BG GROUP

FOCUSED ON DELIVERY

ANNUAL REPORT AND ACCOUNTS 2013

OUR VISION

BG GROUP'S VISION IS TO BE AN INTERNATIONALLY DIVERSIFIED EXPLORATION AND PRODUCTION COMPANY WITH A SPECIALISM IN GAS AND LNG.

Legal notice
Certain statements included in this Annual Report and Accounts contain forward-looking information concerning BG Group's strategy, operations, financial performance or condition, outlook, growth opportunities or circumstances in the countries, sectors or markets in which the Group operates. By their nature, forward-looking statements involve risk and uncertainty because they depend on future circumstances, and relate to events, not all of which are within the Company's control or can be predicted by the Company. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct. Actual results could differ materially from those set out in the forward-looking statements. For a description of factors that may affect BG Group's business, financial performance or results of operations, we urge you to look at the **Principal risks and uncertainties** included in this Annual Report and Accounts, see pages 38 to 43. No part of these results or this report constitutes, or shall be taken to constitute, an invitation or inducement to invest in BG Group plc or any other entity, and must not be relied upon in any way in connection with any investment decision. The Company undertakes no obligation to update any forward-looking statements.

References in this report to other reports or materials, such as a website address, have been provided to direct the reader to other sources of BG Group information which may be of interest. Neither the content of BG Group's website nor any website accessible by hyperlinks from BG Group's website nor any additional materials contained or accessible thereon, are incorporated in, or form part of, this report.

BG Group is subject to the regulatory requirements of the Financial Conduct Authority of the United Kingdom.

Explanatory note for US investors relating to gas and oil reserves and resources
BG Group has decided, from the year ended 31 December 2013 onwards, to adopt the reserves definitions and guidelines consistent with the internationally recognised Petroleum Resources Management System published by the Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council and the Society of Petroleum Evaluation Engineers, known as the SPE PRMS, in accordance with recommendations issued by the European Securities and Markets Authority (ESMA) and to achieve greater consistency across its reporting of reserves and resources.

BG Group has used gas and crude oil price forecasts that are based on its reference conditions to determine reserves estimates for the year ended 31 December 2013. This report also contains additional information about other BG Group gas and oil reserves and resources that would not be permitted in SEC filings.

Reserves (proved and probable) are measured in accordance with SPE PRMS definitions and guidelines and, in this transition year, are voluntarily shown together with the estimates under the SEC definitions, which formed the basis for measurement previously used by the Group.

For further details of BG Group's proved reserves as at 31 December 2013, and related supplemental gas and oil information, and for an explanation of terms used in connection with such additional reserves and resources information, see **Supplementary information – gas and oil**, on page 134.

Inside cover image
Hibiscus production platform, Trinidad and Tobago
BG Group is a key gas producer in Trinidad and Tobago, operating since 1989. The Hibiscus platform is located 40 kilometres off the north coast of Trinidad.

Cover image
Methane Kari Elin LNG vessel
The Methane Kari Elin is one of BG Group's core fleet of LNG vessels. BG Group has one of the largest shipping fleets of any international oil and gas company.

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Detailed corporate reports, including the Annual Report and Accounts, BG Group Data Book and the Sustainability Report, can be found online at www.bg-group.com/reports

CHAIRMAN'S STATEMENT

"Despite progress on project milestones, developments in 2013, particularly in Egypt and the USA, reduced BG Group's growth outlook for 2014 and 2015. The Board recognises that this is a frustrating setback for our shareholders."

ANDREW GOULD
CHAIRMAN

BG Group finished 2013 having delivered its project milestones. Progress was made in Australia with the delivery of first gas onto Curtis Island before year end and, in Brazil, two new floating production units came onstream. Despite this progress, developments in 2013, particularly in Egypt and the USA, reduced BG Group's growth outlook for 2014 and 2015. The Board recognises that this is a frustrating setback for our shareholders.

The continuing deterioration in the operating and business environment in Egypt led the Group to issue Force Majeure notices in January 2014, and to record a non-cash, post-tax impairment of $1.3 billion that also reflected a reserves revision. In the USA, the Group recorded a non-cash, post-tax impairment of $1.1 billion as a result of lower forward US gas prices and lower production expectations based on the well performance of the Group's US shale assets.

Although business performance earnings per share (EPS) was broadly flat year on year at 128.6 cents, total results EPS was down 33% at 64.8 cents, reflecting the fourth quarter impairments for Egypt and the USA.

Delivery against plan

In their feedback to me, following our 27 January 2014 announcement, investors were clear they want to see delivery against the Group's 2014 and 2015 targets and delivery of the longer-term value that has been articulated. Investors wish to know whether the reward for waiting for delivery outweighs the risk of further disappointment. It is clear that the Group must regain investor confidence.

In his statement, Chris outlines his priorities for 2014 and the actions being taken to simplify the organisation and to create a culture of clear personal accountability. Progress is being made but more work is needed to embed cultural change across BG Group.

In 2014, BG Group's priority is to deliver its project milestones, which have been agreed with the Board. These milestones include commissioning Queensland Curtis LNG (QCLNG) and bringing more floating production, storage and offloading (FPSO) vessels onstream in Brazil. The Group will also improve the cost efficiency of its base assets and of the organisation more generally.

Longer-term strategy

BG Group aims to be an internationally diversified exploration and production company, with specialisations in gas and LNG. It is committed to delivering industry-leading growth and shareholder value, safely and responsibly.

To achieve that, the Group needs to continue to do what it has always done well – to create value in exploration, both in gas and oil, and in LNG.

I also recognise that shareholders expect BG Group to execute successfully its active portfolio management strategy. The Group must keep its portfolio under constant review and pursue opportunities rigorously to divest assets for value.

In addition to the new supply from Sabine Pass in the USA, BG Group is making progress with new LNG growth options at Lake Charles on the US Gulf Coast, in Tanzania and in western Canada. While the Group continues to advance each of these three LNG projects, the Group may not take them all to sanction and will not participate in all of them at current equity levels.

Balance sheet

Net debt and gearing were broadly flat year on year at $10.6 billion and 24.8% respectively. BG Group expects its balance sheet to improve over the next few years as its growth projects come onstream, although the pace of this improvement will depend on prevailing oil and gas prices.

2014 planned capital expenditure on a cash basis is expected to be lower than in 2013, with around 70% committed to Australia and Brazil. Total capital expenditure is expected to fall to $8-$10 billion in 2015 and 2016.

The Group therefore anticipates that it has passed its peak year for capital expenditure, and expects to be free cash flow positive* in 2015.

* Free cash flow is defined in the **Glossary**, page 147. Guidance is provided at the Group's Reference Conditions as shown on page 147.

+10%

Increase in full-year dividend (cents per share)

FULL-YEAR DIVIDEND PER SHARE

28.75 cents

2012 26.14 cents

18.02 pence

2012 16.67 pence

Dividends
Taking account of the outlook for earnings and cash flow, and the balance sheet position, the Board has recommended a final dividend of 15.68 cents (9.51 pence) per share. This takes the full-year dividend for 2013 to 28.75 cents (18.02 pence) per share, an increase of 10% on last year. Further details are set out in the **Financial review** on pages 32 to 37.

The Board
There were a number of changes to the Board during 2013 and I would refer you to the **Corporate governance report** on page 52 for further details on these.

In December, Simon Lowth was appointed as Chief Financial Officer (CFO) and joined the Board as an Executive Director. Simon was the CFO of AstraZeneca PLC and an executive director on its Board. Simon brings with him a combination of finance, capital allocation, value-based planning and portfolio management skills which will be critical as the Group executes its strategy to deliver long-term value to shareholders.

Conclusion
BG Group's long-term strategy remains intact. However, the Group must ensure the consistent and effective delivery of its plans, year on year, in order that the growth potential that I continue to see in this business is realised.

ANDREW GOULD
CHAIRMAN

EARNINGS PER SHARE

TOTAL RESULTS – CONTINUING OPERATIONS

64.8 cents

2012 97.0 cents

BUSINESS PERFORMANCE**

128.6 cents

2012 128.9 cents

** Business performance excludes discontinued operations, disposals, certain re-measurements and impairments and certain other exceptional items as exclusion of these items provides readers with a clear and consistent presentation of the underlying operating performance of BG Group's ongoing business. Unless otherwise stated, financial information for the Group and its business segments presented in the Strategic Report is based on BG Group's business performance. Total operating profit includes BG Group's share of pre-tax results from joint ventures and associates. See **Presentation of non-GAAP measures**, page 146. See also **Segmental analysis and results presentation**, note 1, page 98, and **Earnings per ordinary share**, note 9, page 110, for a reconciliation of the differences between business performance and total results.

GLOBAL BUSINESS ENVIRONMENT

BG Group continues to see strong demand for LNG, which is projected to grow twice as fast as gas demand. The Group believes that this increase in demand will require substantial new LNG supply sources.

Global economy
Growth of the global economy in 2013 was lower than in 2012. Domestic demand and external trade in the major economies have picked up, as have manufacturing and construction activity. The OECD economies have rebounded better than expected, helping to offset lower growth in emerging economies, such as India and Brazil. While China has slowed slightly, it is still maintaining a high level of growth at 7.7%. Continued slow growth in the emerging economies could impact global energy demand growth in 2014 and beyond.

The economic story last year was dominated by the USA and China. The US shale revolution has been unfolding for some years, but its true impacts are now starting to be felt more clearly. As US oil and gas production has increased rapidly, energy imports have fallen sharply, allowing the trade deficit to improve. US manufacturing costs have also benefited, improving competitiveness.

China's rapid growth has already seen it move into second place (behind the USA) in terms of GDP and, although rates may slow, China should continue to grow at a healthy, and ultimately more sustainable, pace. The current leadership in China has signalled a new, broader-based model for economic development that will be consumption (as opposed to investment) led. China's success in accomplishing this shift to a more sustainable growth model may have profound consequences for the global economy and energy demand.

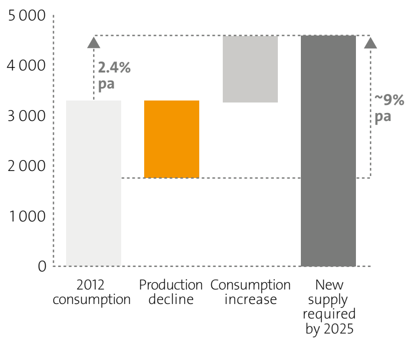
Gas prices
Gas prices generally exhibited more movement in 2013 than they did in 2012, primarily owing to weather related issues. Henry Hub started the year at $3.35/mmbtu, but peaked above $4.15/mmbtu (monthly basis) before returning to around $3.75/mmbtu by the end of the year. The average price for 2013 ($3.72/mmbtu) rose versus 2012 ($2.75/mmbtu) as a response, in part, to colder than normal weather in key markets. However, production growth in 2013 held back further price rises. BG Group expects that production increases will continue to offset demand growth for some time, keeping prices near current levels, in line with forward market expectations. NBP (National Balancing Point) prices moved from approximately $10.50/mmbtu in January to $11.50/mmbtu in December of 2013. Asian LNG spot prices were particularly volatile, moving from a mid-year low of $14.35/mmbtu to winter peaks above $19.00/mmbtu.

Gas demand
In light of both the improving global economic picture and the unlocking of new energy resources, global energy demand looks set to grow over the medium and longer term.

BG Group expects that global gas demand will grow at a compound rate of 2.4% per annum to 2025. Among the OECD economies, the USA should see strong gas demand growth, driven by economic recovery and the increased availability of domestic supplies. BG Group expects that Japan should also see continued robust gas demand in view of a reduced nuclear energy outlook. Europe, however, has seen gas demand fall, as the continent turns increasingly to renewables and coal.

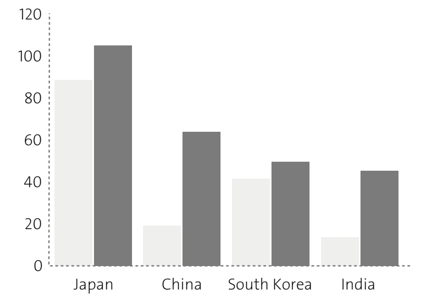
The growth in the emerging economies will be driven primarily by increased urbanisation and projected income gains. Urban centres across Asia are expected to increase in population by up to 5 million people per month, creating new demand for heating, cooling, electricity and transportation.

Global gas supply challenge (2012-25)
(bcma)



Source: BG Group interpretation of Wood Mackenzie.

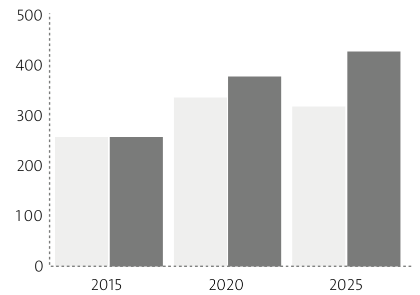
Top four LNG importers by 2025
(mtpa)



● 2013 estimate
● 2025 forecast

Source: 2013 data – IHS Waterborne (Jan 2014); 2025 forecast – BG Group outlook (2013).

LNG supply and demand outlook to 2025
(mtpa)



● LNG supply (existing and under construction)
● LNG demand

Source: BG Group outlook (2013).

Methane Shirley Elisabeth LNG vessel, Lake Charles LNG terminal, USA
In August 2013, Lake Charles received authorisation for the export of up to 15 mtpa of LNG to non-FTA countries.

BG Group expects that this demand will be met increasingly with gas, as governments seek ways to address the social imperatives of satisfying energy demand while controlling carbon emissions and demands for cleaner air.

Given this expected growth in gas use globally, BG Group continues to believe that gas will increase its market share, and that LNG will play an increasingly important role within this energy demand mix.

Gas supply
Meeting this anticipated increase in demand will present a supply challenge. In addition to the forecasted 2.4% compound annual growth rate (CAGR) in demand, the industry will also have to replace declines in existing fields. As a result, BG Group believes that, by 2025, the industry will need to develop new gas production broadly equivalent to the entire gas market today. This development will be technically and commercially challenging, requiring increased volumes of unconventional gas globally and a projected investment of some $2.5 trillion over this period.

The large and rapid development of shale gas production in the USA will reduce this supply gap significantly. Today, at current production rates, BG Group believes that the USA should have sufficient gas to meet domestic demand for more than a century, and will soon become an LNG exporter.

LNG demand
BG Group continues to predict strong demand for LNG which is projected to grow twice as fast as overall gas demand, at a 5% CAGR, to 2025. The growing urban middle class in Asia, particularly in China, is increasingly demanding cleaner air, which will require a relatively clean and flexible energy source, like gas, to replace traditional coal consumption.

The 23 mtpa of new LNG regas capacity scheduled for completion in China in the next three years, and a further 12 terminals currently in planning, are testament to this growing demand.

BG Group has total committed volumes to China of 8.6 mtpa, which will make the Group the largest supplier of LNG to the country.

Other markets are also emerging, with the number of importing countries having grown by three over the past year to a total of 27. New LNG markets in the Middle East, Latin America and Southeast Asia should continue to develop in coming years, helping to grow LNG demand at a sustainable pace.

LNG supply
BG Group believes that these increases in LNG demand will require substantial new LNG supply sources, including expected new volumes from North America and east Africa, between 2014 and 2025. As with gas development, developing this new supply is expected to require material levels of investment – some $400 billion.

BG Group has moved rapidly to take advantage of this shift by securing LNG offtake export volumes from the Sabine Pass liquefaction project. The Group is also working with Energy Transfer, owner of the Lake Charles import terminal in Louisiana, to adapt the import facility to liquefy natural gas for export, subject to Federal Energy Regulatory Commission (FERC) approval.

The total volume of US LNG export will be shaped initially by the US licensing process and timing of FERC approvals and subsequently by a number of factors, including additional Department of Energy reviews, local opposition, developer capability, access to financing and the desire of buyers to diversify supply sources. Of these factors, the Group believes local opposition, developer capability and buyer supply diversification will ultimately drive how much US export capacity will get built. BG Group estimates about 45 mtpa by 2020 and around 60 mtpa by 2025.

The cost of turning gas into LNG in the USA, taken together with the shipping costs to Asia, lead the Group to believe that US gas and Asian LNG prices should remain differentiated for the foreseeable future.

Oil prices
Brazil represents a key growth area for BG Group. Significant production growth in oil is expected from the Santos Basin fields in which the Group has interests.

In contrast to 2012, oil prices exhibited less volatility during the year, fluctuating some 10-15%, compared with 20-25% in the previous year. This was despite continued tensions in the Middle East and unplanned outages in OPEC countries. The primary reason for the limited price movement appears to have been the fact that non-OPEC production growth, led by growth in US tight oil production, essentially matched OPEC outages, providing markets with a degree of stability. Prices ended the year at $106/bbl (Brent), almost exactly where they started at $108/bbl.

Oil supply
Looking ahead to the end of the decade, BG Group expects that supply growth in oil will depend critically on additions from non-OPEC sources, particularly Brazil, Canada, Kazakhstan and the USA. The recent momentum in US tight oil production is still in its early phases, and its long-term sustainability remains an open question. Growth from traditional producing countries is also likely to be an important factor in coming years, with Iraq, Iran, Libya, and possibly Mexico and Venezuela, re-entering the global market in material ways. In the past, geopolitical and other factors have tended to constrain supply growth. It is expected that this will continue to be a feature of oil markets going forward.

Oil demand
On the demand side, BG Group believes that structural trends in China and other emerging economies will mean that oil demand will continue to rise at a steady pace over the next decade, supporting oil prices. Economies in key emerging markets are entering a phase of development where consumers' income growth is driving rapid vehicle adoption, spurring oil demand growth. BG Group also anticipates a resurgence of demand in the USA which remains the world's largest oil market. Continued economic growth in the USA and other OECD economies could also contribute to future growth in oil demand.

WHERE WE WORK

BG Group has interests in more than 20 countries on five continents. The Group has two business segments: Upstream and LNG Shipping & Marketing.

- Upstream – Exploration and Production
- Upstream – Liquefaction
- LNG Shipping & Marketing

UK

BG Group brought two new projects onstream during 2013. The Everest East expansion project came onstream in March and the Jasmine field started production in November.

Brazil

The second and third FPSOs in the Santos Basin were brought onstream during 2013, taking total gross production to more than 160 kboed at the end of the year. All 15 FPSOs in the first phase programme have now been contracted.

* BG Group signed an agreement to acquire an interest in an offshore block in Colombia in January 2014. The agreement is subject to government approval.

** For a reconciliation between business performance and total results, see note 1, page 98.

For further details, see **Operating review**, pages 24 to 29.

OUR BUSINESS SEGMENTS

UPSTREAM
We explore for, develop, produce and market gas and oil around the world. The Upstream business segment covers exploration and production activities plus liquefaction operations associated with integrated LNG projects.

TOTAL OPERATING PROFIT
Business performance**

$4 967m -9%
2012 $5 467m

LNG SHIPPING & MARKETING
We purchase, ship, market and sell LNG. The LNG Shipping & Marketing segment covers these activities, as well as the Group's interests and capacity in regasification facilities.

TOTAL OPERATING PROFIT
Business performance**

$2 643m +3%
2012 $2 577m

Australia
The QCLNG project has moved into the commissioning phase as the project reached a critical milestone in December, with first gas onto Curtis Island. With more than 1 900 wells now drilled, QCLNG is on track for first LNG in the fourth quarter of 2014.

Tanzania
In 2013, six wells were drilled and three drill stem tests were performed. The estimate of total gross resources has increased in year from nearly 10 tcf to around 15 tcf, sufficient to support a two-train LNG project. A proposed site for the LNG project has been submitted to the government.

CHIEF EXECUTIVE'S STATEMENT

OPERATING PROFIT

TOTAL RESULTS

$4 163m

2012 $6 636m

BUSINESS PERFORMANCE*

$7 616m

2012 $8 050m

OUR STRATEGY

"In May 2013, I outlined BG Group's new strategy. I addressed the longer-term outlook, detailing how we will build on our competitive strengths and strong pipeline of new growth opportunities as a focused E&P and LNG company. There are six pillars to our strategy." CHRIS FINLAYSON

- World-class exploration & unique LNG business
- Actively manage our portfolio to reinvest in growth
- Prioritise value over production
- Focused portfolio of 10-15 high quality assets
- Focus on areas where we have competitive advantage
- Lean & agile organisation

FURTHER DETAIL?

Our strategy presentation and accompanying transcript are available at **www.bg-group.com/strategy**

* For a reconciliation between business performance and total results, see note 1, page 98.

EXECUTING OUR STRATEGY

BG Group must be a company that delivers on its commitments each and every year. In my statement to you last year, I acknowledged that 2013 would be a critical year in which we needed to rebuild investor trust through the delivery of clear operational milestones that would underpin confidence in our longer-term strategic objectives.

Safety

Safety has always been my highest priority, and it will continue to be so. We have improved in this area and outperformed our Group total recordable case frequency (TRCF) target for 2013. The major success here is QGC, where the safety improvement has been achieved during a period of intense construction activity. On the asset integrity side, we had no material, uncontrolled hydrocarbon releases during the year. It is with great regret, however, that I must report that in December, Emmanuel Juma, a contract maintenance supervisor in BG Tanzania's facility in Mtwara, died in hospital following a road traffic accident.

2013 performance

In 2013, we delivered all 10 of our project milestones – eight on time or early, and two slightly late. These included base asset projects being brought onstream in Bolivia, Thailand and the UK and planned maintenance shutdowns in Kazakhstan and the UK.

We also made progress during the year in advancing our major growth projects in Australia and Brazil. Our QCLNG project remains on track for first LNG in the fourth quarter of 2014, having delivered first gas onto Curtis Island in December. In Brazil, the production performance from the Santos Basin wells continued to exceed expectations, and two new FPSOs were brought onstream.

Total E&P production declined by some 4% relative to 2012 to 633 kboed, which was at the lower end of our guidance. Production from our base assets declined 6% to 569 kboed. These reduced volumes were driven principally by reductions in the USA and Egypt which were offset partially by production coming onstream from new developments. These included Everest East and Jasmine in the UK, Bongkot in Thailand, and the new phases at Margarita and Itaú in Bolivia. In Brazil, production also increased, driven by FPSO 2 and FPSO 3, notwithstanding the delays to additional well hook-ups resulting from poor weather.

Total operating profit in the LNG Shipping & Marketing business increased 3% to around $2.6 billion despite eight fewer cargoes from Egypt and five fewer from Nigeria, following supply disruptions.

In Tanzania, we increased total gross recoverable resources by 50% from last year to around 15 tcf. Our organic reserves replacement ratio on a SEC measurement was 115% on a one-year basis and 179% on a three-year basis. In managing our portfolio, we set a goal to release $5 billion of capital from disposals in 2012 and 2013 and have delivered more than $8.5 billion.

As the Chairman has mentioned, we face significant challenges in Egypt and in the USA, as we highlighted during the year and again in January 2014. This, combined with a deteriorating operational performance in some of our base assets, led us to reduce our production outlook for 2014 and 2015 relative to our earlier plans. As a result of lower production volumes, strategic choices that we have made to invest in growth assets and enhanced maintenance in some of our base assets, we have also forecast higher E&P unit costs for 2014.

We must now focus our efforts towards delivering our plans for the future consistently and effectively.

Things we need to do differently

When I set out our longer-term strategy in May, I mentioned that we needed to do some things differently. Since then, the organisation has been simplified and consistent processes have been established across the Group. During 2013, a rigorous challenge and assurance process was initiated to validate the assumptions for the outer years of the Group's business plan, and I firmly believe that we have a robust set of numbers, not only for 2014, but also for 2015.

We recognise, however, that focus is still needed to achieve greater organisational efficiency. We need to ensure a culture of delivery and accountability, improve the cost and capital efficiency of our base assets, and ensure a rigorous pre-sanction challenge and review for all projects.

2014 priorities

Our key deliverables this year will be to:

1. commission QCLNG. We remain on track to deliver first LNG in the fourth quarter of this year;
2. grow Brazil volumes, which will mean more high-margin oil in our portfolio mix;
3. deliver our other key project milestones, details of which are set out on page 24;
4. continue our exploration programme and advance our new LNG supply options; and
5. continue to develop and execute portfolio management in line with our strategy.

In 2014, BG Group's production volumes are expected to be 590-630 kboed. Brazil and Australia are expected to deliver strong year-on-year growth, but this will be offset by declines in base assets, particularly Egypt, ahead of Phase 9a coming onstream in the third quarter. In 2015, we expect strong growth, with production set to increase to 710-750 kboed.

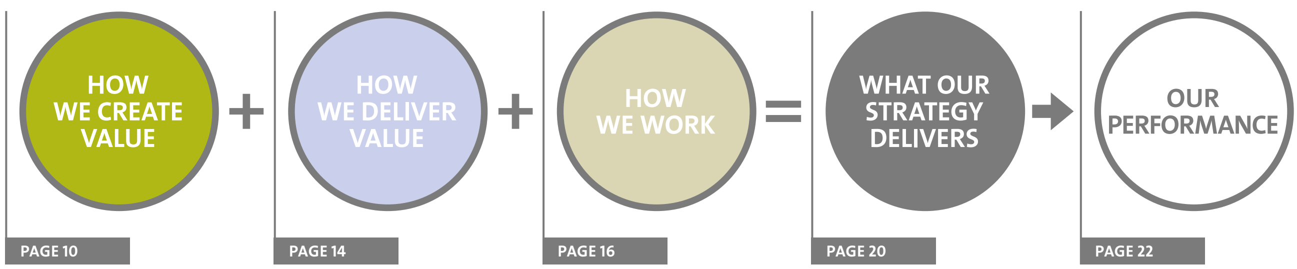
Conclusion

While the challenges in Egypt, the USA and certain of our base assets have caused us to reduce our expectations for 2014 and 2015, we continue to focus on delivering longer-term value. The fundamentals of the strategy that I announced in May remain intact and I believe that we have the people, and the skillset, to deliver that strategy over the coming years. In particular, the successful delivery of QCLNG and Brazil volumes will strengthen significantly our growth profile, profitability and cash flow in the medium term. When combined with our plans to reduce capital expenditure, we remain on track to be free cash flow positive** in 2015.

CHRIS FINLAYSON
CHIEF EXECUTIVE

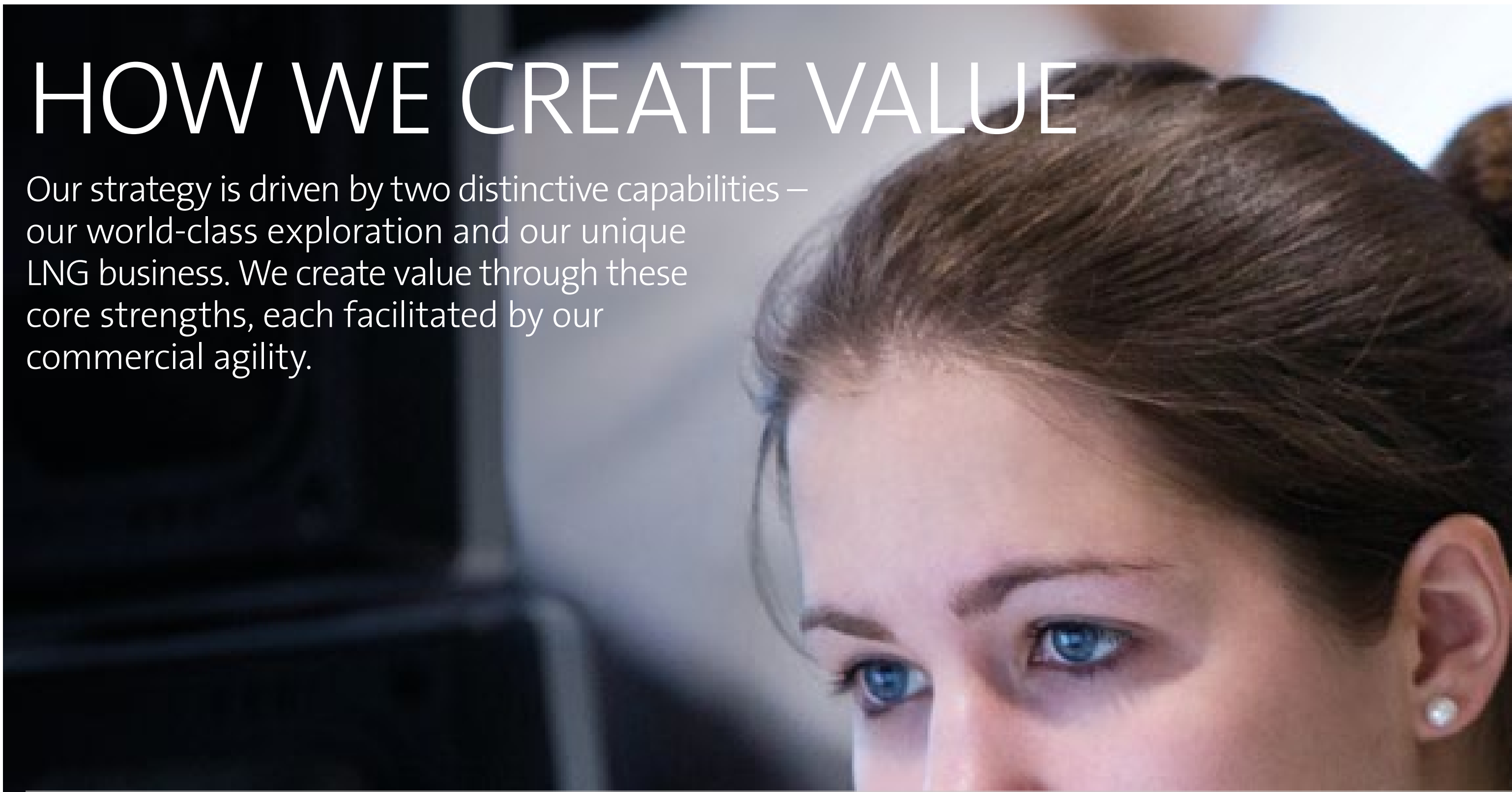
COMMUNICATING OUR STRATEGY

Our strategy is explained in the following sections:



** Free cash flow is defined in the **Glossary**, page 147. Guidance is provided at the Group's Reference Conditions as shown on page 147.

OUR STRATEGY



HOW WE CREATE VALUE

Our strategy is driven by two distinctive capabilities – our world-class exploration and our unique LNG business. We create value through these core strengths, each facilitated by our commercial agility.

WORLD-CLASS EXPLORATION

Exploration is at the heart of what we do. Our exploration strategy, which has been consistent over the last 15 years, is in two parts.

EXISTING AREAS

Where we are already actively operating and/or exploring, we look for new opportunities by capitalising on:

- our detailed knowledge of local geology;
- our infrastructure already in place; and
- our relationships with governments and others affected by or involved in our operations.

NEW BASINS

We seek large frontier acreage, where we can find giant oil and gas opportunities at a relatively low cost of entry.

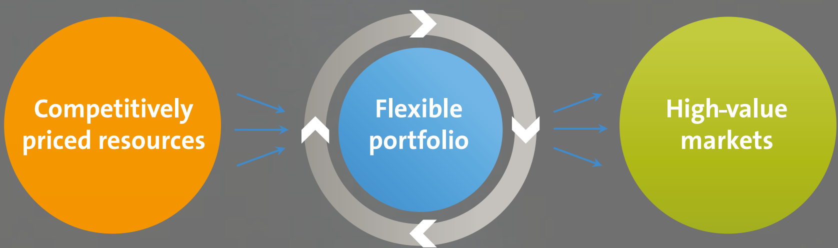
- We have wide geological and technical expertise.
- Our people and our culture are important parts of our competitive advantage.
- We also have simple, consistent and robust screening processes that enable us to make fast decisions, and then establish positions rapidly.

We have the capabilities of a major, but we can move at the pace of a small company.

Employee on BG Group's UK trading floor, at our headquarters in Reading.

UNIQUE LNG BUSINESS

We are well positioned to capitalise on the rapidly evolving and growing LNG market, through our competitive advantage in commercialising gas and our unique LNG model.



OUR LNG STRATEGY CREATES AND DELIVERS VALUE IN THREE WAYS

- We have a portfolio of competitively priced supply sources and an attractive set of new supply options.
- We have a unique, flexible portfolio that enables us to optimise these supply and market positions to maximise value and ensure reliable supply for our customers.
- Our market knowledge and extensive customer relationships enable us to build strong positions in high-value, growing LNG markets.

Our knowledge of gas markets and skills across the whole gas chain enable us to unlock resources quickly and connect them to markets.

OUR STRATEGY: HOW WE CREATE VALUE CONTINUED

WORLD-CLASS EXPLORATION

Proven industry-leading explorer
Since 1997, we have participated in 16 giant, or super-giant, hydrocarbon discoveries. Each of these fields has recoverable resources greater than 500 mmboe, or 3 tcf, of gas. In this period, we have added more than 10 billion boe of resources to our portfolio and have been successful in converting these resources into economic reserves. We have also achieved a strong reserves replacement ratio over this period. Wood Mackenzie ranks BG Group second only to Petrobras in terms of value creation (see charts below).

The most prominent discoveries are in the Santos Basin in Brazil, which has added significant high-margin oil resources. This will be BG Group's most important development programme for the foreseeable future.

Basis of long-term success
We have an entrepreneurial culture, where our team of more than 300 geoscientists constantly generates new ideas. Recruiting, retaining and developing good people is critical to our future success.

We have a consistent and robust screening process. In 2013, we evaluated more than 100 opportunities using basin framework analysis, play evaluation and statistical analysis. Those that progress through these initial screens are subject to a subsurface assurance process and a commercial screening. The end result for 2013 was that, of the 100 opportunities that we evaluated, nine were presented to senior management and approved.

Our wide geological skillset gives us confidence to enter and explore a range of new basins. We have had great success finding and developing carbonate fields. Carbonates make up more than half of our discovered resources, such as the Karachaganak field and the Santos Basin fields in Brazil. We also have experience in tertiary deltas, high pressure and high temperature prospects and knowledge and experience with unconventional resources.

An extensive portfolio of existing hubs
Within our current portfolio, we have identified material opportunities around existing hubs. These hubs are Australia, Bolivia, Brazil, Egypt, the North Sea, Thailand and Trinidad and Tobago. Within these hubs, we hold an extensive portfolio of more than 100 leads and prospects with a net risked resource potential of more than 2 billion barrels of oil equivalent.

Exploring and appraising new basins
While we have a global capability, we are disciplined about where we choose to invest. We consider political and licence to operate risk upon new country entry, we require a fiscal framework that provides an attractive, risk-adjusted return, and we seek opportunities to secure large acreage positions.

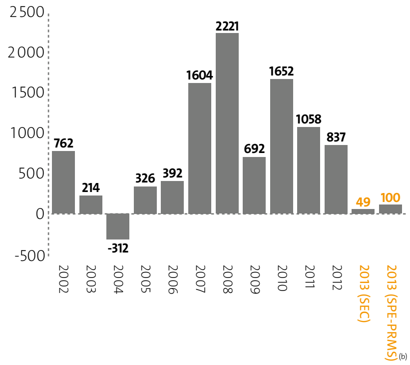
We are currently exploring and appraising seven new material basins. With the exception of Australia and Tanzania, these are primarily oil prospects:

- In Australia, we are drilling the Bowen coal seam gas and deep tight gas sands. We have also shot 3D seismic and are drilling on our acreage in the Cooper Basin;
- An extensive exploration and appraisal campaign of 14 wells, which started in 2010 offshore Tanzania, has had a 100% success rate with nine consecutive discoveries and five appraisal wells, three of which included drill stem tests showing high flow rates. Total gross recoverable resources across Blocks 1, 3 & 4, offshore southern Tanzania, are now estimated to be around 15 tcf, with further exploration upside;
- We entered Kenya in 2011, and initial drilling has commenced in 2014;
- We won a competitive bid round in Uruguay in 2012. We started 3D seismic acquisition six weeks after the blocks were awarded, and finished the first phase in May 2013. Drilling is expected from the end of 2015;
- In Honduras, we have signed a licence to explore frontier acreage. We expect to commence with a gravity survey ahead of seismic acquisition in 2015;
- In Brazil, we acquired 10 blocks in the Barreirinhas Basin; and
- In January 2014, we signed an agreement to acquire a 30% equity interest in Guajira Offshore 3 Block, offshore Colombia.

These new basins demonstrate our ability to identify geological opportunities, but also our commercial capability to secure access, quickly, and on good commercial terms. We expect to continue this approach with the target of entering one new basin each year.

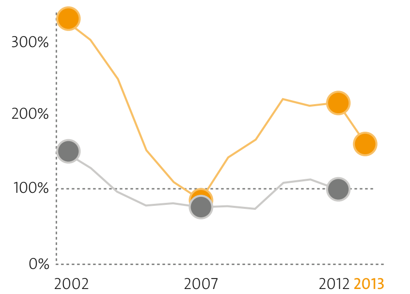
Exploration activity in 2014-2016
Between 2014 and 2016, we expect to drill 50-60 conventional exploration and appraisal wells and target 12-17 high-impact wells. In addition, we expect to drill 20-50 unconventional exploration wells, mostly in Australia.

BG Group organic reserve and resource additions[(a)] (mmboe)



(a) Source: BG Group.
(b) See page 134 for further details.

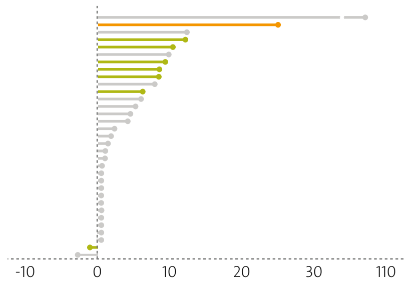
3-year total proved reserve replacement[(c)] (SEC data)



BG Group Combined companies
Note: 2013 data for combined companies unavailable

(c) Source: Evaluate Energy. Peer group includes Super Majors, and US and European Integrated Majors.

New field value creation 2003-12[(d)] ($bn)



BG Group Majors Peers

(d) Source: Wood Mackenzie "Exploration Company Benchmarking" – net value creation, excluding organic unconventionals and DROs (2003-12 excluding National Oil Companies, but including Petrobras and PETRONAS).

UNIQUE LNG BUSINESS

How our LNG portfolio was built

During the early 2000s, we acquired LNG ship capacity and regas rights at the Lake Charles import terminal in the USA that enabled us to build an independent LNG marketing business into the US market. It also provided a flexible gas market upon which to base our portfolio business model.

From 2002 to 2007, we started lifting long-term equity LNG from Trinidad and Tobago and Egypt, as well as third-party long-term LNG cargoes from Equatorial Guinea and Nigeria. From 2007, we shifted our deliveries away from the USA and began capturing higher value for our LNG portfolio by entering into mid-term sales contracts into the growing Asia LNG market.

Between 2008 and 2011, we continued building a sustainable and diversified global business, including the launch of our next wave of supply, sanctioning QCLNG in Australia, and signing the first US export supply contract from the Sabine Pass liquefaction project.

Supply and sales

Almost all of our current LNG supply has full destination flexibility, with various arrangements with suppliers to share the additional revenue from diversions.

This portfolio provides a diverse, cost-competitive supply base. With supply from six sources on three continents, we have extensive global reach and diversification.

Against this diverse supply base, we have a strong portfolio of sales contracts into the high-value Asian markets, including contracts to supply China, representing more than 40% of our term sales, which will make BG Group the largest supplier of LNG to China.

We have intentionally left some of our portfolio uncontracted. This provides flexibility that is fundamental to our LNG model. In 2013, all of our uncontracted volumes were sold into the spot market.

Approximately 80% of our 2014 sales are expected to be made under medium and long-term contracts. This trend will continue over the next few years as our supply base grows. Of this 80% in 2014, the vast majority is priced indexed to oil. We expect the LNG market to remain tight and for any uncontracted future volumes to be sold into high-value markets.

Benefits of our flexible LNG portfolio

All of our equity LNG supply is contracted directly to BG Group for onward marketing and sale, and most of our sale contracts can be supplied from any of our term sources or from spot supply. This means that we are able to optimise supply and markets continually to maximise our margins and ensure reliable supply for our customers. To date, we have bought supply from a total of 12 out of the 17 countries currently producing LNG and we have sold LNG to 25 of the 27 importing countries.

In addition, we have one of the largest LNG fleets of the IOCs, with more than 25 ships on the water each day. This gives us flexibility to access all supply sources and market delivery points.

Optimising the portfolio

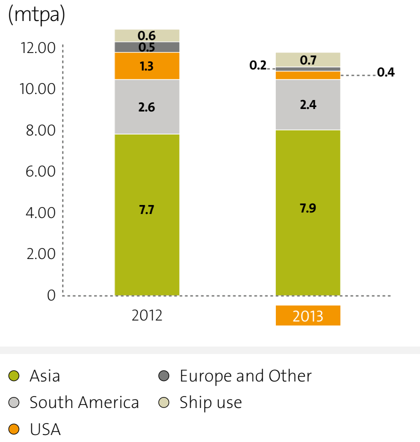
We now have around 100 Master Sales Agreements and around 80 terminals pre-certified, allowing us to react quickly to market opportunities. This enables us to optimise our portfolio in a number of ways, be it managing how our long-term supply volumes are allocated between our sales contracts, backfilling term sales with spot supply, managing our ship capacity requirements or determining which type of fuel we use in our ships.

Our aim is to match the best supply with the best market at the lowest delivery cost through our global marketing operation working principally out of Singapore (with proximity to our Asia Pacific customers) and the UK, with support activities in the USA and Japan.

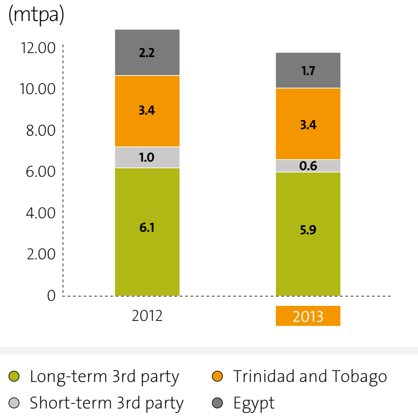
This flexibility and scope for optimisation provides long-term value for BG Group at three levels:

- it enables us to get closer to customers and respond to structural shifts in the industry;
- it enables us to create significant value from shipping optimisation and short-term market opportunities; and
- it allows us to accelerate growth by building new markets and launching new projects.

Destinations delivered
(mtpa)



Sources loaded
(mtpa)



OUR STRATEGY

HOW WE DELIVER VALUE

We will deliver value through active portfolio management, improving our project development and operations capability, and simplifying our organisation.

Methane Alison Victoria LNG vessel at Atlantic LNG terminal, Trinidad and Tobago
The total LNG production capacity of Atlantic LNG is approximately 15 mtpa. BG Group supplies around two thirds of its gas production from Trinidad and Tobago to the plant for export.

MANAGING OUR PORTFOLIO MORE ACTIVELY

- We are focused on creating a balanced portfolio of 10-15 high-quality and valuable assets.
- We have a rich opportunity set and expect to have more potential projects than our investment capacity. This should enable us to be selective about the projects in which we choose to participate and at what equity level. We will make these decisions to maximise capital discipline and efficiency; that is, to seek to maximise the value we can deliver for each dollar of investment. By prioritising projects on this metric, we can maximise the value we generate from our investment capacity and ensure we only invest in projects with rates of return well above our cost of capital.
- In practice, this means we will focus on areas where we create most value:
  - We aim to enter new projects at an early stage and seek, where possible, to maintain high levels of control to optimise the oil, gas and LNG value chains. We will then take forward to development and operation the most capital efficient projects. We will divest from some projects at this pre-project sanction stage.
  - As we approach the project sanction and development phase, we will review opportunities to reduce our equity position, and bring in strategic partners, to manage risk, realise value and, as appropriate, secure buyers of LNG or gas.
  - In the early production phase, we will capture opportunities for further value creation through high-return expansion projects and satellite tie-backs into our existing operations.
  - Later in the life of the asset, our ability to add value through LNG optimisation continues but other opportunities tend to decline. Some assets will be held to provide cash flow but others will be divested to allow capital to be re-invested or distributed to shareholders.
- We expect that strong production growth will enable around 25% of our discovered resources to be monetised over the next 10 years. We expect active portfolio management to monetise a further 25%, bringing the total nearer to 50% of discovered resources. We expect our resource additions to be roughly in balance with the rate of resource monetisation. This faster recycling of discovered resources will enable us to deliver value to shareholders more quickly and provide for higher levels of investment in early-stage exploration and new business development.
- We monetised more than one billion barrels during 2013, 231 million barrels through production, and around another 860 million barrels through disposals, principally the QCLNG sell-down to CNOOC. Our organic reserves replacement ratio on SEC measurement was 115% on a one-year basis and 179% on a three-year basis.
- The total capital to be released from our divestment programme in 2012 and 2013 amounts to \$8.5 billion, significantly exceeding our \$5 billion target. Further details are included in the **Financial review** on page 32.

IMPROVING OUR CAPABILITY IN DEVELOPING PROJECTS AND OPERATIONS

- Our project and operations capability spans a wide range of settings, including high pressure/high temperature, deepwater and unconventional gas, as well as some of the largest projects in the industry – such as Karachaganak in Kazakhstan, one of the world's largest gas and condensate fields.
- These capabilities give us the credibility to influence our partners in non-operated ventures, and make us an attractive partner for governments and key stakeholders.
- On project development, we have developed and refined a standardised approach which emphasises early, upfront planning and assurance activities in order that the risks and benefits of rapid project development can be considered and managed.
- On operational performance, we are implementing common systems and strengthening our maintenance programmes. This will improve the efficiency of our production over time and, in turn, the reliability of future cash flows.

LEAN AND AGILE ORGANISATION

- We are focused on embedding a culture of clear personal accountability throughout the organisation.
- One of our key strengths is our commercial agility. In order to foster and maintain this, we must have a lean and agile organisation.
- Matt Schatzman, Executive Vice President, Global Energy Marketing & Shipping, and Sami Iskander, Chief Operating Officer (formerly Executive Vice President Operations), now report directly to Chris Finlayson.
- A level of regional organisation has been removed to ensure rapid decision making. Assets report directly to the Chief Operating Officer to ensure improved project and operational performance and greater transparency. A small team in the office of the Chief Operating Officer is focused on simplifying internal processes and standardising reporting across all assets.

FURTHER DETAIL?

Find out more on example principal risks on page 38

OUR STRATEGY

HOW WE WORK

Our business is built on partnerships with all our stakeholders, from governments and communities to our own employees and wider society. Meeting their changing expectations and winning their respect is essential to our present and future business.

OUR BUSINESS PRINCIPLES

Our Business Principles set out our commitment to work ethically, respecting the needs and concerns of others and the environment.

Conduct

- We act with integrity, fairness and transparency.
- We comply with legal, regulatory and licence requirements.
- We do not tolerate corruption in any form, whether direct or indirect.
- Our investment criteria take account of economic returns, environmental impacts, social consequences and human rights.
- High standards of corporate governance are integral to the way we manage our business.

Our people

- We treat people with fairness, respect and decency.
- We help employees develop their potential.
- We believe that all injuries are preventable.
- We provide healthy, safe and secure work environments.

Society

- We work to ensure that neighbouring communities benefit from our presence on an enduring basis.
- We listen to neighbouring communities and take account of their interests.
- We support human rights within our areas of influence.

Environment

- We make a positive contribution to the protection of the environment.
- We go beyond compliance with local environmental regulation to meet internationally accepted best practice.
- We reduce to the minimum practicable any adverse effects of our operations on the environment.

Workers at the Hannibal gas processing plant, Tunisia
BG Group is Tunisia's largest gas producer. The Hannibal plant processes gas from the Miskar field for sale into the Tunisian gas system.

OUR SUSTAINABILITY PRIORITIES

Safety, health and conduct

A secure and safe workplace with high ethical standards is fundamental to protect our business and our people. Everyone at BG Group has to follow our global Safety, Health and Ethical Conduct Standards, which we assure and review regularly.

Environment and climate change

We aim to minimise our impact on the environment, using best available techniques. We set a five-year climate change target and are investing in research into lower-carbon technologies.

People and communities

The success of our business depends on our people and the communities where we work. We commit to treat people that work with us fairly and with respect, helping them develop their potential, and to listen to the communities where we work, taking their interests into account.

OUR SUSTAINABILITY REPORT

Find the full report online at:
www.bg-group.com/sustainability

OUR STRATEGY: HOW WE WORK CONTINUED

SAFETY, HEALTH AND CONDUCT

Health and safety
We are committed to providing a safe and healthy workplace. In 2013, we met our targets for the majority of the safety key performance indicators (KPIs) that we track.

Our occupational safety performance (see page 22 for further details) improved significantly in 2013, reflecting effort across the Group, in particular our operations in Australia. Sadly, there was one fatality in Tanzania in December, where a maintenance supervisor working for a local contractor died in hospital following a road traffic accident. We had no major releases of gas or liquid, maintaining our strong track record in this area.

Security
In 2013, we faced challenges arising from terrorism, crime, piracy, political instability and other security threats. The most significant threat was faced in Egypt, but we also responded to events in Kenya, Tanzania and Thailand. Our security personnel supported our early development activities in Honduras, where we promoted the Voluntary Principles on Security and Human Rights (VPSHR) with the country's military and local police.

Ethical conduct
We strengthened our procedures for managing ethical conduct and fraud risk. We assessed corruption risk in possible new markets, including Colombia and Honduras. Our Speak Up (whistleblowing) facility received reports of 106 cases, compared with 120 in 2012 and 134 in 2011.

ENVIRONMENT AND CLIMATE CHANGE

Environmental performance
We continued to roll out and assure our systems for environmental management. We maintained our 100% certification to ISO 14001 for our operated assets. In 2013, we had no major environmental incidents.

Climate change and energy efficiency
Climate change remains a critical, long-term issue for the oil and gas industry. This was the first year of our new five-year greenhouse gas (GHG) emissions intensity reduction targets. The targets we have set are an 8% reduction in GHGs per barrel of oil equivalent for E&P activities and a 15% reduction in GHGs per barrel of oil equivalent for natural gas liquefaction*. This equates to a 10% overall reduction of our GHG emissions intensity per barrel. Achievement of these targets is sensitive to changes in our production mix and business portfolio.

During the year, all our operations prepared five-year energy management plans, which identify how they plan to deliver against our target.

Full disclosure of our GHG emissions during the year is set out on page 81.

GHG emissions intensity for our operated assets for 2013 was 105% of 2012. However, this was offset by relatively lower emissions intensity from non-operated assets. The overall emissions intensity for 2013 was 99% of 2012. The increase in GHG emissions intensity from our operated assets reflects the impact of lower throughput from some operations, increased energy required to extract gas in maturing fields, and increased emissions in Australia, where we have temporarily increased flaring of gas in the run-up to full production. We continued to monitor global climate change policy and trends and took action to improve measurement and management of methane emissions.

We supported research into lower carbon technologies and worked with Imperial College London on plans for a Sustainable Gas Institute.

Water and biodiversity
We continued implementing our water strategy by establishing water management plans in Australia, Egypt and India where we have identified higher water risk.

We continued to implement biodiversity action plans in Australia, Bolivia and Kazakhstan. In Trinidad and Tobago, we completed a five-year reforestation project and started work on a new five-year biodiversity action plan. In Tanzania, we worked with an environmental consultancy to explore the seabed, where we are drilling, and gain greater understanding of the sub-sea ecosystem.

In Australia, we are committed to a major scheme to protect more than 25 000 hectares of Curtis Island, where we are constructing an LNG plant. This involves purchasing land to be designated as a protected area and contributing to the ongoing costs of the reserve.

Unconventional gas
Debate about the environmental impact of unconventional gas continued during 2013.

In the USA, we continued work with Exco Resources to optimise the chemicals used in hydraulic fracturing. We also set up the Energy Water Initiative, an energy sector group, which seeks water management solutions.

*The targets commit us to reducing GHG emissions per unit of production and apply to our equity share of emissions from operated and non-operated businesses. Shipping activities are not included.

Kenya Water Treatment plant, Queensland, Australia
With capacity to treat 92 million litres a day, the Kenya Water Treatment Plant is now providing treated water to approximately 20 farmers for the irrigation of crops, with the rest of the supply piped to the Condamine River, from which it can be drawn for use by local towns and industry.

Measuring our performance
BG Group's environmental, social and governance (ESG) performance is measured by a number of indices.

We have been included in the Dow Jones Sustainability Indices (DJSI) each year since their launch in 1999. In 2013, the average score for the oil and gas sector was 42%. We achieved the best score in our sector, at 83%. This made us the Energy Industry Leader, and the only UK company to be included on the DJSI Leadership Group. Our score improved by two points over the previous year.

We have qualified for the FTSE 4Good Index every year since its creation in 2001.

Our score overall increased from 3.5 in March 2012 to 4.2 in March 2013. The score increased again in September 2013 to 4.7. Our 'supersector' score, which ranks us relative to other oil and gas companies in the index, increased from the 94th percentile in March 2012 to the 98th percentile in March 2013 and again to the 100th percentile in September 2013, making us the leading oil and gas company in the index.

The Carbon Disclosure project produces two indices: a Carbon Performance Leadership Index (CPLI) and the Carbon Disclosure Leadership Index (CDLI). In 2013, we improved our score in the CPLI performance

In Queensland, we invested more than US$6.3 million in social projects, installed more than 80% of our programmed monitoring bore network to monitor changes in aquifer status, and commissioned a major reverse osmosis water treatment plant, which now provides water for local use.

PEOPLE AND COMMUNITIES

People and skills for the future

As at 31 December 2013, we employed 5 422 people worldwide. Resourcing, talent management and succession were a focus in 2013. We devised a new approach to workforce planning to provide insight into future requirements and potential skills gaps, and put in place a new panel of recruitment suppliers with greater global reach. For our Graduate Development Programme, we recruited graduates representing 12 nationalities and from 58 universities worldwide. In developing our current talent, we continued to identify high potential individuals for development and progression, and as a result have delivered succession plans for our top roles.

We took a number of steps to improve diversity and inclusion. We published an aspiration to increase the percentage of women in leadership positions to 20% by 2020 and approved a Group-wide diversity and inclusion strategy. We developed a diversity code of conduct for our recruitment providers, commissioned diversity research and formed corporate partnerships to support our diversity ambitions.

As at 31 December 2013, 17% of the Board and 28% of total employees were female. For further information on diversity see page 55 of our Corporate Governance section.

Our local contribution

In 2013, we made voluntary social investments totalling £16.1 million. We also invested in infrastructure, notably the upgrade of Mtwara port in Tanzania and the maintenance and improvement of roads in Queensland.

We continued our support for the Extractive Industries Transparency Initiative (EITI), and are preparing for compliance with the new Accounting Directive approved by the European Parliament in June. We worked with many suppliers where we operate, providing training and development opportunities including to indigenous companies in Australia and local businesses in Tanzania.

Our Group Technology team, which is based in Rio de Janeiro and leads our R&D activities, aims to develop solutions to technology gaps and needs across our assets, with a particular focus in Brazil, by developing capabilities and knowhow with local businesses, technology start-ups, institutes and universities. As an example, the Energy Efficiency Programme is funding, in collaboration with local universities, research projects into non-conventional waste heat recovery cycles and low carbon power for FPSO vessels.

Working with communities

We signed a five-year global partnership agreement with Youth Business International (YBI) to foster youth entrepreneurship, employment and economic growth in countries where we work. We expect to invest at least $16 million in projects through this agreement. We engaged with indigenous people in Bolivia, Australia, Canada and Honduras and continued to develop a best-practice grievance mechanism in Tanzania. We evaluated the social impact of potential LNG plants in Canada and Tanzania. We continued to run key programmes to promote skills and build employment in Australia, Brazil, Tanzania and Tunisia, and to promote science, technology, engineering and maths (STEM) education in Brazil, Kazakhstan, Trinidad and Tobago, and the UK.

Human rights

Since the establishment of the UN Guiding Principles on Business and Human Rights there has been increasing pressure on businesses to demonstrate how they manage human rights risks and impacts. BG Group's Human Rights Policy recognises these principles, with clear statements of commitment on how we implement our Policy. The effectiveness of the Policy's implementation is reviewed regularly by a cross-functional task force. We continued to strengthen our relationship with the Institute for Human Rights and Business (IHRB). This included jointly participating with IHRB, the Danish Institute for Human Rights and Oxfam America on a side-session at the UN Guiding Principles Annual Forum on developing a human rights impact assessment methodology. We also commissioned our first 'desktop' human rights impact assessment of a country (Myanmar).

BG Group is a member of the VPSHR initiative. The Group carried out formal VPSHR assessments in Bolivia and Kazakhstan, and in our global shipping operations, and worked with the military and local police in Honduras to promote awareness of the VPSHR there.

Public positions

We have engaged with stakeholders to develop public positions on climate change and unconventional gas, which set out the key principles we follow.

FURTHER DETAIL?

Read about our sustainability performance and public positions in our Sustainability Report online: **www.bg-group.com/sustainability**

index, achieving an A band rating compared with B in 2012. The CPLI measures performance against three main criteria: GHG emissions reductions in the year, having and meeting a GHG target and remuneration being linked to GHG reductions. We were one of only two energy sector companies in this index.

Member of Dow Jones Sustainability Indices In Collaboration with RobecoSAM

FTSE4Good

CDP Carbon Disclosure Leader 2013

BG Group employees as at 31 December 2013 (based in country)

Note: in addition to the employees shown above there are a further 21 at other locations.

OUR STRATEGY

WHAT OUR STRATEGY DELIVERS

IN SUMMARY

Key elements of BG Group's strategy include:

- focusing on areas where we have competitive advantage – early-stage origination, discovery and development – in upstream gas and oil and in LNG;
- prioritising value over production;
- managing the portfolio more actively by:
  - monetising assets at different stages in their life cycle;
  - bringing in partners to accelerate value delivery; and
  - recycling capital into new, high-return, early-stage growth opportunities;
- creating a focused portfolio of 10-15 high-quality, material assets; and
- a lean and agile organisation.

"I believe that this strategy will deliver industry-leading growth in shareholder value. In the medium to long term, we expect*:

- strong growth in E&P and LNG volumes driven by Australia and Brazil;
- the proportion of production with cash margins of more than $50 per barrel of oil equivalent to triple over the next five years as oil production from Brazil and QCLNG volumes ramp up;
- earnings to grow faster than production;
- in 2015, our capital expenditure to fall to $8-$10 billion and the delivery of positive free cash flow**;
- to monetise – through production or disposal – up to 50% of our discovered resources in the next 10 years; and
- increasing return on capital employed.

This will provide capital for disciplined reinvestment in more high-return projects, and allow us to return cash to shareholders in the medium term."

CHRIS FINLAYSON
CHIEF EXECUTIVE

* At the Group's Reference Conditions as shown on page 147.
** Free cash flow is defined in the **Glossary**, page 147.

Workers on Bongkot South production platform walkway, Thailand
BG Group's investment in Thailand is focused on upstream activities, including an interest in the Bongkot field, which supplies approximately 20% of the country's gas demand.

OUR STRATEGY

OUR PERFORMANCE

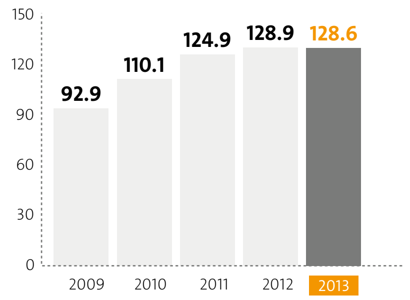
BG Group has identified the key performance indicators it believes are useful in assessing the Group's performance against its strategic aims. They encompass both financial and non-financial measures and are set out below.

Earnings per share (EPS)
Business performance* EPS is the amount of earnings attributable to each individual share in issue and has been calculated by dividing BG Group's business performance earnings by the weighted average number of ordinary shares in issue and ranking for dividend during the financial year.

Business performance EPS in 2013 was 128.6 cents (2012: 128.9 cents). Results for 2013 benefited from a greater proportion of oil in the portfolio, increased LNG sales to high-value Asian markets and lower hedging losses. However, a 4% decrease in production volumes, combined with higher operating costs and depreciation in Upstream, along with fewer LNG cargoes, more than offset these benefits. The Group benefited from a fall in the Group's effective tax rate from 44.5% to 41.0%.

Total results EPS for 2013 was 64.8 cents (2012: 97.0 cents) and reflected a post-tax charge of $2 169 million in respect of disposals, re-measurements and impairments, comprising primarily the impairments of certain Egypt and US assets. For further information, see the **Financial review** on pages 32 to 37.

Business performance earnings per share*
(cents)



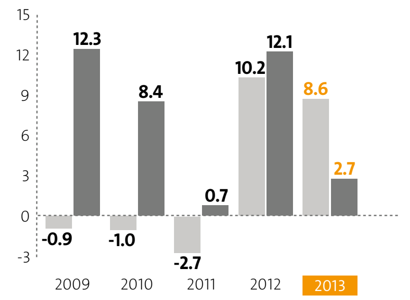
For the year ended 31 December.

*For a reconciliation between business performance and total results, see note 1, page 98 and note 9, page 110.

Total shareholder return (TSR)
TSR is defined as the percentage return on investment obtained from holding a company's shares over a period of time. It includes the change in capital value of the shares, dividends paid and other payments made to or by shareholders. It is used to measure BG Group's performance relative to its peers. The Group's TSR performance over a three-year period is used, inter alia, to determine vesting levels under the Group's Long-Term Incentive Plan (LTIP). As LTIP awards are typically granted annually in early September, TSR performance is measured to 31 August in each financial year. For further information, see the **Remuneration report** on pages 64 to 79.

The graph below shows, for the past five years, the annualised US Dollar TSR of BG Group shares over a three-year performance period and the corresponding average TSR of the Group's industry peers. For the three-year period ending 31 August 2013, BG Group underperformed the weighted peer group index by 5.5% per annum. For details of BG Group's TSR in Pounds Sterling relative to the FTSE 100 index see the TSR chart on page 76.

Total shareholder return
(%)



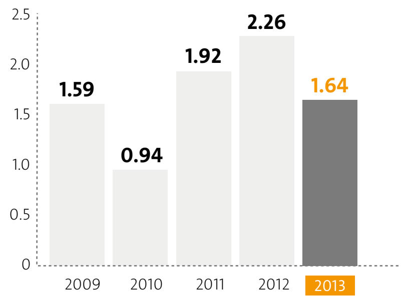
Peer group[a] (simple average to 2010 and weighted average from 2011)
BG Group

(a) For constituents of the peer group, see page 74.

Safety
Safety is a core value for BG Group. The Group believes that all incidents are preventable and pursues a goal of zero injuries across all of its operations. Total recordable case frequency (TRCF) measures the number of injuries per million work hours and is the headline indicator of the success of the Group's safety programmes, measuring the ratio of injuries to working hours.

In 2013, the Group's TRCF improved significantly to 1.64, versus a target of 1.75 and a 2012 performance of 2.26. This improvement reflected good progress in a number of assets but particularly in QGC. QGC's TRCF was 3.13 (versus a target of 4.00 and a 2012 performance of 6.39). Focus will be maintained in 2014 on safety leadership, major hazard awareness and contractor management to drive further improvement as the Group moves into the important phases of commissioning and start-up of the QCLNG project. Excluding QGC, the Group's TRCF rate was 0.83. For further information on the Group's safety performance and priorities, see **How we work** on pages 16 to 19.

Total recordable case frequency
(per million work hours)



For the year ended 31 December.

Employees discuss seismic interpretation, Norway

Production volumes

The graph below shows the Group's net production from all of its producing E&P interests and is measured in thousands of barrels of oil equivalent per day (kboed).

