

18 FINANCIAL INSTRUMENTS continued

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES continued

For the financial assets and liabilities subject to enforceable master netting arrangements or similar arrangements above, each agreement between the Group and the counterparty typically requires net settlement of the relevant financial assets and liabilities In the absence of such a requirement financial assets and liabilities will be settled on a gross basis however, each party to the master netting agreement or similar agreement will be required or have the option to settle all such amounts on a net basis in the event of default of the other party Per the terms of each agreement an event of default includes failure by a party to make payment when due failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within a specified cure period after notice of such failure is given to the party or bankruptcy

FAIR VALUES OF OTHER FINANCIAL INSTRUMENTS

The following financial instruments are measured at historic or amortised cost and have fair values that differ from their book values

	2013		2012	
	Book value $m	**Fair value $m**	Book value $m	Fair value $m
Financial instruments held or issued to finance the Group s operations				
Long-term borrowings	**(17 054)**	**(18 510)**	(14 443)	(15 911)

The fair values of long-term borrowings are within Level 1 ($13 244m) and Level 2 ($5 266m) of the fair value hierarchy and have been estimated based on quoted market prices where available, or by discounting all future cash flows by the relevant market yield curve at the balance sheet date

FINANCIAL RISK FACTORS

The principal financial risks arising from financial instruments are commodity price risk, exchange rate risk, interest rate risk and credit and liquidity risk A description of these principal risks is outlined on pages 3 and 4 Additional quantitative information and market sensitivities in relation to certain principal market risks are included in the following sections

Liquidity risk

The Group limits the amount of borrowings maturing within any specific period and the Group s financial assets are primarily held as short-term, liquid investments that are readily convertible into known amounts of cash These measures reduce liquidity risk The Group proposes to meet its financing commitments from the operating cash flows of the business existing cash and cash equivalent investments, proceeds from asset disposals and borrowings from a range of sources which are expected to include money and debt capital markets government lending agencies and existing committed lines of credit The undiscounted contractual cash flows receivable/(payable) under financial instruments as at the balance sheet date are as follows

as at 31 December 2013	Within one year $m	Between one and two years $m	Between two and five years $m	After five years $m	Total $m
Non derivative financial liabilities					
Borrowings	(1 150)	(1 977)	(6 864)	(25 750)	(35 741)
Short term payables and amounts owed to parent undertaking	(4 736)	–	–	–	(4 736)
	(5 886)	(1 977)	(6 864)	(25 750)	(40 477)
Outflows from derivative financial instruments					
Currency and interest rate derivatives	(974)	(88)	(78)	(722)	(1 862)
Gross settled commodity derivatives	(1 232)	(397)	(276)	–	(1 905)
Net-settled commodity derivatives	(49)	(17)	(12)	–	(78)
	(2 255)	(502)	(366)	(722)	(3 845)
Non derivative financial assets and inflows from derivative financial instruments	12 779	1 478	724	1 675	16 656
Total as at 31 December 2013	**4 638**	**(1 001)**	**(6 506)**	**(24 797)**	**(27 666)**

as at 31 December 2012	Within one year $m	Between one and two years $m	Between two and five years $m	After five years $m	Total $m
Non-derivative financial liabilities					
Borrowings	(1 686)	(667)	(3 890)	(27 501)	(33 744)
Short-term payables and amounts owed to parent undertaking	(5 349)	–	–	–	(5 349)
Other financial liabilities	–	–	–	(2)	(2)
	(7 035)	(667)	(3 890)	(27 503)	(39 095)
Outflows from derivative financial instruments					
Currency and interest rate derivatives	(2 013)	(449)	(196)	(690)	(3 348)
Gross settled commodity derivatives	(1 185)	(197)	(306)	–	(1 688)
Net-settled commodity derivatives	(149)	(30)	(8)	–	(187)
	(3 347)	(676)	(510)	(690)	(5 223)
Non derivative financial assets and inflows from derivative financial instruments	11 240	1 708	1 160	1 629	15 737
Total as at 31 December 2012	**858**	**365**	**(3 240)**	**(26 564)**	**(28 581)**

18 FINANCIAL INSTRUMENTS continued

FINANCIAL RISK FACTORS continued

Credit risk

Credit risk is managed on a Group basis Credit risk in financial instruments arises from cash and cash equivalents and derivative financial instruments as well as credit exposures of commercial counterparties including exposures in respect of outstanding receivables and committed transactions For banks and financial institutions only independently rated parties with a minimum long-term credit rating of 'A' are normally accepted as a counterparty and credit limits are established based primarily on the credit ratings although other credit assessment factors that determine credit quality including the external environment are taken into account when considering the awarding of or maintenance of a limit Similarly if a commercial counterparty is independently credit rated, the rating is primarily used to determine credit quality and limits with other relevant assessment factors also considered If there is no independent credit rating, credit quality is assessed in accordance with credit policies that take account of the counterparty s financial position and other similar factors Exposures are monitored by the relevant Group businesses and at a Group level

As at 31 December 2013 the Group s maximum credit risk exposure (after the impact of any netting arrangements) under interest rate related derivatives was $79m (2012 $78m), currency derivatives $491m (2012 $295m) and commodity related derivatives $41m (2012 $43m) The Group's credit risk exposure under receivables and other financial assets is represented by the book values The Group considers its portfolio for credit related concentration risks where risks may result from strategic investments, commercial relationships or sales of product in a variety of locations Mitigation may be considered where appropriate to diversify or reduce risk profile

As at 31 December 2013 the Group s receivable balance with Egypt General Petroleum Corporation (EGPC) in respect of domestic gas sales was $1 2bn (2012 $1 3bn), of which $0 5bn (2012 $0 6bn) was overdue Following an agreement signed with EGPC in 2011 the repayment of this receivable balance is partly secured by cash from LNG exports through Egyptian LNG Higher than agreed gas volumes continue to be diverted to the Egyptian domestic market, and as a result the volume of gas available for export has reduced and the effectiveness of this receivable securitisation agreement has diminished In addition, the Group issued Force Majeure notices under its Egyptian LNG arrangements in January 2014 Despite this the Group considers that the current receivable balance remains fully recoverable as direct cash payments from EGPC continue to be received and discussions with the Egyptian government to seek other forms of payment security are ongoing However, the recoverability of the receivable balance depends on the business environment in Egypt the Group's continued investment plans and the volume of gas available for export together with the outcome of ongoing negotiations with EGPC The Group reviewed the agreement signed with EGPC in 2011 to determine whether the receivable balance should be derecognised and replaced with another asset As the Group retained the rights to receive cash flows from the asset and the risks and rewards associated with the asset, it concluded that no derecognition was required

