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COMPANIES HOUSE

BG Energy Holdings Limited

Annual Report and Accounts 2014

CONTENTS

BOARD OF DIRECTORS

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 more than 35 years. He joined British Gas in 1982 and has been responsible for worldwide exploration in BG Group for 15 of the last 19 years. He is a fellow of the Geological Society of London and currently Chairman of the Petroleum Group.

SIR JOHN GRANT KCMG
Sir John Grant was appointed to the BG Energy Holdings Limited Board on 7 September 2009. He is responsible for government and public affairs, communications, social performance and BG Group's 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 on 4 September 2009. Sami has extensive global oil and gas expertise and is responsible for BG Group's global Upstream operations and is also currently responsible for BG Advance, which incorporates developments, operations, capital projects, well engineering, HSSE, climate change, IT, contracts and procurement, and technology. 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 Chief Operating Officer in November 2013 and is also an independent board member of Pacific Drilling S.A.

SIMON LOWTH
Simon Lowth was appointed to the BG Energy Holdings Limited Board on 6 May 2014. He was appointed to the BG Group plc Board as Chief Financial Officer and Executive Director on 2 December 2013. Simon was chief financial officer and executive director of AstraZeneca for six years. Prior to that, Simon was chief financial officer and corporate strategy director at Scottish Power, following a number of roles with McKinsey & Company, ultimately as director of the UK Industrial Practice focusing on business strategy, mergers and acquisitions, capital management and operational performance improvement.

STRATEGIC REPORT

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

The Company, its subsidiaries, 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 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 221.1 million barrels of oil equivalent (mmboe) in 2014 (2013: 230.9 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 2014 was 606 thousand barrels of oil equivalent per day (kboed). Net production from UK was 105 kboed in 2014, in Kazakhstan was 85 kboed, in Brazil 78 kboed, in Trinidad and Tobago 65 kboed, and 62 kboed in Egypt. Hydrocarbons were also produced in Bolivia, Thailand, USA, Australia, Tunisia, India and Norway.

The Group in 2014 entered four new basins in Colombia, deepwater Trinidad and Tobago, Myanmar and Aruba. A total of 12 conventional wells and 6 unconventional exploration and appraisal wells were drilled in the year. In 2015, the Group will continue to progress existing exploration opportunities across both its new and existing basins.

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 adopted the reserves definitions and guidelines consistent with the Petroleum Resources Management System published by the Society of Petroleum Engineers (SPE PRMS) and other bodies.

On a SPE PRMS basis the Group's total reserves and resources decreased by 4% to 17 016 mmboe (2013: 17 771 mmboe), with the Group's proved and probable reserves falling by 7% to 6 525 mmboe (2013: 6 990 mmboe). The Group monetised 221 mmboe resources in 2014 through production, and close to 500 mmboe of the decline was through disposals and relinquishments. Approximately 350 mmboe was progressed from risked exploration to discovered 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, long-term LNG supply, sourced from its own liquefaction plants in Trinidad and Tobago, Australia and Egypt as well as from third-party suppliers in Equatorial Guinea and Nigeria. During 2014, the Group supplied LNG cargoes to 17 countries, delivering a total of 178 cargoes. The Group has delivered LNG to 27 of the 28 purchasing countries.

LNG delivered volumes in 2014 were 11.0 million tonnes per annum (mtpa), which was some 0.1 mtpa higher than in 2013 despite supply disruptions in Egypt, primarily as a result of higher spot purchases.

In 2014, two long-term contracts began for the 20-year sale of 3.6 mtpa to CNOOC and the sale of up to 122 cargoes over 21 years to Chubu Electric.

In December 2014, the Group commenced loading its first cargo from the QCLNG project in Australia.

Supply from Train 1 at QCLNG will ramp up during the first half of 2015. The project will expand further with the start-up of Train 2, currently expected in the third quarter of 2015. At plateau production, expected around mid-2016, QCLNG will have an output of around 8 mtpa of LNG.

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, with contracted volumes expected from early 2016.

For a more detailed review of the activities, development and performance of the business during 2014 and the position of BG Group at the end of the year, refer to the BG Group plc Annual Report and Accounts 2014 – Operating Review on pages 20 to 27.

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is subject to a broad range of risks such as commodity prices, project decision and delivery, access to capital and liquidity, credit risk, macroeconomic and geo-political developments.

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 2014 – Principal risks and uncertainties on pages 34 to 41.

FINANCING
As at 31 December 2014, net borrowings (comprising cash and cash equivalent investments, finance leases, currency and interest rate derivative financial instruments and short and long-term borrowings) were $11 998 million compared with $10 610 million as at 31 December 2013.

The 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 2014, the Company had aggregate undrawn committed bank borrowing facilities of $2.2 billion expiring in 2016 and $3.0 billion expiring in 2017. In addition, BGEH had an undrawn £250 million committed revolving bank borrowing facility which expires in 2015 and a further committed credit facility, provided by an export credit agency, of which $1.7 billion was undrawn.

As at 31 December 2014, 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 $7.0 billion was unutilised.

During 2014, capital markets issuance by BGEH Borrowers comprised bonds of €775 million and €800 million, maturing in 2022 and 2029 respectively.

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 access to capital and liquidity, commodity price 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:

Access to capital and liquidity
The Group is exposed to risk of the inability to deliver business and growth objectives, or to continue as a long-term viable business, by effectively meeting the Group's funding requirements, and managing liquidity and solvency risks.

The risk may materialise when: business volatility or business performance falls below expectations; change in the macroeconomic environment (for example, commodity prices, exchange rates); change in the Group's capital allocation and distribution policy; variations in planned portfolio rationalisation or acquisition costs; inadequate cash flow forecasting; insufficient flexibility in short-term liquidity; a significant deterioration in the Group's credit rating or its ability to access capital; and when financial assets may not be readily converted to cash without loss of value.

The impact of the materialisation of this risk might have on the Group include: reduced/loss of access to capital; increased Group funding/financing costs and deterioration in terms; increased requirement for cash collateral and guarantees; increases in capital requirements could result in a failure to meet business and financial performance expectations; deterioration in economics and/or forfeiture of value-accretive business opportunities; and the Group's financing costs may be adversely affected by interest rate volatility.

The Group mitigates this risk through: business planning, forecasting, performance management and cash flow forecasting processes; flexible funding plans, including access to a minimum level of committed borrowing facilities, held with a diversified group of financial institutions as back-up liquidity; selective use of hedging; limits placed on the amount of borrowings that mature within any specific period; surplus funds are invested primarily in short-term, highly liquid investments that are readily convertible to cash; and the Group's Interest Rate Risk Management policy requires that substantially all borrowings are floating rate. Exceptions to this policy require approval from the Finance Committee. In light of the current low interest rate environment, a substantial proportion of the Group's debt is currently held under fixed rate arrangements.

Commodity price
The Group has risk from movements in hydrocarbon prices that may have an adverse financial impact.

The risk may materialise following: changes in the global supply and demand for hydrocarbons, including those due to technological change; macroeconomic developments; geopolitical developments; and OPEC policy.

The impact the materialisation of this risk might have on the Group includes: pressure on Group revenues, cash flows and Balance Sheet; consequent loss of value for our hydrocarbon assets; pressure on, and potential for downgrading of, Group's credit ratings; and pressure on development project economics and reductions in our capital investment program.

The Group mitigates this risk through: driving efficiencies and cost savings; robust funding plans and adequate committed funding lines based on the Group's view of price uncertainty; flexible investment options which can be exercised or deferred depending on expected future cashflow; investments judged against a range of potential market outcomes, with more rigorous project appraisal in a low oil price environment; and selective use of hedging.

Credit
The Group's counterparties (including sovereign entities and other entities on whom the Group depends directly or indirectly) may be unable to meet their financial or performance obligations.

The risk may materialise when: the Group may enter into agreements with third parties who are not creditworthy; previously suitable counterparties' creditworthiness declines due to changed circumstances, particularly in a low oil price environment; internal non-compliance with required process; and macroeconomic developments may reduce counterparties' creditworthiness (contagion and correlation risk, for example financial crisis).

The impact the materialisation of this risk might have on the Group includes: a credit loss may be incurred, possibly in the form of payment loss, mark-to-market loss or performance issue: schedule delay and possible increased costs; group liquidity may be impacted, for example if a bank fails; delayed, or only partial recovery of, due receivables – adverse impact on cash flow; and potential write-offs and impairment.

The Group mitigates this risk through: credit risk framework developed and operational; credit support is considered where appropriate; credit limits are applied to counterparties under relevant credit Policies and Standards; credit due diligence procedures and Standards are in place and operational; and monitoring of credit exposures and overdue payments.

As at 31 December 2014, the Group's receivable balance with Egypt General Petroleum Corporation (EGPC) in respect of domestic gas sales was $0.9 billion (2013: $1.2 billion), of which $0.7 billion (2013: $0.5 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 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 Group's (and therefore the Group's) key performance indicators, refer to BG Group plc's Annual Report and Accounts 2014 – Our Performance on page 18 to 19.

FINANCIAL PERFORMANCE AND POSITION

Fourth quarter impairments

In Australia, the total pre-tax non-cash impairment charge was $6 824 million ($4 540 million post-tax). With the agreement to sell the wholly-owned subsidiary QCLNG Pipeline Pty Ltd, the remaining QCLNG assets were impaired by $2 747 million pre-tax ($1 828 million post-tax). The remaining $4 077 million pre-tax ($2 712 million post-tax) non-cash impairment charge in Australia was driven mainly by the reduction in the Group's future commodity prices assumptions.

In Egypt, the fourth quarter pre-tax non-cash impairment charge was $750 million ($775 million post-tax), principally driven by further reserve downgrades reflecting underlying reservoir performance and the Group's expectation of limited LNG exports for the foreseeable future.

Elsewhere, the reduction in the Group's future commodity price assumptions resulted in a $1 298 million pre-tax ($624 million post-tax) impairment charge in the fourth quarter, comprising the North Sea' $566 million pre-tax ($172 million post-tax), Tunisia $450 million pre-tax ($255 million post-tax), the USA $227 million pre-tax ($148 million post-tax) and certain other Upstream assets $55 million pre-tax ($49 million post-tax).

As shown in the Group's consolidated income statement on page 13, *Group revenue and other operating income increased to $19 949 million* (2013: $19 311 million). However, profit before tax decreased to a loss of $(2 329) million (2013: $3 892 million profit) as a result of pre-tax impairments of $8 956 million (2013: $4 059 million).

The loss for the year ended 31 December 2014 of $(1 038) million (2013: $2 449 million profit) 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 6.0%.

By order of the Board

R L Dunn
Joint Company Secretary
16 April 2015

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

Registered in England & Wales
No. 3763515

DIRECTORS' REPORT

The Directors present their report and the audited Financial statements for BG Energy Holdings Limited for the year ended 31 December 2014. The Directors' report is pages 5 to 6.

RESULTS AND DIVIDEND
For the year ended 31 December 2014, the loss before tax was $(2 329)m (2013: $3 892m profit). No dividend was paid or proposed during 2014 (2013: no dividend paid or proposed). Further details are set out in the Financial statements, pages 13 to 52.

FUTURE DEVELOPMENTS
Future developments are included in the Strategic report.

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

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: Simon Lowth was appointed as Director with effect from 6 May 2014. Den Jones, Chris Finlayson and Chris Cox ceased to be Directors on 17 January 2014, 28 April 2014 and 17 November 2014 respectively.

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 Executive Management Committee (EMC)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

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
In 2014, the Group invested $90.1 million in research and development projects, up from $76.5 million in 2013. Focus areas of the 2014 investments have been sustainable gas, carbonate reservoir evaluation, coal seam gas operations, drilling optimisation, and research to support the Group's exploration activities. The Group completed the construction of its Global Technology Centre in Rio de Janeiro in the first quarter of 2015.

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 4 914 employees worldwide as at 31 December 2014, 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 Group's 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 2014.

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 2 to 4 and in note 18 on pages 38 to 44.

AUDITOR
Pursuant to Section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for the reappointment of Ernst & Young LLP as auditor of the Company.

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 52 and on pages 55 to 59, the Company has used appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and 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
16 April 2015

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 2014 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 25. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) 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 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 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 2014 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 2014 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTERS 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 2014

Ernst & Young LLP

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

London
16 April 2015

8 PRINCIPAL ACCOUNTING POLICIES

BASIS OF PREPARATION
The Financial statements for the year ended 31 December 2014 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 54 to 59. The Auditor's report for the Company's Financial statements is on page 53.

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 joint ventures 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 joint operations. The Group recognises its own share of the assets, liabilities, revenues, expenses and cash flows associated with these joint operations.

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, commodity prices, 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 2014 in the estimation of proved, proved developed and proved plus probable reserves associated with producing fields would have changed the 2014 depreciation charge by $24 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 2 to 3 include further detail in relation to commodity prices and exchange rates.

In 2014, the Group recognised a pre-tax impairment charge of $9.0 billion (post-tax $5.9 billion) relating to Upstream activities in Australia, Egypt and certain other assets. Of the total pre-tax impairment of $9.0 billion, $5.5 billion (post-tax $3.4 billion) resulted predominately from commodity price declines, $2.7 billion (post-tax $1.8 billion) related to the QCLNG Pipeline Pty Limited disposal and $0.8 billion (post-tax $0.7 billion) related primarily to reserves downgrades.

In Australia, the total pre-tax non-cash impairment charge was $6.8 billion (post-tax $4.5 billion) driven mainly by a reduction in the Group's assumptions of future commodity prices and the disposal of QCLNG Pipeline Pty Limited. The impairment is sensitive to assumptions including commodity prices, foreign exchange (movements in the Australian Dollar relative to the US Dollar), timely ramp up of production, third-party gas purchases required to maintain full LNG production in both QCLNG trains, successful exploration of intangible assets and the discount rate applied to cash flow projections. Any adverse changes in these assumptions could result in an additional impairment in the next financial year.

