Registration number: 07657243

Shell Upstream Overseas Services (I) Limited

Annual Report

and

Financial Statements

For the year ended 31 December 2019

Shell Upstream Overseas Services (I) Limited

Contents

Shell Upstream Overseas Services (I) Limited

Strategic report for the year ended 31 December 2019

The Directors present their Strategic report on Shell Upstream Overseas Services (I) Limited (also referred to as the "Company") for the year ended 31 December 2019.

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 principal activity of the Company is oil and gas exploration and production in UK and Indonesia.

The Company's pre-tax loss for the financial year increased to $54.1 million (2018: $20.3 million). This was primarily driven by a write off of $37.0 million of VAT receivables (existing receivables of $25.4 million plus tangible assets of $11.6 million) due to an amendment in the Production sharing contract (PSC) terms for the Masela field signed on October 2019 with the Government of Indonesia. The Company made a post tax loss of $53.7 million (2018: $17.8 million) on account of a decrease in tax credits.

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 27 to 36 of Royal Dutch Shell's Annual Report and Form 20-F for the year ended 31 December 2019 (the "Group Report"), include those of the Company. The Group Report does not form part of this report.

Key Performance Indicators

Companies of the Shell Group comprise the Upstream businesses of Exploration and Production, Integrated Gas and New Energies, 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 45 to 79 of the Group Report and the key performance indicators through which the Group's performance is measured are as set out on pages 42 to 44 of the Group Report.

Approved by the Board on 24 September 2020 and signed on its behalf by:

DocuSigned by:
C Bushay
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C Bushay
Authorised signatory for
Shell Corporate Secretary Limited
Company secretary

Shell Upstream Overseas Services (I) Limited

Directors' report for the year ended 31 December 2019

The Directors present their report and the financial statements for the year ended 31 December 2019.

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

Dividend

No dividends were paid during the year (2018: $nil).

Future Outlook

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

Directors of the Company

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

M.W. Eide

S.L. Ouellette (resigned 31 March 2020)

H.E.L. Jones

The following Directors were appointed after the year end:

A.E. Brocklebank (appointed 1 April 2020)

R.J. Maxwell (appointed 1 April 2020)

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 168 to 170 and note 19).

Events after the end of the reporting period

After the balance sheet date, we have seen macro-economic uncertainty with regards to prices and demand for oil, gas and products as a result of the COVID-19 (coronavirus) outbreak. Furthermore, recent global developments and uncertainty in oil supply have caused further abnormally large volatility in commodity markets. The scale and duration of these developments remain uncertain but could impact our earnings, cash flow and financial condition. The RDS plc group actively assesses the situation across the globe to ensure business continuity plans are put in place to sustain operations and supply chains with a focus on safe working environments and safe conditions for employees and contractors. These developments are not expected to materially impact the recoverability of receivables from other group companies.

Branches outside of United Kingdom

The Company operates a branch in Indonesia.

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 24 September 2020 and signed on its behalf by:

DocuSigned by:

C Bushay

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C Bushay
Authorised signatory for
Shell Corporate Secretary Limited
Company secretary

Independent Auditor's report to the Member of Shell Upstream Overseas Services (I) Limited

Opinion

We have audited the financial statements of Shell Upstream Overseas Services (I) Limited (the "Company") for the year ended 31 December 2019, which comprise the Profit and loss account, Statement of comprehensive income, Balance sheet, Statement of changes in equity, and the related notes 1 to 18, 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 2019 and of its loss 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.

Emphasis of matter

We draw attention to Notes 1 and 18 of the financial statements, which describes the economic and social disruption the Company is facing as a result of COVID-19 which is impacting supply chains, consumer demand, commodity prices and personnel available for work and or being able to access offices. Our opinion is not modified in respect of this matter.

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.

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.

Independent Auditor's report to the Member of Shell Upstream Overseas Services (I) Limited (continued)

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.

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.

Independent Auditor's report to the Member of Shell Upstream Overseas Services (I) Limited (continued)

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.