Market risk

Financial instruments used by the Group that are affected by the market risks primarily comprise cash and cash equivalents, borrowings and derivative contracts The principal market variables that affect the value of these financial instruments are UK and US interest rates, US Dollar to Pound Sterling exchange rates, UK and US gas prices, and Japan Custom-cleared Crude (JCC) and Brent oil prices The table below illustrates the indicative post-tax effects on the income statement and other comprehensive income of applying reasonably foreseeable market movements to the Group's financial instruments at the balance sheet date

	Market movement		Business performance		Disposals re measurements and impairments		Other comprehensive income	
	2013	2012	**2013 $m**	2012 $m	**2013 $m**	2012 $m	**2013 $m**	2012 $m
UK interest rates	**+100 basis points**	+150 basis points	**(40)**	(50)	**(10)**	(17)	**(140)**	(246)
US interest rates	**+100 basis points**	+100 basis points	**29**	19	**97**	142	**(203)**	225
US$/UK£ exchange rates	**+20 cents**	+20 cents	**–**	–	**(144)**	(681)	**357**	1 019
UK gas prices	**+10 pence/therm**	+15 pence/therm	**–**	–	**(12)**	(123)	**–**	–
US gas prices	**+1 $/mmbtu**	+1 $/mmbtu	**(14)**	(1)	**–**	62	**(2)**	(1)
JCC/Brent prices	**+10 $/bbl**	+10 $/bbl	**–**	–	**(39)**	(27)	**–**	–

The above sensitivity analysis is based on the Group s financial assets, liabilities and hedge designations as at the balance sheet date and indicates the effect of a reasonable increase in each market variable The effect of a corresponding decrease in these variables is approximately equal and opposite The following assumptions have been made

(i) the sensitivity includes a full year's change in interest payable and receivable from floating rate borrowings and investments based on the post-swap amounts and composition as at the balance sheet date

(ii) fair value changes from derivative instruments designated as cash flow or net investment hedges are considered fully effective and are recorded in other comprehensive income

(iii) fair value changes from derivative instruments designated as fair value hedges are considered fully effective and entirely offset by adjustments to the underlying hedged item and

(iv) fair value changes from derivatives not in a hedge relationship are recorded in the income statement

19 TRADE AND OTHER PAYABLES

as at 31 December	2013 $m	2012 $m
Amounts falling due within one year		
Trade payables	**1 459**	1 210
Amounts owed to parent undertaking	**2 881**	3 750
Amounts owed to joint ventures and associates (see note 23 page 47)	**109**	88
Other payables[a]	**287**	301
Accruals and deferred income	**3 753**	3 702
	8 489	9 051
Amounts falling due after more than one year		
Other payables	**–**	2
Accruals and deferred income	**150**	121
	150	123
Total payables	**8 639**	9 174

(a) As at 31 December 2013 Group payables include $35m (2012 $26m) relating to share based payment transactions of which $15m (2012 $8m) relates to awards that have already vested and $140m (2012 $135m) relating to amounts provided in 2013 for payments to eligible employees under bonus schemes including the BG Group Annual Incentive Scheme (AIS)

20 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

	Decommissioning		Other		Total	
	2013 $m	2012 $m	2013 $m	2012 $m	2013 $m	2012 $m
As at 1 January	**3 767**	3 128	**415**	475	**4 182**	3 603
Charge for the year	**63**	–	**98**	134	**161**	134
Unwinding of discount	**107**	95	**2**	9	**109**	104
Additions	**993**	545	**–**	30	**993**	575
Change in discount rate	**(764)**	–	**–**	–	**(764)**	–
Disposals	**(295)**	(46)	**–**	(30)	**(295)**	(76)
Currency translation and other adjustments	**(134)**	82	**(2)**	–	**(136)**	82
Amounts used	**(75)**	(37)	**(58)**	(203)	**(133)**	(240)
Unused provisions credited to the income statement	**–**	–	**(2)**	–	**(2)**	–
As at 31 December	**3 662**	3 767	**453**	415	**4 115**	4 182

A brief description of each provision together with estimates of the timing of expenditure is given below

DECOMMISSIONING COSTS

The estimated cost of decommissioning at the end of the producing lives of fields is reviewed at least annually and engineering estimates and reports are updated periodically Provision is made for the estimated cost of decommissioning at the balance sheet date to the extent current circumstances indicate the Group will ultimately bear this cost The payment dates of expected decommissioning costs are uncertain and are based on economic assumptions surrounding the useful economic lives of the fields concerned Useful economic lives of fields are affected by the estimation of hydrocarbon reserves and resources, which in turn is impacted by available reservoir data, commodity prices and future costs Payments (on a discounted basis) of $828m (2012 $226m) are currently anticipated within one to five years $829m (2012 $513m) within six to 10 years, and $2 005m (2012 $3 028m) over 10 years

OTHER

The balance as at 31 December 2013 includes provisions for onerous contracts of $146m (2012 $149m) field-related payments of $51m (2012 $53m) insurance costs of $67m (2012 $52m) and costs associated with acquisitions, disposals and restructuring of $112m (2012 $122m) The payment dates are uncertain, but are expected to be between 2014 and 2018 (2012 2013 and 2018)

21 CALLED UP SHARE CAPITAL

as at 31 December	Number of shares 2013 m	2012 m	2013 $m	2012 $m
Equity				
Ordinary shares of £1 each	**2 898**	2 898	**4 614**	4 614

22 COMMITMENTS AND CONTINGENCIES

A) CAPITAL EXPENDITURE

As at 31 December 2013, the Group had contractual commitments for future capital expenditure amounting to $6 235m (2012 $8 807m) of which $5 770m related to acquisition of property, plant and equipment (2012 $8 268m) and $465m related to intangible exploration assets (2012 $539m) As at 31 December 2013, BG Group's joint ventures and associates had placed contracts for capital expenditure, BG Group s share of which amounted to $2 272m (2012 $5 647m)

Included in the amount for contractual commitments for future capital expenditure is $1 921m (2012 $2 181m) relating to commitments under operating leases split between amounts due within one year $970m (2012 $1 050m) and amounts due between one and five years $951m (2012 $1 131m)

