

Registration number: 2383911

BG North Sea Holdings Limited

Annual Report

and

Financial Statements

For the year ended 31 December 2018

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BG North Sea Holdings Limited

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BG North Sea Holdings Limited

Strategic report for the year ended 31 December 2018

The Directors present their strategic report on BG North Sea Holdings Limited (also referred to as the "Company") for the year ended 31 December 2018.

The Company is one of the entities within the "Shell Group". In this context the term "Shell Group" and "Companies of the Shell Group" or "Group companies" means companies where Royal Dutch Shell plc, either directly or indirectly, is exposed to, or has rights to, variable returns from its involvement with the Company and has the ability to affect those returns through its power over the Company. Companies in which Group companies have significant influence but not control are classified as "Associated companies". Royal Dutch Shell plc, a company incorporated in England and Wales, is known as the "Parent Company" of the Shell Group. In this Report "Shell", "Shell Group" and "Royal Dutch Shell" are sometimes used for convenience where references are made to Royal Dutch Shell and its subsidiaries in general. These expressions are also used where no useful purpose is served by identifying the particular company or companies.

Business review

The Company acts as a holding company for certain operating companies involved in the exploration for and production of oil and gas hydrocarbons. The Company operates a branch in Colombia, which includes a participating interest in a joint operation for the exploration and production of hydrocarbons. The interest was sold during the period and operations in Colombia were minimal.

The Company's profit for the financial year has increased from \$969,268,000 in 2017 to \$1,243,829,000 in 2018. This was primarily due to income by way of dividends from subsidiary undertakings which was partially offset by impairment of investments in subsidiaries.

The Directors consider that the year end financial position of the Company was satisfactory.

Principal risks and uncertainties

The Shell Group has a single risk based control framework - The Shell Control Framework - to identify and manage risks. The Shell Control Framework applies to all wholly owned Shell companies and to those ventures and other companies in which Royal Dutch Shell has directly or indirectly a controlling interest. From the perspective of the Company, the principal risks and uncertainties affecting the Company are considered to be those that affect the Shell Group. Accordingly, the principal risks and uncertainties of the Shell Group, which are discussed on pages 15 to 20 of Royal Dutch Shell's Annual Report and Form 20-F for the year ended 31 December 2018 (the "Group Report"), include those of the Company. (The Group Report does not form part of this report).

BG North Sea Holdings Limited

Strategic report for the year ended 31 December 2018 (continued)

Key Performance Indicators

Companies of the Shell Group comprise the Upstream businesses of Exploration and Production, Integrated Gas and New Energies, Oil Sands and the Downstream businesses of Oil Products and Chemicals. The Company's key performance indicators, that give an understanding of the development, performance and position of the business, are aligned with those of the Shell Group. The development, performance and position of the various businesses is discussed on pages 29 to 61 of the Group Report and the key performance indicators through which the Group's performance is measured are as set out on pages 27 to 28 of the Group Report.

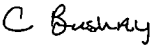
Human Rights

Respect for human rights is embedded in the Shell Group's Business Principles and Code of Conduct. This approach is informed by the Universal Declaration of Human Rights, the core conventions of the International Labour Organization and the United Nations' Guiding Principles on Business and Human Rights.

The Shell Group works closely with other companies and non-governmental organisations to continuously improve the way it applies these principles, with a focus on four key areas: communities, security, labour rights, and supply chain. The Shell Group has systems and processes in place for managing projects, contracting and procurement, recruitment and employment, security and social performance and requires all Group companies and contractors to respect the human rights of their workforce and neighbouring communities.

The Shell Group's Modern Slavery Statement provides more details about the process applied. It can be found at www.shell.com/uk-modern-slavery-act.html.

Approved by the Board on 16 September 2019 and signed on its behalf by:

DocuSigned by:

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C. Bushay
Authorised signatory for
Shell Corporate Secretary Limited
Company secretary

BG North Sea Holdings Limited

Directors' report for the year ended 31 December 2018

The Directors present their report and the financial statements for the year ended 31 December 2018.

