

BG Energy Capital plc

Annual Report and Financial Statements

For the year ended 31 December 2014

Company Registration Number: 4222391

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Strategic report for the year ended 31 December 2014

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

Review of the business

BG Energy Capital plc (the "Company") was incorporated on 23 May 2001 and is a wholly owned subsidiary of BG Energy Holdings Limited (by virtue of 99.99% of issued shares being held directly and 0.01% of issued shares being held indirectly). The Company raises funds in the commercial paper and capital markets and lends such funds to other members of BG Group, the group of companies headed by the ultimate parent undertaking BG Group plc. The Company's principal assets and liabilities are financial in nature.

During 2014, capital market issuance by the Company comprised €775 million and €800 million bonds maturing in 2022 and 2029 respectively, both under the Euro Medium-Term Note Programme.

During 2013, capital market issuance by the Company comprised \$300 million and \$100 million bonds maturing in 2018 and 2033 respectively, both under the Euro Medium-Term Note Programme.

The Company will continue to raise funds as opportunities arise and funding needs dictate.

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

Principal risks and uncertainties

The principal risks and uncertainties facing the Company are financial in nature and further disclosures are found in the note 10.

The Company's processes for financial reporting are consistent with the internal control and risk management system established by BG Group plc in relation to the Group's financial reporting process and the Group's process for preparing consolidated accounts. These systems include policies and procedures to ensure that adequate accounting records are maintained and transactions are recorded accurately and fairly to permit the preparation of financial statements in accordance with UK GAAP. The main features of these systems are set out in the Corporate Governance Report in the BG Group Annual Report and Accounts 2014, which is available on the Group's website.

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

Key performance indicators (KPIs)

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

Strategic report for the year ended 31 December 2014 continued

Financial performance and position

The profit for the year ended 31 December 2014 of £5,445,000 (2013: £3,093,000) has been transferred to reserves.

The balance sheet on page 9 shows the Company's net assets increased by 35%. This is principally due to the profit for the year.

By order of the Board:



R L Dunn
Company Secretary

Date: 16 April 2015

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

Registered in England & Wales No. 4222391

Directors' report for the year ended 31 December 2014

The Directors present their report and the audited Financial Statements for BG Energy Capital plc for the year ended 31 December 2014.

Dividend

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

Future developments

Future developments are included in the Strategic report.

Post balance sheet events

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

Directors

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

G Hall

K S Taylor (appointed 14 March 2014)

S R Unger

P Zinner (resigned 28 February 2014)

The following Directors were appointed after the year end:

M A Jamieson (appointed 2 March 2015)

S Wheeler (appointed 2 March 2015)

Company Secretaries

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

S P Allen

R L Dunn

Directors' insurance

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

Directors' report for the year ended 31 December 2014 continued

Derivative financial instruments and financial risks

The Company did not transact in any derivative financial instruments during the year.

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

Auditors

Pursuant to Section 485 of the Companies Act 2006, a resolution is to be proposed at the Annual General Meeting for the re-appointment of Ernst & Young LLP as auditors of the Company.

Statement as to disclosure of information to auditors

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

Statement of Directors' responsibilities

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

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

The Directors consider that in preparing the Financial Statements on pages 8 to 15 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all applicable accounting standards have been followed and that the Financial Statements have been prepared on the going concern basis. The Company has complied with UK disclosure requirements.

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

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

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

Directors' report for the year ended 31 December 2014 continued

By order of the Board:



R L Dunn
Company Secretary

Date: 16 April 2015

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

Registered in England & Wales No. 4222391

Independent Auditor's report to the member of BG Energy Capital plc

We have audited the Financial Statements of BG Energy Capital plc for the year ended 31 December 2014 which comprise the Profit and loss account, the Balance sheet and the related notes, set out on pages 8 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' responsibilities (set out on page 4), the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for auditors.

Scope of the audit of the Financial Statements

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

Opinion on the Financial Statements

In our opinion the Financial Statements:

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

Opinion on other matter prescribed by the Companies Act 2006

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

Independent Auditor's report to the member of BG Energy Capital plc continued

Matters on which we are required to report by exception

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

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

Ernst & Young LLP

David Canning-Jones
(Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 5/5/2015

Profit and loss account for the year ended 31 December

	Notes	2014 £ 000	2013 £ 000
Operating costs		<u>-</u>	<u>(11)</u>
Operating loss	3	-	(11)
Net interest receivable/(payable) and similar income/(charges)	4	<u>6,935</u>	<u>4,041</u>
Profit on ordinary activities before taxation		6,935	4,030
Tax on profit on ordinary activities	5	<u>(1,490)</u>	<u>(937)</u>
Profit for the financial year	12, 13	<u>5,445</u>	<u>3,093</u>

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

There is no difference between the historical costs profits and losses and the results presented.

There were no recognised gains or losses other than in the profit and loss account and, therefore a separate statement of total recognised gains and losses has not been presented.

The notes on pages 10 to 15 form part of these Financial Statements.