In 2013, E&P volumes fell by 4% to 633 kboed. Production from base assets declined by 6% to 569 kboed. New projects came onstream in Bolivia (Margarita and Itaú Phase 2), Brazil (two additional FPSOs), Thailand (Bongkot North Phase 3K) and the UK (Everest East expansion, Jasmine). These new developments were more than offset by reservoir declines in Egypt and the Group's strategic decision to scale back drilling in the USA in view of lower gas prices. The proportion of oil in the portfolio increased, with oil production rising 22% and gas declining 9%. The Group expects production in 2014 to be lower than 2013 and in the range of 590-630 kboed, and to rise to 710-750 kboed in 2015.

Total resources

BG Group's total reserves and resources represent the Group's total resources base. The size of reserves and resources is a key determinant of the Group's ability to replace production and deliver production growth in the future. It is measured in mmboe. From the year ended 31 December 2013 onwards, BG Group is adopting the reserves definitions and guidelines consistent with the Petroleum Resources Management System published by the Society of Petroleum Engineers (SPE-PRMS). See page 134 for more details.

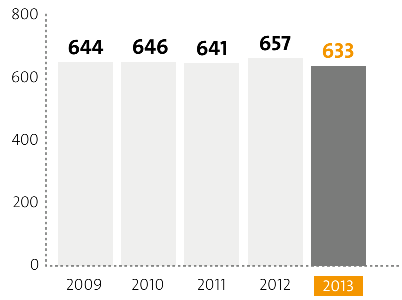
In 2013, BG Group's total reserves and resources decreased by 790 million barrels to 17 721 mmboe on an SEC basis (2012: 18 511 mmboe)**. The Group's proved and probable reserves on an SEC basis fell 3% to 6 940 mmboe (2012: 7 189 mmboe). The change in definition to SPE-PRMS has had little impact on the measurement of the Group's reserves and resources. Under SPE-PRMS, proved and probable reserves were 6 990 mmboe. The Group monetised resources in 2013 through production and the disposal of certain assets (part sell-down of QCLNG to CNOOC, Cotton Valley in the USA, Bream in Norway) and this led to a decline of around 860 mmboe in total reserves and resources.

LNG volumes

This is a measure of the volume of LNG that BG Group has delivered, excluding fuel gas. The Group has a portfolio of flexible, long-term LNG supply, sourced from its own liquefaction plants in Egypt and Trinidad and Tobago and from third-party suppliers in Equatorial Guinea and Nigeria. Delivered volumes also includes third-party spot purchases. It is measured in millions of tonnes per annum (mtpa).

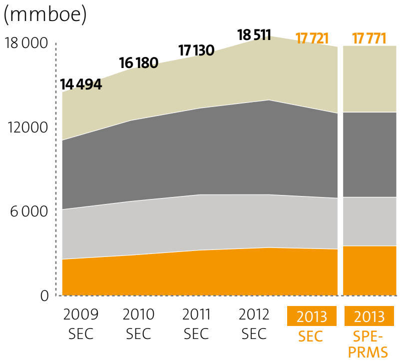
LNG delivered volumes in 2013 were 10.9 mtpa, some 1.2 mtpa lower than 2012, due to supply disruptions in Egypt and Nigeria and fewer third-party spot purchases. The total delivered volumes equated to 178 cargoes (2012: 197 cargoes). Further details are set out on page 28. 2014 delivered volumes are expected to reflect lower supply from Egypt. However, this will be partially offset by new LNG volumes from QCLNG which will come onstream in the fourth quarter and will drive LNG volume growth in 2015.

Exploration and production volumes (net)
(kboed)



For the year ended 31 December.

Total reserves and resources
(mmboe)

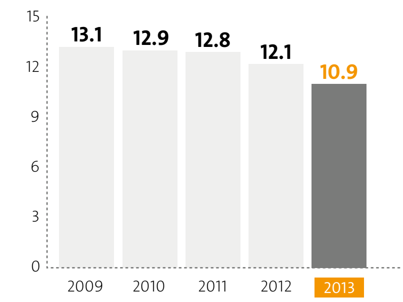


Proved reserves[a] Discovered resources[a]
Probable reserves[a] Risked exploration[a]

(a) For an explanation of these terms, refer to page 134.

For the year ended 31 December.

Liquefied natural gas delivered volumes
(mtpa)



For more information on delivered volumes, see page 28.

For the year ended 31 December.

** For more details, see **Supplementary information – gas and oil**, page 134.

OPERATING REVIEW

UPSTREAM

TOTAL OPERATING PROFIT*

$4 967m

2012 $5 467m

-9%

EXPLORATION AND PRODUCTION VOLUMES (NET)

633kboed

2012 657kboed

-4%

2013 MILESTONES

At the start of 2013, BG Group set out the key milestones for the year which encompassed seven major projects being brought onstream, as well as the timely delivery of its maintenance programmes.

Key

- ✓ (green) Delivered on time or ahead of schedule
- ✓ (orange) Delivered but behind schedule

Q1			
	Brazil FPSO 2 onstream	✓ (green)	FPSO *Cidade de São Paulo* started production in January
	Everest East expansion onstream	✓ (green)	Everest East expansion came onstream in March
	Elgin/Franklin production restart	✓ (green)	Elgin/Franklin production restarted in March
Q2			
	Brazil FPSO 3 onstream	✓ (green)	FPSO *Cidade de Paraty* started production in June
	Karachaganak planned shutdown	✓ (green)	Karachaganak shutdown was completed ahead of schedule in May
Q3			
	Bongkot N Phase 3K onstream	✓ (green)	Bongkot N Phase 3K started in August
	Itaú Phase 2 onstream	✓ (orange)	Itaú Phase 2 came onstream in December
	UK shutdowns	✓ (orange)	UK shutdowns – eight out of nine completed in Q3; Lomond finished in November
Q4			
	Jasmine onstream	✓ (green)	Jasmine came onstream in November
	Margarita Phase 2 onstream	✓ (green)	Margarita Phase 2 came onstream early, in September

FURTHER DETAIL?

Additional detailed information can be found online or in our Data Book at **www.bg-group.com/databook**

*For a reconciliation between business performance and total results, see note 1, page 98.

EGYPT**

- 2013 net production 112 kboed (2012: 132 kboed).
- Operatorship of two gas-producing areas offshore the Nile Delta – Rosetta and West Delta Deep Marine (WDDM) concessions.
- Operatorship of three other concessions offshore the Nile Delta – El Manzala Offshore, El Burg Offshore and North Gamasa Offshore.
- Non-operated interest in the East El Burullus concession (40%).
- Major shareholdings in the Egyptian LNG project (Train 1 at 35.5% and Train 2 at 38%).
- Supplier of gas to the Egyptian domestic market and Egyptian LNG trains 1 and 2.

2013 Key events

- Production volumes in Egypt were lower in 2013 due to reservoir decline.
- The final two WDDM Phase 8b wells were completed and tied back in 2013.
- BG Group and partners sanctioned WDDM Phase 9a in February and began drilling the first development wells in April. Eight of the nine planned wells were drilled by year end, of which one well has been completed. In September, BG Group announced that the start-up of Phase 9a will be delayed, due to the ongoing political and social instability in Egypt.
- The proportion of volumes directed to the domestic market averaged 817 mmsfcd during 2013, above the amount of 700 mmsfcd agreed by the government. As a result, volumes available for the LNG plant were lower, and Egyptian LNG ran at an average of 40% capacity. An arrangement between the Egyptian and Qatari governments saw five Qatari cargoes being lifted as partial compensation for the shortfall in export gas, with two allocated to BG Group.

2013 Key events continued

- In the fourth quarter, the Group recognised a post-tax impairment of $1.3 billion as a result of reserves revisions and revised expectations of the value of its Egypt operations given continuing uncertainty over the business environment in country. For further details, see note 4 to the financial statements (page 105).
- In January 2014, BG Group issued Force Majeure notices under its LNG agreements in Egypt following higher than expected diversions to the domestic market during the fourth quarter.
- The Notus well, which spudded in September 2012, completed in January 2014 and is under evaluation.

Outlook

- Production in Egypt is expected to decline until WDDM Phase 9a comes onstream in the third quarter of 2014. As a result, Egyptian LNG utilisation is likely to be low.
- BG Group remains committed to the Egyptian LNG project and will continue to negotiate with the Egyptian authorities and other stakeholders to seek a longer-term solution.

UK

- 2013 net production 100 kboed (2012: 96 kboed).
- Extensive interests focused in the UK's central North Sea, including a number of operated production hubs (Armada, Everest and Lomond), exploration and appraisal interests, and equity in pipeline and processing facilities.
- Ventures operated by others include Buzzard, Elgin/Franklin, J-Block and Jasmine.

2013 Key events

- The Everest East expansion project came onstream in March. The project comprises two sub-sea wells tied back to the North Everest platform and brownfield modifications to the existing production system. It provided initial peak production of more than 10 kboed.
- Elgin/Franklin resumed operations in March following the shut-in since March 2012. Elgin/Franklin is not expected to recover to pre-shutdown production levels until 2015, which will require new infill wells to be drilled.

2013 Key events continued

- First production from the Jasmine field started in November. On plateau, Jasmine is expected to contribute around 30 kboed net to BG Group.

Outlook

- Production from Phase 2 of the West Franklin field development is expected in the fourth quarter of 2014.
- Major flotel campaign during 2014 and 2015 to undertake asset integrity work on Everest and Lomond.

KAZAKHSTAN

- 2013 net production 92 kboed (2012: 98 kboed).
- Joint operator of the Karachaganak oil and gas condensate field (BG Group 29.25%), one of the largest condensate fields in the world.

2013 Key events

- Production in 2013 was lower than in 2012 due to a major shutdown programme undertaken in the second quarter. Close to 3 000 people collectively worked more than 2 million hours over the course of the 23-day shutdown. The injury-free programme was undertaken for asset integrity work, to enhance reliability and production and to install new equipment.

Outlook

- To date, only 10% of hydrocarbons initially in place have been produced from the Karachaganak field and significant development opportunities remain.
- Completion of the CPC export pipeline expansion, a key export route for Karachaganak production, now expected in 2016.
- Changes in production entitlement under the PSC will lower BG Group's net entitlement.

TRINIDAD AND TOBAGO

- 2013 net production 70 kboed (2012: 73 kboed).
- Three concessions with fields currently producing – Central Block, East Coast Marine Area (ECMA) and North Coast Marine Area (NCMA).
- Exploration activities in Blocks 5(a), 5(c), 5(d), 6(b) and E.
- Major shareholdings in all four trains of the Atlantic LNG project.

2013 Key events

- Construction continued on the NCMA Phase 4a compression project for the Hibiscus platform.
- Work on the ECMA Starfish project commenced with the spudding of the first of four wells in November, ahead of start-up in 2014.
- An extensive seismic survey was acquired covering the entire Greater Dolphin Area and is being processed in order to evaluate further exploration and appraisal activity.

Outlook

- First gas is due to be introduced to the NCMA Phase 4a compression project in 2014.
- Starfish project is expected onstream in the fourth quarter of 2014.
- Appraisal drilling programme for Block 5(c) is proposed to commence in early 2015, subject to partner agreement.

USA

- 2013 net production 58 kboed (2012: 79 kboed).
- BG Group and exploration partner, EXCO Resources, Inc. (EXCO), develop shale gas in east Texas/north Louisiana (Haynesville and Bossier) and Pennsylvania/West Virginia (Marcellus).

2013 Key events

- Production declined during 2013 resulting from a reduced level of drilling activity due to low gas prices. At year end 2013, four rigs were operating.
- In March, BG Group completed the divestment of all its interests in the Cotton Valley formation for $131 million.
- BG Group completed the sale of its equity in TGGT Holdings, with proceeds including net cash of $240 million.
- In the fourth quarter, the Group recognised a post-tax impairment charge of $1.1 billion that resulted from lower forward gas market prices, lower production expectations based on well performance and a continued low rig count. For further details see note 4 to the financial statements (page 105).

Outlook

- With the outlook for continued low US gas prices, low drilling activity is likely to continue, resulting in a decline in production in 2014 similar to that between 2012 and 2013.
- With a short lead time to re-establish rig count, BG Group can increase production, should US gas prices improve the economic ranking of these programmes.

** Unless otherwise stated, production numbers are net to BG Group. Countries are listed in order of net production volumes.

THAILAND

- 2013 net production 41 kboed (2012: 36 kboed).
- 22.22% interest in the Bongkot field. The field supplies approximately 20% of Thailand's gas demand and Bongkot is the biggest single supplier in the Gulf of Thailand.
- Operator of Blocks 7, 8 and 9 (66.67% interest) in the Overlapping Claims Area.
- Holds an Overriding Royalty Agreement on Block 9a.

2013 Key events

- Production increased with a full-year contribution from Bongkot South (GBS), as well as additional phases on Bongkot North (GBN) coming onstream.
- The Bongkot North Phase 3K development saw first gas in August. The development consists of two remote wellhead platforms (WHPs) and 16 wells and allows for plateau extension of the Bongkot North field.
- Work on GBN Phase 3L (two further WHPs), and 3M (four WHPs), and GBS Phase 4B (four further WHPs) has continued.

2013 Key events continued

- During 2013, eight exploration wells were drilled in the Bongkot area.

Outlook

- Phase 4B of GBS came onstream in the first quarter of 2014. Phase 3L of GBN is expected onstream in mid 2014.
- Programmes of well intervention, infill drilling and booster compression are being implemented to improve hydrocarbon recovery.

BRAZIL

- 2013 net production 39 kboed (2012: 25 kboed).
- BG Group holds significant acreage positions with interests in four offshore blocks in the Santos Basin with permanent production facilities on the Lula and Sapinhoá fields.
- Reserves and resources in the Santos Basin of 4 to 8 billion boe, with a mean of 6 billion boe***, net to BG Group.
- Operator of 10 offshore blocks in the Barreirinhas Basin.

2013 Key events

- First Lula FPSO (FPSO 1) operated close to its 100 000 bopd capacity from just four oil-producing wells, one gas injector and two water alternating gas injectors.
- The FPSO *Cidade de São Paulo* (FPSO 2) commenced production on Sapinhoá South in January. The FPSO *Cidade de Paraty* (FPSO 3) commenced production on Lula North-East in June. Each FPSO has a capacity of 120 000 bopd.
- As at year end, FPSOs 2 and 3 each had one well operational which have been individually producing at more than 30 000 boed. The hook-up of additional wells was deferred into 2014 due to weather-related delays to the installation of the buoyancy supported risers. Gross production from FPSOs 1, 2 and 3 combined was more than 160 kboed at year end.
- As at the year end FPSOs 4 and 5 were around 88% and 80% complete respectively.
- The BM-S-11 and BM-S-9 partners signed agreements for FPSOs 7, 8 and 9, completing the contracting for the 15 FPSO first-phase development programme. These FPSOs are to be deployed on Lula Alto, Lula Central and Lapa.
- Declaration of Commerciality (DoC) was submitted for Carioca (to be renamed Lapa) in December.
- Appraisal work on Iara continued during the year with excellent results on Iara-4. In November, a high angle well was drilled in the centre of the block and a drill stem test (DST) was conducted on the well. In September, a one-year delay to the DoC for Iara

2013 Key events continued

- to December 2014 was approved, allowing for further appraisal to optimise development planning. First oil is still expected in 2017.
- Drilling performance for development wells continued to improve. The average spud-to-target depth in 2013 was 56 days, down from 69 in 2012.
- Work continued on the Cabiúnas pipeline, which will connect blocks BM-S-9 and BM-S-11 to the Cabiúnas terminal.
- In May, BG Group was the successful bidder for the concession and operatorship of 10 blocks in the Barreirinhas Basin, offshore Brazil's northern coastline. Six of these blocks have 100% BG Group equity and the four remaining blocks have 50%.

Outlook

- Hook-up of the second well on FPSO 2 was completed in February 2014 and the second well for FPSO 3 is expected to be connected in the second quarter of 2014.
- The operator expects FPSOs 4 and 5 onstream in the second half of 2014, on Sapinhoá North and Iracema South respectively.
- 15 FPSOs are being progressed and are due onstream by 2018, with anticipated aggregate production capacity of 2.6 million boed.
- Further appraisal wells, DSTs and an EWT are planned for Iara in 2014.
- Cabiúnas pipeline start-up now expected in 2015, following delays in environmental permitting.

TUNISIA

- 2013 net production 38 kboed (2012: 37 kboed).
- Operator of the Miskar (BG Group 100%) and Hasdrubal fields (BG Group 50%).
- Operator and joint permit holder of the Amilcar exploration permit in the Gulf of Gabès.
- Largest gas producer in Tunisia, supplying more than 60% of domestic gas production.

2013 Key events

- Well intervention campaigns on Miskar and Hasdrubal fields.
- Shutdowns safely completed on budget at both Hasdrubal and Miskar, with Hasdrubal ahead of schedule.
- Approval granted for an additional two-year extension to the Amilcar exploration permit, extending the licence until December 2014. The approval is pending formal ratification by law.

Outlook

- Ongoing well intervention campaigns on Miskar and Hasdrubal fields.
- Major shutdown planned at Hasdrubal in April and May, and at Miskar in February and September 2014.

BOLIVIA

- 2013 net production 36 kboed (2012: 28 kboed).
- BG Group is operator and 100% holder of the La Vertiente block (three fields), Tarija XX East (two fields), Los Suris (one field) and the Huacareta block (which became effective in January 2014).
- Consortium member of the Caipipendi (37.5% interest, containing the Margarita and Huacaya fields), Charagua (20% interest, in the process of being relinquished) and Tarija XX West (25% interest, containing the Itaú field) blocks.

2013 Key events

- In 2013, new phases of development came onstream at Margarita and Itaú.
- First gas from Margarita Phase II occurred in September. This increased total production capacity at Margarita from around 25 kboed to around 42 kboed, net to BG Group.
- The Itaú Phase II development came onstream in December and increased net production capacity from around 3 kboed to approximately 10 kboed with the connection of two new wells. The facility

2013 Key events continued

was previously expected to come onstream in the third quarter.

- In 2012, BG Group was awarded the 4 500 square kilometre Huacareta Block; the final contract was approved by Congress in December 2013 and it became effective in January 2014.

Outlook

- Huacareta seismic surveys are planned for 2015.

INDIA

- 2013 net production 20 kboed (2012: 25 kboed).
- 30% interest in, and joint operators of, Mid and South Tapti gas fields and Panna/Mukta (PMT) oil and gas fields.
- 30% interest in, and operator of, block KG-DWN-2009/1 in the Krishna Godavari Basin.
- 50% interest in, and operator of, the deep-water block MB-DWN-2010/1.

2013 Key events

- The drilling campaign at the PMT fields continued.
- BG Group is in the process of securing government approvals for the Mukta B phase of development at the PMT fields.
- The acquisition of approximately 2 000 km of 2D seismic data in block MB-DWN-2010/1 was completed. Processing of data is in progress.

Outlook

- Enhanced recovery from the PMT fields is planned through incremental development of existing fields via well intervention and infill drilling, as well as evaluating new projects.
- Complete 2D seismic processing and interpretation in 2014 in block MB-DWN-2010/1.

*** BG Group view, not the operator or relevant consortium. These figures have been independently certified by a report commissioned by BG Group.

AUSTRALIA

- 2013 net production 25 kboed (2012: 25 kboed).
- The Group is developing a two-train 8.5 mtpa liquefaction plant on Curtis Island in Queensland.
- Exploration and development of onshore coal seam gas (CSG) acreage in the Surat Basin.
- Exploring CSG acreage in the central Bowen Basin.
- Exploring deep gas sands potential in the southern reaches of the Bowen Basin.
- Exploring shale gas potential in the Cooper Basin.
- Total net resources in Australia of more than 22 tcf.
- BG Group currently supplies more than 20% of the State of Queensland's gas demand.

2013 Key events

- In the upstream, drilling activity continued to ramp up with 769 wells drilled during the year, taking the total by year end to more than 1 900 wells drilled since inception.
- The central processing plant (CPP) and three of the six planned field compression stations (FCSs) in the Ruby Jo area began commissioning in November, with the three remaining FCSs expected to start commissioning in the first quarter of 2014.
- The first major water treatment facility at Kenya was commissioned and first water exported in July. Construction continues on the northern water treatment plant at Woleebee Creek. They will have a combined capacity to treat around 200 megalitres per day.
- The pipeline infrastructure – the 200-kilometre gas collection header and 340-kilometre export pipeline – was completed and gas flowed through the pipeline system onto Curtis Island in December. The pipeline is now pressured up to full operating conditions.
- Exploration activity continued with production testing of pilot CSG wells in the Bowen Basin, a seismic survey of the Bowen Basin deep gas sands and a four-well Cooper Basin programme, targeting shale gas and tight gas sands.

2013 Key events continued

- The agreements with CNOOC which include the sale of certain interests in the QCLNG project were completed in November.
- BG Group has contracted short-term third-party gas supplies to maximise volumes through the LNG trains and optimise value in the commissioning phase.

Outlook

- On Curtis Island, the first LNG tank was hydrotested in the first quarter of 2014. In the second quarter, the commissioning of gas turbine generators will start.
- Six FCSs and the CPP are expected to start up in the Ruby Jo area in the first half of 2014. Three FCSs and the CPP are expected to start up in the Bellevue area by the third quarter of 2014.
- First LNG is expected in the fourth quarter of 2014 from Train 1, with Train 2 coming onstream about six months later.
- The Group is ahead of schedule for the 2 000 wells required for first LNG. This is set to expand to around 6 000 over the life of the project.
- Ongoing exploration activities in the Surat CSG, Bowen CSG and tight gas sands and Cooper Basin shale.

NORWAY

- 2013 net production 2 kboed (2012: 3 kboed).
- Production is currently from the Gaupe field (BG Group 60% and operator).
- BG Group has 12 licences, eight as operator.

2013 Key events

- BG Group was awarded blocks PL679S (BG Group 60% and operator) and PL688 (BG Group 50%) in February and completed the disposal of its interests in the Bream licence (PL407) in December.
- In September, BG Group announced that the start-up of the Knarr Integrated Project (Central and West

2013 Key events continued

combined) would be delayed by approximately four months due to changes in the FPSO design.

Outlook

- First production from Knarr field is anticipated in the fourth quarter of 2014.

DISCOVERIES AND EXPLORATION ACREAGE/NEW DEVELOPMENTS

CANADA

- BG Group is developing the Prince Rupert LNG project that would link gas resources in north-eastern British Columbia to a proposed liquefaction site near Prince Rupert, with plans for LNG export to Asian markets.

2013 Key events

- In April, a project description was filed with Canadian environmental regulatory agencies, launching the environmental review of the proposed LNG plant. This will run alongside a review of the pipeline, which is in partnership with Spectra Energy.
- An application to the National Energy Board for an LNG export licence received a favourable decision

2013 Key events continued

in December. A final decision will be made by the Governor in Council.

Outlook

- Development work will continue ahead of a sanction decision which is expected to be made by the end of 2016, with first LNG in 2020 at earliest.

HONDURAS

- Sole licence holder of an offshore block covering approximately 35 000 square kilometres.

2013 Key events

- In April, BG Group signed an Operating Contract for an exploration licence and subsequent exploitation, covering approximately 35 000 square kilometres, offshore Honduras, which became effective in July after congressional approval.

Outlook

- BG Group will conduct a gradiometry survey in 2014.
- The Group will plan and acquire 2D and 3D seismic surveys to mature drillable prospects.

KENYA

- Operator of two offshore blocks L10A (BG Group 50%) and L10B (BG Group 45%).

2013 Key events

- A second 3D seismic acquisition campaign was completed in January.

Outlook

- The first exploration well, Sunbird-1, spudded in January 2014.

TANZANIA

- BG Group is the operator of offshore Blocks 1, 3 and 4, in which it has a 60% interest.
- To date, BG Group has made nine consecutive gas discoveries.
- The Group currently estimates total gross recoverable resources in current discoveries across its interests to be around 15 tcf, with further exploration upside.

2013 Key events

- On Block 1, a drill stem test (DST) on Jodari-1 flowed at 70 mmscfd and on Mzia-2 flowed at 57 mmscfd, both rates were equipment constrained. In July, the Mkizi-1 gas discovery was made and the Mzia-3 appraisal well completed in November.
- On Block 4, the Ngisi-1 well made a gas discovery, the Pweza-2 well and Pweza-3 DST were completed successfully, and an appraisal well was drilled on the Chewa discovery.

2013 Key events continued

- A site proposal for a prospective LNG plant was submitted to the government, in cooperation with the Block 2 participants.

Outlook

- Further seismic acquisition and appraisal activity.
- LNG plant pre-FEED work and development planning to commence in 2014.

URUGUAY

- BG Group is operator of, and has 100% interest in, Blocks 8, 9 and 13, offshore Uruguay.

2013 Key events

- In the first quarter, BG Group commenced a 3D seismic programme, acquiring 7 350 square kilometres in the first phase. The second phase started in the fourth quarter.

Outlook

- Completion of the seismic work programmes is expected in 2014.

OPERATING REVIEW

LNG SHIPPING & MARKETING

TOTAL OPERATING PROFIT*

$2 643m

2012 $2 577m

+3%

DELIVERED VOLUMES

10.9mtpa

2012 12.1mtpa

-10%

2013 SUMMARY

In BG Group's LNG Shipping & Marketing business, the focus is on optimising its LNG sales into high-value markets and advancing the proposed Lake Charles LNG supply project.

2013 delivered volumes declined 10% to 10.9 mtpa including eight fewer cargoes from Egypt, as well as five fewer from Nigeria, following supply disruptions.

On the marketing side, key 2013 events were: the start of LNG sales into the Singapore market in the second quarter of 2013 under the Group's aggregator agreement; the completion of LNG supply agreements to CNOOC and GSPC; and the receipt of a key approval for the Lake Charles export project.

FURTHER DETAIL?

Additional detailed information can be found online or in our Data Book at **www.bg-group.com/databook**

LNG CARGO DESTINATIONS

FULL YEAR 2013
178
LNG CARGOES DELIVERED
2012: 197

* For a reconciliation between business performance and total results, see note 1, page 98.

BG Group delivers its first LNG cargo to Singapore
The first BG Group cargo arrived on board our own LNG vessel, the Methane Kari Elin.

LNG SHIPPING

- BG Group has a core fleet of LNG ships that it owns or has under long-term charter. In addition, the Group contracts additional shipping as required on a short or medium-term basis to capture business opportunities and maintain a balanced shipping position.
- BG Group deploys a competitive, flexible and safe LNG shipping portfolio.

2013 Key events

- During 2013, BG Group utilised between 23 and 30 LNG ships at any one time.
- As part of the LNG sales agreements signed with CNOOC in 2010 and 2013, BG Group and partners CNOOC and China LNG Shipping (Holdings) Co. tendered for the design and construction of up to four LNG vessels to serve the Group's global LNG trading needs.
- In 2013, BG Group secured modern newbuild LNG ships to support the growth in LNG volumes in the Group's portfolio.

Outlook

- Agreement for the sale and leaseback of three LNG vessels expected to close in the first half of 2014.
- BG Group will increase its fleet of modern fuel-efficient LNG ships as it prepares for new LNG volumes.

REGASIFICATION

- BG Group has regasification capacity rights in the USA through terminals at Lake Charles, Louisiana and Elba Island, Georgia.
- BG Group has 50% equity ownership of the Dragon LNG import terminal at Milford Haven in Wales.

2013 Key events

- In September, BG Group completed the sale of the Group's remaining 20% equity in the Quintero LNG terminal in Chile for $176 million. This follows the sale of an initial 20% equity in Quintero which completed in September 2012. BG Group retains long-term agreements to supply the terminal.

Outlook

- Submission of FERC application for conversion of Lake Charles regasification plant into an LNG export facility.

MARKETING

- BG Group has a portfolio of flexible LNG supplies that can be deployed globally to capture greater margin opportunities.
- The Group's current contracted LNG supply is around 13 mtpa which is sourced from BG Group equity LNG projects in Egypt and Trinidad and Tobago, as well as purchases from third-party projects in Equatorial Guinea and Nigeria. In addition, BG Group has contracted LNG supply of around 14 mtpa from the QCLNG and Sabine Pass projects that are currently anticipated to commence operations in 2014 and late 2015 respectively.
- BG Group is engaged in marketing LNG to buyers throughout the world, both on a long and short-term basis. The combination of flexible supply, shipping capacity and commercial capability enable BG Group's strategic approach to LNG marketing. In addition to marketing its own contracted portfolio of volumes, the Group also buys and sells spot LNG cargoes.
- The Group has a number of long-term contracts in place to supply customers with LNG.
- As at 31 December 2013, BG Group has supplied 25 of the 27 markets able to import LNG and bought LNG from 12 of the 17 LNG-producing countries.

2013 Key events

- Delivered LNG volumes totalled 10.9 mtpa. These volumes were lower than the contracted amount of around 13 mtpa due to lower supply from Egypt and disruptions in Nigeria.
- In total, BG Group delivered 178 cargoes to 15 countries during the year.
- In May, BG Group delivered the first commercial cargo to Singapore's new LNG terminal on Jurong Island under its LNG aggregator agreement with Singapore's Energy Market Authority. BG Group has access to Singapore via an exclusive arrangement for the first 3 mtpa of supply. LNG cargoes will supply a variety of industrial customers, including six large-scale power generation companies.
- In November, the Group completed an agreement with CNOOC for the sale of a further 5 mtpa of LNG for 20 years. The LNG will be sourced from BG Group's global LNG portfolio, beginning in 2015. Combined with the 3.6 mtpa LNG sale agreement signed in March 2010, BG Group's total committed LNG sales to China will be 8.6 mtpa.
- BG Group completed an LNG supply agreement with Gujarat State Petroleum Corporation Limited. BG Group will initially supply 1.25 mtpa of LNG beginning in 2015 and for up to 20 years, potentially increasing to 2.5 mtpa after two years.
- Construction of the Sabine Pass LNG terminal continued.

2013 Key events continued

- BG Group signed a project development agreement with Energy Transfer for the Lake Charles liquefaction project setting out the commercial arrangements. Energy Transfer will own and finance the new liquefaction facility, with a subsidiary providing the pipeline to transport natural gas to the project. BG Group will contract for the majority of the offtake. The project received conditional approval from the Department of Energy (DOE) for sales of up to 15 mtpa of LNG to non-free trade agreement countries.

Outlook

- Twenty-year sale of 3.6 mtpa to CNOOC commences in 2014.
- Sale of up to 122 cargoes over 21 years to Chubu Electric commences in 2014.
- Agreement with Gujarat State Petroleum Corporation for the initial supply of 1.25 mtpa of LNG beginning in 2015.
- Twenty-year sale of 1.2 mtpa to Tokyo Gas commences in 2015.
- A further 20-year sale of 5 mtpa to CNOOC commencing in 2015.
- LNG exports from Sabine Pass are currently anticipated to begin in late 2015. BG Group will purchase 5.5 mtpa of LNG over a 20-year period.

OUTLOOK

The Group's priority is the delivery of its key operational and growth project milestones in 2014.

2014 priorities
Key deliverables in 2014 are:

- in Australia, to commission QCLNG, which is on track to deliver first LNG in the fourth quarter;
- in Brazil, to connect more wells to FPSO 2 and FPSO 3 and to bring onstream FPSOs 4 and 5;
- to continue the Group's extensive exploration programme; and
- to advance new LNG supply options.

This will be achieved with less capital than was required in 2013, a downward trend which is expected to continue. The Group's priority is the delivery of key operational and growth project milestones which are set out below.

2014 QUARTERLY MILESTONES

Q1
- Brazil – FPSO 2 second well connected.
- Thailand – Bongkot South Phase 4b.

Q2
- Brazil – FPSO 3 second well connected.
- QCLNG – commissioning of gas turbine generators.

Q3
- Egypt – start-up of WDDM Phase 9a.
- Brazil – FPSO 4 onstream.

Q4
- QCLNG – first LNG.
- UK – West Franklin Phase 2 start-up.
- Trinidad and Tobago – Starfish onstream.
- Norway – Knarr onstream.
- Brazil – FPSO 5 onstream.

* Brent Oil price $100/bbl (real) in 2014 and 2015, US Henry Hub (real) $4.0/mmbtu in 2014 and $4.25/mmbtu in 2015.
** Free cash flow is defined in the **Glossary**, page 147. Guidance is provided at the Group's Reference Conditions as shown on page 147.

2014 production outlook
In 2014, BG Group expects production volumes to decline from 633 kboed in 2013 to 590-630 kboed, of which base assets will contribute 480-520 kboed, excluding any portfolio changes. Brazil and Australia are expected to deliver strong year-on-year growth, which will be offset by declines in Egypt ahead of Phase 9a coming onstream in the third quarter. Additionally, the low rig count in the USA should result in a volume decline similar to that in 2013. Overall, the volumes from other base assets are expected to be broadly flat. Production is expected to grow in the UK as Jasmine ramps up to capacity over the first quarter of 2014, but this growth will likely be offset by declines to the rest of the base assets. Gross production in Trinidad and Tobago should remain on plateau, but BG Group's entitlement under the Production Sharing Contract (PSC) is expected to fall due to higher realised prices in 2013. There is a marked seasonal profile to production through the year, with maintenance planned in the second and third quarters and a strong ramp-up in the fourth quarter as a number of new assets come onstream.

2014 E&P unit costs
In 2014, unit operating costs are expected to rise from $12.17 per boe to $15.50-$16.25 per boe at the Group's Reference Conditions*. Unit lifting costs are expected to rise as a result of lower production volumes in the base assets, particularly Egypt, the enhanced asset integrity programme in the UK and the continued build-out of capacity in Australia and Brazil. Another contributor to rising operating costs is royalties which will increase as a result of the growing proportion of royalty-bearing revenues, principally in Brazil and Bolivia. The unit depreciation, depletion and amortisation (DD&A) rate charge is also expected to increase, from $11.29 per boe in 2013 to $12.25-$13.00 per boe, reflecting the new developments coming onstream.

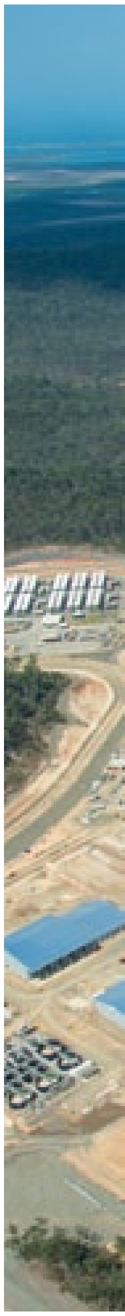
2014 LNG outlook
In 2014, BG Group expects LNG Shipping & Marketing total operating profit to decline from $2.6 billion to $2.1-$2.4 billion at the Group's Reference Conditions*. The Group expects lower supply volumes from Egypt and reference conditions are lower than realised prices in 2013. There is considerable uncertainty over the number of LNG cargoes that Egyptian LNG will produce in 2014.

2014 exploration outlook
During 2014, much of the exploration activity will be focused on advancing new prospects, particularly in Uruguay, Honduras and the Barreirinhas Basin in Brazil, as well as the Group's recently acquired position in offshore Colombia. This activity is expected to provide high-impact drilling opportunities in 2015 and beyond. In terms of frontier exploration, the first well in Kenya spudded in January 2014 and the Group is currently evaluating the results of the Notus well in Egypt. The Group will continue to pursue exploration and appraisal opportunities in Tanzania to optimise the field development plan and in Australia to extend and potentially expand BG Group's QCLNG project.

2015 outlook
The Group expects production for 2015 to be 710-750 kboed, excluding any portfolio changes. The increase in volumes in 2015 will be led by growth from Brazil and Australia, partially offset by expected PSC entitlement reductions in Kazakhstan.

In 2015, BG Group expects similar dynamics in its LNG business as in 2014, combined with the impact of planned shut downs at Equatorial Guinea LNG.

Planned capital expenditure is expected to fall to between $8-$10 billion and the Group expects to be free cash flow positive** in 2015.



Constructing the Queensland Curtis LNG (QCLNG) terminal, Curtis Island, Australia
The QCLNG project includes the construction of a two-train LNG plant on Curtis Island.

FINANCIAL REVIEW

"The Board has recommended a 10% increase in the full-year dividend to 28.75 cents per share, reflecting its continued confidence in the Group's prospects."

SIMON LOWTH
CHIEF FINANCIAL OFFICER

2013 FINANCIAL HIGHLIGHTS

- Business performance* total operating profit down 5% at $7.6 billion.
- Business performance* EPS in line with 2012 at 128.6 cents.
- Non-cash post-tax impairments of $2.4 billion in Egypt and the USA.
- Total results** EPS down 33% at 64.8 cents.
- Net cash inflow from operating activities of $7.8 billion.
- Capital investment on a cash basis of $11.2 billion, with $5.9 billion invested in Australia.
- Initial two-year portfolio rationalisation programme completed which will release $8.5 billion of capital.
- Cash and cash equivalents increased to $6.2 billion; gearing at 24.8%.
- Full-year dividend increased by 10% to 28.75 cents per share.

In 2013, BG Group's business performance total operating profit decreased 5% to $7.6 billion as higher revenues – due to a greater proportion of oil in the portfolio and a favourable LNG cargo delivery mix – were more than offset by the impact of increased operating costs and depreciation, depletion and amortisation (DD&A) charges in the Upstream segment.

Business performance earnings were in line with the prior year at $4.4 billion, with a lower effective tax rate of 41.0% (2012: 44.5%) offsetting the operating profit decline.

Total results earnings of $2.2 billion were $1.1 billion lower than 2012 and included $2.4 billion post-tax impairments of certain of the Group's Egypt and US upstream assets.

The Group expects 2013 to represent the peak in its extensive investment programme. Capital investment on a cash basis in 2013 was $11.2 billion (2012: $10.4 billion) and was focused on the Group's major projects in Australia, Brazil, the UK and Egypt.

In 2013, the Group completed its initial two-year portfolio rationalisation programme which will release $8.5 billion of capital. Asset disposals in 2013 delivered a $4.6 billion cash inflow and included the sale of certain interests in the QCLNG project in Australia to China National Offshore Oil Corporation (CNOOC). Active portfolio management will continue in line with the Group's strategy, which includes monetising, through production or disposal, up to 50% of discovered resources in the next 10 years.

Net cash inflows from operations after tax and interest decreased by $0.2 billion to $7.3 billion (2012: $7.5 billion). Free cash outflow after capital investment, dividends from joint ventures and associates and net loan replayments was $3.6 billion (2012: $2.4 billion outflow). The Group expects to be free cash flow positive*** in 2015.

BG Group ended the year in a sound financial position, with $6.2 billion of cash and cash equivalents, and net debt and gearing broadly in line with the end of 2012, at $10.6 billion and 24.8%, respectively.

Earnings and earnings per share

Business performance earnings were $4 374 million (EPS 128.6 cents) in 2013 compared with $4 379 million (EPS 128.9 cents) in 2012. Total results earnings for continuing operations were $2 205 million (EPS 64.8 cents) in 2013 compared with $3 293 million (EPS 97.0 cents) in 2012, and were impacted by $2.4 billion of non-cash post-tax impairments of certain Egypt and US upstream assets (2012: $1.3 billion non-cash post-tax impairment of certain US shale gas assets).

A five-year summary from 2009 to 2013 of the financial results of BG Group's operations is set out on page 142.

Dividend

The Board recommends a full-year dividend of 28.75 cents per share (18.02 pence per share), an increase of 10%, reflecting its continued confidence in BG Group's prospects.

In considering the dividend level, the Board takes account of the outlook for earnings growth, cash flow and the balance sheet position.

* Unless otherwise set out in this Financial review, financial information for BG Group is based on the Group's business performance. For a reconciliation between business performance and total results, see note 1, page 98 and note 9, page 110.

** Total results EPS and earnings figures set out in this Financial review are the Group's total results for continuing operations including disposals, certain re-measurements and impairments.

*** Free cash flow is defined in the **Glossary**, page 147. Guidance is provided at the Group's Reference Conditions as shown on page 147.

FINANCIAL RESULTS
BUSINESS PERFORMANCE*

	Revenue and other operating income[a]		Total operating profit[b]	
	2013 $m	2012[c] $m	2013 $m	2012[c] $m
Upstream	**12 158**	11 954	**4 967**	5 467
LNG Shipping & Marketing	**7 655**	8 074	**2 643**	2 577
Other activities	**7**	12	**6**	6
Less: intra-Group revenue	**(719)**	(1 077)		
	19 101	**18 963**	**7 616**	**8 050**
Net finance costs[d]			**(203)**	(152)
Taxation[d]			**(3 039)**	(3 519)
Earnings			**4 374**	**4 379**

(a) Includes other operating income of $15 million (2012: $13 million) in the Upstream segment and $(106) million (2012: $17 million) in the LNG Shipping & Marketing segment.
(b) Total operating profit includes the Group's share of pre-tax operating profits from joint ventures and associates.
(c) 2012 results have been restated to reflect the adoption of the amended IAS 19 in respect of defined benefit pension obligations.
(d) Includes the Group's share of joint ventures and associates.

TOTAL OPERATING PROFIT*

$7 616m

2012 $8 050m

-5%

EARNINGS PER SHARE*

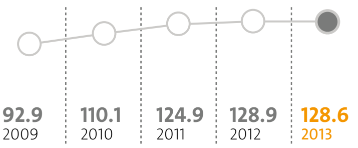
128.6cents

2012 128.9 cents

0%

Earnings per share*

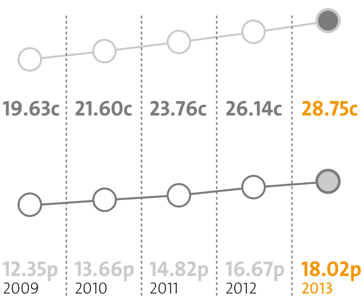
128.6
2013 (cents)



Full-year dividend per share

28.75
2013 (cents)

18.02
2013 (pence)



The final dividend for the year of 15.68 cents per share has been converted to Pounds Sterling (9.51 pence per share) at the average of the closing exchange rate for the three business days preceding the business day before the Group's fourth quarter announcement on 4 February 2014, and will be paid on 30 May 2014. For further information on BG Group's dividend, see note 8, page 110.

Portfolio rationalisation
In 2013, BG Group completed its initial two-year portfolio rationalisation programme, which will release $8.5 billion of capital. Cash proceeds in 2013 from asset disposals totalled $4.6 billion.

In March, BG Group completed the sale of all of its interests in the non-core conventional producing assets and acreage in the Cotton Valley formation in east Texas and north Louisiana in the USA for $131 million.

In June, BG Group completed the sale of its 65.12% holding in Gujarat Gas Company Limited (GGCL) in India for INR 24.6 billion ($422 million).

In September, BG Group completed the sale of its remaining 20% equity in the Quintero LNG terminal in Chile for $176 million. This followed the sale of the Group's initial 20% equity in Quintero, which completed in September 2012.

In November, BG Group completed transactions with CNOOC for the sale of certain interests in the QCLNG project in Australia for $1 930 million. Additionally, CNOOC reimbursed BG Group for its share of QCLNG project expenditure incurred from 1 January 2012 to 30 September 2013, bringing total consideration to $3 801 million. From 1 October 2013, CNOOC is funding project expenditures commensurate with its new equity holding.

Also in November, BG Group completed the sale of its entire 50% equity holding in TGGT, a joint venture midstream company operating in east Texas and north Louisiana, to Azure Midstream Energy, LP (Azure). BG Group received net cash of $240 million along with a $17 million stake in Azure, equating to an approximate 3% equity holding.

During the year, the Group also completed the disposal of its interests in the Norwegian PL407 licence, MetroGAS S.A. and the Bolivia-to-Brazil pipeline for aggregate proceeds of $131 million.

Upstream
Total operating profit of $4 967 million (2012: $5 467 million) was 9% lower as favourable changes in the production mix, arising from a greater proportion of oil in the portfolio, were more than offset by lower production volumes, higher operating costs and higher DD&A charges.

Production volumes were 4% lower at 230.9 mmboe, as decreases, primarily in Egypt and the USA, were only partly offset by new developments coming onstream. The Group's average daily production was 633 kboed.

PROFIT FOR THE YEAR

	2013 Business performance $m	2013 Disposals, re-measurements and impairments $m	2013 Total results $m	2012[a] Business performance $m	2012[a] Disposals, re-measurements and impairments $m	2012[a] Total results $m
Total operating profit[b]	**7 616**	**(3 453)**	**4 163**	8 050	(1 414)	6 636
Net finance costs[c]	**(203)**	**65**	**(138)**	(152)	(25)	(177)
Taxation[c]	**(3 039)**	**1 219**	**(1 820)**	(3 519)	353	(3 166)
Profit/(loss) for the year – continuing operations	**4 374**	**(2 169)**	**2 205**	4 379	(1 086)	3 293
Profit/(loss) for the year – discontinued operations	**–**	**245**	**245**	–	1 324	1 324
Non-controlling interest	**–**	**9**	**9**	–	94	94
Earnings – continuing operations	**4 374**	**(2 169)**	**2 205**	4 379	(1 086)	3 293
Earnings – discontinued operations	**–**	**236**	**236**	–	1 230	1 230
Earnings	**4 374**	**(1 933)**	**2 441**	4 379	144	4 523
Earnings per share (cents) – continuing operations	**128.6**	**(63.8)**	**64.8**	128.9	(31.9)	97.0
Earnings per share (cents) – discontinued operations	**–**	**6.9**	**6.9**	–	36.2	36.2

(a) 2012 results have been restated to reflect the adoption of the amended IAS 19 in respect of defined benefit pension obligations.
(b) Includes the Group's share of pre-tax operating profits in joint ventures and associates.
(c) Includes the Group's share in joint ventures and associates.

The Group's average realised oil price decreased 2% to $108.61 per boe and the liquids price decreased 3% to $92.50 per boe, reflecting movements in market prices. The Group's average realised gas price increased 4% to 46.59 cents per therm, reflecting a favourable change in the mix of fields and increased spot sales in the UK.

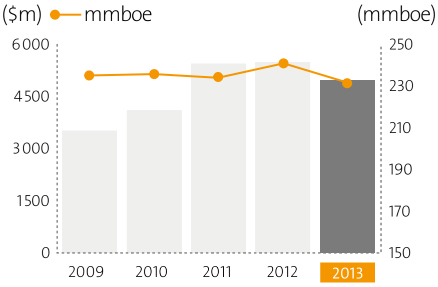
Unit lifting costs* increased to $7.07 per boe in 2013 (2012: $6.06 per boe), driven by the cost of new developments coming onstream, most notably in Brazil, and the investment in the enhanced asset integrity programme in the UK.

Unit royalties and other operating costs rose to $5.10 per boe (2012: $4.19 per boe), reflecting the growing revenue contribution from royalty-paying assets, primarily Brazil and Bolivia.

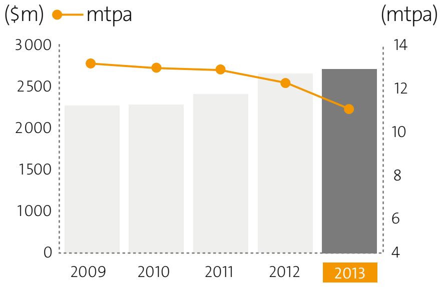
In 2014, unit operating expenditure, comprising lifting costs, royalties and other operating costs, is expected to be $15.50-$16.25 per boe at the Group's Reference Conditions.**

Other E&P costs, which include production costs not directly incurred in fields, such as the costs of shipping Brazilian oil, together with pre-production costs and corporate overheads attributable to E&P activities, declined to $4.01 per boe (2012: $4.23 per boe). These costs will trend upwards in the midterm as oil shipping costs increase with production growth in Brazil and as third-party gas supplies

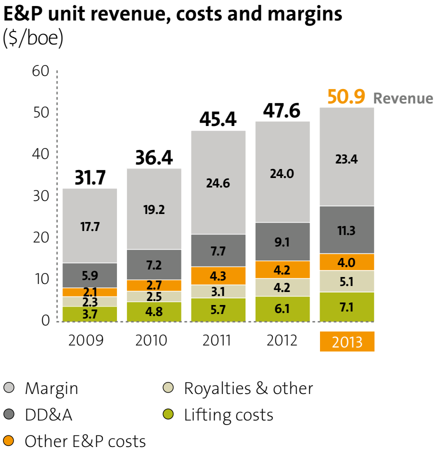
Upstream total operating profit and production volumes



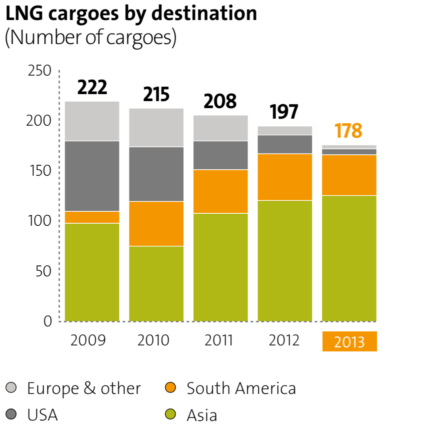
LNG Shipping & Marketing total operating profit and delivered volumes



E&P unit revenue, costs and margins



LNG cargoes by destination



* See **Glossary**, page 147.
** The Group's Reference Conditions are shown on page 147.

QCLNG terminal, Curtis Island, Australia
Constructing one of the LNG storage tanks.

are introduced to support the commissioning and ramp-up of QCLNG in Australia.

The unit DD&A charge increased by $2.24 per boe to $11.29 per boe due to a combination of new developments coming onstream, most notably in Brazil, and the impact of reserves revisions, particularly in Egypt and the UK. In 2014, the unit DD&A charge is expected to increase to $12.25-$13.00 per boe at the Group's Reference Conditions**.

While unit costs increased in 2013, this was partially offset by an improved revenue mix, including the increased proportion of oil in the Group's production portfolio. Average unit revenues increased by approximately $3.30 per boe in 2013 resulting in an improvement of approximately $1.60 per boe in the EBITDA margin, but a decline of approximately $0.60 per boe in the EBIT margin. Looking ahead, BG Group expects margins per boe to improve over time, through the combination of an increasing proportion of higher-margin assets in its portfolio, longer-term production growth to leverage fully the Group's fixed costs, and a clear focus on cost efficiency.

Gross exploration expenditure in 2013 was $1 658 million (2012: $1 220 million). Capitalised exploration expenditure included in gross exploration expenditure was $1 341 million (2012: $855 million).

BG Group's Upstream business also includes liquefaction operations associated with integrated LNG projects. BG Group's share of operating profits from its interests in liquefaction businesses increased 3% to $360 million (2012: $351 million), primarily as a result of higher prices at Atlantic LNG, partly offset by lower profits at Egyptian LNG following a change in the tolling fee arrangements.

In 2013, business development costs of $113 million (2012: $30 million) were incurred in the Upstream segment in progressing the Group's potential integrated LNG projects in western Canada and Tanzania.

LNG Shipping & Marketing
Total operating profit in 2013 increased 3% to $2 643 million (2012: $2 577 million) as a result of a favourable cargo delivery mix, with increased deliveries to high-value Asian markets combined with lower hedging losses, partly offset by fewer cargo deliveries and lower margins, including the impact of a pricing change on cargoes delivered to Chile. In 2013, BG Group delivered 178 LNG cargoes, 19 fewer than 2012, including 13 fewer long-term supply cargoes (eight from Egypt, five from Nigeria, following supply disruptions) and six fewer spot cargoes. Deliveries comprised 127 to Asia, 41 to South America, six to the USA, two to Europe, one to Mexico and one to the UAE (2012: 197 cargoes – 122 Asia, 47 South America, 19 USA, eight Europe and one UAE).

Business development spend on the Lake Charles export project and other costs totalling $123 million (2012: $132 million) were expensed.

BG Group expects total operating profit for the LNG Shipping & Marketing business in 2014 to be $2.1-$2.4 billion at the Group's Reference Conditions, reflecting lower supply volumes from Egypt and Reference Conditions lower than realised prices in 2013. There is considerable uncertainty over the number of LNG cargoes that Egyptian LNG will provide in 2014.

Finance costs
In 2013, BG Group's net finance costs, before re-measurements and including the Group's share of finance costs for joint ventures and associates, were $203 million (2012: $152 million) and included foreign exchange losses of $44 million (2012: foreign exchange losses of $29 million and $23 million interest received on tax refunds). In 2013, finance costs of $522 million (2012: $457 million) were capitalised. Total net finance costs, including re-measurements and BG Group's share of finance costs from joint ventures and associates, amounted to $138 million (2012: $177 million).

Taxation
BG Group's effective tax rate for 2013 (including the Group's share of joint venture and associates' tax) was 41.0% compared with 44.5% in 2012. The reduction reflects a change in the mix of profits and one-off changes in tax positions across a number of jurisdictions, including a 1% reduction resulting from the revision of opening deferred tax balances following changes to UK taxation rates enacted in the third quarter of 2013. The Group's effective tax rate in 2014 is expected to be around 41%.

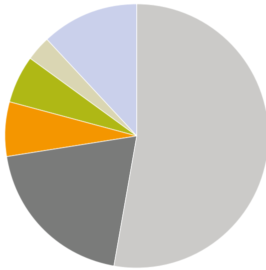
BG Group's total tax charge in 2013, before disposals, re-measurements and impairments and including the Group's share of taxation from joint ventures and associates, was $3 039 million (2012: $3 519 million).

CASH GENERATION AND DEPLOYMENT[(a)]

	2013 $m	2012 $m
Net cash inflow from operating activities	7 817	7 995
Net interest	(560)	(541)
Net cash inflow from operations after tax and interest	**7 257**	**7 454**
Capital investment on a cash basis	(11 215)	(10 407)
Dividends from joint ventures and associates and loan repayments	332	573
Free cash flow	**(3 626)**	**(2 380)**
Disposal proceeds	4 601	2 939
Dividends paid	(923)	(859)
Net change in borrowings and other financing	1 652	1 191
Net increase in cash and cash equivalents	**1 704**	**891**
Cash and cash equivalents at end of period[(b)]	**6 208**	**4 520**
Net debt at end of period	**10 610**	**10 624**

(a) The layout and captions of this table differ from that required under IFRS in order to set out the components of free cash flow, which is a key performance metric for management and investors.
(b) Cash and cash equivalents at 31 December 2013 includes cash in assets held for sale of $nil (31 December 2012: $86 million).

Capital investment on a cash basis by country
(Total $11.2bn)



$5.9bn Australia
$2.2bn Brazil
$0.8bn UK
$0.6bn Egypt
$0.4bn Tanzania
$1.3bn Other

For the year ended 31 December 2013.

BG Group's tax charge in 2013, including disposals, re-measurements and impairments and the Group's share of taxation from joint ventures and associates, was $1 820 million (2012: $3 166 million). In 2013, the tax charge on disposals, re-measurements and impairments included a $1 416 million credit (2012: $441 million) in relation to disposals and impairments and a $100 million charge (2012: $100 million) that arose on the fair value re-measurement of certain commodity contracts.

Capital investment

Capital investment on a cash basis in 2013 was $11 215 million (2012: $10 407 million).

Capital investment on a cash basis in Upstream in 2013 was $11 180 million (2012: $10 099 million), including $5 944 million (2012: $5 043 million) in Australia and $2 202 million (2012: $1 553 million) in Brazil.

Capital investment on a cash basis in 2013 in LNG Shipping & Marketing was $23 million (2012: $18 million) and for the Other segment and discontinued operations was $12 million (2012: $290 million).

BG Group expects capital expenditure to be lower in 2014, having passed the peak of its extensive investment programme focused principally on Australia and Brazil in 2013.

Cash flow

In 2013, net cash flows from operating activities decreased 2% to $7 817 million (2012: $7 995 million), reflecting lower profits and a higher working capital cash outflow, mainly due to lower cash margin call inflows on hedged LNG contracts. Net interest paid increased slightly to $560 million (2012: $541 million).

Investing activities in 2013 included payments to acquire property, plant and equipment and intangible assets of $10 605 million (2012: $9 974 million) and capital expenditure on investments of $610 million (2012: $433 million), partially offset by dividends and loan repayments of $332 million (2012: $573 million), resulting in a net free cash outflow of $3 626 million (2012: $2 380 million).

The Group expects to be free cash flow positive* in 2015.

Cash proceeds in 2013 from the disposal of subsidiary undertakings and non-current assets amounted to $4 601 million (2012: $2 939 million). In 2013, this mainly comprised proceeds from the portfolio rationalisation activities described on page 33, in particular, the sale of certain interests in the QCLNG project in Australia to CNOOC.

Dividends paid to the Group's shareholders in 2013 accounted for cash outflows of $923 million (2012: $859 million).

Net cash inflows from borrowings and other financing amounted to $1 652 million (2012: $1 191 million), including $1 620 million net proceeds from the issue and repayment of borrowings (2012: $1 189 million).

As at 31 December 2013, the Group held $6 208 million cash and cash equivalents as a result of an increase in cash and cash equivalents in 2013 of $1 704 million**.

Financing and capital

Total equity as at 31 December 2013 of $31 960 million was $988 million lower than 2012 (31 December 2012: $32 948 million), primarily due to the impairments of certain Egypt and US shale gas assets during the year.

As at 31 December 2013, net borrowings were $10 610 million (2012: $ 10 624 million) and the gearing ratio was 24.8%.

As at 31 December 2013, BG Group's share of third-party net borrowings in joint ventures and associates amounted to approximately $0.6 billion (2012: $1.3 billion), including BG Group shareholder loans of approximately $0.7 billion (2012: $0.7 billion). These net borrowings are taken into account in BG Group's share of the net assets in joint ventures and associates, which are accounted for using the equity method.

* Free cash flow is defined in the **Glossary**, page 147. Guidance is provided at the Group's Reference Conditions as shown on page 147.
** This figure excludes a cash outflow of $16 million due to the effect of foreign exchange rate changes.

Details of the maturity, currency and interest rate profile of BG Group's borrowings as at 31 December 2013, and details of movements in the Group's net borrowings during the year, are shown in note 17, page 115. Details of the Group's cash and cash equivalents as at 31 December 2013 are shown in note 16, page 115.

BG Group's principal borrowing entities are BG Energy Holdings Limited (BGEH) and certain wholly owned subsidiary undertakings. The majority of whose borrowings are guaranteed by BGEH (collectively BGEH Borrowers).

BGEH is the Group's principal credit-rated entity. As at 19 March 2014, BGEH had long-term credit ratings of A- from Fitch Ratings Limited, A2, negative outlook from Moody's Investors Service Limited and A- from Standard & Poor's; and short-term credit ratings of F-2 from Fitch Ratings Limited, P-1, negative outlook from Moody's Investors Service Limited and A-2 from Standard & Poor's.

As at 31 December 2013, BGEH had aggregate undrawn committed revolving bank borrowing facilities of $2.2 billion expiring in 2016 and $3.0 billion expiring in 2017. There are no restrictions on the application of funds under these facilities. As at 31 December 2013, BGEH also had $1.8 billion of undrawn credit facilities provided by an export credit agency, subject to documentation.

As at 31 December 2013, BGEH Borrowers had a $4.0 billion US Commercial Paper Programme and a $2.0 billion Euro Commercial Paper Programme, both of which were unutilised, and a $15.0 billion Euro Medium-Term Note Programme, of which $9.0 billion was unutilised. In addition, BGEH had uncommitted borrowing facilities, including multi-currency lines, overdraft facilities of £45 million and credit facilities of $20 million, all of which were unutilised.

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

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

Commitments
BG Group has a growing number of commitments in respect of LNG ships in support of its expanding LNG portfolio and floating production, storage and offloading (FPSO) vessels required for production operations in Brazil and Norway. LNG ships will continue to be owned, or chartered either under long-term arrangements (which are generally classified as finance leases) or short-term arrangements (which are generally classified as operating leases). FPSO commitments are currently arranged through operating leases. For further information on the Group's commitments, see note 22, page 125.

Disposals, re-measurements and impairments
The following items, described as 'disposals, re-measurements and impairments' are excluded from business performance as exclusion of these items provides a clearer presentation of the underlying performance of the Group's ongoing business. For a full reconciliation between BG Group's total results and business performance, see note 1, page 98. For further details of amounts comprising disposals, re-measurements and impairments, see note 4, page 105.

Disposals, re-measurements and impairments in respect of continuing operations in 2013 amounted, in aggregate, to a loss of $3 453 million before tax and interest (2012: $1 414 million), see note 1, page 98.

Of this, re-measurements included within other operating income in 2013 comprised a pre-tax gain of $210 million (2012: $237 million) in relation to mark-to-market movements on long-term commodity contracts and economic hedges. This comprised a non-cash gain of $33 million (2012: $55 million charge) attributable to the Upstream segment and a $177 million gain (2012: $292 million) attributable to the LNG Shipping & Marketing segment.

Operating costs comprised a curtailment gain of $154 million (2012: $nil) in respect of the closure, at the end of December 2013, of the BG Group UK defined benefit pension scheme to future accrual of benefits.

Disposals and impairments amounted to a loss of $3 817 million pre-tax (2012: $1 651 million) and $2 401 million post-tax (2012: $1 210 million).

In the fourth quarter of 2013, a pre-tax impairment charge of $2 000 million ($1 286 million post-tax) was recognised in relation to BG Group's upstream operations in Egypt. The impairment charge resulted from reserves revisions and revised expectations of the value of the Group's Egyptian operations, given continuing uncertainty over the business environment in country. In addition, there was a pre-tax charge of $1 700 million ($1 105 million post-tax) in relation to the impairment of the Group's shale gas business in the USA. The impairment charge resulted from lower forward gas market prices, lower production expectations based on well performance and the continued low rig count.

The second quarter of 2013 included a pre-tax charge of $171 million (post-tax $94 million) in respect of the impairment of certain E&P assets as a result of a reserves revision.

In 2012, total results included a $1 800 million pre-tax charge in respect of the impairment of certain assets associated with the shale gas business in the USA (post-tax $1 295 million) and a $154 million pre-tax impairment charge (post-tax $34 million) against Upstream assets in Norway.

In November 2013, BG Group completed transactions with CNOOC for the sale of certain interests in the QCLNG project in Australia for total consideration of $3 801 million, resulting in a pre and post-tax profit on disposal of $31 million, and also completed the sale of its 50% holding in TGGT in the USA, resulting in a pre-tax profit on disposal of $187 million (post-tax $98 million).

The third quarter of 2013 included a pre-tax profit of $140 million (post-tax $107 million) in respect of the disposal of the Group's remaining 20% equity in the Quintero LNG regasification facility in Chile.

2013 results also included a pre-tax charge of $126 million (post-tax $83 million) as a result of land relinquishments in the USA.

In 2012, a pre-tax profit of $404 million was recognised on the disposal of 10% of the Group's 32.5% interest in the Karachaganak gas-condensate project (post-tax $168 million). The Group also completed the sale of the initial tranche of 20% equity in the Quintero LNG regasification facility in Chile which resulted in a pre-tax profit on disposal of $146 million (post-tax $110 million).

Other disposals, impairments and other items in 2013 resulted in a pre-tax charge to the income statement of $178 million (2012: $247 million) and a post-tax charge of $69 million (2012: $159 million).

Profit for the year in respect of discontinued operations was $245 million (2012: $1 324 million). This comprised the post-tax results of those businesses classified as discontinued operations, and the post-tax profit or loss recognised on disposal or on re-measurement to fair value, less costs of disposal of the businesses. In 2013, it included a post-tax profit of $245 million in relation to the disposal of the Group's 65.12% interest in GGCL in India (2012 included a $916 million post-tax profit in relation to the sale of the Group's 60.1% holding in Comgás in Brazil).