B) DECOMMISSIONING COSTS ON DISPOSED ASSETS

The Group has contingent liabilities in respect of the future decommissioning costs of gas and oil assets disposed of to third parties should they fail to meet their remediation obligations The amounts of future costs associated with these contingent liabilities could be significant The Group has obtained indemnities and/or letters of credit against the estimated amount of certain of these potential liabilities

C) FUTURE EXPLORATION AND DEVELOPMENT COSTS

As at 31 December 2013, certain petroleum licences and contractual agreements in which the Group has an interest contained outstanding obligations to incur exploration and development expenditure some of which were firm commitments and others contingent The uncontracted cost attributable to the Group in respect of these firm commitments is estimated to be $806m (2012 $858m)

D) LEASE COMMITMENTS

Commitments under operating leases to be expensed to the income statement as at 31 December were as follows

	Land and buildings		Vessels and other		FPSOs		Total	
	2013 $m	2012 $m	**2013 $m**	2012 $m	**2013 $m**	2012 $m	**2013 $m**	2012 $m
Amounts due								
Within one year	**77**	90	**552**	371	**239**	140	**868**	601
Between one and five years	**208**	256	**2 676**	1 749	**2 494**	1 239	**5 378**	3 244
After five years	**264**	297	**2 829**	1 300	**10 276**	2 509	**13 369**	4 106
Total commitments under operating leases	**549**	643	**6 057**	3 420	**13 009**	3 888	**19 615**	7 951

Certain expenditure under operating leases is recovered from third parties under partnership agreements and is excluded from the table above

The Group sub-leases a building at the Lake Charles LNG facility to third parties Total future minimum lease rentals receivable by the Group under this lease were $5m as at 31 December 2013 (2012 $2m)

Included within Vessels and other are operating leases over LNG ships and oil tankers As at 31 December 2013, the Group has no sub-leases of its vessels to third parties (2012 one vessel)

The last of the leases in respect of an FPSO expires in 2036 (2012 expires in 2031)

22 COMMITMENTS AND CONTINGENCIES continued

E) LEGAL PROCEEDINGS

Italian criminal charges were brought in 2008 against certain current and former employees and consultants of BG Group in connection with allegations of improper conduct associated with the authorisation process for the planned Brindisi LNG S p A regasification terminal BG Italia S p A (BG Italia), a wholly owned subsidiary of BG Group, was also charged under Italian Legislative Decree No 231/2001 an Italian anti corruption statute All charges have been declared time barred, including those against a former director previously convicted of abusive land occupation

A civil claim, brought by the Region of Puglia against BG Italia within the framework of the criminal case, remains outstanding The claim was rejected by the Brindisi court in April 2012 and the Puglia Region appealed Appeals in relation to this case and the above criminal cases are due to be heard on 5 May 2014 Various civil proceedings relating to the Brindisi LNG regasification terminal remain outstanding, for example relating to the consent process However in December 2012 the board of BG Group decided in any event not to pursue the Brindisi LNG regasification terminal project

Two separate tax deficiency notices have been issued against Petrobras (in December 2009) based on alleged irregularities in connection with the import of equipment and rigs on behalf of the BM-S-9 consortium (Petrobras (45% – Operator), BG E&P Brasil (30%) and Repsol Sinopec Brasil (25%)) BG Group's potential liability arises from indemnity provisions in favour of Petrobras as set out in the Joint Operating Agreement

The first tax deficiency notice was issued due to the São Paulo State Tax Authority s allegation that Petrobras cannot enjoy lower tax rates in the importation of the Stena Drillmax rig because the rig was not disembarked and cleared in a São Paulo state port Petrobras challenged this decision through the administrative courts but the appeal was rejected Petrobras filed a lawsuit before the judicial branch and in October 2011, the first instance court declared that the São Paulo State Tax Authority was not competent to decide unilaterally where customs clearance takes place or to consider if the Consortium would be entitled to the special tax treatment In February 2014 the second instance court dismissed the São Paulo State Tax Authority's appeal against this ruling These rulings were positive decisions for the Consortium The São Paulo State Tax Authority may appeal the second instance judicial decision to the Brazilian Superior Court of Justice A final decision is expected within one to three years depending on whether there are further appeals

The second tax deficiency notice was issued by the São Paulo Tax Authority reflecting their view that Petrobras should have recorded transfers of goods to and from a rig by issuing invoices (for the purposes of allowing authorities to monitor taxable transactions) as if the offshore rig and the onshore base were two distinct branches of Petrobras As such the authorities claim that transfers of goods to and from the Petrobras-affiliated 'branches' should attract a transfer tax (equivalent to VAT)

Petrobras challenged this deficiency notice before the administrative courts and on 23 March 2010 an unfavourable decision was issued This decision has been appealed by Petrobras the outcome of which may be received by the end of 2014 If the appeal by Petrobras is rejected, it is anticipated that judicial proceedings will be brought in a manner similar to the first tax deficiency notice referred to above It is expected that this matter may also take up to five years to be resolved

It is not practicable at this time to estimate the financial effects (other than for the tax deficiency notices), indicate the uncertainties relating to the amounts or timing of any economic inflows or outflows nor the possibility of any reimbursements in relation to the outstanding legal proceedings detailed above An amount for the tax deficiency notices has been included within the contingency liabilities amount in subsection (F) below

The Company and its subsidiaries are or may from time to time be, in connection with current or past operations, involved in a number of legal or arbitration proceedings, including for example claims, suits, actions, investigations and/or inquiries relating to commercial, tax, environmental or other matters, with third parties or governmental or regulatory authorities While the outcome of some of these matters cannot readily be foreseen, it is currently considered that they will be resolved without material effect on the net asset position as set out in these Financial statements

F) OTHER CONTINGENT LIABILITIES

The amount of contingent liabilities as at 31 December 2013 (mainly the provision of guarantees indemnities, contingent decommissioning obligations or warranties to third parties and various legal or arbitration proceedings in connections with the current and prior operations of the Group) amounted to $6 902m (2012 $4 843m) The Group's share of other contingencies in respect of its joint ventures and associates amounted to $nil (2012 $nil)

23 RELATED PARTY TRANSACTIONS

In the normal course of business the Group provides goods and services to, and receives goods and services from, its joint ventures and associates