In Egypt, the total pre-tax non-cash impairment charge was $0.8 billion (post-tax $0.7 billion), principally driven by further reserve downgrades reflecting underlying reservoir performance. 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 and the discount rate applied to cash flow projections. Any adverse changes in these assumptions could result in an additional impairment in the next financial year.

Elsewhere, the reduction in the Group's assumptions of future commodity prices resulted in pre-tax non-cash impairment charges in the North Sea of $0.6 billion (post-tax $0.2 billion), Tunisia of $0.5 billion (post-tax $0.3 billion) and the USA of $0.2 billion (post-tax $0.1 billion). These impairments are sensitive to assumptions including commodity prices.

Egypt receivables
The Egyptian government continues to demonstrate its commitment to repay outstanding debts to the energy industry. After partial repayments of the Group's outstanding debt during 2014, the amount owed by Egypt General Petroleum Corporation (EGPC) in respect of domestic gas sales as at 31 December 2014 was $0.9 billion (2013: $1.2 billion), of which $0.7 billion (2013: $0.5 billion) was overdue. The Group considers that the current receivable balance remains fully recoverable as cash payments from EGPC continue to be received, however in 2014 a $100 million pre-tax (post-tax $79 million) charge was recognised relating to the downward re-measurement of the receivable balance to reflect the time value of money associated with the outstanding debt based on a revised assumed repayment profile. 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.

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 2014 the Group held a balance of $3 014 million (2013: $3 752 million) relating to expenditure on unproved gas and oil reserves within intangible assets. Capitalised exploratory well costs included within this total amounted to $2 525 million (2013: $3 058 million). Unsuccessful exploration expenditure written off to the income statement in 2014 was $237 million (2013: $394 million). Capitalised exploratory well costs relate to areas where further work is being undertaken on geological and geophysical assessment, development design and commercial arrangements.

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 as at 31 December 2014, a 10% increase in the cost estimates used to assess the final decommissioning obligations would result in an increase to the decommissioning provision of circa $450 million, and a 1% increase in the discount rate would result in a decrease to the decommissioning provision of circa $800 million. These changes would be principally offset by a change in the value of the associated asset, resulting in no material change to the consolidated net assets.

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 for 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 $1 298 million (2013: $1 056 million) and a deferred tax asset relating to the Australian tax group amounting to $2 167 million (2013: $nil).

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 2014 – Supplementary information – gas and oil (unaudited), pages 132 to 136.

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 assets associated with 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 the 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.

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 charge 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, LNG and oil 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 and oil 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, joint ventures 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

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 currency in which the Group presents its consolidated Financial statements is US Dollars. The currency in which the parent Company Financial statements are presented is 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	2014	2013	2012	2011	2010
Closing rate	**1.5593**	1.6563	1.6255	1.5541	1.5657
Average rate	**1.6545**	1.5640	1.5848	1.6079	1.5489

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 2014

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. Adoption of this standard has not had 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. Adoption of this standard has not had 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 and structured entities. New and revised disclosures in accordance with this standard are presented in note 13 on page 34 and note 25 on page 51.

Other amendments
A number of other amendments to accounting standards issued by the IASB are applicable from 1 January 2014. They have not had a material impact on the Group's Financial statements for the year ended 31 December 2014.

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 9 'Financial Instruments'
The IASB issued the final version of IFRS 9 in July 2014, which reflects all phases of the financial instruments project. IFRS 9 introduces new requirements for the classification, measurement and impairment 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 Group's Financial statements.

IFRS 15 'Revenue from Contracts with Customers'
The IASB issued IFRS 15 in May 2014. The standard establishes a five-step model that will apply to revenue arising from contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. Revenue is recognised based on the consideration to which the Group expects to be entitled. IFRS 15 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 Group's Financial statements.

Amendment to IFRS 11 'Joint Arrangements'
The IASB issued an amended IFRS 11 in May 2014. The amendment requires an acquisition of an interest in a joint operation that is a business as defined in IFRS 3, 'Business Combinations', to apply the relevant IFRS 3 principles for business combinations accounting, and applies to both the acquisition of an initial interest in a joint operation and the acquisition of any additional interest. The amendment will be applied prospectively by the Group when it becomes mandatory in the European Union.

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	Note	2014 Business Performance $m	2014 Disposals, re-measurements and impairments $m	2014 Total $m	2013 Business Performance $m	2013 Disposals, re-measurements and impairments $m	2013 Total $m
Group revenue	1	**19 289**	**–**	**19 289**	19 192	–	19 192
Other operating income	1, 4	**257**	**403**	**660**	(91)	210	119
Group revenue and other operating income	1	**19 546**	**403**	**19 949**	19 101	210	19 311
Operating costs	2, 4	**(13 377)**	**(181)**	**(13 558)**	(11 961)	154	(11 807)
Profits and losses on disposal of non-current assets and impairments	4	**–**	**(8 120)**	**(8 120)**	–	(3 817)	(3 817)
Operating profit/(loss)[(a)]	1	**6 169**	**(7 898)**	**(1 729)**	7 140	(3 453)	3 687
Finance income	4, 5	**153**	**–**	**153**	104	65	169
Finance costs	4, 5	**(275)**	**(644)**	**(919)**	(300)	–	(300)
Share of post-tax results from joint ventures and associates	1	**222**	**(56)**	**166**	336	–	336
Profit/(loss) before taxation		**6 269**	**(8 598)**	**(2 329)**	7 280	(3 388)	3 892
Taxation	4, 6	**(2 228)**	**3 512**	**1 284**	(2 907)	1 219	(1 688)
Profit/(loss) for the year from continuing operations	1, 4	**4 041**	**(5 086)**	**(1 045)**	4 373	(2 169)	2 204
Profit/(loss) for the year from discontinued operations	7	**–**	**7**	**7**	–	245	245
Profit/(loss) for the year		**4 041**	**(5 079)**	**(1 038)**	4 373	(1 924)	2 449
Profit attributable to:							
Shareholders (earnings)	1	**4 041**	**(5 079)**	**(1 038)[(b)]**	4 373	(1 933)	2 440[(b)]
Non-controlling interest	1	**–**	**–**	**–**	–	9	9
		4 041	**(5 079)**	**(1 038)**	4 373	(1 924)	2 449

(a) Operating profit/(loss) is before share of results from joint ventures and associates.
(b) Comprises earnings from continuing operations of $(1 045)m (2013: $2 204m) and from discontinued operations of $7m (2013: $236m).

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	2014 $m	2013 $m
Profit/(loss) for the year	**(1 038)**	2 449
Items that may be reclassified to the income statement:		
Fair value (losses)/gains on cash flow hedges	**(71)**	121
Transfers to income statement on cash flow hedges[(a)]	**33**	146
Fair value (losses)/gains on net investment hedges	**(574)**	198
Fair value movements on available-for-sale assets	**(17)**	(8)
Tax on cash flow and net investment hedges and available-for-sale assets[(b)]	**125**	(90)
Currency translation adjustments[(c)]	**(122)**	(2 911)
Other items:		
Re-measurement of defined benefit pension obligation	**(163)**	(48)
Tax on re-measurement of defined benefit pension obligation	**45**	–
Other comprehensive income/(charge) for the year, net of tax[(d)]	**(744)**	(2 592)
Total comprehensive income/(charge) for the year	**(1 782)**	(143)
Attributable to:		
Shareholders	**(1 782)**	(152)
Non-controlling interest	**–**	9
	(1 782)	(143)

(a) During 2014, a pre-tax loss of $33m (2013: $108m) was transferred from the hedging reserve to revenue to match against the underlying transactions and a pre-tax loss of $nil (2013: $38m) was transferred from the hedging reserve related to the disposal of an associate.
(b) Includes a tax credit relating to cash flow hedges of $9m (2013: $54m charge) and a tax credit relating to net investment hedges of $116m (2013: $36m charge).
(c) In 2014, $nil (2013: $119m gain) was transferred to the income statement as part of the profit/(loss) on disposal of non-US Dollar denominated operations.
(d) Includes other comprehensive income in respect of joint ventures and associates of $(29)m (2013: $20m).

The accounting policies on pages 8 to 12 together with the notes on pages 17 to 52 form part of these accounts.

CONSOLIDATED BALANCE SHEET

as at 31 December	Note	2014 $m	2013 $m
Assets			
Non-current assets			
Goodwill	10	**–**	25
Other intangible assets	11	**3 135**	3 864
Property, plant and equipment	12	**35 855**	42 225
Investments	13	**3 547**	2 933
Deferred tax assets	6	**3 947**	1 387
Trade and other receivables	15	**1 068**	777
Commodity contracts and other derivative financial instruments	18	**287**	623
		47 839	51 834
Current assets			
Inventories	14	**1 194**	838
Trade and other receivables	15	**5 065**	6 928
Current tax receivable		**151**	77
Commodity contracts and other derivative financial instruments	18	**235**	107
Cash and cash equivalents	16	**5 295**	6 208
		11 940	14 158
Assets classified as held for sale	7	**2 088**	–
Total assets		**61 867**	65 992
Liabilities			
Current liabilities			
Borrowings	17	**(1 586)**	(475)
Trade and other payables	19	**(6 529)**	(8 489)
Current tax liabilities		**(1 447)**	(1 878)
Commodity contracts and other derivative financial instruments	18	**(128)**	(297)
		(9 690)	(11 139)
Non-current liabilities			
Borrowings	17	**(15 921)**	(17 054)
Trade and other payables	19	**(136)**	(150)
Commodity contracts and other derivative financial instruments	18	**(253)**	(173)
Deferred tax liabilities	6	**(2 946)**	(4 120)
Retirement benefit obligations	24	**(258)**	(168)
Provisions for other liabilities and charges	20	**(5 235)**	(4 115)
		(24 749)	(25 780)
Liabilities associated with assets classified as held for sale	7	**(63)**	–
Total liabilities		**(34 502)**	(36 919)
Net assets		**27 365**	29 073
Equity			
Ordinary shares	21	**4 614**	4 614
Share premium		**504**	504
Hedging reserve		**(7)**	22
Translation reserve		**(1 312)**	(732)
Retained earnings		**23 566**	24 665
Total equity		**27 365**	29 073

The accounts on pages 8 to 52 were approved by the Board and signed on its behalf on 16 April 2015 by:

Simon Lowth
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Called up share capital $m	Share premium account $m	Hedging reserve $m	Translation reserve[a] $m	Retained earnings[b] $m	Total $m	Non-controlling interest $m	Total $m
As at 1 January 2013	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[c]	–	–	–	–	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**
Total comprehensive income for the year	–	–	(29)	(580)	(1 173)	(1 782)	–	(1 782)
Loss for the year	–	–	–	–	(1 038)	(1 038)	–	(1 038)
Hedges, net of tax	–	–	(29)	(458)	–	(487)	–	(487)
Available-for-sale assets, net of tax	–	–	–	–	(17)	(17)	–	(17)
Defined benefit pension obligation, net of tax	–	–	–	–	(118)	(118)	–	(118)
Currency translation adjustments, net of tax	–	–	–	(122)	–	(122)	–	(122)
Adjustment for share schemes	–	–	–	–	70	70	–	70
Tax in respect of share schemes[c]	–	–	–	–	4	4	–	4
As at 31 December 2014	**4 614**	**504**	**(7)**	**(1 312)**	**23 566**	**27 365**	**–**	**27 365**

(a) As at 31 December 2014, includes currency translation losses of $9m (2013: $20m gains) relating to joint ventures and associates.
(b) As at 31 December 2014, includes retained earnings in respect of joint ventures and associates of $660m (2013: $771m).
(c) This consists of current tax of $5m (2013: $6m) and deferred tax of $(1)m (2013: $9m).

16 CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December	Note	2014 $m	2013 $m
Profit/(loss) before taxation[a]		**(2 320)**	4 150
Finance income		**(153)**	(170)
Finance costs		**919**	301
Share of post-tax results from joint ventures and associates		**(166)**	(335)
Operating profit/(loss)		**(1 720)**	3 946
Depreciation of property, plant and equipment		**2 788**	2 946
Amortisation of other intangible assets		**11**	9
Share-based payments		**59**	63
Fair value movements in commodity-based contracts		**(354)**	(98)
Profits and losses on disposal of non-current assets and impairments[b]		**8 120**	3 576
Unsuccessful exploration expenditure written off		**237**	394
Decrease in provisions for liabilities and retirement benefit obligations		**(94)**	(129)
Movements in working capital:			
Increase in inventories		**(272)**	(29)
Decrease/(increase) in trade and other receivables		**993**	(618)
Increase in trade and other payables		**258**	234
Cash generated by operations		**10 026**	10 294
Income taxes paid		**(2 624)**	(2 463)
Net cash inflow from operating activities		**7 402**	7 831
Cash flows from investing activities			
Dividends received		**179**	147
Proceeds from disposal of subsidiary undertakings and investments[c]		**800**	774
Proceeds from disposal of property, plant and equipment and intangible assets[d]		**55**	3 827
Purchase of property, plant and equipment and intangible assets		**(8 510)**	(10 605)
Repayments from joint ventures and associates		**41**	73
Interests in subsidiaries, joint ventures and associates, and other investments		**(892)**	(610)
Other loan repayments		**111**	112
Net cash outflow from investing activities		**(8 216)**	(6 282)
Cash flows from financing activities			
Interest paid		**(620)**	(675)
Interest received		**64**	115
Net proceeds from issue of new borrowings[e]		**2 086**	2 713
Repayment of borrowings		**(625)**	(1 093)
Funding movements with parent company		**(999)**	(904)
Net cash (outflow)/inflow from financing activities		**(94)**	156
Net (decrease)/increase in cash and cash equivalents		**(908)**	1 705
Cash and cash equivalents at 1 January	16	**6 208**	4 518
Effect of foreign exchange rate changes		**(5)**	(15)
Cash and cash equivalents at 31 December	16	**5 295**	6 208

(a) Profit before taxation from discontinued operations was $9m (2013: $258m).
(b) Profits and losses on disposal of non-current assets and impairments include a profit from discontinued operations of $nil (2013: 241m).
(c) 2014 includes proceeds from the sale of the Central Area Transmission System pipeline and associated infrastructure in the UK North Sea of $797m. 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 Group's remaining 20% equity in GNL Quintero of $172m.
(d) 2014 includes proceeds of $53m from the sale and lease back of ships. 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.
(e) Includes net cash flows relating to short maturity financing.