SIMON LOWTH
CHIEF FINANCIAL OFFICER

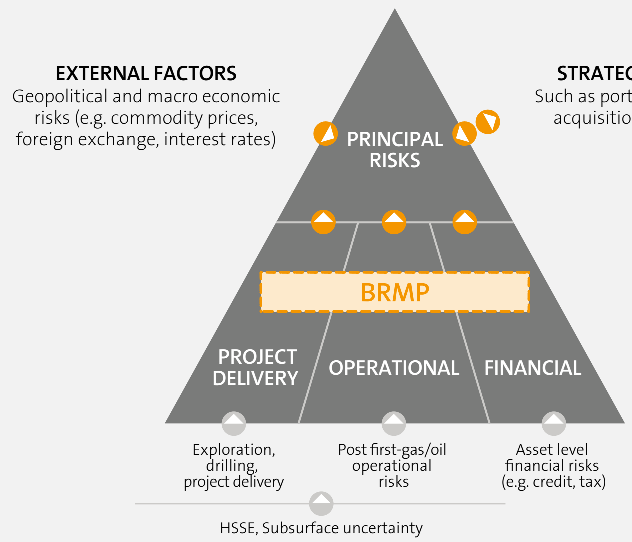
PRINCIPAL RISKS AND UNCERTAINTIES

Effective assessment and management of the Group's principal risks, and monitoring of associated controls and sources of assurance, is integral to the Group's management and governance processes.

BG Group's approach to risk management and internal control is articulated and managed through the Group's Enterprise Risk Management (ERM) Framework.

The ERM Framework is the process by which:
- the nature and extent of the Group's principal risks are identified and assessed;
- the Board and management determine which of those risks the Group is willing to accept and manage in the pursuit of its strategic, financial and business objectives;
- the Group evaluates the risks it faces in the short and longer term;
- the Group puts in place appropriate management systems to mitigate those risks;
- the management and mitigation of risks (via associated internal controls) are monitored and assured through ongoing Board and management oversight processes;
- the effect of uncertainty on the Group's cash flow and earnings profiles is modelled and used as an input to decision making; and
- the Group seeks to optimise its capital structure and allocation, and its portfolio, on a risk adjusted basis.

BG Enterprise Risk Management Framework



One of the key components of the Group's overall ERM Framework is the Business Risk Management Process (BRMP). The BRMP is a bottom-up process that facilitates the identification, assessment and management of project delivery, operational and financial risks within the assets and central functions. The Group's Risk Management Committee, a sub-Committee of the Group Executive Committee (GEC), receives quarterly updates on these bottom-up risks, how they are being managed and, where appropriate, mitigated, as reported through the BRMP.

The BRMP risks, taken together with the top-down risks to achieving our strategic goals identified at a corporate level, presents the overall view of risk within the Group, and forms the basis of the principal risks and uncertainties discussed in this report. The GEC and Board receive updates on the principal risks and how they are being managed and mitigated.

MANAGING THE GROUP'S PRINCIPAL RISKS

The Board's risk priorities in 2013
The Board considers the full range of principal risks facing BG Group. However, during 2013, certain issues have received additional prominence in Board discussions. The principal risks upon which the Board has been most focused in 2013 include:

PROJECT AND MILESTONE DELIVERY

Successful delivery of the Group's major growth projects safely, to schedule and on budget, while optimising operational and cost performance in existing producing assets, and in line with the expectations of the market, remains a critical success factor of the Group.

Each year, the Group provides quarterly milestones for the year ahead that underpin the Group's longer-term expectations for: (i) progress against its strategic objectives; and (ii) production, unit cost and capital expenditure levels. In formulating these milestones, and longer-term financial and operational metrics, the Group undertakes a detailed forecasting and planning process, with oversight and assurance from central Group functions, the GEC and the Board. During 2013, a rigorous challenge and assurance process was undertaken to validate the Group's business plan assumptions. Building on this process, the Group's business plan and forecasting processes will remain subject to regular review and assurance in 2014, with any further recommendations for improvement being considered by management and the Board.

The Group's businesses around the world are, however, exposed to a number of risks and uncertainties that could, individually or taken together with others, have a material adverse effect on project delivery for 2014, other guidance provided by the Group to the market (including in relation to production, cash flows, operating profit and operating and capital expenditure) and, in turn, shareholder returns, including dividends and BG Group's share price. Some of these risks involve factors outside the Group's control (for example, the operations of non-controlled joint ventures, weather, contractor performance, unplanned outages or political events).

Australia
In Australia, substantial progress on delivering the QCLNG project was made during the year, and the Board visited QGC in November 2013 to review progress and meet with the management team charged with delivery of the project. A number of important milestones were reached, providing the Group with confidence that the project remains on budget and on schedule to deliver first LNG in the fourth quarter of 2014.

Notwithstanding this progress in 2013, and the consequent project de-risking that has occurred, a number of cost, schedule and commercial risks remain, owing to the overall project's inherent scale and complexity, involving the integration of three major projects in themselves: upstream coal seam gas (CSG) development (drilling, compression facilities, and water treatment plants); the export pipeline from the CSG fields to the Queensland coast; and the commissioning and start-up of the LNG plant on Curtis Island.

Key risks to Phase 1 of the project include sub-surface uncertainty, construction workforce productivity, industrial relations, the commissioning and start-up of upstream facilities and the LNG plant,

PROJECT AND MILESTONE DELIVERY CONTINUED

Australia continued

the impact of possible adverse weather events, management of ramp gas during LNG plant commissioning, contractor performance during the remainder of the project, residual land access issues and environmental permitting. In particular, as the Group continues to undertake commissioning work for installed infrastructure, there may be unforeseen difficulties constraining the Group's ability to be flexible on the sequencing of such work, which could introduce further cost and schedule uncertainty.

Looking forward to the next phase of overall QCLNG development, the Group's ability to optimise value from the project is dependent on there being a sufficient supply of gas to the plant, combined with optimising future capital expenditure and schedule. To mitigate well performance and sub-surface uncertainty, the Group continues to update the priority of wells within our drilling programme to reflect developing knowledge of the sub-surface, and we are progressing with an exploration and appraisal programme. The Group is also accessing short-term third-party volumes to deliver into QCLNG. To mitigate future capital expenditure and schedule uncertainty, lessons learnt from the first phase of QCLNG are being applied to optimise execution schedules and contracting strategies.

Brazil

The development of Brazil's Santos Basin pre-salt fields is one of the largest and most technically and commercially complex oil and gas plays in history. While residual uncertainty remains as to the nature and productivity of the reservoirs, as the appraisal programme matures our understanding and confidence in these world-class resources improve.

Good cost and schedule progress was made in 2013, with two further floating production, storage and offloading (FPSO) units brought online and the next two due to be brought online in 2014. However, any delays in receiving, installing or making critical sub-sea equipment operational, or the non-availability of specialised vessels, could have a material impact on the ability to ramp up operations as planned. The Board and senior management received regular updates during 2013 and were given the opportunity to challenge cost and schedule progress.

BG Group works in partnership with the operator, Petrobras, to optimise field development, but any commercial, technical or schedule misalignment could have a material impact on BG Group's field development plans and expectations. In addition, any eventual constraints on the ability of Petrobras to fund their significant investment programme could also have an impact on joint development plans.

Egypt

During 2013, the Board focused heavily on evaluating the impact of the evolving political, business and economic environment in Egypt and received regular updates from senior management.

Despite the temporary evacuation of non-essential expatriate staff, operations of the Rosetta and WDDM production facilities, along with ongoing drilling activity, continued unaffected. As one element of the recovery plan for reducing production decline in the WDDM concession, BG Group and its partner approved the next phase of development (Phase 9a) for WDDM in February 2013. However, higher than agreed gas volumes were directed to the Egyptian domestic market, impacting volumes available for LNG export and reducing supply options in the Group's LNG shipping and marketing business. This led the Group to issue Force Majeure notices to buyers in January 2014. 2013 results included a non-cash, post-tax impairment of $1.3 billion in Egypt, due to reserves revisions and revised expectations of the value of the Group's Egyptian operations, given continuing uncertainty over the business environment in country. As at 31 December 2013, the Group's receivable balance from Egypt General Petroleum Corporation (EGPC) in respect of domestic gas sales was $1.2 billion, of which $0.5 billion was overdue. The recovery of receivables, further investment and the realisation of the carrying value of the Group's Egyptian operations remain dependent on the business environment in Egypt, which BG Group continues to monitor closely. The Group will continue to negotiate with Egyptian authorities and other stakeholders to seek a long-term solution. Further detail on the role of the Audit Committee in considering this impairment and the recoverability of the EGPC receivables is set out on page 57.

CAPITAL REQUIREMENTS, LIQUIDITY AND INTEREST RATES

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

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

Funding plans are updated throughout the year and are subject to review and challenge by the Finance Committee. Base and downside cases are presented, together with funding proposals for each. Probabilistic outcomes of cash flows are derived using cash flow at risk studies that take account of potential variations in, and correlations between, commodity prices, exchange rates, project delivery and operational performance. Refer to the principal risk disclosure on Commodity Prices and Exchange Rates on page 40 for further detail.

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

BG Group is exposed to liquidity risks, including risks associated with refinancing borrowings as they mature and the risk that financial assets cannot readily be converted to cash without loss of value. The Group invests surplus funds primarily in short-term, liquid investments that are readily convertible to cash, and imposes limits on the amount of borrowings that can mature within any specific period. In addition, the Group maintains access to a minimum level of committed borrowing facilities, to be used as a source of back-up liquidity. These facilities, which are held with a diversified group of major banks, totalled $5.2 billion and were undrawn as at 31 December 2013.

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

CONCENTRATION RISK

Over the coming decade, BG Group will be increasingly exposed to portfolio concentration risk on both the supply and demand side. In 2013, BG Group produced hydrocarbons in 12 countries, with no more than 18% coming from any one, and sold LNG to companies in 15 countries, with no more than 34% to any one market. As our large growth projects in Brazil and Australia progress, the Group's supply portfolio will become more dependent on these two countries.

In addition, as a substantial portion of the Group's LNG will be destined for China, BG Group's exposure on the demand side will become increasingly weighted towards that country.

Concentration risk was discussed in particular detail at the Board Planning Conference in 2013 and will remain a topic for Board consideration during 2014.

MANAGING THE GROUP'S PRINCIPAL RISKS CONTINUED

LICENCE TO OPERATE

BG Group works in partnership with governments and national oil companies to secure access to new resources and successfully monetise existing resources. This partnership is most effective when it fully reflects the socio-economic, environmental and political impact of the activities of BG Group and its partners. Increasingly, pressures from populations and advocacy groups have led to unforeseen changes in regulatory or legal conditions. There are political pressures in many countries where BG Group operates. Specifically, socio-political instability in Egypt in 2013 continued to impact the business environment negatively and contributed to higher volumes of production being directed to the domestic market than expected in 2013.

In common with others in the sector, BG Group expects to see this area of risk increase over coming years. This may be exacerbated if BG Group does not recognise, and take account of, the interests and rights of the communities where it operates. The Group must create, maintain and strengthen its licence to operate wherever it does business.

Initiatives that were discussed by the Board in 2013, with the objective of strengthening our licence to operate, included continuing to build relationships with all interested and affected parties in Australia, our social investment programme and engagement on macroeconomic risks in Tanzania, consultation with indigenous peoples in Honduras prior to commencing aerial surveys, and ongoing social and environmental work in western Canada.

CYBER SECURITY RISK

As for many organisations, cyber security risk to BG Group has increased in recent years. Increasingly sophisticated techniques from an ever growing number of sources are being used to target the Group. These may seek to compromise or attack computer networks to obtain information and/or cause harm. The consequences of this activity could include financial loss, information loss, disruption of business operations or the unavailability of systems. The Group is responding by detection, investigation and mitigation measures, including through the use of specialist third-party service providers.

During 2013, the Audit Committee undertook a detailed review of the Group's approach to the mitigation of cyber security risk. This review highlighted the high-level monitoring activity conducted by and on behalf of the Group. The Committee also received the results of an independent maturity assessment completed against the '10 Steps to Cyber Security' guidelines issued by the UK Government Communication Headquarters.

ASSET INTEGRITY, SAFETY, HEALTH AND SECURITY

Oil and gas exploration and production activities carry significant inherent risks relating to asset integrity, major accident hazards (including marine incidents) and well control incidents. Incidents may result in loss of life or injury to members of the public or BG Group employees and contractors, damage to the environment or damage to facilities. There may be associated loss or deferment of production and revenues or delay/cancellation of exploration activities. Other occupational safety risks associated with the Group's activities may be present, including from driving. The Group may also incur costs associated with mitigation, recovery and compensation.

BG Group is exposed to security threats and works closely with governments and industry bodies to identify and manage them. Acts of terrorism, piracy, civil unrest or criminality may affect the Group's employees and contractors, plants and offices, pipelines, transportation or computer systems, and could severely disrupt its business and cause harm to people and the environment. BG Group has a crisis management programme to respond to such events. The programme is based on a three-tier approach of local emergency response, asset-level incident management teams and, for the most serious incidents, a Group-level crisis management team. Response plans and procedures have been developed and are tested regularly, including through simulations of event scenarios. In 2013, the Group activated its crisis plans to deal with the public disorder and political turmoil that affected Egypt and the Board closely followed the safe and successful evacuation of non-essential expatriate employees and their families from Egypt.

The Group seeks constantly to improve controls and barriers designed to prevent incidents occurring or to mitigate their impact, and has developed improved processes for managing HSSE risks during 2013. Contractor safety management is recognised as an essential part of good safety management. The Group seeks to ensure that its worldwide contractor community understands and applies the Group's safety culture and processes. In seeking to reduce to as low as reasonably practicable the risk of asset failure, it is mandatory for every operated asset to have a Safety Case in place that identifies and describes associated hazards, and to have measures in place to manage them.

The Board, through the Sustainability Committee, continues to take an active role in the review and management of safety and asset integrity performance and, during 2013, reviewed and challenged this performance at regular intervals.

BG Group is also subject to various health and safety laws in jurisdictions around the world. Failure to comply with such laws could impact the Group's reputation, could have an adverse effect upon the willingness of stakeholders to work with the Group, or could affect its licence to operate in any particular territory. New laws and regulations may result in BG Group having to introduce operating procedures or curtail or cease certain operations, which could diminish productivity and materially and adversely impact the results of operations.

OTHER PRINCIPAL RISKS TO BG GROUP (IN ALPHABETICAL ORDER)

COMMODITY PRICES AND EXCHANGE RATES

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

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

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

The Group does not hedge all commodity prices as a matter of course, but may hedge certain expected commodity sales, LNG contracts and other revenue streams from time to time. In marketing its energy portfolio, BG Group may undertake commodity hedging and trading activities, including the use of option contracts, futures contracts (financial and physical), forward-based contracts and swap contracts.

COMMODITY PRICES AND EXCHANGE RATES CONTINUED

The standalone value of hedges can move significantly, potentially increasing the volatility of cash required for margin calls and the accounting profit recognised within a particular quarter.

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

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

COUNTERPARTY RISK

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

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

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. Further information can be found in the **Financial statements**; see note 18, page 117.

ENVIRONMENT AND CLIMATE CHANGE

Policies and initiatives at national and international level to address climate change may affect business conditions and demand for energy sources. Policy approaches that promote use of alternative energy sources, such as renewables and nuclear power, may affect the Group's ability to maintain its position in key markets. Additionally, regulations intended to establish greenhouse gas (GHG) emissions trading schemes, taxes or performance standards could alter hydrocarbon production economics. In 2013, BG Group was subject to carbon taxes/pricing in Australia, and the European Emissions Trading System in the UK and Norway.

BG Group's activities may adversely affect the environment through the release of hydrocarbons or chemicals, including maritime oil spills, noise pollution, management of produced water, the visual impact of gas and oil infrastructure and the emission of pollutants. Release of hydrocarbons may result in significant fines, liabilities or other losses. Onshore or marine ecological habitats may also be adversely impacted by drilling, well operations, pipelines and other infrastructure. In Brazil, the Group's oil spill exposure continues to grow as more oil is produced in the Santos Basin and shuttle tanker operations increase significantly. Measures to tackle loss of biodiversity, together with policies intended to protect local habitats, may limit access to reserves in areas deemed to be environmentally sensitive. There are a range of stakeholder concerns related to the production of hydrocarbons using hydraulic fracturing techniques. These include the potential for contamination or depletion of local water sources, impact upon the natural environment and the possibility that such operations may cause minor seismic events. In addition, local communities may have concerns about the impact on their land and property rights. As a result, there is a risk that laws or regulations in this area may increase cost, attract adverse publicity or restrict or prohibit the successful delivery of projects.

Our internal management approach aims to reduce impacts and risks related to the natural environment throughout the lifecycle of an asset. BG Group's Business Principles commit us to making a positive contribution to the protection of the environment, to meet internationally accepted best practice and reduce to as low as reasonably practicable the effects of our operations on the environment. We implement these principles through our HSSE Policy and Environmental Standard. All BG Group operated assets have their environmental management system independently certified to ISO 14001. BG Group's Climate Change Public Position commits the Group to reducing GHG emissions intensity and details its approach to managing the risks of climate change.

GEOPOLITICAL AND MACROECONOMIC RISKS

As noted above, BG Group's cash flows and profitability are sensitive to commodity prices for crude oil, natural gas, LNG and other hydrocarbons. A significant slowdown in global demand for oil would impact oil prices and hence revenues. Such an outcome could be driven by a variety of macroeconomic and geopolitical factors outside of BG Group's control.

On the macroeconomic front, for instance, there could be a serious slowdown in China and/or other emerging markets. Another risk is the threat of a US debt default or another government shutdown/budget impasse. Although the eurozone appears to have exited the crisis zone, continued economic weakness in the area remains an ongoing source of uncertainty. Any or all of these issues could have serious consequences for global financial markets and hence global growth and commodity prices.

On the geopolitical front, there remains the potential for instability in the Middle East to affect both the demand and the supply side of global energy markets. Tensions in East Asia between China and Japan, and between North and South Korea, are also notable geopolitical risks.

GOVERNMENT TAKE (CONTRACT RENEGOTIATION, TAXATION, EXPROPRIATION) OR OTHER ACTION

Governments or regulators may act or intervene in a way that diminishes or destroys value for BG Group, through expropriation of assets or property, or by altering fiscal or other commercial terms governing oil, gas and LNG operations for the industry generally or BG Group specifically. These may include the imposition of higher taxes, royalties or local content or domestic market requirements, especially where such government or regulatory bodies face financial pressures. Governments may also act in a way that delays project schedules or increases costs, thus eroding value.

BG Group's risk exposure in this area is continuous and evolving. In 2013, there was an ongoing debate around legislative, regulatory and fiscal frameworks for the oil and gas industry in Tanzania and Kenya; there were federal elections in Australia that featured debate around energy policy; and state elections in British Columbia highlighted LNG projects such as that which BG Group is currently evaluating. Various fiscal-related discussions are also ongoing in Brazil. BG Group works closely with its partner Petrobras and the relevant Brazilian authorities to achieve a balanced outcome on such issues.

OTHER PRINCIPAL RISKS TO BG GROUP CONTINUED

HUMAN RESOURCES (CAPACITY/CAPABILITY)

BG Group's performance, operating results and future growth depend on its ability to attract, retain, motivate and organise sufficient people with the appropriate level of expertise and knowledge. Competition for talented, suitably experienced and qualified specialists in upstream exploration and production and other project development and technical areas is intense.

BG Group takes a systematic approach to resourcing to ensure it can meet its long-term human resource needs, operating short and long-term resourcing demand models to predict and manage the people requirements that underpin the Group's business plans. The Group aims to identify the best people through succession planning and talent management, coupled with effective recruitment.

INSUFFICIENT EXPLORATION SUCCESS/RESERVES REPLACEMENT

Sustaining long-term reserves replacement and production growth is a key part of BG Group's strategy. Reserves replacement is affected by the ability to mature resources into reserves in a timely manner. This may occur for many reasons, including successful discovery and development of hydrocarbon resources; the acquisition of sufficient new resource opportunities; sufficient field appraisal; reservoir quality and performance; accurate interpretation of received data; drilling conditions or costs; rig availability; availability of suitable human or technical resources; and regulatory and/or commercial issues.

There may be insufficient addition of new resources and reserves to enable future economically viable production and maintain production growth. Competition for exploration and development rights and access to gas and oil resources is intense and requires continuous innovation. Where such rights are awarded, there is no guarantee that hydrocarbons in commercially viable quantities will be discovered. Maturation of discovered resources may not optimise value. The quantity and quality of geological, technical and economic data may ultimately prove insufficient for estimating resources and reserves. Data may be inaccurate. The Group's ability to interpret data appropriately may be limited. Insufficient pre-sanction field appraisal may lead to sub-optimal project sanction and/or field development plans.

Gas and oil reserves and resources cannot be measured precisely. The estimation process involves subjective judgements. In joint ventures, estimates of total reserves and resources may not align with the estimates of partners (including operators). In addition, actual reservoir performance may be lower than estimated. Estimates of reserves and resources may be subject to revisions. Changing regulations and guidelines may lead to changes in the estimation and classification of reserves. Increased regulation (for example, environmental) may delay, prevent or make more costly the maturation of resources and reserves. Changes to tax rules or a decline in the price of gas or oil may make reserves and/or resources, previously deemed to be recoverable, uneconomic to develop. Changes to gas and oil prices in fields subject to Production Sharing Contracts (PSC) may result in revised entitlements. Changes in perspectives on political risk may also result in reserves and resource changes arising from PSC extension expectations and/or equity reductions.

BG Group also faces risks from unfavourable unitisation decisions wherever the Group holds an interest in a field that may extend outside the boundaries of concession or licensing areas. Unitisation is technically and commercially complex and involves not only a negotiation based on interpretation of data, but also requires in-depth knowledge of local laws. Unitisation decisions could also work in the Group's favour.

The Group Reserves Committee, chaired by the Executive Vice President, BG Advance, provides an independent review of the Group's reserves process and considers any material changes to the reserves and resources estimates. The Reserves Committee reports annually to the Audit Committee the endorsed final reserves and discovered resource estimates, setting out the process used to determine these final estimates.

MERGERS, ACQUISITIONS AND DISPOSALS

The Group's strategy to manage its portfolio more actively depends on targeting new investments and disposals effectively, focusing its portfolio on a limited number of high-quality, valuable assets, and delivering its major growth projects. BG Group may fail to make or successfully integrate acquisitions, or fail to complete divestment agreements. Acquisitions may result in significant unanticipated costs and liabilities, including the cost of effectively integrating acquisitions to realise efficiencies, and impairment or restructuring charges. The Group may be liable for past acts or omissions, and liabilities it has acquired may be unforeseen or greater than anticipated. There may be delays in completing an acquisition. The Group may also retain unforeseen liabilities for divested businesses if the buyer fails to honour its commitments or the Group agrees or is obliged to retain such liabilities.

Board approval is required for material acquisitions and divestments. BG Group undertakes business, legal, tax and financial due diligence prior to acquisition or divestment to seek to identify and evaluate material risks and plan the integration or business separation process. The Group carries out post-investment reviews to assess the integration and performance of material acquisitions.

PARTNER DEPENDENCY

A material portion of BG Group's business is conducted by joint ventures, associates, partners, contractors or sub-contractors. In many cases, BG Group is not the operator or does not have full operational control and, in these instances, BG Group has a dependency on third parties to achieve its strategic and business objectives in a safe manner and on time and budget.

Where the Group works in joint ventures in which it does not exercise sole control, it may have more limited influence over ventures and how they are managed. Management of these non-controlled joint ventures may vary from BG Group's own management and operating standards, controls and procedures (including in relation to health, safety and environmental risks, as well as ethical conduct and technical and operational matters). Nonetheless, BG Group endeavours to influence these ventures to adopt improved standards, controls and procedures if it is felt that current practices do not adequately address significant risks or result in sub-optimal performance.

While the Group strives to be strategically aligned with all partners, in some instances a partner's business interests may not be in alignment with those of BG Group. Where the Group is a non-operator, its partner(s) may determine a field development plan that is not aligned to that of BG Group. Where BG Group is the operator of a joint venture, the partner(s) may be able to veto or block certain decisions and this may be to BG Group's overall detriment.

PROJECT SELECTION AND SANCTION

Selection of capital efficient projects is critical to BG Group's future growth, reputation and financial position.

Significant issues that can impact the selection and sanction of developments include: insufficient understanding of subsurface uncertainties (through ineffective and/or insufficient appraisal and data gathering), well engineering risks (including unexpected drilling conditions or geological irregularities), non-availability of skilled front-end resources, equipment and materials availability and cost, poor contractor performance, environmental factors, permitting, landowner agreements, governmental and regulatory requirements, key stakeholder reactions, and variations in macroeconomic conditions. In cases where BG Group is in a joint venture, development

PROJECT SELECTION AND SANCTION CONTINUED

of opportunities, including appraisal, concept selection and pre-sanction engineering, may not fully be under the control of the Group.

BG Group has a common and consistent approach to delivering excellence and managing risk across all principal activities. Furthermore, BG Group has a Value Assurance Framework that delivers rigorous assurance of projects throughout their lifecycle, with independent reviews and decision points at the end of each stage to inform selection on a portfolio basis. All major projects are subject to an independent third-party cost and schedule risk analysis prior to final investment decision.

Recognising the importance of the front-end of project development, a programme was established in 2013 to strengthen existing capabilities. Enhancements are underway in several areas, with emphasis on effective decision making during stages of the project lifecycle, management of risks and subsurface uncertainties, future front-end skills requirements, transition of venture manager accountabilities between stages, and best practices on engaging with external stakeholders and joint venture partners. The Group will continue to focus on these enhancements during 2014.

REGULATION, LEGISLATION AND LITIGATION

The oil, gas and LNG industry is subject to legislation, regulation and intervention by governments worldwide in matters such as financial reporting; the award and governance of exploration and production interests and export licences; the imposition of specific drilling and domestic supply obligations and requirements; access to land and facilities; environmental, ethical conduct and health and safety controls and permits; decommissioning; and regulated commodity trading. Group business activities are conducted in many different countries and are therefore subject to a broad range of such legislation and regulation. The cost and risks of compliance can therefore be significant.

Any actual or perceived non-compliance with applicable laws and/or regulations could lead to regulatory investigations, censure, litigation and/or legal or regulatory disputes or sanctions (including financial penalties, debarment from award of government contracts and the curtailment or cessation of operations), as well as reputational damage. In addition, in some countries, governments are facing greater pressure on public finances, leading to a risk of increased government take.

BG Group faces the risk of contractual disputes and litigation in all the countries in which it operates, and the risk of counterparties (including governments) failing to honour contractual commitments. BG Group continues to manage disputes in many different countries (see note 22 (E) to the **Financial statements**).

Corruption risk is heightened in some countries. When considering entering new countries/territories, BG Group performs cross-functional due diligence to identify corruption and other risks. The Group's future portfolio may change such that corruption risk increases over time. BG Group does not tolerate corruption in any form, whether direct or indirect. The Group is bound by the UK Bribery Act 2010, the US Foreign Corruption Practices Act (in certain subsidiaries) and any local legislation that may apply. Corruption risk is managed through a risk-based anti-bribery and corruption (ABC) compliance programme that includes training, policies and procedures, risk management, due diligence, contract management and independent monitoring. Implementation of the programme is subject to the Group's control and influence over its business activities, which is less in non-operated and non-controlled joint ventures. An independent consultancy is engaged to assess implementation of the Group's ABC Framework in high-risk assets. The Group's Speak Up Policy provides the framework for whistleblowing and investigations and is the basis for how allegations of breaches of laws, regulations, Group Policies and Business Principles are handled.

SUBSURFACE RISK

Inherent uncertainty in the development of oil and gas discoveries could lead to detrimental well and reservoir performance outcomes that may impact both short-term production volumes and ultimate hydrocarbon volume recovery.

Development plans are designed to be robust, given subsurface risks and uncertainties; however, these plans are based upon the limited sampling and testing of only a small fraction of the total reservoir volume through the placement of exploration and appraisal wells supplemented by subsurface imaging techniques. All data is subject to judgemental interpretation.

BG Group actively manages subsurface risk through the adoption of a common and consistent subsurface workflow and modelling processes implemented by subsurface experts and supported by relevant Group Standards and Guidelines. Framing, uncertainty management and decision risk analysis are also some of the techniques used to identify and mitigate risks to ensure that robust and flexible development strategies are designed and executed. All discoveries are subjected to review and challenge via a stage-gated value assurance process.

Ongoing well and reservoir surveillance, reservoir management and modelling is undertaken throughout a discovery's lifecycle to ensure that reservoir performance is understood as new data is acquired. Mitigation and optimisation activities are put in place to both protect and maximise value.

The Group scrutinises and seeks to influence our non-operated and joint venture activities through the execution of parallel work programmes, placement of subsurface experts in joint venture teams and the review of the operator's subsurface processes and modelling work scopes.

IMPORTANT NOTES

Risk identification and assurance

While BG Group has developed processes for identifying and managing risk, these processes provide reasonable, rather than absolute, assurance and are designed to help manage, rather than eliminate, risk. It is not possible to be certain that such processes will be successful in managing these risks effectively or at all, not least because not all of these risks and uncertainties are within BG Group's control. Risk management processes are therefore no guarantee that all risks have been identified, or will not materialise, or that associated losses will not occur. In addition to the principal risks and uncertainties listed here, the Group may also be affected adversely by other risks as yet unforeseen or currently considered not to be material. Shareholders should consider the principal risks and uncertainties described in this section in conjunction with the **Legal notice** on the inside cover.

Insurance

Some of the major risks involved in BG Group activities cannot reasonably and economically be insured. The transfer of risks to the insurance market may be affected and influenced by constraints on the availability of cover, market appetite and capacity, pricing, and the decisions of regulatory authorities. BG Group may incur significant losses from different types of risks that are not covered by insurance.

The Group maintains an insurance programme to provide some mitigation against significant losses, which, as is consistent with general industry practice, includes limited cover for physical damage, removal of debris, control of wells, re-drill, sudden and accidental pollution, and employer's and third-party liabilities. Policies purchased are subject to limits, deductibles and specific terms and conditions. In addition, premium costs are subject to changes based on a company's loss experience, the overall loss experience of the insurance markets accessed and capacity constraints. Insurance is, by its nature, contingent. As such, any particular insurance claim made might not result in a full recovery from insurers.

CORPORATE GOVERNANCE

Board visit to Australia
Andrew Gould, Chairman, and Chris Finlayson, Chief Executive, view progress at the QCLNG terminal, Curtis Island, during the Board's visit to Australia in November 2013.

The Board of Directors and Group Executive Committee, and our approach to corporate governance and remuneration.

CHAIRMAN'S OVERVIEW

"I welcome open, meaningful discussion with all of our shareholders, particularly with regard to our governance, strategy and remuneration."

Structure of the report

This report sets out how BG Group is governed and the key activities of the Board of Directors in promoting effective governance during 2013. Further information on how the Group complied with the UK Corporate Governance Code during 2013 is set out on pages 62 and 63.

The Board and I are committed to the highest standards of corporate governance which I believe are critical to business integrity and performance, and in maintaining shareholder confidence. I value greatly a spirit of openness, and mutual trust and respect, around the Board table. This Board culture, supported by a diverse and complementary range of expertise and perspectives, and a flow of information that is both proper and timely, will support the Board in anticipating coherently the principal risks and opportunities for BG Group in delivering its shorter-term milestones and building a long-term, sustainable and successful business.

BG Group is fully compliant with the UK Corporate Governance Code.

Strategy
During the first half of 2013, the Board and I spent time actively supporting Chris ahead of the presentation of his new strategy to investors in May. Investor feedback was that the new strategy, with its commitment to a more actively managed portfolio and to capital discipline, had landed successfully. The Board's primary task now is to ensure that the first phase of the new strategy is executed diligently and rigorously.

This task is in even sharper focus following the disappointing announcement in January 2014 concerning our operations in Egypt and the USA and the downward revisions to our 2014 outlook.

Focus on project delivery
The Board has continued in 2013 to focus on the successful delivery of the Group's major growth projects in Australia and Brazil. At the same time, the Board continued to evaluate performance and output from the Group's existing producing base assets, as well as the next generation of projects that will help to secure BG Group's future growth. The Board has also devoted time to the evaluation of the impact of the evolving political and economic environment in Egypt on the Group's business. The Board sanctioned the development of Phase 9a for West Delta Deep Marine in February 2013 and retained significant oversight of the ongoing discussions with the Egyptian government regarding domestic offtake levels and the outstanding debt due to the Group.

New Senior Independent Director
During 2013, Baroness Hogg indicated her intention to stand down from the role of Senior Independent Director, reflecting the completion of nine years as a Director of the Company. I would like to thank Sarah for her guidance and support during my first two years as Chairman and I am pleased that she has agreed to remain on the Board for a further year to provide continuity. Dr John Hood was appointed as the new Senior Independent Director with effect from 1 January 2014 and, through my close workings with John in his role as Chairman of the Remuneration Committee, I feel confident that he is well placed to continue Sarah's good work.

Appointment of Chief Financial Officer
The Board spent considerable time during 2013 overseeing the search for a new Chief Financial Officer and Executive Director of the Board. The appointment of Simon Lowth to this role was announced in July 2013 and became effective on 2 December 2013. Chris and I look forward to building a strong relationship with Simon as he helps guide the Group to achieve its strategic objectives. I would also like to thank Den Jones for his strong support to Chris during his period as Interim Chief Financial Officer.

Other changes to Board composition
As noted on page 61, Martin Houston stepped down from the Board with effect from 13 November 2013. I would like to thank Martin for his outstanding contribution to the growth of BG Group, in particular its unique LNG model. In addition, Peter Backhouse has confirmed his intention to retire at the conclusion of the 2014 Annual General Meeting (AGM) in recognition of his near 14-year service on the Board. Peter's considerable contribution to the Board has been highly valued by myself and his fellow Directors. As I noted in the 2012 Annual Report, Lim Haw-Kuang joined the Board as a Non-Executive Director in March 2013. Separately, I am pleased to welcome Martin Ferguson and Pam Daley as new Non-Executive Directors. Pam joined the Board, and Martin joined the Board and the Sustainability Committee, on 1 January 2014.

Continuity and diversity
The recent appointments, made through a well-managed and progressive process of Non-Executive succession, have secured deeper industry knowledge and wider geographic coverage for the Board. However, I am conscious that, in this period of transition for the Company as it continues to implement the new strategy, we must also ensure sufficient continuity, institutional expertise and corporate memory within the Board. I continue to value all types of diversity, including gender, as a vital component to a balanced, dynamic and effective Board. In recognition of this, the Board has this year set a policy to achieve a proportion of 25% of women on the Board by 2015, in support of the Davies Review recommendations. We have also renewed our support of the large number of initiatives to address the needs of minority groups within the organisation as a whole, details of which can be found on page 55.

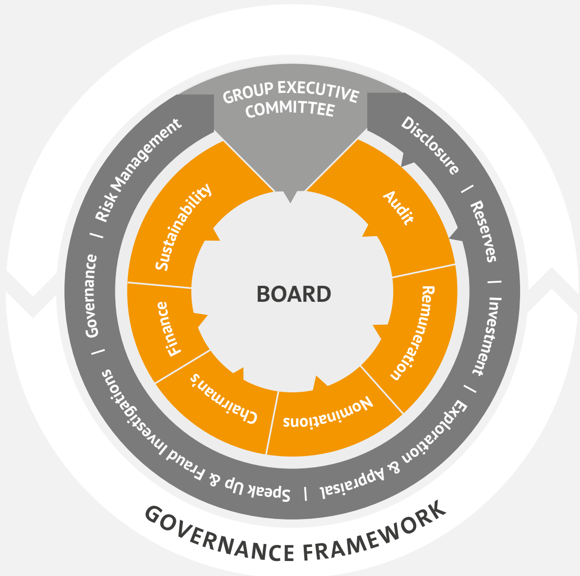
Board evaluation
In 2013, performance evaluations of the Board, its Committees and individual Directors were undertaken as an internal process led by the Senior Independent Director. Details of the full process and recommendations made are set out on page 52.

Engaging with shareholders
I and my fellow Board members welcome open, meaningful discussion with all of our shareholders, particularly with regard to our governance, strategy and remuneration. The Board and management have undertaken a number of activities in this regard during the year, details of which are set out on page 53. I hope shareholders will also take the opportunity to meet with the Board at the 2014 AGM.

ANDREW GOULD
CHAIRMAN

BOARD AND GROUP EXECUTIVE COMMITTEE STRUCTURE

Key
- Group Executive sub-Committees*
- Board Committees



* Further detail on the Group Executive sub-Committees is set out on page 50.

Audit Committee Chairman: Mark Seligman	Reviews the integrity, adequacy and effectiveness of BG Group's system of internal control and risk management, in particular the internal and external audit processes and the Group's financial reporting and whistleblowing and anti-bribery and corruption obligations.
Remuneration Committee Chairman: Dr John Hood	Sets, reviews and recommends the Group's overall remuneration policy and strategy and reviews the implementation of that policy and strategy.
Nominations Committee Chairman: Andrew Gould	Evaluates and makes recommendations regarding Board and Committee composition, succession planning and diversity, and Directors' potential conflicts of interest.
Sustainability Committee Chairman: Sir David Manning	Provides direction and oversight of the implementation of the Group's Licence to Operate strategy and provides strategic and operational leadership on HSSE matters.
Finance Committee Chairman: Andrew Gould	Responsible for funding and treasury policy decisions.
Chairman's Committee Chairman: Andrew Gould	Acts on behalf of the Board between scheduled meetings, within clearly defined delegated authority.
GEC sub-Committees that report to the Audit Committee on an annual basis on internal control	
Disclosure Committee Chairman: Chief Financial Officer	Supports the Board in determining, on a timely basis, whether material information is inside information, and the nature, scope and timing of any proposed disclosure to the market.
Reserves Committee Chairman: Executive Vice President, BG Advance	Approves amendments to reserves policy, process and guidelines, and reviews and challenges BG Group proposed reserve and resource estimates.

CORPORATE GOVERNANCE

What the Board has achieved in 2013
Strong oversight of safety and asset integrity performance.
Supported Chris Finlayson in the formulation of the Group's longer-term strategy.
Focused on individual project risks, with a particular concentration on the risks present in Australia, Brazil and Egypt.
Met regularly with senior management responsible for the delivery of the Group's key growth projects.
Oversaw the appointment of Simon Lowth as Chief Financial Officer.
Appointed a new Senior Independent Director and bolstered sectoral and gender diversity through the appointments of Lim Haw-Kuang, Pam Daley and Martin Ferguson.
Pursued a successful portfolio management strategy, including the sale of a stake in QCLNG.
Pursued a significant engagement programme with key investors.

Board priorities for 2014
Continue to drive improvements in safety and asset integrity performance.
Support management in the consistent and effective delivery of the Group business plan, including the review of controls underpinning management's business planning and forecasting processes. In addition, support the setting of metrics for strategy execution that will provide the market with confidence regarding the achievement of longer-term objectives.
Provide oversight and direction in respect of the continuing challenges faced in the Group's operations in Egypt.
Oversee the delivery of first LNG exports from QCLNG in the fourth quarter.
Continue to support the delivery of the Group's growth project in Brazil as production volumes grow and capacity increases.
Articulate the Group's risk appetite and support the Chief Financial Officer in integrating, simplifying and embedding Group-wide risk assessment, management and reporting.
Focus on senior management succession planning.
Monitor balance sheet flexibility and ensure that the Group remains on track to be free cash flow positive in 2015.**

** Free cash flow is defined in the **Glossary**, page 147. Guidance is provided at the Group's Reference Conditions, as shown on page 147.

BOARD ATTENDANCE IN 2013

	Scheduled meetings	Ad hoc meetings[(a)]	AGM	Chairman's† Committee	Finance† Committee
Andrew Gould	9/9	2/2	Y	12/12	4/4
Chris Finlayson	9/9	2/2	Y	11/12	4/4
Den Jones[(b)]	8/8	2/2	Y	12/12	4/4
Simon Lowth[(c)]	1/1	n/a	n/a	n/a	n/a
Martin Houston[(d)]	8/8	2/2	Y	n/a	n/a
Peter Backhouse	8/9	2/2	Y	n/a	n/a
Vivienne Cox	9/9	0/2	Y	n/a	n/a
Lim Haw-Kuang[(e)]	8/8	0/1	Y	n/a	n/a
Baroness Hogg	9/9	2/2	Y	n/a	n/a
Dr John Hood	9/9	2/2	Y	n/a	n/a
Caio Koch-Weser	9/9	1/2	Y	n/a	n/a
Sir David Manning	9/9	2/2	Y	n/a	n/a
Mark Seligman	9/9	2/2	Y	n/a	n/a
Patrick Thomas[(f)]	8/9	2/2	Y	n/a	n/a

Attendance notes

(a) In addition to the scheduled meetings, the Board also held two ad hoc meetings during the year. Given the inherent short notice of these meetings, some Directors were unable to attend but were fully briefed on the matters discussed.
(b) Den Jones stepped down as Interim Chief Financial Officer and Executive Director on 2 December 2013.
(c) Simon Lowth was appointed as Chief Financial Officer and Executive Director on 2 December 2013.
(d) Martin Houston stepped down from the Board on 13 November 2013.
(e) Lim Haw-Kuang was appointed as a Non-Executive Director in March 2013.
(f) Patrick Thomas was unable to attend the Board meeting held in April 2013 because of a competing engagement with the Board of Bayer MaterialScience AG where he is Chief Executive.

† Full details of Board Committee attendance are set out within the relevant Committee report pages 56 to 71. Attendance details for the Board Committees that do not have full reports within the Corporate Governance report are set out in this table.

BOARD OF DIRECTORS

Andrew Gould, 67
Chairman
Appointed in 2011; elected Chairman in 2012

Expertise:
Andrew brings to the Board his exceptional knowledge of the upstream oil and gas industry and a wealth of experience gained on the boards of a number of listed global companies.

A chartered accountant, Andrew was chairman and chief executive officer of Schlumberger from 2003 to 2011, during which time he led successfully a major restructuring of the group, retiring as chief executive in 2011 and chairman in April 2012. Until May 2012, Andrew was senior independent director of Rio Tinto plc.

Committee membership:
Chairman's*; Finance*; Nominations*; Remuneration

Other appointments:
- King Abdullah University of Science and Technology
- King Fahd University of Petroleum & Minerals
- Royal Academy of Engineering Development advisory board
- L1 Energy Fund
- Saudi Aramco

Chris Finlayson, 57
Chief Executive
Appointed in 2011; Chief Executive in 2013

Expertise:
Chris provides strong and committed leadership to the Group gained through more than 35 years' experience in the oil and gas industry, including significant front-line operating experience. He has an impressive track record of delivering large-scale projects and has worked successfully with joint venture partners, national oil companies and governments at the highest levels.

Before joining BG Group, Chris held key positions with Royal Dutch Shell, where latterly he was a member of the exploration and production leadership team, serving in Russia, Nigeria, Brunei and the North Sea.

Prior to his appointment as Chief Executive, Chris was responsible for BG Advance, including BG Group's exploration team and the major capital projects programme.

Committee membership:
Chairman's; Finance; Group Executive*

Other appointments:
- Lloyd's Register Group Limited

Simon Lowth, 52
Chief Financial Officer
Appointed in December 2013

Expertise:
Simon provides significant expertise in finance, capital allocation, value-based planning, portfolio management and strategy gained through roles in a number of listed companies. Simon has relevant experience of the gas and power industry and a background in engineering.

Before joining BG Group, Simon was chief financial officer and executive director of AstraZeneca for six years during which time he notably helped improve productivity, cash management and capital allocation during complex times.

Prior to that, Simon was 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.

Committee membership:
Chairman's; Finance; Group Executive

Other appointments:
- Standard Chartered plc

Dr John Hood, 62
Senior Independent Director and Chairman of the Remuneration Committee. Appointed in 2007

Expertise:
John provides the Board and four Committees with expertise from his knowledge and deep experience of international business, and with analytical rigour arising from his leadership roles in higher education and research. BG Group's sustainability activities also benefit from John's philanthropic work with international, non-governmental organisations.

John was formerly vice chancellor of the universities of Oxford and Auckland. He has held advisory roles for the New Zealand and British governments and has served as a director of New Zealand-based enterprises, including ABS Bank, Fonterra Cooperative Group and Tonkin & Taylor.

Committee membership:
Audit; Nominations; Remuneration*; Sustainability

Other appointments:
- Robertson Foundation
- Study Group Pty Ltd
- Rhodes Trustees
- URENCO Ltd
- WPP plc

Sir David Manning GCMG CVO, 64
Chairman of the Sustainability Committee and Non-Executive Director
Appointed in 2008

Expertise:
David provides the Board with insight into international relations, gained through his career as a senior diplomat, and plays an important role as Chairman of the Sustainability Committee.

David was a member of the Foreign and Commonwealth Office for 35 years, serving in Warsaw, New Delhi, Paris, Moscow, Tel Aviv and Brussels. He retired from the Diplomatic Service in 2008 after four years as British ambassador to the USA.

Committee membership:
Nominations; Sustainability*

Other appointments:
- Lockheed Martin UK Holdings Ltd
- The Royal Institute of International Affairs (Chatham House)
- Gatehouse Advisory Partners
- Council of Lloyds of London
- London School of Economics IDEAS advisory board

Mark Seligman, 58
Chairman of the Audit Committee and Non-Executive Director
Appointed in 2009

Expertise:
Mark provides the Board and Audit Committee with relevant financial expertise, gained through a distinguished career in the UK investment banking sector. Mark is a chartered accountant. His work with the Regional Growth Fund and as an alternate member of the Takeover Panel provides the Board with invaluable insight into the wider corporate governance landscape.

Mark held senior roles at Barclays de Zoete Wedd and SG Warburg & Co, and is a former chairman of UK Investment Banking at Credit Suisse and a former member of the bank's Global Investment Banking Executive Board.

Committee membership:
Audit*; Remuneration

Other appointments:
- G4S plc
- The Takeover Panel
- Regional Growth Fund advisory panel
- Kingfisher plc

Martin Houston
Martin stepped down as Chief Operating Officer and Executive Director on 13 November 2013.

Fabio Barbosa
Fabio stepped down as Chief Financial Officer and Executive Director on 15 February 2013.

Den Jones
Den stepped down as Interim Chief Financial Officer and Executive Director on 2 December 2013.

Philippe Varin
Philippe stepped down as a Non-Executive Director on 11 February 2013.

*Committee Chairman

Peter Backhouse, 62
Non-Executive Director
Appointed in 2000

Expertise:
Peter's experience in the offshore oil and gas sector and his extensive commitment to BG Group have proved invaluable to the Board. Peter will step down from the Board at the 2014 AGM.

Peter is a former executive vice president of refining and marketing at BP. Prior to this, he was chief executive of BP Oil Europe and head of UK North Sea oil development. He gained considerable experience in international LNG and natural gas development, latterly as head of BP's UK gas business.

Committee membership:
Sustainability

Other appointments:
- Carlyle/Riverstone Energy Partners
- Hestya Energy B.V.
- Clarkson plc

Vivienne Cox, 54
Non-Executive Director
Appointed in 2012

Expertise:
Vivienne has extensive experience as an executive in the energy sector, and also works as a non-executive director with companies from a variety of industries, as well as with a number of philanthropic organisations. She provides valuable perspective to Board debates, and contributes constructively to the Group's strategic and sustainability discussions. Vivienne has participated in events organised by the BG Group Women's Network.

Vivienne worked for BP in the UK and continental Europe from 1981 to 2009, latterly as executive vice president of gas, power and renewables. She was also chief executive of BP Alternative Energy.

Committee membership:
Nominations; Remuneration; Sustainability

Other appointments:
- Pearson plc
- Rio Tinto plc
- Vallourec SA
- Royal Academy of Engineering Development advisory board
- Ministerial board of the Department for International Development (DFID)

Pam Daley, 61
Non-Executive Director
Appointed in January 2014

Expertise:
Pam's experience from her distinguished career in North America and internationally will bring new insight and perspective to the Board. Her renowned expertise in finance and law – especially mergers, acquisitions, joint ventures and business development arrangements – will be a valuable addition to BG Group as it continues to pursue its strategy of more active portfolio management, capital discipline and monetisation of the Group's assets at different stages of their life-cycles.

Pam joined General Electric Company (GE) in 1989 as tax counsel and held a variety of senior legal and business roles, latterly as senior vice president for corporate business development. Pam retired from GE on 1 January 2014. She was formerly a tax partner of the international law firm, Morgan, Lewis & Bockius.

Committee membership:
None

Other appointments:
- BlackRock, Inc.
- The Juilliard School
- University of Pennsylvania Law School

Martin Ferguson, 60
Non-Executive Director
Appointed in January 2014

Expertise:
Martin brings with him international expertise, particularly in the resources and energy sector. Martin's insight and experience in the development of Australia's natural gas industry and the growing LNG market in Asia will prove invaluable to the Board, with BG Group set to deliver the world's first coal seam gas to LNG project in Queensland in 2014.

Martin is a former Australian federal minister for resources and energy with a career in politics spanning 18 years. Prior to his election to the Australian House of Representatives in 1996, Martin was president of the Australian Council of Trade Unions.

Committee membership:
Sustainability

Other appointments:
- Seven Group Holdings
- Australian Petroleum Production and Exploration Association

Baroness Hogg, 67
Non-Executive Director
Appointed in 2005

Expertise:
Sarah's extensive career in government and with prominent regulatory bodies and major UK companies brings a highly valued contribution to the Board and its corporate governance.

Sarah is a former head of the Prime Minister's Policy Unit and second permanent secretary from 1990 to 1995. Until 2010, she was chairman of 3i Group and has been a non-executive director of several other FTSE 100 companies.

Sarah was Senior Independent Director of BG Group from 2009 to 2013.

Committee membership:
Sustainability

Other appointments:
- Financial Reporting Council (until 1 May 2014)
- The Takeover Panel
- HM Treasury
- John Lewis Partnership

Caio Koch-Weser, 69
Non-Executive Director
Appointed in 2010

Expertise:
Caio's global financial, diplomatic and political experience is of significant value to the Board and he brings an in-depth knowledge of South America and Brazil in particular.

Caio was German deputy minister of finance from 1999 to 2005, responsible for international finance (G7 Deputy), European economic and financial affairs, as well as capital markets, banking and insurance. He was also chairman of the supervisory board of the German Federal Financial Supervisory Authority (BaFin). From 1973 to 1999, Caio was with the World Bank where he worked on Latin America, China, the Middle East and Africa.

Committee membership:
Audit; Nominations; Sustainability

Other appointments:
- Deutsche Bank Group
- The Royal Institute of International Affairs (Chatham House)
- Peterson Institute for International Economics
- European Climate Foundation
- Centre for European Reform

Lim Haw-Kuang, 60
Non-Executive Director
Appointed in 2013

Expertise:
Haw-Kuang has a wealth of expertise in the Southeast Asian markets, as well as in-depth knowledge of the Chinese oil and gas sector, an area of growing importance to BG Group.

Haw-Kuang is the former executive chairman of Shell China. He joined Royal Dutch Shell in Malaysia in 1978 and became executive chairman in 2005. Prior roles with Shell included business development manager for the former Soviet Union and Sakhalin; chairman and managing director Malaysia; president, oil products Asia Pacific and Middle East; and Shell International vice president of corporate strategy and planning.

In 2011, he was honoured with the Great Wall Friendship Award, recognising his contribution to the city of Beijing.

Committee membership:
Audit

Other appointments:
- ENN Energy
- Sime Darby Bhd.
- Ranhill Energy & Resources Bhd.
- China Council for International Cooperation on Environment and Development

Patrick Thomas, 56
Non-Executive Director
Appointed in 2010

Expertise:
Patrick brings global executive experience, including more than 30 years in the chemical industry, providing a wider perspective and increased balance to Board debate. Patrick has extensive experience of working in Asia Pacific.

Prior to joining the Bayer Group, Patrick spent seven years with the Huntsman Corporation, a US chemicals company, latterly as corporate executive vice president of Huntsman Matlin Patterson. Patrick held a number of positions with ICI Pharmaceuticals and Agrochemicals, including regional director for Europe, Africa and the Middle East, and was also global chief executive officer of ICI Polyurethanes.

Committee membership:
Audit; Remuneration

Other appointments:
- Bayer MaterialScience AG
- Oxford University Business Economics Programme Board
- European Institute for Industrial Leadership advisory board
- PlasticsEurope

GROUP EXECUTIVE COMMITTEE AND COMPANY SECRETARY

The Group Executive Committee (GEC) is chaired by Chris Finlayson and comprises the Executive Directors of BG Group, together with the executives shown on these pages. During the year, the GEC met 10 times.

The GEC is a sub-Committee of the Board and supports the Chief Executive in the general management of the business of the Group within agreed financial limits set by the Board, save for those matters which are reserved for the Board.

The full list of those matters which are reserved for the Board for decision is published at **www.bg-group.com/governance**

The following sub-Committees of the GEC focus on particular aspects of the Group's business:

Exploration & Appraisal Committee Chairman – Chris Finlayson, Chief Executive	Formulates the Group's exploration and appraisal strategy, is responsible for planning and setting objectives and priorities to deliver that strategy and approves funding for exploration and appraisal.
Governance Committee Chairman – Chris Finlayson, Chief Executive	Oversees the effectiveness of the Group's governance, risk, internal control and assurance processes.
Investment Committee Chairman – Simon Lowth, Chief Financial Officer	Approves merger, acquisition and disposal transactions, and other investment decisions, with the exception of exploration and appraisal business development transactions.
Risk Management Committee Chairman – Simon Lowth, Chief Financial Officer	Formulates management's approach to risk and risk management, and considers the Group's risk appetite and principal risks.
Speak Up & Fraud Investigations Committee Chairman – Graham Vinter, General Counsel	Monitors the effectiveness of the Speak Up Policy, oversees material investigations into allegations made and advises the business on remedial actions and lessons learnt.

There are two additional sub-Committees: the Disclosure and Reserves Committees. These sub-Committees report into the Audit Committee on an annual basis and further details are set out on page 47.

1. Chris Finlayson, 57
Chief Executive

See full biography on page 48.

Sub-Committee membership:
Disclosure; Exploration and Appraisal*; Governance*; Investment

2. Simon Lowth, 52
Chief Financial Officer and Executive Director

See full biography on page 48.

Sub-Committee membership:
Disclosure*; Investment*; Reserves; Risk Management*

3. Sami Iskander, 48
Chief Operating Officer

Expertise and focus: Sami has extensive global oil and gas expertise and is responsible for BG Group's operations across Africa, Australia, the Caribbean, Europe, North America, South America and Asia.

Prior to joining the Group in 2008, Sami held a number of key leadership roles with Schlumberger, undertaking assignments in Latin America, the USA, Africa, Europe and the Middle East. He joined the GEC in 2009 and was appointed Chief Operating Officer in November 2013. Sami was previously Executive Vice President, Operations and Executive Vice President and Managing Director, Africa, Central and South Asia. He is also an independent board member of Pacific Drilling S.A.

Sub-Committee membership:
Exploration and Appraisal; Investment; Risk Management

4. Robert Booker, 47
Executive Vice President, Human Resources

Expertise and focus: Robert brings significant human resources (HR) expertise and is responsible for all matters relating to HR strategy and policy.

Prior to joining BG Group in 2006, Robert worked as a senior HR consultant for Ernst & Young and Mercer Human Resource Consulting in the UK and Canada. He is a chartered accountant and an elected William Pitt Fellow of Pembroke College, Cambridge. He joined the GEC in 2009, having previously been General Manager, Performance and Reward. Robert is also a trustee of Sparks, a children's medical research charity.

Sub-Committee membership:
Governance; Risk Management; Speak Up and Fraud Investigations

5. Malcolm Brown, 60
Executive Vice President, Exploration

Expertise and focus: Malcolm is a petroleum geologist with global exploration expertise and is responsible for BG Group's exploration worldwide.

Malcolm has worked in the oil and gas industry for 36 years. He joined British Gas in 1982 and has been responsible for worldwide exploration in the Group for 14 of the last 18 years. He joined the GEC in 2013, having previously been Senior Vice President, Exploration. He is a fellow of the Geological Society of London and currently is chairman of its Petroleum Group.

Sub-Committee membership:
Exploration and Appraisal; Risk Management

6. Chris Cox, 53
Executive Vice President, BG Advance

Expertise and focus: Chris has a long-established knowledge of the global oil and gas industry and is currently responsible for BG Advance, which incorporates developments, operations, capital projects, well engineering, HSSE, climate change, IT, contracts and procurement, and technology, providing BG Group with technical and commercial assurance and services, including resourcing and development of staff capabilities. Chris also oversees the Corporate Reserves Group.

Prior to joining the Group in 2006, Chris spent 22 years with Chevron Corporation and two years with Amerada Hess in senior roles in a number of international settings. He joined the GEC in 2013, having previously been Senior Vice President, Developments, Operations and Well Engineering in BG Advance.

Sub-Committee membership:
Exploration and Appraisal; Investment; Reserves*

7. Sir John Grant KCMG, 59
Executive Vice President, Policy and Corporate Affairs

Expertise and focus: John brings a number of years' global mining and petroleum experience and is responsible for government and public affairs, communications, social performance and BG Group's Business Principles.

Before joining the Group in 2009, John had 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.

Sub-Committee membership:
Exploration and Appraisal; Speak Up and Fraud Investigations

8. Matt Schatzman, 48
Executive Vice President, Global Energy Marketing and Shipping

Expertise and focus: Matt brings extensive marketing and risk management experience in LNG, gas and oil and is responsible for energy marketing, trading and shipping activities across BG Group.

Prior to joining the Group in 2007, Matt worked at Dynegy, latterly as president and chief executive officer of Dynegy's energy marketing and power generation businesses. He joined the GEC in 2012, having previously been Senior Vice President Energy Marketing, BG Americas and Global LNG.

Sub-Committee membership:
Risk Management

9. Graham Vinter, 58
General Counsel

Expertise and focus: Graham is a lawyer with a wealth of experience of global energy transactions and is responsible for the legal affairs of BG Group.

Prior to joining the Group in 2007, Graham spent 27 years with Allen & Overy, where he was a partner for just under 20 years and was global head of projects from 1996 to 2007.

Sub-Committee membership:
Disclosure; Governance; Investment; Reserves; Speak Up and Fraud Investigations*

10. Steve Allen, 42
Company Secretary

Expertise and focus: Steve is an experienced lawyer with an established knowledge of BG Group and its corporate functions. As Company Secretary, Steve is responsible for advising the Board, through the Chairman, on all governance matters. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are complied with.

Prior to joining the Group in 2005, Steve was a corporate lawyer for Herbert Smith. He was appointed Company Secretary in 2011, having previously been Chief Counsel, Corporate, leading the team providing legal support for corporate functions.

Sub-Committee membership:
Governance; Risk Management

*Sub-Committee Chairman

CORPORATE GOVERNANCE

BOARD EVALUATION

It is the Board's policy to invite external evaluation of the Board, its Committees and the role of individual Directors in alternate years.

The 2013 Board evaluation process was facilitated by the Senior Independent Director and the Committee Chairmen and covered a number of areas including: Board structure; Committees and their operation; shareholder and stakeholder communication; induction and development; and risk management and internal control. Dr Tracy Long of Boardroom Review, who has conducted the past two external evaluation exercises, supported the Senior Independent Director in the review of prior feedback, the framing of the conversations with fellow Directors and collating feedback.

Dr Long is independent. Her only connection with BG Group is her work with the Board on evaluation.

The results of the evaluation concluded that, overall, the Board operates effectively within an environment that is both collegiate and challenging. In addition, the Committee structure in place, together with the orderly and thoughtful refreshment of the Board in recent years, has ensured that an appropriate level of specialist support and assurance is available to the main Board.

A review of the progress of the 2012/13 objectives, together with a summary of findings and proposed initiatives relating to the recent evaluation, is set out below:

EVALUATION SUMMARY

2012 EVALUATION RECOMMENDATIONS	2013 ACTIONS TAKEN
Greater visibility and analysis of the competitive landscape.	Industry and competitor trends were presented at the 2013 Board Planning Conference, with particular focus on the implications for BG Group and its peer group companies. Enhancements have also been made to the monthly Financial & Business Review provided to the Board, including information regarding analysts' ratings and research report analysis.
Tailored induction and development programmes for individual Directors.	All Non-Executive Directors met with the Chairman and the Company Secretary during the year to discuss their development requirements and a formal and tailored training and development programme was put to the September Board meeting which will be administered by the Company Secretary. In November, the Board visited the QCLNG project in Brisbane, Australia for the 2013 overseas Board visit.
Teach-ins on crisis management preparedness to be included in the forward agenda.	Crisis management preparedness was a Board discussion point throughout 2013, with particular reference to the developing position in Egypt. In addition, the Audit Committee received ongoing updates on business continuity and resilience during the year. A crisis management exercise involving Board members is planned for 2014.
To engender a more structured and integrated discussion on risk and risk management at Board level.	Through the development of the Enterprise Risk Management Framework, the Chairman, Chief Executive and Interim Chief Financial Officer worked to achieve a more integrated risk dialogue at the Board. It is recognised that further focus is required to develop and embed integrated risk assessment techniques, however, and this is a clear priority for the new Chief Financial Officer and the Board in 2014.
To review the Group's organisational structure and corporate culture as part of the wider review of the Group's long-term strategy.	The Chief Executive and Executive Vice President, Human Resources (HR) provided the Board with an HR strategy update outlining the implications for BG Group's organisational structure and corporate culture following the May 2013 strategy update. A strategic resourcing plan will be presented to the Board in 2014 and the Board will review in 2014 the results of an employee survey conducted in late 2013 that addresses corporate culture and the employee value proposition.

RECOMMENDATIONS FOR 2014

- **Further promotion of a more holistic, integrated and quantifiable discussion on risk and risk management at Board level.**
- **Regular review of, and consideration of learnings from, past investments and projects.**
- **Development of a rolling agenda for Board dinners, with specific topics nominated for each, while leaving the Chairman and Chief Executive time to share early thinking or concerns informally.**
- **Continued focus on macroeconomic and market developments and the impact on the competitive landscape.**
- **Further direct engagement between Board members and the business through tailored site visits, and smaller group engagements.**
- **Targeted use of external speakers to complement current Board debate.**
- **Focus on executive succession planning.**
- **Further work to ensure timely delivery of Board papers that highlight issues for debate.**

In advance of the scheduled external evaluation of the Board in 2014, a tender process will be carried out for Board evaluation services to support continued transparency and best practice. Details of the tender process will be included within the 2014 Annual Report and Accounts.

ENGAGEMENT WITH SHAREHOLDERS

The Board supports the UK Stewardship Code and continues to make considerable efforts in establishing and maintaining strong, purposeful relationships with all of our shareholders. Following the announcement of the appointment of Chris Finlayson to the role of Chief Executive, Chris held a series of meetings with the Group's major shareholders to discuss his initial thoughts on the Group's strategy and to canvass their views. The new strategy was subsequently presented to the market in May. Independent Audit, an independent consultancy, fed back on the strategy and this was followed by a programme of over 300 investor meetings held by senior management during the course of the year.

In addition, to deepen the market's understanding of the two key pillars of the Group's strategy – its world class exploration and unique LNG business – a presentation on each component was held in September by the senior management of these functions, and was followed by a series of investor meetings.

To reflect the Group's commitment to our strong retail shareholder base, members of management and the investor relations team, together with the Company Secretary, also met with members of the UK Shareholders' Association and ShareAction during the year.

The Board regularly monitors the views of shareholders and considers reports from investor relations advisers with regard to institutional shareholder feedback. During January 2014, the Chairman and Senior Independent Director invited consultation with institutional shareholders in relation to the proposed Directors' Remuneration Policy. The quality of response from shareholders on corporate governance matters continues to vary widely and investors are encouraged to raise any matters they might have in a constructive manner in the spirit of the UK Stewardship Code.

Retail Shareholder Briefing, London, November 2013.

The next Annual General Meeting (AGM) is due to be held in May 2014 and shareholders are invited to engage with the Board ahead of the meeting and to attend where possible. Full details of the business to be considered at the meeting can be found on page 150.