The Directors' report and audited financial statements of the Company have been prepared in accordance with the Companies Act 2006.

Dividends

No dividends were paid during the year (2017: \$1,126,989,000).

Future Outlook

No significant change in the business of the Company or of its subsidiary undertakings has taken place during the year or is expected in the immediately foreseeable future.

Directors

The directors, who held office during the year, and to the date of this report (except as noted) were as follows:

G J Archibald

M W Eide

J S M Van Bunnik (resigned 16 April 2018)

P C Dalton

H E L Jones (appointed 28 May 2018)

S L Ouellette (appointed 12 February 2018)

Financial risk management

The Company's Directors are required to follow the requirements of Shell Group risk management policies, which include specific guidelines on the management of market, credit and liquidity risk, and advice on the use of financial instruments to manage them. Shell Group risk management policies can be found in the Group Report (see pages 103 to 104 and note 19).

Branches outside of United Kingdom

The Company operates a branch in Colombia.

BG North Sea Holdings Limited

Directors' report for the year ended 31 December 2018 (continued)

Statement of Directors' responsibilities

The Directors acknowledge their responsibilities for preparing the Strategic report, Directors' report and the Company's financial statements in accordance with applicable laws 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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' (FRS 101). Under company law the Directors must not approve the financial statements unless they are satisfied that they 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 period. In preparing these financial statements, the Directors are required to:

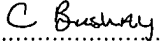
- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditor

Each Director has taken 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 auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on 16 September 2019 and signed on its behalf by:

DocuSigned by:

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C. Bushay
Authorised signatory for
Shell Corporate Secretary Limited
Company secretary

Independent Auditor's report to the Member of BG North Sea Holdings Limited

Opinion

We have audited the financial statements of BG North Sea Holdings Limited (the "Company") for the year ended 31 December 2018, which comprise the Profit and loss account, Statement of comprehensive income, Balance sheet, Statement of changes in equity, and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditor's report to the Member of BG North Sea Holdings Limited (continued)

Other information

The other information comprises the information included in the annual report set out on pages 1 to 4, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- 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; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

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.

Independent Auditor's report to the Member of BG North Sea Holdings Limited (continued)

Responsibilities of Directors

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, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.


Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's member, 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 member 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 member as a body, for our audit work, for this report, or for the opinions we have formed.


.....
William Testa (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 19 September 2019

BG North Sea Holdings Limited

Profit and Loss Account for the year ended 31 December 2018

	Note	2018 \$ 000	2017 \$ 000
Turnover	3	-	5,079
Other income/(expense)		4,584	(4,175)
OPERATING PROFIT	6	4,584	904
Income from shares in subsidiary undertakings		3,081,722	938,700
Impairment of investments	9	(1,876,656)	-
Profit on disposal of tangible fixed assets		-	609
PROFIT BEFORE INTEREST AND TAXATION		1,209,650	940,213
Interest receivable and similar income	4	43,916	41,348
Interest payable and similar charges	5	(1,646)	(2,400)
PROFIT BEFORE TAXATION		1,251,920	979,161
Tax on profit	8	(8,091)	(9,893)
PROFIT FOR THE YEAR		1,243,829	969,268

BG North Sea Holdings Limited

Statement of comprehensive income for the year ended 31 December 2018

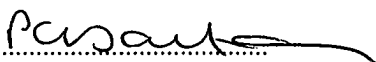
	2018	2017
Note	\$ 000	\$ 000
Profit for the year	1,243,829	969,268
Other comprehensive income: Items that may be reclassified subsequently to profit or loss		
Changes in revaluation surplus	(1,276,068)	-
Tax on items relating to components of other comprehensive income	-	(6)
Foreign currency translation gains/(losses)	626	(1,791)
Other comprehensive loss for the year, net of tax	<u>(1,275,442)</u>	<u>(1,797)</u>
Total comprehensive (loss)/income for the year	<u>(31,613)</u>	<u>967,471</u>