The cash flows above are inclusive of discontinued operations (see note 7, page 30).

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, principally Mahanagar Gas in India, and certain corporate activities are included in the Other activities 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's 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 and impairments and certain other exceptional items ('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.

Reconciliations between Total Results and Business Performance, and operating profit including and excluding the results of joint ventures and associates are provided on pages 18 and 19. 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	
	2014 \$m	2013 \$m	**2014 \$m**	2013 \$m	**2014 \$m**	2013 \$m
Group revenue[(a)]						
Upstream	**11 161**	11 455	**701**	688	**11 862**	12 143
LNG Shipping & Marketing	**8 121**	7 730	**3**	31	**8 124**	7 761
Other	**7**	7	**–**	–	**7**	7
Segmental revenue	**19 289**	19 192	**704**	719	**19 993**	19 911
Less: Intra-Group revenue	**–**	–	**(704)**	(719)	**(704)**	(719)
Group revenue	**19 289**	19 192	**–**	–	**19 289**	19 192

(a) External revenue attributable to the UK is \$3 168m (2013: \$3 270m). External revenue attributable to non-UK countries is \$16 121m (2013: \$15 922m). Included in the Upstream segment is revenue of \$2 441m attributable to Brazil representing 13% of Group external revenue (2013: \$1 281m, 7%) and \$1 716m attributable to Kazakhstan representing 9% of Group external revenue (2013: \$2 090m, 11%). 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 \$1 596m (2013: \$2 198m), 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 2 and note 18, page 38.

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	
	2014 $m	2013 $m	**2014 $m**	2013 $m	**2014 $m**	2013 $m
Group revenue	**19 289**	19 192	**–**	–	**19 289**	19 192
Other operating income[(a)(b)]	**257**	(91)	**403**	210	**660**	119
Group revenue and other operating income	**19 546**	19 101	**403**	210	**19 949**	19 311
Operating profit/(loss) before share of results from joint ventures and associates[(c)]						
Upstream	**3 623**	4 543	**(8 182)**	(3 815)	**(4 559)**	728
LNG Shipping & Marketing	**2 530**	2 623	**205**	363	**2 735**	2 986
Other activities	**16**	(26)	**79**	(1)	**95**	(27)
	6 169	7 140	**(7 898)**	(3 453)	**(1 729)**	3 687
Share of pre-tax operating results of joint ventures and associates						
Upstream	**332**	436	**(56)**	–	**276**	436
LNG Shipping & Marketing	**18**	26	**–**	–	**18**	26
Other activities	**32**	34	**–**	–	**32**	34
	382	496	**(56)**	–	**326**	496
Total operating profit/(loss)						
Upstream	**3 955**	4 979	**(8 238)**	(3 815)	**(4 283)**	1 164
LNG Shipping & Marketing	**2 548**	2 649	**205**	363	**2 753**	3 012
Other activities	**48**	8	**79**	(1)	**127**	7
	6 551	7 636	**(7 954)**	(3 453)	**(1 403)**	4 183
Net finance (costs)/income						
Finance income	**153**	104	**–**	65	**153**	169
Finance costs	**(275)**	(300)	**(644)**	–	**(919)**	(300)
Share of joint ventures and associates	**(24)**	(24)	**–**	–	**(24)**	(24)
	(146)	(220)	**(644)**	65	**(790)**	(155)
Taxation						
Taxation	**(2 228)**	(2 907)	**3 512**	1 219	**1 284**	(1 688)
Share of joint ventures and associates	**(136)**	(136)	**–**	–	**(136)**	(136)
	(2 364)	(3 043)	**3 512**	1 219	**1 148**	(1 824)
Profit/(loss) for the year from continuing operations	**4 041**	4 373	**(5 086)**	(2 169)	**(1 045)**	2 204
Profit for the year from discontinued operations	**–**	–	**7**	245	**7**	245
	4 041	4 373	**(5 079)**	(1 924)	**(1 038)**	2 449
Profit attributable to:						
Shareholders (earnings)	**4 041**	4 373	**(5 079)**	(1 933)	**(1 038)**	2 440
Non-controlling interest	**–**	–	**–**	9	**–**	9
	4 041	4 373	**(5 079)**	(1 924)	**(1 038)**	2 449

(a) Business Performance Other operating income includes gains on the Group's 2014 oil hedging programme, the results of the purchase and re-sale of third-party gas and income arising from optimisation activities undertaken by the Group's LNG Shipping & Marketing operations. Information on Disposals, re-measurements and impairments Other operating income is given in note 4, page 26.

(b) Business Performance Other operating income is attributable to segments as follows: Upstream \$164m (2013: \$15m) and LNG Shipping & Marketing \$93m (2013: \$(106)m).

(c) Disposals, re-measurements and impairments Operating profit/(loss) before share of results from joint ventures and associates includes:

(i) Disposals and impairments of \$(8 120)m (2013: \$(3 817)m), attributable to segments as follows: Upstream \$(8 315)m (2013: \$(3 941)m), LNG Shipping & Marketing \$216m (2013: \$140m) and Other activities \$(21)m (2013: \$(16)m).

(ii) Re-measurements of \$403m (2013: \$210m), attributable to segments as follows: Upstream \$287m (2013: \$33m), LNG Shipping & Marketing \$10m (2013: \$177m) and Other activities \$106m (2013: \$nil); and

(iii) Other operating costs of \$(181)m (2013: \$154m gain), attributable to segments as follows: Upstream \$(154)m (2013: \$93m gain), LNG Shipping & Marketing \$(21)m (2013: \$46m gain) and Other activities \$(6)m (2013: \$15m gain).

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

Total operating profit/(loss)	Business Performance		Disposals, re-measurements and impairments		Total	
for the year ended 31 December	**2014 $m**	2013 $m	**2014 $m**	2013 $m	**2014 $m**	2013 $m
Upstream	**3 955**	4 979	**(8 238)**	(3 815)	**(4 283)**	1 164
LNG Shipping & Marketing	**2 548**	2 649	**205**	363	**2 753**	3 012
Other activities	**48**	8	**79**	(1)	**127**	7
	6 551	7 636	**(7 954)**	(3 453)	**(1 403)**	4 183
Less: share of pre-tax operating results from joint ventures and associates					**(326)**	(496)
Add: share of post-tax results from joint ventures and associates					**166**	336
Net finance costs					**(766)**	(131)
Profit/(loss) before taxation					**(2 329)**	3 892
Taxation					**1 284**	(1 688)
Profit/(loss) for the year from continuing operations					**(1 045)**	2 204
Profit for the year from discontinued operations					**7**	245
					(1 038)	2 449

JOINT VENTURES AND ASSOCIATES
Analysed by operating segment

for the year ended 31 December	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	
	2014 $m	2013 $m	**2014 $m**	2013 $m	**2014 $m**	2013 $m
Upstream	**276**	436	**(146)**	(139)	**130**	297
LNG Shipping & Marketing	**18**	26	**(4)**	(6)	**14**	20
Other activities	**32**	34	**(10)**	(15)	**22**	19
Continuing operations	**326**	496	**(160)**	(160)	**166**	336
Discontinued operations	**–**	1	**–**	(2)	**–**	(1)
	326	497	**(160)**	(162)	**166**	335

1 SEGMENTAL ANALYSIS AND RESULTS PRESENTATION CONTINUED

DEPRECIATION, AMORTISATION AND IMPAIRMENT

Analysed by operating segment

for the year ended 31 December	Depreciation and Amortisation		Impairment[a]		Total	
	2014 $m	2013 $m	**2014 $m**	2013 $m	**2014 $m**	2013 $m
Upstream	**2 652**	2 793	**8 956**	4 029	**11 608**	6 822
LNG Shipping & Marketing	**143**	158	**–**	–	**143**	158
Other activities	**4**	3	**–**	30	**4**	33
Continuing operations	**2 799**	2 954	**8 956**	4 059	**11 755**	7 013
Discontinued operations	**–**	1	**–**	–	**–**	1
	2 799	2 955	**8 956**	4 059	**11 755**	7 014

(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]		Capital investment[b]	
	2014 $m	2013 $m	**2014 $m**	2013 $m
Upstream	**8 867**	11 597	**9 759**	12 206
LNG Shipping & Marketing	**6**	27	**6**	28
Other activities	**4**	–	**4**	–
Continuing operations	**8 877**	11 624	**9 769**	12 234
Discontinued operations	**–**	10	**–**	10
	8 877	11.634	**9 769**	12 244

(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.

As at 31 December 2014, the Group non-current assets balance (excluding derivative financial instruments, deferred tax assets and finance lease receivable) of $43 433m (2013: $49 690m) included an amount attributable to the UK of $5 798m (2013: $8 246m). The amount attributable to non-UK countries was $37 635m (2013: $41 444m) and included $16 148m (2013: $21 828m) attributable to Australia representing 37% (2013: 44%) of the Group total and $8 022m (2013: $5 262m) attributable to Brazil representing 18% of the Group total (2013: 11%).

2 OPERATING COSTS

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

	2014 $m	2013 $m
Raw materials, consumables and finished goods	**3 552**	3 062
Employee costs (see note 3(C), page 23	**1 243**	1 076
Less: Own work capitalised	**(340)**	(295)
Employee costs included within other operating charges below	**(140)**	(116)
Employee costs included within net finance costs	**(7)**	(11)
	756	654
Depreciation and amortisation:		
Depreciation of Property, plant and equipment	**2 788**	2 945
Amortisation of Other intangible assets	**11**	9
	2 799	2 954
Other operating charges:		
Unsuccessful exploration expenditure written off	**237**	394
Other exploration expenditure[a]	**514**	317
Total exploration expenditure	**751**	711
Operating lease rentals	**701**	653
Research and development	**90**	76
Net foreign exchange (gains)/losses on operating activities	**(8)**	(31)
Other costs[b]	**4 917**	3 728
Continuing operations total	**13 558**	11 807

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

2 OPERATING COSTS CONTINUED

AUDITOR'S FEES AND SERVICES

Ernst & Young LLP has served as the Group's independent external auditor for the two-year period ended 31 December 2014. The external auditors are deemed to be re-appointed under Section 485 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 2014 were $66 000 (2013: $68 400).

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

	2014 $m	2013 $m
Fees payable to the Group's auditors and its associates for other services:		
The audit of the parent's subsidiaries	**2.2**	2.0
Audit related assurance services[a]	**1.1**	1.2
Total fees payable for audit services	**3.3**	3.2
Other assurance services	**0.1**	0.1
All other services[b]	**0.3**	0.3
	3.7	3.6

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

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

During 2014, the governance arrangements of BG Group plc were revised and in place of BG Group's Group Executive Committee (GEC), a new Executive Management Committee (EMC) was established, along with a wider Group Leadership Team (GLT).

The key management compensation analysed below for 2014 represents amounts in respect of the Directors and the executive officers, defined as members of the GEC and, subsequently, both the EMC and the GLT, and the Company Secretary, excluding Chris Finlayson (to 28 April 2014) and Simon Lowth, whose emoluments are payable by BG Group plc.

For 2013, the analysis reflects the Group's previous governance structure and represents amounts in respect of the Directors and the executive officers, defined as the GEC and the Company Secretary, excluding Martin Houston (to November 2013), Fabio Barbosa (to February 2013), Chris Finlayson and Simon Lowth (from 2 December 2013) whose emoluments were payable by BG Group plc.

	2014 $000	2013 $000
Salaries[a]	**7 244**	6 092
Benefits	**394**	357
Bonuses[b]	**5 752**	919
Pension charge[c]	**1 637**	2 137
Share-based payments[d]	**11 301**	10 169
	26 328	19 674

(a) Salaries for 2014 includes termination payments of $924,000.
(b) Bonus figures for 2014 represent payments under the Annual Incentive Scheme (AIS) in respect of the 2014 incentive year which will be made in 2015. Bonus figures for 2013 represent payments under the AIS in respect of the 2013 incentive year which were made in 2014. Bonuses for 2014 and 2013 include remuneration 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) (2014: $495 000; 2013: $2 455 000).
(c) Includes benefits accruing under defined benefit schemes and cash in lieu of pensions.
(d) 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

	2014 $m	2013 $m
Wages and salaries[a]	**887**	822
Social security costs	**66**	66
Pension charge[b]	**65**	(19)
Share-based payments (see note 3(E), page 24)	**53**	80
Other including incentive schemes[c]	**172**	136
	1 243	1 085
Less: attributable to discontinued operations	**–**	(9)
Continuing operations	**1 243**	1 076

(a) Includes termination payments.
(b) The pension charge for the year ended 31 December 2014 includes a curtailment gain of $nil (2013: $154m) and a $7m charge (2013: $11m) which is presented within finance costs (see note 24, page 48).
(c) Includes payments under the AIS and remuneration in the form of shares under the VBDP.