Ernst & Young LLP

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Clarke Cooper (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen

25 September 2020

Shell Upstream Overseas Services (I) Limited

Profit and loss account for the year ended 31 December 2019

Continuing operations

	Note	2019 $ 000	2018 $ 000
Turnover	3	26,902	29,198
Cost of sales		(42,066)	(40,884)
GROSS LOSS		**(15,164)**	**(11,686)**
Administrative expenses		(1,849)	(2,339)
Other expenses	6	(37,040)	-
OPERATING LOSS	6	**(54,053)**	**(14,025)**
LOSS BEFORE INTEREST AND TAXATION		**(54,053)**	**(14,025)**
Interest receivable and similar income	4	1,732	1,221
Interest payable and similar charges	5	(2,441)	(7,514)
LOSS BEFORE TAXATION		**(54,762)**	**(20,318)**
Tax on loss	8	1,033	2,497
LOSS FOR THE YEAR		**(53,729)**	**(17,821)**

Shell Upstream Overseas Services (I) Limited

Statement of comprehensive income for the year ended 31 December 2019

	Note	2019 $ 000	2018 $ 000
Loss for the year		**(53,729)**	**(17,821)**
Other comprehensive income: Items that may be reclassified subsequently to profit or loss			
Foreign currency translation (losses)/gains		(2,355)	7,546
Tax on items relating to components of other comprehensive income	8	(73)	31
		(2,428)	**7,577**
Total comprehensive loss for the year		**(56,157)**	**(10,244)**

Shell Upstream Overseas Services (I) Limited

(Registration number: 07657243)
Balance sheet as at 31 December 2019

	Note	2019 $ 000	2018 $ 000
Fixed assets			
Tangible assets	9	1,178,100	1,211,875
Right of use assets	14	8,169	-
Deferred tax	8	34,499	38,519
		1,220,768	**1,250,394**
Current assets			
Stock	10	2,422	4,158
Debtors	11	151,007	207,195
Cash at bank and in hand		34	59
		153,463	211,412
Creditors: Amounts falling due within one year	12	(185,430)	(206,962)
Net current (liabilities)/assets		**(31,967)**	**4,450**
Total assets less current liabilities		**1,188,801**	**1,254,844**
Creditors: Amounts falling due after more than one year	13	(19,124)	(32,152)
Provisions	15	(21,601)	(18,459)
Net assets		**1,148,076**	**1,204,233**
Equity			
Called up share capital	16	1,512,109	1,512,109
Currency translation reserve		141	2,569
Profit and loss account		(364,174)	(310,445)
Total equity		**1,148,076**	**1,204,233**

The financial statements on pages 9 to 41 were authorised for issue by the Board of Directors on 24 September 2020 and signed on its behalf by:

DocuSigned by:
Howard Lotgering Jones
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H.E.L. Jones
Director

Shell Upstream Overseas Services (I) Limited

Statement of changes in equity for the year ended 31 December 2019

	Called up share capital $ 000	Profit and loss account $ 000	Currency translation reserve $ 000	Total $ 000
Balance as at 01 January 2018	**1,512,109**	**(292,624)**	**(5,008)**	**1,214,477**
Loss for the year	-	(17,821)	-	(17,821)
Other comprehensive income for the year	-	-	7,577	7,577
Total comprehensive loss for the year	**-**	**(17,821)**	**7,577**	**(10,244)**
Balance as at 31 December 2018	**1,512,109**	**(310,445)**	**2,569**	**1,204,233**
Balance as at 01 January 2019	**1,512,109**	**(310,445)**	**2,569**	**1,204,233**
Loss for the year	-	(53,729)	-	(53,729)
Other comprehensive loss for the year	-	-	(2,428)	(2,428)
Total comprehensive loss for the year	**-**	**(53,729)**	**(2,428)**	**(56,157)**
Balance as at 31 December 2019	**1,512,109**	**(364,174)**	**141**	**1,148,076**

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.

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.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except for the adoption of IFRS 16.