Month	Event
January	New Chief Executive – engagement with major shareholders
February	Q4 results Investor roadshows with executive management
May	Q1 results AGM Investor roadshows with executive management BG Group strategy presentation
June	Oil & Gas conferences Independent Audit feedback on the new strategy
July	Q2 results
August	Shareholder consultation regarding Long-Term Incentive Plan
September	Exploration & LNG Capital Markets Day Oil & Gas conferences
October	Q3 results
November	Retail shareholder briefing

BOARD PLANNING CONFERENCE

In June 2013, the Board held a two-day Board Planning Conference to discuss the changing business environment for the Group and the implications of the May 2013 strategy for the Group's management structure and growth plans.

The Board considered the global economic and energy market outlook, industry and competitor trends, and the growth opportunities and challenges in BG Group's strategic business plan.

The Board also discussed in detail the Group's businesses in Egypt, with a detailed evaluation of the ongoing risks arising from the continuing unrest in the country. A session was also held on China, focusing on changes to the macroeconomic development within the country and the continuing demand and supply dynamic of their gas market.

Andrew Hopkins, Emeritus Professor of Sociology at the Australian National University, presented on the organisational and cultural causes of major accidents.

BOARD TRIP TO AUSTRALIA

Site visits are a key part of the ongoing development and training of all Directors, and Australia is a key growth asset and central to the Group's LNG strategy.

In November 2013, the Board visited Australia to assess the progress of the Group's QCLNG project in Queensland.

During their visit, the Chairman and some members of the Sustainability Committee met with members of the new Federal Government, including the new Prime Minister and the Minister for Federal Resources. The Board also met informally with members of the Queensland Government Cabinet. A number of Directors flew to Gladstone to visit Curtis Island and saw the progress being made in preparing for the commissioning of the first train at the LNG plant.

The Board received a guided tour of the facility from the QGC management team and surveyed the gas compression station, the LNG storage tanks and the pipeline terminal.

The visit also included a trip to see the construction of production facilities at the Ruby Jo Central Processing Plant. The Directors travelled to one of the well sites to witness first-hand the process of extracting natural gas from coal seams. Following this, the Directors visited the Group's first water treatment plant at the Kenya facility, west of Chinchilla, which began operating mid-year. This was particularly interesting for members of the Sustainability Committee who had been monitoring progress towards completion of the Kenya facility during 2013.

Meetings of the Board, Audit and Sustainability Committees were held, with all Directors who travelled to Australia being present.

Board members, Patrick Thomas, Chris Finlayson and Mark Seligman on a tour of the QCLNG plant site, Curtis Island with Mitch Ingram, Managing Director, QGC.

For 2014, the Company Secretary has agreed a programme of site visits for each Non-Executive Director tailored to their individual expertise and development needs. This will also provide greater coverage for Non-Executive Director engagement across the Group's portfolio of assets.

CORPORATE GOVERNANCE

BOARD INDUCTION

On joining BG Group, all Directors receive a full, formal induction programme, tailored to their specific requirements and delivered over a number of months.

The Group's aim is to provide a deep understanding of the BG Group business and organisation, the Group's operations and the governance environment.

In 2013, the Group provided a programme for Simon Lowth, our new Chief Financial Officer, and a tailored programme for Lim Haw-Kuang, a Non-Executive Director and Audit Committee member.

A summary of the induction programme provided to Haw-Kuang is set out to the right. New Directors are encouraged to accelerate their knowledge of the Group by visiting key assets during their first year and Haw-Kuang visited the following as part of his induction process:

- Australia;
- Brazil;
- Houston;
- Tanzania; and
- Trinidad and Tobago.

Board and governance	• BG Group's Board and Committee structure, matters reserved for the Board, and Committee terms of reference • An overview of the UK corporate governance landscape and the Group's approach to compliance • Audit Committee induction and meetings with the Chairman of the Audit Committee, the external auditors and the Head of Group Audit • Restrictions and processes for dealing in BG Group shares
BG Group	• An overview of the Group's approach to integrated assurance • An overview of the Group's strategy and an introduction to the views of key investors
Technical input	• Introductory meetings with key members of the Group Executive and senior management team, including those charged with delivery of the exploration and LNG strategic agendas

"I found the induction well-organised and comprehensive. My initial meetings with senior management were bolstered by a number of site visits to key Group locations and discussions with staff at various levels within the organisation.

My first impressions were of a high-quality team working in an open and collaborative environment."

LIM HAW-KUANG
NON-EXECUTIVE DIRECTOR

TRAINING AND DEVELOPMENT

BG Group Directors are expected to commit to continuing their development during their tenure, and the Chairman and Company Secretary meet annually with each Non-Executive Director to discuss their work with the Board and agree individual development goals.

In response to a recommendation arising out of the 2012 Board evaluation process, a formal Non-Executive Director training and development programme was introduced in 2013. The programme has brought together a variety of informal briefings, technical updates and external programmes to support the ongoing development of each Non-Executive Director in a structured manner. The programme is intended to inform the Chairman's annual conversation with each Director regarding their development. The Company Secretary facilitates this programme and maintains individual training and development logs for each Non-Executive Director, to which the Chairman has access.

The programme is split into the following four areas to provide Non-Executive Directors with a flexible, rather than a mandatory, schedule, from which they may select to attend events and meetings that build on their own areas of expertise and interest, and that meet their agreed development aims:

- **informal discussion groups and meetings**, to meet senior management and operational, technical or functional heads;
- **formal teach-ins at scheduled meetings**, at least four each year at Board meetings and at least two Audit and Remuneration Committee briefings;
- **asset/site visits**, Directors are encouraged proactively to make visit suggestions to the Chairman and Company Secretary and may also elect to accompany Executive Directors or senior management on scheduled visits; and
- **external training programmes**, such as the academies facilitated by a number of large accountancy firms, and aimed at the FTSE100 non-executive population.

The Executive Directors also receive the benefit of formal teach-ins provided at scheduled Board meetings throughout the year which aim to ensure the full Board remains up to date with key developments in the business environment in which the Group operates. Topics considered during 2013 included the Group's approach to crisis management, the new remuneration landscape (focusing on trends of the shareholder vote on pay policy in 2014), and teach-ins for the Board on Group technology, information technology, global shipping and environmental and social and governance matters (ESG), as well as investor relations and HR updates.

In addition, the Company Secretary provided the Board with regular updates in 2013 on the overall regulatory and corporate governance landscape and specific developments relevant to the Group, the Board and its Committees.

DIVERSITY

Diversity at Board level

The Board recognises that diversity is the key foundation for introducing different perspectives into Board debate and for better anticipating the risks and opportunities in building a long-term, sustainable business. Gender remains an important aspect of the overall diversity to which chairmen should have regard in establishing optimal Board balance and composition. The Nominations Committee supports the Board in this regard and further details are set out in the Nominations Committee report on page 61.

The BG Group Diversity Statement

In January 2013, the GEC endorsed a Group Diversity Statement to underscore the commitment to diversity at senior management level and to introduce a number of initiatives to promote diversity, particularly gender, within the Group's organisation as a whole. At that time, the GEC and Board also endorsed the setting of a target against which, over time, the impact of those initiatives could be assessed.

> We believe that we will deliver better and more sustainable results if we have a culture where different perspectives are encouraged and considered. To achieve this, we aim to build a workforce that is diverse – in ethnicity, gender, background and approach.
>
> We aspire to increase the proportion of women in leadership positions to an overall 20% by 2020.
>
> **Group Diversity Statement, January 2013.**

In December 2013, the Board re-confirmed its commitment to the January 2013 statement but also agreed to extend its policy on diversity to set a measurable objective at Board level.

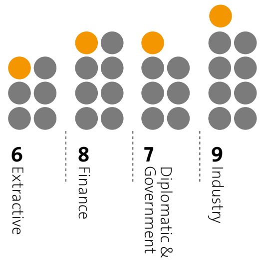
> The BG Group Board aspires to increase the proportion of women on the Board to 25% by 2015.
>
> **Board Diversity Statement, December 2013.**

Initiatives in diversity

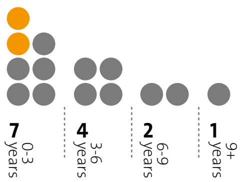
During the year, the Group has made progress against these statements and, in particular, it achieved the following:

BOARD DIVERSITY

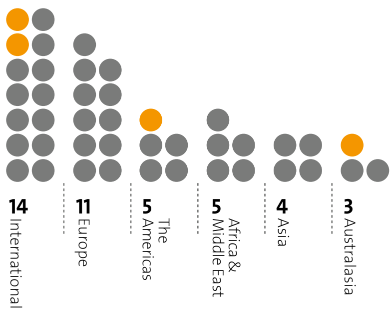
By sector experience (by number)[a]



By tenure (by number)[b]



By geographical experience (by number)[a]



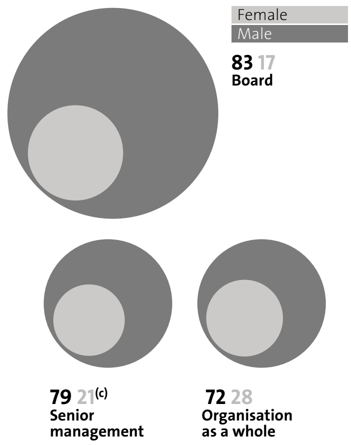
- At 31 December 2013
- Additional Directors from 1 January 2014 onwards

(a) Where a Director is considered to have experience in either multiple sectors or geographies, they have been recognised in all relevant areas.
(b) Includes both Executive and Non-Executive Directors. Calculated in full years from date of appointment to 31 December 2013.

Gender diversity disclosure

In accordance with the new Companies Act 2006 (the Act) reporting requirements, disclosure is provided below in respect of gender diversity at Board level, senior management (including directors of subsidiary companies) and in the organisation as a whole, as at 31 December 2013.

Gender diversity within BG Group (%)



(c) BG Group considers that a more meaningful measure of senior management than that defined by the Act is employees in leadership positions, in line with the definition used within the Group's Diversity Statement. At 31 December 2013, 13% of employees in leadership positions were female. The figures for the Board, following changes that took place on 1 January 2014, are male 79% and female 21%.

BOARD ENGAGEMENT ON GENDER DIVERSITY

Vivienne Cox speaking at the Women's Network event during the Board's visit to Australia in November 2013.

- the appointment of a new Head of Diversity and Inclusion;
- development of a Diversity and Inclusion Strategy to achieve the aims of the Group Diversity Statement;
- a global review of BG Group's science, technology, engineering and mathematics (STEM) initiatives, to consider the difference in impact on female and male participants;
- research into the barriers and opportunities for women through STEM education. The Group remains committed to its STEM agenda initiative and ensuring it reaches a diverse population of students;
- a research programme that captured, on an anonymous basis, the views of the Chairman, GEC members, and a sample of male and female employees in senior and middle management, to understand better the factors limiting progression for women in the Group;
- introduction of a Diversity Code of Conduct for search firms to adopt when supporting BG Group's recruitment efforts at all levels;
- provision of global support and funding to the Women's Network, including the expansion of the Early Career Professionals Network (Australia and USA) and the introduction of a BG Pride network from 2014; and
- the piloting of programmes aimed at providing targeted support to BG Group employees, including support for dual career couples, such as for a trailing partner on arrival in a new location (underway in USA, Egypt, and UK) and a working parents' programme (in Australia and the UK).

CORPORATE GOVERNANCE

AUDIT COMMITTEE

"Last year brought the need to reach balanced judgements on impairments in Egypt and the USA. Risk management, business planning and forecasting are areas of extra focus in 2014."

Members*	Appointed	Attendance
Mark Seligman	February 2010 (Chairman December 2010)	8/8
Baroness Hogg	January 2005	8/8
Dr John Hood	July 2007	8/8
Caio Koch-Weser	April 2012	8/8
Lim Haw-Kuang	April 2013	5/5
Patrick Thomas	February 2011	7**/8

The Audit Committee plays a pivotal role in the review of the effectiveness of BG Group's financial reporting and internal control processes and, for this reason, comprises only independent Non-Executive Directors.

There are specific duties attributed to the Committee which are set out in its terms of reference, mirroring the recommendations of the UK Corporate Governance Code (the Code). Through the effective discharge of this role, the Committee seeks to reassure shareholders that their interests are properly protected in respect of the Company's Internal Control Framework and risk management processes.

There are a number of key elements to this, starting with assessing whether the Group has robust systems and procedures for recognising assets and liabilities whose value is recorded accurately and fairly. The Group must have suitable accounting policies and practices, supported by responsible exercise of judgement, so that the financial statements produced are reliable and give the 'true and fair view' expected. In support of all of this are the Group's risk management processes and associated internal controls that are monitored and assured through the Integrated Assurance Framework, in which the Internal Control Framework, Group Audit and the external auditors all play an important part.

The Committee reviews all of these activities to support the production of that information (whether in the quarterly financial statements or in this report) which shareholders can expect to portray a fair, balanced and understandable assessment of the Company's position and prospects and on which they can base any investment decisions.

The Code invites the Committee to report on the significant issues considered during the year. Full details are contained on the opposite page, but from my perspective the most important were:

- **Issues considered in relation to the financial statements** – There were four key areas of judgement: the recoverability of the Group's assets in Egypt, including receivables; the recoverable amount of the US Lower 48 assets; the recognition and measurement of deferred tax assets and uncertain tax positions; and the methodology involved in the estimation of the Group's reserves.
- **Relationship with the external auditors** – Ernst & Young LLP (EY) undertook their first quarterly review on behalf of the Group in the first quarter of 2013. The Committee is satisfied that they have been effective throughout the year, and we have welcomed the new challenge and fresh perspective that the change in auditor has brought to the Committee's considerations.

In addition to its routine business, I have agreed with the Chairman and management that there will be several key focus areas for the Committee during 2014. Firstly, we will continue to support, review and challenge, on a more regular basis, financial and production data, and the assurance processes that support that data provision. In particular, the Committee will continue to support the Board with the in-depth review of internal controls underpinning management's business planning and forecasting processes. Secondly, the Committee will focus on supporting Simon Lowth in reviewing and challenging the management and reporting of risk as part of the Group's Integrated Assurance Framework. Finally, the Committee will monitor the Group's adoption of the SPE PRMS reserves and resources classification system and associated disclosures. Detailed and regular review of the Group's going concern position, with appraisal of forecast cash flows and appropriate levels of stress testing will also remain priority areas for the Committee.

MARK SELIGMAN
CHAIRMAN OF THE AUDIT COMMITTEE

Role of the Committee

The Committee supports the Board in fulfilling its responsibilities in respect of: overseeing BG Group's financial reporting processes; reviewing, challenging and approving significant accounting judgements proposed by management; the way in which management ensures and monitors the adequacy of financial and compliance controls and business risk management and assurance processes; the appointment, remuneration, independence and performance of the Group's external auditors; and the independence and performance of Group Audit.

Details of the work carried out by the Committee in accordance with its terms of reference and in addressing significant issues are reported to the Board as a matter of course by the Chairman of the Committee and are described in this report. The terms of reference for the Committee can be found at **www.bg-group.com/auditcommittee**

Committee membership

In April, Lim Haw-Kuang was appointed as a member of the Committee and, on 1 January 2014, Baroness Hogg retired as a member of the Committee following the completion of nine years of service with the Board. Mark Seligman, a chartered accountant, has been determined by the Board as the member of the Committee having 'recent and relevant financial experience', as required by the Code. All members of the Committee are deemed to be independent and the Committee has concluded that its membership meets the requirements of the Code. Meetings are normally attended by the Chairman, the Chief Executive, the Chief Financial Officer, the Group Financial Controller, the Head of Group Audit and representatives of the external auditors.

Performance review

The Audit Committee's performance was assessed as part of the Board's annual effectiveness review. It was concluded that the Committee operated effectively.

ACTIVITIES OF THE AUDIT COMMITTEE DURING THE YEAR

The Committee has an annual forward agenda, developed from its terms of reference, with standing items that the Committee considers at each meeting in addition to any specific matters arising and topical business or financial items on which the Committee has chosen to focus. The work of the Committee in 2013 principally fell into three main areas:

Accounting, tax and financial reporting

- reviewing the integrity of the quarterly, half-year and annual financial statements and the attendant significant financial reporting judgements and disclosures;

* Membership as at 31 December 2013. For full biographies see pages 48 and 49.
** Patrick Thomas was unable to attend the meeting of the Committee held in April due to a competing engagement with the board of Bayer MaterialScience AG where he is chief executive.

KEY AREAS OF FOCUS

Set out in the table below is a summary of key matters considered by the Committee during 2013. Key issues covered by the Committee are reported the following day to the subsequent meeting of the Board, and the Board also receives copies of the minutes of each meeting.

Issue	Key considerations	The role of the Committee	Conclusion
Egypt	Throughout 2013, the Group continued to monitor the political and economic uncertainty in Egypt and the related risk of the recoverability of assets, including the position on domestic receivables and the diversion of gas to the domestic market.	The Committee, supported by the challenge of the external auditors, considered on an ongoing basis the continuing impact of the political and economic uncertainty and the volume of diversions to the domestic market and whether it remained appropriate to continue to record receivables from the Egyptian General Petroleum Corporation at full value and without provision or discounting during 2013.	In January 2014, the Group confirmed that it had elected to issue Force Majeure notices under its LNG agreements following higher than expected diversions to the domestic market during 2013. The position on domestic receivables marginally improved with the year-end balance reduced to $1.2bn and management continue to believe this is recoverable. The Committee will continue to provide robust challenge to management on their judgements in this regard.
Impairment indicators	The Group's procedures include performing a review of potential impairment triggers. During 2013, particular consideration was given to Egypt, the Lower 48 exploration and production assets, offshore Europe's Bream assets (following the agreement of sale in the second quarter) and certain other upstream assets.	The Committee reviewed and challenged assumptions made by management in their assessment of impairment indicators. They also sought assurances from EY that they concurred with assumptions underpinning management's judgement in each case and that all judgements had been undertaken in a timely and appropriate manner.	As part of the Group's fourth quarter and full-year results process, the Group revised its expectations of the value of its US shale gas investments and recorded a non-cash post-tax impairment of $1.1bn. A non-cash post-tax impairment of $1.3bn was realised in Egypt based on reserves revisions and revised expectations of the value of the Group's Egyptian operations.
Production	Following the results announcement for the third quarter of 2012 and the revision of the Group's production outlook for 2012 and 2013, and the subsequent market reaction, the Committee reviewed the processes supporting management's production and reserves forecasts and business planning.	The Committee held an ad hoc meeting in January 2013 to consider in detail the processes in place to support the adequate consideration of production and reserves data.	Following the announcement in January 2014 concerning revisions to the Group's outlook for 2014, the Committee will work with management to continue to review and challenge the processes supporting business planning and forecasting.
Review of West Delta Deep Marine (WDDM) Reserves	The Reserves Committee approved the commissioning of an external reserves review of WDDM by Miller & Lents (M&L) using both a probabilistic and deterministic methodology.	The Committee received regular reports from the Reserves Committee on the progress of the M&L review and, in the fourth quarter, reviewed the results in detail with the Head of the Corporate Reserves Group and the Executive Vice President, BG Advance.	The conclusions from the M&L independent review supported the Reserves Committee's approved reserves estimates used during the Egypt impairment analysis.
Deferred tax assets and uncertain tax positions	The Group regularly reviews the judgements and assumptions associated with significant deferred tax asset positions. Particular consideration was given to Australia and North America following outcomes from business planning processes in the fourth quarter. The Group's methodology for reviewing the level of provisions held in relation to key tax uncertainties was refined during 2013. The main areas of judgement are reviewed on a regular basis and adjustments made to keep provisions within a reasonable range of possible outcomes.	The Committee reviewed management's determinations in relation to the Group's business forecasts in Australia and North America. They also sought and received assurance from EY that they concurred with management's judgements regarding deferred tax assets positions. The Committee also reviewed management's assumptions and challenged the main areas of judgement relating to significant uncertain tax positions and with support from EY agreed that, while this remained a judgemental area, the view formed by management was considered reasonable.	As part of the Group's fourth quarter and full year results process, the Committee made further challenges to management and also considered reports from EY. The Committee continued to support that the judgements and assumptions made by management in relation to deferred tax assets and uncertain tax positions are reasonable.

- considering the liquidity risk and the basis for preparing the quarterly, half-year and annual financial statements on a going concern basis, and reviewing the related disclosures in the Annual Report and Accounts;
- reviewing updates on accounting matters, including consideration of relevant accounting standards and underlying assumptions;
- reviewing the processes to assure the integrity of the Annual Report and Accounts, in particular:
  - the reserves and resources booking process;
  - the management representation letter to the external auditors;
  - the disclosures in relation to internal controls, risk management, principal risks and the work of the Committee;
  - that the information presented in the report, when taken as a whole, is fair, balanced and understandable and contains the information necessary for shareholders to assess the Company's performance, business model and strategy;
  - the effectiveness of the disclosure controls and procedures designed to ensure the Annual Report and Accounts complies with all relevant legal and regulatory requirements; and
  - the process designed to ensure the external auditors are aware of all 'relevant audit information', as required by Sections 418 and 419 of the Act.

Internal controls and risk

- considering reports from Group Audit;
- considering the level of alignment between the Company's key risks and internal audit programme;
- reviewing the resources of the Group Audit function and considering and approving the scope of the Group Audit programme;
- considering the effectiveness of Group Audit;
- considering reports from the external auditors on their assessment of the control environment;
- reviewing the Group's approach to cyber security;
- reviewing matters reported to the external whistleblowing hotline and a report from the ECCU; and
- assessing the effectiveness of the Group's internal control environment and making recommendations to the Board.

External auditors

- monitoring the transition to EY as the Group's external auditors;
- considering and approving the audit approach and scope of the audit work to be undertaken by EY as external auditors and the fees for the same;
- agreeing reporting materiality thresholds;
- reviewing reports on audit findings;
- considering and approving letters of representation issued to EY; and
- considering the independence of EY and their effectiveness, taking into account:
  - non-audit work undertaken by the external auditors;
  - feedback from a survey targeted at various stakeholders; and
  - the Committee's own assessment.

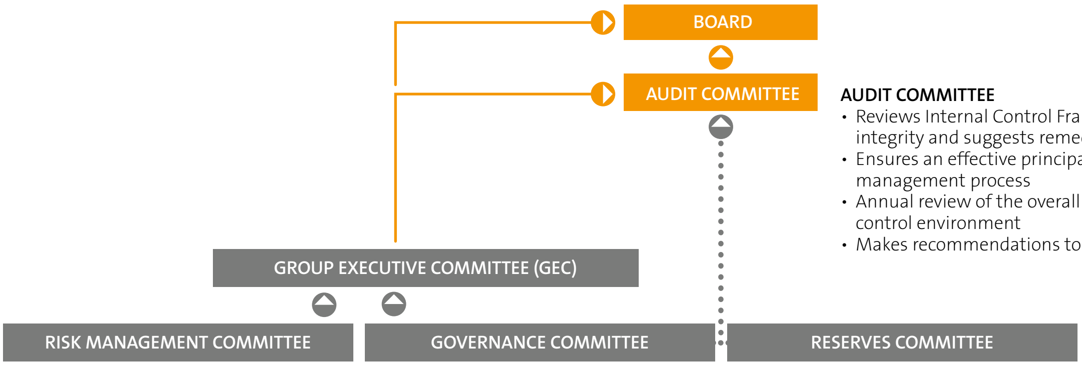
CORPORATE GOVERNANCE

AUDIT COMMITTEE CONTINUED

INTERNAL CONTROL

BG Group operates within a Governance Framework which encompasses three key areas: (1) organisation and structure; (2) risk management and internal control; and (3) independent assurance.

The organisation and structure of risk management and internal control within BG Group



AUDIT COMMITTEE
- Reviews Internal Control Framework (ICF) integrity and suggests remediation plans
- Ensures an effective principal risk management process
- Annual review of the overall internal control environment
- Makes recommendations to the Board

RISK MANAGEMENT COMMITTEE
- Oversees Enterprise Risk Management (ERM) Framework and Business Risk Management Process (BRMP)
- Indentifies and reviews the Group's principal risks
- Makes recommendations to GEC and the Board

GOVERNANCE COMMITTEE
- Oversees operation of the ICF
- Reviews reports from Group Audit, Legal, Ethical Conduct Compliance Unit, Speak Up and the Company Secretary

RESERVES COMMITTEE
- Manages reserves policy and process
- Reviews and challenges the Group's reserves and resources estimates
- Makes recommendations to the Audit Committee

The Disclosure Committee is also a sub-Committee of the GEC and reports on an annual basis to the Audit Committee regarding internal controls in relation to the Group's disclosure obligations. See page 47 for more details.

Further detail on the Group's organisation and structure is set out on page 47. The terms of reference of each Board Committee are available to download from **www.bg-group.com/governance**

Risk management and internal control
The Board has overarching responsibility for BG Group's risk management and internal control systems, in accordance with the guidance set out in the Code and Internal Control: Guidance to Directors (formerly the Turnbull Guidance) and is heavily influenced by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework (the Guidance).

The Board assesses the effectiveness of the overall internal control environment and reports the Group's compliance, in accordance with the Guidance, on an annual basis, as disclosed in the **Directors' disclosure statement** on page 82.

Based on its review, the Audit Committee reported to the Board that it was satisfied that the Group's overall risk management and internal control systems in place for the period 1 January 2013 to the date of this report were effective. Continued focus in 2014 will be given by the Audit Committee (and the Board) to the Group's planning and forecasting, and risk management, systems and processes. In making its effectiveness report to the Board, the Committee took account of the further work being undertaken by the Chief Financial Officer in 2014 to increase the scope and frequency of planning and forecast information to the Board, and to integrate, simplify and embed the Group-wide ERM Framework and reporting.

BG Group's ability to assess, influence and control the risk management and internal control environment within its joint ventures varies and in some cases may be limited, as disclosed in the **Principal risks and uncertainties** on page 38. The Group endeavours to influence joint ventures to adopt improved standards, controls and procedures where BG Group feels current practices do not adequately address significant risks, or may result in sub-optimal performance.

BG Group's system of internal control provides reasonable, rather than absolute, assurance against material loss or misstatement and is designed to manage, rather than eliminate, the risk of fraud or failure to achieve business objectives. Projections of any evaluation of effectiveness to future periods are subject to the risk that the system of internal control may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

BUSINESS PRINCIPLES
15 statements of values and behaviours

POLICIES
Define how BG Group operates and the expectations for business delivery

STANDARDS
Group requirements for specific activities

GUIDELINES
Best practice implementation advice on Business Principles, Policies and Standards

BG Group's approach to risk assessment and management, and internal control, is articulated and managed through the Group's ERM Framework. Further details are set out on page 38.

Internal Control Framework
The ICF is a key element of the Group's overall Governance Framework, and defines, in an explicit hierarchy, the way in which the Group operates. Compliance with Policies and Standards is mandatory to ensure that BG Group operates in accordance with its Business Principles. The Governance Committee oversees compliance with the Business Principles by ensuring the ICF contains the appropriate Policies, Standards and Guidelines and during the year introduced a Standards Charter to provide enhanced clarification on how Standards will be created and applied.

The Board's conclusion on the effectiveness of the Group's system of internal control is reached following completion of a robust tiered assurance process which culminates in Governance Committee and Group Executive Committee (GEC) review and approval of the Letters of Assurance (LoAs). LoAs are submitted by each GEC member and the Company Secretary to the Chief Executive, in relation to the control environment in their area of responsibility. Each LoA is supported by the results of the Governance Self-Assessment (GSA) process, which requires management-level reporting to the GEC and Company Secretary to assess the effectiveness of the Standards within their areas of responsibilities, and to report instances of non-compliance, as well as material weaknesses or significant deficiencies.

The Group operates a Speak Up Policy through which it aims to create the climate and opportunity for employees and third parties to voice genuinely held concerns about behaviour or decisions that they perceive to be contrary to the BG Group Business Principles or the mandatory elements of the system of internal control.

The Governance Committee also considers reports from Group Audit, the Ethical Conduct Compliance Unit and other assurance providers across BG Group, and the results are formally reported to the GEC and Audit Committee for recommendation to the Board.

During 2013, work continued on the Integrated Assurance Framework (IAF) which aligns the planned or completed internal and independent assurance to risks reported through the BRMP. An integrated assurance plan for 2014 and beyond has been put in place and enhancements were made to the integrated scheduling and reporting of audit and assurance reviews. This initiative has allowed BG Group to allocate assurance resources in a risk-based manner.

INDEPENDENT ASSURANCE

Independent assurance augments the Group's governance. There are three key pillars of independent assurance: Group audit, external audit and reserves and resources assurance.

Group Audit
Group Audit provides assurance to the Board, Audit Committee, GEC and management and in particular:

- provides objective, independent assurance and advice to Group management and the Audit Committee on the effective and efficient operation of the governance and internal control processes in place to identify and manage business risks; and
- as part of BG Group's integrated approach to risk, assurance and audit, acts as a 'third line of defence' through its coordinating role in monitoring the effectiveness of both management controls and other assurance activities in addressing business risk.

Group Audit gives particular regard to the ongoing evaluation of the efficacy of the ICF in governing BG Group's financial reporting and consolidation processes.

External auditors
The Audit Committee manages the relationship with the Group's external auditors, on behalf of the Board. The Company last undertook a tender for external audit services during 2012 and, as detailed in the 2012 Annual Report and Accounts, EY were appointed as the Group's external auditor in 2013. EY's appointment was approved by shareholders at the 2013 Annual General Meeting (AGM).

During the year, the Committee carried out its annual assessment of the auditors and reported to the Board on its findings. To support this assessment, Committee members and relevant members of management were invited to complete a questionnaire on their views about the auditors' performance during the year. The feedback received was reviewed by management and reported to the Committee. In addition, the Committee reviewed the Audit Inspection Unit's public report on the 2012/13 inspection of EY. After taking these reports into consideration, together with the auditors' report on their approach to audit quality and transparency, the Committee concluded that the auditors demonstrated appropriate qualifications and expertise and remained independent of BG Group, and that the audit process was effective.

Following the tender process and the appointment of EY, the Committee reviewed the proposed engagement letter and determined the proposed remuneration of EY in accordance with the authority given to it by shareholders at the 2013 AGM. The Committee considered the proposed auditors' remuneration to be appropriate.

It is proposed that EY be re-appointed as auditors of the Company at the next AGM in May 2014 and, if so re-appointed, that they will hold office until the conclusion of the next general meeting of the Company at which accounts are laid. Further details are set out in the Notice of Meeting on page 150.

The Group will continue the practice of the rotation of the audit engagement partner at least every five years, and all other partners and senior management will be required to rotate at least every seven years.

The independent external auditors' report to shareholders is set out on page 86.

Non-audit fees
The Committee believes that non-audit work may only be undertaken by the external auditors in limited circumstances. The Committee monitors the target that non-audit fees do not exceed 15% of the total audit fee in any year.

Focus is given to ensuring that engagement for non-audit services does not: (i) create a conflict of interest; (ii) place the auditors in a position to audit their own work; (iii) result in the auditors acting as a manager or employee; or (iv) put the auditors in the role of advocate for BG Group.

The Committee regularly reviews the nature of non-audit work performed by the auditors and the volume of that work. An analysis of fees paid in respect of audit and non-audit services provided by the external auditor in position at that time for the past two years is disclosed on page 102. Having undertaken a review of the non-audit services provided during the year, the Committee is satisfied that these services were provided efficiently by the external auditors as a result of their existing knowledge of the business and did not prejudice their independence or objectivity.

Reserves and resources assurance
Degolyer and MacNaughton and Miller and Lents provide independent assurance of the Group's estimates of its gas and oil reserves and resources, including the resources profile of certain assets. This assurance provides a key benchmark by which the Reserves Committee and the Audit Committee can then assess the validity of the judgements made in the calculation of the Group's reserves and resources.

CORPORATE GOVERNANCE

SUSTAINABILITY COMMITTEE

"The Committee has spent a substantial proportion of its time during 2013 considering the Licence to Operate risks inherent in new country entry."

Members*	Appointed	Attendance
Sir David Manning	November 2008	5/5
Peter Backhouse	December 2005	4/5
Vivienne Cox	April 2012	5/5
Chris Finlayson	April 2013	4/4
Andrew Gould	September 2011	5/5
Dr John Hood	July 2007	5/5
Caio Koch-Weser	December 2010	5/5

Safety remains paramount in the considerations of the Sustainability Committee. As part of our focus on safety, the Committee reviewed HSSE and asset integrity performance in BG Group's operations during the year. In particular, the Committee was pleased to note the continued improvement in QGC's total recordable case frequency (TRCF) and that, by the end of 2013, QGC was considered a leading safety performer in the Australian coal seam gas industry by this metric.

As part of the Committee's focus on safety during the year, we reviewed progress on the enhanced asset integrity programme in the North Sea and the successful shutdown of activities at the Karachaganak field, which was completed with no injuries and ahead of schedule. In the summer, the Committee also placed a particular focus on the processes followed for the safe and successful evacuation of employees and their families from Egypt. The Committee was encouraged by the Group's continued prioritisation of safety in these very different, but equally challenging, environments.

During 2013, Chris Finlayson set out his strategy for the Group. This included a keen focus on early-stage origination, discovery and development. In support of this strategic aim, the Committee has spent a substantial proportion of its time during 2013 considering the Licence to Operate risks inherent in new country entry. As Committee Chairman, I have also welcomed a regular report from management providing a holistic overview of new country entry opportunities being considered by the Group. This report has allowed the Committee to draw out key themes for wider consideration and also to consider the aggregate Licence to Operate risk of the combination of the potential opportunities.

In the last annual report, I was pleased to confirm that the Group had achieved its greenhouse gas (GHG) emissions reduction target for 2012. During 2013, the Committee has considered the proposed introduction of a methane emissions strategy and this work will continue into 2014 under the new Head of Environment and Climate Change who will work closely with the Committee on this subject.

The Committee also reviewed key developments in the management of ethical conduct. In 2013, efforts to ensure continuing high standards of ethical conduct included incorporating ethical conduct due diligence and risk management into contract sourcing and contract management processes.

SIR DAVID MANNING
CHAIRMAN OF THE SUSTAINABILITY COMMITTEE

Role of the Committee

The Committee reviews and scrutinises BG Group's work in engaging with its stakeholders in government, the political world, civil society, the media and the communities in areas where the Group already operates, or may operate in the future. In this work, the Committee supports the establishment and maintenance of the Group's Business Principles and its Licence to Operate Policy. Detailed terms of reference for the Committee can be found at **www.bg-group.com/sustainabilitycommittee**

Relevant skills and experience

During 2013, the Committee comprised both Executive and Non-Executive Directors who brought a broad range of skills, experience and knowledge in relation to international finance and business leadership, geopolitical and socio-economic matters, and the extractive industries. Following the results of the 2013 Committee evaluation process, the Board has agreed that, owing to the Committee's heavy focus on safety and Licence to Operate matters, it would be prudent to reinforce the independence of the Committee. As a result, from 1 January 2014, the Committee membership does not include any Executive Director or the Chairman. Martin Ferguson and Baroness Hogg joined the Committee on 1 January 2014.

Meetings of the Committee are normally attended by the Executive Vice President, Policy and Corporate Affairs and the Executive Vice President, BG Advance, together with other members of senior management to support detailed discussion.

ACTIVITIES OF THE SUSTAINABILITY COMMITTEE DURING THE YEAR

During the year, the Committee's key activities included:

- considering the Group's HSSE and asset integrity performance, including the progress of the Major Accident Hazard campaign;
- reviewing the Group's approach to human rights;
- considering the changing socio-political environment in key assets and in potential new country entry opportunities;
- reviewing the Group's social investment strategy;
- reviewing progress to develop projects to support the Group in meeting its target for GHG emissions to 2017;
- reviewing the Group's water management strategy in Australia ahead of the opening of the first facility at the Kenya water treatment facility in mid 2013; and
- reviewing the Group's management of ethical conduct.

Visit to Australia

In November 2013, members of the Committee visited Australia as a part of the wider Board visit. The visit coincided with changes in the State and Federal governments in Queensland and Australia. The Chairman and other members of the Committee attended meetings with the new Federal government in Canberra where they discussed QCLNG progress with Australia's Prime Minister, Tony Abbott, federal ministers and the opposition leadership team. During these meetings, the Chairman emphasised the Group's determination that the QCLNG project be implemented in partnership with communities and government such that it is environmentally acceptable and benefits as many stakeholders as possible. The Committee also met formally while in Brisbane to discuss key Licence to Operate issues. Further details of the Board visit can be found on page 53.

2014 priorities and performance review

The Sustainability Committee's performance was assessed as part of the Board's Annual Effectiveness Review. It was concluded that the Committee operated effectively.

The Committee will continue to focus in 2014 on evolving political, regulatory and environmental issues and risks.

* Membership as at 31 December 2013. For full biographies see pages 48 and 49.

NOMINATIONS COMMITTEE

"The Committee undertook a rigorous review of the processes in place for the identification and development of senior management with potential for Board and GEC positions."

Members*	Appointed	Attendance
Andrew Gould	May 2012	8/8
Baroness Hogg	May 2005	8/8
Dr John Hood	October 2011	7/8
Sir David Manning	December 2010	7/8

During 2013, the Nominations Committee focused heavily on succession planning at both Board and senior management level. A key part of this focus was the rigorous review of the processes in place for the identification and development of senior management with potential for Board and GEC positions.

Role of the Committee
The Committee reviews regularly and, where appropriate, makes recommendations to the Board regarding the balance of skills, experience, independence and knowledge of BG Group on the Board, and in its Committees. The Committee pays particular consideration to matters of diversity. On an annual basis, the Committee considers the re-election of Directors prior to their recommended approval by shareholders.

During the year, the Committee invited a number of additional attendees to its meetings, including other Committee Chairmen and the Chief Executive, to provide advice and enable the Committee to make informed decisions.

ACTIVITIES OF THE NOMINATIONS COMMITTEE DURING THE YEAR

New Senior Independent Director
The Committee focused on the appointment of the Group's new Senior Independent Director following Baroness Hogg's decision to step down from the role at the end of 2013, in recognition of her nine-year service on the Board. The Committee discussed Baroness Hogg's successor and evaluated the defined requirements of the role, as set out in the role profile at **www.bg-group.com/SID**, on two occasions. A key factor in their determination was to ensure that the successful candidate had sufficient experience of the Group and of the Board and was able to offer the necessary time commitment to continue the work of Baroness Hogg in this pivotal role. After careful consideration, the Committee recommended to the Board that Dr John Hood should be appointed, based on these factors and noting, in particular, his continued independence of character and judgement.

Appointment of new Chief Financial Officer
The approach and progress of the Board in the appointment of the new Chief Financial Officer and Executive Director was discussed by the Committee on two occasions during 2013, ahead of the announcement of the successful candidate, Simon Lowth, in July. The Board managed the rigorous and comprehensive succession process and, on the recommendation of the Committee, Mr Lowth's ultimate appointment. The services of an external search consultant, Egon Zehnder, were retained to assist in identifying potential candidates. Egon Zehnder is independent and is a signatory to the Voluntary Code of Conduct (VCC) on gender diversity and best practice.

Overall Board composition
The Committee considered succession planning for the role of Chief Operating Officer, following notification that Martin Houston intended to step down as an Executive Director and Chief Operating Officer during November 2013. The Committee agreed with management that Sami Iskander, the existing Executive Vice President, Operations, possessed the appropriate balance of global market and operational experience and specialised BG Group knowledge to assume the role.

In addition, the Committee noted the decision of Peter Backhouse to retire from the Board at the conclusion of the 2014 Annual General Meeting, in recognition of his near 14-year service on the Board.

In light of these changes, the Committee undertook a holistic review of the composition of the Board and its Committees during December 2013. The Committee recommended the appointments of Martin Ferguson and Pam Daley to the Board, and also proposed the appointment of Vivienne Cox and Caio Koch-Weser to the Nominations Committee and the appointment of Baroness Hogg and Martin Ferguson to the Sustainability Committee. The Committee recommended that, in accordance with best governance practice, Baroness Hogg should step down from the Audit and Nominations Committees. All changes were agreed by the Board to take effect from 1 January 2014.

External search consultants JCA Group, in the UK, and Korn Ferry, in Australia, were engaged to assist in the identification and appointment of Pam Daley and Martin Ferguson as suitable candidates for the Board. Both JCA Group and Korn Ferry are independent and are signatories to the VCC.

Conflicts of interest
The Committee spent a notable proportion of its time during the year considering the external commitments of existing and potential Directors in relation to both the independence provisions set out in the Code and the requirements in relation to conflicts of interest, as set out in the Companies Act (the Act). In line with the statement on page 82, there are no matters in relation to Directors' independence required to be disclosed in this report and, following recommendations from the Committee, the Board has put in place appropriate procedures to manage any actual, potential or perceived situational conflicts of interest that may arise.

Diversity
The Committee considered diversity within the Group as a whole, including gender, and in particular the progress and effectiveness of the initiatives implemented at a Group and local asset level. The Committee endorsed their continued development and further details of these initiatives are set out on page 55.

In addition, following the introduction of the new reporting requirements under the Act relating to gender diversity, the Committee chose to undertake a review of Group disclosure in relation to diversity, particularly gender. The Committee recommended to the Board an updated Group Diversity Policy and, in particular, that the BG Group Board should aspire to increase the proportion of women on the Board to 25% by 2015, in line with the recommendations of the Davies Report. The Board approved the proposed Group Diversity Policy, set out in more detail on page 55.

2014 priorities and performance review
The Committee's performance was assessed as part of the Board's annual effectiveness review. It was concluded that the Committee operated effectively.

During 2014, the Committee will continue to focus on succession planning and support the Board in the achievement of the Group Diversity Policy.

* Membership as at 31 December 2013. For full biographies see pages 48 and 49.

CORPORATE GOVERNANCE

COMPLIANCE WITH THE UK CORPORATE GOVERNANCE CODE

The Board of Directors and BG Group remain fully committed to the principles of best practice in corporate governance and throughout 2013 have complied fully, and continue to comply fully, with the UK Corporate Governance Code (the Code), which can be found at **www.frc.org.uk** The notes below are intended to assist with the evaluation of the Group's compliance during 2013, although they should be read in conjunction with the Corporate governance report as a whole. A live version of this document is maintained at **www.bg-group.com/investors**

A. LEADERSHIP

A.1 The role of the Board
The Board is responsible to BG Group's shareholders for delivering the long-term success of the Company and the operation of effective governance arrangements. The steps the Board takes to facilitate this are outlined in the Corporate governance report on pages 46 to 83.

The Board oversees the Group's strategy and ensures that necessary resources are available, and that appropriate controls, values and standards are in place, to deliver it. As well as oversight responsibility for financial performance, internal control and risk management of the Group, there is a full list of the matters reserved to the Board for decision which is published at **www.bg-group.com/governance**

The Board held nine scheduled meetings during 2013 and holds additional meetings, as required. All directors are expected, wherever possible, to attend all Board and relevant Committee meetings, and the AGM. Details of Board attendance for 2013 are set out on page 47. Details of Board Committee attendance are set out in the relevant Committee report pages 56 to 71.

All Directors are covered by the Group's Directors' and Officers' Insurance policy.

A.2 Division of responsibilities
The roles of the Chairman and Chief Executive are separate and full descriptions, including the key responsibilities of each, are published at **www.bg-group.com/chairmanandchiefexecutive**

Andrew Gould, the Chairman, leads the Board and is responsible for the balance and composition of the Board and its Committees, enabling them to operate effectively. Chris Finlayson, the Chief Executive, leads the business and manages the Group within the authorities delegated by the Board to develop and implement strategy successfully.

A.3 The Chairman
The Chairman manages the Board and sets the Board's agenda for the year. Board meetings are arranged to ensure sufficient time is available for the discussion of all items and the Board meet annually for a planning conference at which strategic issues are considered in depth. Details of the 2013 Board Planning Conference are set out on page 53.

In accordance with the Code, the Chairman was independent on appointment and the ongoing test of independence for the Chairman is not appropriate.

A.4 Non-Executive Directors
Baroness Hogg was Senior Independent Director during 2013 and was succeeded by Dr John Hood from 1 January 2014. The responsibilities of the Senior Independent Director include meeting major shareholders as an alternative contact to the Chairman, Chief Executive or Chief Financial Officer. The role is clearly established and a description of the key responsibilities is published at **www.bg-group.com/SID**. The Senior Independent Director is expected to commit three to four days per year to the role, and significantly more in exceptional circumstances. This is in addition to the expected time commitment of a Non-Executive Director.

In accordance with the Code, the Non-Executive Directors are urged to challenge constructively and help develop proposals on strategy, scrutinise the performance of management in meeting agreed goals and objectives and monitor the reporting of performance. They should satisfy themselves on the integrity of financial information and that financial controls and systems of risk management are robust and defensible.

Baroness Hogg and the Non-Executive Directors considered, without the Chairman present, the Chairman's performance. The next performance evaluation will take place during 2014 as part of the externally facilitated Board evaluation.

The Chairman also met with Non-Executive Directors without the Executive Directors being present on several occasions during 2013, and individually with each Non-Executive Director.

During the year, the directors had no unresolved concerns about the running of the Company or any proposed action. It is Company policy that any such unresolved concern must be recorded in the Board minutes.

B: EFFECTIVENESS

B.1 The composition of the Board
There are currently 11 Non-Executive Directors, in addition to the Chairman and two Executive Directors on the Board.

During 2013, including as part of the Board's internal evaluation process, the Board reviewed the overall balance of skills, experience, independence and knowledge of Board and Committee members and their diversity, including gender, and subsequently made a number of changes to ensure that Committee membership was appropriately refreshed. Chris Finlayson joined the Sustainability Committee, Lim Haw-Kuang joined the Audit Committee and Mark Seligman joined the Remuneration Committee. Further changes made to the composition of the Board and Committees are set out in the Nominations Committee report on page 61.

The Board considers all of its Non-Executive Directors to be independent and free of any business relationships that could compromise the exercise of independent and objective judgement. In making this determination, the Board considered in particular the role of Pam Daley as a non-executive director of BlackRock Inc. The Board was satisfied, on the basis that the BlackRock board does not make any investment decisions regarding individual companies, that Miss Daley is independent. The Board was also satisfied that Andrew Gould's roles at Saudi Aramco and L1 Energy Fund in no way compromise his responsibilities and duties as Chairman of BG Group. In accordance with the Code, the Board undertakes an annual review of the independence of its Non-Executive Directors.

Martin Houston retired from the Board on 13 November 2013 and Den Jones stepped down on 2 December 2013. By the date of the 2014 AGM, Peter Backhouse will have served on the Board for almost 14 years and will step down at the conclusion of the meeting. Mr Backhouse was considered by the Board to have retained independence of character and judgement throughout his tenure as a Director. Baroness Hogg will have served nine years with the BG Group Board in January 2014 and, in accordance with the Code, the Board has determined that Baroness Hogg has retained independence of character and judgement and has not formed associations with the Company that might compromise her ability to exercise independent judgement, notwithstanding her length of service. Further details concerning Baroness Hogg's continued appointment are set out on pages 46 and 62.

B.2 Appointments to the Board
Simon Lowth was appointed as Chief Financial Officer on 2 December 2013. The succession process and ultimate appointment were overseen by the Board. Further details are set out on pages 46 and 61. In addition, Pam Daley and Martin Ferguson were appointed as Non-Executive Directors in January 2014. Further details on their appointments are set out on page 61. The Board's policy on diversity is set out on page 55.

B.3 Commitment
During 2013, the Board considered the external commitments of its Chairman, Senior Independent and other Non-Executive Directors and is satisfied

that these do not conflict with their duties and time commitments as Directors of the Company. It is the Company's policy to allow each Executive Director to accept one non-executive directorship of another company.

B.4 Development
A full induction programme is provided to all Directors appointed to the Board which takes into account their qualifications and experience. Details of the induction programme provided to Lim Haw-Kuang are set out on page 54. Tailored induction programmes for Pam Daley and Martin Ferguson were co-ordinated by the Company Secretary in January 2014 and will be reported in the 2014 Annual Report.

Each year, the Directors receive a number of teach-ins. Details of some of those provided in 2013 are set out on page 54. The Directors also met individually with the Chairman and the Company Secretary to discuss and agree their training and development needs.

B.5 Information and support
The Directors have full access to the advice and services of the Company Secretary and may obtain independent professional advice at the Company's expense if they believe it may be required in the furtherance of their duties.

The Company Secretary is responsible to the Board on a number of issues and full details on the Company Secretary's responsibilities are published at **www.bg-group.com/governance**. The removal of the Company Secretary is a matter for the Board as a whole.

Guidelines are in place concerning the content, timeliness and presentation of Board and Committee papers from management to ensure that the Board is briefed effectively.

B.6 Evaluation
In 2013, performance evaluations of the Board, its Committees and individual Directors were carried out internally. External evaluation last took place in 2012 and will take place again in 2014. The evaluation considered independence, conflicts of interest, balance of skills, knowledge of the Company and all types of diversity. Further details of the evaluation can be found on page 52.

The Non-Executive Directors evaluated the performance of the Chairman.

Following the evaluation, the Directors concluded that the Board and its Committees operated effectively and that each Director contributes effectively and demonstrates commitment to their role.

B.7 Election/Re-election
Each Director is subject to election at the first AGM following their appointment, and re-election at each subsequent AGM. Accordingly, Simon Lowth, Pam Daley and Martin Ferguson will stand for election at the 2014 AGM. The Directors unanimously recommend the re-election of all other members of the Board with the exception of Peter Backhouse who has chosen not to stand for re-election and will stand down from the Board at the conclusion of the meeting. Full biographical details for all Directors can be found on pages 48 and 49.

C. ACCOUNTABILITY

C.1 Financial and business reporting
A statement of the Directors' responsibilities regarding the Financial statements, including the status of the Company as a going concern, is set out on pages 82 and 83, with an explanation of the Group's strategy and business model, together with relevant risks and performance metrics, set out on pages 2 to 43.

A further statement is provided on page 83 confirming that the Board considers that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

The Board gave regard to the requirements of The Stewardship Code and The Sharman Inquiry on going concern and liquidity risks assessment.

C.2 Risk management and internal control
The Board has established processes designed to allow it to assess the effectiveness of the internal control environment with the Group. Further details can be found on pages 58 and 83.

The Board determines the Company's risk appetite and annually reviews and assesses the effectiveness of the systems in place to manage risk. Further details are set out on pages 58 and 59.

BG Group operates a reasonable, rather than absolute, assurance system designed to manage, rather than eliminate, the risk of failure to achieve business objectives.

C.3 Audit Committee and auditors
The Audit Committee report on pages 56 to 59 sets out details of the composition of the Committee, including the expertise of members, and outlines how the Committee has discharged its responsibilities during 2013.

The Board has delegated a number of responsibilities to the Audit Committee including: oversight of the Group's financial reporting processes; management of the external auditors; and management of internal risk management processes. Full details are set out in the terms of reference for the Committee published at **www.bg-group.com/auditcommittee**

D. REMUNERATION

D.1 The level and components of remuneration
The Remuneration Committee report on pages 64 to 79 outlines the activities of the Committee during 2013 and sets out the Company's forward looking Directors' Remuneration Policy, including relevant remuneration components and how they support the achievement of the strategic objectives of the Group. The Annual Remuneration Report outlines the implementation of remuneration during 2013 (including salary, bonus and share awards) and payments for loss of office paid to Directors.

The Board believes that the Group's proposed Remuneration Policy, as set out on pages 66 to 70, has a responsible approach to Directors' pay and that the Remuneration Policy is appropriate and fit for purpose.

D.2 Procedure
The Board has delegated a number of responsibilities to the Remuneration Committee, including conception of the Group's overall remuneration policy and strategy and setting the remuneration arrangements for the Executive Directors and GEC. Full details are set out in the terms of reference for the Committee published at **www.bg-group.com/remunerationcommittee**

During 2013, no individual was present when their own remuneration was being discussed.

E. RELATIONS WITH SHAREHOLDERS

E.1 Dialogue with shareholders
The Board recognises that meaningful engagement with its institutional and retail shareholders is integral to the continued success of the Company. Throughout 2013, the Board has sought actively to engage with shareholders on a number of occasions through meetings, presentations and roadshows, the details of which are set out on page 53 and copies of relevant presentations may be viewed at **www.bg-group.com/investors**

E.2 Constructive use of the AGM
The AGM will be held on 15 May 2014 and is an opportunity for shareholders to vote on certain aspects of Group business, in person. The Board values the AGM as an opportunity to meet with those shareholders able to attend and take their questions. The Notice of AGM is sent to all shareholders who have requested to receive hard copy documentation from the Company and is set out on pages 150 to 155 of this report or may be viewed at **www.bg-group.com/NOM**

REMUNERATION REPORT

"The Committee believes that the Group's overall remuneration policy, reward components and emphasis on performance-related reward continue to be appropriate in the context of market and corporate governance developments in the UK."

Structure of the report

Directors' Remuneration Policy – pages 66 to 70.
Annual Remuneration Report – pages 64 and 65, and 71 to 79.

At the Company's forthcoming AGM on 15 May 2014, the Directors' Remuneration Policy will be subject to a binding vote by shareholders, and this letter and the Annual Remuneration Report will be subject to an advisory vote by shareholders.

The Committee believes it is essential that BG Group's remuneration policy and its implementation are clearly aligned with the interests of shareholders and corporate governance best practice in the UK. The Group's ability, as an internationally diversified gas and oil company, to compete for executive talent in a global market should be viewed by shareholders in this context.

2013 was Chris Finlayson's first year as Chief Executive and, in May, he provided his strategy update. During the year, the Company delivered sound trading results and operational performance, made progress on a number of its key growth projects and achieved further good progress against the HSSE scorecard. However, following a number of announcements during the year and on 27 January 2014, the growth outlook for BG Group for 2014 and 2015 was reduced, owing to developments in Egypt and the USA, and a deteriorating operational performance in some of our base assets.

The Committee reviewed the outcome of the 2013 annual bonus scorecard for the Executive Directors in this context. Before considering individual performance, the bonus scorecard outcome was 54.64% (compared to 42.5% target and 85% stretch). After careful consideration, the Committee determined that the business performance scorecard outcome should be reduced by 20% to 43.71% and that the bonuses awarded to the current and former Directors employed at the time of the award would be in the form of deferred awards over BG Group plc shares.

Following the Committee's annual review of Executive Directors' salaries, no increases were made. The next review is due in March 2015.

During the year, the Committee reviewed the design of the long-term incentive plan (LTIP) and the Directors' Remuneration Policy. The Committee consulted major shareholders to solicit their views on both of these matters and carefully considered all feedback received. In its review of the LTIP, the Committee determined that relative TSR remains the most appropriate LTIP performance measure given the strategy's focus on shareholder value and the difficulties in normalising other financial measures for foreign exchange and commodity price fluctuations over the longer term. The Committee will continue to evaluate the use of additional performance measures but, in the near term, relative TSR will be retained as the principal LTIP performance measure.

The Committee has considered shareholder feedback on LTIP threshold vesting levels, and will continue to keep this under review by reference to BG Group's peer group. In the meantime, the Committee remains committed to setting challenging LTIP targets for threshold vesting, which result in 25% of an award vesting. For the LTIP award vesting in 2013, granted in 2010, the threshold level of performance was not attained and no award vested. To further strengthen alignment with shareholders' interests, the Committee introduced a two-year holding period, during which forfeiture and malus provisions also apply, for 50% of the net vested shares from LTIP awards. This is effective for the 2013 LTIP Performance Share Awards and future awards.

During 2013, the Committee also reviewed the shareholding guidelines for Executive Directors. To encourage share ownership and, again, further strengthen alignment with shareholders' interests, the guideline was increased from 200% to 300% of salary. Net shares from incentive awards are to be retained until the guideline is achieved.

In July 2013, the Company announced that Simon Lowth would be joining BG Group as Chief Financial Officer. In order to recruit Simon it was necessary to buy out his 2013 bonus entitlement and the share awards foregone on leaving his former employer. Further details of these awards are provided in the report. Simon joined the Company on 2 December 2013 and, in light of the market's reaction to the 27 January 2014 announcement, the Committee re-considered the buy-out awards made for the purposes of his recruitment in view of a significant diminution in their value. Following consultation with the Company's major shareholders, the Company made a further grant to Simon in the form of a deferred award over BG Group plc shares to honour the agreed value of the buy-out awards. The proportion of shares that vest under the new award will be reduced by the proportion of shares that vest under the original buy-out awards.

In November 2013, the Company announced that Martin Houston had stepped down as an Executive Director and as Chief Operating Officer. Martin had given the Company notice of his intention to retire from the Group. The Committee reviewed and considered his outstanding share awards and, in accordance with the Company's policy on retirement, agreed that Martin would be treated as a retiree for the purposes of the relevant incentive plan rules. Further details are provided in the report.

The main changes in the report from last year are the inclusion in the report of two distinct sections:

- The first section, the Directors' Remuneration Policy (pages 66 to 70), sets out the components of reward for Directors and how they are linked to the business strategy, and will be the subject of a binding vote at our AGM; and
- The second section, the Annual Remuneration Report (pages 71 to 79), reports on the implementation of the remuneration policy and the remuneration of the Directors for the 2013 financial year, and will be the subject of an advisory vote at our AGM.

The Committee believes that the Group's overall remuneration policy, reward components and emphasis on performance-related reward continue to be appropriate in the context of market and corporate governance developments in the UK. Other than the changes noted above, there were no further changes to remuneration arrangements during the year.

The Committee will continue to monitor developments relating to executive reward, while keeping those aspects at BG Group and the Directors' Remuneration Policy under review.

On behalf of the Board, I would like to thank shareholders for their continued support.

DR JOHN HOOD
CHAIRMAN OF THE
REMUNERATION COMMITTEE

REMUNERATION COMMITTEE'S RESPONSIBILITIES

The Committee's principal responsibilities are:

- setting, reviewing and recommending to the Board for approval the Group's overall remuneration policy and strategy;
- setting, reviewing and approving the remuneration arrangements (including any bonuses, incentive payments, share awards, pension and benefit arrangements, and termination payments) of the Chairman, Chief Executive and Executive Directors;
- reviewing and approving the remuneration arrangements (including any bonuses, incentive payments, share awards, pension and benefit arrangements, and termination payments) of members of the GEC who are not Executive Directors, and the Company Secretary; and
- reviewing and approving the rules of (and any significant amendment to) any long-term incentive plan (whether cash or share-based), deferred bonus plan, cash-based incentive plan, or share plan, subject to final approval by the Board and/or shareholders, where necessary.

The full terms of reference of the Committee can be found on the BG Group website at **www.bg-group.com/remunerationcommittee** and copies are available on request.

REMUNERATION PRINCIPLES

BG Group's Directors' Remuneration Policy as detailed on pages 66 to 70 is based on the following principles, which are reviewed annually to ensure they continue to be appropriate and support BG Group's business strategy.

BG Group's remuneration principles for Executive Directors and other members of the Group Executive Committee

Shareholder-aligned	• The performance-related incentive arrangements are designed to align the interests of executives with those of shareholders and establish a clear link between remuneration and sustained individual and corporate performance. • BG Group's shareholding guidelines encourage Executive Directors, GEC members and certain other senior employees to build up and retain a minimum holding of shares.
Market-competitive and aligned with the UK Corporate Governance Code	• The Policy is designed to deliver reward that will facilitate the recruitment, retention and motivation of the executive talent necessary to deliver successfully BG Group's growth strategy. • It takes appropriate account of the UK Corporate Governance Code and best practice guidelines published by regulators, institutional shareholder and other bodies.
Performance-related	• At the Executive Director and senior employee levels, the majority of the reward opportunity is provided through performance-related incentives. • Reward under these incentives is linked to both individual and BG Group's performance. When setting targets and assessing performance, appropriate account is taken of business risk and the delivery of sustained returns to shareholders.

REMUNERATION REPORT – GLOSSARY OF TERMS

These terms or acronyms are used in the following report:

Acronyms

AGM	Annual General Meeting	HMRC	HM Revenue & Customs
AIS	Annual Incentive Scheme, the Company's annual bonus plan	HSSE	Health, safety, security and environment
BGPS	BG Pension Scheme, a funded defined benefit pension scheme which was closed to future accrual with effect from 31 December 2013	LTIP	Long-Term Incentive Plan
BGSBS	BG Supplementary Benefits Scheme, an unfunded defined benefit pension scheme which was closed to future accrual with effect from 31 December 2013	PSA	Performance Share Award, an award granted under the LTIP which is subject to performance conditions other than in exceptional circumstances
CSOS	Company Share Option Scheme, a legacy plan under which share options were previously granted	ROACE	Return on average capital employed
DBP	Deferred Bonus Plan	SIP	Share Incentive Plan, an HMRC approved plan for UK employees
EPS	Earnings per share	TRCF	Total recordable case frequency
EPV	Estimated present value, a measure of the economic or fair value of a share award	TSR	Total shareholder return
GEC	Group Executive Committee	VBDP	Voluntary Bonus Deferral Plan

DIRECTORS' REMUNERATION POLICY

The Directors' Remuneration Policy described in this section (the Policy) is intended to apply from the conclusion of the 2014 AGM, subject to shareholder approval. The Committee will review, but not necessarily revise, the Policy at least annually to ensure that it remains aligned with business needs and is appropriately positioned in the market. The Policy incorporates some flexibility and discretion to allow the Committee to manage and determine Directors' remuneration over the life of the Policy. If approved, this Policy will continue to apply until a revised policy receives shareholder approval and becomes applicable.

SUMMARY OF REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

The table below summarises the elements of Executive Directors' remuneration. For notes to this table, please see page 68.