In 2014, employee costs of $903m (2013: $790m) were charged to the income statement and $340m (2013: $295m) were capitalised.

D) AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR

	2014 Number	2013 Number
Upstream	**4 766**	4 886
LNG Shipping & Marketing	**363**	360
Discontinued operations	**–**	288
	5 129	5 534

3 DIRECTORS AND EMPLOYEES CONTINUED
E) SHARE-BASED PAYMENTS

	2014 $m	2013 $m
Equity-settled share-based payments:		
Group share awards	**40**	46
Performance share awards	**12**	10
Other share awards[a]	**10**	9
	62	65
Cash-settled share-based payments	**(9)**	15
	53	80

(a) The charge for other share awards excludes an amount of $6m (2013: $9m) relating to shares and nil-cost options awarded under the VBDP, which was transferred to equity during 2014. This expense was recognised in the income statement during 2013 as part of the AIS charge. The number of awards made was 0.3m (2013: 0.5m).

Group Share Awards
BG Group plc's Group Share Awards under the Group's 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 (2014: 1.6m shares; 2013: 1.7m shares) or nil-cost options (2014: 1.5m options; 2013: 1.6m 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 £12.09 per share in 2014 (2013: £12.69 per share).

Performance Share Awards
Details of BG Group plc's Performance Share Awards under the Group's LTIP are given in BG Group plc's Annual Report and Accounts 2014. Awards are in the form of shares (2014: 0.3m shares; 2013: 0.6m shares) or nil-cost options (2014: 1.1m options; 2013: 1.3m 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 £12.11 (2013: £12.71), exercise price of £nil (2013: £nil), a risk-free rate of 1.20% (2013: 0.81%) and a vesting period of three years (2013: 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 2014) 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 £4.73 per share (2013: £6.13 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 plc's Annual Report and Accounts 2014. Awards are in the form of shares (2014: nil shares; 2013: 0.1m shares) or nil-cost options (2014: 0.3m options; 2013: nil options). The charge to the income statement in respect of these awards was $3m in 2014 (2013: $2m) and is based on the market value of BG Group plc's shares at the award date, which was £10.74 in 2014 (2013: £11.72).

The charge to the 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 $1m in 2014 (2013: $2m). The fair value of the share options granted is determined using a Black-Scholes option pricing model and was £2.10 in 2014 (2013: £3.36).

In 2014, awards of 0.3m shares (2013: 0.3m 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 income statement in respect of these awards was $4m in 2014 (2013: $4m) and is based on the market value of BG Group plc's shares at the grant date, which was £11.34 in 2014 (2013: £10.79).

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 2014, no awards were made under this plan (2013: 0.1m shares and 0.3m nil-cost options). The charge to the income statement in respect of these awards was $2m in 2014 (2013: $1m). 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 in 2013.

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
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
2014					
Outstanding as at 1 January 2014	5.3	12.4	1.4	6.0	1.5
Granted	1.9	3.5	1.0	–	0.5
Vested	(1.0)	n/a	n/a	n/a	n/a
Exercised	n/a	(0.9)	(0.2)	(2.3)	(0.2)
Forfeited	(1.9)	(3.6)	(0.3)	(0.1)	(0.1)
Outstanding as at 31 December 2014	**4.3**	**11.4**	**1.9**	**3.6**	**1.7**
Exercisable as at 31 December 2014	**n/a**	**2.2**	**–**	**3.6**	**1.2**
Option price range as at 31 December 2014 (£)	**n/a**	**n/a**	**8.30–11.10**	**4.99–7.92**	**n/a**
Weighted average remaining contractual life	**n/a**	**8yrs 2mths**	**2yrs 7mths**	**1yr 9mths**	**4yrs 5mths**
Option price range for exercised options (£)	**n/a**	**n/a**	**8.74–11.10**	**3.47–7.92**	**n/a**
Weighted average share price at the date of exercise for options exercised in the year (£)	**n/a**	**11.82**	**11.63**	**11.52**	**11.89**

(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

	2014 BG Group plc Sharesave Plan options £	**2014 BG Group plc CSOS options £**	2013 BG Group plc Sharesave Plan options £	2013 BG Group plc CSOS options £
Outstanding as at 1 January	**9.43**	**6.38**	9.14	6.13
Granted	**8.30**	**–**	10.22	–
Exercised	**10.00**	**5.69**	8.65	5.76
Forfeited	**9.64**	**6.71**	9.51	5.51
Outstanding as at 31 December	**8.72**	**6.82**	9.43	6.38
Exercisable as at 31 December	**n/a**	**6.82**	8.63	6.38

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.

4 DISPOSALS, RE-MEASUREMENTS AND IMPAIRMENTS

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

	2014 $m	2013 $m
Other operating income:		
Re-measurements of commodity-based contracts	**297**	210
Other	**106**	–
	403	210
Operating costs	**(181)**	154
Profits and losses on disposal of non-current assets and impairments:		
Disposals of non-current assets	**967**	253
Impairments	**(8 956)**	(4 059)
Other	**(131)**	(11)
	(8 120)	(3 817)
Finance income	**–**	65
Finance costs	**(644)**	–
Share of post-tax results from joint ventures and associates	**(56)**	–
	(8 598)	(3 388)
Taxation	**3 512**	1 219
Loss for the year from continuing operations	**(5 086)**	(2 169)

OTHER OPERATING INCOME

Re-measurements included within Other operating income amount to a credit of $297m (2013: $210m), of which a credit of $280m (2013: $34m) represents non-cash mark-to-market movements on certain gas contracts. While 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 net $17m credit (2013: $176m) representing unrealised mark-to-market movements associated with economic hedges, including a credit of $17m (2013: $nil) associated with Brent oil swaps partially hedging the Group's exposure to commodity prices in 2014. Further information on commodity instruments is given in note 18, page 38. Other operating income comprises $106m credit (2013: $nil) in respect of final settlement of a legacy treaty dispute relating to investments formerly held by the Group.

OPERATING COSTS

Operating costs in 2014 include a pre-tax charge of $100m (post-tax $79m) relating to the downward re-measurement of trade receivables in Egypt to reflect the time value of money associated with the outstanding debt based on a revised assumed repayment profile. In addition, there was a pre-tax charge of $81m (post-tax $62m) primarily relating to restructuring costs in the UK, Egypt and Australia. Operating costs in 2013 comprised a curtailment gain of $154m 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 48.

DISPOSAL OF NON-CURRENT ASSETS AND IMPAIRMENTS

2014

Disposal of non-current assets

The Group completed the sale of its 62.78% equity interest in the Central Area Transmission System (CATS) gas pipeline and associated infrastructure in the UK North Sea for total consideration of $797m, resulting in a pre and post-tax profit on disposal of $782m in the Upstream segment.

The Group completed the sale of six LNG steam vessels, which were previously held as finance leases and have subsequently been leased back under operating leases, for total gross consideration of $930m (net cash proceeds were $53m after repayment of the finance lease liabilities and settlement of associated cross-currency interest rate swaps and interest rate swaps). This resulted in a pre-tax profit on disposal of $216m (post-tax $170m) in the LNG Shipping & Marketing segment.

Other disposals resulted in a pre-tax charge of $31m (post-tax $18m) in the Upstream segment.

Impairments

There was a pre-tax impairment charge of $8 956m (post-tax $5 928m) relating to Upstream activities in Australia, Egypt and certain other assets. This was driven mainly by the significant fall in global commodity prices and reflects a recent forward Brent price curve for five years, reverting to the Group's long-term price assumption for impairment testing of $90 real from 1 January 2020.

The Group used the fair value less costs of disposal method to calculate the recoverable amount of the cash-generating units (CGU) consistent with a level 3 fair value measurement as defined in note 18, page 38. In determining the fair value, the Group has used a post-tax discount rate of 8% based on the Group weighted average cost of capital. Where appropriate, cash flows were adjusted to take into account any specific country risks.

In Australia, the total pre-tax non-cash impairment charge was $6 824m (post-tax $4 540m) in the Upstream segment. The Group has entered into an agreement to sell its wholly-owned subsidiary QCLNG Pipeline Pty Ltd and, as a result, the remaining QCLNG assets were subject to a pre-tax impairment charge of $2 747m (post-tax $1 828m) principally reflecting the increase in tariffs payable to third parties post-completion. The remaining pre-tax impairment charge of $4 077m (post-tax $2 712m) in Australia was driven primarily by a reduction in the Group's assumptions of future commodity prices. The recoverable amount of the CGU, excluding QCLNG Pipeline Pty Ltd which is classified as held for sale, is $15.0bn.

4 DISPOSALS, RE-MEASUREMENTS AND IMPAIRMENTS CONTINUED
DISPOSAL OF NON-CURRENT ASSETS AND IMPAIRMENTS CONTINUED
Impairments continued
In Egypt, there was a pre-tax impairment charge of $790m (post-tax $737m) in the Upstream segment, principally driven by further reserve downgrades reflecting underlying reservoir performance and the Group's expectation of limited LNG exports from Egyptian LNG for the foreseeable future. The recoverable amount of the CGU is $0.8bn.

Elsewhere, the reduction in the Group's assumptions of future commodity prices resulted in pre-tax impairment charges of $1 342m (post-tax $651m) in the Upstream segment. The most significant impairment charges were in the North Sea $566m pre-tax (post-tax $172m), Tunisia $450m pre-tax (post-tax $255m) and the USA $227m pre-tax (post-tax $148m). Other impairments in 2014 resulted in pre-tax impairment charges of $99m (post-tax $76m).

Other
Other write-offs and provisions for certain other exceptional items resulted in a pre-tax charge to the income statement of $131m (post-tax $95m).

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 activities 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
The Group used the fair value less costs of disposal method to calculate the recoverable amount of the cash-generating units (CGU) consistent with a level 3 fair value measurement as defined in note 18, page 38. In determining the fair value, the Group has used a post-tax discount rate of 8% based on the Group weighted average cost of capital and acreage valuations for intangible assets in the USA. Where appropriate, cash flows were adjusted to take into account any specific country risks.

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. This 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. 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 other 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 activities segment.

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).

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 and foreign exchange movements on borrowings and certain inter-company balances.

SHARE OF POST-TAX RESULTS FROM JOINT VENTURES AND ASSOCIATES
A pre and post-tax charge of $56m (2013: $nil) was recognised in the Upstream segment in respect of the Group's share of a write-off of assets under construction in Brazil following the bankruptcy of a contractor.

TAXATION
Taxation includes a credit of $3 028m (2013: $1 489m) as a result of the impairment charges, and a net credit of $449m (2013: $nil) resulting from a number of exceptional one-off and prior period taxation items. These items included the full recognition of taxable losses in Australia following commencement of QCLNG operations and exceptional prior period adjustments and one-off changes to tax positions in a number of jurisdictions.

5 FINANCE INCOME AND COSTS

	2014 $m	2013 $m
Interest receivable[(a)]	**153**	104
Net fair value gains and losses on derivatives and fair value hedge adjustments[(b)]	**–**	65
Finance income	**153**	169
Interest payable[(c)]	**(561)**	(594)
Finance lease charges	**(92)**	(108)
Interest capitalised[(d)]	**532**	522
Unwinding of discount on provisions and pension assets and liabilities[(e)]	**(154)**	(120)
Net fair value gains and losses on derivatives and fair value hedge adjustments[(b)]	**(644)**	–
Finance costs	**(919)**	(300)
Net finance costs – continuing operations	**(766)**	(131)

(a) Interest receivable includes net exchange gains of $49m (2013: $nil).

(b) Comprises $26m loss (2013: $65m gain) associated with fair value hedge adjustments, $238m loss (2013: $nil) in respect of mark-to-market movements on derivatives, $236m gain (2013: $136m loss) on foreign exchange movements on borrowings and $616m loss (2013: $136m gain) on foreign exchange movements on certain inter-company balances.

(c) Interest payable includes net exchange losses of $nil (2013: $44m).

(d) Finance costs associated with the Group's 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 3.4% per annum (2013: 3.8%). Tax relief for capitalised interest is approximately $162m (2013: $121m).

(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.

6 TAXATION

	2014 $m	2013 $m
Current tax		
UK tax and petroleum revenue tax	**865**	1 392
Overseas tax	**1 321**	1 524
Total current tax	**2 186**	2 916
Deferred tax	**(3 470)**	(1 228)
Total tax charge – continuing operations	**(1 284)**	1 688

The total tax (credit)/charge reconciles with that calculated using the statutory UK corporate tax rate of 21.49% (2013:23.25%).

	2014 $m	2013 $m
Profit before taxation	**(2 329)**	3 892
Tax on profit before taxation at UK statutory corporation tax rates	**(501)**	904
Effect on tax charge of:		
Non tax-deductible items or non-taxable items	**(145)**	(529)
Overseas taxes at different rates to UK statutory rates	**(478)**	562
North Sea taxes at different rates to UK statutory rates	**380**	415
Petroleum revenue tax	**2**	11
Effect of changes in tax rate on deferred tax balances	**–**	(69)
Adjustment recognised for current tax of prior periods	**(199)**	(174)
Adjustment recognised for deferred tax of prior periods	**(35)**	105
(Recognition)/Derecognition of deferred tax	**(183)**	103
Other items	**(125)**	360
Tax charge – continuing operations	**(1 284)**	1 688

Certain comparative amounts shown in the reconciliation of total tax have been reclassified. There is no change to the tax amounts reported in the income statement, balance sheet or cash flow statement. The tax charge in the 2013 Annual Report and Accounts was reconciled using a blended UK rate comprised of the UK tax rates for both UK North Sea and other UK activities.