Change in accounting policy

The adoption of IFRIC 23 has had no material impact on the Company's retained earnings or balance sheet as at 1 January 2019 and during the year.

The Company has adopted IFRS 16 Leases with effect from 1 January 2019. Under the new standard, all lease contracts, with limited exceptions outlined below, are recognised in the financial statements by way of right-of-use assets and corresponding lease liabilities. For the leases previously classified as finance leases the Company recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application.

1 Accounting policies (continued)

Impact on transition

On transition to IFRS 16, the Company reclassified finance leases from Tangible assets to right of use assets. The impact on the retained earnings was immaterial.

The detailed impact on the balance sheet at 1 January 2019, is as follows:

	31 December 2018 $ 000	IFRS 16 Impact* $ 000	1 January 2019 $ 000
ASSETS			
Non-current assets			
Tangible assets	1,211,875	(21,146)	1,190,729
Right of use assets	-	21,146	21,146
Total assets	**1,211,875**	**-**	**1,211,875**

*Refer note 9 of tangible assets for breakdown of cost and accumulated depreciation.

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:

- 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:
  (i) paragraph 79(a)(iv) of IAS 1 'Presentation of financial statements';
  (ii) paragraph 73(e) of IAS 16 'Property, plant and equipment';

1 Accounting policies (continued)

- 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';
- Paragraphs 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);
- Paragraphs 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.
- The following paragraphs of IFRS 16, 'Leases':
  (i) paragraph 58 (separate maturity analysis for lease liabilities);
  (ii) paragraphs 90 and 91 (table of lease income from operating leases, including separate disclosure of income from variable lease payments not dependant on an index or a rate);
  (iii) paragraph 93 (qualitative and quantitative explanation of the significant changes in the carrying amount of the net investment in finance leases).

1 Accounting policies (continued)

Consolidation

The immediate parent company is Enterprise Oil Middle East 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 financial statements.

The consolidated financial statements 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

Fundamental accounting concept

The balance sheet at 31 December 2019 reports a net current liability of $31,967 thousands. The financial statements have been prepared under the going concern concept, based on a detailed review by the Directors of the Company's cash-flow forecasts in comparison with committed facilities.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and the financial statements have therefore been prepared under the going concern basis.

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.

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 ($). The functional currency for UK Operations is GBP and for Indonesian branch is USD.

1 Accounting policies (continued)

(ii) Transaction and balances

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

Monetary assets and liabilities recorded in foreign currencies have been expressed in respective functional currency 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.

Assets and liabilities of the UK operations are translated from GBP 0.7614 : 1 USD at year end rates of exchange. Income and expenditure accounts are translated at the average rate of GBP 0.7836 : 1 USD for the year. Any translation differences are taken in other comprehensive income.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. A review for the potential impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of a fixed asset may not be recoverable. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is the higher of fair value less costs to sell and value in use. Value in use is determined as the amount of estimated risk-adjusted discounted future cash flows. For this purpose, assets are grouped into cash-generating units based on separately identifiable and largely independent cash inflows. Any impairments are recorded in the profit and loss account.

If, after an impairment loss has been recognised, the recoverable amount of a fixed asset 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.

Depreciation and impairment are not normally charged on assets under construction or on freehold land. In the case of these assets, an impairment review would only be undertaken if, and only if, there was a change in circumstances indicating that the carrying amount of the asset may not be recoverable.

1 Accounting policies (continued)

The cost of licences is carried forward either until a licence is relinquished or the associated costs written off, or until production of oil or gas starts, when the cost is depleted on a unit-of-production basis related to total proved reserves.

Platforms and infield pipelines are depleted from the date field production commences on a unit-of-production basis over the proved developed reserves of the field concerned. Successful exploration, appraisal, production and injection wells are depleted on a unit-of-production basis over the proved developed reserves of the field concerned. However, for certain Upstream assets, other approaches are applied to determine the reserves base for the purpose of calculating deprecation, such as using management's expectations of future oil and gas prices rather than yearly average prices, to provide a phasing of periodic depreciation charges that more appropriately reflects the expected utilisation of the assets concerned.