BG North Sea Holdings Limited

(Registration number: 2383911)
Balance sheet as at 31 December 2018

	Note	2018 \$ 000	2017 \$ 000
Fixed assets			
Investments	9	1,446,736	3,899,460
Deferred tax	8	1,399	1,671
		<u>1,448,135</u>	<u>3,901,131</u>
Current assets			
Debtors	10	4,835,423	2,102,422
		4,835,423	2,102,422
Creditors: amounts falling due within one year	11	(47,417)	(35,799)
Net current assets		<u>4,788,006</u>	<u>2,066,623</u>
Total assets less current liabilities		<u>6,236,141</u>	<u>5,967,754</u>
Net assets		<u>6,236,141</u>	<u>5,967,754</u>
Equity			
Called up share capital	12	4,210,326	3,910,326
Currency translation reserve		(1,171)	(1,797)
Revaluation reserve		-	1,276,068
Profit and loss account		2,026,986	783,157
Total equity		<u>6,236,141</u>	<u>5,967,754</u>

The financial statements on pages 8 to 30 were authorised for issue by the Board of Directors on 16 September 2019 and signed on its behalf by:


P C Dalton
Director

BG North Sea Holdings Limited

Statement of changes in equity for the year ended 31 December 2018

	Called up share capital \$ 000	Currency translation reserve \$ 000	Revaluation reserve \$ 000	Profit and loss account \$ 000	Total \$ 000
Balance as at 01 January 2017	3,910,326	-	1,276,068	940,878	6,127,272
Profit for the year	-	-	-	969,268	969,268
Other comprehensive income for the year	-	(1,797)	-	-	(1,797)
Total comprehensive income for the year	-	(1,797)	-	969,268	967,471
Dividends paid (refer note 13)	-	-	-	(1,126,989)	(1,126,989)
Balance as at 31 December 2017	<u>3,910,326</u>	<u>(1,797)</u>	<u>1,276,068</u>	<u>783,157</u>	<u>5,967,754</u>
Balance as at 01 January 2018	3,910,326	(1,797)	1,276,068	783,157	5,967,754
Profit for the year	-	-	-	1,243,829	1,243,829
Other comprehensive income for the year	-	626	(1,276,068)	-	(1,275,442)
Total comprehensive income for the year	-	626	(1,276,068)	1,243,829	(31,613)
Proceeds from shares issued	300,000	-	-	-	300,000
Balance as at 31 December 2018	<u>4,210,326</u>	<u>(1,171)</u>	<u>-</u>	<u>2,026,986</u>	<u>6,236,141</u>

BG North Sea Holdings Limited

Notes to the financial statements for the year ended 31 December 2018

General information

The Company is a private company limited by share capital incorporated in England and Wales. The address of its registered office is: Shell Centre, London, SE1 7NA, United Kingdom (UK).

1 Accounting policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework, which involves the application of International Financial Reporting Standards ("IFRS") with a reduced level of disclosure. The financial statements have been prepared under the historical cost convention, except for certain items measured at fair value, and in accordance with the Companies Act 2006.

As applied to the Company, there are no material differences between EU endorsed IFRS and IFRS as issued by the International Accounting Standards Board.

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all of the years presented, except for the adoption of IFRS 9 and IFRS 15.

New standards applied

The adoption of IFRS 9 and IFRS 15 has had no material impact on the Company's retained earnings or balance sheet as at 1 January 2018.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The following exemptions from the disclosure requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:

BG North Sea Holdings Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

- (i) paragraph 79(a)(iv) of IAS 1 'Presentation of financial statements';
 - (ii) paragraph 73(e) of IAS 16 'Property, plant and equipment';
 - (iii) paragraph 118(e) of IAS 38 'Intangible assets' (reconciliation between the carrying amount at the beginning and end of the period);
- The following paragraphs of IAS 1, 'Presentation of financial statements':
- (i) 10(d) (statement of cash flows);
 - (ii) 10(f) (a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - (iii) 16 (statement of compliance with all IFRS);
 - (iv) 38A (requirement to present a minimum of two statements for each of the primary financial statements, including cash flow statements and related notes);
 - (v) 38B-D (additional comparative information);
 - (vi) 40A-D (requirements for a third balance sheet);
 - (vii) 111 (cash flow statement information); and
 - (viii) 134-136 (capital management disclosures)
- The following paragraphs of IFRS 15, 'Revenue from Contracts with Customers':
- (i) the requirements of the second sentence of paragraph 110 (qualitative and quantitative information about contracts with customers, significant judgements, changes in judgements in applying this standard to those contracts, and assets recognised from the costs to obtain or fulfil a contract);
 - (ii) paragraph 113(a) (revenue recognised from contracts with customers);
 - (iii) paragraphs 114 and 115 (disaggregation of revenue);
 - (iv) paragraph 118 (changes in contract asset and liability);
 - (v) paragraphs 119(a) to (c) and 120 to 127 (performance obligations); and
 - (vi) paragraph 129 (practical expedients);
- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more wholly owned members of a group.

BG North Sea Holdings Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Consolidation

The financial statements contain information about BG North Sea Holdings Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Royal Dutch Shell plc, a company incorporated in England and Wales.

The immediate parent company is BG Energy Holdings Limited.

The ultimate parent company and controlling party is Royal Dutch Shell plc, which is incorporated in England and Wales. Royal Dutch Shell plc is the parent undertaking of the smallest and largest group to consolidate these accounts.

The consolidated accounts of Royal Dutch Shell plc are available from:

Royal Dutch Shell plc
Tel: +31 888 800 844
email: order@shell.com
Registered office: Shell Centre, London, SE1 7NA

Income from shares in subsidiary and participating undertakings

Income from shares in subsidiary and participating undertakings represents dividends relating to the current year and prior periods, provided that the dividends have been approved by the Company.

Taxation

Tax is recognised in profit or loss, except that tax attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income or directly in equity.

Current tax

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date for tax payable to HM Revenue and Customs, or for group relief to surrender to or to be received from other Group undertakings, and for which payment may be requested.

BG North Sea Holdings Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised when, on the basis of the most recent available evidence, it is regarded as probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets against deferred tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Amounts relating to deferred tax are undiscounted.

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in US Dollars '\$' which is also the Company's functional currency.

The functional currency of the Company was changed from £ to \$ in 2017. Accordingly, the reporting currency was changed from £ to \$ in 2017.

(ii) Transaction and balances

Income and expense items denominated in foreign currencies are translated into \$ at the rate ruling on their transaction date.

Monetary assets and liabilities recorded in foreign currencies have been expressed in \$ at the rates of exchange ruling at the year end. Differences on translation are included in the profit and loss account. Non-monetary assets and liabilities denominated in a foreign currency are translated using exchange rates at the date of the transaction. No subsequent translations are made once this has occurred.

BG North Sea Holdings Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Exploration, appraisal and development costs

Exploration and appraisal costs are accounted for under the successful efforts method.

Exploration costs are charged to income when incurred, except that exploratory drilling costs are included in tangible fixed assets, pending determination of proved reserves. Exploration wells that are more than 12 months old are expensed unless (a) (i) they are in an area requiring major capital expenditure before production can begin and (ii) they have found commercially producible quantities of reserves and (iii) they are subject to further exploratory or appraisal activity in that either drilling of additional exploratory wells is under way or firmly planned for the near future, or (b) proved reserves are booked within 12 months following the completion of exploratory drilling.

Decommissioning and restoration costs

The Company follows the requirements of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The total estimated cost of decommissioning and restoration, discounted to its net present value, is provided for and also recognised as a cost of each field, onshore terminal or main trunkline and capitalised within tangible fixed assets. The capitalised cost is amortised over the life of the field on a unit-of-production basis for offshore facilities and on a straight-line basis for onshore terminals and main trunklines. The unwinding of the discount in the net present value of the total expected cost is treated as an interest expense. Changes in estimates result in an equal and opposite movement in the provision and the associated asset. If a decrease in the provision exceeds the asset's carrying amount, the excess is recognised in the profit and loss account. Changes in estimates of assets are depreciated prospectively over the remaining reserves of the field or the remaining life of the onshore terminal or pipeline as appropriate.