The tax credit relating to disposals, remeasurements, impairments and other items is $3 512m (2013: $1 219m). This consists of a tax charge on unrealised re-measurements of $8m (2013: $166m), a tax credit on one-off and prior year taxation adjustments of $449m, and a tax credit on disposals, impairments and other items of $3 071m (2013: $1 385m).

6 TAXATION CONTINUED

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

	Accelerated tax depreciation $m	Decommissioning $m	Unused tax losses $m	Other temporary differences[a] $m	Total $m
As at 1 January 2013	(8 205)	817	3 114	447	(3 827)
Charge/(credit) for the year	2 306	(269)	(706)	(105)	1226
Charge to equity and other comprehensive income	–	–	–	(81)	(81)
Currency translation adjustments	(89)	–	25	11	(53)
Disposals	2	–	–	–	2
As at 31 December 2013	**(5 986)**	**548**	**2 433**	**272**	**(2 733)**
Charge/(credit) for the year	2 130	189	1 510	(359)	3 470
Charge to equity and other comprehensive income	–	–	–	170	170
Currency translation adjustments	400	(42)	(306)	13	65
Disposals	60	(31)	–	–	29
As at 31 December 2014	**(3 396)**	**664**	**3 637**	**96**	**1 001**

	2014 $m	2013 $m
Deferred tax liabilities	**(2 946)**	(4 120)
Deferred tax assets	**3 947**	1 387
Net deferred tax liability as at 31 December	**1 001**	(2 733)

(a) Other temporary differences include deferred petroleum revenue tax, retirement benefit obligations and certain provisions.

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 which takes into account production volumes, LNG Shipping & Marketing supply volumes and commodity prices in the relevant jurisdictions. This requires assumptions regarding future profitability and is therefore inherently uncertain.

Certain comparative amounts shown in the analysis of deferred tax by category of temporary differences have been reclassified. There is no change to the tax amounts reported in the income statement, balance sheet or cash flow statement.

	2014 $m	2013 $m
Temporary differences for which no deferred tax asset has been recognised		
Deductible temporary differences	**2 211**	840
Unused tax losses	**2 192**	3 233
Tax credits	**554**	464
Total deferred tax assets not recognised	**4 957**	4 537

To the extent unutilised, $7m of the unused tax losses will expire within 5 years (2013: $9m) and $849m will expire between 6 and 20 years (2013: $1 219m).

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 $5m (2013: $6m). 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

Following the decision to dispose of the majority of the Group's Transmission and Distribution assets in 2012, certain businesses have been treated as discontinued. In 2013, the Group completed the sale of it's interest in Gujarat Gas Company Limited (GGGL) in India.

RESULTS FROM DISCONTINUED OPERATIONS

	2014 $m	2013 $m
Revenue	–	236
Operating costs	9	(218)
Operating profit	9	18
Share of post-tax results from joint ventures and associates	–	(1)
Profit before tax	9	17
Taxation	(2)	(15)
Profit after tax	7	2
Profits and losses on disposal of non-current assets and impairments	–	241
Taxation	–	2
Post-tax profits and losses on disposal of non-current assets and impairments	–	243
Profit for the year from discontinued operations	7	245

CASH FLOWS RELATING TO DISCONTINUED OPERATIONS

	2014 $m	2013 $m
Profit before tax	9	17
Share of post-tax results from joint ventures and associates	–	1
Depreciation of property, plant and equipment	–	1
Increase/(decrease) in provisions	–	1
Movements in working capital	45	120
Cash generated by operations	54	140
Income taxes paid	–	(6)
Net cash inflow from operating activities	54	134
Net cash outflow from investing activities	–	(8)
Net cash outflow from financing activities	(58)	(112)
Net (decrease)/increase in cash and cash equivalents	(4)	14

7 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE CONTINUED

DISPOSAL OF NON-CURRENT ASSETS AND IMPAIRMENTS

In 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 in 2013 resulted in a pre-tax charge of $4m (post-tax charge of $2m).

DISPOSAL OF NON-CURRENT ASSETS AND IMPAIRMENTS 2012

In 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 de-recognition of the non-controlling interest of $64m and $1m of other costs.

Other disposals and impairments in 2013 resulted in a pre-tax charge of $4m (post-tax charge of $2m).

ASSETS HELD FOR SALE

The Group as at 31 December	**2014** **$m**	2013 $m
Property, plant and equipment	**2 078**	–
Trade and other receivables	**10**	–
Assets classified as held for sale	**2 088**	–
Trade and other payables	**(27)**	–
Provisions for other liabilities and charges	**(36)**	–
Liabilities associated with assets classified as held for sale	**(63)**	–
Net assets classified as held for sale	**2 025**	–

Assets held for sale as at 31 December 2014 comprised QCLNG Pipeline Pty Limited in the Upstream segment and two LNG vessels in the LNG Shipping & Marketing segment, the disposals of which are expected to complete in the first half of 2015.

8 DIVIDENDS

No final dividend has been proposed by the Directors for 2014 (2013: $nil). No interim dividend was paid during the year (2013: $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

	2014 $m	2013 $m
Cost and net book value as at 1 January	**25**	24
Currency translation adjustments	**(2)**	1
Charge for impairment (see note 4, page 26)	**(23)**	–
Cost and net book value as at 31 December	**–**	25

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. During the year there was a goodwill impairment charge of $23m (2013: $nil) recognised as a consequence of the significant fall in global commodity prices.

11 OTHER INTANGIBLE ASSETS

	Expenditure on unproved gas and oil reserves		Other[a]		Total	
	2014 $m	2013 $m	2014 $m	2013 $m	2014 $m	2013 $m
Cost as at 1 January	**4 800**	4 782	**373**	377	**5 173**	5 159
Additions	**746**[b]	1 341[b]	**24**	–	**770**	1 341
Disposals and unsuccessful exploration expenditure(c)	**(256)**	(810)	**–**	–	**(256)**	(810)
Transfers to property, plant and equipment	**(100)**	(298)	**–**	–	**(100)**	(298)
Other movements	**8**	(16)	**(3)**	–	**5**	(16)
Currency translation adjustments	**(175)**	(199)	**(1)**	(4)	**(176)**	(203)
Cost as at 31 December	**5 023**	4 800	**393**	373	**5 416**	5 173
Amortisation as at 1 January	**(1 048)**	(438)	**(261)**	(252)	**(1 309)**	(690)
Charge for the year	**–**	–	**(11)**	(9)	**(11)**	(9)
Charge for impairment (see note 4, page 26)	**(961)**	(665)	**–**	–	**(961)**	(665)
Disposals and transfers	**–**	55	**–**	–	**–**	55
Amortisation as at 31 December	**(2 009)**	(1 048)	**(272)**	(261)	**(2 281)**	(1 309)
Net book value as at 31 December	**3 014**	3 752	**121**	112	**3 135**	3 864

(a) 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 23 years (2013: 24 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.
(b) Broadly equivalent to cash flows attributable to investing activities arising from exploration and evaluation.
(c) Disposals and unsuccessful exploration expenditure includes $232m of write offs of intangible assets (2013: $394m).

12 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings $m	Plant and machinery $m	Motor vehicles and office equipment $m	Exploration and production $m	Total $m
Cost as at 1 January 2014	138	11 735	1 869	52 117	65 859
Additions	–	994	213	6 900	8 107
Disposals, transfers and other movements[(a)]	–	(650)	(22)	49	(623)
Currency translation adjustments	(9)	(88)	(99)	(2 084)	(2 280)
Reclassified as held for sale	–	(2 157)	–	–	(2 157)
Cost as at 31 December 2014	**129**	**9 834**	**1 961**	**56 982**	**68 906**
Accumulated depreciation as at 1 January 2014	(49)	(938)	(1 035)	(21 612)	(23 634)
Charge for the year[(b)]	–	(145)	(213)	(2 436)	(2 794)
Charge for impairment[(b)] (see note 4, page 26)	(12)	(1 228)	(25)	(6 792)	(8 057)
Disposals and transfers	–	252	24	569	845
Currency translation adjustments	3	31	60	416	510
Reclassified as held for sale	–	79	–	–	79
Accumulated depreciation as at 31 December 2014	**(58)**	**(1 949)**	**(1 189)**	**(29 855)**	**(33 051)**
Net book value as at 31 December 2014[(c)(d)(e)]	**71**	**7 885**	**772**	**27 127**	**35 855**

	Land and buildings $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**

(a) Includes, within Exploration and production, a transfer from other intangible assets of $100m (2013: $298m).
(b) Depreciation charge and charge for impairment is attributable to continuing and discontinued operations as follows:

	Depreciation		Impairment	
	2014 $m	2013 $m	**2014 $m**	2013 $m
Continuing operations	**2 794**	2 954	**8 057**	3 124
Discontinued operations	**–**	1	**–**	–
	2 794	2 955	**8 057**	3 124

(c) The Group's net book value includes capitalised interest of $1 398m (2013: $1 225m) comprising Exploration and production $873m (2013: $838m) and Plant and machinery $525m (2013: $387m). 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 908m (2013: $2 432m) and expenditure on Plant and machinery and Exploration and production assets under construction of $10 739m (2013: $23 405m).
(e) The net book value of assets capitalised and held under finance leases is shown below and comprises $1 073m (2013: $1 884m) included in Plant and machinery and $228m (2013: $64m) included in Exploration and production:

as at 31 December	2014 $m	2013 $m
Cost	**1 963**	2 738
Accumulated depreciation	**(662)**	(790)
Net book value	**1 301**	1 948

13 INVESTMENTS

as at 31 December	2014 $m	2013 $m
Joint ventures	**796**	840
Associates	**2 709**	2 015
Other investments[a]	**42**	78
	3 547	2 933

(a) Includes an investment in Drillsearch Energy Limited and Azure Midstream Energy, LP (Azure).

During 2014, a charge for impairment of $168m was recorded against the carrying value of associates (2013: $270m).

There were no material acquisitions or disposals in 2014. 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 an approximate 3% equity holding.

JOINT VENTURES AND ASSOCIATES INFORMATION

The Group does not have any individually material joint ventures or associates. Analysis of the Group's share of profit and comprehensive income from individually immaterial joint ventures and associates in aggregate is shown below:

for the year ended 31 December	Joint ventures		Associates	
	2014 $m	2013 $m	2014 $m	2013 $m
Share of profit from continuing operations	**80**	112	**86**	224
Share of total comprehensive income	**80**	112	**86**	224

As at 31 December 2014, the Group's joint ventures had placed contracts for capital expenditure, the Group's share of which amounted to $23m (2013: $27m). As at 31 December 2014, the Group had no contingent liabilities in respect of its joint ventures or associates (2013: $nil).

Further information on principal subsidiary undertakings, joint ventures, associates and material joint operations is given in note 25, page 51.

14 INVENTORIES

as at 31 December	2014 $m	2013 $m
Raw materials and consumables	**613**	448
Finished goods for resale	**581**	390
	1 194	838

15 TRADE AND OTHER RECEIVABLES

as at 31 December	2014 $m	2013 $m
Amounts falling due within one year		
Trade receivables	**1 228**	2 283
Amounts owed by parent undertaking	**23**	28
Amounts owed by joint ventures and associates (see note 23, page 48)	**42**	69
Other receivables	**1 225**	1 488
Prepayments	**387**	787
Accrued income	**2 160**	2 273
	5 065	6 928
Amounts falling due after more than one year		
Trade receivables	**460**	449
Other receivables	**608**	328
	1 068	777
	6 133	7 705

Trade receivables are stated net of provisions. When management considers 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:

	2014 $m	2013 $m
Provision as at 1 January	**41**	60
Disposals	**17**	(19)
Provision as at 31 December	**58**	41

As at 31 December 2014, $928m (2013: $754m) of trade and other receivables were past due but not provided for; an analysis of these receivables is as follows:

	2014 $m	2013 $m
Less than three months past due	**134**	129
Between three and six months past due	**196**	185
Between six and 12 months past due	**42**	241
More than 12 months past due	**556**	199
	928	754

Included within past due but not impaired receivables is a balance of $729m (2013: $525m) with Egypt General Petroleum Corporation (EGPC) of which $23m has been received post year end. This balance, and the analysis of trade and other receivables past due but not provided for above, does not include a further $100m downward re-measurement of the carrying amount in 2014 to reflect the time value of money associated with the outstanding debt based on a revised assumed repayment profile. The net amount of trade and other receivables past due but not provided for after this re-measurement is $828m.

The remaining balance relates to a diversified number of independent customers, $20m 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 38.

16 CASH AND CASH EQUIVALENTS

as at 31 December	2014 $m	2013 $m
Cash at bank and in hand	**371**	597
Cash equivalent investments	**4 924**	5 611
	5 295	6 208

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.

Included within cash and cash equivalent investments is an amount equivalent to $390m (2.8bn Egyptian Pounds) which, due to foreign exchange restrictions, is not immediately available to the Group other than for funding local cash expenditure.

For further information on the interest rate composition of the Group's financial assets see note 18, page 38.