Changes in estimates are accounted for prospectively over the remaining reserves of the field.

Other exploration and production fixed assets are depreciated on a straight-line basis over their estimated useful lives, which generally range from 4 to 20 years.

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.

1 Accounting policies (continued)

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.

Significant estimation techniques

Future development costs are estimated using standard techniques applied throughout the oil and gas industry. The estimation method used and the uncertainty range of the estimate depends upon the maturity and extent of the underlying technical work. At the early stages of project feasibility, cost estimating software and benchmarking studies will usually be used as the basis of estimates, while at the later stages of project development, supplier quoted costs will be used along with detailed quantities of materials. Statistical methods are also used to establish uncertainty ranges for the estimates. These methods are used for new capital projects as well as decommissioning of existing facilities.

Production forecasts and reserves are estimated using standard techniques of petroleum engineering. These techniques combine geophysical and geological knowledge with detailed information concerning reservoir porosity and permeability distributions and fluid characteristics with estimates of recovery efficiencies from studies or field analogues. There is uncertainty inherent in the measurement and interpretation of the basic data. These uncertainties are accounted for by using a combination of deterministic and statistical methods to calculate the range of recoverable reserves and to estimate future production profiles. Changes in estimates affecting unit-of-production calculations for depreciation and petroleum revenue tax are accounted for prospectively over the estimated remaining commercial reserves of each field.

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 debtors 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.

1 Accounting policies (continued)

Stock

Stocks are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Provision is made for obsolete, slow moving and defective stocks to write stocks down to their net realisable value, wherever necessary.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Underlift and overlift of oil

Underlift and overlift of crude oil is valued at market prices. The resulting impact is recognised within cost of sales in the profit and loss account.

Turnover

Recognition

Turnover from contracts with customers is recognised over time, or at a point in time, when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

1 Accounting policies (continued)

For contracts that contain separate performance obligations the transaction price is allocated to those separate performance obligations by reference to their relative standalone selling prices. Turnover is recognised as the performance obligations are fulfilled.

Sale of goods

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 onboard 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.

Leases (IAS 17) applicable before 1 January 2019

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised as non-current assets of the Company at the lower of their fair value at the date of commencement of the lease and at the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the income statement and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

1 Accounting policies (continued)

Leases (IFRS 16) applicable from 1 January 2019

Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This accounting policy is applied to contracts entered into, on or after 1 January 2019

Lessee:

Classification and measurement:

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date for non-cancellable leases. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company's uses its incremental borrowing rate as the discount rate.

The Company determines the incremental borrowing rate representing the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate applied to each lease was determined taking into account the risk-free rate, adjusted for factors such as the credit rating of the Company and the terms and conditions of the lease.

1 Accounting policies (continued)

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

Right of use assets are presented separately in the statement of financial position.

With effect from 2019, expenses related to leases previously classified as operating leases are presented under Depreciation within the cost of sales and under interest payable and similar charges (in 2018 these were mainly reported in cost of sales).

Subsequent measurement

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability such as variable lease payments or change in terms.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. For remeasurements to lease liabilities, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

1 Accounting policies (continued)

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value at a rate intended to reflect the time value of money where the effect of time value of money is material.

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.

Joint arrangements

The Company's exploration, development and production activities are generally conducted in joint arrangements with other companies. The Company recognises its assets and liabilities relating to its interests in joint operations, including its share of assets held jointly and liabilities incurred jointly with other parties.

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.

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

Useful economic life of tangible fixed assets

Depreciation of tangible fixed assets is calculated using management's assessment of the useful economic lives of the underlying assets. Upon purchase or construction of an asset, useful economic life is assessed by reference to a number of underlying assumptions, including the economic lives of other similar assets. As the economic benefit of the assets is consumed over the course of its life, revisions to the useful life of the asset may be made upon assessment of changes in the operating environment or the condition of the asset itself.