BG North Sea Holdings Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Financial instruments

Financial assets

Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification of financial assets is determined by the contractual cash flows and where applicable the business model for managing the financial assets.

A financial asset is measured at amortised cost if the objective of the business model is to hold the financial asset in order to collect contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. Financial assets at amortised cost are initially recognised at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently the financial asset is measured using the effective interest method less any impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. All equity instruments and other debt instruments are recognised at fair value. For equity instruments, on initial recognition, an irrevocable election (on an instrument-by-instrument basis) can be made to designate these as at FVOCI (without recycling to profit and loss) instead of FVTPL. Dividends received on equity instruments are recognised as other income in profit or loss when the right of payment has been established, except when the company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income.

Impairment of financial assets

The impairment requirements for expected credit losses are applied to financial assets measured at amortised cost, financial assets measured at FVOCI and financial guarantees contracts to which IFRS 9 is applied and that are not accounted for at FVTPL and lease receivables under IFRS 15 that give rise to a conditional right to consideration. If the credit risk on the financial asset has increased significantly since initial recognition, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses. In other instances, the loss allowance for the financial asset is measured at an amount equal to the twelve month expected credit losses (ECLs). Changes in loss allowances are recognised in profit and loss. For trade debtors that do not contain a significant financing component, the simplified approach is applied recognising expected lifetime credit losses from initial recognition.

Financial liabilities

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL, such as instruments held for trading, or the Company has opted to measure them at FVTPL. Debt and trade creditors are recognised initially at fair value based on amounts exchanged, net of transaction costs, and subsequently at amortised cost. Interest expense on debt is accounted for using the effective interest method and is recognised in income.

BG North Sea Holdings Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Investment in subsidiaries and participating undertakings

These comprise investments in shares and loans that the Company intends to hold on a continuing basis. The investments in subsidiaries and participating undertakings are stated at cost, less provisions for impairment. The Company carries out a review for the potential impairment of an investment if events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. Such impairment reviews are performed in accordance with IAS 36. Any impairments are recorded in the profit and loss account.

If, after an impairment loss has been recognised, the recoverable amount of an investment increases because of a change in economic conditions or in the expected use of the asset, the resulting reversal of the impairment loss is recognised in the current year to the extent that it increases the carrying amount of the fixed asset up to the amount it would have been had the original impairment not occurred.

Turnover

Turnover from sales of oil, natural gas, chemicals and other products, is recognised at the price at which the Company is expected to be entitled to, after deducting sales taxes, excise duties and similar levies, and when the control of the products have been transferred, which is when the customer has the ability to direct the use of the products and obtain substantially all of the remaining benefits from the products. For turnover from refining operations, it is either when product is placed on board a vessel or offloaded from the vessel, depending on the contractually agreed terms; and for sales of oil products and chemicals, it is either at the point of delivery or the point of receipt, depending on contractual conditions. Turnover from sales of oil and natural gas generally occurs when product is physically transferred into a vessel, pipe or other delivery mechanism. For turnover resulting from arrangements that do not meet the revenue from contract with customer criteria, turnover is classified as from other sources.

BG North Sea Holdings Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Netting off policy

Balances with other companies of the Shell Group are stated gross, unless both of the following conditions are met:

- Currently there is a legally enforceable right to set off the recognised amounts; and
- There is intent either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

2 Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Impairment of investments

Investments are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts for those assets may not be recoverable. For the purposes of determining whether impairment of investments has occurred, and the extent of any impairment or its reversal, management review a range of measures relating to the underlying entity's performance, including the net present value of future cash flows. In assessing these measures, management make a number of assumptions relating (but not restricted) to future oil and gas prices, expected production volumes and refining margins appropriate to the local circumstances and environment. These assumptions and the judgements of management that are based on them are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates.