In the year ended 31 December 2013 the Group received and incurred the following income and charges from these joint ventures and associates

	2013		2012	
	Income $m	**Charges $m**	Income $m	Charges $m
LNG cargo purchases sales and other related costs	**108**	**(717)**	123	(876)
Shipping transportation costs and other related costs	**90**	**(113)**	97	(130)
E&P operating costs	**-**	**(149)**	–	–
	198	**(979)**	220	(1 006)

The Group provides certain guarantees in respect of its obligations to its joint ventures and associates, and its share of obligations undertaken by its joint ventures and associates in the normal course of business

As at 31 December 2013, a debtor balance of $69m (2012 $45m) (see note 15 page 34) and a creditor balance of $109m (2012 $88m) (see note 19 page 44) were outstanding with these parties

In addition the Group provides financing to some of these parties by way of loans As at 31 December 2013, loans of $714m (2012 $715m) were due from joint ventures and associates These loans are accounted for as part of the Group's investment in joint ventures and associates and disclosed in note 13 page 33 Interest of $10m (2012 $18m) was charged on these loans during the year at interest rates of between 1 26% and 4 06% (2012 1 40% and 4 33%) The maximum debt outstanding during the year was $715m (2012 $1 467m)

The Group has a finance lease arrangement with a joint venture company As at 31 December 2013 the obligation was $135m (2012 $140m) Interest of $9m (2012 $9m) was paid during the year in respect of this lease The lease expires in 2027

BG Group has operating lease arrangements with associate companies in respect of FPSOs As at 31 December 2013 the obligation was $11 520m (2012 $2 875m) Charges paid during the year in respect of these leases are presented as E&P operating costs in the table above The last of these leases expires in 2036

William Backhouse, the son of Peter Backhouse, a Non-Executive Director is employed by BG International Limited a wholly owned subsidiary of the Group Peter Backhouse is regarded as interested in the contract of employment by virtue of his relationship with William Backhouse The terms and conditions of William Backhouse s employment are consistent with others employed in a similar role

As at 31 December 2013, a debtor balance of $28m (2012 $40m) (see note 15 page 34) and a creditor balance of $2 881m (2012 $3 750m) (see note 19 page 44) were outstanding between the Group plc and its ultimate parent, BG Group plc

24 PENSIONS AND POST-RETIREMENT BENEFITS

In the year ended 31 December 2013 a number of the Group s UK employees participated in the BG Pension Scheme (BGPS) a defined benefit registered pension plan established under trust The Trustee is BG Group Pension Trustees Limited The BGPS is funded to cover future pension liabilities in respect of service up to the balance sheet date It is subject to an independent valuation at least every three years, on the basis of which the independent qualified actuary certifies the rate of employers' contributions that together with the specified contributions payable by the employees and returns on the BGPS s assets, are expected to be sufficient to fund the benefits payable

For the year ended 31 December 2013 the employers' contribution rate in respect of most BGPS members was effectively 35 2% of pensionable pay (excluding plan expenses) In addition, 3% of pensionable pay was contributed by most members either directly or by their employer via a salary sacrifice arrangement

In common with all workplace pension schemes in the UK the BGPS is subject to regulation by The Pensions Regulator The Trustee is responsible for overall management and governance of the BGPS including compliance with all applicable legislation and regulations The Trustee also has responsibility for investment of the BGPS's assets, following consultation with the Group

The BGPS closed to future accrual of benefits on 31 December 2013 and all active members became deferred pensioners with pensions calculated based on salaries up until the point of closure for such active members These deferred pensions are generally revalued in line with movements in the Retail Prices Index Certain benefits relating to individual transfers-in and purchases of additional pensionable service by employees retain a link to pensionable salary post-closure The closure of the scheme resulted in a curtailment gain of $154m, recognised in the income statement (see note 4, page 26)

Notes to the accounts continued

24 PENSIONS AND POST-RETIREMENT BENEFITS continued

The last full independent actuarial valuation of the BGPS for funding purposes showed that the aggregate market value of the plan assets at 31 March 2011 was £865m, representing 79% of the accrued liabilities The latest annual actuarial report showed an updated funding level of 70% at 31 March 2013 The next full funding valuation will be performed with an effective date of 31 March 2014 The Group made annual payments of £27m in 2011, 2012 and 2013 in order to address the plan s deficit As part of the funding agreement in respect of the 2011 actuarial valuation and the closure of the BGPS to future accrual of benefits the Group and the Trustee have established a Pension Funding Partnership (PFP), to address the deficit and to provide greater security to the Trustee

In December 2013 the Group acquired an interest in the PFP for £110m It also contributed £350m to the BGPS and the Trustee used this to purchase its interest in the PFP The PFP has an interest in loans secured on four of the Group's LNG ships, the proceeds from which the PFP will use to make annual distributions of £33m to the BGPS for 15 years and to pay a capital sum in 2028 of £172m which will be used if necessary, to fund any deficit in the BGPS at that time, measured on a self-sufficiency funding basis The Group has taken advantage of the exemption conferred by Regulation 7 of the Partnerships (Accounts) Regulations 2008 and has, therefore not appended the accounts of this qualifying partnership to these Financial statements Separate accounts for the PFP are not required to be, and have not been filed at Companies House

For scheme funding purposes, the Trustee s interest in the PFP is treated as an asset which reduces the BGPS actuarial funding deficit However, the PFP is not a plan asset under IAS 19 for the purposes of the Group s consolidated Financial statements and therefore does not reduce the deficit on an IAS 19 accounting basis

The Group is exposed to a number of risks relating to the BGPS For example, additional contributions may be required if the life expectancy of the members increases or if investments underperform compared to the assumptions adopted

The BGPS holds a diversified investment portfolio (see table on page 50), primarily comprising quoted investments, spread across four investment managers The portfolio remains weighted towards growth assets, but the Trustee increased the benchmark allocation to corporate bonds and index-linked gilts from 15% to 40% during the year to increase the asset-liability matching characteristics of the portfolio As at 31 December 2013 the BGPS held unquoted assets valued at \$3m (2012 \$4m) through its absolute return investment in the Lansdowne Developed Markets Fund

The BG Supplementary Benefits Scheme (BGSBS) provides benefits broadly in excess of the 'lifetime allowance' This defined benefit plan is an unfunded non-registered arrangement The BGSBS was closed to future accrual of benefits on 31 December 2013 the same date as benefit accrual ceased in the BGPS