Impairment of tangible fixed assets

For the purposes of determining whether impairment of tangible fixed assets has occurred, and the extent of any impairment or its reversal, the key assumptions management uses in estimating risk-adjusted future cash flows for value-in-use measures are future oil and gas prices, expected production volumes and refining margins where 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.

Future price assumptions tend to be stable because management does not consider short-term increases or decreases in prices as being indicative of long-term levels, but they are nonetheless subject to change. Expected production volumes, which comprise proved reserves and unproved volumes, are used for impairment testing because management believes this to be the most appropriate indicator of expected future cash flows. As discussed in "Estimation of proved oil and gas reserves", reserves estimates are inherently imprecise. Furthermore, projections about unproved volumes are based on information that is necessarily less robust than that available for mature reservoirs. Due to the nature and geographical spread of the business activity in which those assets are used, it is typically not practicable to estimate the likelihood or extent of impairments under different sets of assumptions. The discount rate applied is reviewed annually.

Changes in assumptions could affect the carrying amounts of assets, and impairment charges and reversals will affect income.

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

Estimation of proved oil and gas reserves

Unit-of-production depreciation, depletion and amortisation charges are principally measured based on management's estimates of proved developed oil and gas reserves. Also, exploration drilling costs are capitalised pending the results of further exploration or appraisal activity, which may take several years to complete and before any related proved reserves can be booked.

Proved reserves are estimated by reference to available geological and engineering data and only include volumes for which access to market is assured with reasonable certainty. Estimates of proved reserves are inherently imprecise, require the application of judgement and are subject to regular revision, either upward or downward, based on new information such as from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans.

Changes to estimates of proved developed reserves affect prospectively the amounts of depreciation, depletion and amortisation charged and, consequently, the carrying amounts of exploration and production assets. It is expected, however, that in the normal course of business the diversity of the asset portfolio will limit the effect of such revisions. The outcome of, or assessment of plans for, exploration or appraisal activity may result in the related capitalised exploration drilling costs being recognised in income in that period.

Stock provision

In the course of management's assessment of the recoverability of stock balances, assumptions are made over the expected economic benefit to be derived from stock assets. These include, but are not limited to, future oil and gas prices; exchange rates and other economic indices. Provisions are made where management do not believe that the book value of the stock will be recovered through sale or use, the value of which will change in line with the underlying economic indicators that influence the market for such goods.

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.

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

Decommissioning and restoration provisions

Provisions are recognised for the future decommissioning and restoration of hydrocarbon production facilities and pipelines at the end of their economic lives. The estimated cost is recognised in income over the life of the proved developed reserves on a unit-of-production basis or on a straight-line basis, as applicable. Changes in the estimates of costs to be incurred, proved developed reserves, or in the rate of production will therefore impact income, generally over the remaining economic life of the related assets.

Estimates of the amounts of provisions recognised are based on current legal and constructive requirements, technology and price levels. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes. The discount rate applied is reviewed annually.

Determining lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Determining lease discount rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company estimates the IBR using observable inputs like the risk-free rate and adjust it for factors such as the credit rating of the Company and the terms and conditions of the lease.

If implicit interest rate can be determined from the lease contract then, the same should be used to measure lease liability. Implicit interest rate is defined as the rate of interest that causes the present value of (a) the lease payments and (b) the unguaranteed residual value to equal the sum of (i) the fair value of the underlying asset and (ii) any initial direct costs of the lessor. In practice, it is not easy identify the implicit rate from a lease contract, therefore it is suggested to use the entity's incremental borrowing rate.

3 Turnover

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

	2019 $ 000	2018 $ 000
Sale of goods	26,902	29,198

The analysis of the Company's turnover for the year by market is as follows:

	2019 $ 000	2018 $ 000
Europe	26,902	29,198

The Company's principal activity is oil and gas exploration, development and production on the UK Continental Shelf and the Masela Block in Indonesia. The whole of the turnover is derived from UK operations.