PURPOSE AND LINK TO STRATEGY	OPERATION
FIXED PAY	
Base salary To attract and retain talent to help achieve our strategic objectives.	Paid monthly and, usually, reviewed annually with any increases taking effect from 1 April. The review involves the consideration of market position relative to relevant comparator groups, including our sector peers and non-financial services FTSE 30 constituents, and is also influenced by: • the Executive Director's role, experience and performance; • business performance, the wider market and economic conditions; and • the range of salary increases applying across the Group in similar inflationary environments. The Committee may review and adjust salaries other than in the course of the annual review, including where an Executive Director's role or market positioning changes significantly. Where the change in role is on an interim basis, the Committee may determine that, instead of an increase in salary, a non-pensionable interim allowance is payable, the level of which will be informed by those factors influencing salary reviews.
Benefits To attract and retain talent to help achieve our strategic objectives.	Benefits typically include life assurance, income protection, personal accident insurance, annual leave, financial counselling and medical insurance. Executive Directors may be provided with additional benefits, such as on site fitness facilities, on the same basis as other employees. Flexible benefit arrangements may be offered including a company car or cash in lieu of a company car and, where appropriate to assist with their roles, chauffeur services may also be provided. Executive Directors are also eligible to participate in our all-employee share plans, currently the Share Incentive Plan and the Sharesave Plan, on the same basis as other employees. Executive Directors are covered under the terms of the Company's directors' and officers' liability insurance.
Pension To attract and retain talent to help achieve our strategic objectives.	Executive Directors can choose to participate in the relevant local defined contribution pension arrangement or receive cash in lieu or a combination thereof. Employees who joined BG Group in the UK prior to April 2007 may be deferred members of the UK defined benefit pension arrangement which was closed to future accrual on 31 December 2013.
VARIABLE PAY	
Annual Incentive Scheme ***Delivered in the form of cash awards, automatic deferral into DBP share awards and/or voluntary deferral into VBDP share awards.*** Designed to reward the achievement of the strategic and operational business priorities for the financial year. The DBP and VBDP are designed to provide further alignment with the interests of shareholders.	The AIS is reviewed prior to the start of each financial year to ensure the bonus opportunity, performance measures and weightings are appropriate and continue to support the strategic and operational business priorities for the forthcoming financial year. Stretching financial and non-financial performance measures and targets are set at the start of each financial year. Actual AIS awards are determined by a two-stage process. Firstly, performance is assessed against the agreed measures and targets. Secondly, the Committee reviews these results in the context of individual performance and the underlying performance of and prospects for the business. If the Committee considers that the stage one outcome does not reflect the performance or prospects of the Company appropriately, it may adjust the stage one outcome, downwards or upwards, within the overall AIS limits, at its discretion. The treatment of AIS awards on termination and on a change of control are set out on page 69. AIS awards are subject to automatic and/or voluntary deferral into awards over BG Group shares. For AIS awards in excess of 100% of base salary, the excess is automatically deferred for three years into share awards over BG Group shares under the DBP, which accrue dividend equivalents. Forfeiture and malus provisions apply to the vesting of DBP awards, which may be reduced in circumstances where the Company becomes aware of misconduct or performance issues relevant to the bonus award year, or if the individual ceases to be an Executive Director or employee as a result of misconduct. Forfeiture and malus provisions apply to VBDP awards, which may be reduced if the individual ceases to be an Executive Director or employee as a result of misconduct. Executive Directors are also able voluntarily to defer a proportion of their AIS award into awards over BG Group shares under the VBDP, which is available to other employees. VBDP awards vest three months after the date of grant. Dividend equivalents accrue on VBDP awards. The number of shares comprising DBP or VBDP awards is calculated using the average share price over the three or five dealing days preceding the date of grant. The automatic and voluntary deferral arrangements are reviewed periodically and may be altered or removed by the Committee. Details for the current Executive Directors for the period under review are set out in the **Annual Remuneration Report** on page 72.
Long-Term Incentive Plan ***Awards over BG Group shares*** Designed to align the interests of Executive Directors with those of shareholders by rewarding the Executive Directors for value growth over the longer term.	In accordance with the rules of the LTIP, the Committee may grant Performance Share Awards, and/or Market Value Options to Executive Directors. To date, the Committee has granted only Performance Share Awards to Executive Directors. The award levels and performance conditions on which vesting will be dependent are reviewed annually to ensure they remain appropriate. Awards are typically granted annually in September. A number of factors are considered when determining the level of any award, including the position of the Executive Director's overall reward package relative to the market, the Executive Director's performance and experience, the face value and EPV of the proposed award and plan dilution limits. EPV is a measure of the economic or fair value of an award. The measure takes account of the performance conditions, the risk that the performance conditions might not be met and the risk that awards may be forfeited. EPV is calculated independently by the Committee's advisers. The face value of an award is equal to the number of shares, or shares under option, multiplied by the relevant share price at grant. Performance Share Awards vest over a period set by the Committee, which will normally be three years from the date of grant. Dividend equivalents accrue on Performance Share Awards. For 2013 and later LTIP Performance Share Awards, a proportion of the net vested shares on vesting are subject to a further holding period, during which forfeiture and malus provisions apply. The number of shares that will be released at the end of this holding period may be reduced in circumstances where the Company becomes aware of misstatement of the financial accounts, individual misconduct or performance issues. At grant, the Committee sets the length of the holding period and the proportion of net vested shares subject to the holding period. For the life of this Policy, these will be at least two years and at least 50% respectively. The treatment of LTIP awards on termination and on a change of control are set out on page 69.

OPPORTUNITY	PERFORMANCE MEASURES
Base salary increases will be applied in line with the outcome of the review. Maximum salary increases to Executive Directors will be within the range of those awarded to other employees in similar inflationary environments, other than where it is appropriate to recognise performance showing significant progression within the role or a material change in the responsibilities of the role. The level of base salary paid, and any interim allowance, will vary by role and will be no more than is necessary to attract and retain Executive Directors with the necessary experience and skills. Details for the current Executive Directors for the period under review are set out in the **Annual Remuneration Report** on page 71.	Individual and business performance is considered in reviewing and setting base salary.
Benefit values vary by role and are reviewed by reference to market position periodically. The maximum level of benefits will be no more than is necessary to attract and retain Executive Directors with the necessary experience and skills. Executive Directors will be reimbursed for business expenses relating to the performance of their duties, including travel, accommodation and subsistence. Occasional travel, accommodation and subsistence expenses will be reimbursed and may be grossed up for any tax due where the Company requires Executive Directors' spouses or partners to travel. Details for the current Executive Directors for the period under review are set out in the **Annual Remuneration Report** on page 71.	Some benefits, such as life assurance, are calculated by reference to base salary.
Executive Directors can choose a pension contribution or receive cash in lieu, or a combination thereof, up to 30% of base salary. No current Executive Director is a deferred member of the UK defined benefit pension arrangement. Details for the current Executive Directors for the period under review are set out in the **Annual Remuneration Report** on page 71.	Calculated by reference to base salary.
The AIS offers a maximum opportunity of up to 200% of base salary, with target and threshold opportunities of up to 100% and up to 45% of base salary, respectively. Each year, the Committee determines maximum, target and threshold AIS opportunities, which may vary by role, on an individual basis, within those scheme limits. Employees who are not members of the GEC are eligible for an additional 10% award of the amount deferred under the VBDP that vests, provided their voluntary award is deferred for at least three years. Where employees with these awards subsequently become members of the GEC, it is the Company's policy to honour the awards in accordance with their terms, which may differ from the terms of awards granted under this Policy. Individual limits for the Executive Directors for the period under review are set out in the **Annual Remuneration Report** on page 72.	The performance measures selected for the year, and their relative weighting, may vary each year depending upon strategic and operational business priorities. The performance of each Executive Director is measured against their individual objectives for the year which, as part of their operational objectives, include challenging budget and stretch targets in key operational areas. Performance measures may be selected from externally reported financial measures, such as EPS and ROACE, other internal financial measures, such as working capital targets, and/or operational measures, such as project performance and HSSE. The Committee has the flexibility to vary the weightings and to select alternative or additional measures over the life of this Policy to ensure that the AIS is aligned to the strategic and operational priorities of the business for the forthcoming financial year, subject to maintaining a weighting of at least 50% for externally reported financial measures, such as EPS and ROACE. Details of the performance measures for the period under review are set out in the **Annual Remuneration Report** on page 72.
Awards granted to individuals under the LTIP are subject to the following annual limits: • an overall EPV limit of 300% of base salary; and • the face value of each type of award cannot exceed 600% of base salary. Both limits may be exceeded in exceptional circumstances, such as recruitment or retention, at the Committee's discretion. In such exceptional circumstances, the maximum annual value is an overall EPV limit of 575% of base salary, other than for buy-out awards on, or in connection with, recruitment. This limit has been determined following a review of the upper quartile of awards to the chief executives of the non-financial services FTSE 30 constituents and the median of awards to the chief executives of the Group's sector peers. The maximum opportunity for threshold performance is 25% of the award granted, above which straight line vesting applies. Employees who are not Executive Directors may receive awards without performance conditions. Where employees with these awards subsequently become Executive Directors, it is the Company's policy to honour the awards in accordance with their terms, which may differ from the terms of awards granted under this Policy.	LTIP awards vest in accordance with the plan rules and vesting is usually subject to the following conditions: • continued employment; • the individual's performance not having fallen significantly below that expected at the date of grant; and • the Company's performance over a three-year performance period, which will usually start with the month of grant for TSR. Performance measures are reviewed each year by the Committee and selected to focus Executive Directors on the strategic business priorities and the interests of shareholders over the longer term. To ensure that the LTIP rewards value creation over the longer term, the Committee has the flexibility to vary the weighting of the TSR performance measure and to set the weighting of other measures, which are externally reported financial measures, such as EPS and ROACE. Over the life of this Policy, relative TSR will be retained as a performance measure and this performance measure will have a weighting of at least 50%. Buy-out awards on recruitment may be granted without performance conditions and/or a holding period at the Committee's discretion. Details of the performance measure for the period under review are set out in the **Annual Remuneration Report** on page 74.

CORPORATE GOVERNANCE

DIRECTORS' REMUNERATION POLICY CONTINUED

NOTES TO THE POLICY TABLE

It is the Company's policy to honour pre-existing remuneration obligations and commitments that were entered into prior to the commencement of this Policy or before an employee becomes an Executive Director, which may include obligations under service contracts, annual and long-term incentive schemes and pension arrangements with terms that differ from this Policy.

AIS and LTIP performance measures and targets
The Committee selects AIS performance measures that are central to the Company's overall strategy and that are key measures used by the senior management to assess the performance of the Company's business operations. The AIS performance targets are determined annually based on the Board-approved budget for the coming year, with outperformance relative to the Company's own forecasts being required to achieve the maximum opportunity.

For LTIP awards, the Committee selects performance measures that are appropriate for the Company's overall strategy and which are linked to value creation over the longer term. The LTIP performance targets will be determined annually by the Committee, with outperformance being required to achieve the maximum opportunity.

The Committee is of the opinion that the AIS and LTIP performance targets which are based on Company measures are commercially sensitive and that it would be detrimental to the interests of the Company to disclose them before the completion of the relevant financial year(s) to which they apply. Where the AIS targets are no longer commercially sensitive, typically following the end of the financial year(s), they will be disclosed in that year's remuneration report. For LTIP awards, TSR targets will be disclosed in the remuneration report disclosing the grant and, where other financial measures are used as performance measures for the LTIP, the targets will be disclosed when they are no longer commercially sensitive, typically following the end of the financial year in which the related LTIP awards vest.

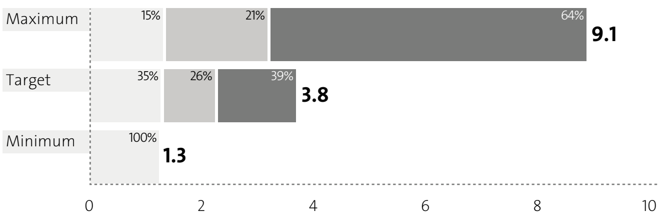
Differences in remuneration policy for other employees
The structure of reward for the remainder of the GEC generally mirrors that of the Executive Directors. The structure of employees' reward cascades from that of the Executive Directors. All employees are entitled to base salary, with salaries reviewed at least annually, and benefits and pension arrangements that are set by reference to the local market in which they are employed. Where appropriate and feasible (for example, under local legislation or practice), employees also participate in the AIS and LTIP arrangements, with their target and maximum levels of participation being set by reference to the local market.

In order to encourage share ownership, the Company currently provides two HMRC approved share plans for its UK employees, the SIP and the Sharesave Plan. For non-UK employees in a number of key overseas locations, a Global Partnership Plan is provided.

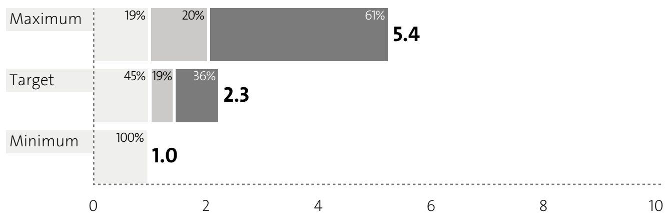
ILLUSTRATION OF POTENTIAL REWARD OPPORTUNITIES FOR THE EXECUTIVE DIRECTORS

The graphs below provide an indication of the reward opportunity for each of the current Executive Directors in 2014, based on their roles at 1 January 2014 and this Policy. As all the Executive Directors are paid in Pounds Sterling, the Committee considers it appropriate that the figures detailed below are presented in Pounds Sterling.

Chris Finlayson, Chief Executive
(£ million)



Simon Lowth, Chief Financial Officer
(£ million)



○ Salary, benefits and pension ◎ AIS ● LTIP

In illustrating the future reward opportunities, the following assumptions have been made:

	AIS – awarded for 2014	LTIP – awarded during 2014	Base salary, benefits and pension
Maximum	AIS amounts are awarded at maximum level (inclusive of any amounts awarded under the DBP).	Performance such that awards vest at maximum level (100% of awards made).	Base salary, benefits and pension or cash in lieu of pension (at a rate of 30% of base salary) are provided in all scenarios. Base salary is based on base salaries as at 1 January 2014, which, following the Committee's annual review, will apply for 2014.
Target	AIS amounts are awarded at target levels.	Performance such that awards vest at threshold level (25%).	
Minimum	Threshold performance not achieved. No AIS payable.	Threshold performance not achieved. No LTIP vests.	

In all scenarios, the impacts of share price movements and dividends or dividend equivalents have been excluded.

CONSIDERATION OF EMPLOYMENT CONDITIONS ELSEWHERE IN THE GROUP

Employees were not consulted as part of setting this Policy. In considering changes to remuneration policy, salary reviews, AIS and/or LTIP proposals for the Executive Directors, the Committee receives information on the policies and proposals applicable to employees in general and uses this information to inform its decisions on Executive Directors' remuneration. The Committee also has oversight of the grant of all share awards across the Company.

BG Group values its employees and aims to provide reward packages that are market-competitive within each employee's country of employment. The Company receives feedback from employees on remuneration as part of the feedback received from regular all-employee engagement surveys.

OTHER POLICIES RELATING TO EXECUTIVE DIRECTORS

Exit payments policy
The Company's policy is to include change of control provisions in the Executive Directors' service contracts. The Committee considers that these provisions assist with recruitment and retention and that their inclusion is therefore in the best interests of shareholders. Should an Executive Director's employment be terminated within 12 months of a change of control, they are entitled to liquidated damages equal to one year's gross salary plus 30% of base salary (as a pension contribution or as cash in lieu of pension) less any deductions the employer is required to make. The Committee considers this to be a genuine pre-estimate of loss.

The Company is entitled to terminate an Executive Director's employment without notice by making a payment in lieu of notice in accordance with their contract, which will not exceed an amount equal to annual base salary and cash in lieu of pension. As an alternative to making a payment in lieu of notice, the Company may terminate an Executive Director's service contract in breach of contract and make a payment of damages in respect of that breach, taking into account a variety of factors, including individual and Company performance, the obligation for the Executive Director to mitigate his or her own loss (for example, by gaining new employment) and the Executive Director's length of service. It is expected that any such payments would not exceed one year's base salary and benefits (including pension) consistent with their notice period of 12 months. In connection with the termination of an Executive Director's contract, the Company may make a payment on account of accrued but untaken leave and may pay outplacement fees and legal fees for support provided to the individual. Other than change of control or payment in lieu of notice, the Executive Directors' service contracts do not contain provisions for compensation in the event of early termination.

The rules of the AIS provide that in the event of: (i) a change in control where the AIS is not carried forward under new ownership; or (ii) an employee ceasing employment for a specified reason (such as ill health, agreed retirement, redundancy or in such other circumstances as the Committee considers appropriate taking account of the individual's performance and the circumstances of their departure), then, to the extent the performance measures have been satisfied at the date of the change in control or cessation of employment (as appropriate), AIS amounts may be paid on a time-apportioned basis.

DBP awards do not normally vest for three years and are subject to forfeiture in the event of leaving employment (other than for reasons such as ill health, agreed retirement, redundancy or in such other circumstances as the Committee considers appropriate taking account of the individual's performance and the circumstances of their departure, where share awards would vest when employment ceases). Share awards under the VBDP do not normally vest for three months and are subject to forfeiture in the event of leaving employment for misconduct.

LTIP awards do not normally vest and are subject to forfeiture in the event of leaving employment. For LTIP awards granted before 1 September 2013, if an employee ceases employment prior to the vesting of an award for a specified reason (such as ill health, agreed retirement, redundancy or in such other circumstances as the Committee considers appropriate taking account of the individual's performance and the circumstances of their departure), the awards will normally vest on the last day of employment, to the extent the performance measures are forecast at that time to be met, on a time-apportioned basis. For LTIP awards granted on or after 1 September 2013, the awards will normally vest on schedule, to the extent any performance measures have been met, on a time-apportioned basis.

Additionally, all the Company's share plans contain provisions relating to a change of control. In general, outstanding awards and options would normally vest and become exercisable on a change of control, to the extent that any performance conditions have been satisfied at that time. If the Committee considers it appropriate, given the circumstances of the change of control, time apportionment may also apply.

The Committee has discretion to vary the treatment of awards for leavers under the Company's plans, including the AIS, DBP, VBDP and LTIP. Awards under the SIP and Sharesave may vest or become exercisable on or following termination, in accordance with the rules of the plan.

The Committee retains discretion to make payments to mitigate against statutory and other legal claims where it considers it prudent to do so.

Approach to recruitment
The Committee's approach to recruitment is to pay no more than is necessary to attract appropriate candidates. Any new Executive Director's package will include the same elements of remuneration as provided to the existing Executive Directors under this Policy. Where required in order to recruit an incoming Executive Director, additional benefits and other allowances such as those to assist with relocation, educational costs for children and tax equalisation may be provided.

Where, in order to recruit an incoming Executive Director, it is necessary to buy out bonuses or awards from a previous employer, the Committee will seek to do no more than match the estimated present value of those awards. In so doing, the Committee will take account of performance conditions and the time until vesting and seek to grant awards under the Company's current plans, principally the LTIP, that vest over a similar timeframe to those given up. The Committee will put in place arrangements that it considers appropriate in the circumstances and this may include making LTIP awards without performance conditions and/or a holding period. The Committee's discretion under Listing Rule 9.4.2 R will be limited to awarding remuneration under a plan specific to the individual in order to buy out awards on recruitment only (for example, where it is not possible to buy out an award under the Company's current plans). Other than making awards to an incoming Executive Director to buy out bonuses or awards from a previous employer where it is necessary to do so, it is the Company's policy not to offer any additional bonuses or awards on recruitment.

For internal candidates promoted to Executive Director, it is the Company's policy to honour all pre-existing remuneration obligations and commitments, other than those provisions which the Committee considers in its discretion should be amended to reflect the terms of this Policy. The terms of these pre-existing obligations and commitments may differ from the terms under this Policy and may include obligations under service contracts, annual and long-term incentive schemes and pension arrangements.

For recruitment, the Company's policy is to pay incoming Non-Executive Directors on the same basis as the other Non-Executive Directors.

EXECUTIVE DIRECTORS' SERVICE CONTRACTS

The Executive Directors' service contracts, including arrangements for early termination, are carefully considered by the Committee and are designed to recruit, retain and motivate Executive Directors of the quality required to manage the Company. The Committee considers that a notice period of one year is normally appropriate.

The Committee has discretion, in order to attract and retain suitable candidates, to offer contracts that contain an initial notice period in excess of one year, reducing to a one-year notice period after the expiry of this initial period.

Executive Directors' service contracts as at 31 December 2013
Details of the service contracts of the current Executive Directors are set out below:

Executive Directors	Contract date	Notice period
Chris Finlayson	14 Mar 12	1 year
Simon Lowth[a]	3 Jul 13	1 year

(a) Simon Lowth was appointed as Executive Director and Chief Financial Officer on 2 December 2013. He is subject to election as a Director by shareholders at the 2014 AGM.

DIRECTORS' REMUNERATION POLICY CONTINUED

SUMMARY OF KEY ELEMENTS OF SERVICE CONTRACTS OF THE EXECUTIVE DIRECTORS

Provision	Summary of key terms
Notice period	12 months.
Retirement date	There is no default retirement age. Requests for retirement are considered on a case by case basis. At the Executive Director level, it is expected that at least 12 months' notice will be provided in accordance with the contractual notice period.
Remuneration	Base salary. Pension contribution or cash in lieu. Company car or cash in lieu. Eligibility to participate in the annual and long-term incentive arrangements operated from time to time.
Termination payment	Contractual provisions exist in the event of termination following a change of control. A payment in lieu of notice may also be made comprising base salary and cash in lieu of pension. The rules of the AIS and LTIP also include certain provisions on termination of employment. These provisions are discussed further in the Exit payments policy section.

NON-EXECUTIVE DIRECTORS' LETTERS OF APPOINTMENT

The Board aims to recruit Non-Executive Directors of a high calibre with broad commercial, international and/or other relevant experience. Non-Executive Directors are appointed by the Board on the recommendation of the Nominations Committee. Their appointment is for an initial term of three years, subject to election by shareholders at the first AGM following their appointment and annual re-election thereafter. The terms of engagement of the Non-Executive Directors are set out in a letter of appointment. Other than the Chairman, the Non-Executive Directors' letters of appointment do not contain any notice period or provision for compensation in the event of early termination of their appointment.

Chairman

Andrew Gould was appointed Chairman with effect from the conclusion of the AGM on 16 May 2012 for a three-year term. His fee is reviewed annually. His appointment is subject to annual re-election by shareholders at the AGM. He has a six-month notice period, which the Company considers is appropriate.

The Company is entitled to terminate the Chairman's appointment without notice by making a payment in lieu of notice equal to the Chairman's fee for six months. Other than payment in lieu of notice, there is no provision for payment in the event of early termination.

Chairman and Non-Executive Directors' letters of appointment	Initial appoint-ment	Date of appointment or re-appointment	Expiry of term
Andrew Gould	1 Jun 11	16 May 12	May 15
Peter Backhouse	19 Jul 00	12 May 11	May 14
Vivienne Cox	8 Feb 12	8 Feb 12	Feb 15
Pam Daley[a]	1 Jan 14	1 Jan 14	Dec 16
Martin Ferguson[a]	1 Jan 14	1 Jan 14	Dec 16
Baroness Hogg	27 Jan 05	12 May 11	May 14
Dr John Hood	26 Apr 07	12 May 11	May 14
Caio Koch-Weser	1 Nov 10	31 Oct 13	Oct 16
Lim Haw-Kuang	4 Mar 13	4 Mar 13	Mar 16
Sir David Manning	1 Jul 08	12 May 11	May 14
Mark Seligman	3 Dec 09	3 Dec 12	Dec 15
Patrick Thomas	15 Dec 10	14 Dec 13	Dec 16

(a) Pam Daley and Martin Ferguson were appointed as Non-Executive Directors on 1 January 2014, subject to confirmation by election by shareholders at the 2014 AGM.

SUMMARY OF BG GROUP'S REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS

Fixed pay	Non-Executive Directors' fees
Purpose and link to strategy	To attract Non-Executive Directors who have a broad range of experience and skills to oversee the interests of shareholders and the implementation of the Company's strategy.
Operation	Fees are set by the Board as a whole and the Chairman's fees are set by the Committee, without the participation of the Chairman. In addition to the fees paid for participating as a Non-Executive Director of the Board, additional fees are paid for chairing and for membership of Board Committees and to the Senior Independent Director. The Chairman's remuneration is reviewed annually and, for other Non-Executive Directors, fees are reviewed every two years. The reviews involve the consideration of a number of factors, including market position relative to relevant comparator groups, time commitment and competition for high-quality non-executive directors. To facilitate the alignment of the interests of the Non-Executive Directors with those of shareholders, Non-Executive Directors may elect to invest a portion of their fees, net of tax and on a regular basis, to acquire BG Group shares on the open market through the Non-Executive Directors' share purchase programme.
Opportunity	The level of fees paid will be no more than is necessary to attract and retain Non-Executive Directors with the necessary experience and skills. The aggregate of the basic fees paid to the Non-Executive Directors is limited by reference to the Company's Articles of Association as they may be amended by a resolution of the shareholders from time to time. The current limit on the aggregate basic fees that are payable is £1 million per financial year. Details of the fees for the Non-Executive Directors for 2013, and the fees that will be paid until the completion of the 2014 review, are set out in the **Annual Remuneration Report** on page 78. Non-Executive Directors are not eligible to receive pension contributions, cash in lieu or other benefits from the Company. Where appropriate to assist with the role, chauffeur services may be provided for the Chairman. Non-Executive Directors are covered under the terms of the Company's directors' and officers' liability insurance. Non-Executive Directors will be reimbursed for business expenses relating to the performance of their duties including travel, accommodation and subsistence. Occasional travel, accommodation and subsistence expenses will be reimbursed and may be grossed up for any tax due where the Company requires Non-Executive Directors' spouses or partners to travel.
Performance measures	Non-Executive Directors are not eligible to participate in any of the Company's share or incentive schemes.

CONSIDERATION OF SHAREHOLDER VIEWS

The Committee consulted with the Group's major shareholders and key institutional voting advisory bodies on a draft version of this Policy. The overall reaction from shareholders who expressed views on the draft was positive but some shareholders and the key advisory bodies provided constructive feedback on the proposed level of the Committee's discretion. The Committee considered this feedback in finalising this Policy and, as a result, the level of the Committee's discretion has been limited and/or clarified, as appropriate. The Policy still incorporates elements of flexibility and discretion that the Committee considers it prudent to reserve to allow the Committee to manage Directors' remuneration over the life of the Policy. Where appropriate, the Committee will consult with major shareholders prior to making use of such flexibility or exercising its discretion. The Committee will explain the application of such flexibility or discretion to all shareholders in the subsequent Annual Remuneration Report, which is subject to an advisory vote.

The Company is committed to ongoing dialogue with shareholders and welcomes feedback on Directors' remuneration. The Committee believes it has a responsible approach to Directors' pay and that this Policy is appropriate and fit for purpose.

ANNUAL REMUNERATION REPORT

The following section of this report provides details of the implementation of the Directors' Remuneration Policy for the year ended 31 December 2013.

EXECUTIVE DIRECTORS' TOTAL REMUNERATION

	Year	Salary £'000	Benefits £'000	Cash in lieu of pension £'000	Pension benefits £'000	Bonus £'000[a]	Long-term incentive plan – annual award £'000	Long-term incentive plan – on-hire award £'000[b]	Total remuneration £'000
Current Executive Directors									
Chris Finlayson, appointed Chief Executive from 1 January 2013	**2013**	**978**	**102**	**293**	**–**	**1 145**	**–**	**–**	**2 518**
	2012	599	30	179	–	–	302		1 110
Simon Lowth, appointed Chief Financial Officer from 2 December 2013	**2013**	**58**	**3**	**18**	**–**	**n/a**	**–**	**675**	**754**
	2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Former Executive Directors									
Fabio Barbosa, Chief Financial Officer until 15 February 2013[c][d]	**2013**	**90**	**3**	**27**	**–**	**52**	**–**	**–**	**172**
	2012	702	31	210	–	–	–	–	943
Martin Houston, Chief Operating Officer until 13 November 2013[d]	**2013**	**629**	**75**	**–**	**556**	**357**	**–**	**–**	**1 617**
	2012	671	52	–	1 180	–	1 365	–	3 268
Den Jones, Interim Chief Financial Officer from 15 February to 2 December 2013[d][e]	**2013**	**406**	**15**	**–**	**85**	**155**	**133**	**–**	**794**
	2012	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a

(a) On 18 March 2014, the 2013 AIS awards were made to Chris Finlayson and Fabio Barbosa in the form of DBP awards over 106 610 and 4 841 BG Group plc shares, respectively. The awards to Martin Houston and Den Jones were made in the form of cash payments because individuals who are not Executive Directors or employees of the Group cannot receive DBP awards.
(b) On 11 December 2013, Simon Lowth received a Performance Share Award of vested shares not subject to performance conditions on account of 2013 bonus entitlements foregone on leaving his former employer which were not subject to further performance conditions. The number of shares was determined based on the estimated expected value of the entitlements foregone and an average BG Group plc share price of £12.35, calculated by reference to the five business days preceding the award date.
(c) Fabio Barbosa was granted leave of absence to undergo medical treatment in September 2012 and, in line with the Company's sick leave policy, he continued to receive his normal remuneration during this absence. He retired from the Board effective 15 February 2013.
(d) Fabio Barbosa, Martin Houston and Den Jones continued as employees of the Group after ceasing to be Executive Directors.
(e) Den Jones was appointed Interim Chief Financial Officer and an Executive Director on 15 February 2013 and, in recognition of his temporary increased workload and management position, was paid a temporary, non-pensionable additional allowance of £20 000 per month, which is included here in salary. Prior to this, Den Jones was Alternate Director for Fabio Barbosa from 9 September 2012 to 15 February 2013 and received no additional remuneration in connection with his role as Alternate Director. Den Jones ceased to be Interim Chief Financial Officer and an Executive Director on 2 December 2013.

As all the current Directors are paid in Pounds Sterling, the Committee considers it appropriate that the figures disclosed in this report are presented in Pounds Sterling.

BASE SALARIES

	1 April 2014 £'000	2 December 2013 £'000	1 April 2013 £'000	1 January 2013 £'000	1 April 2012 £'000
Chris Finlayson	no change	n/a	no change	975	610
Simon Lowth	no change	725	n/a	n/a	n/a

Current Executive Directors' base salaries
When awarding base salary increases, the Committee considers, among other factors, the base salary increases applied elsewhere in the Group. The average annual salary increases that applied across the Group in April 2013 were 5.6%.

The reported salary figure within total remuneration for the Executive Directors includes SIP Flex Share allocations, where appropriate – the maximum allocation was £3 000 in 2013 (£2 998 in 2012).

Executive Directors' benefits
Benefits include life assurance, income protection, personal accident insurance, company car or cash in lieu of company car, chauffeur services, spousal travel (£66 649 and £20 314 for Chris Finlayson and Martin Houston, respectively), relocation, small gifts, financial counselling and medical insurance.

Executive Directors' pensions
The Executive Directors, other than Martin Houston and Den Jones, did not accrue any entitlement to post-retirement benefits and received a cash allowance in lieu of pensions contributions calculated at a rate of 30% of base salary.

Martin Houston and Den Jones are members of the BGPS, a funded defined benefit scheme, and Martin Houston is a member of the BGSBS, an unfunded defined benefit scheme. Martin Houston elected for 'enhanced protection' with effect from 6 April 2006, which limits the benefits provided by the BGPS.

Following a period of consultation, the BGPS and BGSBS were closed to future accrual with effect from 31 December 2013. The main features of the plans, which are the same for other members, are:

- normal pension age is 60;
- pension benefits accrue at 1/60 of final 12 months' salary for each year of pensionable service up to 31 December 2013;
- pensions normally increase in line with the retail prices index;
- an adult dependant pension equal to 2/3 member's pension is payable on member's death; and
- a member can only claim an immediate pension before age 60 on an unreduced basis as a result of incapacity.

DEFINED BENEFIT PENSION INFORMATION

	Year	Age at 31 December	Pension age	Total accrued annual pension at 31 December £'000 per annum	Increase in accrued annual pension in year to 31 December £'000	Pension benefit calculated using BIS methodology £'000 per annum
Martin Houston[a]	2013	56	60	360	35	556
Den Jones[b]	2013	48	60	75	6	85

(a) Calculated for the period to 13 November 2013, when Martin Houston ceased to be an Executive Director.
(b) Calculated for the period from 15 February to 2 December 2013, when Den Jones was an Executive Director.

ANNUAL REMUNERATION REPORT CONTINUED

EXECUTIVE DIRECTORS' BONUS AWARDS UNDER THE ANNUAL INCENTIVE SCHEME

2013 Annual Incentive Scheme[(a)]

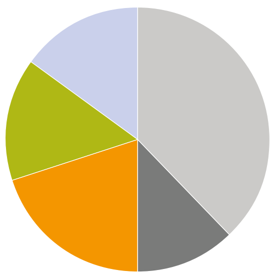
Executive Directors	Maximum bonus % of salary	Target bonus % of salary	Individual performance assessment	Actual bonus received % of target	Actual bonus received % of salary	Total 2013 bonus[(d)] £'000	% of bonus deferred
Chris Finlayson[(b)]	200	100	above target	117	117	1 145	100
Simon Lowth[(c)]	n/a	n/a	n/a	n/a	n/a	n/a	n/a
Fabio Barbosa	150	60	target	93	56	52	100
Martin Houston	150	60	target	94	57	357	0
Den Jones	150	60	above target	120	71	155	0

(a) At the request of the Executive Directors, they were not considered for a bonus for 2012.
(b) Chris Finlayson waived any rights to a 2013 AIS award in the form of a cash award prior to the Committee making the award in the form of a deferred share award under the DBP.
(c) Simon Lowth was not entitled to a 2013 AIS award as he joined the Company after 1 October 2013.
(d) To determine an individual's AIS award, the resulting percentage from the AIS business performance outcome is added to the individual's performance outcome percentage and the result is applied to their bonus opportunity range, with 50% resulting in a target award and 100% resulting in a maximum award. The determination of the final AIS award is subject to the discretion of the Committee.

2013 AIS performance metrics
The performance measures that operated for the 2013 financial year are illustrated in the chart on the right.

- Group EPS – Actual business performance results were adjusted to exclude the effects of changes in upstream prices, material exchange rates and contracted LNG prices.
- Group ROACE – Actual post-tax business performance results (adjusted as for Group EPS above but excluding net finance income/costs on net borrowings/funds) are expressed as a percentage of average Group capital employed. Average Group capital employed was calculated by averaging the positions at the start and end of the year, excluding the impact of any material impairments. Group capital employed is the aggregate of total equity (excluding commodity financial instruments and associated deferred tax) and net borrowings/funds (in both cases adjusted to exclude the impact of changes in upstream prices and material exchange rates).
- Project performance – In-year performance on all Board-sanctioned projects, both operated and non-operated, was assessed against a range of indicators, including in-year cost and on schedule performance relative to plan.
- Group HSSE – Performance was assessed against a balanced scorecard of measures and targets across a broad range of leading and lagging indicators, including, for example, TRCF and actioning of audit findings.
- Individual performance – Performance was assessed against individual objectives for the year.

Weighting of 2013 performance metrics for all Executive Directors



38% Group EPS
12% Group ROACE
20% Project performance
15% Group HSSE
15% Individual performance

For the 2013 incentive year, the Committee followed the two-stage review process outlined in the Directors' Remuneration Policy. This involved, for each metric, a review of performance against targets and, secondly, consideration of the outcomes of the first stage in the context of the underlying performance of the business and the business prospects, including operational performance, strategy and business development activities, and performance against industry peers.

After careful consideration, the Committee determined that the AIS business performance outcome should be reduced by 20% from 54.64% to 43.71% and that 100% of the 2013 AIS awards to current or former Executive Directors would be in the form of deferred awards over BG Group shares under the DBP (which includes forfeiture and malus provisions), other than for individuals who had left the Company at the date of payment whose AIS awards were reduced by a further 5% in the absence of deferral and forfeiture provisions.

For the 2013 incentive year, the AIS business performance outcomes, prior to the reduction determined by the Committee, were as follows (all measures are Group-wide):

Metric	% Weighting	Performance outcome	Threshold | | Target | Stretch	Commentary	Performance outcome as a percentage of maximum bonus
Group EPS	38	Between threshold and target		Normalised EPS was slightly beneath the target of 113.5c. Reported Group EPS was 128.6c.	An assessment of 18.75% relative to a target outcome of 19% and a maximum outcome of 38%.
Group ROACE	12	Between target and stretch		Normalised ROACE was above the target of 8.0%. Reported Group ROACE was 10.2%.	An assessment of 9.94% relative to a target outcome of 6% and a maximum outcome of 12%.
Project performance	20	Between target and stretch		Good progress was made on projects in the year.	An assessment of 14.70% relative to a target outcome of 10% and a maximum outcome of 20%.
Group HSSE	15	Between target and stretch		HSSE performance was assessed as above target.	An assessment of 11.25% relative to a target outcome of 7.50% and a maximum outcome of 15%.
Overall assessment		Between target and stretch			An overall assessment of 54.64%[(a)] relative to a target outcome of 42.50% and a maximum outcome of 85%.

(a) The 2013 business performance outcome was reduced to 43.71% following the Committee's review.

EXECUTIVE DIRECTORS' LTIP AWARDS UNDER THE BG GROUP LONG-TERM INCENTIVE PLAN 2008

Performance Share Awards vesting in the financial year

The PSAs granted in 2010 were subject to the same performance measure, targets and vesting levels as described below for the 2013 grants. The performance period for the 2010 PSAs ended on 31 August 2013. None of the shares awarded vested, and the awards lapsed in full on 7 September 2013. BG Group's TSR performance relative to the weighted index was measured by the independent TSR monitoring service of Alithos Limited and reviewed by Kepler Associates. This analysis indicated that BG Group had underperformed the index. The Committee considered the underlying financial performance of the Group and the individual performance of the Executive Directors, and concluded that none of the PSAs granted to Executive Directors in September 2010 would vest.

Also during 2013, the performance period ended for the final third of the PSA granted in September 2010 to Chris Finlayson in connection with his recruitment. BG Group had underperformed the index on average during the period, and as a result none of the shares vested and the award lapsed on 1 August 2013.

Performance Share Awards vesting during 2013

	2013			
Executive Directors	**% vesting**	**Number of shares**	**Value £'000**	**Dividend equivalent**
Chris Finlayson	–	–	–	–
Simon Lowth[(a)]	**100**	**54 686**	**675**	–
Fabio Barbosa	–	–	–	–
Martin Houston	–	–	–	–
Den Jones[(b)]	–	–	–	–

(a) Simon Lowth received an award of vested shares, not subject to performance conditions, on account of 2013 bonus entitlements foregone on leaving his former employer.
(b) On 7 September 2013, 10 018 nil-cost options and 367 nil-cost options from dividend equivalents vested to Den Jones from a Group share award, which was not subject to performance conditions. The award was granted in 2010 when he was not an Executive Director. The share price at the date of vesting was £12.82.

Performance Share Awards awarded in the financial year

In September 2013, the Executive Directors were granted PSAs under the LTIP. The awards will not normally vest until 4 September 2016. For 2013, the EPV of these PSAs was calculated as 44% of the market value of the underlying share.

Performance Share Awards granted during 2013 that may vest in the future

Executive Directors	Date of grant	End of performance period	Face value of shares awarded as a % of base salary	EPV of awards as a % of base salary	Share price at grant[(a)] £	EPV of awards £'000	Face value (at date of grant) £'000	% of face value that would vest at threshold[(b)]
Chris Finlayson	4 Sep 2013	31 Aug 2016	600	264	12.45	2 574	5 850	25
Simon Lowth[(c)]	11 Dec 2013	30 Nov 2016	454	200	12.27	1 448	3 291	25
Simon Lowth[(c)]	11 Dec 2013	30 Nov 2016	700	308	12.27	2 234	5 078	25
Fabio Barbosa	4 Sep 2013	31 Aug 2016	454	200	12.45	1 408	3 201	25
Martin Houston	4 Sep 2013	31 Aug 2016	454	200	12.45	1 452	3 296	25
Den Jones	4 Sep 2013	31 Aug 2016	100	44	12.45	119	271	25
Den Jones[(d)]	4 Sep 2013	n/a	45	39	12.45	105	122	100

(a) All the PSAs granted during the year that may vest in the future were granted in the form of nil-cost options based on the average share price over the five dealing days preceding the date of grant. Once vested, the options are exercisable until the seventh anniversary of the vesting date, but will be automatically exercised on an employee leaving the Company if not already exercised.
(b) Assuming continuing employment until the normal vesting date.
(c) PSAs subject to the performance conditions as described for the other awards but the level of the awards was calculated, consistent with the Company's policy for buy-out awards on recruitment, by reference to the EPV of the share awards foregone by Simon Lowth on leaving his former employer.
(d) PSA not subject to performance conditions. As the interim Chief Financial Officer, Den Jones was granted awards in September 2013 consistent with his usual role.

ANNUAL REMUNERATION REPORT CONTINUED

For Performance Share Awards granted during the year and subject to performance conditions, TSR performance was the only performance measure, with performance measured over a three-year performance period commencing on the first day of the calendar month in which the award was made and with no retest provision. For awards granted in September 2013, the typical month of grant, the three-year performance period runs from 1 September 2013 to 31 August 2016. Subject to the review of the Committee, the level of PSAs vesting depends on the Company's TSR performance over this period relative to the TSR performance of a weighted index of a selection of oil and gas industry peers. The constituents of the index are reviewed annually to ensure the most comparable peer group companies are used. The constituents of the index for 2013 and for the three prior years are shown in the table below.

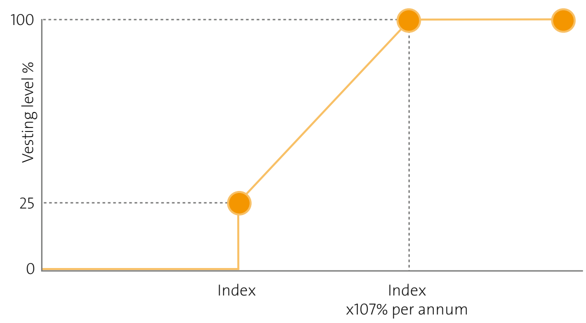
Company	**2013**	2012	2011	2010
Anadarko Petroleum Corp.	✓	✓	✓	✓
Apache Corporation	✓	✓	✓	✓
BP plc	✓	✓	✓	✓
Canadian Natural Resources Limited	✓	✓	✓	
Cenovus Energy Inc	✓	✓	✓	
Chevron Corporation	✓	✓	✓	✓
ConocoPhillips	✓	✓	✓	✓
Devon Energy Corporation	✓	✓	✓	✓
Encana Corporation			✓	
Eni S.p.A.	✓	✓	✓	✓
EOG Resources Inc	✓	✓	✓	✓
Exxon Mobil Corporation	✓	✓	✓	✓
Hess Corporation	✓		✓	✓
Marathon Oil	✓	✓		✓
Occidental Petroleum Corp.	✓	✓	✓	
Repsol S.A.	✓	✓	✓	✓
Royal Dutch Shell plc	✓	✓	✓	✓
Statoil ASA	✓	✓	✓	✓
Suncor Energy Inc	✓	✓	✓	✓
Talisman Energy Inc				✓
Total S.A.	✓	✓	✓	✓
Tullow Oil plc		✓		
Woodside Petroleum Ltd.	✓	✓	✓	✓

BG Group's performance relative to index TSR performance	Level of vesting (%)
Less than the TSR performance of the index	0%
Equal to the TSR performance of the index	25%
Exceeds the TSR performance of the index by 7% pa or more[a]	100%
Exceeds the TSR performance of the index but by less than 7% pa[a]	Linear sliding scale (between 25% and 100% vesting)

(a) The TSR performance calculation is multiplicative; that is, if the index grows from 100% to 110% over three years, then BG Group is required to move from 100% to 134.75% (i.e. 110% x 107%^{3}) to achieve maximum vesting.

The performance targets and vesting levels of the Performance Share Awards are illustrated in the table above and the graph below.

Performance Share Awards
TSR performance and vesting levels (%)



PAYMENTS TO FORMER DIRECTORS

Sir Frank Chapman
Sir Frank Chapman ceased to be a Director of the Company on 31 December 2012 and retired from the Company on 30 June 2013. On 25 March 2013, 24 010 restricted shares vested to Sir Frank Chapman under the DBP with a market value of £279 356. On 15 October 2013, Sir Frank Chapman exercised 6 006 options under CSOS at a gain of £42 785 and, on 17 October 2013, he exercised a further 375 403 options under the CSOS at a gain of £1 606 725. On 18 October 2013, Sir Frank Chapman exercised 1 128 573 options under the CSOS at a gain of £7 079 110 and 374 370 nil-cost options under the LTIP and the DBP at a gain of £4 545 968. On 24 December 2013, he exercised 405 share options under the Sharesave Plan at a gain of £701. Following these transactions, Sir Frank Chapman had no remaining awards under the Company's plans.

Den Jones
Den Jones was appointed as Interim Chief Financial Officer on 15 February 2013, having been employed in the Group since 12 June 2000. On 2 December 2013, Mr Jones ceased to be a Director of the Company upon Simon Lowth's appointment as Chief Financial Officer. Mr Jones continued to be employed by the Group until 17 January 2014, when his employment terminated by mutual agreement.

An amount of £78 700 was paid to Mr Jones on 14 March 2014 in respect of the forfeiture of LTIP awards granted to Mr Jones in September 2011 and September 2012 before he was appointed a Director of the Company and an award granted to him in September 2013, which is the pro-rated value that accrued over the part of the vesting periods during which Mr Jones served as a Director of the Company. These awards lapsed on Mr Jones's termination of employment and the payment is considered to be made in respect of his employment with the Group while he was a Director.

Martin Houston
Martin Houston ceased to be a Director of the Company on 13 November 2013. Mr Houston continued to be employed by the Company until 28 February 2014 when he retired. The Committee reviewed and considered his outstanding share awards and, in accordance with the Company's policy on retirement, agreed that Mr Houston would be treated as a retiree for the purposes of relevant incentive plan rules. Accordingly, the unvested nil-cost options over 5 870 shares and 7 264 shares granted in 2011 and 2012 (respectively) under the DBP vested in full on 28 February 2014; the unvested PSAs over 202 303 shares and 247 158 shares granted in 2011 and 2012 (respectively) under the LTIP lapsed in full on 28 February 2014; the unvested PSAs over 264 742 shares granted in September 2013 under the LTIP will vest on schedule in 2016, on a time apportioned basis and to the extent the performance measures are met. 50% of any after-tax vested shares will be subject to a further two-year holding period; 278 shares under the SIP vested and, together with a further 7 447 vested shares, became available for release in accordance with the rules of the plan on 28 February 2014; options from an original grant over 1 029 shares under the Sharesave Plan became exercisable within the six months following 28 February 2014, in accordance with the rules of the plan; and the vested nil-cost options over 35 690 shares granted in 2011 under the VBDP are exercisable on or before 17 March 2016.

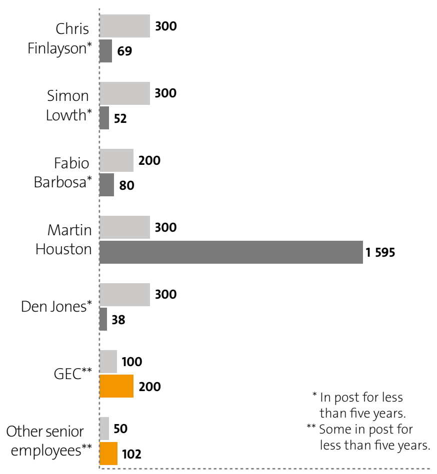
During 2013, other than as disclosed above, the total of payments made to former Directors in respect of or as a result of their employment as a Director did not exceed £10 000 per individual, the de minimis level set by the Company for disclosure purposes.

SHAREHOLDING GUIDELINES

The Committee has adopted guidelines for Executive Directors, GEC members and certain other senior employees to encourage substantial long-term share ownership. These specify that Executive Directors should build up, and then retain, a holding of shares with a value equivalent to 300% of base salary. The required holding for other members of the GEC is 100% of base salary and for certain other senior employees is 50% of base salary. The guidelines require that, in relation to LTIP and DBP awards, vested shares (net of tax) should be retained by the individual until the required shareholding level is reached.

The chart below sets out the percentage of base salary held in shares by each of the Executive Directors as compared with the guidelines. The chart also shows for other members of the GEC and senior employees the average actual shareholding as a percentage of base salary.

Shareholdings at 31 December 2013 against guidelines[(a)(b)] (% of base salary)



- Shareholding guideline
- Actual holding
- Average holding

(a) Under the shareholding guidelines, vested nil-cost option awards under the LTIP, VBDP and DBP are included. They are included net of the withholding for tax and social security which would have been made had they been exercised at the year end. For UK employees, the withholding applied is the current UK maximum of 47%.
(b) Or at date of ceasing to be an Executive Director, if earlier.

Executive Directors' interests in shares at 31 December 2013[(a)]

The table below shows the Executive Directors' (and their connected persons) interests in ordinary shares, which include all shares held beneficially, together with those interests in shares that have vested, and that are no longer subject to deferral or performance conditions and that may be included as an interest in shares under BG Group's shareholding guidelines.

	Interests in ordinary shares[(b)]			
Executive Directors	**As at 1 Jan 2013**	**As at 31 Dec 2013[(a)]**	Value[(c)] £'000	Base salary[(d)] £'000
Chris Finlayson	**646**	**51 514**	668	975
Simon Lowth	**–**	**28 913**	375	725
Fabio Barbosa	**25 808**	**25 808**	295	705
Martin Houston	**906 477**	**901 845**	11 255	726
Den Jones	**758**	**894**	11	271

(a) Or at date of ceasing to be an Executive Director, if earlier.
(b) Interests in ordinary shares include ordinary shares acquired pursuant to the BG Group SIP (vested and unvested).
(c) The value of shareholdings is based on the closing price of a BG Group ordinary share on 31 December 2013, or at date of ceasing to be an Executive Director, if earlier.
(d) Base salary is annual salary as at 31 December 2013.

There have been no changes in the Executive Directors' interests in ordinary shares between 31 December 2013 and 19 March 2014.

Summary of Executive Directors' overall interests in BG Group shares

Executive Directors	Type	Lapsed during 2013[(c)]	Exercised during 2013[(c)]	Outright or vested as at 31 Dec 2013[(c)]	Unvested as at 31 Dec 2013[(c)]	Unvested and subject to performance conditions as at 31 Dec 2013[(c)]	Total as at 31 Dec 2013[(c)]
Chris Finlayson	Shares	n/a	n/a	50 454	–	–	50 454
	Nil-cost options[(a)]	267 996	95 904	–	–	886 035	886 035
	Sharesave options[(b)]	–	–	–	1 756	–	1 756
	Share Incentive Plan	–	–	782	278	–	1 060
Simon Lowth	Shares	n/a	n/a	28 913	–	–	28 913
	Nil-cost options[(a)]	–	–	–	–	682 109	682 109
	Sharesave options[(b)]	–	–	–	–	–	–
	Share Incentive Plan	–	–	–	–	–	–
Fabio Barbosa	Shares	n/a	n/a	25 229	–	–	25 229
	Nil-cost options[(a)]	–	–	45 059	2 290	653 056	700 405
	Sharesave options[(b)]	–	–	–	810	–	810
	Share Incentive Plan	–	–	368	211	–	579
Martin Houston	Shares	n/a	n/a	894 120	–	–	894 120
	Nil-cost options[(a)]	236 328	–	37 025	13 134	714 203	764 362
	Sharesave options[(b)]	–	1 051	–	1 029	–	1 029
	Share Incentive Plan	–	–	7 447	278	–	7 725
Den Jones	Shares	n/a	n/a	–	–	–	–
	Nil-cost options[(a)]	–	–	14 130	–	53 926	68 056
	Sharesave options[(b)]	–	–	–	810	–	810
	Share Incentive Plan	–	–	894	–	–	894

(a) The Executive Directors' interests in shares under awards made in the form of nil-cost options are stated before the operation of any applicable withholdings for tax and social security, which would typically arise when a vested award is exercised. The current maximum UK withholding is 47%. Awards in the form of nil-cost options are made to eligible UK employees under the LTIP, DBP and VBDP. Dividend equivalents are included for exercised and vested awards.
(b) Options granted under the BG Group plc Sharesave Plan 2008. The exercise price of these options was set at 80% of the market value of a share at the invitation date.
(c) Or at date of ceasing to be an Executive Director, if earlier.

ANNUAL REMUNERATION REPORT CONTINUED

DILUTION

In the event that all options and awards outstanding as at 31 December 2013 under BG Group's LTIP vest (such awards to be satisfied by the re-issue of treasury shares or by the issue of new shares), and all CSOS options (a legacy plan under which options are currently satisfied by the issue of new shares) are exercised, the resulting issue of new shares and re-issue of treasury shares would amount to 0.69% of the issued ordinary share capital (excluding treasury shares) at that date.

The exercise of options under BG Group's Sharesave Plan 2008 is satisfied by the issue of new shares. If the total number of options outstanding under these plans as at 31 December 2013 had been exercised on that date, the resultant issue of shares would have represented 0.04% of the total ordinary share capital (excluding treasury shares) then in issue.

Partnership and Flex Share awards made under the SIP during 2013 were satisfied by the re-issue of treasury shares. These awards represented 0.01% of the issued ordinary share capital (excluding treasury shares) as at 31 December 2013.

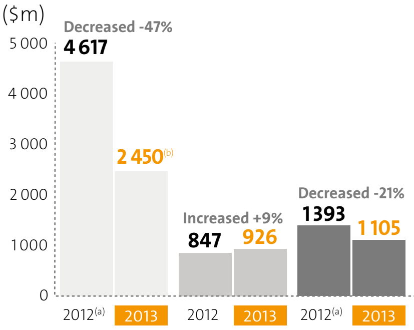
The Company's intention is to continue to satisfy the future exercise of options and vesting of awards under the above share plans by the issue of new shares and re-issue of treasury shares as described above. As at 31 December 2013, the BG Group Employee Share Trust held 3 327 603 shares and the BG Group New Employee Share Trust held no shares.

RELATIVE IMPORTANCE OF SPEND ON PAY

The chart below details BG Group's total results post-tax profits, distributions to shareholders and total Group-wide expenditure on pay for all employees (including pension, variable pay and social security), for the last two financial years. The average number of employees in 2013 was 5 536 (2012: 6 568).

Relative importance of spend on pay

($m)



○ Total results – Total operating profit (post-tax)
○ Distributions to shareholders
● Total spend on pay

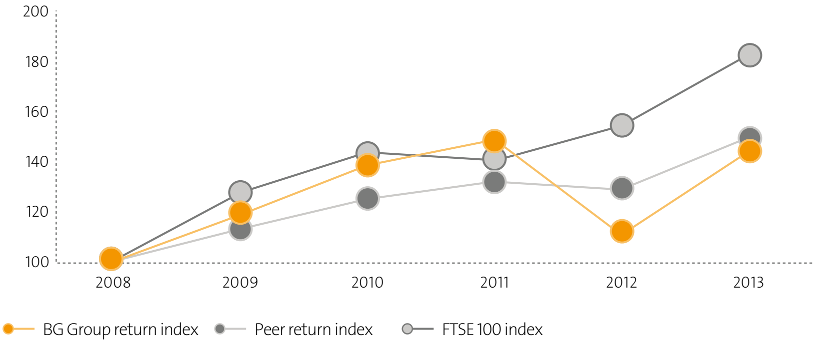
(a) As restated.
(b) Business performance – post-tax profits for 2013 decreased by 0.1% to $4 374 million (2012: $4 379 million).

HISTORICAL TSR PERFORMANCE

The graph below shows the growth in value of a hypothetical £100 holding invested over five years in each of BG Group shares, the FTSE 100 index and the 2013 LTIP index of oil and gas industry peers.

The FTSE 100 was chosen as this is a recognised broad equity market index of which BG Group is a member. The calculations are in accordance with the Large & Medium-Sized Companies and Groups (Accounts & Reports) (Amendment) Regulations 2013 (the Regulations).

Historical TSR performance for the year ended 31 December



CHANGE IN CHIEF EXECUTIVE'S REMUNERATION

The table below shows the Chief Executive's remuneration over the same five-year period as the TSR graph above.

Year – Chief Executive	CEO total remuneration £'000	Annual variable element award rates against maximum opportunity	LTIP vesting rates against maximum opportunity
2013 – Chris Finlayson	2 518	59%	0%
2012 – Sir Frank Chapman	5 411	0%[a]	44%
2011 – Sir Frank Chapman	7 912	69%	62%
2010 – Sir Frank Chapman	9 840	74%	87%
2009 – Sir Frank Chapman	10 318	70%	100%

(a) At the request of the Executive Directors, they received no bonuses for 2012.

The table below provides a comparison of the percentage year-on-year change from 2012 to 2013 in elements of the Chief Executive's reward package relative to the Company's general UK employee population, which represents a sizeable portion of the Company's global employee population and the most relevant employee comparator group for the UK-based Chief Executive.

	Base salary	Benefits	Bonus
Chief Executive[a]	-21%	308%	n/a[b]
UK employees of the Group[c]	10%	0%	-10%

(a) Comparing figures for Chris Finlayson as Chief Executive for 2013 with those for Sir Frank Chapman as Chief Executive for 2012.
(b) At the request of the Executive Directors, they received no bonuses for 2012.
(c) For UK employees of the Group, no salary increases were applied in the April 2014 review.

REMUNERATION COMMITTEE

Members*	Appointed	Attendance
John Hood	November 2010 (Chairman September 2011)	5/5
Vivienne Cox	April 2012	4/5
Andrew Gould	September 2011	5/5
Mark Seligman	May 2013	3/3
Patrick Thomas	September 2011	4/5

* Membership as at 31 December 2013. For full biographies see pages 48 and 49.

The above Directors were members of the Remuneration Committee when matters relating to the Directors' remuneration for the year were considered.

During the year, the Committee also invited the following individuals to attend on certain occasions to provide advice to the Committee to enable it to make informed decisions:

- Chief Executive;
- Executive Vice President, Human Resources;
- General Manager Human Resources Function; and
- The Head of Reward.

The Company Secretary attended meetings as secretary to the Committee.

No individual was present when their own remuneration was being discussed.

The Committee also meets without management present and receives independent executive remuneration advice and information from Kepler Associates* and independent information from Towers Watson* and Alithos Limited*.

Independent advice
Kepler Associates, an external consultancy, was formally re-appointed as its adviser by the Committee in 2012, following a competitive selection process. During 2013, Kepler Associates provided the Committee with advice on market trends, incentive schemes and on other remuneration matters. Kepler Associates do not provide any other services to the Company, and the Committee is satisfied that the advice received was objective and independent. The fees paid to Kepler Associates for 2013, which were charged on the basis of time incurred, and expenses, were £89 400.

During the year, the Committee also received market information from Towers Watson. Towers Watson also provided general compensation and benefits information, general consultancy services to the Company and actuarial advice to the Trustees of the BG Pension Scheme. Towers Watson was selected by the Company and the Committee is satisfied that the market information received was objective and independent. The fees paid to Towers Watson for 2013 for information for the Committee, which were charged on the basis of time incurred were £24 598.

During the year, Alithos Limited, an independent TSR monitoring service, provided reports on the Company's TSR performance relative to the relevant indices. Alithos was selected by the Company and the Committee is satisfied that the information provided is independent and objective. The fees paid to Alithos for 2013 for the reports for the Committee, which were charged on the basis of a fixed fee for the requested reports, were £27 500.

STATEMENT OF IMPLEMENTATION OF THE DIRECTORS' REMUNERATION POLICY IN THE FOLLOWING FINANCIAL YEAR

The Directors' Remuneration Policy set out in the Policy section of this report will apply from conclusion of the 2014 AGM, subject to shareholder approval, and will be implemented on the basis set out in that section.

At its December 2013 meeting, the Remuneration Committee considered the design of the AIS for 2014. The Committee determined that the AIS continues to incentivise the achievement of the Company's strategic and business priorities appropriately and, accordingly, the Committee retained the same performance measures and weightings for the 2014 AIS, as described above for the 2013 AIS. Stretching AIS performance targets were determined by reference to the Board-approved budget for 2014. The Committee expects to follow the same two-stage review process as in prior years, to review the performance outcomes for each metric and the overall outcome in the context of the underlying performance and prospects of the business. The Committee will review the measures and targets for, and the calculation of, any LTIP awards in advance of the grant of those awards, which is usually during September. Additional detail on any LTIP awards and other remuneration matters relating to 2014 will be provided in the disclosures that will form part of the 2014 Annual Report and Accounts.

At its February 2014 meeting, the Committee reviewed the Executive Directors' base salaries and, after considering several factors including the range of salary increases applying across the Group, determined that there would be no increases for 2014. The Executive Directors' base salaries are next due to be reviewed in March 2015.

On appointment, the Chief Financial Officer was granted Performance Share Awards over 682 109 shares in the form of nil-cost options to buy out the share awards foregone on leaving his former employer. The original buy-out awards were granted under the LTIP with the proportion of the award that may vest being linked to the Company's relative TSR over 3 years and 50% of any vested shares under the award will be subject to a further two-year holding period. The EPV of the original buy-out awards was calculated to be no more than the EPV of the share awards foregone on leaving his former employer. In February 2014, the Committee reviewed the status of the awards in light of the challenges announced to the market on 27 January 2014 and the market's reaction. One of the Committee's priorities is to ensure stability in the financial leadership of the Company to help ensure the interests of shareholders are foremost. Following consultation with the Company's major shareholders in March 2014, and to honour the agreed buy-out value, the Chief Financial Officer was granted a further Performance Share Award (over 398 701 shares) under the LTIP (in the form of a nil-cost option), which will vest and become exercisable on the same date as the original buy-out awards subject to continued employment but without Company performance conditions. The proportion of shares that vest under the new award will be reduced by the proportion of shares that vest under the original buy-out awards. Of any shares that vest under the award, 50% will also be subject to a two-year holding period.

*Kepler Associates, Towers Watson and Alithos have given, and not withdrawn, their consent to the issue of this document with the inclusion of the reference to their respective names in the form and context in which they appear.

ANNUAL REMUNERATION REPORT CONTINUED

NON-EXECUTIVE DIRECTORS

The Chairman's remuneration was reviewed during 2013 and the other Non-Executive Directors' fees were last reviewed in 2012. The next regular biennial review of Non-Executive Directors' fees and the regular annual review of the Chairman's fee will take place during 2014. The current Non-Executive Directors' fees, effective since 1 June 2012 following the last change, and Chairman's annual fee, effective since 16 May 2012 following the last change, are summarised below.

Chairman's fee	£725 000
Basic fee	£82 000
Committee membership fee (excluding Nominations Committee)	£8 000
Chairman – Audit Committee	£28 000
Chairman – Remuneration Committee	£25 000
Chairman – Sustainability Committee	£20 000
Senior Independent Director	£30 000

NON-EXECUTIVE DIRECTORS' TOTAL REMUNERATION

Individual remuneration for the year to 31 December

	Salary/fees £		Taxable benefits £		Total £	
Non-Executive Directors	**2013**	2012	**2013**	2012	**2013**	2012
Andrew Gould[(a)] (Chairman)	**725 000**	488 663	**2 571**	1 548	**727 571**	490 211
Peter Backhouse	**90 000**	86 875	**–**	–	**90 000**	86 875
Vivienne Cox	**98 000**	82 858	**–**	–	**98 000**	82 858
Lim Haw-Kuang[(b)]	**73 361**	–	**–**	–	**73 361**	–
Baroness Hogg[(c)]	**120 000**	114 778	**–**	–	**120 000**	114 778
Dr John Hood[(d)]	**123 000**	116 542	**–**	–	**123 000**	116 542
Caio Koch-Weser	**98 000**	92 250	**–**	–	**98 000**	92 250
Sir David Manning	**102 000**	100 125	**–**	–	**102 000**	100 125
Mark Seligman	**115 032**	106 875	**–**	–	**115 032**	106 875
Patrick Thomas	**98 000**	93 625	**–**	–	**98 000**	93 625
Philippe Varin[(e)]	**11 375**	93 625	**–**	–	**11 375**	93 625

(a) Taxable benefits are chauffeur services.
(b) Lim Haw-Kuang was appointed as a Non-Executive Director on 4 March 2013.
(c) Senior Independent Director until 31 December 2013.
(d) Senior Independent Director from 1 January 2014.
(e) Philippe Varin retired as a Non-Executive Director on 11 February 2013.

Non-Executive Directors' interests in ordinary shares
The Non-Executive Directors' interests in ordinary shares of the Company at the start and at the end of the financial year, or at date of retirement if earlier, were as follows:

	Interests in ordinary shares	
	As at 1 Jan 2013[(a)]	**As at 31 Dec 2013**
Andrew Gould	**30 000**	**65 000**
Peter Backhouse	**27 500**	**27 500**
Vivienne Cox	**–**	**1 507**
Lim Haw-Kuang	**–**	**2 419**
Baroness Hogg	**14 248**	**16 253**
Dr John Hood	**8 795**	**8 795**
Caio Koch-Weser	**3 600**	**3 600**
Sir David Manning	**2 276**	**2 731**
Mark Seligman	**14 965**	**17 789**
Patrick Thomas	**–**	**2 677**
Philippe Varin[(a)]	**42 500**	**42 500**

(a) Philippe Varin retired as a Non-Executive Director on 11 February 2013.