As a result of the closure of the BGPS and the BGSBS, employees who participated in these schemes in common with new UK employees from April 2007 have been offered membership of a defined contribution stakeholder pension plan the BG Group Retirement Benefits Plan (BGRBP) Life assurance and income protection benefits are also provided under separate plans these benefits are fully insured The Group contributes a flat rate percentage of salary to the BGRBP and members may choose to increase this at their own cost, either directly or via salary sacrifice, or, subject to minimum contributions to ensure compliance with UK pensions automatic enrolment legislation to reduce it in exchange for a taxable cash allowance A wide range of funds is available from which members may choose how the contributions will be invested The cost of the BGRBP and the related life assurance and income protection benefits has been included in the amounts recognised in the consolidated income statement

The Group has a small number of defined benefit plans outside the UK which are not material in Group terms

Independent actuaries reported on the financial position of the BGPS and the BGSBS as at 31 December 2013 in accordance with the requirements of IAS 19 The fair value of plan assets, the present value of plan liabilities and the net balance sheet liability were as follows

as at 31 December	**2013 \$m**	2012 \$m
Fair value of plan assets	**1 927**	1 598
Present value of plan liabilities	**(2 095)**	(1 886)
Net balance sheet liability	**(168)**	(288)

24 PENSIONS AND POST-RETIREMENT BENEFITS continued

NET DEFINED BENEFIT LIABILITY

Movements in the net defined benefit liability during the period were as follows

	2013 $m	2012 $m
Reconciliation of the net defined benefit liability		
Net defined benefit liability as at 1 January	**(288)**	(436)
Movement in year		
Current service cost	**(63)**	(68)
Net interest on defined benefit liability	**(11)**	(23)
Employer contributions	**96**	103
Re measurement effects recognised in other comprehensive income	**(48)**	31
Curtailment gain	**154**	–
Settlement	**–**	108
Currency translation adjustments	**(8)**	(3)
Net defined benefit liability as at 31 December	**(168)**	(288)

DEFINED BENEFIT OBLIGATION

Movements in the present value of the defined benefit obligation (DBO) during the period were as follows

	2013 $m	2012 $m
Reconciliation of the present value of the DBO		
Present value of the DBO as at 1 January	**1 886**	1 725
Movement in year		
Current service cost	**63**	68
Interest cost	**83**	90
Employee contributions	**1**	1
Benefit payments	**(45)**	(43)
Actuarial gain due to experience adjustments	**(4)**	(23)
Actuarial loss due to changes in financial assumptions	**210**	106
Curtailment gain	**(154)**	–
Settlement	**–**	(108)
Currency translation adjustments	**55**	70
Present value of the DBO as at 31 December	**2 095**	1 886

As at 31 December 2013 $2 021m of the DBO relates to the funded BGPS (2012 $1 816m) and $74m to the unfunded BGSBS (2012 $70m)

The weighted average duration of the DBO as at 31 December 2013 is 22 years As at 31 December 2013 $1 530m of the DBO relates to deferred pensioners and $565m relates to pensions in payment

The valuations as at 31 December were based on the following assumptions

	2013 %	2012 %
Rate of price inflation and benefit increases[a]	**3 4**	3 0
Future increases in earnings[b]	**4 4**	4 0
Discount rate	**4 5**	4 6

(a) Rate of increase of deferred pensions and pensions in payment in excess of any Guaranteed Minimum Pension element

(b) Due to the closure of the BGPS to future accrual of benefits on 31 December 2013 the future increase in earnings is no longer considered a significant assumption

The assumptions set out in the table above are those applicable to the currency in which the liabilities of each plan are denominated In the case of the BGPS and BGSBS this is Pounds Sterling

If the discount rate used for the valuation of the BGPS and BGSBS was reduced by 0 1% to 4 4%, the DBO would increase by $44m A 0 1% increase in the inflation rate would have a similar impact on the DBO

24 PENSIONS AND POST-RETIREMENT BENEFITS continued

DEFINED BENEFIT OBLIGATION continued

In determining the DBO as at 31 December 2013, mortality assumptions are based on the 'Self Administered Pension Schemes (SAPS) S1 series (light) tables with a 105% multiplier issued by the Institute and Faculty of Actuaries, appropriate to each member's year of birth, with an allowance for projected longevity improvements in line with the CMI s 'core projection' model (2010 version) with a long-term rate of improvement of the projected mortality rates of 1% per annum Based on these assumptions the life expectancies of pensioners on the measurement date and also of pensioners in ten years time are as follows

as at 31 December	Life expectancy of pensioners (years)			
	2013		2012	
	2013	**2023**	2012	2022
Male age 60	**28 3**	**29 0**	28 2	29 0
Male age 65	**23.6**	**24 2**	23 5	24 2
Female age 60	**29 4**	**30 2**	29 3	30 1
Female age 65	**24 6**	**25 4**	24 6	25 3

If the life expectancy of a member currently age 60 was increased by one year with consistent changes for members at other ages the DBO in respect of the BGPS and BGSBS would increase by $54m

PLAN ASSETS

Movements in the fair value of plan assets during the period were as follows

	2013 $m	2012 $m
Reconciliation of the fair value of plan assets		
Fair value of plan assets as at 1 January	**1 598**	1 289
Movement in year		
Interest income on plan assets	**72**	67
Company contributions	**96**	103
Employee contributions	**1**	1
Benefit payments	**(45)**	(43)
Return on plan assets excluding amounts included in interest income	**158**	114
Currency translation adjustments	**47**	67
Fair value of plan assets as at 31 December	**1 927**	1 598

As at 31 December 2013, the fair value of plan assets was as follows

	2013		2012	
	Percentage of plan assets %	**Value $m**	Percentage of plan assets %	Value $m
Equities[a]	**38**	**733**	61	982
Absolute return strategies	**16**	**305**	16	254
Index-linked gilts	**29**	**551**	5	80
Corporate bonds	**10**	**196**	12	186
Property funds	**7**	**131**	6	91
Money market funds and cash	**–**	**11**	–	5
Fair value of plan assets		**1 927**		1 598

(a) Equities are invested across a globally diversified range of funds which track benchmark general industry indices in each market

24 PENSIONS AND POST-RETIREMENT BENEFITS continued

INCOME STATEMENT

The following amounts have been recognised in the consolidated income statement in the year to 31 December