Provision for expected credit losses of trade debtors

The Company computes probability of default rates for third party trade debtors based on historical loss experience adjusted for current and forward looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. For intra-group trade debtors, the Company uses an internal credit rating to determine the probability of default. Internal credit ratings are based on methodologies adopted by independent credit rating agencies.

BG North Sea Holdings Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

2 Critical accounting judgements and key sources of estimation uncertainty (continued)

Fair value of financial assets and liabilities

Where the fair value of financial assets and liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is derived from observable markets where available, but where this is not feasible, a degree of judgement is required in determining assumptions used in the models. Changes in assumptions used in the models could affect the reported fair value of financial assets and liabilities.

3 Turnover

The analysis of the Company's turnover for the year from operations is as follows:

	2018 \$ 000	2017 \$ 000
Oil and gas exploration and production	-	5,079
	<u>-</u>	<u>5,079</u>

4 Interest receivable and similar income

	2018 \$ 000	2017 \$ 000
Interest from Group undertakings:		
Fellow subsidiary undertakings	43,916	25,929
Profit on currency translation	-	15,419
	<u>43,916</u>	<u>41,348</u>

5 Interest payable and similar charges

	2018 \$ 000	2017 \$ 000
Interest on loans from Group undertakings:		
Fellow subsidiary undertakings	56	2,241
Loss on currency translation	1,590	-
Other interest payable	-	159
	<u>1,646</u>	<u>2,400</u>

BG North Sea Holdings Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

6 Operating profit

Arrived at after crediting

	2018	2017
	\$ 000	\$ 000
Currency translation:		
Trading activities	(1,360)	(174)

The Company had no employees during 2018 (2017: none).

None of the Directors received any emoluments (2017: none) in respect of their services to the Company.

7 Auditor's remuneration

The Auditor's remuneration of \$14,073 (2017:\$11,149) in respect of the statutory audit was borne by a group company for both current and preceding years.

Fees paid to the Company's auditor and its associates for non-audit services to the Company itself are not disclosed in the individual accounts of the Company because the Royal Dutch Shell plc consolidated accounts are required to disclose such fees on a consolidated basis.

BG North Sea Holdings Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

8 Taxation

Tax charge in the profit and loss account

The tax charge for the year of \$8,091,000 (2017: \$9,893,000) is made up as follows:

	2018 \$ 000	2017 \$ 000
Current taxation		
UK corporation tax	7,736	9,969
UK corporation tax adjustment to prior periods	<u>83</u>	<u>443</u>
Total current tax charge	<u>7,819</u>	<u>10,412</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	-	180
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	<u>272</u>	<u>(699)</u>
Total deferred tax	<u>272</u>	<u>(519)</u>
Tax charge in the profit and loss account	<u>8,091</u>	<u>9,893</u>

BG North Sea Holdings Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

8 Taxation (continued)

Reconciliation of total tax charge

The tax on profit before tax for the year differs from the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%).

	2018	2017
	\$ 000	\$ 000
Profit before tax	(1,251,920)	(979,161)
Tax on profit calculated at standard rate (2018: 19.00%) (2017: 19.25%)	237,865	188,487
Effects of:		
Income exempt from taxation	(579)	-
Expenses not deductible	356,772	104
Adjustments in respect of prior periods	355	(256)
Income/loss subject to higher tax rate	(4)	-
Currency translation adjustments	(1,288)	810
Tax losses for which no deferred tax asset was recognised	5	-
Dividends from UK companies	(585,527)	(180,700)
Tax recognised for subsidiary	518	-
Tax on imputed interest	(26)	1,448
Total tax charge	<u>8,091</u>	<u>9,893</u>

UK Finance Act (No 2) Act 2015 which introduced reductions in the UK corporation tax rate to 19% effective from 1 April 2017 to 18% effective from 1 April 2020 was enacted 15 November 2015.

UK Finance Act 2016 which introduced further reductions in the UK corporation tax rate to 17% effective 1 April 2020 was enacted on 15 September 2016.

The relevant deferred tax balances have been remeasured to 17%, the rate enacted by the balance sheet date.