Pam Daley and Martin Ferguson were appointed as Non-Executive Directors on 1 January 2014. On 11 February 2014 Pam Daley purchased 14 200 BG Group plc shares, which comprise her interests in the ordinary shares of the Company as at the date of this report. Martin Ferguson had no interests in ordinary shares of the Company as at the date of this report. On 17 March 2014, Vivienne Cox, Baroness Hogg, Sir David Manning, Mark Seligman and Patrick Thomas purchased 565, 425, 126, 804 and 1 130 BG Group plc ordinary shares respectively. As a result, their respective interests in the ordinary share capital of BG Group plc are 2 072, 16 678, 2 857, 18 593 and 3 807.

There have been no other changes in the Non-Executive Directors' interests in ordinary shares between 31 December 2013 and 19 March 2014.

Shareholder voting

BG Group remains committed to ongoing shareholder dialogue and takes an active interest in voting outcomes. Where there are substantial votes against resolutions in relation to Directors' remuneration, the Group seeks to understand the reasons for any such vote, and will detail here any actions in response to it.

The table below sets out actual voting in respect of our previous remuneration report:

Number of votes	For	Against	Abstain[a]
2012 Directors' Remuneration report (2013 AGM)	2 123m (94%)	124m (6%)	27m

(a) A vote abstained is not a vote in law and is not counted in the calculation of the proportion of votes 'For' or 'Against' a resolution.

EXTERNAL APPOINTMENTS

To broaden the experience of Executive Directors, they are able to accept one external appointment as a non-executive director of another company provided that permission is sought from the Board in advance. Any external appointment must not conflict with the Director's duties and commitments to BG Group. Any fees from such appointments may be retained by the individual Executive Director.

The Chief Executive, Chris Finlayson, served as a non-executive director of Lloyds Register Group Limited from June 2013 and received fees of £25 083 during 2013 in connection with this appointment.

The Chief Financial Officer, Simon Lowth, served as a non-executive director of Standard Chartered plc throughout 2013 and received annual fees of £130 000 during 2013 in connection with this appointment.

No other non-executive director appointments are currently held by the Executive Directors.

AUDIT NOTES

In accordance with Section 421 of the Companies Act 2006 and the Regulations, the following sections of the report have been audited: Executive Directors' total remuneration; scheme interests awarded during the year; payments to former Directors; Executive Directors' interests in shares; Non-Executive Directors' remuneration; Non-Executive Directors' interests in ordinary shares; and the table and notes in the Pensions section of the report. The remaining sections are not subject to audit.

By order of the Board

DR JOHN HOOD
CHAIRMAN OF THE
REMUNERATION COMMITTEE

19 March 2014

Registered office: 100 Thames Valley Park Drive,
Reading, Berkshire RG6 1PT
Registered in England & Wales No. 3690065

OTHER DISCLOSURES

There are a number of legal and regulatory requirements with which BG Group must comply, such as the Companies Act 2006 (the Act), the Listing Rules (LRs) and the Disclosure and Transparency Rules (DTRs), which are addressed in this section.

Incorporation and constitution
BG Group plc is domiciled in England and incorporated in England and Wales under Company Number 3690065.

The Company's Articles of Association (the Articles) may only be amended by a special resolution at a general meeting of shareholders and are available online at **www.bg-group.com**

Share capital
The Company's share capital consists of ordinary shares with a nominal value of 10p each. Details of the Company's share capital, together with details of the movements in the share capital during the year, are set out in note 21 on page 124.

Shareholders' rights and obligations
Rights and restrictions applying to the Company's shares are as follows:

- **Restrictions on shareholders' rights** – Subject to the Articles, and unless the Directors decide otherwise, if a shareholder has failed to supply information about interests in shares after receiving a notice issued by the Company, the shareholder shall not be entitled to attend or vote at a shareholders' meeting for as long as the default continues. Any person who acquires these shares is subject to the same restrictions. In addition, if the shareholder's interest represents 0.25% or more of the existing shares further restrictions apply.
- **Restrictions on holding securities** – There are no restrictions under the Articles or under UK law that either restrict the rights of UK resident shareholders to hold, or limit the rights of non-resident or foreign shareholders to hold, or vote the Company's ordinary shares.
- **Transfer** – There are no restrictions on the transfer of shares beyond those required by applicable law, under the Articles or under any applicable share dealing code.
- **Voting** – Subject to any special rights or restrictions, at any general meeting on a poll, every shareholder on the Register not less than 48 hours (excluding non-working days) before the time fixed for a general meeting, will have one vote for every share that they hold. Shareholders may cast votes either personally or by proxy and a proxy need not be a shareholder. Under the Articles, only shareholders who have paid the Company all calls, and all other sums, relating to their shares that are due at the time of the meeting, may attend and vote. The detail relating to the appointment of proxies and registration of voting instructions is set out on page 154.
- **Alteration of share capital and variation of rights** – the shareholders can by ordinary resolution: (a) consolidate, or consolidate and then divide, all or any of the Company's share capital into new shares of a larger nominal amount than the existing shares; and (b) divide some or all of the Company's share capital into shares that are of a smaller nominal value than the existing shares. The Company may reduce or vary the rights attaching to its share capital by special resolution. However, such matters are subject to the relevant provisions of the Articles and applicable law and regulations. Further details in relation to rights and restrictions applying to the Company's shares are set out in the Articles.

Profit and dividends
The shareholders can declare final dividends by ordinary resolution. No dividend can exceed the amount recommended by the Directors. Dividends are paid based on the amounts that have been paid up on the shares in the relevant period.

The Directors can recommend that the shareholders pass an ordinary resolution to direct all or part of a dividend to be paid by distributing specific assets. The Directors must give effect to such a resolution. The Company may invest unclaimed dividends, or these may be forfeited, subject to the relevant provisions of the Articles.

The Trustees of the BG Group plc Employee Share Trust and the BG Group Share Incentive Plan have waived their right to receive dividends over 3 327 603 and 4 843 ordinary shares respectively, as at 19 March 2014. For the year ended 31 December 2013, the total profit for the Group before tax was $3 889 million (2012: $6 345 million). A final dividend of 15.68 cents per ordinary share is proposed (2012: 14.26 cents), making a full year dividend for 2013 of 28.75 cents (2012: 26.14 cents). The results are dealt with more fully in the **Financial statements** on pages 84 to 143.

Substantial shareholders
As at 31 December 2013, the following voting interests in the ordinary share capital of the Company, disclosable under DTR 5, had been notified to the Directors:

BlackRock Inc.	257 226 573	7.54%
Norges Bank	171 519 906	5.03%

No change in voting interests in the ordinary share capital of the Company, disclosable under the DTRs, have been notified to the Directors between 31 December 2013 and 19 March 2014.

Important events since 31 December 2013 and profit estimates
On 27 January 2014, the Group declared a Force Majeure under its LNG Agreements in Egypt reflecting the diversions of gas volumes to the domestic market in excess of the agreements. The Group made an announcement the same day, in which it also announced anticipated non-cash, post-tax impairments of around $2.4 billion for 2013 associated with Egypt (around $1.3 billion) and the USA (around $1.1 billion) and updated its outlook for 2014 to 2015. For 2014, the Group announced it expected production volumes to be 590-630 kboed, E&P unit operating costs to be $15.50-16.25 per boe, E&P unit depreciation costs to be $12.25-13.00 per boe and LNG Shipping & Marketing total operating profit to be $2.1-2.4 billion at Reference Conditions. The Group announced that, for 2015, it expected production volumes to be 710-750 kboed and for the Group to be free cash flow positive*.

The Group also made the following statements in the 27 January 2014 announcement which are regarded as profit estimates for this reporting year for the purposes of Listing Rule 9.2.18. In respect of the Group's full year results for 2013, it expected to report:

- LNG Shipping & Marketing total operating profit of approximately $2.6 billion;
- Business performance** earnings of approximately $4.4 billion (around 130 cents per share); and
- Total results earnings (post impairments) of approximately $2.2 billion (around 65 cents per share).

The Group's final results for 2013 showed:

- LNG Shipping & Marketing total operating profit of $2 643 million;
- Business performance earnings of $4 374 million (128.6 cents per share); and
- Total results earnings (post impairments) of $2 205 million (64.8 cents per share).

* Free cash flow is defined in the **Glossary**, page 147. Guidance is provided at the Group's Reference Conditions as shown on page 147.
** 'Business performance' excludes disposals, certain re-measurements and impairments as exclusion of these items provides a clear and consistent presentation of the underlying operating performance of the Group's ongoing business.

Significant contracts – change of control
There are a number of agreements that take effect, alter or terminate upon a change of control of BG Group following a takeover bid.

It is possible that the Republic of Kazakhstan may claim to have a right to acquire the Group's interest in the Final Petroleum Sharing Agreement governing the operation of the Karachaganak oil and gas condensate field (BG Group currently 29.25%) (or the shares in the company holding that interest) in the event of a change of control of BG Group following a takeover bid.

As at 31 December 2013, BG Energy Holdings Limited had committed borrowing facilities with a number of financial institutions in an aggregate amount of (i) \$5.2 billion, which are undrawn and (ii) \$2.7 billion, which are drawn.

When taken together, these facilities are significant to the ongoing liquidity of the Group and repayment or cancellation of any or all of them may be demanded upon a change of control of BG Group.

No other agreements that take effect, alter or terminate upon a change of control of BG Group following a takeover bid are considered to be significant in terms of their potential impact on the business of the Group as a whole.

Research and development
In 2013, BG Group invested \$76.5 million in research and development (R&D) projects, up from \$51.8 million in 2012. 2013 saw the contracting of two major projects (more than \$20 million in total) with investments in South America's first academic supercomputer to support the Full Waveform Inversion (FWI) seismic project and development of an Enhanced Oil Recovery (EOR) laboratory at the Federal University of Rio de Janeiro. An agreement has been signed with FAPESP, Brazil's leading funding agency for scientific research, to select proposals from university consortia to build a Research Centre for Gas Innovation, in São Paulo state, demonstrating support for joint university and industry research. In addition, several large projects have been initiated with the Brasilian Institute of Robotics and Imperial College London. In total, by the end of 2013, more than \$300 million of projects have been contracted or approved. The multidisciplinary Hub programme continues to develop, research and execute field trials to support coal seam gas operations in QGC and BG Group's exploration activities, and to improve understanding of carbonate fields. BG Group continues its increasing technology investment in Brazil as part of the R&D Levy Framework, and Group Technology expects to move to the Global Technology Centre in Rio de Janeiro in the second half of 2014.

Greenhouse gas emissions
The BG Group scope 1 and 2 greenhouse gas (GHG) emissions from Group-operated businesses for 2013 were 7.0 mt CO_2e and 15.1 kt CO_2e, respectively, compared with 7.7 mt CO_2e and 18.6 kt CO_2e, respectively in 2012. Our combined operated scope 1 and 2 GHG emissions intensity for the year was 17.5 mt of CO_2e per mmboe, compared with 16.6 mt CO_2e per mmboe in 2012, an increase of 5%. CO_2e emissions on an equity share basis, including operations where BG Group is an investor but not an operator, were 8.3 mt CO_2e in 2013, compared with 9.6 mt CO_2e. Emissions intensity fell from 2012 to 2013 by 1%, from 22.9 to 22.6 mt CO_2e per mmboe.

The Group reports in line with the GHG Protocol Corporate Accounting Reporting Standard (2004) and the IPIECA Oil and Gas Industry Voluntary Guidance on Sustainability Reporting (2010). All of the Group's operated and joint-operated businesses report quarterly on fuel use, flaring, venting and fugitives into a central environmental database to calculate carbon dioxide (CO_2), methane (CH_4) and nitrous oxide (N_2O) emissions. In respect of Operated emissions, the Group reports 100% of data where it is the operator and 50% of the data where it is joint operator. It reports from offices with more than 100 people and/or from those sites capable of influencing and monitoring GHG emissions.

The Group uses emission factors supplied by the IPIECA/API/OGP Petroleum Industry Guidelines for Reporting Greenhouse Gas Emissions (2011) wherever they are available, in line with good industry practice. These emission factors are built into the calculations in our environmental reporting database as default values. While the Group uses generic emission factors as a default, it aims to improve the accuracy of calculations by inputting other information specific to the fuel and the facility in question, as different fuel compositions will result in different emission levels.

The calculation we use to derive scope 1 (direct) GHGs from all emissions sources is: GHG (or CO_2e) = $CO_2 + (CH_4 \times 21) + (N_2O \times 310)$. These are the three Kyoto protocol gases relevant to our businesses. We calculate scope 2 (indirect) CO_2 emissions from electricity consumption in our operated businesses by applying a country-specific default emission (grid) factor from IEA CO_2 Emissions from Fuel Combustion (2012 Edition), Electricity and Heat Generation, IEA, Paris. These are updated in our database on an annual basis.

In respect of equity share emissions, the Group reports GHG emissions from operated, joint-operated, and non-operated businesses in which we have an interest, calculated on an equity-share basis. We collect GHG emissions data from our non-operated business on an annual basis. Total GHG emissions per facility are multiplied by our financial stake (%) in the facility to calculate our equity share emissions. This data is then summed and reported at Group level.

We use emissions intensity per unit of gross production (mmboe) as a ratio to relate emissions to our activities. Emissions intensity is an indication of the energy efficiency of a facility or process. This normalisation allows us to see whether our activities are more or less carbon intensive. Gross production data includes gross upstream production, liquefaction and regasification volumes, electricity production, shipping cargos and throughput volumes from pipelines converted into mmboe using default calculation values for all activities.

Branches
BG Group, through various subsidiaries, has established branches in a number of different countries in which the business operates.

Employees
- **Engagement** – Employees are informed about significant business issues, BG Group's performance, and other matters of concern to them, using webcasts, the Group's 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. Employees are given an opportunity to become shareholders in the Company and many participate in BG Group's share plans.
- **Disabilities** – BG Group remains committed to the full and fair treatment of people with disabilities in relation to job applications, training, promotion and career development. Where existing employees become disabled, our policy is to provide continuing employment and training wherever practicable. The Group encourages its partners to take a similar approach to these issues where Group Policies or Standards are not able to be implemented directly.

OTHER DISCLOSURES CONTINUED

Appointment and removal of Directors
The Board may appoint any person to be a director of the Company and such director shall hold office only until the next AGM, when he or she shall be eligible for re-appointment by the shareholders. The Articles provide that, at each AGM, all these directors who were elected, or last re-elected a director at or before the AGM held in the third calendar year before the current year shall automatically retire from office. However, in accordance with the provisions of the Code, all Directors of the Company are subject to annual re-election.

Donations
- **Charitable** – During 2013, BG Group donated around $361 391 to registered charities in the UK. More information on the Group's social performance and social investment activities can be found in the 2013 Sustainability Report, available online at **www.bg-group.com/sustainability**
- **Political** – The Group's policy is not to make donations for political purposes. In 2013, no donations were made to any EU member state for political purposes, nor contributions made to any non-EU political parties.

Directors' powers
The Directors are empowered to exercise all the powers of the Company subject to any restrictions in the Articles, the Act and any special resolution.

- **Repurchase of shares** – The Company did not repurchase shares during the year. At the 2013 AGM, the Company was given authority to make market purchases of up to 340 374 317 of its own issued share capital at a maximum price per share of 105% of the average middle market closing price of the shares for the five trading days prior to the relevant purchase. This authority will expire at the conclusion of the 2014 AGM and approval from shareholders will be sought at that meeting to renew the authority for a further year.
- **Pre-emptive rights and new issues** – At the 2013 AGM, the Directors were given the power to allot shares up to a maximum nominal amount of £113 424 772, representing approximately 1/3 of the Company's issued share capital (excluding treasury shares) as at 28 March 2013, together with ordinary shares outstanding under BG Group's share option schemes. This authority will expire at the conclusion of the 2014 AGM and approval from shareholders will be sought at that meeting to renew the authority for a further year.
- **Borrowing powers** – So far as the Act allows, the Directors can exercise all the powers of the Company to: (a) borrow money; (b) issue debentures and other securities; and (c) give any form of guarantee or security for any debt, liability or obligation of the Company or of any third party, subject to the limits (as defined in the Articles). Such limits may be exceeded if the Company's consent has been given in advance by an ordinary resolution passed at a general meeting.

Directors' conflicts of interest
The Company has procedures in place to manage Directors' conflicts of interest and potential conflicts of interest, which the Board considers operate effectively. All Directors have a duty to avoid situations that conflict with the interests of the Group. Directors are required to notify BG Group when they become aware of a conflict of interest or potential conflict of interest. Once notified, all matters are considered by the Nominations Committee and an appropriate recommendation is made to the Board on whether to authorise such conflict of interest or potential conflict of interest. Certain safeguards apply when the Directors consider the conflict of interest or potential conflict of interest: (a) only Directors who have no interest in the matter are able to take the relevant decision; (b) in taking any decision, the Directors must act in a way that they consider, in good faith, will be most likely to promote the Company's success; and (c) the Directors are able to impose limits or conditions when giving such authorisation, if they think this is appropriate.

Directors' indemnities and insurance
BG Group maintains liability insurance for its Directors and officers. The Directors, Company Secretary and members of the GEC have also been granted a qualifying third-party indemnity, under the Act, which remains in force. Neither the Company's indemnity nor insurance provides cover in the event that the indemnified individual is proved to have acted fraudulently or dishonestly.

DISCLOSURE STATEMENT

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Financial statements and accounting records
The Directors are responsible for preparing the Annual Report, the Directors' Remuneration report and the Financial statements in accordance with applicable law and regulations.

The Companies Act 2006 (the Act) requires the Directors to prepare Financial statements for each financial year. Under the Act, the Directors have prepared the Group and the parent Company Financial statements in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Act. 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 88 to 143, the Company has used appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates, and all applicable accounting standards have been followed. The Company has complied with UK disclosure requirements in this report in order to present a consistent picture to all shareholders.

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

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of BG 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. The Directors confirm that the Audit Committee continues to review the adequacy of the system of internal control adopted by BG Group.

A copy of the Financial statements of the Company is placed on the BG Group website. The work carried out by the auditors does not involve consideration of the maintenance of the BG Group website and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Financial statements since they were initially presented on the website.

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

Directors' responsibility statement

Pursuant to Rule 4.1.12 of the DTRs, each of the Directors, the names and functions of whom are set out on pages 48 and 49, confirms that to the best of his or her knowledge:

- the BG Group Financial statements, which have been prepared in accordance with IFRS, as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Group; and
- the management report represented by the Directors' report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that the Group faces.

The Directors have concluded that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess BG Group's performance, business model and strategy in accordance with the UK Corporate Governance Code.

Statement of 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

BG Group's business activities, together with factors likely to affect its future development, performance and position, are set out in the **Strategic report** on pages 2 to 43. The financial position of the Group, its cash flows, liquidity position and borrowing facilities, as well as the Group's objectives, policies and processes for managing capital, are described on pages 2 to 43. Financial risk management objectives, details of financial instruments and hedging activities and exposures to credit risk and liquidity risk are described in note 18, page 117. 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
- that it is appropriate to continue to adopt a going concern basis in the preparation of the Financial statements.

The Board's review of the system of internal control

The Board, with the advice of the Audit Committee, has reviewed the effectiveness of the Group's risk management and internal control system for the period 1 January 2013 to the date of this report, and is satisfied that the Group complies in this respect with Internal Control: Guidance to Directors (formerly the Turnbull Guidance). It should be noted that the Group's assessment of the risk management and system of internal control in joint ventures over which BG Group does not exercise control is limited by the degree of influence and access to information and resources that the Group has within that joint venture.

The Strategic report and Directors' report have been approved by the Board and signed on its behalf by the Chief Executive and Chief Financial Officer on 19 March 2014.

By order of the Board

CHRIS FINLAYSON
CHIEF EXECUTIVE

SIMON LOWTH
CHIEF FINANCIAL OFFICER

19 March 2014

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

Directors' report – principal disclosures

The Directors' report is pages 2 to 83.

The following information, which forms part of the Directors' report, can be found on the detailed pages:

FINANCIAL STATEMENTS

Financial statements, notes and other key data.

Crane operations on the Poinsettia production platform, Trinidad and Tobago
The Poinsettia platform, which is the largest structure in Trinidadian waters, is located 40 kilometres off the north coast of Trinidad.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BG GROUP PLC

Our opinions and conclusions arising from our audit

1. Our opinion on the Financial statements
We have audited the Financial statements of BG Group plc for the year ended 31 December 2013, which comprise the Consolidated income statement, the Consolidated statement of comprehensive income, the Consolidated and parent Company balance sheets, the Consolidated and parent Company statements of changes in equity, the Consolidated and parent Company cash flow statements, the Principal accounting policies and the related notes 1 to 26. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent Company Financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the Financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 31 December 2013 and of the Group's profit for the year then ended;
- the Group Financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company Financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and the Financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

2. Our assessment of risk of material misstatement
We identified the following risks that have had the greatest effect on our overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team:

- political and economic uncertainty in Egypt and the related risk over the recoverability of assets;
- the assessment of the recoverable amount of non-current exploration and production assets;
- the impact of the estimation of the quantity of oil and gas reserves on impairment testing, depreciation, depletion and amortisation, decommissioning provisions and the going concern assessment; and
- the recognition and measurement of uncertain tax positions and deferred tax assets.

3. Our response to these risks
Our response to the risks identified above was as follows:

- We gained an understanding of the local environment in Egypt and monitored its impact on operations. We confirmed the receivables balance and agreed the receipts to supporting documentation. We critically evaluated management's assessment of the recoverability of asset balances, including the audit of related assumptions used. We performed a detailed audit of the model used to calculate the impairment of Egyptian assets, including the inputs to that model.
- We tested controls over, and considered management's assessment of, indicators of impairment. We challenged management's assessment of impairment indicators and whether or not a formal impairment test was required. Where a formal impairment test was necessary, we challenged management's assumptions. This included specifically the determination of cash-generating units, cash flow projections, discount rates, perpetuity rates and sensitivities used. We performed detailed audit procedures on the impairment test models.
- We carried out testing of controls over BG Group's internal process for oil and gas reserves estimation, including a critical examination of the work performed by an external specialist. We assessed the objectivity and competence of both internal and external specialists. We also discussed and challenged the movements in gas and oil reserves based on other information we became aware of during the performance of our audit. We used the results of these procedures to inform our audit of asset impairment testing, the calculation of depreciation, depletion and amortisation, the calculation of decommissioning provisions and the assessment of going concern.
- We considered management's interpretation and application of relevant tax law and challenged the appropriateness of management's assumptions and estimates in relation to uncertain tax positions and deferred tax recognition.

4. Our application of materiality
We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements on our audit and on the Financial statements. For the purposes of determining whether the Financial statements are free from material misstatement we define materiality as the magnitude of misstatement that makes it probable that the economic decisions of a reasonably knowledgeable person, relying on the Financial statements, would be changed or influenced.

When establishing our overall audit strategy, we determined a magnitude of uncorrected and undetected misstatements that we judged would be material for the Financial statements as a whole. We determined materiality for the Group to be $375 million, which represents approximately 5% of the Group's business performance before taxation. We have calculated materiality with reference to the Group's business performance as we consider this to be one of the principal considerations for members of the Company in assessing the financial performance of the Group. Our evaluation of materiality requires professional judgement and necessarily takes into account qualitative as well as quantitative considerations implicit in the definition.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement is that overall performance materiality (that is our tolerance for misstatement in an individual account or balance) for the Group should be 50% of materiality, namely $187 million. Our objective in adopting this approach is to ensure that total uncorrected and undetected audit differences in the Financial statements as a whole do not exceed our materiality of $375 million.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of $18 million, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

5. An overview of the scope of our audit
We used a risk-based approach for determining our audit strategy, ensuring that our audit teams performed consistent procedures and focused on addressing the risks that are relevant to the business. This approach focused our audit effort towards higher risk areas, such as significant management judgements, and on locations that were considered material based upon size, complexity and risk.

Our assessment of audit risk, our evaluation of materiality and our allocation of that materiality determined our audit scope. The factors that we considered when assessing the scope of the Group audit and the level of work to be performed at each location included the following: the financial significance and specific risks of the location, the effectiveness of the control environment and monitoring activities, including group-wide controls and recent internal audit findings.

Our Group audit scope focused on seven locations, of which four were subject to a full scope audit, whilst the remaining locations were subject to specific audit testing based on our judgement of risk and materiality. These locations represent the principal business units within the group's two reportable segments and accounted for 80% of the Group's total assets and 75% of the Group's profit before tax.

For the remaining locations, we performed other procedures to confirm there were no significant risks of material misstatement in the Group Financial statements.

The Group audit team follows a programme of planned site visits that is designed to ensure that the Senior Statutory Auditor or his designate visits each in-scope location at least once every two years and the most significant locations at least once a year. This year, the Senior Statutory Auditor and his designate visited six of the in-scope locations.

For all in-scope locations, in addition to the site visits, the Group audit team reviewed key working papers and participated in the component team's planning and execution of the responses to the risks.

6. Our opinion on other matters prescribed by the Companies Act 2006
In our opinion:

- the part of the Directors' Remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- 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 Financial statements.

7. Matters on which we are required to report by exception
We have nothing to report in respect of the following matters:

Under the ISAs (UK and Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

In particular, we are required to consider whether we have identified any inconsistencies between our knowledge acquired during the audit and the Directors' statement that they consider the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and whether the Annual Report appropriately discloses those matters that we communicated to the Audit Committee which we consider should have been disclosed.

Under the Companies Act 2006 we are required 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 and the part of the Directors' Remuneration report to be audited 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.

Under the Listing Rules we are required to review:

- the Directors' statement, set out on page 83, in relation to going concern; and
- the part of the Corporate governance statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review.

The scope of our report
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.

The scope our 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 and the parent Company's circumstances and have been applied consistently and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the Financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Accounts 2013 to identify material inconsistencies with the audited Financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing our audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

The respective responsibilities of directors and auditor
As explained more fully in the Statement of directors' responsibilities set out on pages 82 and 83, the Directors are responsible for the preparation of the Financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Allister Wilson

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

19 March 2014

Notes:
1. The maintenance and integrity of the BG Group plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

PRINCIPAL ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

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

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

The results of undertakings acquired or disposed of are consolidated from or to the date when control passes to or from the Company. For the Company Financial statements only, investments in subsidiary undertakings are stated at cost less any provision for impairment.

Presentation of results

BG 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 98 and note 9, page 110.

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

Reserves, impairment and depreciation

One factor that affects the calculation of depreciation and impairment in particular is the estimation of hydrocarbon reserves and resources. BG 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.

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

BG 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 38 to 43 include further detail in relation to commodity prices, reserves estimates and exchange rates.

In 2013, there was a pre-tax impairment charge of $2.0 billion (post-tax $1.3 billion) in relation to the Group's upstream operations in Egypt. The impairment resulted from reserve revisions and revised expectations of the value of the Group's Egyptian operations, given continuing uncertainty over the business environment in country. In addition, the Group issued Force Majeure notices under its Egyptian LNG agreements in January 2014. The impairment is sensitive to assumptions including the level of domestic gas diversions, the sanctioning of future investment projects, the continued repayment of the domestic receivables balance and the discount rate applied to cash flow projections. Any changes in these assumptions could result in an additional impairment in the next financial year.

In 2013, there was a pre-tax impairment charge of $1.7 billion (post-tax $1.1 billion) in relation to the Group's shale gas business in the USA. The impairment resulted from lower forward gas market prices, lower production expectations based on well performance and the continued low rig count. The impairment is sensitive to Henry Hub gas prices, price discounts to Henry Hub in the Appalachia region and the discount rate applied to future cash flow projections. Any changes in these assumptions could result in an additional impairment in the next financial year.

Exploration expenditure

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

Decommissioning costs

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

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

Current and deferred tax

BG 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 $1 056 million (2012: $520 million).

Significant accounting policies

Exploration expenditure

BG 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, BG 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 loss is recognised. Value in use represents the net present value of expected future cash flows discounted on a pre-tax basis. Fair value less costs of disposal is based on the best evidence available to the Group, and may include appropriate valuation techniques, market data or sales of comparable assets.

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

Financial instruments

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

Derivative financial instruments utilised by BG 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.

PRINCIPAL ACCOUNTING POLICIES CONTINUED

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

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

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

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

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

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

All other revenue is recognised when title passes to the customer.

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

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

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

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

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

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

Foreign currencies
The currency in which the Group presents its consolidated and parent Company Financial statements is US Dollars. The functional currency of the Company is Pounds Sterling. The exchange rates of US Dollar to Pound Sterling over the periods included in this Annual Report and Accounts are as follows:

US$/UK£ exchange rate	**2013**	2012	2011	2010	2009
Closing rate	**1.6563**	1.6255	1.5541	1.5657	1.6149
Average rate	**1.5640**	1.5848	1.6079	1.5489	1.5510

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

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

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

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

BG 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. The cost is based on the fair value of the options or shares allocated and the number of awards expected to vest. The fair value of each option or share is determined using either the share price on the date of the grant or a Monte Carlo projection model, depending on the type of award. Market-related performance conditions are reflected in the fair value of the share. Non-market-related performance conditions are allowed for using a separate assumption about the number of awards expected to vest; the final charge made reflects the number actually vesting.

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

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

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

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

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

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

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

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

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December	Note	2013 Business performance $m	2013 Disposals, re-measurements and impairments $m	2013 Total $m	2012 Restated[a] Business performance $m	2012 Restated[a] Disposals, re-measurements and impairments $m	2012 Restated[a] Total $m
Group revenue	1	**19 192**	**–**	**19 192**	18 933	–	18 933
Other operating income	1, 4	**(91)**	**210**	**119**	30	237	267
Group revenue and other operating income	1	**19 101**	**210**	**19 311**	18 963	237	19 200
Operating costs	2, 4	**(11 981)**	**154**	**(11 827)**	(11 355)	–	(11 355)
Profits and losses on disposal of non-current assets and impairments	4	**–**	**(3 817)**	**(3 817)**	–	(1 651)	(1 651)
Operating profit/(loss)[b]	1	**7 120**	**(3 453)**	**3 667**	7 608	(1 414)	6 194
Finance income	4, 5	**104**	**65**	**169**	125	97	222
Finance costs	4, 5	**(283)**	**–**	**(283)**	(238)	(122)	(360)
Share of post-tax results from joint ventures and associates	1	**336**	**–**	**336**	289	–	289
Profit/(loss) before tax		**7 277**	**(3 388)**	**3 889**	7 784	(1 439)	6 345
Taxation	4, 6	**(2 903)**	**1 219**	**(1 684)**	(3 405)	353	(3 052)
Profit/(loss) for the year from continuing operations	1, 4	**4 374**	**(2 169)**	**2 205**	4 379	(1 086)	3 293
Profit/(loss) for the year from discontinued operations	7	**–**	**245**	**245**	–	1 324	1 324
Profit/(loss) for the year		**4 374**	**(1 924)**	**2 450**	4 379	238	4 617
Profit attributable to:							
Shareholders (earnings)	1	**4 374**	**(1 933)**	**2 441[c]**	4 379	144	4 523[c]
Non-controlling interest	1	**–**	**9**	**9**	–	94	94
		4 374	**(1 924)**	**2 450**	4 379	238	4 617
Earnings per ordinary share continuing operations (cents)							
Basic	9	**128.6**	**(63.8)**	**64.8**	128.9	(31.9)	97.0
Diluted	9	**128.0**	**(63.5)**	**64.5**	128.2	(31.8)	96.4
Earnings per ordinary share discontinued operations (cents)							
Basic		**–**	**6.9**	**6.9**	–	36.2	36.2
Diluted		**–**	**6.9**	**6.9**	–	36.0	36.0
Total earnings per ordinary share (cents)							
Basic		**128.6**	**(56.9)**	**71.7**	128.9	4.3	133.2
Diluted		**128.0**	**(56.6)**	**71.4**	128.2	4.2	132.4
Total operating profit/(loss) including share of pre-tax operating results from joint ventures and associates[d]	1	**7 616**	**(3 453)**	**4 163**	8 050	(1 414)	6 636

(a) See Accounting developments during 2013, page 91.
(b) Operating profit/(loss) is before share of results from joint ventures and associates.
(c) Comprises earnings from continuing operations of $2 205m (2012: $3 293m) and from discontinued operations of $236m (2012: $1 230m).
(d) This measurement is shown by BG Group as it is used as a means of measuring the underlying performance of the business.

For information on dividends paid and proposed in the year see note 8, page 110.

The accounting policies on pages 88 to 91 together with the notes on pages 98 to 133 form part of these accounts.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December	2013 $m	2012 Restated[a] $m
Profit for the year	**2 450**	4 617
Items that may be reclassified to the income statement:		
Fair value gains/(losses) on cash flow hedges	**121**	(244)
Transfers to income statement on cash flow hedges[b]	**146**	836
Fair value gains on net investment hedges	**198**	627
Fair value movements on available-for-sale assets	**(8)**	8
Tax on cash flow and net investment hedges and available-for-sale assets[c]	**(90)**	(298)
Currency translation adjustments[d]	**(2 875)**	(1 063)
Other items:		
Re-measurement of defined benefit pension obligation	**(48)**	31
Tax on re-measurement of defined benefit pension obligation	**–**	(9)
Other comprehensive income for the year, net of tax[e]	**(2 556)**	(112)
Total comprehensive income for the year	**(106)**	4 505
Attributable to:		
Shareholders	**(115)**	4 428
Non-controlling interest	**9**	77
	(106)	4 505

(a) See Accounting developments during 2013, page 91.
(b) During 2013, a pre-tax loss of $108m (2012: $843m) was transferred from the hedging reserve to revenue to match against the underlying transactions, a pre-tax gain of $nil (2012: $47m) was transferred from the hedging reserve to other operating income in respect of discontinued cash flow hedges and a pre-tax loss of $38m was transferred from the hedging reserve related to the disposal of an associate (2012: $40m).
(c) Includes tax relating to cash flow hedges of $(54)m (2012: $(141)m), tax relating to net investment hedges of $(36)m (2012: $(163)m), and tax on available-for-sale assets of $nil (2012: $6m).
(d) In 2013, a $119m gain (2012: $355m gain) was transferred to the income statement as part of the profit/(loss) on disposal of non-US Dollar denominated operations.
(e) Includes other comprehensive income in respect of joint ventures and associates of $20m (2012: $72m).

The profit for the financial year for the Company was $1m (2012: $15m). Total comprehensive income for the Company was $121m (2012: $383m). As permitted by section 408 of the Companies Act 2006, no income statement or statement of comprehensive income is presented for the Company.

FINANCIAL STATEMENTS

BALANCE SHEETS

as at 31 December	Note	The Group 2013 $m	2012 Restated[a] $m	2011 Restated[a] $m	The Company 2013 $m	2012 $m
Assets						
Non-current assets						
Goodwill	10	**25**	24	752	**–**	–
Other intangible assets	11	**3 864**	4 469	6 159	**–**	–
Property, plant and equipment	12	**42 225**	43 925	37 316	**–**	–
Investments in subsidiary undertakings	13	**–**	–	–	**4 288**	4 130
Investments	13	**2 933**	2 488	3 044	**–**	–
Deferred tax assets	6	**1 397**	821	647	**10**	12
Trade and other receivables	15	**777**	896	695	**–**	–
Commodity contracts and other derivative financial instruments	18	**623**	532	366	**–**	–
		51 844	53 155	48 979	**4 298**	4 142
Current assets						
Inventories	14	**838**	792	768	**–**	–
Trade and other receivables	15	**6 900**	6 369	7 375	**2 881**	3 750
Current tax receivable		**77**	25	141	**47**	31
Commodity contracts and other derivative financial instruments	18	**107**	129	331	**–**	–
Cash and cash equivalents	16	**6 208**	4 434	3 601	**–**	2
		14 130	11 749	12 216	**2 928**	3 783
Assets classified as held for sale	7	**–**	386	245	**–**	–
Total assets		**65 974**	65 290	61 440	**7 226**	7 925
Liabilities						
Current liabilities						
Borrowings	17	**(475)**	(1 064)	(1 160)	**–**	–
Trade and other payables	19	**(5 631)**	(5 301)	(5 342)	**(51)**	(40)
Current tax liabilities		**(1 831)**	(1 377)	(1 238)	**–**	–
Commodity contracts and other derivative financial instruments	18	**(297)**	(423)	(1 345)	**–**	–
		(8 234)	(8 165)	(9 085)	**(51)**	(40)
Non-current liabilities						
Borrowings	17	**(17 054)**	(14 443)	(13 977)	**–**	–
Trade and other payables	19	**(150)**	(123)	(72)	**–**	–
Commodity contracts and other derivative financial instruments	18	**(173)**	(347)	(696)	**–**	–
Deferred tax liabilities	6	**(4 120)**	(4 636)	(3 961)	**–**	–
Retirement benefit obligations	24	**(168)**	(288)	(436)	**–**	–
Provisions for other liabilities and charges	20	**(4 115)**	(4 182)	(3 603)	**–**	–
		(25 780)	(24 019)	(22 745)	**–**	–
Liabilities associated with assets classified as held for sale	7	**–**	(158)	(99)	**–**	–
Total liabilities		**(34 014)**	(32 342)	(31 929)	**(51)**	(40)
Net assets		**31 960**	32 948	29 511	**7 175**	7 885

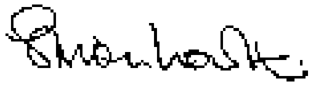
(a) See Accounting developments during 2013, page 91.

The accounting policies on pages 88 to 91 together with the notes on pages 98 to 133 form part of these accounts.

as at 31 December	Note	The Group 2013 $m	The Group 2012 Restated[a] $m	The Group 2011 Restated[a] $m	The Company 2013 $m	The Company 2012 $m
Equity						
Ordinary shares	21	**579**	578	577	**579**	578
Share premium		**663**	619	584	**663**	619
Hedging reserve		**22**	(191)	(642)	**–**	–
Translation reserve		**(786)**	1 927	2 509	**132**	12
Other reserves		**2 710**	2 710	2 710	**1 203**	1 203
Retained earnings		**28 772**	27 248	23 482	**4 598**	5 473
Total shareholders' equity		**31 960**	32 891	29 220	**7 175**	7 885
Non-controlling interest in equity		**–**	57	291	**–**	–
Total equity		**31 960**	32 948	29 511	**7 175**	7 885

(a) See Accounting developments during 2013, page 91.

The accounts on pages 88 to 133 were approved by the Board and signed on its behalf on 19 March 2014 by:



SIMON LOWTH
CHIEF FINANCIAL OFFICER

STATEMENTS OF CHANGES IN EQUITY

The Group	Called up share capital $m	Share premium account $m	Hedging reserve $m	Translation reserve[b] $m	Other reserves[c] $m	Retained earnings[d] $m	Total $m	Non-controlling interest $m	Total $m
As at 1 January 2012 as previously reported	577	584	(642)	2 508	2 710	23 647	29 384	291	29 675
Impact of change of accounting policy[a]	–	–	–	1	–	(165)	(164)	–	(164)
As at 1 January 2012 (restated)	577	584	(642)	2 509	2 710	23 482	29 220	291	29 511
Total comprehensive income for the year	–	–	451	(582)	–	4 559	4 428	77	4 505
Profit for the year	–	–	–	–	–	4 523	4 523	94	4 617
Hedges, net of tax	–	–	451	464	–	–	915	–	915
Available-for-sale assets, net of tax	–	–	–	–	–	14	14	–	14
Defined benefit pension obligation, net of tax	–	–	–	–	–	22	22	–	22
Currency translation adjustments	–	–	–	(1 046)	–	–	(1 046)	(17)	(1 063)
Adjustment for share schemes	–	–	–	–	–	88	88	–	88
Tax in respect of share schemes[e]	–	–	–	–	–	(18)	(18)	–	(18)
Dividends	–	–	–	–	–	(847)	(847)	(17)	(864)
Disposal of non-controlling interest	–	–	–	–	–	–	–	(294)	(294)
Issue of shares[f]	1	35	–	–	–	–	36	–	36
Net purchase of own shares	–	–	–	–	–	(16)	(16)	–	(16)
As at 31 December 2012 (restated)	**578**	**619**	**(191)**	**1 927**	**2 710**	**27 248**	**32 891**	**57**	**32 948**
Total comprehensive income for the year	–	–	213	(2 713)	–	2 385	(115)	9	(106)
Profit for the year	–	–	–	–	–	2 441	2 441	9	2 450
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	–	–	–	(2 875)	–	–	(2 875)	–	(2 875)
Adjustment for share schemes	–	–	–	–	–	85	85	–	85
Tax in respect of share schemes[e]	–	–	–	–	–	19	19	–	19
Dividends[g]	–	–	–	–	–	(952)	(952)	–	(952)
Disposal of non-controlling interest	–	–	–	–	–	–	–	(66)	(66)
Issue of shares[f]	1	44	–	–	–	–	45	–	45
Net purchase of own shares	–	–	–	–	–	(13)	(13)	–	(13)
As at 31 December 2013	**579**	**663**	**22**	**(786)**	**2 710**	**28 772**	**31 960**	**–**	**31 960**

The Company	Called up share capital $m	Share premium account $m	Translation reserve $m	Other reserves[c] $m	Retained earnings $m	Total $m
As at 1 January 2012	577	584	(356)	1 203	6 232	8 240
Total comprehensive income for the year[h]	–	–	368	–	15	383
Adjustment for share schemes	–	–	–	–	88	88
Tax in respect of share schemes[e]	–	–	–	–	1	1
Dividends	–	–	–	–	(847)	(847)
Issue of shares[f]	1	35	–	–	–	36
Net purchase of own shares	–	–	–	–	(16)	(16)
As at 31 December 2012	**578**	**619**	**12**	**1 203**	**5 473**	**7 885**
Total comprehensive income for the year[h]	–	–	120	–	1	121
Adjustment for share schemes	–	–	–	–	85	85
Tax in respect of share schemes[e]	–	–	–	–	4	4
Dividends[g]	–	–	–	–	(952)	(952)
Issue of shares[f]	1	44	–	–	–	45
Net purchase of own shares	–	–	–	–	(13)	(13)
As at 31 December 2013	**579**	**663**	**132**	**1 203**	**4 598**	**7 175**

(a) See Accounting developments during 2013, page 91.
(b) As at 31 December 2013, includes currency translation gains of $20m (2012: $26m) relating to joint ventures and associates.
(c) Other reserves, which are not distributable, represent the difference between the carrying value of subsidiary undertaking investments and their respective capital structures following the restructuring and refinancing in 1999.
(d) As at 31 December 2013, includes retained earnings in respect of joint ventures and associates of $771m (2012: $666m).
(e) This consists of current tax of $9m (2012: $6m) and deferred tax of $10m (2012: $(24)m) in the Group and current tax of $3m (2012: $nil) and deferred tax of $1m (2012: $1m) in the Company.
(f) The issue of shares relates to amounts issued to employees under employee share option schemes for a cash consideration of $45m (2012: $36m).
(g) Includes $26m in respect of dividends attributable to holders of American Depositary Receipts in prior periods.
(h) Comprises profit for the year of $1m (2012: $15m) and currency translation adjustments of $120m (2012: $368m).

The accounting policies on pages 88 to 91 together with the notes on pages 98 to 133 form part of these accounts.

CASH FLOW STATEMENTS

for the year ended 31 December	Note	The Group 2013 $m	2012 $m	The Company 2013 $m	2012 $m
Cash generated by operations	25	**10 285**	10 715	**(9)**	(14)
Income taxes paid		**(2 468)**	(2 720)	**(5)**	(4)
Net cash inflow/(outflow) from operating activities		**7 817**	7 995	**(14)**	(18)
Cash flows from investing activities					
Dividends received		**147**	151	**–**	–
Proceeds from disposal of subsidiary undertakings and investments[a]		**774**	2 185	**–**	–
Proceeds from disposal of property, plant and equipment and intangible assets[b]		**3 827**	754	**–**	–
Purchase of property, plant and equipment and intangible assets		**(10 605)**	(9 974)	**–**	–
Loans to joint ventures and associates		**–**	(4)	**–**	–
Repayments from joint ventures and associates		**73**	702	**–**	–
Interests in subsidiaries, joint ventures and associates, and other investments		**(610)**	(429)	**–**	–
Other loan repayments/(advances)		**112**	(280)	**–**	–
Net cash outflow from investing activities		**(6 282)**	(6 895)	**–**	–
Cash flows from financing activities					
Interest paid		**(675)**	(658)	**–**	–
Interest received		**115**	117	**–**	–
Dividends paid		**(923)**	(859)	**(923)**	(859)
Dividends paid to non-controlling interest		**–**	(18)	**–**	–
Net proceeds from issue of new borrowings[c]		**2 713**	2 925	**–**	–
Repayment of borrowings		**(1 093)**	(1 736)	**–**	–
Issue of shares		**45**	36	**45**	36
Movements in own shares		**(13)**	(16)	**(13)**	(16)
Funding movements with subsidiary		**–**	–	**904**	856
Net cash inflow/(outflow) from financing activities		**169**	(209)	**13**	17
Net increase/(decrease) in cash and cash equivalents		**1 704**	891	**(1)**	(1)
Cash and cash equivalents at 1 January	16	**4 520**	3 601	**2**	2
Effect of foreign exchange rate changes		**(16)**	28	**(1)**	1
Cash and cash equivalents at 31 December[d]	16	**6 208**	4 520	**–**	2

(a) 2013 includes proceeds from the disposal of Gujarat Gas Company Limited of $259m (net of cash held at the date of disposal of $84m), TGGT of $240m and the Group's remaining 20% equity in GNL Quintero of $172m. 2012 includes the disposal of Comgás for gross cash proceeds of $1 674m ($1 572m net of the $102m cash held at the date of disposal), Philippines power assets of $360m and 20% equity in GNL Quintero of $176m.

(b) 2013 includes proceeds of $3 633m from the disposal of certain interests in upstream coal seam gas tenements in Australia and equity interests in the QCLNG project Train 1 liquefaction facility. 2012 includes $651m for the disposal of 10% of the Group's interest in the Karachaganak gas-condensate project.

(c) Includes net cash flows relating to short maturity financing.

(d) The balance at 31 December 2013 includes cash and cash equivalents of $6 208m (2012: $4 434m) and cash classified as assets held for sale of $nil (2012: $86m).

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

The cash flows above are inclusive of discontinued operations (see note 7, page 108).

NOTES TO THE ACCOUNTS

1 SEGMENTAL ANALYSIS AND RESULTS PRESENTATION

BG 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. BG Group has two principal operating and reporting segments; Upstream and LNG Shipping & Marketing. Upstream comprises exploration, development, production, liquefaction and marketing of hydrocarbons. LNG Shipping & Marketing combines the development and use of LNG import facilities with the purchase, shipping and sale of LNG and regasified natural gas. The Group's remaining Transmission and Distribution businesses (T&D), principally Mahanagar Gas in India, and certain corporate activities have been included in the Other segment.

Intra-Group sales are settled at market prices and are generally based on the same prices as those charged to third parties (arm's length principle). Group revenue, profit for the year, depreciation, amortisation and impairment and capital investment attributable to BG Group activities are shown on pages 98 to 101, analysed by operating segment.

The presentation of BG Group's results under IFRS separately identifies the effect of the re-measurement of certain financial instruments, profits and losses on the disposal and impairment of non-current assets and certain other exceptional items. Results excluding discontinued operations and disposals, certain re-measurements, certain other exceptional items and impairments ('Business performance') are used by management and are presented in order to provide readers with a clear and consistent presentation of the underlying operating performance of the Group's ongoing business. Further information on Business performance is given on page 146.

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. BG Group also presents the operating profit of the Group including results of joint ventures and associates before interest and tax, as this approach provides additional information on the source of the Group's operating profits.

The following tables provide a reconciliation between the overall results and Business performance, and operating profit including and excluding the results of joint ventures and associates. The geographical information provided for external revenue is based on country of production. Further information is given in the **Supplementary information** on page 134.

GROUP REVENUE
Analysed by operating segment

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

(a) External revenue attributable to the UK is $3 270m (2012: $3 052m). External revenue attributable to non-UK countries is $15 922m (2012: $15 881m). Included in the Upstream segment is revenue of $2 090m attributable to Kazakhstan representing 11% of Group revenue (2012: $2 299m, 12%). Further geographical information on the Group's E&P revenues can be found in **Supplementary information – gas and oil** (unaudited) on page 134. LNG Shipping & Marketing revenues are not considered reliant on individual countries since they are associated with the global deployment of the Group's portfolio of flexible LNG supplies.

External revenue in respect of a single external customer amounted to $2 198m (2012: $2 402m), recognised in the Upstream segment. These revenues are associated with the sale of marketable commodities and over 95% are secured by letters of credit; accordingly, this single customer is not considered to represent a concentration of business risk to the Group. For further information on credit risk see the Group's principal risks and uncertainties, page 38 and note 18, page 117.

1 SEGMENTAL ANALYSIS AND RESULTS PRESENTATION CONTINUED

PROFIT FOR THE YEAR

Analysed by operating segment

for the year ended 31 December	Business performance[d] 2013 $m	Business performance[d] 2012 $m	Disposals, re-measurements and impairments[c] 2013 $m	Disposals, re-measurements and impairments[c] 2012 $m	Total 2013 $m	Total 2012 $m
Group revenue	**19 192**	18 933	**–**	–	**19 192**	18 933
Other operating income[a][b]	**(91)**	30	**210**	237	**119**	267
Group revenue and other operating income	**19 101**	18 963	**210**	237	**19 311**	19 200
Operating profit/(loss) before share of results from joint ventures and associates[c]						
Upstream[d]	**4 531**	5 107	**(3 815)**	(1 695)	**716**	3 412
LNG Shipping & Marketing	**2 617**	2 536	**363**	297	**2 980**	2 833
Other activities	**(28)**	(35)	**(1)**	(16)	**(29)**	(51)
	7 120	7 608	**(3 453)**	(1 414)	**3 667**	6 194
Share of pre-tax operating results from joint ventures and associates						
Upstream	**436**	360	**–**	–	**436**	360
LNG Shipping & Marketing	**26**	41	**–**	–	**26**	41
Other activities	**34**	41	**–**	–	**34**	41
	496	442	**–**	–	**496**	442
Total operating profit/(loss)						
Upstream	**4 967**	5 467	**(3 815)**	(1 695)	**1 152**	3 772
LNG Shipping & Marketing	**2 643**	2 577	**363**	297	**3 006**	2 874
Other activities	**6**	6	**(1)**	(16)	**5**	(10)
	7 616	8 050	**(3 453)**	(1 414)	**4 163**	6 636
Net finance (costs)/income						
Finance income	**104**	125	**65**	97	**169**	222
Finance costs	**(283)**	(238)	**–**	(122)	**(283)**	(360)
Share of joint ventures and associates	**(24)**	(39)	**–**	–	**(24)**	(39)
	(203)	(152)	**65**	(25)	**(138)**	(177)
Taxation						
Taxation	**(2 903)**	(3 405)	**1 219**	353	**(1 684)**	(3 052)
Share of joint ventures and associates	**(136)**	(114)	**–**	–	**(136)**	(114)
	(3 039)	(3 519)	**1 219**	353	**(1 820)**	(3 166)
Profit for the year from continuing operations	**4 374**	4 379	**(2 169)**	(1 086)	**2 205**	3 293
Profit for the year from discontinued operations	**–**	–	**245**	1 324	**245**	1 324
	4 374	4 379	**(1 924)**	238	**2 450**	4 617
Profit attributable to:						
Shareholders (earnings)	**4 374**	4 379	**(1 933)**	144	**2 441**	4 523
Non-controlling interest	**–**	–	**9**	94	**9**	94
	4 374	4 379	**(1 924)**	238	**2 450**	4 617

(a) Other operating income includes the results of the purchase and re-sale of third-party gas in the UK, income arising from asset optimisation activities undertaken by the Group's LNG Shipping & Marketing operations and unrealised gains and losses arising from the mark-to-market movements of commodity-based derivative instruments, including certain gas sales contracts classified as derivatives under IAS 39. Further details of the use and valuation of commodity-based financial instruments are shown in note 18, page 117. Further information on other operating income is given in note 4, page 105.

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

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

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

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

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

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

NOTES TO THE ACCOUNTS CONTINUED

1 SEGMENTAL ANALYSIS AND RESULTS PRESENTATION CONTINUED

PROFIT FOR THE YEAR CONTINUED

Analysed by operating segment

for the year ended 31 December	Business performance 2013 $m	Business performance 2012 $m	Disposals, re-measurements and impairments 2013 $m	Disposals, re-measurements and impairments 2012 $m	Total 2013 $m	Total 2012 $m
Total operating profit/(loss)						
Upstream	**4 967**	5 467	**(3 815)**	(1 695)	**1 152**	3 772
LNG Shipping & Marketing	**2 643**	2 577	**363**	297	**3 006**	2 874
	7 610	8 044	**(3 452)**	(1 398)	**4 158**	6 646
Other activities	**6**	6	**(1)**	(16)	**5**	(10)
	7 616	8 050	**(3 453)**	(1 414)	**4 163**	6 636
Less: share of pre-tax operating results from joint ventures and associates					**(496)**	(442)
Add: share of post-tax results from joint ventures and associates					**336**	289
Net finance costs					**(114)**	(138)
Profit before tax					**3 889**	6 345
Taxation					**(1 684)**	(3 052)
Profit for the year from continuing operations					**2 205**	3 293
Profit for the year from discontinued operations					**245**	1 324
					2 450	4 617

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

DEPRECIATION, AMORTISATION AND IMPAIRMENT

Analysed by operating segment

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

(a) Further details of impairments are given in note 4, page 105.

1 SEGMENTAL ANALYSIS AND RESULTS PRESENTATION CONTINUED

CAPITAL INVESTMENT

Analysed by operating segment

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

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

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

2 OPERATING COSTS

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

	2013 $m	2012 $m
Raw materials, consumables and finished goods	**3 062**	3 478
Inventory adjustments to net realisable value	**4**	1
Employee costs (see note 3(C), page 103)	**1 096**	1 291
Less: Own work capitalised	**(295)**	(315)
Employee costs included within other operating charges below	**(116)**	(143)
Employee costs included within net finance costs	**(11)**	(14)
	674	819
Depreciation and amortisation		
Depreciation of Property, plant and equipment	**2 945**	2 505
Amortisation of Other intangible assets	**9**	5
	2 954	2 510
Unsuccessful exploration expenditure written off	**394**	319
Other operating charges:		
Other exploration expenditure[a]	**317**	365
Operating lease rentals	**653**	536
Research and development	**76**	52
Tariffs, royalties, liquefaction and regasification costs	**1 883**	1 565
Net foreign exchange (gains)/losses on operating activities	**(31)**	27
Other costs[b]	**1 841**	1 683
Continuing operations total	**11 827**	11 355

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

FINANCIAL STATEMENTS

NOTES TO THE ACCOUNTS CONTINUED

2 OPERATING COSTS CONTINUED

AUDITOR'S FEES AND SERVICES

Ernst & Young LLP were appointed as the Group's auditors in March 2013, following a competitive tender process and served as independent external auditors for the year ended 31 December 2013. PricewaterhouseCoopers LLP served as the independent external auditors for the year ended 31 December 2012. The external auditors are subject to re-appointment at the Annual General Meeting, see the **Notice of Meeting** on pages 150 to 151.

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

	2013 $m	2012 $m
Fees payable to the Group's auditors for the audit of both the parent Company and the Group's Annual Report and Accounts	**2.5**	2.3
Fees payable to the Group's auditors and its associates for other services:		
The audit of the parent's subsidiaries	**2.0**	3.9
Audit related assurance services[a]	**1.2**	0.3
	3.2	4.2
Total fees payable for audit services	**5.7**	6.5
Other assurance services	**0.1**	–
All other services[b]	**0.3**	0.4
	6.1	6.9

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

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

3 DIRECTORS AND EMPLOYEES

A) DIRECTORS' REMUNERATION

	2013 $000	2012 $000
Fees to Non-Executive Directors	**2 586**	2 613
Salaries	**3 367**	5 060
Benefits[a]	**317**	224
Bonuses[b]	**801**	–
Share-based payments[c]	**6 002**	11 802
Fees and benefits in respect of former Directors	**18**	25
	13 091	19 724

(a) In addition, in 2013, two Directors (2012: two) had pension benefits accruing under defined benefit schemes and three Directors (2012: two) received cash in lieu of their pension totalling $527 000 (2012: $616 000).
(b) Bonus figures for 2013 represent payments under the Annual Incentive Scheme (AIS) in respect of the 2013 incentive year which will be made in 2014. Bonuses for 2013 include remuneration given in the form of awards under the Voluntary Bonus Deferral Plan (VBDP). Bonuses exclude remuneration given in the form of mandatorily deferred shares under the Deferred Bonus Plan (DBP) (2013: $1 872 000; 2012: $nil).
(c) Share-based payments include a charge for mandatorily deferred shares awarded to the Directors under the DBP in respect of the previous incentive years.

For further information please see the **Remuneration report** on page 64.

B) KEY MANAGEMENT COMPENSATION

	2013 $000	2012 $000
Fees to Non-Executive Directors	**2 586**	2 613
Salaries	**8 831**	10 625
Benefits	**653**	575
Bonuses[a]	**1 477**	4 062
Pension charge[b]	**3 110**	4 304
Share-based payments[c]	**15 984**	17 924
	32 641	40 103

(a) Bonus figures for 2013 include payments under the AIS in respect of the 2013 incentive year which will be made in 2014. Bonus figures for 2012 represent payments under the AIS in respect of the 2012 incentive year which were made in 2013. Bonuses for 2013 and 2012 include remuneration to be given in the form of awards under the VBDP. Bonuses exclude remuneration given in the form of mandatorily deferred shares (2013: $4 327 000; 2012: $nil).
(b) Includes benefits accruing under defined benefit schemes and cash in lieu of pensions.
(c) Share-based payments include a charge for mandatorily deferred shares under the DBP awarded to key management under the DBP in respect of the previous incentive years.

The key management compensation analysed above represents amounts in respect of the Directors and the executive officers, defined as the Group Executive Committee (GEC) and the Company Secretary.

3 DIRECTORS AND EMPLOYEES CONTINUED

C) EMPLOYEE COSTS

	The Group 2013 $m	2012 $m
Wages and salaries[a]	**829**	912
Social security costs	**67**	88
Pension charge[b]	**(19)**	148
Share-based payments (see note 3(E) below)	**91**	68
Other including incentive schemes[c]	**137**	177
	1 105	1 393
Less: attributable to discontinued operations	**(9)**	(102)
Continuing operations	**1 096**	1 291

(a) Includes termination payments and payments in lieu of notice.
(b) The pension charge for the year ended 31 December 2013 includes a curtailment gain of $154m (2012: $nil), interest on plan net liabilities of $nil (2012: $9m) in respect of discontinued operations, and $11m charge (2012: $14m) which is presented within finance costs (see note 24, page 128).
(c) Includes payments under the AIS and remuneration to be given in the form of shares under the VBDP.

In 2013, employee costs of $810m (2012: $1 078m) were charged to the income statement and $295m (2012: $315m) were capitalised.

D) AVERAGE NUMBER OF EMPLOYEES DURING THE YEAR

	2013 Number	2012 Number
Upstream	**4 887**	4 664
LNG Shipping & Marketing	**361**	437
Discontinued operations	**288**	1 467
	5 536	6 568

E) SHARE-BASED PAYMENTS

	The Group 2013 $m	2012 $m
Equity-settled share-based payments:		
Group share awards	**47**	42
Performance Share Awards	**20**	25
Other share awards[a]	**9**	10
	76	77
Cash-settled share-based payments	**15**	(9)
	91	68

(a) The charge for other share awards excludes an amount of $9m (2012: $10m) relating to shares and nil-cost options awarded under the VBDP, which was transferred to equity during 2013. This expense was recognised in the income statement during 2012 as part of the AIS charge. The number of awards made was 0.5m (2012: 0.4m).

Group share awards

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 (2013: 1.7m shares; 2012: 1.8m shares) or nil-cost options (2013: 1.7m options; 2012: 1.8m options). The costs in respect of these awards are charged to the income statement over the vesting period, based on the fair value of the shares and options at the award date. Dividend equivalents accrue on the award during the vesting period. Accordingly, the fair value of the shares and options awarded is based on the market value of the shares on the award date, which was £12.69 per share in 2013 (2012: £12.56 per share).

Performance Share Awards

Details of Performance Share Awards under the Group's LTIP are given on pages 66 and 67. Awards are in the form of shares (2013: 0.6m shares; 2012: 0.5m shares) or nil-cost options (2013: 3.0m options; 2012: 2.5m 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: share price on date of issue of £12.71 (2012: £12.71), exercise price of £nil (2012: £nil), a risk-free rate of 0.81% (2012: 0.36%) and a vesting period of three years (2012: three years). The model also contains assumptions for both the Group and each member of the industry peer group (set out on page 74) in respect of volatility, average share price growth and share price correlation. Expected volatility was determined by calculating the historical volatility of the share price over the previous three-year period. Share price correlation was determined by calculating the historical correlation of the share price over the previous three-year period. Average share price growth was determined from historical growth over the previous year. Dividend equivalents accrue on the award during the vesting period. The fair value of shares and options awarded during the year was £6.13 per share (2012: £5.02 per share).

NOTES TO THE ACCOUNTS CONTINUED

3 DIRECTORS AND EMPLOYEES CONTINUED

E) SHARE-BASED PAYMENTS CONTINUED

Other share awards

The charge for Other share awards includes awards made under the DBP, the Sharesave Plan, the Share Incentive Plan and the Share Award Plan.

The DBP operates in conjunction with the AIS and is described on page 66 and 67. Awards are in the form of shares (2013: 0.1m shares; 2012: 0.1m shares) or nil-cost options (2013: nil; 2012: 0.1m options). The charge to the income statement in respect of these awards was $2m in 2013 (2012: $4m) and is based on the market value of the shares at the award date, which was £11.72 in 2013 (2012: £15.38).

The charge to the income statement in respect of the Sharesave Plan is based on the fair value of the share options at the grant date and the likelihood of allocations vesting under the scheme. The charge was $2m in 2013 (2012: $1m). The fair value of the share options granted is determined using a Black-Scholes option pricing model and was £3.36 in 2013 (2012: £2.99).

In 2013, awards of 0.3m shares (2012: 0.2m shares) were made in conjunction with the Group's UK Flexible Benefits Plan, an element of the Share Incentive Plan. The charge to the income statement in respect of these awards was $4m in 2013 (2012: $5m) and is based on the market value of the shares at the grant date, which was £10.79 in 2013 (2012: £14.21).

The Share Award Plan was an award in 2013 in the form of shares or nil-cost options with a three year vesting period. In 2013, awards of 0.1m shares and 0.3m nil-cost options were made under this plan (2012: nil). The charge to the income statement in respect of these awards was $1m in 2013 (2012: $nil). The fair value of the shares and options awarded is based on the market value of the shares at the grant date, which was £12.19.

Cash-settled share-based payments

Cash-settled share-based payments arise when the Group incurs a liability to transfer cash amounts that are based on the price (or value) of the Company'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.