	2013 $m	2012 $m
Amounts recognised in the consolidated income statement		
Operating costs		
Current service cost	**63**	68
Curtailment gain	**(154)**	–
Costs in respect of defined contribution plans	**60**	56
Total (credit)/charge to operating costs	**(31)**	124
Net finance costs		
Interest on the net defined benefit liability	**11**	14
Total charge to finance costs	**11**	14
Costs in respect of defined contribution plans in discontinued operations	**1**	1
Interest on plan liabilities from discontinued operations	**–**	9
Total (credit)/charge included within employee costs	**(19)**	148

25 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

CASH GENERATED BY OPERATIONS

for the year ended 31 December	2013 $m	2012 $m
Profit before taxation[a]	**4 150**	7 908
Finance income	**(170)**	(245)
Finance costs	**301**	476
Share of post tax results from joint ventures and associates	**(335)**	(311)
Operating profit	**3 946**	7 828
Depreciation of property plant and equipment	**2 946**	2 525
Amortisation of other intangible assets	**9**	68
Share based payments	**63**	61
Fair value movements in commodity based contracts	**(98)**	(241)
Profits and losses on disposal of non current assets and impairments[b]	**3 576**	499
Unsuccessful exploration expenditure written off	**394**	339
Decrease in provisions for liabilities and retirement benefit obligations	**(129)**	(174)
Movements in working capital		
Increase in inventories	**(29)**	(38)
Increase in trade and other receivables	**(618)**	(60)
Increase/(decrease) in trade and other payables	**234**	(78)
Cash generated by operations	**10 294**	10 729

The cash flows above are inclusive of discontinued operations (see note 7, page 29)

(a) Profit before taxation from discontinued operations was $258m (2012 $1 582m)
(b) Profits and losses on disposal of non current assets and impairments include a profit from discontinued operations of $241m (2012 $1 152m loss)

Notes to the accounts continued

26 PRINCIPAL SUBSIDIARY UNDERTAKINGS, JOINT VENTURES AND ASSOCIATES

The principal subsidiary undertakings, joint ventures and associates listed are those that in the opinion of the Directors principally affect the figures shown in the Financial statements A full list of subsidiary undertakings joint ventures and associates has been included in the Annual Return filed with the Registrar of Companies

PRINCIPAL SUBSIDIARY UNDERTAKINGS

as at 31 December 2013	Country of incorporation	Location of operation	Activity
BG International (AUS) Limited Partnership	Australia	Australia	Exploration and production
QCLNG Train 2 Pty Limited	Australia	Australia	LNG manufacture
QCLNG Common Facilities Company Pty Limited	Australia	Australia	LNG manufacture
QGC (Infrastructure) Pty Limited	Australia	Australia	Exploration and production
QGC Pty Limited (QGC)	Australia	Australia	Exploration and production
QGC Train 1 Pty Limited	Australia	Australia	LNG manufacture
BG E&P Brasil Ltda	Brazil	Brazil	Exploration and production
BG Bolivia Corporation	Cayman Islands	Bolivia	Exploration and production
BG Exploration and Production India Limited	Cayman Islands	India	Exploration and production
BG Egypt S A	Cayman Islands	Egypt	Exploration and production
BG Delta Limited	England and Wales	Egypt	Exploration and production
BG Rosetta Limited[(a)]	England and Wales	Egypt	Exploration and production
BG CATS Limited	England and Wales	Egypt	Exploration and production
BG Energy Capital plc[(a)]	England and Wales	UK	Financing company
BG Gas Marketing Limited	England and Wales	UK[(b)]	LNG marketing
BG Hasdrubal Limited	England and Wales	Tunisia	Exploration and production
BG International Limited[(a)]	England and Wales	UK[(b)]	Holding company/Exploration and production
BG International (CNS) Limited	England and Wales	UK	Exploration and production
BG International (NSW) Limited	England and Wales	UK	Exploration and production
BG Karachaganak Limited	England and Wales	Kazakhstan	Holding company/Exploration and production
BG North Sea Holdings Limited[(a)]	England and Wales	UK	Holding company/Exploration and production
BG Trinidad and Tobago Limited	England and Wales	Trinidad and Tobago	Exploration and production
BG Tunisia Limited	England and Wales	Tunisia	Exploration and production
Methane Services Limited[(a)]	England and Wales	UK[(b)]	LNG shipping
BG Norge Limited	England and Wales	UK and Norway	Exploration and production
BG Tanzania Limited	England and Wales	Tanzania	Exploration and production
BG Asia Pacific Pte Limited	Singapore	Singapore[(b)]	Exploration and production
BG Energy Finance Inc	USA	USA	Financing company
BG Energy Merchants LLC	USA	USA	Gas marketing
BG LNG Services LLC	USA	USA	LNG regasification
BG LNG Trading LLC	USA	UK[(b)]	LNG marketing
BG Production Company (PA) LLC	USA	USA	Exploration and production
BG US Production Company LLC	USA	USA	Exploration and production

(a) Shares are held by the Company others are held by subsidiary undertakings
(b) This is the primary country of operation however the company also operates across several other countries

All the above are wholly owned

26 PRINCIPAL SUBSIDIARY UNDERTAKINGS, JOINT VENTURES AND ASSOCIATES continued
JOINT VENTURES AND ASSOCIATES

as at 31 December 2013	Country of incorporation and location of operation	Activity	Issued share capital	Group holding %
Joint ventures[a]				
Dragon LNG Group Limited	England and Wales	LNG regasification	10 000 shares of £0 01	50 0
Mahanagar Gas Limited	India	Gas distribution	89 341 600 shares of Rupees 10	49 8
Associates				
El Behera Natural Gas Liquefaction Company S A E	Egypt	LNG manufacture	30 000 shares of $100	35 5
Idku Natural Gas Liquefaction Company S A E	Egypt	LNG manufacture	30 000 shares of $100	38 0
Guará B V	Netherlands[b]	Leasing	18 000 shares of €1	30 0
Tupi B V	Netherlands[b]	Leasing	18 000 shares of €1	25 0
Atlantic LNG Company of Trinidad and Tobago	Trinidad and Tobago	LNG manufacture	243 851 shares of $1 000	26 0
Atlantic LNG 2/3 Company of Trinidad and Tobago Unlimited	Trinidad and Tobago	LNG manufacture	139 253 shares of $1 000	32 5
Atlantic LNG 4 Company of Trinidad and Tobago Unlimited	Trinidad and Tobago	LNG manufacture	222 686 shares of $1 000	28 9