Balance sheet as at 31 December

	Notes	2014 £ 000	2013 £ 000
Current assets			
Debtors: Amounts falling due within one year	6	301,089	68,198
Debtors: Amounts falling due after more than one year	7	8,471,107	7,423,292
Cash at bank and in hand		5	121
		<u>8,772,201</u>	<u>7,491,611</u>
Creditors: Amounts falling due within one year	8	<u>(278,848)</u>	<u>(51,538)</u>
Net current assets		<u>8,493,353</u>	<u>7,440,073</u>
Total assets less current liabilities		<u>8,493,353</u>	<u>7,440,073</u>
Creditors: Amounts falling due after more than one year	9	<u>(8,472,184)</u>	<u>(7,424,348)</u>
Net assets		<u>21,169</u>	<u>15,725</u>
Capital and reserves			
Called up share capital	11	50	50
Profit and loss account	12	21,119	15,675
Equity shareholder's funds	13	<u>21,169</u>	<u>15,725</u>

The notes on pages 10 to 15 form part of these Financial Statements.

The Financial Statements on pages 8 to 15 were approved by the Board of Directors and were signed on its behalf by:


M A Jamieson
Director

Date: 16 April 2015

Notes to the Financial Statements

1 Ultimate parent undertaking

The immediate parent undertaking is BG Energy Holdings Limited. The ultimate parent undertaking and controlling party is BG Group plc.

BG Group plc is the parent undertaking of the largest group to consolidate these Financial Statements. The smallest group into which the Company is consolidated is that of which BG Energy Holdings Limited is the parent undertaking. BG Group plc and BG Energy Holdings Limited are both registered in England and Wales. Copies of the Group consolidated accounts may be obtained from the Company Secretary, 100 Thames Valley Park Drive, Reading, Berkshire RG6 1PT.

2 Accounting policies

Basis of preparation and accounting principles

These accounts have been prepared on the going concern basis and in accordance with applicable law and accounting standards in the United Kingdom, using historical cost principles. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Exemptions

The Company has taken advantage of the exemptions available to wholly-owned UK subsidiaries under Financial Reporting Standard (FRS) 1 (Revised 1996) 'Cash Flow Statements', and accordingly has not prepared a cash flow statement.

The Company has taken advantage of the exemption in FRS 8 'Related Party Disclosures' from disclosure of transactions with other group companies.

The Company has taken advantage of the disclosure exemption under FRS 29 'Financial Instruments – Disclosures', as the consolidated financial statements of BG Group plc (the Company's ultimate parent undertaking), in which the Company is included, provide equivalent disclosures for the Group under IFRS 7 'Financial Instruments: Disclosures'.

Foreign currencies

Management considers that the Company's functional currency is Pounds Sterling and the Financial Statements are presented in that currency. Transactions in foreign currencies are translated into Pounds Sterling at the rates of exchange ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated into Pounds Sterling at the rates of exchange ruling at the balance sheet date. Differences arising from changes in exchange rates are taken to the profit and loss account in the year in which they arise.

Financial instruments

Borrowings held by the Company are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost using the effective interest rate method.

Other financial instruments such as receivable balances are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less impairment.

Notes to the Financial Statements continued

3 Operating profit/(loss)

The auditor's remuneration of £8,644 (2013: £7,792) has been borne by BG Energy Holdings Limited and has not been recharged to the Company. Any fees paid to the Company's auditor and its associates for services other than the statutory audit of the Company are not disclosed in these accounts since the consolidated accounts of the Company's ultimate parent, BG Group plc, are required to disclose non-audit fees on a consolidated basis.

No Directors received remuneration in respect of their services to the Company during the year ended 31 December 2014 (2013: £nil).

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

4 Net interest receivable/(payable) and similar income/(charges)

	2014 £ 000	2013 £ 000
Interest receivable on intercompany loan agreements	347,825	360,856
Interest payable	(340,784)	(356,813)
Foreign exchange (loss)/gain	(99)	15
Bank charges	(7)	(17)
	<u>6,935</u>	<u>4,041</u>

5 Tax on ordinary activities

The charge for taxation comprises:

	2014 £000	2013 £000
Current tax		
Corporation tax charge	<u>1,490</u>	<u>937</u>
Total tax charge	<u>1,490</u>	<u>937</u>

Notes to the Financial Statements continued

5 Tax on ordinary activities continued

Factors affecting current tax charge for the year:

	2014 £000	2013 £000
Profit on ordinary activities before taxation	<u>6,935</u>	<u>4,030</u>
Tax on profit on ordinary activities at 21.5% (2013: 23.25%)	<u>1,490</u>	<u>937</u>
Total current tax	<u>1,490</u>	<u>937</u>

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

6 Debtors: amounts falling due within one year

	2014 £ 000	2013 £ 000
Loans to parent undertaking	248,082	17,450
Interest accrued on loans to parent undertaking falling due after one year	<u>53,007</u>	<u>50,748</u>
	<u>301,089</u>	<u>68,198</u>

Amounts owed by group undertakings are unsecured, bear interest at a weighted average of 0.06% (2013: 0.00%) where applicable and have no fixed date of repayment.