F) SUMMARY OF MOVEMENTS IN SHARE AWARDS AND SHARE OPTIONS

	Share awards under the LTIP m	Nil-cost options under the LTIP m	Sharesave Plan options m	CSOS options m	Other nil-cost options[a] m
2012					
Outstanding as at 1 January 2012	5.1	12.7	1.6	13.2	0.6
Granted	2.3	4.3	0.9	–	0.4
Vested	(1.2)	n/a	n/a	n/a	n/a
Exercised	n/a	(0.3)	(0.4)	(3.1)	(0.1)
Forfeited	(1.1)	(4.2)	(0.5)	–	–
Outstanding as at 31 December 2012	5.1	12.5	1.6	10.1	0.9
Exercisable as at 31 December 2012	n/a	1.8	–	10.1	0.8
Option price range as at 31 December 2012 (£)	n/a	n/a	8.63-11.10	2.71-7.92	n/a
Weighted average remaining contractual life	n/a	8yrs 5mths	2yrs 6mths	3yrs 4mths	4yrs 7mths
Option price range for exercised options (£)	n/a	n/a	5.82-10.27	2.71-7.92	n/a
Weighted average share price at the date of exercise for options exercised in the year (£)	n/a	12.47	14.30	13.40	13.28
2013					
Outstanding as at 1 January 2013	5.1	12.5	1.6	10.1	0.9
Granted	2.3	4.7	0.2	–	0.8
Vested	(1.1)	n/a	n/a	n/a	n/a
Exercised	n/a	(1.1)	(0.3)	(4.0)	(0.2)
Forfeited	(1.0)	(3.7)	(0.1)	(0.1)	–
Outstanding as at 31 December 2013	**5.3**	**12.4**	**1.4**	**6.0**	**1.5**
Exercisable as at 31 December 2013	**n/a**	**1.9**	**–**	**6.0**	**1.1**
Option price range as at 31 December 2013 (£)	**n/a**	**n/a**	**8.63-11.10**	**3.47-7.92**	**n/a**
Weighted average remaining contractual life	**n/a**	**8yrs 5mths**	**2yrs 5mths**	**2yrs 6mths**	**4yrs 9mths**
Option price range for exercised options (£)	**n/a**	**n/a**	**8.63-11.10**	**2.71-7.92**	**n/a**
Weighted average share price at the date of exercise for options exercised in the year (£)	**n/a**	**11.95**	**11.57**	**12.10**	**12.16**

(a) Comprises nil-cost options awarded under the DBP, Share Award Plan and VBDP.

G) WEIGHTED AVERAGE EXERCISE PRICE OF SHARE OPTIONS

	2013 Sharesave Plan options £	**2013 CSOS options £**	2012 Sharesave Plan options £	2012 CSOS options £
Outstanding as at 1 January	**9.14**	**6.13**	9.29	6.04
Granted	**10.22**	**–**	8.74	–
Exercised	**8.65**	**5.76**	7.25	5.77
Forfeited	**9.51**	**5.51**	10.26	–
Outstanding as at 31 December	**9.43**	**6.38**	9.14	6.13
Exercisable as at 31 December	**8.63**	**6.38**	–	6.13

4 DISPOSALS, RE-MEASUREMENTS AND IMPAIRMENTS

BG Group has separately identified profits and losses related to disposals of non-current assets, impairments of non-current assets, certain other exceptional items, and certain re-measurements of financial instruments. A reconciliation of results before and after disposals, re-measurements and impairments is given in note 1, page 98.

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

OTHER OPERATING INCOME

Re-measurements included within Other operating income amount to a credit of $210m (2012: $237m), of which a credit of $34m (2012: $140m) represents non-cash mark-to-market movements on certain gas contracts. Whilst the activity surrounding these contracts involves the physical delivery of gas, the contracts fall within the scope of IAS 39 and meet the definition of a derivative instrument. In addition, re-measurements include a $176m credit (2012: $97m) representing unrealised mark-to-market movements associated with economic hedges. Further information on commodity instruments is given in note 18, page 117.

OPERATING COSTS

Operating costs comprise a curtailment gain of $154m (2012: $nil) in respect of the closure of the BG Group UK defined benefit pension scheme to future accrual of benefits on 31 December 2013. Further information on the pension scheme is given in note 24, page 128.

DISPOSAL OF NON-CURRENT ASSETS AND IMPAIRMENTS

2013

Disposal of non-current assets

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

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

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

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

Impairments

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

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

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

Other

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

NOTES TO THE ACCOUNTS CONTINUED

4 DISPOSALS, RE-MEASUREMENTS AND IMPAIRMENTS CONTINUED

2012

Disposal of non-current assets

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

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

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

Impairments

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

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

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

Other

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

FINANCE INCOME AND COSTS

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

5 FINANCE INCOME AND COSTS

	2013 $m	2012 $m
Interest receivable[a]	**104**	222
Net fair value gains and losses on derivatives and fair value hedge adjustments[b]	**65**	–
Finance income	**169**	222
Interest payable[c]	**(577)**	(479)
Finance lease charges	**(108)**	(104)
Interest capitalised[d]	**522**	457
Unwinding of discount on provisions and pension assets and liabilities[e]	**(120)**	(112)
Net fair value gains and losses on derivatives and fair value hedge adjustments[f]	**–**	(122)
Finance costs	**(283)**	(360)
Net finance costs – continuing operations	**(114)**	(138)

(a) Interest receivable includes net exchange gains of $nil (2012: $97m).
(b) Comprises $65m gain associated with fair value hedge adjustments.
(c) Interest payable includes net exchange losses of $44m (2012: $29m).
(d) Finance costs associated with general Group central borrowings used to finance major capital projects are capitalised up to the point that the project is ready for its intended use. The weighted average interest cost applicable to these borrowings is 3.80% per annum (2012: 3.67%). Tax relief for capitalised interest is approximately $121m (2012: $112m).
(e) Relates to the unwinding of the discount on provisions and amounts in respect of pension obligations which represent the unwinding of discount on the plans' net deficit.
(f) In 2012, comprises $4m gain associated with fair value hedge adjustments and $126m charge in respect of interest rate and currency exchange rate derivatives.

6 TAXATION

	2013 $m	2012 $m
Current tax		
UK tax	**1 385**	1 328
Overseas tax	**1 524**	1 486
Total current tax	**2 909**	2 814
Deferred tax	**(1 225)**	238
Total tax charge – continuing operations	**1 684**	3 052

6 TAXATION CONTINUED

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

	2013 $m	2012 $m
Profit before taxation	**3 889**	6 345
Tax at UK statutory rates on profit	**1 319**	2 150
Effect on tax charge of:		
Non tax-deductible items	**145**	370
Non-taxable items	**(673)**	(447)
Overseas taxes at different rates to UK statutory rates	**748**	1 257
Petroleum revenue tax	**11**	37
Effect of changes in tax rate on deferred tax balances	**(68)**	25
Prior year and other adjustments including unrelieved overseas tax losses	**202**	(340)
Tax charge – continuing operations	**1 684**	3 052

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

The current tax charge includes a tax credit for prior year adjustments of $179m (2012: $440m). The deferred tax credit (2012: tax charge) includes a tax charge for prior year adjustments of $105m (2012: $298m).

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

	Accelerated capital allowances $m	Deferred petroleum revenue tax $m	Provisions $m	Retirement benefit obligations $m	Unused tax losses $m	Other temporary differences $m	Total $m
As at 1 January 2012	7 649	171	(1 156)	(120)	(2 776)	(454)	3 314
Charge/(credit) for the year	909	30	(116)	5	(330)	(294)	204
Charge to equity	–	–	–	9	–	322	331
Currency translation adjustments and other movements	122	8	(26)	–	(8)	(2)	94
Acquisitions/(disposals)	–	–	19	38	–	(171)	(114)
Transferred to assets held for sale	(14)	–	–	–	–	–	(14)
As at 31 December 2012	8 666	209	(1 279)	(68)	(3 114)	(599)	3 815
Charge/(credit) for the year	(1 955)	(9)	54	35	706	(54)	(1 223)
Charge to equity	–	–	–	–	–	80	80
Currency translation adjustments and other movements	89	3	(25)	(1)	(25)	12	53
Disposals	(2)	–	–	–	–	–	(2)
As at 31 December 2013	**6 798**	**203**	**(1 250)**	**(34)**	**(2 433)**	**(561)**	**2 723**

	2013 $m	2012 $m
Deferred tax liabilities	**4 120**	4 636
Deferred tax assets	**(1 397)**	(821)
Net deferred tax liability as at 31 December	**2 723**	3 815

The amount of the deferred tax asset of $1 397m (2012: $821m) expected to be recovered after more than 12 months is $1 352m (2012: $616m). The deferred tax liability of $4 120m (2012: $4 636m) is shown after the offset of certain deferred tax assets relating to the same fiscal authority; the liability prior to such offset is $7 367m (2012: $8 515m). The net amount expected to be settled after more than 12 months is $4 159m (2012: $4 551m).

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

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

As at 31 December 2013, the Company had a deferred tax asset of $10m (2012: $12m).

NOTES TO THE ACCOUNTS CONTINUED

7 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE

In the second quarter of 2013, the Group completed the sale of its interest in Gujurat Gas Company Limited (GGCL) in India. In the fourth quarter of 2012, the Group completed the sale of its interest in Comgás in Brazil and the disposal of BG Italia Power (BGIP) in Italy. Together, Comgás, BGIP and GGCL represented the majority of the Group's Transmission and Distribution (T&D) business segment and as a result of these transactions, these businesses, together with certain other assets in the T&D segment, have been treated as discontinued operations. The remaining T&D businesses, primarily Mahanagar Gas in India, have been allocated to the Other segment.

RESULTS FROM DISCONTINUED OPERATIONS

	2013 $m	2012 $m
Revenue	**236**	3 159
Operating costs	**(218)**	(2 703)
Operating profit	**18**	456
Finance costs	**–**	(48)
Share of post-tax results from joint ventures and associates	**(1)**	22
Profit before tax	**17**	430
Taxation	**(15)**	(129)
Profit after tax	**2**	301
Profits and losses on disposal of non-current assets and impairments	**241**	1 152
Taxation	**2**	(129)
Post-tax profits and losses on disposal of non-current assets and impairments	**243**	1 023
Profit for the year from discontinued operations	**245**	1 324

CASH FLOWS RELATING TO DISCONTINUED OPERATIONS

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

DISPOSAL OF NON-CURRENT ASSETS AND IMPAIRMENTS 2013

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

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

DISPOSAL OF NON-CURRENT ASSETS AND IMPAIRMENTS 2012

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

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

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

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

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

7 DISCONTINUED OPERATIONS AND ASSETS HELD FOR SALE CONTINUED

NET ASSETS DISPOSED OF IN RESPECT OF COMGÁS

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

ASSETS HELD FOR SALE

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

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

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

NOTES TO THE ACCOUNTS CONTINUED

8 DIVIDENDS

	2013			2012		
	$m	**Cents per ordinary share**	**Pence per ordinary share**	$m	Cents per ordinary share	Pence per ordinary share
Prior year final dividend, paid in the year	**478**	**14.26**	**9.03**	443	12.96	8.19
Interim dividend, paid in the year	**448**	**13.07**	**8.51**	404	11.88	7.64
Total dividend, paid in the year	**926**	**27.33**	**17.54**	847	24.84	15.83
Proposed final dividend for the year ended 31 December 2013[a]	**534**	**15.68**	**9.51**			

(a) The proposed final dividend was announced on 4 February 2014 in US Dollars, with a Pounds Sterling equivalent. It is paid to shareholders in Pounds Sterling. The total amount payable in US Dollars has been determined based on the shares in issue as at 31 December 2013 that are eligible for the dividend. The total amount payable in US Dollars may vary, depending on movements in exchange rates between February 2014 and May 2014, when the dividend will be paid.

The proposed final dividend for the year ended 31 December 2013 of 15.68 cents per share takes the 2013 full-year dividend to 28.75 cents per share.

The final dividend of 14.26 cents per ordinary share ($478m) in respect of the year ended 31 December 2012 was paid on 31 May 2013. The interim dividend was paid on 6 September 2013. The proposed final dividend of 15.68 cents per ordinary share ($534m) in respect of the year ended 31 December 2013 is payable on 30 May 2014 to all shareholders on the register at the close of business on 25 April 2014.

9 EARNINGS PER ORDINARY SHARE – CONTINUING OPERATIONS

Earnings per ordinary share has been calculated by dividing the earnings for the year for the continuing operations of the Group of $2 205m (2012: $3 293m) by 3 402m (2012: 3 396m), being the weighted average number of ordinary shares outstanding during the year. The average number of shares outstanding excludes treasury shares and shares held by employee share plans. Earnings per ordinary share excluding disposals, re-measurements and impairments has been presented in order to reflect the underlying performance of the Group.

	2013		2012	
	$m	**Basic earnings per ordinary share cents**	$m	Basic earnings per ordinary share cents
Earnings excluding disposals, re-measurements and impairments	**4 374**	**128.6**	4 379	128.9
Disposals, re-measurements and impairments (see note 4, page 105)	**(2 169)**	**(63.8)**	(1 086)	(31.9)
Earnings including disposals, re-measurements and impairments	**2 205**	**64.8**	3 293	97.0

The earnings figure used to calculate diluted earnings per ordinary share is the same as that used to calculate earnings per ordinary share given above, divided by 3 419m (2012: 3 415m), being the weighted average number of ordinary shares in issue during the year as adjusted for dilutive equity instruments relating to the employee share schemes. A reconciliation of the weighted average number of ordinary shares used as the denominator in calculating the basic and diluted earnings per ordinary share is given below:

	2013 Shares m	2012 Shares m
Basic	**3 402**	3 396
Dilutive potential ordinary shares:		
Equity instruments outstanding during the year	**17**	19
Diluted basis	**3 419**	3 415
Diluted earnings per ordinary share (excluding disposals, re-measurements and impairments) (cents)	**128.0**	128.2
Diluted earnings per ordinary share (including disposals, re-measurements and impairments) (cents)	**64.5**	96.4

10 GOODWILL

The Group	2013 $m	2012 $m
Cost and net book value as at 1 January	**24**	752
Disposals (see note 7, page 108)	**–**	(671)
Currency translation adjustments	**1**	(54)
Reclassified as held for sale	**–**	(3)
Cost and net book value as at 31 December	**25**	24

For the purpose of impairment testing, goodwill is allocated to cash-generating units; these represent the lowest level at which goodwill is monitored. The Group tests goodwill annually for impairment or more frequently if there are indications that it might be impaired. As at 31 December 2013, no goodwill impairment has been recognised.

11 OTHER INTANGIBLE ASSETS

The Group	Expenditure on unproved gas and oil reserves		Service concession asset[a]		Other[b]		Total	
	2013 $m	2012 $m	2013 $m	2012 $m	2013 $m	2012 $m	2013 $m	2012 $m
Cost as at 1 January	**4 782**	4 820	**–**	1 940	**377**	582	**5 159**	7 342
Additions	**1 341[c]**	855[c]	**–**	193	**–**	72	**1 341**	1 120
Disposals and unsuccessful exploration expenditure[d]	**(810)**	(406)	**–**	(1 951)	**–**	(270)	**(810)**	(2 627)
Transfers to property, plant and equipment	**(298)**	(562)	**–**	–	**–**	–	**(298)**	(562)
Other movements	**(16)**	62	**–**	–	**–**	91	**(16)**	153
Currency translation adjustments	**(199)**	13	**–**	(182)	**(4)**	(98)	**(203)**	(267)
Cost as at 31 December	**4 800**	4 782	**–**	–	**373**	377	**5 173**	5 159
Amortisation as at 1 January	**(438)**	(438)	**–**	(442)	**(252)**	(303)	**(690)**	(1 183)
Charge for the year[e]	**–**	–	**–**	(31)	**(9)**	(37)	**(9)**	(68)
Charge for impairment (see note 4, page 105)[e]	**(665)**	–	**–**	–	**–**	–	**(665)**	–
Disposals and transfers	**55**	–	**–**	392	**–**	31	**55**	423
Currency translation adjustments	**–**	–	**–**	81	**–**	57	**–**	138
Amortisation as at 31 December	**(1 048)**	(438)	**–**	–	**(261)**	(252)	**(1 309)**	(690)
Net book value as at 31 December	**3 752**	4 344	**–**	–	**112**	125	**3 864**	4 469

(a) The arrangements between Comgás and the local Regulator were classified as a service concession arrangement in accordance with IFRIC 12. The Group disposed of its entire interest in Comgás in 2012.
(b) Other includes capacity rights in the Caspian Pipeline Consortium export pipeline which are amortised on a straight-line basis over the term of the contract and have an average remaining useful life of 24 years (2012: 25 years). Other also includes the contractual rights in respect of the purchase of LNG regasification services and related gas sales. These rights are amortised on a straight-line basis over the term of the contract and have a weighted average remaining useful life of eight years (2012: eight years).
(c) Broadly equivalent to cash flows attributable to investing activities arising from exploration and evaluation.
(d) Disposals and unsuccessful exploration expenditure includes $394m (2012: $339m) in respect of unsuccessful exploration expenditure written off.
(e) Amortisation charge and charge for impairment for the year is attributable to continuing and discontinued operations as follows:

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

FINANCIAL STATEMENTS

NOTES TO THE ACCOUNTS CONTINUED

12 PROPERTY, PLANT AND EQUIPMENT

The Group

	Land and buildings $m	Mains, services and meters $m	Plant and machinery $m	Motor vehicles and office equipment $m	Exploration and production $m	Total $m
Cost as at 1 January 2013	148	–	10 945	1 704	48 838	61 635
Additions	–	–	1 904	179	8 210	10 293
Disposals, transfers and other movements[(a)]	–	–	(1 073)	(5)	(2 677)	(3 755)
Currency translation adjustments	(10)	–	(41)	(9)	(2 254)	(2 314)
Cost as at 31 December 2013	**138**	**–**	**11 735**	**1 869**	**52 117**	**65 859**
Accumulated depreciation as at 1 January 2013	(48)	–	(784)	(844)	(16 034)	(17 710)
Charge for the year[(b)]	–	–	(149)	(193)	(2 613)	(2 955)
Charge for impairment[(b)] (see note 4, page 105)	–	–	–	–	(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**

The Group

	Land and buildings $m	Mains, services and meters $m	Plant and machinery $m	Motor vehicles and office equipment $m	Exploration and production $m	Total $m
Cost as at 1 January 2012	122	184	7 962	1 515	41 283	51 066
Additions	7	25	3 170	173	6 796	10 171
Disposals, transfers and other movements[(a)]	32	(48)	(125)	(25)	318	152
Currency translation adjustments	2	(4)	–	44	441	483
Reclassified as held for sale	(15)	(157)	(62)	(3)	–	(237)
Cost as at 31 December 2012	**148**	**–**	**10 945**	**1 704**	**48 838**	**61 635**
Accumulated depreciation as at 1 January 2012	(53)	(46)	(932)	(665)	(12 054)	(13 750)
Charge for the year[(b)]	(1)	(5)	(161)	(182)	(2 183)	(2 532)
Charge for impairment[(b)] (see note 4, page 105)	(7)	–	(124)	(1)	(1 653)	(1 785)
Disposals and transfers	13	–	407	22	103	545
Currency translation adjustments	(2)	1	(1)	(20)	(247)	(269)
Reclassified as held for sale	2	50	27	2	–	81
Accumulated depreciation as at 31 December 2012	**(48)**	**–**	**(784)**	**(844)**	**(16 034)**	**(17 710)**
Net book value as at 31 December 2012[(c)(d)(e)]	**100**	**–**	**10 161**	**860**	**32 804**	**43 925**

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

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

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

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

Details of BG Group's gas and oil reserves are given in **Supplementary information – gas and oil (unaudited)** on page 134.

13 INVESTMENTS

The Group	Joint ventures		Associates			
	Share of net assets $m	Loans $m	Share of net assets $m	Loans $m	Other investments $m	Total investments $m
Carrying value as at 1 January 2013	317	335	1 384	380	72	2 488
Investments	–	–	604	–	6	610
Disposals, transfers and other movements	(120)	20	48	(36)	14	(74)
Impairments[a]	–	–	(268)	(2)	–	(270)
Share of retained profits less losses during the year[b]	57	–	130	–	–	187
Currency translation adjustments and fair value movements	(14)	6	3	11	(14)	(8)
Carrying value as at 31 December 2013	**240**	**361**	**1 901**	**353**	**78[c]**	**2 933**

The Group	Joint ventures		Associates			
	Share of net assets $m	Loans $m	Share of net assets $m	Loans $m	Other investments $m	Total investments $m
Carrying value as at 1 January 2012	611	580	918	887	48	3 044
Investments	–	–	390	4	39	433
Disposals, transfers and other loan movements	–	(261)	78	(498)	(78)	(759)
Impairments[a]	(356)	–	(59)	–	–	(415)
Reclassified as held for sale	–	–	(86)	–	–	(86)
Share of retained profits less losses during the year[b]	59	–	118	–	–	177
Currency translation adjustments and fair value movements	3	16	25	(13)	63	94
Carrying value as at 31 December 2012	**317**	**335**	**1 384**	**380**	**72[c]**	**2 488**

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

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

In 2012, the Group acquired an 8.47% interest in Drillsearch Energy Limited, a company listed on the Australian Securities Exchange. As at 31 December 2013, the fair value of this investment was $43m (2012: $57m).

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

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

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

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

Further information on principal subsidiary undertakings, joint ventures and associates is given in note 26, page 132.

NOTES TO THE ACCOUNTS CONTINUED

13 INVESTMENTS CONTINUED

The Company	Subsidiary undertakings	
	2013 $m	2012 $m
As at 1 January	**4 130**	3 878
Capital contribution[(a)]	**74**	74
Currency translation adjustments	**84**	178
As at 31 December	**4 288**	4 130

(a) Represents the fair value of equity instruments granted to subsidiaries' employees arising from equity-settled employee share schemes.

14 INVENTORIES

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

15 TRADE AND OTHER RECEIVABLES

	The Group		The Company	
as at 31 December	**2013 $m**	2012 $m	**2013 $m**	2012 $m
Amounts falling due within one year				
Trade receivables	**2 283**	2 304	**–**	–
Amounts owed by Group undertakings	**–**	–	**2 881**	3 750
Amounts owed by joint ventures and associates (see note 23, page 127)	**69**	45	**–**	–
Other receivables	**1 488**	833	**–**	–
Prepayments	**787**	1 062	**–**	–
Accrued income	**2 273**	2 125	**–**	–
	6 900	6 369	**2 881**	3 750
Amounts falling due after more than one year				
Trade receivables	**449**	376	**–**	–
Other receivables	**328**	520	**–**	–
	777	896	**–**	–
	7 677	7 265	**2 881**	3 750

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:

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

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

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

Included within past due but not impaired receivables is a balance of $525m (2012: $606m) with Egypt General Petroleum Corporation (EGPC). The remaining balance relates to a diversified number of independent customers, $29m of which has been received post year end. For further information on the credit risk associated with trade receivables, including the EGPC balance, see note 18, page 117. There are no past due or impaired receivables in the Company (2012: $nil).

16 CASH AND CASH EQUIVALENTS

as at 31 December	The Group 2013 $m	The Group 2012 $m	The Company 2013 $m	The Company 2012 $m
Cash at bank and in hand	**597**	128	**–**	2
Cash equivalent investments	**5 611**	4 306	**–**	–
	6 208	4 434	**–**	2

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

For information on the interest rate composition of the Group's financial assets see note 18, page 117.

17 BORROWINGS

The Group's treasury policy, capital management and other borrowings information, disclosed in the cash flow and financing and capital sections on page 36 of the Financial review, form part of this note.

GROSS BORROWINGS

The Group as at 31 December	2013 $m	2012 $m
Amounts falling due within one year		
Bonds		
3.375% Euro 750m bond due July 2013	**–**	988
Fair value hedge adjustments	**–**	20
	–	1 008
Bank loans and overdrafts	**414**	–
Obligations under finance leases	**61**	56
	475	1 064
Amounts falling due after more than one year		
Bonds and other loans		
2.5% US Dollar 350m bond due December 2015	**349**	349
2.875% US Dollar 750m bond due October 2016	**748**	748
5.125% Pound Sterling 500m bond due December 2017	**827**	812
Floating rate US Dollar 300m bond due September 2018	**300**	–
3.0% Euro 1 000m bond due November 2018	**1 376**	1 316
3.625% Euro 500m bond due July 2019	**686**	656
3.625% Euro 250m bond due July 2019	**352**	339
3.94% Hong Kong Dollar 370m bond due October 2019	**48**	48
4.0% US Dollar 650m bond due December 2020	**643**	643
4.0% US Dollar 1 350m bond due October 2021	**1 338**	1 336
5.125% Pound Sterling 750m bond due December 2025	**1 228**	1 204
3.5% Euro 100m bond due October 2033	**134**	–
5.0% Pound Sterling 750m bond due November 2036	**1 214**	1 190
5.125% US Dollar 900m bond due October 2041	**880**	879
6.5% Pound Sterling 600m bond due November 2072[(a)]	**990**	973
6.5% US Dollar 500m bond due November 2072[(a)]	**497**	496
6.5% Euro 500m bond due November 2072[(a)]	**686**	655
Fair value hedge adjustments	**172**	227
	12 468	11 871
Bank loans	**2 242**	250
Obligations under finance leases	**2 344**	2 322
	17 054	14 443
Gross borrowings	**17 529**	15 507

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

NOTES TO THE ACCOUNTS CONTINUED

17 BORROWINGS CONTINUED

NET BORROWINGS[(a)]

The Group as at 31 December	**2013 $m**	2012 $m
Amounts falling due within one year		
Cash and cash equivalents	**6 208**	4 434
Trade and other receivables[(b)]	**38**	–
Borrowings	**(475)**	(1 064)
Commodity contracts and other derivative financial instruments[(c)]	**(11)**	(71)
	5 760	3 299
Amounts falling due after more than one year		
Borrowings	**(17 054)**	(14 443)
Trade and other receivables[(d)]	**134**	195
Commodity contracts and other derivative financial instruments[(c)]	**550**	325
	(16 370)	(13 923)
Net borrowings	**(10 610)**	(10 624)

(a) Net borrowings are defined on page 147.
(b) Trade and other receivables comprise a finance lease receivable of $38m (2012: $nil). See Note 18, page 117.
(c) Commodity contracts and other derivative financial instruments comprise treasury financial derivatives of $539m (2012: $254m).
(d) Trade and other receivables comprise a finance lease receivable of $134m (2012: $195m). See Note 18, page 117.

The following table shows a reconciliation of net borrowings:

The Group	**2013 $m**	2012 $m
Net borrowings as at 1 January	**(10 624)**	(11 336)
Net increase in cash and cash equivalents	**1 704**	891
Cash inflow from changes in borrowings	**(1 620)**	(1 189)
Inception of finance leases	**(103)**	2
Currency translation and other re-measurements	**(53)**	(39)
Disposal of gross borrowings (See Note 7, page 108)	**–**	1 133
Movement in net borrowings classified as held for sale	**86**	(86)
Net borrowings as at 31 December	**(10 610)**	(10 624)

As at 31 December 2013, BG Group's share of the net borrowings in joint ventures and associates amounted to approximately $0.6bn, including BG Group shareholder loans of approximately $0.7bn. These net borrowings are included in BG Group's share of the net assets in joint ventures and associates.

MATURITY AND INTEREST RATE PROFILE OF THE GROUP'S BORROWINGS

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

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

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

As part of its interest rate risk strategy, the Group has entered into swaps. The disclosure above is presented after the effect of these swaps. Further information on the fair value of the swaps is included in note 18, page 117.

The weighted average post-swap interest rate of borrowings as at 31 December 2013 was 4.0% (2012: 3.8%). Post-swap fixed-rate borrowings mature between 2014 and 2072 (2012: mature between 2013 and 2072).

17 BORROWINGS CONTINUED

Obligations under finance leases pre-swap

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

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

CURRENCY COMPOSITION OF THE GROUP'S BORROWINGS

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

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

The disclosure above does not include the impact of certain currency swaps as these are separately recognised under IAS 39 and presented in note 18, page 117. As at 31 December 2013, the Group had swapped $2 437m (2012: $2 395m) of Pound Sterling borrowings into US Dollars, $3 253m (2012: $3 993m) of Euro borrowings into US Dollars and $50m (2012: $54m) of other currencies into US Dollars.

COMPOSITION OF THE GROUP'S UNDRAWN COMMITTED FACILITIES

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

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

18 FINANCIAL INSTRUMENTS

TREASURY INSTRUMENTS

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

Further information on treasury risks is contained in the **Principal risks and uncertainties** section, pages 38 to 43.

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.

NOTES TO THE ACCOUNTS CONTINUED

18 FINANCIAL INSTRUMENTS CONTINUED

COMMODITY INSTRUMENTS CONTINUED

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 is contained in the **Principal risks and uncertainties** section, pages 38 to 43.

AMOUNTS RECOGNISED IN RESPECT OF FINANCIAL INSTRUMENTS MEASURED AT FAIR VALUE

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

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

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

Derivative financial instruments expected to be realised within one year are presented within current assets and current liabilities. All other derivative financial instruments are classified as non-current. The maturity profile of derivative financial instruments is as follows:

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

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

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

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

VALUATION

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

Fair value measurement hierarchy

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

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

18 FINANCIAL INSTRUMENTS CONTINUED

VALUATION CONTINUED

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

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

The Group	Financial assets				Financial liabilities			
as at 31 December 2013	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)**

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

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

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

Level 3 fair value measurements

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

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

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

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

NOTES TO THE ACCOUNTS CONTINUED

18 FINANCIAL INSTRUMENTS CONTINUED

FAIR VALUE ADJUSTMENTS ON FINANCIAL INSTRUMENTS

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

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

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

HEDGE ACCOUNTING

In line with the Group's risk management policies, certain derivative and non-derivative instruments are designated as hedges of currency, interest rate and commodity price exposures in accordance with IAS 39. Further information can be found in the **Principal risks and uncertainties** section, pages 38 to 43.

Fair value hedges

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

Cash flow hedges

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

Page 93 identifies the amounts that have been transferred from other comprehensive income in respect of transactions completed during the year. These items are reported within the income statement to match against the underlying transaction.

Hedges of net investments in foreign operations

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

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

The Group's financial assets consist of cash and cash equivalents of $6 208m (2012: $4 434m), loans made to joint ventures and associates of $714m (2012: $715m), a finance lease receivable of $172m (2012: $195m), available-for-sale assets of $61m (2012: $58m), other long-term investments of $17m (2012: $nil), receivables due within one year of $640m (2012: $813m) and receivables due after more than one year of $571m (2012: $599m).

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

The Group	**2013**				2012			
	Fixed rate financial assets $m	**Floating rate financial assets $m**	**Non-interest bearing assets $m**	**Total $m**	Fixed rate financial assets $m	Floating rate financial assets $m	Non-interest bearing assets $m	Total $m
Currency:								
Pound Sterling	**–**	**–**	**361**	**361**	–	6	335	341
US Dollar	**231**	**7 563**	**34**	**7 828**	254	5 963	2	6 219
Other	**–**	**145**	**49**	**194**	–	191	63	254
	231	**7 708**	**444**	**8 383**	254	6 160	400	6 814

18 FINANCIAL INSTRUMENTS CONTINUED

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

Within floating rate financial assets, cash and cash equivalents earn interest at the relevant market rates. Periodic interest rate determinations in respect of floating rate loans to joint ventures and associates generally comprise London Interbank Offered Rate (LIBOR) plus or minus an agreed margin. As at 31 December 2013, floating rate receivables and loans to joint ventures and associates had an effective interest rate of between 1.26% and 4.00% (2012: between 1.46% and 4.11%) and are expected to expire between 2015 and 2020 (2012: between 2015 and 2020). The maturity profile of non-interest bearing loans to joint ventures and associates cannot be practicably estimated as repayments are based on the performance of the individual joint venture or associate.

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

OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

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

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

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

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

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 include: failure by a party to make payment when due; failure by a party to perform any obligation required by the agreement (other than payment) if such failure is not remedied within a specified cure period after notice of such failure is given to the party; or bankruptcy.

FAIR VALUES OF OTHER FINANCIAL INSTRUMENTS

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

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

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

NOTES TO THE ACCOUNTS CONTINUED

18 FINANCIAL INSTRUMENTS CONTINUED

THE COMPANY

The Company's financial instruments are all denominated in Pounds Sterling and consist of short-term receivables of $2 881m (2012: $3 750m), short-term payables of $51m (2012: $40m) and cash and cash equivalents of $nil (2012: $2m). Short-term receivables comprise amounts owed by Group undertakings, of which $2 858m (2012: $3 746m) earns interest at LIBOR minus an agreed margin. The remaining short-term receivables of $23m (2012: $4m) were non-interest bearing. Short-term payables are due within one year and are non-interest bearing. The fair value of the financial instruments approximates book value.

FINANCIAL RISK FACTORS

The principal financial risks arising from financial instruments are commodity price risk, exchange rate risk, interest rate risk and credit and liquidity risk. A description of these principal risks is outlined in the **Principal risks and uncertainties** section, pages 38 to 43. 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 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	(1 878)	–	–	–	(1 878)
	(3 028)	(1 977)	(6 864)	(25 750)	(37 619)
Outflows from derivative financial instruments					
Currency and interest rate derivatives	(974)	(88)	(78)	(722)	(1 862)
Gross-settled commodity derivatives	(1 232)	(397)	(276)	–	(1 905)
Net-settled commodity derivatives	(49)	(17)	(12)	–	(78)
	(2 255)	(502)	(366)	(722)	(3 845)
Non-derivative financial assets and inflows from derivative financial instruments	12 751	1 478	724	1 675	16 628
Total as at 31 December 2013	**7 468**	**(1 001)**	**(6 506)**	**(24 797)**	**(24 836)**

The Group as at 31 December 2012	Within one year $m	Between one and two years $m	Between two and five years $m	After five years $m	Total $m
Non-derivative financial liabilities					
Borrowings	(1 686)	(667)	(3 890)	(27 501)	(33 744)
Short-term payables	(1 599)	–	–	–	(1 599)
Other financial liabilities	–	–	–	(2)	(2)
	(3 285)	(667)	(3 890)	(27 503)	(35 345)
Outflows from derivative financial instruments					
Currency and interest rate derivatives	(2 013)	(449)	(196)	(690)	(3 348)
Gross-settled commodity derivatives	(1 185)	(197)	(306)	–	(1 688)
Net-settled commodity derivatives	(149)	(30)	(8)	–	(187)
	(3 347)	(676)	(510)	(690)	(5 223)
Non-derivative financial assets and inflows from derivative financial instruments	11 202	1 708	1 160	1 629	15 699
Total as at 31 December 2012	**4 570**	**365**	**(3 240)**	**(26 564)**	**(24 869)**

Credit risk

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

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

18 FINANCIAL INSTRUMENTS CONTINUED

FINANCIAL RISK FACTORS CONTINUED

As at 31 December 2013, the Group's receivable balance with Egypt General Petroleum Corporation (EGPC) in respect of domestic gas sales was $1.2bn (2012: $1.3bn), of which $0.5bn (2012: $0.6bn) was overdue. Following an agreement signed with EGPC in 2011, the repayment of this receivable balance is partly secured by cash from LNG exports through Egyptian LNG. Higher than agreed gas volumes continue to be diverted to the Egyptian domestic market, and as a result, the volume of gas available for export has reduced and the effectiveness of this receivable securitisation agreement has diminished. In addition, the Group issued Force Majeure notices under its Egyptian LNG arrangements in January 2014. Despite this, the Group considers that the current receivable balance remains fully recoverable as direct cash payments from EGPC continue to be received and discussions with the Egyptian government to seek other forms of payment security are ongoing. However, the recoverability of the receivable balance depends on the business environment in Egypt, the Group's continued investment plans and the volume of gas available for export, together with the outcome of ongoing negotiations with EGPC. The Group reviewed the agreement signed with EGPC in 2011 to determine whether the receivable balance should be derecognised and replaced with another asset. As the Group retained the rights to receive cash flows from the asset, and the risks and rewards associated with the asset, it concluded that no derecognition was required.

Market risk

Financial instruments used by the Group that are affected by 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	
	2013	2012	**2013 $m**	2012 $m	**2013 $m**	2012 $m	**2013 $m**	2012 $m
UK interest rates	**+ 100 basis points**	+ 150 basis points	**(18)**	(7)	**(10)**	(17)	**(140)**	(246)
US interest rates	**+ 100 basis points**	+ 100 basis points	**29**	19	**97**	142	**203**	225
US$/UK£ exchange rates	**+ 20 cents**	+ 20 cents	**–**	–	**(144)**	(681)	**357**	1 019
UK gas prices	**+ 10 pence/therm**	+ 15 pence/therm	**–**	–	**(12)**	(123)	**–**	–
US gas prices	**+ 1 $/mmbtu**	+ 1 $/mmbtu	**(14)**	(1)	**–**	62	**(2)**	(1)
JCC/Brent prices	**+ 10 $/bbl**	+ 10 $/bbl	**–**	–	**(39)**	(27)	**–**	–
The Company								
UK interest rates	**+ 100 basis points**	+ 150 basis points	**22**	43	**–**	–	**–**	–

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	The Group		The Company	
	2013 $m	2012 $m	**2013 $m**	2012 $m
Amounts falling due within one year				
Trade payables	**1 459**	1 210	**–**	–
Amounts owed to Group undertakings	**–**	–	**28**	40
Amounts owed to joint ventures and associates (see note 23, page 127)	**109**	88	**–**	–
Other payables[(a)]	**310**	301	**23**	–
Accruals and deferred income	**3 753**	3 702	**–**	–
	5 631	5 301	**51**	40
Amounts falling due after more than one year				
Other payables	**–**	2	**–**	–
Accruals and deferred income	**150**	121	**–**	–
	150	123	**–**	–
	5 781	5 424	**51**	40

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

NOTES TO THE ACCOUNTS CONTINUED

20 PROVISIONS FOR OTHER LIABILITIES AND CHARGES

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

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

DECOMMISSIONING COSTS

The estimated cost of decommissioning at the end of the producing lives of fields is reviewed at least annually and engineering estimates and reports are updated periodically. Provision is made for the estimated cost of decommissioning at the balance sheet date, to the extent that current circumstances indicate BG 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 $828m (2012: $226m) are currently anticipated within one to five years; $829m (2012: $513m) within six to 10 years; and $2 005m (2012: $3 028m) over 10 years.

OTHER

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

21 CALLED UP SHARE CAPITAL

as at 31 December	Number of shares			
	2013 m	2012 m	**2013 $m**	2012 $m
Issued and fully paid up				
Equity:				
Ordinary shares of 10p each	**3 619**	3 614	**579**	578

For information on the rights and restrictions applying to the Company's shares see page 80.

During the year, the Company allotted 4.38m ordinary shares of 10p each (2012: 3.44m ordinary shares) with an aggregate nominal value of $689,768 (2012: $543 363) in connection with exercises of share options issued under the Company Share Option Scheme (CSOS) and the Sharesave Plan. The consideration received on these allotments amounted to $45m (2012: $36m).

At 31 December 2013, the Company held 212.7m (2012: 215.2m) of its own shares. The market value of these shares as at 31 December 2013 was $4 572m (2012: $3 544m). The Company made the following transactions in respect of its own shares:

(i) During 2013, the Company purchased 0.7m (2012: 0.7m) of its own ordinary shares for the Long-Term Incentive Plan (LTIP). The shares purchased, for aggregate consideration of $13m (2012: $16m) including transaction costs, had a nominal value of $105 838 (2012: $103 910) and represented less than 0.1% (2012: less than 0.1%) of the called up share capital at 31 December 2013.

(ii) During 2013, the Company transferred 3.2m (2012: 2.4m) of its ordinary shares to eligible employees in accordance with the terms of the Share Incentive Plan, the LTIP and Global Partnership Plan. The shares transferred had a nominal value of $496 056 (2012: $378 561) and represented approximately 0.1% (2012: 0.1%) of the called up share capital at 31 December 2013. The cost of shares transferred was $43m (2012: $38m).

(iii) The maximum number of shares held during the year was 215.5m ordinary shares (2012: 217.3m), representing approximately 6.0% (2012: 6.0%) of the called up share capital at 31 December 2013, and having a nominal value of $32 722 390 (2012: $34 719 201).

22 COMMITMENTS AND CONTINGENCIES

A) CAPITAL EXPENDITURE

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

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

As at 31 December 2013, the contractual commitments for future capital expenditure related to the Company were $nil (2012: $nil).

B) DECOMMISSIONING COSTS ON DISPOSED ASSETS

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

C) FUTURE EXPLORATION AND DEVELOPMENT COSTS

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

D) LEASE COMMITMENTS

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

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

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

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

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

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

As at 31 December 2013, the Company had $nil commitments under operating leases (2012: $nil).

NOTES TO THE ACCOUNTS CONTINUED

22 COMMITMENTS AND CONTINGENCIES CONTINUED

E) LEGAL PROCEEDINGS

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

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

Two separate tax deficiency notices have been issued against Petrobras (in December 2009) based on alleged irregularities in connection with the import of equipment and rigs on behalf of the BM-S-9 consortium (Petrobras (45% – Operator), BG E&P Brasil (30%) and Repsol Sinopec Brasil (25%)). BG Group's potential liability arises from indemnity provisions in favour of Petrobras, as set out in the Joint Operating Agreement. The first tax deficiency notice was issued due to the São Paulo State Tax Authority's allegation that Petrobras cannot enjoy lower tax rates in the importation of the Stena Drillmax rig because the rig was not disembarked and cleared in a São Paulo state port. Petrobras challenged this decision through the administrative courts but the appeal was rejected. Petrobras filed a lawsuit before the judicial branch and, in October 2011, the first instance court declared that the São Paulo State Tax Authority was not competent to decide unilaterally where customs clearance takes place or to consider if the Consortium would be entitled to the special tax treatment. In February 2014, the second instance court dismissed the São Paulo State Tax Authority's appeal against this ruling. These rulings were positive decisions for the Consortium. The São Paulo State Tax Authority may appeal the judicial decision to the Brazilian Superior Court of Justice. A final decision is expected within one to three years depending on whether there are any further appeals.

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

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

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

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

F) CONTINGENT LIABILITIES

The amount of contingent liabilities as at 31 December 2013 (mainly the provision of guarantees, indemnities, contingent decommissioning obligations or warranties to third parties and various legal or arbitration proceedings in connection with the current and prior operations of the Group) amounted to $7 144m (2012: $5 037m), of which $242m (2012: $194m) related to the Company. BG Group's share of other contingencies in respect of its joint ventures and associates amounted to $nil (2012: $nil).

23 RELATED PARTY TRANSACTIONS

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

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

As at 31 December 2013, a debtor balance of $69m (2012: $45m) (see note 15, page 114) and a creditor balance of $109m (2012: $88m) (see note 19, page 123) were outstanding with these parties.

In addition, BG Group provides financing to some of these parties by way of loans. As at 31 December 2013, loans of $714m (2012: $715m) were due from joint ventures and associates. These loans are accounted for as part of BG Group's investment in joint ventures and associates and disclosed in note 13, page 113. Interest of $10m (2012: $18m) was charged on these loans during the year at interest rates of between 1.26% and 4.06% (2012: 1.40% and 4.33%). The maximum debt outstanding during the year was $715m (2012: $1 467m).

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

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

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

As at 31 December 2013, a debtor balance of $2 881m (2012: $3 750m) (see note 15, page 114) and a creditor balance of $51m (2012: $40m) (see note 19, page 123) were outstanding between BG Group plc and other Group undertakings.

BG Group plc grants equity instruments to subsidiaries' employees in respect of equity-settled employee share schemes. In 2013, the fair value of equity instruments granted under these schemes and charged to the income statement was $74m (2012: $74m).

NOTES TO THE ACCOUNTS CONTINUED

24 PENSIONS AND POST-RETIREMENT BENEFITS

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

For the year ended 31 December 2013, the employers' contribution rate in respect of most BGPS members was effectively 35.2% of pensionable pay (excluding plan expenses which were met directly by the Company). In addition, 3% of pensionable pay was contributed by most members either directly or by the Group via a salary sacrifice arrangement.

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

The BGPS closed to future accrual of benefits on 31 December 2013 and all active members became deferred pensioners with pensions calculated based on salaries up until the point of closure for such active members. These deferred pensions are generally revalued in line with movements in the Retail Prices Index. Certain benefits relating to individual transfers-in and purchases of additional pensionable service by employees retain a link to pensionable salary post-closure. The closure of the scheme to future accruals resulted in a curtailment gain of $154m, recognised in the income statement (see note 4, page 105).

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

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

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

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

The BGPS holds a diversified investment portfolio (see table on page 130), primarily comprising quoted investments, spread across four investment managers. The portfolio remains weighted towards growth assets, but the Trustee increased the benchmark allocation to corporate bonds and index-linked gilts from 15% to 40% during the year to increase the asset-liability matching characteristics of the portfolio. As at 31 December 2013, the BGPS held unquoted assets valued at $3m (2012: $4m) through its absolute return investment in the Lansdowne Developed Markets Fund.

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

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

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

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

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

24 PENSIONS AND POST-RETIREMENT BENEFITS CONTINUED

NET DEFINED BENEFIT LIABILITY

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

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

DEFINED BENEFIT OBLIGATION

Movements in the present value of the Defined Benefit Obligation (DBO) during the period were as follows:

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

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

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

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

	2013 %	2012 %
Rate of price inflation and benefit increases[a]	**3.4**	3.0
Future increases in earnings[b]	**4.4**	4.0
Discount rate	**4.5**	4.6

(a) Rate of increase of deferred pensions and pensions in payment in excess of any Guaranteed Minimum Pension element.
(b) Due to the closure of the BGPS to future accrual of benefits on 31 December 2013 the future increase in earnings is no longer considered a significant assumption.

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

If the discount rate used for the valuation of the BGPS and BGSBS was reduced by 0.1% to 4.4%, the DBO would increase by $44m. A 0.1% increase in the inflation rate would have a similar impact on the DBO.

NOTES TO THE ACCOUNTS CONTINUED

24 PENSIONS AND POST-RETIREMENT BENEFITS CONTINUED

DEFINED BENEFIT OBLIGATION CONTINUED

In determining the DBO as at 31 December 2013, mortality assumptions are based on the 'Self Administered Pension Schemes' (SAPS) S1 series (light) tables with a 105% multiplier issued by the Institute and Faculty of Actuaries, appropriate to each member's year of birth, with an allowance for projected longevity improvements in line with the CMI's 'core projection' model (2010 version), with a long-term rate of improvement of the projected mortality rates of 1% per annum. Based on these assumptions, the life expectancies of pensioners on the measurement date and also of pensioners in 10 years time are as follows:

	Life expectancy of pensioners (years)			
as at 31 December	**2013**		2012	
	2013	**2023**	2012	2022
Male age 60	**28.3**	**29.0**	28.2	29.0
Male age 65	**23.6**	**24.2**	23.5	24.2
Female age 60	**29.4**	**30.2**	29.3	30.1
Female age 65	**24.6**	**25.4**	24.6	25.3

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

PLAN ASSETS

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

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

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

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

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

24 PENSIONS AND POST-RETIREMENT BENEFITS CONTINUED

INCOME STATEMENT

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

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

25 NOTES TO THE CASH FLOW STATEMENTS

CASH GENERATED BY OPERATIONS

	The Group		The Company	
for the year ended 31 December	2013 $m	2012 $m	2013 $m	2012 $m
Profit/(loss) before taxation[(a)]	**4 147**	7 927	**(3)**	18
Finance income	**(170)**	(245)	**(17)**	(45)
Finance costs	**284**	431	**–**	–
Share of post-tax results from joint ventures and associates	**(335)**	(311)	**–**	–
Operating profit/(loss)	**3 926**	7 802	**(20)**	(27)
Depreciation of property, plant and equipment	**2 946**	2 525	**–**	–
Amortisation of other intangible assets	**9**	68	**–**	–
Share-based payments	**74**	73	**11**	13
Fair value movements in commodity-based contracts	**(98)**	(241)	**–**	–
Profits and losses on disposal of non-current assets and impairments[(b)]	**3 576**	499	**–**	–
Unsuccessful exploration expenditure written off	**394**	339	**–**	–
Decrease in provisions for liabilities and retirement benefit obligations	**(129)**	(174)	**–**	–
Movements in working capital:				
Increase in inventories	**(29)**	(38)	**–**	–
Increase in trade and other receivables	**(618)**	(60)	**–**	–
Increase/(decrease) in trade and other payables	**234**	(78)	**–**	–
Cash generated by operations	**10 285**	10 715	**(9)**	(14)

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

The cash flows above are inclusive of discontinued operations (see note 7, page 108).

NOTES TO THE ACCOUNTS CONTINUED

26 PRINCIPAL SUBSIDIARY UNDERTAKINGS, JOINT VENTURES AND ASSOCIATES

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

PRINCIPAL SUBSIDIARY UNDERTAKINGS

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

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

All the above are wholly owned.

26 PRINCIPAL SUBSIDIARY UNDERTAKINGS, JOINT VENTURES AND ASSOCIATES CONTINUED

JOINT VENTURES AND ASSOCIATES

as at 31 December 2013	Country of incorporation and location of operation	Activity	Issued share capital	Group holding %
Joint ventures[(a)]				
Dragon LNG Group Limited	England and Wales	LNG regasification	10 000 shares of £0.01	50.0
Mahanagar Gas Limited	India	Gas distribution	89 341 600 shares of Rupees 10	49.8
Associates				
El Behera Natural Gas Liquefaction Company S.A.E.	Egypt	LNG manufacture	30 000 shares of $100	35.5
Idku Natural Gas Liquefaction Company S.A.E.	Egypt	LNG manufacture	30 000 shares of $100	38.0
Guará B.V.	Netherlands[(b)]	Leasing	18 000 shares of €1	30.0
Tupi B.V.	Netherlands[(b)]	Leasing	18 000 shares of €1	25.0
Atlantic LNG Company of Trinidad and Tobago	Trinidad and Tobago	LNG manufacture	243 851 shares of $1 000	26.0
Atlantic LNG 2/3 Company of Trinidad and Tobago Unlimited	Trinidad and Tobago	LNG manufacture	139 253 shares of $1 000	32.5
Atlantic LNG 4 Company of Trinidad and Tobago Unlimited	Trinidad and Tobago	LNG manufacture	222 686 shares of $1 000	28.9

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

SUPPLEMENTARY INFORMATION – GAS AND OIL (UNAUDITED)

On 20 December 2007, BG Group ceased to be a United States Securities and Exchange Commission (SEC) registered company and the Group's SEC reporting obligations also ceased with effect from that date. BG Group continued voluntarily to use the SEC definition of proved reserves, and from 2009 of probable reserves, to report proved gas and oil reserves and disclose certain unaudited supplementary information until 2013. BG Group has decided, from the year ended 31 December 2013 onwards, to adopt the reserves definitions and guidelines consistent with the internationally recognised Petroleum Resources Management System published by the Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council and the Society of Petroleum Evaluation Engineers, known as the SPE PRMS, in accordance with recommendations issued by the European Securities and Markets Authority (ESMA) and to achieve greater consistency across its reporting of reserves and resources.

In accordance with the SPE PRMS guidelines, BG Group uses gas and crude oil price forecasts that are based on its reference conditions to determine reserves estimates in the year ended 31 December 2013. Reference prices used for reserves estimations under SPE PRMS have been independently reviewed. Therefore reserves (proved and probable) as at 31 December 2013 are measured in accordance with SPE PRMS definitions and guidelines and, in this transition year, are voluntarily shown together with the estimates under the SEC definitions.

Hydrocarbon reserves, and gas in particular, are developed in relation to the markets that they are intended to supply. Information in this section is therefore grouped as shown below to reflect the nature of the markets supplied by BG Group.

- UK.
- Atlantic Basin – Canada, Egypt, Trinidad and Tobago and the USA.
- Asia and the Middle East – Areas of Palestinian Authority, Australia, China, India, Kazakhstan and Thailand.
- Rest of the World – Algeria, Bolivia, Brazil, Ecuador, Honduras, Kenya, Madagascar, Norway, Tanzania, Tunisia and Uruguay.

The Corporate Reserves Group (CRG) is a central multidisciplinary group of reserves experts with an average of 24 years' experience in the oil and gas industry which provides an independent review of all reserves and discovered resources bookings and revisions proposed by assets to the Reserves Committee which in turn reports to the Audit Committee. The Head of the CRG, Dr. Carolina Coll has more than 25 years of diversified experience in the oil and gas industry. She has a degree in physics and a PhD in petroleum engineering. She is a past member of the Society of Petroleum Engineers Oil and Gas Reserves Committee, a member of the SPE Joint Committee on Reserves Evaluation Training, a member of the United Nations Economic Commission for Europe Expert Group on Resource Classification and a member of the SPE Carll, Lucas & Uren Award Committee.

Total additions and revisions to proved reserves during the year were 339 mmboe and 123 mmboe for SPE PRMS and SEC, respectively. For SPE PRMS this included technical revisions due to new data and field performance updates of 203 mmboe (SEC 202 mmboe), extensions, discoveries and reclassifications of 196 mmboe (SEC 15 mmboe), and the net effect of price movements of 83 mmboe (SEC 49 mmboe), offset by a decrease of 143 mmboe under both definitions in respect of acquisitions and disposals. Production in the period was 231 mmboe.

Gas and oil reserves cannot be measured exactly since estimation of reserves involves subjective judgement. Therefore, all estimates are subject to revision. Changes in gas and oil prices in fields subject to Production Sharing Contracts (PSCs) may result in changes to entitlements and therefore proved reserves.

Proved reserves
From the year ended 31 December 2013 onwards BG Group utilises the SPE PRMS definition of proved reserves.

Proved reserves are those quantities of petroleum, which, by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable, from a given date forward, from known reservoirs and under defined economic conditions, operating methods and government regulations.

Proved developed reserves are those reserves that can be expected to be recovered through existing wells and with existing equipment and operating methods. Proved undeveloped reserves comprise total proved reserves less total proved developed reserves.

Probable reserves
From the year ended 31 December 2013 onwards BG Group utilises the SPE PRMS definition of probable reserves.

Probable reserves are those additional reserves which analysis of geoscience and engineering data indicate are less likely to be recovered than proved reserves but more certain to be recovered than possible reserves. It is equally likely that actual remaining quantities recovered will be greater than or less than the sum of the estimated proved plus probable reserves.

Discovered resources
Discovered resources are defined by BG Group as the best estimate of recoverable hydrocarbons where commercial and/or technical maturity is such that project sanction is not expected within the next three years.

Risked exploration
Risked exploration resources are defined by BG Group as the best estimate (mean value) of recoverable hydrocarbons from undiscovered accumulations multiplied by the chance of success.

Total resources
Total resources are defined by BG Group as the aggregate of proved and probable reserves plus discovered resources and risked exploration. Total resources may also be referred to as total reserves and resources.

A) RESERVES

All information for periods up to 31 December 2012 is presented under SEC methodology. Information for 31 December 2013 is presented under both SEC and SPE PRMS methodology.

ESTIMATED NET PROVED RESERVES OF NATURAL GAS

	UK bcf	Atlantic Basin bcf	Asia and Middle East bcf	Rest of World bcf	Total bcf
As at 31 December 2010	862	4 237	4 354	2 232	11 685[a]
Movement during the year:					
Revisions of previous estimates[b]	100	486	(77)	339	848
Extensions, discoveries and reclassifications	3	256	731	300	1 290
Production	(99)	(610)	(225)	(107)	(1 041)
Acquisitions of reserves-in-place	70	33	–	–	103
Disposals of reserves-in-place	–	–	(31)	–	(31)
	74	165	398	532	1 169
As at 31 December 2011	936	4 402	4 752	2 764	12 854[a]
Movement during the year:					
Revisions of previous estimates[b]	(22)	(516)	87	(93)	(544)
Extensions, discoveries and reclassifications	(1)	79	821	59	958
Production	(87)	(612)	(240)	(124)	(1 063)
Disposals of reserves-in-place	–	–	(22)	–	(22)
	(110)	(1 049)	646	(158)	(671)
As at 31 December 2012	826	3 353	5 398	2 606	12 183[a]
Movement during the year:					
Revisions of previous estimates[b]	(35)	(108)	553	129	539
Extensions, discoveries and reclassifications	(13)	(116)	27	–	(102)
Production	(82)	(510)	(238)	(137)	(967)
Disposals of reserves-in-place	–	(65)	(791)	–	(856)
	(130)	(799)	(449)	(8)	(1 386)
As at 31 December 2013 (SEC)	**696**	**2 554**	**4 949**	**2 598**	**10 797[a]**
Revisions of previous estimates[c]	–	92	55	6	153
Extensions, discoveries and reclassifications[d]	–	–	1 091	–	1 091
As at 31 December 2013 (SPE PRMS)	**696**	**2 646**	**6 095**	**2 604**	**12 041[e]**

(a) Estimates of proved natural gas reserves at 31 December 2013 under SEC methodology include fuel gas of 978 bcf (2012: 1 013 bcf; 2011: 829 bcf; 2010: 702 bcf).
(b) Includes effect of oil and gas price changes on PSCs.
(c) Includes the effect of changing from SEC price assumptions to SPE PRMS reference prices, including impact on PSCs.
(d) The increase in net proved reserves of natural gas compared with SEC estimates is mainly due to reserves maturation from probable into proved reserves.
(e) Estimates of proved natural gas reserves at 31 December 2013 under SPE PRMS methodology include fuel gas of 1 031 bcf.

Note: Conversion factor of 6 bcf of gas to 1 mmboe.

ESTIMATED NET PROVED DEVELOPED RESERVES OF NATURAL GAS

	UK bcf	Atlantic Basin bcf	Asia and Middle East bcf	Rest of World bcf	Total bcf
As at 31 December 2010	640	2 099	2 469	776	5 984
As at 31 December 2011	728	2 103	2 426	892	6 149
As at 31 December 2012	680	2 088	2 360	1 194	6 322
As at 31 December 2013 (SEC)	**572**	**1 414**	**2 249**	**1 192**	**5 427**
As at 31 December 2013 (SPE PRMS)	**572**	**1 407**	**2 300**	**1 195**	**5 474**

SUPPLEMENTARY INFORMATION – GAS AND OIL (UNAUDITED) CONTINUED

A) RESERVES CONTINUED

ESTIMATED NET PROBABLE RESERVES OF NATURAL GAS

	UK bcf	Atlantic Basin bcf	Asia and Middle East bcf	Rest of World bcf	Total bcf
Probable developed reserves of natural gas					
As at 31 December 2010	264	881	21	296	1 462
As at 31 December 2011	203	873	7	239	1 322
As at 31 December 2012	171	545	256	272	1 244
As at 31 December 2013 (SEC)	**324**	**570**	**300**	**100**	**1 294**
As at 31 December 2013 (SPE PRMS)	**324**	**570**	**300**	**100**	**1 294**
Probable undeveloped reserves of natural gas					
As at 31 December 2010	71	1 002	6 717	2 630	10 420
As at 31 December 2011	97	1 280	7 479	1 586	10 442
As at 31 December 2012	270	1 436	6 668	1 895	10 269
As at 31 December 2013 (SEC)[(a)]	**67**	**1 228**	**4 333**	**4 756**	**10 384**
As at 31 December 2013 (SPE PRMS)[(a)]	**66**	**1 143**	**3 267**	**4 869**	**9 345**
Total estimated net probable reserves of natural gas[(b)]					
As at 31 December 2010	335	1 883	6 738	2 926	11 882
As at 31 December 2011	300	2 153	7 486	1 825	11 764
As at 31 December 2012	441	1 981	6 924	2 167	11 513
As at 31 December 2013 (SEC)[(a)]	**391**	**1 798**	**4 633**	**4 856**	**11 678**
As at 31 December 2013 (SPE PRMS)[(a)(c)]	**390**	**1 713**	**3 567**	**4 969**	**10 639**

(a) On 26 January 2014 the Algerian government issued a decree which confirmed the relinquishment of reserves in Algeria (381 bcf of estimated net probable reserves of natural gas).
(b) Estimates of probable natural gas reserves at 31 December 2013 under SEC methodology include fuel gas of 660 bcf (2012: 470 bcf; 2011: 693 bcf; 2010: 934 bcf).
(c) The reduction in net probable reserves of natural gas compared with SEC estimates is mainly due to reserve maturation from probable to proved reserves. Estimates of probable natural gas reserves under SPE PRMS methodology at 31 December 2013 include fuel gas of 607 bcf.

A) RESERVES CONTINUED

ESTIMATED NET PROVED RESERVES OF OIL

'Oil' includes crude oil, condensate and natural gas liquids.

	UK mmbbl	Atlantic Basin mmbbl	Asia and Middle East mmbbl	Rest of World mmbbl	Total mmbbl
As at 31 December 2010	151.4	9.8	322.9	461.7	945.8
Movement during the year:					
Revisions of previous estimates[a]	31.9	0.9	(35.2)	198.2	195.8
Extensions, discoveries and reclassifications	0.3	(0.4)	0.5	21.1	21.5
Production	(21.8)	(1.8)	(28.5)	(8.4)	(60.5)
Acquisitions of reserves-in-place	2.8	–	–	–	2.8
	13.2	(1.3)	(63.2)	210.9	159.6
As at 31 December 2011	164.6	8.5	259.7	672.6	1 105.4
Movement during the year:					
Revisions of previous estimates[a]	7.5	(0.5)	17.1	96.3	120.4
Extensions, discoveries and reclassifications	1.4	–	0.2	235.6	237.2
Production	(20.8)	(1.7)	(27.5)	(13.3)	(63.3)
Disposals of reserves-in-place[b]	–	–	0.8	–	0.8
	(11.9)	(2.2)	(9.4)	318.6	295.1
As at 31 December 2012	152.7	6.3	250.3	991.2	1 400.5
Movement during the year:					
Revisions of previous estimates[a]	9.3	4.1	2.6	145.7	161.7
Extensions, discoveries and reclassifications	(2.9)	0.1	0.4	33.9	31.5
Production	(22.9)	(2.4)	(25.4)	(19.0)	(69.7)
Disposals of reserves-in-place	–	(0.6)	–	–	(0.6)
	(16.5)	1.2	(22.4)	160.6	122.9
As at 31 December 2013 (SEC)	**136.2**	**7.5**	**227.9**	**1 151.8**	**1 523.4**
Revisions of previous estimates[c]	(2.2)	0.1	9.2	1.5	8.6
As at 31 December 2013 (SPE PRMS)	**134.0**	**7.6**	**237.1**	**1 153.3**	**1 532.0**

(a) Includes effect of oil and gas price changes on PSCs.
(b) Karachaganak Settlement Agreement (disposal) resulted in a minor addition to liquids.
(c) Includes the effect of changing from SEC price assumptions to SPE PRMS reference prices, including impact on PSCs.