4 Interest receivable and similar income

	2019 $ 000	2018 $ 000
Interest from Group undertakings:		
Fellow subsidiary undertakings	1,094	1,221
Profit on currency translation	638	-
	1,732	1,221

5 Interest payable and similar charges

	2019 $ 000	2018 $ 000
Interest on loans from Group undertakings:		
Parent undertakings	459	458
Interest expense on leases	1,271	1,340
Loss on currency translation	-	4,953
Unwinding of discount on long term provisions (note 15)	711	763
	2,441	7,514

6 Operating loss

Arrived at after charging:

	2019 $ 000	2018 $ 000
Operating lease rental charged:		
Hire of plant and machinery	-	576
Operating lease expense - other (note 14)	87	431
Depreciation:		
On owned assets	9,438	9,074
On lease assets	2,025	2,239
Other expenses (note 11)	37,040	-

The Company had no employees during 2019 (2018: none).

None of the Directors received any emoluments (2018: none) in respect of their services to the Company.

7 Auditor's remuneration

The Auditor's remuneration of $6,397 (2018: $7,379) in respect of the statutory audit was borne by another group entity for both the current and preceding years.

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

8 Tax on loss

Tax credit in the profit and loss account

The tax credit for the year of $1.0 million (2018: $2.5 million) is made up as follows:

	2019 $ 000	2018 $ 000
Current taxation		
UK corporation tax	(4,981)	(195)
UK corporation tax adjustment to prior periods	-	61,906
Total current tax (credit)/charge	**(4,981)**	**61,711**
Deferred taxation		
Arising from origination and reversal of temporary differences	(3,147)	(4,769)
Arising from adjustment in respect of prior periods	7,095	(59,439)
Total deferred tax charge/(credit)	**3,948**	**(64,208)**
Tax credit in the profit and loss account	**(1,033)**	**(2,497)**

Tax (credit) /charge recognised in other comprehensive income:

	2019 $ 000	2018 $ 000
Surplus/(deficit) on revaluation of available for sale financial assets	**(73)**	**31**

8 Tax on loss (continued)

Reconciliation of total tax credit

The tax on loss before tax for the year applicable to oil and gas exploration and production companies differs from the standard rate of corporation tax in the UK of 40% (ring fence corporation tax of 30% and supplementary charge of 10%) (2018: 40%).

The differences are reconciled below:

	2019 $ 000	2018 $ 000
Loss before tax	**54,762**	**20,318**
Tax on loss calculated at standard rate (2019: 40.00%) (2018: 40.00%)	(21,905)	(8,127)
Effects of:		
Expenses not deductible	1,881	2,400
Adjustments in respect of prior periods	7,094	2,467
Recognition of tax on losses	-	3,935
Ring fence/ Non-ring fence tax rate differentials	11,897	(3,172)
Total tax credit	**(1,033)**	**(2,497)**

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

On 11 March 2020, the UK government announced that the rate applicable from 1 April 2020 would be maintained at 19% and this was substantively enacted on 17 March 2020.

Since this change was not substantively enacted before the end of 2019, the relevant deferred tax balances have been measured at 17%, the rate enacted by the Balance Sheet date.

8 Tax on loss (continued)

Deferred tax assets

2019	Asset $ 000
Accelerated tax depreciation	500
Tax losses carried forward	25,422
Provision for decommissioning and restoration not yet allowed for tax	8,577
	34,499

2018	Asset $ 000	Liability $ 000	Net deferred tax $ 000
Accelerated tax depreciation	-	(8,267)	(8,267)
Tax losses carried forward	39,465	-	39,465
Provision for decommissioning and restoration not yet allowed for tax	7,321	-	7,321
	46,786	**(8,267)**	**38,519**

Deferred tax movement during the year:

	At 1 January 2019 $ 000	Recognised in profit and loss account $ 000	Recognised in other comprehensive income $ 000	Recognised in equity $ 000	At 31 December 2019 $ 000
Accelerated tax depreciation	(8,267)	9,811	(309)	(735)	500
Tax losses carried forward	39,465	(14,043)	-	-	25,422
Provision for decommissioning and restoration not yet allowed for tax	7,321	284	237	735	8,577
Net tax (liabilities)/assets	**38,519**	**(3,948)**	**(72)**	**-**	**34,499**

8 Tax on loss (continued)

Deferred tax movement during the prior year:

	At 1 January 2018 $ 000	Recognised in profit and loss account $ 000	Recognised in other comprehensive income $ 000	Recognised in equity $ 000	At 31 December 2018 $ 000
Accelerated tax depreciation	(67,893)	59,302	463	(139)	(8,267)
Tax losses carried forward	34,865	4,600	-	-	39,465
Provision for decommissioning and restoration not yet allowed for tax	7,308	306	(432)	139	7,321
Net tax (liabilities)/assets	**(25,720)**	**64,208**	**31**	**-**	**38,519**

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

	2019 $ 000	2018 $ 000
Deferred tax assets due more than 12 months	50,254	54,120
Deferred tax liabilities due more than 12 months	(15,755)	(15,601)
Total deferred tax	**34,499**	**38,519**

9 Tangible assets

	Oil and gas properties $ 000	Assets under construction $ 000	Total $ 000
Cost or valuation			
Balance at 1 January 2019	97,913	1,158,385	**1,256,298**
Reclassification to right of use assets (note 14)	(30,713)	-	**(30,713)**
Additions	5,458	350	**5,808**
Translation difference	2,100	-	**2,100**
Change in estimates	1,838	-	**1,838**
Asset write off*	-	(11,572)	**(11,572)**
Balance at 31 December 2019	**76,596**	**1,147,163**	**1,223,759**
Accumulated Depreciation			
Balance at 1 January 2019	(44,423)	-	**(44,423)**
Reclassification to right of use assets (note 14)	9,567	-	**9,567**
Charge for the year	(9,438)	-	**(9,438)**
Translation difference	(1,365)	-	**(1,365)**
Balance at 31 December 2019	**(45,659)**	**-**	**(45,659)**
Net book amount			
At 31 December 2019	**30,937**	**1,147,163**	**1,178,100**
At 31 December 2018	**53,490**	**1,158,385**	**1,211,875**

Aggregate net decommissioning costs included in tangible fixed assets of the Company as at 31 December 2019 were $2.9 million (2018: $1.7 million).

*In October 2019, the Joint Venture obtained approval from the Government of Indonesia (GOI) for the amendment in the production sharing contract (PSC) terms for the Masela field, which resulted in the reclassification of $11.6 million VAT receivable which was initially capitalised as tangible assets (as part of acquisition cost of the Masela field in 2011), to long term debtors. The entire balance of $37.0 million (existing receivable of $25.4 million plus reclass of $11.6 million) was then written off to P&L.

10 Stock

	2019	2018
	$ 000	$ 000
Raw materials and consumables	2,422	4,158

11 Debtors

Debtors: amounts due within one year

	2019	2018
	$ 000	$ 000
Amounts owed by Group undertakings:		
Parent undertakings	95,528	118,177
Fellow subsidiary undertakings	40,912	61,744
Prepayments and accrued income	1,025	-
Other debtors	8,223	561
Tax receivable	5,319	1,545
	151,007	182,027

Amounts owed by parent undertakings are unsecured, interest free and are repayable on demand and amounts owed by fellow subsidiary undertakings are payable upon demand bearing interest rate ranging from 1.31% to 2.19%. No assets were assessed as credit impaired.

Debtors: amounts due after one year

	2019	2018
	$ 000	$ 000
Other debtors	-	25,168
	-	25,168

In October 2019, the Joint Venture obtained approval from the Government of Indonesia (GOI) for the amendment in the production sharing contract (PSC) terms for the Masela field, which resulted in the reclassification of $11.6 million VAT receivable which was initially capitalised as tangible assets (as part of acquisition cost of the Masela field in 2011), to long term debtors. The entire balance of $37.0 million (existing receivable of $25.4 million plus reclass of $11.6 million) was then written off to P&L.