BG North Sea Holdings Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

8 Taxation (continued)

Deferred tax movement during the year:

	At 1 January 2018 \$ 000	Recognised in profit and loss account \$ 000	At 31 December 2018 \$ 000
Provision for decommissioning and restoration not yet allowed for tax	-	-	-
Accelerated tax depreciation	1,671	-	1,671
Other items	-	(272)	(272)
Net tax assets	<u>1,671</u>	<u>(272)</u>	<u>1,399</u>

Deferred tax movement during the prior year:

	At 1 January 2017 \$ 000	Recognised in profit and loss account \$ 000	At 31 December 2017 \$ 000
Provision for decommissioning and restoration not yet allowed for tax	1,246	(1,246)	-
Accelerated tax depreciation	(100)	1,771	1,671
Other items	-	-	-
Net tax assets	<u>1,146</u>	<u>525</u>	<u>1,671</u>

The provision for deferred tax consists of the following deferred tax (liabilities) / assets:

	2018 \$ 000	2017 \$ 000
Deferred tax assets due more than 12 months	<u>1,399</u>	<u>1,671</u>
Total deferred tax	<u><u>1,399</u></u>	<u><u>1,671</u></u>

BG North Sea Holdings Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

9 Investments

	Subsidiary undertakings shares \$ 000
Cost	
Balance at 1 January 2018	5,874,847
Additions	<u>700,000</u>
Balance at 31 December 2018	<u>6,574,847</u>
Amounts provided	
Balance at 1 January 2018	(1,975,387)
Additions*	<u>(3,152,724)</u>
Balance at 31 December 2018	<u>(5,128,111)</u>
Carrying amount	
At 31 December 2018	<u>1,446,736</u>
At 31 December 2017	<u>3,899,460</u>

* Based on the impairment review conducted during the year, the Company recognised an impairment of \$3,152,724,000 on its subsidiary undertakings, of which \$1,276,068,000 is through the revaluation reserve.

Details of the subsidiaries as at 31 December 2018 are as follows:

Name of subsidiary	Registered office and Country of incorporation	Class of shares	% of ownership
Egypt LNG Shipping Limited*	Clarendon House, 2 Church Street, Hamilton, HM 11	Ordinary	25%
BG Egypt SA	Bermuda 5th Floor Bermuda House, Dr.Roy's Drive, George, Town, Grand Cayman Cayman Islands	Ordinary	100%

BG North Sea Holdings Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

9 Investments (continued)

Name of subsidiary	Registered office and Country of incorporation	Class of shares	% of ownership
BG Exploration and Production India Limited*	Floor 4, Willow House, Cricket Square, PO Box 268, George Town, Grand Cayman. Cayman Islands	Ordinary	100%
El Behera Natural Gas Liquefaction Company SAE*	City of Rashid, El Behera Governorate, Arab Republic of Egypt Egypt	Ordinary	35.5%
IDKU Natural Gas Liquefaction Company SAE*	City of Rashid, El Behera Governorate, Arab Republic of Egypt Egypt	Ordinary	38%
The Egyptian LNG Company SAE*	City of Rashid, El Behera Governorate Egypt	Ordinary	35.5%
The Egyptian Operating Company For Natural Gas Liquefaction Projects SAE*	City of Rashid, El Behera Governorate Egypt	Ordinary	35.5%
Rashid Petroleum Company SAE*	38, Street No 270, Maadi, Cairo Egypt	Ordinary	20%
BG Atlantic Finance Limited	Shell Centre, London, SE17NA England and Wales	Ordinary	100%
BG South Asia LNG Limited*	Shell Centre, London, SE17NA England and Wales	Ordinary	100%
Shell Trinidad and Tobago Limited	Shell Centre, London, SE17NA England and Wales	Ordinary	100%