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	2014 $m	2013 $m
Amounts falling due within one year		
Bonds		
2.5% US Dollar 350m bond due December 2015	**349**	–
Fair value hedge relationships	**1**	–
	350	–
Loans from financial institutions	**1 169**	414
Obligations under finance leases	**67**	61
	1 586	475
Amounts falling due after more than one year		
Bonds and other loans		
2.5% US Dollar 350m bond due December 2015	**–**	349
2.875% US Dollar 750m bond due October 2016	**749**	748
5.125% Pound Sterling 500m bond due December 2017	**779**	827
Floating rate US Dollar 300m bond due September 2018	**300**	300
3.0% Euro 1 000m bond due November 2018	**1 209**	1 376
3.625% Euro 500m bond due July 2019	**603**	686
3.625% Euro 250m bond due July 2019	**308**	352
3.94% Hong Kong Dollar 370m bond due October 2019	**48**	48
4.0% US Dollar 650m bond due December 2020	**644**	643
4.0% US Dollar 1 350m bond due October 2021	**1 339**	1 338
1.25% Euro 775m bond due November 2022	**935**	–
5.125% Pound Sterling 750m bond due December 2025	**1 157**	1 228
2.25% Euro 800m bond due November 2029	**964**	–
3.5% Euro 100m bond due October 2033	**118**	134
5.0% Pound Sterling 750m bond due November 2036	**1 144**	1 214
5.125% US Dollar 900m bond due October 2041	**881**	880
6.5% Pound Sterling 600m bond due November 2072[a]	**932**	990
6.5% US Dollar 500m bond due November 2072[a]	**497**	497
6.5% Euro 500m bond due November 2072[a]	**603**	686
Fair value hedge adjustments	**175**	172
	13 385	12 468
Loans from financial institutions	**1 076**	2 242
Obligations under finance leases	**1 460**	2 344
	15 921	17 054
Gross borrowings	**17 507**	17 529

(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 its 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	2014 $m	2013 $m
Amounts falling due within one year		
Cash and cash equivalents	**5 295**	6 208
Trade and other receivables[b]	**–**	38
Borrowings	**(1 586)**	(475)
Commodity contracts and other derivative financial instruments[c]	**6**	(11)
	3 715	5 760
Amounts falling due after more than one year		
Borrowings	**(15 921)**	(17 054)
Trade and other receivables[b]	**172**	134
Commodity contracts and other derivative financial instruments[c]	**36**	550
	(15 713)	(16 370)
Net borrowings	**(11 998)**	(10 610)

(a) Net borrowings are defined on page 37.
(b) Trade and other receivables comprise a finance lease receivable of $172m (2013: $172m). See Note 18, page 38.
(c) Commodity contracts and other derivative financial instruments comprise treasury financial derivatives of $42m (2013: $539m).

17 BORROWINGS CONTINUED
NET BORROWINGS CONTINUED
The following table shows a reconciliation of net borrowings:

	2014 $m	2013 $m
Net borrowings as at 1 January	**(10 610)**	(10 626)
Net (decrease)/increase in cash and cash equivalents	**(908)**	1 705
Cash inflow from changes in borrowings	**(1 461)**	(1 620)
Inception of finance leases	**(247)**	(103)
Disposal of finance leases	**923**	–
Currency translation and other re-measurements	**305**	(52)
Movement in net borrowings classified as held for sale	**–**	86
Net borrowings as at 31 December	**(11 998)**	(10 610)

As at 31 December 2014, the Group's share of the net borrowings in joint ventures and associates amounted to approximately $0.3bn (2013: $0.6bn), including shareholder loans of approximately $0.4bn (2013: $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	
	2014 $m	2013 $m	2014 $m	2013 $m
Within one year	**417**	61	**1 586**	475
Between one and two years	**827**	413	**1 078**	1 655
Between two and three years	**73**	818	**1 424**	1 068
Between three and four years	**78**	66	**1 833**	1 471
Between four and five years	**1 009**	1 452	**1 058**	2 005
After five years	**7 816**	10 236	**10 528**	10 855
	10 220	13 046	**17 507**	17 529

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 38.

The weighted average post-swap interest rate of borrowings as at 31 December 2014 was 3.7% (2013: 4.0%). Post-swap fixed-rate borrowings mature between 2015 and 2072 (2013: mature between 2014 and 2072).

Obligations under finance leases pre-swap	Minimum lease payments		Obligations under finance leases	
Amounts due:	2014 $m	2013 $m	2014 $m	2013 $m
Within one year	**162**	154	**67**	61
Between one and five years	**654**	672	**275**	278
After five years	**1 904**	2 966	**1 185**	2 066
Less: future finance charges	**(1 193)**	(1 387)	**–**	–
	1 527	2 405	**1 527**	2 405

The Group has finance lease obligations in respect of infrastructure and LNG ships. These lease obligations expire between 2024 and 2039 (2013: expire between 2024 and 2038).

CURRENCY COMPOSITION OF THE GROUP'S BORROWINGS
The following table analyses the currency composition of the Group's borrowings:

	2014 $m	2013 $m
Currency:		
Pound Sterling	**5 296**	6 477
US Dollar	**7 205**	7 667
Euro	**4 778**	3 253
Other	**228**	132
	17 507	17 529

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 38. As at 31 December 2014, the Group had swapped $2 291m (2013: $2 437m) of Pound Sterling borrowings into US Dollars, $4 778m (2013: $3 253m) of Euro borrowings into US Dollars and $50m (2013: $50m) 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:	2014 $m	2013 $m
Within one year[a]	**2 102**	–
Between one and two years	**2 180**	–
Between two and three years	**3 040**	2 180
Between three and four years	**–**	3 040
	7 322	5 220

(a) Undrawn committed facilities expiring within one year as at 31 December 2014 comprise a £250m revolving bank borrowing facility (which was fully drawn as at 31 December 2013) and a further credit facility provided by an export credit agency, which was executed during 2014 and of which $1.7 billion was undrawn at 31 December 2014. While the opportunity to draw upon this credit facility expires within one year, drawn funds are repaid in equal semi-annual instalments commencing after more than one year and ending after more than five years.

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 page 3.

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 page 3.

AMOUNTS RECOGNISED IN RESPECT OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

The Group as at 31 December	2014		2013	
Included in the balance sheet:	Assets $m	Liabilities $m	Assets $m	Liabilities $m
Interest rate derivatives	**102**	**(61)**	127	(42)
Currency exchange rate derivatives	**–**	**(3)**	20	(17)
Cross-currency interest rate derivatives	**183**	**(179)**	495	(44)
Gas contracts	**82**	**(14)**	–	(208)
Other commodity derivatives	**155**	**(124)**	88	(159)
	522	**(381)**	730	(470)

As at 31 December 2014, the Group also held non-derivative available-for-sale financial assets of $42m (2013: $61m) which are recognised in the balance sheet at fair value.

As at 31 December 2014, the Group had deposited cash of $119m (2013: $110m) and received cash of $16m (2013: $7m) in respect of collateral and margin payments associated with the use of commodity derivatives.

18 FINANCIAL INSTRUMENTS CONTINUED

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

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. The maturity profile of derivative financial instruments is as follows:

	2014		2013	
	Assets $m	Liabilities $m	Assets $m	Liabilities $m
Within one year	**235**	**(128)**	107	(297)
Between one and five years	**103**	**(163)**	237	(122)
After five years	**184**	**(90)**	386	(51)
	522	**(381)**	730	(470)

The notional principal amounts of derivative financial instruments are as follows:

	2014				2013			
	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	**1 300**	**780**	**2 200**	**4 280**	9	2 194	3 253	5 456
Currency exchange rate derivatives	**599**	**–**	**–**	**599**	1 263	47	–	1 310
Cross-currency interest rate derivatives	**–**	**4 461**	**3 285**	**7 746**	–	3 113	2 815	5 928
Other commodity derivatives	**10 394**	**5 723**	**–**	**16 117**	15 047	4 636	232	19 915

The notional principal amounts of gas contracts are $293m (2013: $690m). 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. These contracts contain an underlying linkage to oil prices, and one of the assumptions used for their valuation is that observable commodity prices are liquid for four years (2013: four years). The fair values of the commodity contracts are calculated using the market yield curve at the balance sheet date.

The Group	Financial assets				Financial liabilities			
as at 31 December 2014	Level 1 $m	Level 2 $m	Level 3 $m	Total $m	Level 1 $m	Level 2 $m	Level 3 $m	Total $m
Interest rate derivatives	–	102	–	102	–	(61)	–	(61)
Currency exchange rate derivatives	–	–	–	–	–	(3)	–	(3)
Cross-currency interest rate derivatives	–	183	–	183	–	(179)	–	(179)
Gas contracts	–	–	82	82	–	(14)	–	(14)
Other commodity derivatives	43	73	39	155	(69)	(9)	(46)	(124)
	43	**358**	**121**	**522**	**(69)**	**(266)**	**(46)**	**(381)**

18 FINANCIAL INSTRUMENTS CONTINUED
VALUATION CONTINUED

as at 31 December 2013	Financial assets				Financial liabilities			
	Level 1 $m	Level 2 $m	Level 3 $m	Total $m	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 2014, the Group also held available-for-sale financial assets of $42m (2013: $61m), the fair value of which is determined using Level 1 fair value measurements.

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:

	Total	
	2014 $m	2013 $m
Fair value as at 1 January	**(87)**	(8)
Total gains or losses recognised in the income statement	**139**	(85)
Reclassification to Level 2	**8**	–
Settlements	**19**	3
Currency translation adjustments	**(4)**	3
Fair value as at 31 December	**75**	(87)

Total gains or losses recognised in the income statement are presented in Other operating income.

As at 31 December 2014, the potential pre-tax change in the fair value of gas contracts, assuming a $20 per barrel change (2013: $10 per barrel) in the Brent price assumption, was $79m (2013: $53m). A reasonably foreseeable change in the valuation assumptions underlying other commodity derivatives would not significantly change their fair value measurement.

FAIR VALUE ADJUSTMENTS ON FINANCIAL INSTRUMENTS

The Group Included in the income statement[(a)]:	**2014 $m**	2013 $m
Interest rate and currency exchange rate derivatives not in a designated hedge relationship[(b)]	**(176)**	18
Interest rate derivatives designated as fair value hedges	**–**	(56)
Cross-currency interest rate derivatives designated as fair value hedges[(b)]	**(71)**	66
Ineffectiveness on net investment hedges	**10**	(6)
Gas contracts	**280**	34
Other commodity derivatives not in a designated hedge relationship	**73**	42
Continuing operations	**116**	98

(a) Includes $57m gain (2013: $112m loss) recognised as Other operating income within Business Performance.
(b) These amounts are offset by foreign exchange gains or losses on the underlying borrowings.

Fair value losses of $17m (2013: $8m) on available-for-sale financial assets are included within other comprehensive income.

18 FINANCIAL INSTRUMENTS CONTINUED

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.

Fair value hedges

As at 31 December 2014, the Group held a number of interest rate derivatives and cross-currency interest rate derivatives designated as hedges of the fair value risk associated with the Group's fixed rate debt. 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 2014 is $(8)m (2013: $66m). During 2014, adjustments of $(26)m (2013: $65m) 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, interest rate derivatives and cross-currency 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 2014, an unrealised pre-tax loss of $42m (2013: $4m) was deferred in other comprehensive income in respect of effective cash flow hedges. The hedged transactions are expected to occur within 19 years (2013: 24 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 2014, deferred pre-tax losses of $13m (2013: $nil) 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 2014 is $(30)m (2013: $174m).

The **Consolidated statement of comprehensive income**, 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 2014, 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 loss on effective hedging instruments deferred within other comprehensive income as at 31 December 2014 is $45m (2013: $529m gain). The fair value of financial instruments designated as hedges of net investments in foreign operations outstanding as at 31 December 2014 is $(5 682)m (2013: $(5 681)m).

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

The Group's financial assets consist of cash and cash equivalents of $5 295m (2013: $6 208m), loans made to joint ventures and associates of $353m (2013: $714m), a finance lease receivable of $172m (2013: $172m), available-for-sale assets of $42m (2013: $61m), other long-term investments of $nil (2013: $17m), receivables due within one year of $520m (2013: $640m) and receivables due after more than one year of $519m (2013: $571m).

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

The Group	2014				2013			
	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
US Dollar	**231**	**6 295**	**22**	**6 548**	231	7 563	34	7 828
Other	–	**328**	**25**	**353**	–	145	49	194
	231	**6 623**	**47**	**6 901**	231	7 708	444	8 383

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 2014, floating rate receivables and loans to joint ventures and associates had an effective interest rate of between 1.27% and 4.52% (2013: between 1.26% and 4.00%) and are expected to expire between 2015 and 2022 (2013: 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 2014, fixed rate assets expire between 2016 and 2024 (2013: 2016 and 2024) and have effective interest rates of between 6% and 15% (2013: 6% and 14%).

18 FINANCIAL INSTRUMENTS CONTINUED

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 2014	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	1 098	(658)	440	(123)	(16)	301
Other receivables	82	(82)	–	–	–	–
Trade receivables	906	(166)	740	–	(4)	736
	2 086	**(906)**	**1 180**	**(123)**	**(20)**	**1 037**

The Group Financial liabilities as at 31 December 2014	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	(1 121)	740	(381)	123	5	(253)
Trade payables	(718)	166	(552)	–	9	(543)
	(1 839)	**906**	**(933)**	**123**	**14**	**(796)**

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)**

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 historical or amortised cost and have fair values that differ from their book values:

The Group	2014		2013	
	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	**(15 921)**	**(17 770)**	(17 054)	(18 510)

The fair values of long-term borrowings are within Level 1 ($14 387m) and Level 2 ($3 383m) 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.