12 Creditors: amounts falling due within one year

	2019 $ 000	2018 $ 000
Amounts owed to Group undertakings:		
Parent undertakings	44,641	73,223
Fellow subsidiary undertakings	123,678	119,061
Lease liabilities	2,033	1,759
Accrued expenses	7,251	7,204
Other creditors	7,827	5,715
	185,430	**206,962**

Included within Other creditors is overlift of $0.7 million (2018: $1.6 million).

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 financials liabilities at amortised cost.

13 Creditors: amounts falling due after more than one year

	2019 $ 000	2018 $ 000
Amounts due to Group undertaking		
Parent undertakings	13,137	12,739
Lease liabilities	5,987	19,413
	19,124	**32,152**

	2019 $ 000	2018 $ 000
Amounts falling due after more than five years		
Lease liabilities	1,637	10,781

A loan agreement exists between the Company and a parent undertaking to finance oil and gas exploration and production activities, totalling $13.1 million at 31 December 2019 (2018: $12.7 million). The loan carries interest at LIBOR plus 2.66% per annum and is repayable in July 2023.

14 Leases

Right of use assets

The Company has entered into lease contracts for provision of production, storage, offtake and transportation services for the Pierce field.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Oil and gas properties $ 000
Balance at 1 January 2019 (restated)	21,146
Modification in lease terms	(11,554)
Depreciation charge for the year	(2,025)
Translation difference	602
Balance at 31 December 2019	**8,169**

Modification in the lease terms during 2019 is a result of an increase in the lease term by 2 years, a decrease in the hire rates and a change in the discount rate applied.

The Company also has a lease of low-value asset. The Company applied the 'lease of low-value assets' recognition exemption for this lease. These amounts are outlined below.

Amounts recognised in profit and loss account

	Notes	2019 $ 000
Interest expense (included in finance cost)	5	1,271
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in Cost of sales)		87
		1,358

15 Provisions

	Decommissioning and restoration $ 000	Other provisions $ 000	Total $ 000
Balance as at 1 January 2019	18,300	159	18,459
Increase due to changes in estimates	1,838	-	1,838
Increase due to unwinding of discount (note 5)	711	-	711
Translation difference	593	-	593
Balance as at 31 December 2019	**21,442**	**159**	**21,601**

At 31 December 2019, the Company has provided $21.4 million (2018: $18.3 million) in respect of the decommissioning of its oil and gas fields and related infrastructure and the restoration of the sites. It is anticipated that decommissioning and restoration costs will be incurred over the next 16 years. The exact timing of these costs is dependent upon a number of factors such as reservoir performance, new near field developments and the oil price. The provision has been estimated using existing technology, at current prices and discounted using a discount rate of 3% (2018: 4%).

The other provisions relate to potential tax penalties which may be incurred.

Following the year end, the discount rate has been further reduced down to 1.75%. This is expected to increase the decommissioning provision by approximately $2.8 million during 2020.

16 Called up share capital

Allotted, called up and fully paid shares

	No.	2019 $ 000	No.	2018 $ 000
Issued share capital of £1 each	966,290,387	1,512,109	966,290,387	1,512,109

17 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was $0.7 million (2018 : $0.8 million).

18 Events after the end of the reporting period

After the balance sheet date, we have seen macro-economic uncertainty with regards to prices and demand for oil, gas and products as a result of the COVID-19 (coronavirus) outbreak. Furthermore, recent global developments and uncertainty in oil supply have caused further abnormally large volatility in commodity markets. The scale and duration of these developments remain uncertain but could impact our earnings, cash flow and financial condition. The RDS plc group actively assesses the situation across the globe to ensure business continuity plans are put in place to sustain operations and supply chains with a focus on safe working environments and safe conditions for employees and contractors. These developments are not expected to materially impact the recoverability of receivables from other group companies.