(a) Joint ventures are jointly controlled entities where strategic and operating decisions require unanimous consent of the parties sharing control
(b) Guará B V and Tupi B V are incorporated in the Netherlands and operate in Brazil

Independent Auditor's report to the members of BG Energy Holdings Limited

We have audited the parent Company Financial statements of BG Energy Holdings Limited for the year ended 31 December 2013 which comprise the Balance sheet Principal accounting policies and the related notes 1 to 13 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 AUDITORS

As explained more fully in the Statement of Directors' Responsibilities for Preparing the Financial statements set out on page 6 the Directors are responsible for the preparation of the parent Company 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 parent Company 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 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 parent 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 Accounts 2013 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 FINANCIAL STATEMENTS

In our opinion the parent Company Financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2013,
- 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 the Directors' Report for the financial year for which the Financial statements are prepared is consistent with the parent Company Financial statements

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 by the parent Company, or returns adequate for our audit have not been received from branches not visited by us, or
- the parent Company 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

OTHER MATTER

We have reported separately on the Group Financial statements of BG Energy Holdings Limited for the year ended 31 December 2013

Allister Wilson (Senior Statutory Auditor)
for and on behalf Ernst & Young LLP, Statutory Auditor
London
30 April 2014

Principal accounting policies under UK GAAP

BASIS OF PREPARATION AND ACCOUNTING PRINCIPLES

The preparation of Financial statements in conformity with generally accepted accounting principles requires management to make judgements and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the Financial statements and the reported revenues during the reporting period Actual results could differ from these estimates

These accounts have been prepared in accordance with applicable 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 is a wholly owned subsidiary undertaking of BG Group plc

As permitted by section 408 of the Companies Act 2006, no profit and loss account is presented for the Company

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

The Company only has one class of business and as a result is exempt from the segmental reporting requirements of the Companies Act 2006

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

Tangible fixed assets are depreciated on a straight-line basis at rates sufficient to write off the historical cost of individual assets over their estimated useful economic lives The depreciation periods for the principal categories of assets are as follows

Motor vehicles and office equipment	up to 10 years

Asset lives are kept under review and complete asset life reviews are conducted periodically

FIXED ASSET INVESTMENTS

Fixed asset investments, including investments in Joint Ventures and Associates, are stated at cost less provision for impairment

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

FOREIGN CURRENCIES

Transactions in foreign currencies are translated into Pounds Sterling at average rates of exchange 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

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, deposits with a maturity of three months or less and other short-term highly liquid investments that are readily convertible to known amounts of cash

PENSIONS

A number of employees of BG Energy Holdings Limited participate in the BG Pension Scheme (BGPS), which is a defined benefit multi-employer scheme and BG Energy Holdings Limited is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis Accordingly, it is treated as a defined contribution scheme in the Company's Financial statements

FINANCIAL INSTRUMENTS

The Company and Group's Treasury Policy may be found on pages 3 and 4

Derivative financial instruments utilised by the Company are interest rate swaps currency swaps, cross currency interest rate swaps forward rate agreements and forward exchange contracts

A derivative financial instrument is considered to be used for hedging purposes when it alters the risk profile of an existing underlying exposure of the Company in line with the Group's risk management policies Derivatives used for hedging purposes are accounted for on an accruals basis During the year, there were no interest rate or exchange rate derivatives used for trading purposes

Termination payments made or received in respect of derivatives are expensed to the profit and loss account Interest differentials on derivative instruments are recognised by adjusting the net interest charge Premiums or discounts on derivative instruments are amortised over the shorter of the life of the instrument or the underlying exposure

Currency swap agreements and forward exchange contracts are retranslated at closing rates Resulting gains and losses are offset against the foreign exchange gains or losses on the related borrowings, or where the instrument is used to hedge a committed future transaction are deferred until the transaction occurs

Balance sheet

as at 31 December	Notes	2013 £m	2012 £m
Fixed assets			
Tangible assets	2	**1**	1
Investments	3	**26 427**	23 602
		26 428	23 603
Current assets			
Debtors amounts falling due within one year	4	**18 022**	14 924
Debtors amounts falling due after more than one year	4	**6 660**	9 236
		24 682	24 160
Investments	5	**13**	114
Cash at bank and in hand		**4**	–
		24 699	24 274
Creditors amounts falling due within one year			
Borrowings	6	**(250)**	(2)
Other creditors	7	**(20 837)**	(18 966)
		(21 087)	(18 968)
Net current assets		**3 612**	5 306
Total assets less current liabilities		**30 040**	28 909
Creditors amounts falling due after more than one year			
Borrowings	6	**(1 353)**	(153)
Other creditors	7	**(20 093)**	(23 536)
		(21 446)	(23 689)
Net assets		**8 594**	5 220
Capital and reserves			
Called up equity share capital	9 10	**2 898**	2 898
Share premium account	10	**316**	316
Profit and loss account	10	**5 380**	2 006
BG Energy Holdings shareholder's funds	10	**8 594**	5 220

Commitments and contingencies are shown in note 11 page 59

The accounts on pages 56 to 59 were approved by the Board and signed on its behalf on 30 April 2014 by

Malcolm Brown
Director

The accounting policies on page 55 together with the notes on pages 57 to 59 form part of these accounts

Notes to the accounts

1 OPERATING COSTS

Audit fees for the audit of the Company s and the Group's accounts for the year ended 31 December 2013 were £41 200 (2012 £41 500)

2 TANGIBLE FIXED ASSETS

	Motor vehicles and office equipment	
	2013 £m	2012 £m
Cost as at 1 January and 31 December	**1**	1
Depreciation as at 1 January and 31 December	**–**	–
Net book value as at 31 December	**1**	1

3 FIXED ASSET INVESTMENTS

Fixed asset investments represent long-term investments

	Joint ventures		Associated undertakings		Subsidiary undertakings	
	Shares £m	Loans £m	Shares £m	Loans £m	shares £m	Total £m
Carrying value as at 1 January 2013	51	207	1	–	23 343	23 602
Investments	–	–	–	–	4 896	4 896
Disposals transfers and other loan movements	–	(24)	–	–	(2 047)	(2 071)
Carrying value as at 31 December 2013	**51**	**183**	**1**	**–**	**26 192**	**26 427**