7 Debtors: amounts falling due after more than one year

	2014 £000	2013 £000
Amounts owed by group undertakings	<u>8,471,107</u>	<u>7,423,292</u>

Amounts owed by group undertakings are unsecured, bear interest at a weighted average of 4.02% (2013: 4.48%) and have repayment dates ranging from 2016 to 2072.

8 Creditors: amounts falling due within one year

	2014 £ 000	2013 £ 000
Short-term borrowings: bonds	224,081	-
Amounts owed to group undertakings in respect of taxation	2,427	1,851
Accruals and deferred income	<u>52,340</u>	<u>49,687</u>
	<u>278,848</u>	<u>51,538</u>

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

Notes to the Financial Statements continued

9 Creditors: Amounts falling due after more than one year

	2014	2013
	£ 000	£ 000
Long-term borrowings: bonds	<u>8,472,184</u>	<u>7,424,348</u>

The bonds are unconditionally and irrevocably guaranteed by the Company's immediate parent undertaking BG Energy Holdings Limited. The weighted average interest rate of the long-term financial liabilities is 4.02% (2013: 4.48%). The interest rates on fixed rate borrowings are not subject to re-pricing prior to maturity with the exception of the hybrid bonds issued in 2012 which are re-priced in 2017, 2022 and then annually to maturity in 2072.

10 Financial instruments

Treasury policy and risk management

The Company raises funds in the commercial paper and capital markets and lends such funds to other members of BG Group. These funds are raised as opportunities arise and funding needs dictate. The Company's principal assets and liabilities are financial in nature.

The principal Treasury risks the Company faces are:

- i. A mismatch between the currencies and maturity profiles of its borrowings and its inter-company loans;
- ii. A mismatch in interest rates between its borrowings and its inter-company loans; and
- iii. counterparty risk.

Failure to manage Treasury risks could have a material impact on the Company's cash flow and financial position.

The Company mitigates foreign exchange risk by generally seeking to match the currencies of its non-Pounds Sterling intercompany loans with those of its non-Pounds Sterling borrowings.

The Company mitigates liquidity risks, including risks associated with refinancing borrowings as they mature, the risk that borrowing facilities are not available to meet cash requirements and the risk that financial assets cannot readily be converted to cash without loss of value by limiting the amount of borrowing that matures within any specific period and by seeking terms and conditions on its intercompany loans which in the absence of counterparty default should allow it to service its borrowing obligations.

The Company mitigates interest rate risk in line with BG Group risk management policy by seeking terms and conditions on its inter-company loans which (in the absence of counterparty default) should allow it to service its borrowing obligations in all reasonably foreseeable interest rate scenarios.

Notes to the Financial Statements continued

10 Financial instruments continued

The Company is exposed to credit risks, being the loss that would be recognised if counterparties failed to or are unable to meet their payment obligations. These risks may arise in the investment of surplus cash balances and the lending of funds. The Company mitigates these risks by lending only to members of the BG Group, considering the financial and credit condition of banks with whom it maintains bank accounts, analysing each counterparty's financial condition prior to entering into transactions and monitoring for individual transaction and concentration risk.

Maturity of financial assets and gross borrowings

The maturity of the carrying amount of the Company's gross borrowings and financial assets, at 31 December 2014 was as follows:

	2014 £ 000	2013 £ 000
Financial assets		
Less than one year	248,087	17,572
Between two and five years	2,561,786	2,172,637
After five years	5,909,321	5,250,654
	<u>8,719,194</u>	<u>7,440,863</u>
Borrowings		
Less than one year	(226,508)	(1,851)
Between two and five years	(2,562,211)	(2,172,895)
After five years	(5,909,973)	(5,251,453)
	<u>(8,698,692)</u>	<u>(7,426,199)</u>

All borrowings are at a fixed rate except for a \$300 million floating rate instrument (3 month US Dollar LIBOR + 75 basis points) (2013: 3 month US Dollar LIBOR + 75 basis points). All financial assets are at a fixed rate except for an intra-group loan to the parent company, BG Energy Holdings Ltd for \$300 million (3 month US Dollar LIBOR + 75 basis points) (2013: 3 month US Dollar LIBOR + 75 basis points). The interest rates on fixed rate borrowings are not subject to re-pricing prior to maturity with the exception of the hybrid bonds issued in 2012 which are re-priced in 2017, 2022 and then annually to maturity in 2072.

11 Share capital

Allotted and fully paid:

	No.	2014 £000	No.	2013 £000
Ordinary shares of £1 each	50,002	50	50,002	50

Notes to the Financial Statements continued

12 Reserves

	Profit and loss account £000
As at 1 January 2014	15,674
Transfer from profit and loss account	<u>5,445</u>
As at 31 December 2014	<u><u>21,119</u></u>

13 Reconciliation of movement in shareholder's funds

	2014 £000	2013 £000
As at 1 January	15,724	12,632
Transfer from profit and loss account	<u>5,445</u>	<u>3,093</u>
As at 31 December	<u><u>21,169</u></u>	<u><u>15,725</u></u>

14 Post balance sheet events

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