BG North Sea Holdings Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

9 Investments (continued)

Name of subsidiary	Registered office and Country of incorporation	Class of shares	% of ownership
BG India Energy Private Limited*	3-C World Trade Tower, New Barakhamba Lane, New Delhi, 110001 India	Ordinary	100%
BG India Energy Services Private Limited*	3-C World Trade Tower, New Barakhamba Lane, New Delhi, 110001 India	Ordinary	100%
BG India Energy Solutions Private Limited*	3-C World Trade Tower, New Barakhamba Lane, New Delhi, 110001 India	Ordinary	100%
BG Mumbai Holdings Limited*	6th Floor, Tower A, 1 Cybercity, Ebene Mauritius	Ordinary	100%
BG Asia Pacific Holdings Pte Limited	The Metropolis Tower 1,9 North Buona Vista Drive,#07-01, Singapore, 138588 Singapore	Ordinary	100%
BG Asia Pacific Services Pte Limited*	The Metropolis Tower 1,9 North Buona Vista Drive,#07-01, Singapore, 138588 Singapore	Ordinary	100%
BG Exploration & Production Myanmar Pte Limited*	The Metropolis Tower 1, 9 North Buona Vista Drive, #07-01, Singapore, 138588 Singapore	Ordinary	100%

BG North Sea Holdings Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

9 Investments (continued)

Name of subsidiary	Registered office and Country of incorporation	Class of shares	% of ownership
BG Insurance Company (Singapore) Pte Limited*	10 Collyer Quay, 10-01 Ocean Financial Centre, Singapore 049315 Singapore	Ordinary	100%
BG Myanmar Pte Limited*	The Metropolis Tower 1, 9 North Buona Vista Drive, #07-01, Singapore, 138588 Singapore	Ordinary	100%
BG Oil Marketing Pte Limited*	The Metropolis Tower 1, 9 North Buona Vista Drive, #07-01, Singapore, 138588 Singapore	Ordinary	100%
Shell Gas Marketing Pte Limited*	The Metropolis Tower 1, 9 North Buona Vista Drive, #07-01, Singapore, 138588 Singapore	Ordinary	100%
Shell Integrated Gas Thailand Pte*	The Metropolis Tower 1, 9 North Buona Vista Drive, #07-01, Singapore, 138588 Singapore	Ordinary	100%
Thai Energy Company Limited*	10 Soonthornkosa Road, Klongtoey, Bangkok, 10110 Thailand	Ordinary	99.98%
The International School of Port of Spain Limited*	1 International Drive, West Moorings Trinidad and Tobago	Ordinary	25%

*indicates the subsidiary is indirectly held.

BG North Sea Holdings Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

10 Debtors: Amounts due within one year

	2018 \$ 000	2017 \$ 000
Amounts owed by Group undertakings:		
Subsidiary undertakings	-	6,772
Fellow subsidiary undertakings	4,835,048	2,095,039
Other debtors	<u>375</u>	<u>611</u>
	<u><u>4,835,423</u></u>	<u><u>2,102,422</u></u>

Amounts owed by group undertakings are unsecured, have no fixed date of repayment and are repayable on demand and include \$4,830,461,047 (2017: \$2,093,606,000) on which interest ranging from 0.47% to 2.18% is applicable and the remaining balance is interest free. The Company has recorded all financial assets at amortised cost.

BG North Sea Holdings Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

11 Creditors: amounts falling due within one year

	2018	2017
	\$ 000	\$ 000
Trade creditors	-	2,625
Amounts owed to Group undertakings		
Fellow subsidiary undertakings	20,245	17,104
Tax liability	27,172	14,110
Accrued expenses	-	1,960
	<u>47,417</u>	<u>35,799</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. The Company has recorded all financial liabilities at amortised cost.

12 Called up share capital

Allotted, called up and fully paid shares

	No.	2018	No.	2017
		\$ 000		\$ 000
Issued share capital of £1 each	<u>3,398,401,447</u>	<u>4,210,326</u>	<u>3,181,441,447</u>	<u>3,910,326</u>

New shares allotted

During the year 216,960,000 Ordinary shares having a nominal value of £1 were allotted for an aggregate consideration of \$300,000,000

13 Dividends paid and proposed

There were no interim dividends paid during the year (2017: \$1,126,989,000).