4 DEBTORS

	2013 £m	2012 £m
Amounts falling due within one year		
Amounts owed by parent undertaking	**1**	–
Amounts owed by group undertakings	**17 833**	14 767
Amounts owed by group undertakings in respect of taxation	**71**	105
Other debtors	**117**	52
	18 022	14 924
Amounts falling due after more than one year		
Amounts owed by group undertakings	**6 513**	9 155
Other debtors	**146**	80
Deferred corporation tax	**1**	1
	6 660	9 236
Total debtors	**24 682**	24 160

5 CURRENT ASSET INVESTMENTS

	2013 £m	2012 £m
Money market and similar current asset investments	**13**	114

Notes to the accounts continued

6 BORROWINGS

The Company's treasury policy and other borrowings information disclosed on pages 3 and 4 of this report form part of this note

	2013 £m	2012 £m
Amounts falling due within one year		
Bank loans and overdrafts	**(250)**	(2)
Amounts falling due after more than one year		
Bank loans	**(1 353)**	(153)

The following table analyses the Company's gross borrowings These are repayable as follows

	2013 £m	2012 £m
Within one year	**250**	2
Between one and two years	**750**	–
Between two and three years	**452**	–
Between four and five years	**151**	–
After five years	**–**	153
	1 603	155

The Company has undrawn committed borrowing facilities in respect of which all conditions have been met as follows

	2013 £m	2012 £m
Expiring		
Between two and three years	**1 316**	–
Between three and four years	**1 835**	1 341
Between four and five years	**–**	2 178
	3 151	3 519

7 OTHER CREDITORS

	2013 £m	2012 £m
Amounts falling due within one year		
Amounts owed to parent undertaking	**2**	2 316
Amounts owed to group undertakings	**20 767**	16 584
Accruals and deferred income	**22**	12
Current tax payable	**10**	18
Other creditors	**36**	36
	20 837	18 966
Amounts falling due after more than one year		
Amounts owed to parent undertaking	**1 735**	–
Amounts owed to group undertakings	**18 358**	23 464
Other creditors	**–**	72
	20 093	23 536
Total other creditors	**40 930**	42 502

8 FINANCIAL INSTRUMENTS

The fair and book value of derivative financial instruments at the balance sheet date were

	2013 Book Value £m	2012 Book Value £m	**2013 Fair Value £m**	2012 Fair Value £m
Interest rate related derivatives	**–**	–	**44**	89
Currency rate related instruments	**116**	(22)	**294**	164
Total	**116**	(22)	**338**	253

Further information on financial instruments is contained on pages 37 to 43 of this report

9 SHARE CAPITAL

	2013 Number of shares m	2012 Number of shares m	**2013 £m**	2012 £m
Allotted and fully paid up				
Equity				
Ordinary shares of £1 each	**2 898**	2 898	**2 898**	2 898

10 CAPITAL AND RESERVES

	Called up share capital £m	Share premium account £m	Profit and loss account reserve £m	Total £m
As at 1 January 2012	2 898	316	2 193	5 407
Transfer from profit and loss account	–	–	(187)	(187)
Dividends	–	–	–	–
As at 31 December 2012	**2 898**	**316**	**2 006**	**5 220**
Transfer from profit and loss account	–	–	3 374	3 374
Dividends	–	–	–	–
As at 31 December 2013	**2 898**	**316**	**5 380**	**8 594**

The profit for the financial year, dealt with in the accounts of the Company was £3 374m (2012 £187m loss) As permitted by section 408 of the Companies Act 2006, no profit and loss account is presented for the Company

No final dividend has been proposed by the Directors for 2013 (2012 £nil)

11 COMMITMENTS AND CONTINGENCIES

A) CAPITAL EXPENDITURE

As at 31 December 2013, the Company had not placed any contracts for capital expenditure (2012 £nil)

B) LEASE COMMITMENTS

As at 31 December 2013 the Company had no commitments under operating leases (2012 £nil)

C) LEGAL PROCEEDINGS

The Company is a party to legal actions and claims which arise in the ordinary course of business While the outcome of some of these matters cannot readily be foreseen it is considered that they will be resolved without material effect on the net asset position as shown in these Financial statements

D) OTHER CONTINGENT LIABILITIES

The amount of other contingent liabilities as at 31 December 2013 (mainly the provision of indemnities to third parties in respect of the Company and its subsidiary undertakings, in the normal course of business) amounted to £1 633m (2012 £245m)

12 ULTIMATE PARENT COMPANY AND CONTROLLING PARTY

The Company s immediate and ultimate parent company and controlling party is BG Group plc which is registered in England & Wales Copies of the consolidated accounts of BG Group plc, into which the Company is consolidated may be obtained from the Company Secretary BG Group plc 100 Thames Valley Park Drive Reading, Berkshire RG6 1PT

13 PENSIONS AND POST-RETIREMENT BENEFITS

The Company participates in the BG Pension Scheme (the Scheme) which is a defined benefit registered pension plan established under trust In addition, the BG Supplementary Benefits Scheme provides benefits in excess of the 'lifetime allowance, and is an unfunded, non-registered arrangement (See pages 47 to 51 for further details of the Scheme) The Company is unable to identify its share of underlying assets and liabilities on a consistent and reasonable basis Accordingly it accounts for contributions to the Scheme as if it was a defined contribution scheme under FRS 17 In 2013, contributions to the Scheme relating to the Company s employees were borne by a direct subsidiary and have not been recharged to the Company Therefore contributions by the Company in 2013 were £nil (2012 £nil)

HEADQUARTERS AND REGISTERED OFFICE ADDRESS

100 Thames Valley Park Drive
Reading, Berkshire RG6 1PT
Telephone 0118 935 3222

CORPORATE HISTORY

The Company was established in 1999 as a wholly owned subsidiary undertaking of BG plc With effect from 13 December 1999, BG was restructured so that BG Group plc became the new parent company of BG Energy Holdings Limited

The Company is a wholly owned subsidiary undertaking of BG Group plc BG Group plc is a public limited company listed on The London Stock Exchange and registered in England & Wales

The Company's share capital consists of ordinary shares with a nominal value of 100 pence

BG Energy Holdings Limited
100 Thames Valley Park Drive
Reading, Berkshire RG6 1PT
United Kingdom

www bg-group com

Registered in England & Wales No 3763515

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