18 FINANCIAL INSTRUMENTS CONTINUED

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. 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:

The Group as at 31 December 2014	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	(2 251)	(1 737)	(6 083)	(24 231)	(34 302)
Short-term payables and amounts owed to parent undertaking	(3 270)	–	–	–	(3 270)
	(5 521)	(1 737)	(6 083)	(24 231)	(37 572)
Outflows from derivative financial instruments					
Currency and interest rate derivatives	(310)	(327)	(4 963)	(4 254)	(9 854)
Gross-settled commodity derivatives	(1 213)	(291)	(559)	(234)	(2 297)
Net-settled commodity derivatives	(5)	–	–	–	(5)
	(1 528)	(618)	(5 522)	(4 488)	(12 156)
Non-derivative financial assets and inflows from derivative financial instruments	9 220	1 438	5 560	4 490	20 708
Total as at 31 December 2014	**2 171**	**(917)**	**(6 045)**	**(24 229)**	**(29 020)**

The Group 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[a]	(374)	(317)	(3 898)	(3 612)	(8 201)
Gross-settled commodity derivatives	(1 232)	(397)	(276)	–	(1 905)
Net-settled commodity derivatives	(49)	(17)	(12)	–	(78)
	(1 655)	(731)	(4 186)	(3 612)	(10 184)
Non-derivative financial assets and inflows from derivative financial instruments[a]	12 200	1 728	4 701	4 582	23 211
Total as at 31 December 2013[a]	**4 659**	**(980)**	**(6 349)**	**(24 780)**	**(27 450)**

(a) The Group has amended the comparative disclosures in order to present both principal and interest settlement amounts gross where the pay and receive legs of a derivative will be settled separately, including currency exchange, interest rate and cross-currency interest rate derivatives.

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 2014, the Group's maximum credit risk exposure (after the impact of any netting arrangements) under currency and interest rate related derivatives was \$167m (2013: \$570m) and commodity related derivatives \$79m (2013: \$65m). 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.

The Egyptian government continues to demonstrate its commitment to repay outstanding debts to the energy industry. Following partial repayments of the Group's outstanding debt during 2014, the amount owed by Egypt General Petroleum Corporation (EGPC) in respect of domestic gas sales as at 31 December 2014 was \$0.9bn (2013: \$1.2bn), of which \$0.7bn (2013: \$0.5bn) was overdue. The Group considers that the current receivable balance remains fully recoverable as direct cash payments from EGPC continue to be received, however in 2014 a \$100 million pre-tax (\$79 million post-tax) charge was recognised relating to the downward re-measurement of the receivable balance to reflect the time value of money associated with the outstanding debt based on a revised assumed repayment profile. 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.

Market risk

Financial instruments used by the Group that are affected by 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.

The Group	Market movement		Business Performance		Disposals, re-measurements and impairments		Other comprehensive income/(charge)	
	2014	2013	2014 \$m	2013 \$m	2014 \$m	2013 \$m	2014 \$m	2013 \$m
UK interest rates	**+ 100 basis points**	+ 100 basis points	**(20)**	(40)	**(1)**	(10)	**(142)**	(140)
US interest rates	**+ 100 basis points**	+ 100 basis points	**(1)**	29	**50**	97	**140**	203
US\$/UK£ exchange rates	**+ 20 cents**	+ 20 cents	**10**	–	**(376)**	(208)[a]	**1 506**	1 635[a]
UK gas prices	**+ 20 pence/therm**	+ 10 pence/therm	**–**	–	**(48)**	(12)	**–**	–
US gas prices	**+ 1 \$/mmbtu**	+ 1 \$/mmbtu	**2**	(14)	**84**	–	**–**	(2)
JCC/Brent prices	**+ 20 \$/bbl**	+ 10 \$/bbl	**–**	–	**(62)**	(39)	**–**	–

(a) The Group has undertaken a review of the methodology used to calculate foreign exchange rate sensitivities and has chosen to utilise a more granular approach in the sensitivity calculation of intra-group exposures. The Group has amended the comparative disclosures for foreign exchange rate sensitivities reported in 2013 from a \$144m loss to a \$208m loss for disposals, re-measurements and impairments and from a \$357m gain to a \$1 635 gain for other comprehensive income.

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	2014 $m	2013 $m
Amounts falling due within one year		
Trade payables	**894**	1 459
Amounts owed to parent undertaking	**1 786**	2 881
Amounts owed to joint ventures and associates (see note 23, page 48)	**258**	109
Other payables[(a)]	**332**	287
Accruals and deferred income	**3 259**	3 753
	6 529	8 489
Amounts falling due after more than one year		
Accruals and deferred income	**136**	150
	136	150
	6 665	8 639

(a) As at 31 December 2014, Group payables include $16m (2013: $35m) relating to share-based payment transactions, of which $10m (2013: $22m) relates to awards that have already vested, and $165m (2013: $140m) relating to amounts provided in 2014 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	
	2014 $m	2013 $m	2014 $m	2013 $m	2014 $m	2013 $m
As at 1 January	**3 662**	3 767	**453**	415	**4 115**	4 182
Charge for the year	**17**	63	**172**	98	**189**	161
Unwinding of discount	**146**	107	**2**	2	**148**	109
Additions	**714**	993	**56**	–	**770**	993
Change in discount rate	**808**	(764)	**–**	–	**808**	(764)
Disposals	**(119)**	(295)	**–**	–	**(119)**	(295)
Currency translation and other adjustments	**(504)[(a)]**	(134)	**110[(b)]**	(2)	**(394)**	(136)
Amounts used	**(83)**	(75)	**(139)**	(58)	**(222)**	(133)
Unused provisions credited to the income statement	**–**	–	**(24)**	(2)	**(24)**	(2)
Reclassified as assets held for sale	**(36)**	–	**–**	–	**(36)**	–
As at 31 December	**4 605**	3 662	**630**	453	**5 235**	4 115

(a) Includes a movement of $(272)m due to a change in inflation assumptions (2013: $nil).
(b) Includes $138m reclassified from elsewhere on the balance sheet.

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 that 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 is in turn impacted by available reservoir data, commodity prices and future costs. Payments (on a discounted basis) of $705m (2013: $828m) are currently anticipated within one to five years; $1 093m (2013: $829m) within six to 10 years; and $2 807m (2013: $2 005m) over 10 years.

OTHER

The balance as at 31 December 2014 includes provisions for onerous contracts of $111m (2013: $146m), field-related payments of $124m (2013: $51m), insurance costs of $107m (2013: $67m) and costs associated with disposals and restructuring of $119m (2013: $112m). The payment dates are uncertain, but are expected to be between 2015 and 2018 (2013: 2014 and 2018).

21 CALLED UP SHARE CAPITAL

as at 31 December	Number of shares 2014 m	Number of shares 2013 m	2014 $m	2013 $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 2014, the Group had contractual commitments for future capital expenditure amounting to $4 195m (2013: $6 235m) of which $3 998m related to acquisition of property, plant and equipment (2013: $5 770m) and $197m related to intangible exploration assets (2013: $465m).

Included in the amount for contractual commitments for future capital expenditure is $1 388m (2013: $1 921m) relating to commitments under operating leases split between amounts due within one year $723m (2013: $970m), and amounts due between one and five years $665m (2013: $951m).

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 WELL COSTS

As at 31 December 2014, certain petroleum licences in which the Group has an interest contained outstanding uncontracted obligations to drill exploration and appraisal wells. The uncontracted cost attributable to the Group in respect of these capital commitments is estimated to be $384m (2013: $806m).

D) LEASE COMMITMENTS

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

The Group	Land and buildings 2014 $m	Land and buildings Restated(a) 2013 $m	Vessels and other 2014 $m	Vessels and other Restated(a) 2013 $m	FPSOs 2014 $m	FPSOs Restated(a) 2013 $m	Total 2014 $m	Total Restated(a) 2013 $m
Amounts due:								
Within one year	**70**	72	**542**	395	**282**	162	**894**	629
Between one and five years	**203**	191	**2 369**	1 851	**1 579**	1 120	**4 151**	3 162
After five years	**152**	204	**1 718**	2 146	**2 695**	2 102	**4 565**	4 452
	425	467	**4 629**	4 392	**4 556**	3 384	**9 610**	8 243

(a) The Group has amended the comparative lease commitment disclosure for 'Land and buildings', 'Vessels and other' and 'FPSOs' to exclude certain operating and maintenance costs, to reflect a shorter minimum lease term for certain FPSOs, to remove four FPSO leases from the disclosure and ensure that the net commitment of the Group is shown. The impact of excluding these amounts on the previously disclosed 2013 comparative was to reduce operating lease commitments for 'Land and buildings' from $549m to $467m, 'Vessels and other' from $6 057m to $4 392m and FPSOs from $13 009m to $3 384m.

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

The longest dated lease, in respect of an FPSO, expires in 2029 (2013: expires in 2029).

22 COMMITMENTS AND CONTINGENCIES CONTINUED

E) LEGAL PROCEEDINGS

In August 2009 two separate tax deficiency notices were issued against Petrobras 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%)). The 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 a rig. Petrobras challenged this decision through the administrative courts (this appeal was rejected); and in the judicial branch, in which the first instance and second instance (February 2014) courts declared and upheld 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. These rulings were positive decisions for the Consortium. The São Paulo State Tax Authority appealed the second instance judicial decision to the Brazilian Superior Court of Justice and a final decision is expected within the next three years.

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 as if the offshore rig and the onshore base were two distinct branches of Petrobras. As such, the authorities are charging a penalty. Petrobras has appealed an unfavourable decision in the administrative courts and a decision is expected in 2015. 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 and that this matter may take up to five years to be resolved.

In 2014 tax assessments were issued against Petrobras in respect of the charter/services contract split for FPSOs, offshore service vessels and rig hire for the years 2008, 2009 and 2010. Some of these FPSOs, vessels and rigs were allocated to the BM-S-9 and BM-S-11 consortia. Defences and administrative appeals were submitted by Petrobras and are pending.

The Group's Australian subsidiary is defending claims brought by an unincorporated joint venture between McConnell Dowell Constructors (Aust) Pty Limited and Consolidated Contracting Company Australia Pty Limited (together, 'MCJV'). MCJV is the main contractor for the Export and Narrows pipelines project. In March 2014, MCJV initiated ICC arbitration proceedings relating to project variations, delay and completion of milestones. The arbitral panel has been constituted and an indicative timetable for the arbitration set. The full hearing of the matter is not expected before Q4 2015. The claim has been retained by The Group in the sales process of QCLNG Pipeline Pty Limited.

Various issues have been in dispute for a number of years with the Government of India in relation to the interpretation of the production sharing contracts for the Panna/Mukta and Tapti fields and related matters. Arbitration proceedings are ongoing.

It is not practicable at this time to estimate the financial effects (other than for the tax deficiency notices); given the uncertainties relating to the amounts and timing of any economic inflows or outflows and 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 other 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) CONTINGENT LIABILITIES

The amount of contingent liabilities as at 31 December 2014 (mainly the provision of guarantees, indemnities, contingent decommissioning obligations or warranties to third parties and various legal or arbitration proceedings in connection with the current and prior operations of the Group) amounted to $6 964m (2013: $6 902m).

23 RELATED PARTY TRANSACTIONS

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

The Group received and incurred the following income and charges from its joint ventures and associates:

for the year ended 31 December	2014		2013 Restated[a]	
	Income $m	Charges $m	Income $m	Charges $m
LNG cargo purchases, sales and other related costs	**118**	**(720)**	108	(601)
Shipping, transportation costs and other related costs	**2**	**(23)**	5	(47)
E&P operating costs	**–**	**(298)**	–	(149)
	120	**(1 041)**	113	(797)

(a) On the adoption of IFRS 11 'Joint Arrangements', the Group has reclassified the comparative disclosures given in 2013 to exclude relationships that are now deemed to be 'Joint Operations' and fall outside of the scope of IAS24 'Related Party Disclosures'. The impact of excluding these items were as follows: LNG cargo purchases, and other related costs from $717m to $601m, Shipping, transportation and other related income from $90m to $5m and Shipping, transaction costs and other related costs from $113m to $47m.

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 2014, a debtor balance of $42m (2013: $69m) (see note 15, page 35) and a creditor balance of $258m (2013: $109m) (see note 19, page 45) were outstanding with these parties.

In addition, the Group provides financing to some of these parties by way of loans. As at 31 December 2014, loans of $353m (2013: $714m) 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 34. Interest of $9m (2013: $10m) was charged on these loans during the year at interest rates of between 1.25% and 3.99% (2013: 1.26% and 4.06%). The maximum debt outstanding during the year was $714m (2013: $715m).

The Group has a finance lease arrangement with a joint venture company. As at 31 December 2014, the obligation was $130m (2013: $135m). Interest of $7m (2013: $9m) was paid during the year in respect of this lease. The lease expires in 2027.

The Group has operating lease arrangements with associate companies in respect of FPSOs. As at 31 December 2014, the obligation was $3 846m (2013 restated: $2 649m). Charges paid during the year in respect of these leases are presented as E&P operating costs in the table. The last of these leases expires in 2029 (2013: 2029).

William Backhouse, the son of Peter Backhouse, a former Non-Executive Director who resigned during 2014, was employed by BG International Limited, a directly 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 2014, a debtor balance of $23m (2013: $28m) (see note 15, page 35) and a creditor balance of $1 786m (2013: $2 881m) (see note 19, page 45) were outstanding between the Group and its ultimate parent, BG Group plc.

24 PENSIONS AND POST-RETIREMENT BENEFITS

In the year ended 31 December 2014, a number of the Group's UK employees were members of 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 closure of the scheme. 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 returns on the BGPS's assets, are expected to be sufficient to fund the benefits payable.

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 to future accruals resulted in a curtailment gain of $154m, recognised in the 2013 income statement (see note 4, page 26).

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 2014 was £1 540m, representing 97% of the accrued liabilities. The next full funding valuation is expected to be performed with an effective date of 31 March 2017. 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 established a Pension Funding Partnership (PFP) to address the deficit and to provide greater security to the Trustee.

24 PENSIONS AND POST-RETIREMENT BENEFITS CONTINUED

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. In December 2014, the Group entered into an agreement for the sale of two of these LNG ships for proceeds of $460 million. Consequently, the majority of the proceeds from this sale will be utilised to support the funding of the BGPS.