ESTIMATED NET PROVED DEVELOPED RESERVES OF OIL

	UK mmbbl	Atlantic Basin mmbbl	Asia and Middle East mmbbl	Rest of World mmbbl	Total mmbbl
As at 31 December 2010	113.6	5.7	277.5	27.8	424.6
As at 31 December 2011	136.8	4.1	238.1	62.5	441.5
As at 31 December 2012	126.1	6.2	230.5	95.0	457.8
As at 31 December 2013 (SEC)	**120.5**	**4.9**	**212.8**	**132.2**	**470.4**
As at 31 December 2013 (SPE PRMS)	**119.1**	**4.9**	**221.4**	**132.4**	**477.8**

ESTIMATED NET PROBABLE RESERVES OF OIL

	UK mmbbl	Atlantic Basin mmbbl	Asia and Middle East mmbbl	Rest of World mmbbl	Total mmbbl
Probable developed reserves of oil					
As at 31 December 2010	49.3	2.9	4.3	14.1	70.6
As at 31 December 2011	41.2	3.2	0.2	30.9	75.5
As at 31 December 2012	36.6	1.8	2.6	22.3	63.3
As at 31 December 2013 (SEC)	**26.5**	**2.2**	**2.8**	**47.6**	**79.1**
As at 31 December 2013 (SPE PRMS)	**26.5**	**2.2**	**2.8**	**47.6**	**79.1**
Probable undeveloped reserves of oil					
As at 31 December 2010	20.6	1.0	99.6	1 650.4	1 771.6
As at 31 December 2011	18.5	1.4	137.0	1 745.9	1 902.8
As at 31 December 2012	27.0	8.3	75.0	1 666.1	1 776.4
As at 31 December 2013 (SEC)	**27.5**	**3.3**	**110.6**	**1 450.9**	**1 592.3**
As at 31 December 2013 (SPE PRMS)	**28.7**	**3.2**	**118.4**	**1 449.7**	**1 600.0**
Total estimated net probable reserves of oil					
As at 31 December 2010	69.9	3.9	103.9	1 664.5	1 842.2
As at 31 December 2011	59.7	4.6	137.2	1 776.8	1 978.3
As at 31 December 2012	63.6	10.1	77.6	1 688.4	1 839.7
As at 31 December 2013 (SEC)	**54.0**	**5.5**	**113.4**	**1 498.5**	**1 671.4**
As at 31 December 2013 (SPE PRMS)	**55.2**	**5.4**	**121.2**	**1 497.3**	**1 679.1**

SUPPLEMENTARY INFORMATION – GAS AND OIL (UNAUDITED) CONTINUED

B) STANDARDISED MEASURE OF DISCOUNTED FUTURE NET CASH FLOWS

The following tables set out the standardised measure of discounted future net cash flows relating to proved gas and oil reserves and report the causes of changes in the standardised measure of the cash flows relating to reserves. Future cash inflows have been computed by reference to the Group's estimate of future production of net proved gas and oil reserves at the end of each year and estimates of third-party prices. Prices for each year are calculated using a 12-month average price in line with SEC methodology. The standardised measure of discounted future net cash flow information presented below is not intended to represent the replacement cost or fair market value of the Group's gas and oil properties. The disclosures shown are based on estimates of proved reserves, future production schedules and costs, which are inherently imprecise and subject to revision. The standardised measure is as follows:

	UK $bn	Atlantic Basin $bn	Asia and Middle East $bn	Rest of World $bn	Total $bn
As at 31 December 2011:					
Future cash inflows	27.72	18.18	44.06	88.55	178.51
Future production and development costs	(10.19)	(5.43)	(17.76)	(48.70)	(82.08)
Future income tax expenses	(11.76)	(4.19)	(8.44)	(12.00)	(36.39)
Future net cash flows	5.77	8.56	17.86	27.85	60.04
10% annual discount for estimated timing of cash flows	(1.43)	(2.68)	(10.28)	(16.06)	(30.45)
	4.34	5.88	7.58	11.79	29.59
As at 31 December 2012:					
Future cash inflows	25.89	11.22	49.03	112.64	198.78
Future production and development costs	(10.56)	(5.46)	(23.21)	(64.70)	(103.93)
Future income tax expenses	(10.14)	(2.13)	(7.07)	(12.17)	(31.51)
Future net cash flows	5.19	3.63	18.75	35.77	63.34
10% annual discount for estimated timing of cash flows	(1.25)	(1.24)	(11.37)	(20.15)	(34.01)
	3.94	2.39	7.38	15.62	29.33
As at 31 December 2013:					
Future cash inflows	**22.85**	**8.35**	**44.59**	**130.01**	**205.80**
Future production and development costs	**(10.77)**	**(5.16)**	**(24.07)**	**(79.38)**	**(119.38)**
Future income tax expenses	**(8.41)**	**(0.95)**	**(5.19)**	**(17.91)**	**(32.46)**
Future net cash flows	**3.67**	**2.24**	**15.33**	**32.72**	**53.96**
10% annual discount for estimated timing of cash flows	**(0.72)**	**(0.74)**	**(8.69)**	**(15.81)**	**(25.96)**
	2.95	**1.50**	**6.64**	**16.91**	**28.00**

The following were the main sources of change in the standardised measure of discounted cash flows in the three years ended 31 December 2013:

	2013 $bn	2012 $bn	2011 $bn
Standardised measure at the beginning of the year	**29.33**	29.59	18.71
Sale of gas and oil produced net of production costs and other operating costs[(a)]	**(8.93)**	(8.98)	(8.59)
Net changes in prices and production costs[(b)]	**(6.36)**	(9.48)	10.74
Extensions, discoveries, reclassifications and revisions to previous estimates	**6.39**	17.14	16.78
Changes in estimated future development costs	**(4.52)**	(12.52)	(7.61)
Development costs incurred in the period	**8.21**	6.80	5.97
Acquisitions of reserves-in-place	**–**	–	0.09
Disposals of reserves-in-place	**(0.47)**	(0.52)	(0.02)
Accretion of discount	**4.67**	4.79	2.91
Net change in income taxes	**(0.18)**	2.45	(9.32)
Other	**(0.14)**	0.06	(0.07)
Standardised measure at the end of the year[(c)]	**28.00**	29.33	29.59

(a) Production costs and other operating costs include lifting, tariff, insurance and royalty costs but not depreciation costs.
(b) Includes the effect of foreign exchange movements.
(c) Based on the following prices (in line with SEC methodology):

	2013	2012	2011
Brent oil price ($/bbl)	**109**	112	111
Henry Hub ($/mmbtu)	**3.67**	2.86	4.18
UK spot gas (p/therm)	**66.82**	59.39	55.02
US$/UK£ exchange rate	**1.56**	1.59	1.61

C) CAPITALISED COSTS

Capitalised costs incurred using the successful efforts method and net of depreciation were as follows:

	UK $m	Atlantic Basin $m	Asia and Middle East $m	Rest of World $m	Total $m
As at 31 December 2011:					
Proved gas and oil properties	8 216	10 804	15 906	6 357	41 283
Unproved gas and oil properties	335	1 949	1 222	1 314	4 820
	8 551	12 753	17 128	7 671	46 103
Accumulated depreciation	(4 916)	(3 678)	(2 244)	(1 654)	(12 492)
Net capitalised costs	3 635	9 075	14 884	6 017	33 611
As at 31 December 2012:					
Proved gas and oil properties	9 871	12 165	19 025	7 777	48 838
Unproved gas and oil properties	423	1 706	1 238	1 415	4 782
	10 294	13 871	20 263	9 192	53 620
Accumulated depreciation	(5 484)	(6 182)	(2 617)	(2 189)	(16 472)
Net capitalised costs	4 810	7 689	17 646	7 003	37 148
As at 31 December 2013:					
Proved gas and oil properties	**11 407**	**12 745**	**19 315**	**8 650**	**52 117**
Unproved gas and oil properties	**409**	**1 711**	**1 106**	**1 574**	**4 800**
	11 816	**14 456**	**20 421**	**10 224**	**56 917**
Accumulated depreciation	**(6 131)**	**(10 534)**	**(3 197)**	**(2 798)**	**(22 660)**
Net capitalised costs	**5 685**	**3 922**	**17 224**	**7 426**	**34 257**

The above table does not include investments in joint ventures and associates.

D) COSTS INCURRED IN GAS AND OIL ACTIVITIES

Aggregate costs incurred under the historical cost convention, comprising amounts capitalised to exploration and development and amounts charged to the income statement in respect of exploration and appraisal, were as follows:

	UK $m	Atlantic Basin $m	Asia and Middle East $m	Rest of World $m	Total $m
Year ended 31 December 2011:					
Acquisition of properties:					
Proved	56	134	–	–	190
Unproved	–	291	2	–	293
Exploration	145	121	313	745	1 324
Development	823	1 711	2 371	1 066	5 971
Year ended 31 December 2012:					
Acquisition of properties:					
Proved	–	–	–	–	–
Unproved	–	59	2	–	61
Exploration	156	168	260	575	1 159
Development	941	984	3 331	1 540	6 796
Year ended 31 December 2013:					
Acquisition of properties:					
Proved	**–**	**–**	**–**	**–**	**–**
Unproved	**–**	**9**	**–**	**–**	**9**
Exploration	**108**	**224**	**327**	**990**	**1 649**
Development	**660**	**779**	**5 092**	**1 679**	**8 210**

The proportion of exploration costs capitalised in 2013 was 80.8% (2012: 68.5%; 2011: 73.2%).

The above table does not include additions to decommissioning provisions which amounted to $522m in 2013 (2012: $171m; 2011: $1 584m).

SUPPLEMENTARY INFORMATION – GAS AND OIL (UNAUDITED) CONTINUED

E) RESULTS OF OPERATIONS

The results of operations under the historical cost convention and in accordance with IFRS for the oil and gas exploration and producing activities (excluding liquefaction, business development, disposals, re-measurements and impairments, and interest costs) is given below. The presentation of these results has been amended to provide a clearer breakdown of the business performance of the Group's exploration and production assets within the Upstream segment.

	UK $m	Atlantic Basin $m	Asia and Middle East $m	Rest of World $m	Total $m
Year ended 31 December 2011:					
Revenue and other operating income	3 173	2 232	3 487	1 743	10 635
Lifting costs	(395)	(226)	(464)	(245)	(1 330)
Royalties and other operating costs	(108)	(63)	(308)	(245)	(724)
Operating costs	(503)	(289)	(772)	(490)	(2 054)
Other costs	(152)	(167)	(331)	(360)	(1 010)
Depreciation	(257)	(864)	(366)	(306)	(1 793)
Exploration expense	(16)	(46)	(248)	(337)	(647)
	2 245	866	1 770	250	5 131
Taxation	(1 410)	(485)	(775)	(48)	(2 718)
Results of operations	835	381	995	202	2 413
Year ended 31 December 2012:					
Revenue and other operating income	2 964	2 250	3 690	2 553	11 457
Lifting costs	(429)	(240)	(448)	(339)	(1 456)
Royalties and other operating costs	(87)	(84)	(345)	(493)	(1 009)
Operating costs	(516)	(324)	(793)	(832)	(2 465)
Other costs	(120)	(194)	(389)	(314)	(1 017)
Depreciation	(340)	(1 019)	(450)	(368)	(2 177)
Exploration expense	(86)	(46)	(184)	(368)	(684)
	1 902	667	1 874	671	5 114
Taxation	(1 204)	(396)	(838)	(392)	(2 830)
Results of operations	698	271	1 036	279	2 284
Year ended 31 December 2013:					
Revenues and other operating income	**3 285**	**1 831**	**3 504**	**3 120**	**11 740**
Lifting costs	**(551)**	**(217)**	**(464)**	**(399)**	**(1 631)**
Royalties and other operating costs	**(112)**	**(82)**	**(319)**	**(665)**	**(1 178)**
Operating costs	**(663)**	**(299)**	**(783)**	**(1 064)**	**(2 809)**
Other costs	**(290)**	**(193)**	**(315)**	**(127)**	**(925)**
Depreciation	**(501)**	**(1 077)**	**(496)**	**(534)**	**(2 608)**
Exploration expense	**(148)**	**(54)**	**(274)**	**(235)**	**(711)**
	1 683	**208**	**1 636**	**1 160**	**4 687**
Taxation	**(1 088)**	**(174)**	**(800)**	**(337)**	**(2 399)**
Results of operations	**595**	**34**	**836**	**823**	**2 288**

Included in revenue and other operating income are intra-Group sales at contract prices of $760m for the year ended 31 December 2013 (2012: $663m; 2011: $928m).

The accretion interest expense resulting from changes in the liability for decommissioning due to the passage of time, which is not included in the table above, was $107m (2012: $95m; 2011: $57m).

HISTORICAL PRODUCTION (UNAUDITED)

	Gas production kboed			Oil and liquids production kboed			Total production kboed		
	2013	2012	2011	**2013**	2012	2011	**2013**	2012	2011
Australia	**25**	25	21	**–**	–	–	**25**	25	21
Bolivia	**29**	23	16	**7**	5	3	**36**	28	19
Brazil	**4**	3	1	**35**	22	12	**39**	25	13
Egypt	**107**	129	132	**5**	3	3	**112**	132	135
India	**14**	17	21	**6**	8	10	**20**	25	31
Kazakhstan	**36**	36	39	**56**	62	63	**92**	98	102
Norway	**1**	2	–	**1**	1	–	**2**	3	–
Thailand	**34**	30	22	**7**	6	5	**41**	36	27
Trinidad and Tobago	**68**	72	74	**2**	1	1	**70**	73	75
Tunisia	**29**	28	32	**9**	9	8	**38**	37	40
UK	**37**	40	45	**63**	56	60	**100**	96	105
USA	**58**	79	73	**–**	–	–	**58**	79	73
Total production of gas, oil and liquids (kboed)	**442**	484	476	**191**	173	165	**633**	657	641
Total production of gas, oil and liquids (mmboe)							**230.9**	240.5	234.1

Production volumes include fuel gas.

FIVE-YEAR FINANCIAL SUMMARY (UNAUDITED)

CONSOLIDATED INCOME STATEMENT

for the year ended 31 December	**2013** **$m**	2012 Restated[a] $m	2011 Restated[a] $m	2010 Restated[a] $m	2009 Restated[a] $m
Group revenue and other operating income	**19 311**	19 200	17 849	13 710	13 167
Operating costs	**(11 827)**	(11 355)	(10 459)	(8 485)	(7 755)
Profits and losses on disposal of non-current assets and impairments	**(3 817)**	(1 651)	(414)	(333)	(214)
Operating profit	**3 667**	6 194	6 976	4 892	5 198
Finance income	**169**	222	174	164	114
Finance costs	**(283)**	(360)	(208)	(215)	(214)
Share of post-tax results from joint ventures and associates	**336**	289	269	260	239
Profit before tax	**3 889**	6 345	7 211	5 101	5 337
Taxation	**(1 684)**	(3 052)	(3 134)	(2 007)	(2 296)
Profit for the year from continuing operations	**2 205**	3 293	4 077	3 094	3 041
Profit for the year from discontinued operations	**245**	1 324	219	399	423
Profit for the year	**2 450**	4 617	4 296	3 493	3 464
Profit attributable to:					
Shareholders (earnings)	**2 441**	4 523	4 215	3 344	3 313
Non-controlling interest	**9**	94	81	149	151
	2 450	4 617	4 296	3 493	3 464
Earnings per ordinary share continuing operations (cents)					
Basic	**64.8**	97.0	120.3	91.5	90.4
Diluted	**64.5**	96.4	119.5	91.0	89.7
Earnings per ordinary share discontinued operations (cents)					
Basic	**6.9**	36.2	4.1	7.4	8.1
Diluted	**6.9**	36.0	4.0	7.3	8.0

CONSOLIDATED BALANCE SHEET

as at 31 December	**2013** **$m**	2012 Restated[a] $m	2011 Restated[a] $m	2010 Restated[a] $m	2009 Restated[a] $m
Non-current assets	**51 844**	53 155	48 979	40 132	34 113
Current assets	**14 130**	11 749	12 216	9 965	8 417
Assets classified as held for sale	**–**	386	245	227	–
Total assets	**65 974**	65 290	61 440	50 324	42 530
Current liabilities	**(8 234)**	(8 165)	(9 085)	(8 886)	(8 313)
Non-current liabilities	**(25 780)**	(24 019)	(22 745)	(14 710)	(11 212)
Liabilities associated with assets classified as held for sale	**–**	(158)	(99)	(104)	–
Total liabilities	**(34 014)**	(32 342)	(31 929)	(23 700)	(19 525)
Net assets	**31 960**	32 948	29 511	26 624	23 005
Equity					
Total shareholders' equity	**31 960**	32 891	29 220	26 268	22 684
Non-controlling interest in equity	**–**	57	291	356	321
Total equity	**31 960**	32 948	29 511	26 624	23 005

OTHER INFORMATION

as at 31 December		**2013**	2012 Restated[a]	2011 Restated[a]	2010 Restated[a]	2009 Restated[a]
Net borrowings[b]	$m	**(10 610)**	(10 624)	(11 336)	(6 973)	(4 775)
Gearing ratio[b]	%	**24.8**	24.3	27.2	20.2	17.1
Debt/equity ratio[c]	%	**33.0**	32.0	37.5	25.3	20.6
Employee numbers (headcount)	thousands	**5.4**	5.7	6.6	6.2	6.2

(a) See Accounting developments during 2013, page 91.
(b) See **Glossary**, page 147.
(c) Debt/equity ratio represents net borrowings as a percentage of total shareholders' funds (excluding balances associated with commodity financial instruments and related deferred tax).

CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December	**2013 $m**	2012 $m	2011 $m	2010 $m	2009 $m
Cash generated by operations	**10 285**	10 715	9 773	8 370	7 597
Income taxes paid	**(2 468)**	(2 720)	(2 791)	(1 984)	(2 065)
Net cash inflow from operating activities	**7 817**	7 995	6 982	6 386	5 532
Cash flows from investing activities					
Dividends received	**147**	151	204	198	227
Proceeds from disposal of subsidiary undertakings and investments	**774**	2 185	84	468	–
Proceeds from disposal of property, plant and equipment and intangible assets	**3 827**	754	116	897	5
Purchase of property, plant and equipment and intangible assets	**(10 605)**	(9 974)	(10 300)	(8 397)	(6 767)
Loans to and repayments from joint ventures and associates	**73**	698	(51)	92	(101)
Interests in subsidiaries, joint ventures, associates and other investments	**(610)**	(429)	(246)	(529)	(1 094)
Other loan repayments/(advances)	**112**	(280)	–	–	–
Net cash outflow from investing activities	**(6 282)**	(6 895)	(10 193)	(7 271)	(7 730)
Cash flows from financing activities					
Net interest paid	**(560)**	(541)	(247)	(229)	(166)
Dividends paid	**(923)**	(859)	(772)	(680)	(633)
Dividends paid to non-controlling interest	**–**	(18)	(136)	(108)	(57)
Net proceeds from issue of new borrowings	**2 713**	2 925	6 392	3 559	2 904
Repayment of borrowings	**(1 093)**	(1 736)	(940)	(348)	(332)
Issue of shares	**45**	36	48	95	99
Movements in own shares	**(13)**	(16)	(23)	(2)	(4)
Net cash inflow/(outflow) from financing activities	**169**	(209)	4 322	2 287	1 811
Net increase/(decrease) in cash and cash equivalents	**1 704**	891	1 111	1 402	(387)

OTHER INFORMATION

for the year ended 31 December		**2013 $m**	2012 $m	2011 $m	2010 $m	2009 $m
Closing total equity		**31 960**	32 948	29 511	26 624	23 005
Add back:						
Closing commodity financial instruments net of associated deferred tax		**159**	201	757	958	165
Closing net borrowings		**10 610**	10 624	11 336	6 973	4 775
Closing capital employed		**42 729**	43 773	41 604	34 555	27 945
Average capital employed[a]		**43 251**	42 689	38 080	31 250	23 776
Business performance profit before tax[b]		**7 413**	7 898	7 565	6 128	5 509
Add back Business performance Finance costs/(income) on net borrowings		**71**	51	60	(8)	21
		7 484	7 949	7 625	6 120	5 530
Taxation applied at the Group's effective rate		**(3 068)**	(3 537)	(3 355)	(2 356)	(2 323)
Post-tax return		**4 416**	4 412	4 270	3 764	3 207
Pre-tax return on average capital employed[c]	%	**17.3**	18.6	20.0	19.6	23.3
Post-tax return on average capital employed[c]	%	**10.2**	10.3	11.2	12.0	13.5

(a) Average capital employed is calculated as the average of the opening and closing capital employed balances for the year.
(b) Business performance profit before tax excludes disposals, re-measurements and impairments and includes share of pre-tax results from joint ventures and associates.
(c) Return on average capital employed represents Business performance profit (excluding disposals, re-measurements and impairments), excluding net finance income/costs on net borrowings, as a percentage of average capital employed. The above table presents this before and after taxation applied at the Group's effective tax rate.

SHAREHOLDER INFORMATION

Workers at the Mtwara logistics supply base, Tanzania
BG Group entered Tanzania in 2010. Since then, the Group has developed a significant presence in country and total gross recoverable resource estimates are now around 15 tcf.

Shareholder information and Notice of Annual General Meeting.

PRESENTATION OF NON-GAAP MEASURES

BG Group publishes certain additional information in a non-statutory format in order to provide readers with an increased insight into the underlying performance of the business. The measures the Group uses are explained below.

Business performance

'Business performance' excludes discontinued operations and disposals, certain re-measurements and impairments (see below) as exclusion of these items provides a clear and consistent presentation of the underlying operating performance of the Group's ongoing business.

BG Group uses commodity instruments to manage price exposures associated with its marketing and optimisation activity. This activity enables the Group to take advantage of commodity price movements. It is considered more appropriate to include both unrealised and realised gains and losses arising from the mark-to-market of derivatives associated with this activity in 'business performance'.

Disposals, certain re-measurements and impairments

BG Group's commercial arrangements for marketing gas include the use of long-term gas sales contracts. While the activity surrounding these contracts involves the physical delivery of gas, certain gas sales contracts are classified as derivatives under the rules of International Accounting Standard (IAS) 39, 'Financial Instruments: Recognition and Measurement', issued by the International Accounting Standards Board, and are required to be measured at fair value at the balance sheet date. Unrealised gains and losses on these contracts reflect the comparison between current market gas prices and the actual prices to be realised under the gas sales contracts, and are disclosed separately as 'disposals, re-measurements and impairments'.

BG Group also uses financial instruments, including derivatives, to manage certain price exposures in respect of optimising the timing and location of its physical gas and LNG sales commitments. These instruments are also required to be measured at fair value at the balance sheet date under IAS 39 and, where practical, have been designated as formal hedges. However, IAS 39 does not always allow the matching of fair values to the economically hedged value of the related commodity, resulting in unrealised movements in fair value being recorded in the income statement. These movements in fair value, together with any unrealised gains and losses associated with discontinued hedge accounting relationships that continue to represent economic hedges, are disclosed separately as 'disposals, re-measurements and impairments'.

BG Group also uses financial instruments, including derivatives, to manage foreign exchange and interest rate exposure. These instruments are required to be recognised at fair value or amortised cost on the balance sheet in accordance with IAS 39. Most of these instruments have been designated either as hedges of foreign exchange movements associated with the Group's net investments in foreign operations, or as hedges of interest rate risk. 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'.

Realised gains and losses relating to the instruments referred to above are included in business performance. This presentation 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.

BG Group has also separately identified profits and losses associated with the disposal of non-current assets, impairments of non-current assets and certain other exceptional items, as they require separate disclosure in order to provide a clearer understanding of the results for the period.

For a reconciliation between the overall results and business performance, and details of disposals, re-measurements and impairments, see note 1, page 98, note 4, page 105 and note 9, page 110.

Joint ventures and associates

Under International Financial Reporting Standards, the results from jointly controlled entities (joint ventures) and associates, accounted for under the equity method, are required to be presented net of finance costs and tax on the face of the income statement. Given the relevance of these businesses within BG Group, the results of joint ventures and associates are presented before interest and tax, and after tax. This approach provides additional information on the source of BG Group's operating profits. For a reconciliation between operating profit and earnings, including and excluding the results of joint ventures and associates, see note 1, page 98.

Exchange rates and prices

BG Group may also disclose certain information, as indicated, at constant US$/UK£ exchange rates and upstream prices. The presentation of results in this manner is intended to provide additional information to explain further the underlying trends in the business. The disclosure re-calculates the current year profit on the basis that the US$/UK£ exchange rate and the upstream commodity prices were the same as in the previous year, providing a comparable base in respect of these two factors.

Net borrowings or funds and return on average capital employed

BG Group provides a reconciliation of net borrowings and an analysis of the amounts included within net borrowings as this is an important liquidity measure for the Group.

Return on average capital employed represents profit before tax (excluding disposals, re-measurements and impairments) plus net interest payable on net borrowings, as a percentage of average capital employed. Further information on these measures is provided on page 143.

GLOSSARY OF TERMS

REFERENCE CONDITIONS (2014 AND 2015)

- Brent Oil price real (1/1/2014): 2014 and 2015: $100/bbl
- US Henry Hub real (1/1/2014): 2014: $4.0/mmbtu; 2015 $4.25/mmbtu
- US/UK exchange rates of $1.55:£1
- US/AUD exchange rates of $1:$A1.05
- US/BRL exchange rates of $1:BRL2.10
- Prepared under International Financial Reporting Standards
- All production includes fuel gas

FOR THE PURPOSE OF THIS REPORT THE FOLLOWING DEFINITIONS APPLY:

Unit of measurement

bbl	Barrel
bcf	Billion cubic feet
bcfd	Billion cubic feet per day
bcma	Billion cubic metres per annum
billion or bn	One thousand million
boe	Barrels of oil equivalent. BG Group uses a conversion factor of 1 boe equals 6 000 cubic feet of natural gas
boed	Barrels of oil equivalent per day
bopd	Barrels of oil per day
CO_2e	Carbon dioxide equivalent
kboed	Thousand barrels of oil equivalent per day
kt	Thousand tonnes
m	Million
mmbbl	Million barrels
mmboe	Million barrels of oil equivalent
mmbopd	Million barrels of oil per day
mmbtu	Million British thermal units
mmscfd	Million standard cubic feet per day
mt	Million tonnes
mtpa	Million tonnes per annum
tcf	Trillion cubic feet

Acronyms

API	American Petroleum Institute
CNOOC	China National Offshore Oil Corporation
DD&A	Depreciation, depletion and amortisation
DRO	Discovered resource opportunity
E&P	Exploration and Production
EBIT	Earnings before interest and taxes
EBITDA	Earnings before interest, taxes, depreciation, and amortization
ECCU	Ethical Conduct Compliance Unit
EY	Ernst & Young LLP
EU	European Union
FERC	Federal Energy Regulatory Commission
FPSO	Floating production, storage and offloading (vessel)
FTA	Free trade agreement
GAAP	Generally accepted accounting principles
GDP	Gross domestic product – The total market value of all the goods and services produced within the borders of a nation during a specified period
GHG	Greenhouse gases
IAS	International Accounting Standard issued by the IASB
IEA	International Energy Agency
IOC	International Oil Company
IPIECA	IPIECA, the global oil and gas industry association for environmental and social issues
LNG	Liquefied natural gas
OECD	Organisation for Economic Co-operation and Development
OGP	International Association of Oil and Gas Producers
OPEC	The Organization of the Petroleum Exporting Countries
PSC	Production sharing contract
QCLNG	Queensland Curtis LNG
QGC	QGC Pty Limited, Australia
SEC	The United States Securities and Exchange Commission
SPE PRMS	Petroleum Resources Management System published by the Society of Petroleum Engineers, American Association of Petroleum Geologists, World Petroleum Council and the Society of Petroleum Evaluation Engineers
T&D	Transmission and distribution
TRFC	Total recordable case frequency – in respect of HSSE incidents

Further acronyms can be found on page 65 of the Remuneration report.

Terms – explained

Base asset	Producing asset outside of Brazil and Australia, which are considered growth assets
Capital investment	Expenditure on property, plant and equipment, other intangible assets and investments, including business combinations
Capital investment on a cash basis	Cash flows on purchase of property, plant and equipment and intangible assets, loans to joint ventures and associates and investments in subsidiaries, joint ventures and associates
Coal seam gas	Gas trapped in underground coal seams by water and ground pressure
Delivered volumes	Comprise all LNG volumes discharged in a given period, excluding LNG utilised by the ships
Discovered resources	See page 134
Drill stem test	A procedure for isolating and testing the area surrounding a well
Extended well test	A test to evaluate production and characteristics of a reservoir
Free cash flow	Net cash flow from operating and investing activities after tax and interest but before disposals
Frontier acreage	Areas where little or no exploration activity has taken place
Fugitive	Fugitive gas emissions refers to gases that escape from the production, transportation or storage of oil and gas
Gearing ratio	Net borrowings as a percentage of total shareholders' funds (excluding balances associated with commodity financial instruments and related deferred tax) plus net borrowings
Hydraulic fracturing	A stimulation treatment routinely performed on oil and gas wells in low-permeability reservoirs. Specially engineered fluids are pumped at high pressure and rate into the reservoir, causing a vertical fracture to open
Net borrowings	Comprise cash, current asset investments, finance lease liabilities/ assets, currency and interest rate derivative financial instruments and short and long-term borrowings
Probable reserves	See page 134
Proved reserves	See page 134
Risked exploration	See page 134
Spud(ded)	To start the well drilling process
Tie-back	A connection between a new oil and gas discovery and an existing production facility, improving the economics of marginal fields into profitable assets
Tight	Relatively impermeable reservoir rock. Stimulation of tight formations can result in increased production from formations that previously might have been abandoned or been produced uneconomically
Total operating profit	Operating profit plus share of pre-tax operating results from Joint ventures and associates
Total resources	See page 134
Unit lifting costs per boe	Calculated by excluding royalty, tariff and insurance costs from 'unit operating costs/expenditure' as defined below
Unit operating costs/ expenditure per boe	Calculated by dividing production and other operating costs (royalties) by the net production for the period. This measure does not include the impact of depreciation and amortisation costs and exploration costs as they are not considered to be costs associated

SHAREHOLDER INFORMATION

SHAREHOLDER INFORMATION

MANAGING YOUR SHAREHOLDING

ORDINARY SHARES

Ordinary shares are listed on the London Stock Exchange (BG.L).

For queries relating to your shareholding, including notification of a change of address and amalgamation of shareholder accounts, please contact our registrar, Equiniti by any of the following means:

Telephone: 0871 384 2064* or +44 121 415 7029 (outside UK)

Website: **www.shareview.co.uk**

Secure online email: **https://help.shareview.co.uk**

Address: Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, UK

AMERICAN DEPOSITARY RECEIPTS (ADRs)

ADRs are listed on the US over-the-counter market, OTCQX International Premier (BRGYY).

For queries relating to your ADR holding, please contact our ADR depositary bank, Deutsche Bank Trust Company Americas by any of the following means:

Telephone: +1 800 937 5449** or +1 718 921 8124 (outside US)

Website: **www.adr.db.com**

Email: db@amstock.com

Address: Deutsche Bank Trust Company Americas, c/o American Stock Transfer & Trust Company, 6201 15th Avenue, Brooklyn NY 11219, USA

SHARE FRAUD WARNING

Many companies have become aware that their shareholders have received unsolicited phone calls or correspondence concerning investment matters.

Fraudsters use persuasive and high-pressure tactics to lure investors into scams. They may offer to sell shares that turn out to be worthless or non-existent, or to buy shares at an inflated price in return for an upfront payment. While high profits are promised, if you buy or sell shares in this way you will probably lose your money. The Financial Conduct Authority (FCA) is contacted by around 5 000 people each year concerning share fraud, with victims losing an average of £20 000.

For more detailed information on this kind of activity or to report a scam, please call the FCA Consumer Helpline on 0800 111 6768 or visit **www.fca.org.uk/consumers/scams**

Alternatively, if you have already paid money to share fraudsters, you should contact Action Fraud on 0300 123 2040.

Dividends

Dividends are announced in US Dollars but are paid to holders of ordinary shares in Pounds Sterling. Dividends to holders of ADRs are paid in US Dollars. All dividends will be paid on 30 May 2014.

Dividends into your bank account

Shareholders who would like their dividends to be paid directly into their UK bank or building society account on the payment date should contact Equiniti or download a form from our website **www.bg-group.com/registrar**

Shareholders who have elected to have their dividends paid directly into their bank account receive just one consolidated tax voucher each year covering both the interim and final dividend payments. More information is available in the Shareholder centre at **www.bg-group.com/shareholdercentre**

BG Group Corporate Individual Savings Accounts (ISAs)

Investec offers a Stocks and Shares ISA where BG Group shares can be invested. For further information please contact:

Telephone: 0151 237 2160

Website: **www.investec.co.uk**

Address: Investec Wealth & Investment Limited, The Plaza, 100 Old Hall Street, Liverpool L3 9AB

Gifting your shares

To transfer your shares to another member of your family as a gift, please contact Equiniti for a gift transfer form. If you have a small number of shares and the dealing costs or minimum fee make it uneconomical to sell them, you may like to donate them to charity through ShareGift, a charity administered by The Orr Mackintosh Foundation. Contact Equiniti for a ShareGift transfer form. Information is also available on the ShareGift website at **www.sharegift.org**

Share dealing services

Information on a number of share dealing services available to shareholders can be viewed at **www.bg-group.com/dealing**

Electronic communications and online access

The Company actively encourages shareholders to receive BG Group communications and alerts via email and have access to information, including BG Group's Annual Report and Accounts, through the Company's website on the date of publication.

All shareholders can register to access Shareview, **www.shareview.co.uk** a free, secure online site where you can access information and undertake a number of activities, including:

- signing up to receive communications by email;
- setting up or changing a dividend mandate;
- viewing information about your shareholding or dividend payments;
- seeing an indicative value of your shareholding;
- updating your records; and
- appointing proxies for the AGM.

To register for a Shareview Portfolio, you will need your 11 digit Shareholder Reference Number (SRN), which can be found on your dividend tax voucher or on your proxy form.

* Calls cost 8p per minute plus network charges. Lines are open from 8.30 am to 5.30 pm, Monday to Friday (excluding UK public holidays).
** Calls are toll free from inside the US.

FURTHER INFORMATION ONLINE

BG GROUP WEBSITE
www.bg-group.com

The BG Group website was relaunched in December 2013 with a fresh design and redeveloped content to improve the user experience across all devices and enhance the Group's external communications. It now includes a wider set of information about the countries in which we work.

Visit **www.bg-group.com/investors** to find out more information on the:

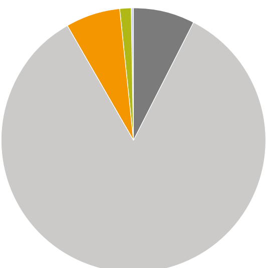
- AGM;
- latest financial results;
- reports;
- share price tools;
- financial calendar;
- corporate governance compliance;
- Shareview;
- shareholder contacts; and
- Shareholder centre.

GROUP FINANCIAL CALENDAR

Event	Type	Date
2013 final dividend	Ex-dividend	23 Apr 2014
2013 final dividend	Record date	25 Apr 2014
First quarter 2014 results	Announcement	1 May 2014
2014 AGM	Meeting	15 May 2014
2013 final dividend	Dividend payment (UK and US ADR)	30 May 2014
Second quarter 2014 results	Announcement	31 July 2014(a)
2014 interim dividend	Ex-dividend	13 Aug 2014(a)
2014 interim dividend	Record date	15 Aug 2014(a)
2014 interim dividend	Dividend payment (UK and US ADR)	12 Sep 2014(a)

(a) These dates are indicative. Actual dates will be confirmed on the BG Group website in due course.

Shareholder profile by issued share capital[a]
(%)



- **7.58%** Private individuals
- **84.34%** Nominee companies
- **6.56%** Limited and public limited companies
- **1.48%** Other corporate bodies
- **0.04%** Pension funds, insurance companies and banks

(a) Shareholders may also hold their shares through nominee companies.

NOTICE OF ANNUAL GENERAL MEETING OF BG GROUP PLC

The Annual General Meeting (AGM) of BG Group plc (the Company) will be held at the Hilton Reading Hotel, Drake Way, Reading, RG2 0GQ on Thursday, 15 May 2014 at 11.30 am to consider and, if thought fit pass, the resolutions set out on the following two pages (the Resolutions).

ORDINARY RESOLUTIONS

Resolution 1
To receive the Accounts and Reports of the Directors and the auditors for the year ended 31 December 2013.

Resolution 2
To approve the Directors' Remuneration Policy as set out on pages 66 to 70 of the Company's Annual Report and Accounts for the year ended 31 December 2013, in accordance with Section 439A of the Companies Act 2006 (the Act), such Policy to take effect from the conclusion of the AGM.

Resolution 3
To approve the Directors' Annual Report on Remuneration as set out on pages 64 and 65, and 71 to 79 of the Company's Annual Report and Accounts for the year ended 31 December 2013, in accordance with Section 439 of the Act.

Resolution 4
To declare a final dividend of 15.68 cents per share in respect of the year ended 31 December 2013. The final dividend is payable on 30 May 2014 to holders of ordinary shares of 10 pence each in the Company (ordinary shares) on the register of members at the close of business on 25 April 2014, as recommended by the Directors.

Resolution 5
To elect Simon Lowth as a Director of the Company.

Resolution 6
To elect Pam Daley as a Director of the Company.

Resolution 7
To elect Martin Ferguson as a Director of the Company.

Resolution 8
To re-elect Vivienne Cox as a Director of the Company.

Resolution 9
To re-elect Chris Finlayson as a Director of the Company.

Resolution 10
To re-elect Andrew Gould as a Director of the Company.

Resolution 11
To re-elect Baroness Hogg as a Director of the Company.

Resolution 12
To re-elect Dr John Hood as a Director of the Company.

Resolution 13
To re-elect Caio Koch-Weser as a Director of the Company.

Resolution 14
To re-elect Lim Haw-Kuang as a Director of the Company.

Resolution 15
To re-elect Sir David Manning as a Director of the Company.

Resolution 16
To re-elect Mark Seligman as a Director of the Company.

Resolution 17
To re-elect Patrick Thomas as a Director of the Company.

Resolution 18
To re-appoint Ernst & Young LLP as auditors of the Company, to hold office until the conclusion of the next general meeting of the Company at which annual accounts are laid.

Resolution 19
To authorise the Audit Committee of the Board to determine the remuneration of the auditors.

Resolution 20
To authorise the Company, and all the companies which are subsidiaries of the Company, in accordance with Sections 366 and 367 of the Act to:

(a) make political donations to political parties or independent election candidates up to a total aggregate amount of £15 000;

(b) make political donations to political organisations other than political parties up to a total aggregate amount of £15 000; and

(c) incur political expenditure up to a total aggregate amount of £20 000,

during the period beginning with the date of the passing of this Resolution and ending at the conclusion of the next AGM of the Company, provided that, in any event, the total aggregate amount shall not exceed £50 000.

Resolution 21
To authorise the Directors generally and unconditionally to exercise all the powers of the Company to allot ordinary shares and to grant rights to subscribe for, or to convert any security into, ordinary shares (Rights), in accordance with Section 551 of the Act, up to an aggregate nominal amount of £113 647 520.

This authority shall expire at the conclusion of the next AGM of the Company.

The Directors shall be entitled to exercise all the powers of the Company to make offers or agreements before the expiry of such authority which would or might require ordinary shares to be allotted or Rights to be granted after such expiry and the Directors shall be entitled to allot ordinary shares and grant Rights pursuant to any such offer or agreement as if this authority had not expired. All unexercised authorities previously granted to the Directors to allot ordinary shares and grant Rights be and are hereby revoked.

SPECIAL RESOLUTIONS

Resolution 22
In place of all existing authorities, to authorise the Directors, in accordance with Section 561 of the Act, to allot equity securities (within the meaning of the Act) for cash pursuant to the authority conferred by Resolution 21 and/or to sell treasury shares as if the relevant section of the Act did not apply in respect of any such allotment or sale, provided that this power shall be limited to:

(a) the allotment of equity securities and/or sale of treasury shares for cash in connection with an offer of securities in favour of:

(i) ordinary shareholders in proportion (as nearly as practicable) to their existing holding; and

(ii) other persons entitled to participate therein,

subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with treasury shares, fractional entitlements or legal or practical problems arising under the laws of any overseas territory or the requirements of any regulatory body or stock exchange or by virtue of ordinary shares being represented by depositary receipts or any other matter; and

(b) the allotment (otherwise than under paragraph (a) of this Resolution 22) up to an aggregate nominal amount of £18 093 832.

This authority shall expire upon the expiry of the general authority conferred by Resolution 21, save that the Directors shall be entitled to exercise all the powers of the Company to make offers or agreements before the expiry of such power, which would or might require equity securities to be allotted after such expiry, and the Directors shall be entitled to allot equity securities pursuant to any such offer or agreement, as if the power conferred hereby had not expired.

Resolution 23
To authorise the Directors generally and unconditionally, in accordance with the Act, to make market purchases (within the meaning of Section 693(4) of the Act) of ordinary shares on such terms and in such manner as the Directors may from time to time determine, provided that:

(a) the maximum number of ordinary shares hereby authorised to be acquired is 340 942 562;

(b) the maximum price (exclusive of expenses) that may be paid for any such ordinary share is the higher of: (i) 5% above the average middle market quotations for an ordinary share as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased; and (ii) an amount equal to the higher of the price of the last independent trade of an ordinary share and the highest current independent bid for an ordinary share as derived from the London Stock Exchange Trading System; and

(c) the minimum price (exclusive of expenses) that may be paid for any such ordinary share is 10 pence, being the nominal value of that share.

This authority shall expire at the conclusion of the next AGM of the Company, unless previously renewed, varied or revoked by the Company in general meeting.

The Company may purchase its ordinary shares under any contract made prior to the expiry of such authority, which contract will or may be concluded wholly or partly after the expiry of such authority, as if this authority had not expired.

Resolution 24
That a general meeting of the Company, other than an AGM, may be called on not less than 14 clear days' notice.

By order of the Board

Steve Allen
Company Secretary

19 March 2014

Registered Office: 100 Thames Valley Park Drive, Reading, Berkshire RG6 1PT, United Kingdom
Registered in England & Wales No. 3690065

EXPLANATORY NOTES

This document is important and requires your immediate attention. If you are in any doubt about its content, you should immediately consult your stockbroker, solicitor, accountant or other professional adviser duly authorised under the Financial Services and Markets Act 2000.

If you have sold or transferred all of your shares in the Company, please send this document and all accompanying documents to the purchaser or transferee, or to the stockbroker, bank or other agent through or to whom the sale or transfer was effected so that they can be passed onto the person who owns the shares.

DIRECTORS' RECOMMENDATION
It is the Directors' belief that the proposed Resolutions will promote the success of the Company and are in the best interests of the Company and shareholders as a whole. You are encouraged to vote in favour of all of the Resolutions, as each Director intends to do in respect of their own beneficial holdings.

EXPLANATORY NOTES TO THE RESOLUTIONS[1]
Resolution 1: Annual Report and Accounts
The Directors ask that shareholders receive the Accounts of the Company for the financial year ended 31 December 2013, the Directors' report and the auditors report on the Accounts.

Resolution 2: Directors' Remuneration Policy (the Policy)
The Policy sets out the Company's forward looking policy on Directors' remuneration, including the relevant components and how they support the achievement of the strategic objectives of BG Group. If Resolution 2 is passed, the Policy will take effect from the conclusion of the AGM. The vote on the Policy is binding in nature meaning that, from the conclusion of the AGM, in compliance with Section 226B of the Act, the Company may not make a remuneration payment or payment for loss of office to a person who is, is to be, or has been a Director of the Company unless that payment is consistent with the approved Policy, or has otherwise been approved by a shareholder resolution.

A copy of the Policy is available on pages 66 to 70 of the Company's Annual Report and Accounts and are available to view on the Company's website.

In compliance with Section 439A of the Act, and in line with best practice recommended by the Association of British Insurers (ABI), the Directors intend to seek shareholder approval of a remuneration policy every three years, except in the event that a change to the Policy is proposed or the advisory vote on the Directors' Annual Report on Remuneration is not passed in any year subsequent to the approval of the Policy.

Resolution 3: Directors' Annual Report on Remuneration (Annual Remuneration Report)
The Annual Remuneration Report provides details of the remuneration (including share awards) paid to the Directors during the year ended 31 December 2013. It also gives details of the way in which the Company will implement its Policy.

The vote on the Annual Remuneration Report is advisory in nature meaning that payments already made to Directors will not have to be repaid in the event that the Resolution is not passed.

Resolution 4: Declaration of a dividend
The Directors recommend a final dividend for the financial year ended 31 December 2013 of 15.68 cents (9.51 pence) per ordinary share. The final dividend will be paid on 30 May 2014 in Pounds Sterling to ordinary shareholders and in US Dollars to American Depositary Holders, who were registered at the close of business on 25 April 2014.

The rate of exchange used to determine the Pound Sterling amount equivalent was the average of the daily spot rates for the three business days prior to the business day before the announcement of the US Dollar dividend, on 4 February 2014.

An interim dividend for the year ended 31 December 2013 of 13.07 cents (8.51 pence) per ordinary share was paid on 6 September 2013.

Resolutions 5 to 7: Election of Directors
In accordance with the Company's Articles of Association and in line with the provisions of the UK Corporate Governance Code (the Code), each new Director appointed to the Board is subject to election by shareholders at the first AGM following their appointment.

On 2 December 2013, Simon Lowth was appointed as an Executive Director and Chief Financial Officer and, on 1 January 2014, Pam Daley and Martin Ferguson were appointed to the Board as Non-Executive Directors. Each is standing for election with the full support of the Board and the Board unanimously recommends that they are elected as Directors of the Company.

Full biographical details of our Directors are provided on pages 48 and 49 of the Company's Annual Report and Accounts and are available to view on the Company's website.

Resolutions 8 to 17: Re-election of Directors
All of the existing Directors covered in these Resolutions are standing for re-election, in line with Section B.7.1 of the Code which states that all directors of FTSE 350 companies should be subject to annual re-election by shareholders. Biographical details of all these Directors are set out on pages 48 and 49 of the Annual Report and Accounts and are available to view online at **www.bg-group.com/leadership**

In reviewing the recommendations of the Nominations Committee concerning the re-election of Non-Executive Directors, the Board has concluded that all Non-Executive Directors are independent for the purposes of the Code. In addition, and following the annual evaluation exercise conducted during the year, the Board considers that each Director continues to make an effective and valuable contribution and demonstrates commitment to the role. Further details regarding this determination are available on pages 62 to 63.

Accordingly, the Board unanimously recommends the re-election of each of these Directors.

Resolutions 18 to 19: Re-appointment and remuneration of auditors
The Audit Committee has recommended to the Board that Ernst & Young LLP be re-appointed as auditors of the Company.

The Directors recommend their re-appointment and seek authority for the Audit Committee to determine the level of the auditors' remuneration.

Resolution 20: Political donations
The Act prohibits companies from making any political donations to EU political organisations, independent candidates or incurring EU political expenditure unless authorised by shareholders in advance.

The Company does not make, and does not intend to make, donations to EU political organisations or independent election candidates, nor does it incur any EU political expenditure. However, the definitions of these terms used in the Act are very wide and as a result this can cover activities such as sponsorship, subscriptions, payment of expenses, paid leave for employees fulfilling certain public duties and support for bodies representing the business community in policy review or reform.

Directors seek shareholder approval on a precautionary basis only, to allow the Company, and all the companies which are subsidiaries of the Company during the relevant period, to continue to support the community and put forward its views to wider business and Government interests, without running the risk of being in breach of the legislation.

1 Resolutions 1 to 21 are ordinary resolutions that will be passed if more than 50% of the votes cast are in favour of the Resolutions. Resolutions 22 to 24 are special resolutions that will be passed if not less than 75% of the votes cast are in favour of the Resolutions.

The Board is therefore seeking authority, under Sections 366 and 367 of the Act, to make political donations to EU political organisations and independent election candidates not exceeding £15 000 in total and to incur EU political expenditure not exceeding £20 000 in total.

In line with best practice guidelines published by the ABI, this resolution is put to shareholders annually rather than every four years as required by the Act. For the purposes of this resolution, the terms 'political donations', 'political organisations', 'independent election candidate' and 'political expenditure' shall have the meanings given to them in Sections 363 to 365 of the Act.

Resolution 21: Authority to allot shares
The Directors seek shareholder approval to allot ordinary shares, in accordance with Section 551 of the Act, up to a maximum nominal amount of £113 647 520, representing approximately 1/3 of the Company's issued share capital (excluding treasury shares) as at the date of this Notice. The Company is currently holding 209 340 834 ordinary shares in treasury, representing 6.14% of the Company's issued share capital (excluding treasury shares). The Board has taken into consideration the ABI guidelines and, as in previous years, does not intend to seek shareholders' authority to allot an additional 1/3 of issued share capital.

The Directors have no present intention to allot new ordinary shares other than pursuant to employee share plans. The authority sought will last until the conclusion of the next AGM in 2015 or on 1 June 2015, whichever is the earlier.

Resolution 22: Disapplication of pre-emption rights
Further to the authority sought under Resolution 21 above, the Directors seek further approval to allot ordinary shares for cash (within the meaning of Section 560 of the Act), and/or to sell treasury shares, in certain circumstances, without having to offer such shares to existing shareholders. The Directors consider it desirable to have the maximum flexibility permitted by corporate governance guidelines in order to be able to respond to market developments and have no present intention of exercising this authority.

In accordance with Section 570 and 573 of the Act, the Directors will be able to allot:

(a) in connection with a rights issue or open offer to existing shareholders in proportion to their existing holdings up to 1 136 475 207 ordinary shares (representing approximately 1/3 of the Company's issued share capital (excluding treasury shares) at 19 March 2014), subject to any adjustments, such as for fractional entitlements and overseas shareholders, as the Directors see fit; and

(b) ordinary shares up to a maximum nominal value of £18 093 832, representing approximately 5% of the Company's issued share capital at 19 March 2014, otherwise than in connection with an offer to existing shareholders.

The Directors confirm their intention to follow the provisions of the Pre-emption Group's Statement of Principles regarding cumulative usage of authorities within a rolling three-year period. These principles provide that companies should consult shareholders prior to issuing, other than to existing shareholders, shares for cash representing in excess of 7.5% of the Company's issued ordinary share capital (excluding treasury shares) in any rolling three-year period.

The authority contained in this Resolution 22 will expire upon the expiry of the general authority conferred in Resolution 21 (being at the conclusion of the next AGM in 2015 or 1 June 2015, whichever is the earlier).

Resolution 23: Authority to make market purchases of own ordinary shares
No shares were bought back under the current authority and the Directors have no present intention to exercise the authority to purchase the Company's ordinary shares. The Directors would only exercise this authority if the impact were to increase earnings per share and would be of benefit to shareholders as a whole.

The Resolution seeks authority from shareholders, under Section 701 of the Act, for the Company to purchase (within the meaning of Section 693(4) of the Act) its own ordinary shares and specifies the maximum number of shares that may be acquired (10% of the Company's issued share capital (excluding treasury shares)) and the maximum and the minimum prices at which they may be bought.

Any ordinary shares purchased in this way will be cancelled, unless the Directors determine that they are to be held as treasury shares, and the number of ordinary shares in issue will be reduced accordingly. Ordinary shares held in treasury will not automatically be cancelled but will not be taken into account in future calculations of earnings per share, unless they are subsequently resold or transferred out of treasury.

Ordinary shares are held in treasury in accordance with Section 724 of the Act and may be used to satisfy awards under the Company's share schemes pursuant to Section 727 of the Act. Treasury shares have no entitlements to dividend payments or voting rights. Any treasury share sold becomes an ordinary share and would count towards the allotment thresholds disclosed.

As at the date of this Notice, the total number of options outstanding over ordinary shares was 7 085 471, representing 0.21% of the issued share capital of the Company (excluding treasury shares). If the existing authority given at the 2013 AGM and the authority now being sought were used to their fullest extent, these options would represent 0.26% of the Company's issued share capital (excluding treasury shares).

Resolution 24: Notice of general meetings
The Directors seek shareholder approval to retain the flexibility, under the provisions of the Act, to hold a general meeting on 14 clear days' notice (other than for an AGM).

By law (the Act), the minimum notice period for general meetings of listed companies is 21 clear days, but companies may reduce this period to 14 clear days, other than for annual general meetings, provided that:

(i) the Company offers facilities for all shareholders to vote by electronic means; and

(ii) shareholder approval for holding general meetings on 14 clear days' notice has been received by special resolution at the most recent AGM. Such a resolution was proposed and passed at last year's AGM.

It is not the Directors' intention to exercise this authority. However, the Board wishes to preserve the ability to consider on a case-by-case basis whether the use of the flexibility offered by the shorter notice period is appropriate, taking into account the circumstances, including whether the business of the meeting is time sensitive.

The approval will be effective until the conclusion of the Company's next AGM.

NOTES TO SHAREHOLDERS

Right to Vote
Only those holders of ordinary shares on the register of members of the Company at 6.00pm on 13 May 2014 (or, if the meeting is adjourned, 6.00pm on the date which is two days (excluding non-working days) before the time fixed for the adjourned meeting), or their duly appointed proxies, shall be entitled to attend or vote at the AGM in respect of the number of ordinary shares registered in their name on that date and time. Changes to the register of members after that time shall be disregarded in determining the rights of any person to attend or vote.

Appointing a proxy
Shareholders are entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote on their behalf at the AGM, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. A proxy need not be a shareholder of the Company but they must be registered in advance and attend the AGM to represent you.

If you do not have a proxy form and believe that you should have one, or if you require additional forms, you should contact the Company's registrar, Equiniti.

To be valid, you must register your proxy appointment and voting instructions by one of the following three methods:

- Online at **www.sharevote.co.uk** by following the on-screen instruction and using the shareholder reference number printed on your proxy card which accompanies this Notice;
- Return the hard copy form by post, by courier, or by hand to Equiniti, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA; or
- In the case of CREST members, by utilising the CREST electronic proxy appointment service in accordance with the procedures set out below.

If a proxy form is signed by an unregistered agent, the power of attorney or other authority relied on to sign it, or a copy that has been certified, must be delivered with the proxy form. **In each case, the appointment must be received by the Company no later than 11.30 am on 13 May 2014 (or, if the meeting is adjourned, 48 hours (excluding non-working days) before the time fixed for the adjourned meeting).**

The website address **www.sharevote.co.uk** is provided to enable shareholders to register electronically their appointment of a proxy or proxies and voting instructions for the AGM. The Company will not accept any other document or information relating to proceedings of the AGM or otherwise that may be sent by electronic means to that address.

Electronic proxy appointment through CREST
CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so by using the procedures described in the CREST Manual (available via **www.euroclear.com**). CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider, should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made using CREST to be valid, the appropriate CREST message (a CREST Proxy Instruction) must be properly authenticated in accordance with Euroclear UK & Ireland Limited's (Euroclear) specifications, and must contain the information required for such instruction, as described in the CREST Manual.

The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy, must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by 11.30 am on 13 May 2014 (or if the meeting is adjourned, 48 hours (excluding non-working days) before the time fixed for the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service provider, should note that Euroclear does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service provider(s), are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

The return of a completed proxy form, any other such instrument, or any CREST Proxy Instruction, does not preclude a shareholder attending the AGM and voting in person if they wish to do so.

Appointing a corporate representative
A shareholder that is a corporation may authorise a person or persons to act as its representative(s) at the AGM. In accordance with the provisions of the Act, each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same ordinary shares.

Nominated person
Any person to whom this Notice is sent who is a person nominated under Section 146 of the Act to enjoy information rights (a Nominated Person) does not, in that capacity, have a right to appoint a proxy, such right only being exercisable by shareholders of the Company. However, Nominated Persons may, under agreement with the shareholder who nominated them, have a right to be appointed (or to have someone else appointed) as a proxy for the AGM.

Total voting rights
As at the last practicable date prior to the publication of this Notice, the Company's issued share capital consists of 3 618 766 456 ordinary shares, carrying one vote each and 209 340 834 treasury shares, which do not have voting rights. Consequently, the total voting rights in the Company are 3 409 425 622.

Website publication of audit concerns
Members satisfying the thresholds in Section 527 of the Act can require the Company to publish a statement on its website setting out any matter relating to:

(a) the audit of the Company's Accounts (including the auditors' report and the conduct of the audit) that are to be laid before the AGM; or

(b) any circumstances connected with an auditor of the Company ceasing to hold office since the previous meeting at which the Annual Report and Accounts were laid in accordance with Section 437 of the Act,

that the members propose to raise at the AGM.

The Company cannot require the members requesting the publication on the website to pay its expenses in complying with Sections 527 and 528 of the Act. Where the Company is required to place a statement on its website under Section 527 of the Act, it must forward the statement to the Company's auditors no later than the time it makes its statement available on the website. The business that may be dealt with at the AGM includes any statement that the Company has been required to publish on its website.

Website
A copy of this Notice of AGM, and other information required by Section 311A of the Act, can be found at **www.bg-group.com/agm**

You may not use any electronic address provided in this Notice to communicate with the Company for any purposes other than those expressly stated.

Any electronic communication, including the lodgement of an electronic proxy form, received by the Company, or its agents, that is found to contain any virus will not be accepted.

AT THE 2014 AGM (THE MEETING)

Voting
Voting at the Meeting will be by poll. The Chairman will invite each shareholder, corporate representative and proxy present at the Meeting to complete a poll card indicating how they wish to cast their votes in respect of each Resolution. In addition, the Chairman will cast the votes for which he has been appointed as proxy. Poll cards will be collected at the end of the Meeting. Once the results have been verified by the Company's registrar, Equiniti, they will be notified to the UK Listing Authority, announced through a Regulatory Information Service and will be available to view on the Company's website.

Shareholders' right to ask questions
All members attending the Meeting (in person or by proxy) have the right to ask questions. The Company will endeavour at the Meeting to answer any question relating to the business being conducted. However, the Directors may choose not to answer any questions: (i) which would interfere unduly with the preparation for the Meeting; (ii) which would involve the disclosure of confidential information; (iii) if the answer has already been given on a website in the form of an answer to a question; or (iv) if it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.

If you are a member who is unable to attend the Meeting, but have a specific question you would like to ask relating to the business being conducted at the Meeting, you are invited to send the Chairman an email to **AGM@bg-group.com** or write to him at the registered office address.

Documents available for inspection
Copies of the relevant service contracts, letters of appointment and deeds of indemnity of all Directors of the Company are available for inspection during normal business hours at the registered office of the Company and at the offices of Freshfields Bruckhaus Deringer LLP, 65 Fleet Street, London EC4Y 1HT on weekdays (Saturdays, Sundays and public holidays excluded), and will also be available for inspection at the AGM from 9.00 am on the day of the AGM until its conclusion.

Registration and security
Please bring the Admission Card, which is attached to your Proxy Form, with you if you attend the AGM. If you do not have an Admission Card, your right to attend the AGM will be verified by the Company's registrar, Equiniti, at the registration desk. Please allow enough time for registration ahead of the meeting.

Certain items will not be permitted in the AGM. This includes items of any nature with potential to cause disorder and such other items as the Chairman or designated officers of the Meeting may specify. The use of cameras or other recording equipment in and during the AGM is not permitted.

Shareholder information desk
BG Group staff and Equiniti will be on hand to help you with any queries you may have.

Additional shareholder support
The AGM will be held in the Windsor Suite on the ground floor. The venue is fully accessible with wheelchair access via the front entrance.

Anyone accompanying a shareholder who is in a wheelchair, or otherwise in need of assistance, will be admitted to the AGM.

An induction loop will be available in the Windsor Suite for people with hearing difficulties.

Directions
Directions to the AGM including a map can be found overleaf.

AGM SCHEDULE

Venue
Hilton Reading Hotel, Drake Way, Reading, Berkshire, RG2 0GQ

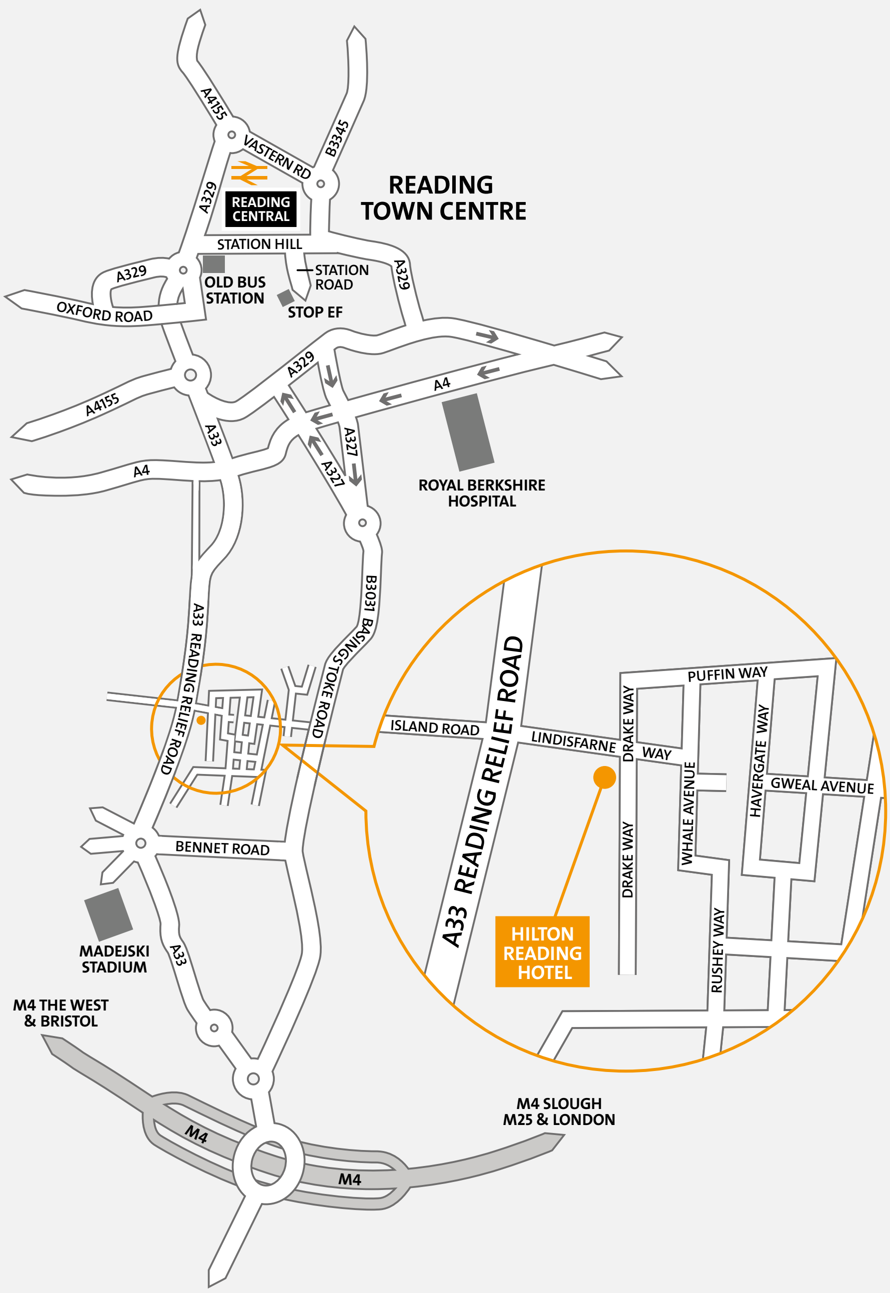
Timings

10:00 am	Doors open, registration begins, tea and coffee available.
10:30 am	Doors to the Windsor Suite open, hosts will direct you to your seats.
11.30 am	AGM begins.
	Light refreshments will be available after the meeting.

DIRECTIONS TO THE ANNUAL GENERAL MEETING (AGM)

The 2014 AGM will be held at the Hilton Reading Hotel, Drake Way, Reading, Berkshire RG2 0GQ on Thursday, 15 May 2014 at 11.30 am. The map shows the location of the hotel, and details of how to reach it.

HOW TO GET THERE



YOUR JOURNEY

Registration
Please allow enough time for registration ahead of the AGM.

By train
There will be a free bus service (Greenwave routes 40/50a) between Reading Central station and the hotel. Buses will depart from Station Road stop 'EF'.

From the main entrance of Reading Central station to the Station Road stop there is a walk of approximately 150 metres which will be signposted.

Please note that buses run from the Station Road stop from 9.30 am, and then at approximately 15 minute intervals until 11.00 am.

Buses return from the Hilton Hotel to Reading Central station every 20 minutes from 1.00 pm.

Alternatively, taxis are available from the rank outside the main entrance of Reading Central station (journey time approximately 10-15 minutes).

By car
From the M4 Junction 11, take the A33 to Reading. The Hilton Hotel will be on the right-hand side of the road, after the Madejski Stadium. Turn right at the traffic lights and proceed along Lindisfarne Way to Kennet Island. Take the first right onto Drake Way, followed by a right turn for the hotel entrance and car park.

From Reading town centre, take the A33 and follow signs to the M4 (East). The Hilton Hotel will be on the left-hand side of the road, signposted Kennet Island.

Free parking is available at the hotel.

The telephone number of the hotel is 0118 916 9000.

INDEX

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