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 with the assumptions adopted at the last valuation of the BGPS.

The BGPS holds a diversified investment portfolio (see table on page 50), primarily comprising quoted investments, spread across five investment managers. The portfolio remains weighted towards growth assets, with the benchmark allocation to these assets maintained at 60% during the year. As at 31 December 2014, the BGPS held unquoted assets valued at $4m (2013: $3m) 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.

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 2014 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	2014 $m	2013 $m
Fair value of plan assets	**2 004**	1 927
Present value of liabilities	**(2 262)**	(2 095)
Net balance sheet liability	**(258)**	(168)

The following table shows the movements in the defined benefit obligation (DBO), the fair values on plan assets and the net defined benefit obligation in the period, separately identifying the impact on the income statement and other comprehensive income:

	2014 $m			2013 $m		
	Defined benefit obligation	Fair values on plan assets	Net defined benefit obligation	Defined benefit obligation	Fair values on plan assets	Net defined benefit obligation
At 1 January	**(2 095)**	**1 927**	**(168)**	(1 886)	1 598	(288)
Pension (cost)/ credit to income statement:						
Current service cost	**–**	**–**	**–**	(63)	–	(63)
Past service cost	**15**	**–**	**15**	–	–	–
Curtailment gain	**–**	**–**	**–**	154	–	154
Net interest	**(92)**	**85**	**(7)**	(83)	72	(11)
Subtotal recognised in the income statement:	**(77)**	**85**	**8**	8	72	80
Remeasurement gains/(losses) in other comprehensive income:						
Return on plan assets (excluding amounts included in net interest)	**–**	**119**	**119**	–	158	158
Actuarial changes arising from changes in financial assumptions	**(225)**	**–**	**(225)**	(210)	–	(210)
Actuarial changes arising from changes in demographic assumptions	**(75)**	**–**	**(75)**	–	–	–
Experience adjustments	**18**	**–**	**18**	4	–	4
Currency translation adjustments	**124**	**(116)**	**8**	(55)	47	(8)
Subtotal recognised in Other Comprehensive Income:	**(158)**	**3**	**(155)**	(261)	205	(56)
Benefits paid	**68**	**(68)**	**–**	45	(45)	–
Contributions by employees	**–**	**–**	**–**	(1)	1	–
Contributions by employer	**–**	**57**	**57**	–	96	96
At 31 December	**(2 262)**	**2 004**	**(258)**	(2 095)	1 927	(168)

24 PENSIONS AND POST-RETIREMENT BENEFITS CONTINUED

Also recognised in the consolidated income statement was a $73m charge (2013: $60m) in relation to defined contribution schemes within continuing operations and $nil (2013: $1m) within discontinued operations.

As at 31 December 2014, $2 187m of the DBO relates to the funded BGPS (2013: $2 021m) and $75m relates to the unfunded BGSBS (2013: $74m).

The weighted average duration of the DBO as at 31 December 2014 is 22 years. As at 31 December 2014, $1 554m of the DBO relates to deferred pensioners and $708m relates to pensions in payment.

The valuations as at 31 December were based on the following significant assumptions[a]:

	2014 %	2013 %
Rate of price inflation and benefit increases[b]	**3.1**	3.4
Discount rate	**3.7**	4.5

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

The assumptions set out in the table above are those applicable to Pounds Sterling, being the currency in which the plans are denominated.

If the discount rate used for the valuation of the BGPS and BGSBS was reduced by 0.1% to 3.6%, the DBO would increase by $49m. A 0.1% increase in the inflation rate would have a similar impact on the DBO.

In determining the DBO as at 31 December 2014, mortality assumptions are based on the 'Self Administered Pension Schemes' (SAPS) S2 series (light) tables with a 98% multiplier for males and a 91% multiplier for females 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 (2013 version), with a long-term rate of improvement of the projected mortality rates of 1.5% per annum. Based on these assumptions, the life expectancies of pensioners on the measurement date and also of pensioners in 10 years time are as follows:

as at 31 December	Life expectancy of pensioners (years)			
	2014		2013	
	2014	2024	2013	2023
Male age 60	**28.8**	**30.0**	28.3	29.0
Male age 65	**23.9**	**24.9**	23.6	24.2
Female age 60	**30.6**	**31.8**	29.4	30.2
Female age 65	**25.6**	**26.8**	24.6	25.4

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 $61m.

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

	2014		2013	
	Percentage of plan assets %	Value $m	Percentage of plan assets %	Value $m
Equities[a]	**38**	**753**	38	733
Absolute return strategies	**15**	**305**	16	305
Index-linked gilts	**30**	**590**	29	551
Corporate bonds	**10**	**204**	10	196
Property funds	**7**	**146**	7	131
Money market funds and cash	**–**	**6**	–	11
Fair value of plan assets		**2 004**		1 927

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

25 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 2014	Country of incorporation	Location of operation	Activity
BG International (AUS) Limited Partnership	Australia	Australia	Exploration and production
QCLNG Common Facilities Company Pty Limited	Australia	Australia	LNG manufacture
QCLNG Pipeline Pty Limited	Australia	Australia	Gas infrastructure
QCLNG Train 2 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 Energy Capital plc	England and Wales	UK	Financing company
BG Energy Trading Limited[a]	England and Wales	UK	Oil marketing
BG Gas Marketing Limited	England and Wales	UK[b]	LNG marketing
BG Global Energy Limited[c]	England and Wales	UK[b]	Exploration and production/LNG marketing
BG Hasdrubal Limited	England and Wales	Tunisia	Exploration and production
BG International Limited	England and Wales	UK[b]	Holding company/Exploration and production
BG International (CNS) 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	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	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 Singapore Gas Marketing Pte. Limited	Singapore	Singapore	LNG marketing
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.
(c) BG International (NSW) Limited was renamed to BG Global Energy Limited on 8 October 2014.

All the above are wholly owned.

25 PRINCIPAL SUBSIDIARY UNDERTAKINGS, JOINT VENTURES AND ASSOCIATES CONTINUED
JOINT VENTURES AND ASSOCIATES

as at 31 December 2014	Country of incorporation and location of operation	Activity	Group holding %
Joint ventures[a]			
Atlantic LNG 2/3 Company of Trinidad and Tobago Unlimited	Trinidad and Tobago	LNG manufacture	32.5
Dragon LNG Group Limited	England and Wales	LNG regasification	50.0
Mahanagar Gas Limited	India	Gas distribution	49.8
Associates			
Guará B.V.	Netherlands[a]	Leasing	30.0
Tupi B.V.	Netherlands[a]	Leasing	25.0
Atlantic LNG Company of Trinidad and Tobago	Trinidad and Tobago	LNG manufacture	26.0
Atlantic LNG 4 Company of Trinidad and Tobago Unlimited	Trinidad and Tobago	LNG manufacture	28.9

(a) Guará B.V. and Tupi B.V. are incorporated in the Netherlands and operate in Brazil.

MATERIAL JOINT OPERATIONS
The following joint operations are considered individually material.

as at 31 December 2014	Principal place of business	Activity
West Delta Deep Marine[a]	Egypt	Exploration and production
Karachaganak[b]	Kazakhstan	Exploration and production

(a) West Delta Deep Marine concession is operated by Burullus Gas Company S.A.E. in which the Group has a 25% interest.
(b) Karachaganak concession is operated by Karachaganak Petroleum Operating B.V. in which the Group has a 29.25% interest.

26 POST BALANCE SHEET EVENTS
Details of post balance sheet events are given on page 5.

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 2014 which comprise the Balance sheet, the Principal accounting policies and the related notes 1 to 14. 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 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 2014 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 2014;
- 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 MATTERS 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 2014.

Allister Wilson (Senior Statutory Auditor)
for and on behalf Ernst & Young LLP, Statutory Auditor
London
16 April 2015

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	2014 £m	2013 £m
Fixed assets			
Tangible assets	2	**–**	1
Investments	3	**29 221**	26 427
		29 221	26 428
Current assets			
Debtors: amounts falling due within one year	4	**39 896**	18 022
Debtors: amounts falling due after more than one year	4	**5 285**	6 660
		45 181	24 682
Investments	5	**22**	13
Cash at bank and in hand		**–**	4
		45 203	24 699
Creditors: amounts falling due within one year			
Borrowings	6	**(750)**	(250)
Other creditors	7	**(53 399)**	(20 837)
		(54 149)	(21 087)
Net current (liabilities)/assets		**(8 946)**	3 612
Total assets less current liabilities		**20 275**	30 040
Creditors: amounts falling due after more than one year			
Borrowings	6	**(690)**	(1 353)
Other creditors	7	**(14 091)**	(20 093)
		(14 781)	(21 446)
Net assets		**5 494**	8 594
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	**2 280**	5 380
BG Energy Holdings shareholder's funds	10	**5 494**	8 594

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 16 April 2015 by:

Simon Lowth
Director

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 2014 were £39 910 (2013: £41 200).

2 TANGIBLE FIXED ASSETS

	Motor vehicles and office equipment	
	2014 £m	2013 £m
Cost as at 1 January	1	1
Disposals, transfers and other adjustments	(1)	–
Cost as at 31 December	–	1
Accumulated depreciation as at 1 January and 31 December	–	–
Net book value as at 31 December	–	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 2014	51	183	1	–	26 192	26 427
Investments	–	–	–	–	11 973	11 973
Disposals, transfers and other loan movements	158	(183)	–	–	(5 444)	(5 469)
Impairments	–	–	–	–	(3 710)	(3 710)
Carrying value as at 31 December 2014	**209**	–	**1**	–	**29 011**	**29 221**

During 2014 the Company wrote down its investment in its Australian operations resulting in an impairment of £3.7 billion, which was recognised in the transfer from profit and loss account. The impairment was driven by the significant fall in global commodity prices and the proposed sale of the Company's wholly-owned subsidiary QCLNG Pipeline Pty Limited. The Company used the net realisable value method to calculate the recoverable amount of the cash-generating unit (CGU). The recoverable amount of the CGU is equivalent to £12.2 billion.

4 DEBTORS

	2014 £m	2013 £m
Amounts falling due within one year		
Amounts owed by parent undertaking	**1**	1
Amounts owed by group undertakings	**39 482**	17 833
Amounts owed by group undertakings in respect of taxation	**170**	71
Other debtors	**243**	117
	39 896	18 022
Amounts falling due after more than one year		
Amounts owed by group undertakings	**4 059**	6 513
Other debtors	**1 226**	146
Deferred corporation tax	–	1
	5 285	6 660
Total debtors	**45 181**	24 682

5 CURRENT ASSET INVESTMENTS

	2014 £m	2013 £m
Money market and similar current asset investments	**22**	13

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.

	2014 £m	2013 £m
Amounts falling due within one year		
Bank loans and overdrafts	**(750)**	(250)
Amounts falling due after more than one year		
Bank loans	**(690)**	(1 353)

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

	2014 £m	2013 £m
Within one year	**750**	**250**
Between one and two years	**162**	**750**
Between two and three years	**321**	**452**
Between three and four years	**160**	**–**
Between four and five years	**–**	**151**
After five years	**47**	**–**
	1 440	**1 603**

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

	2014 £m	2013 £m
Expiring:		
Within one year	**1 348**	**–**
Between one and two years	**1 398**	**–**
Between two and three years	**1 950**	**1 316**
Between three and four years	**–**	**1 835**
	4 696	**3 151**

7 OTHER CREDITORS

	2014 £m	2013 £m
Amounts falling due within one year		
Amounts owed to parent undertaking	**1 134**	**1 728**
Amounts owed to group undertakings	**52 181**	**19 041**
Accruals and deferred income	**10**	**22**
Current tax payable	**5**	**10**
Other creditors	**69**	**36**
	53 399	**20 837**
Amounts falling due after more than one year		
Amounts owed to parent undertaking	**–**	**–**
Amounts owed to group undertakings	**12 545**	**20 093**
Other creditors	**1 546**	**–**
	14 091	**20 093**
Total other creditors	**67 490**	**40 930**

8 FINANCIAL INSTRUMENTS

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

	2014 Book Value £m	2013 Book Value £m	2014 Fair Value £m	2013 Fair Value £m
Interest rate related derivatives	–	–	26	44
Currency rate related instruments	(267)	116	–	294
Total	**(267)**	116	**26**	338

Further information on financial instruments is contained on pages 38 to 44 of this report.

9 SHARE CAPITAL

	2014 Number of shares m	2013 Number of shares m	2014 £m	2013 £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 2013	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**
Transfer from profit and loss account[a]	–	–	(3 100)	(3 100)
Dividends	–	–	–	–
As at 31 December 2014	**2 898**	**316**	**2 280**	**5 494**

(a) Includes impairments of continuing operations though wider unrealised gains exist across the wider BG Energy Holdings Group to enable the continuation of dividend distributions to its parent entity.

The loss for the financial year, dealt with in the accounts of the Company was £(3 100)m (2012: £3 374m profit). 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 2014 (2013: £nil).

11 COMMITMENTS AND CONTINGENCIES

A) CAPITAL EXPENDITURE

As at 31 December 2014, the Company had not placed any contracts for capital expenditure (2013: £nil).

B) LEASE COMMITMENTS

As at 31 December 2014, the Company had no commitments under operating leases (2013: £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 2014 (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 338m (2013: £1 633m).

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 48 to 50 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 2014 and 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 2014 were £nil (2013: £nil).

14 POST BALANCE SHEET EVENTS

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

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
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Reading, Berkshire RG6 1PT
United Kingdom

www.bg-group.com

Registered in England & Wales No. 3763515

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