

# BG International Limited

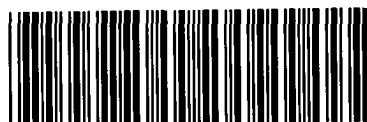
Annual Report

and

Financial Statements

For the year ended 31 December 2017

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# **BG International Limited**

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## **BG International Limited**

### **Strategic report for the year ended 31 December 2017**

The Directors present their strategic report on BG International Limited (also referred to as the "Company") for the year ended 31 December 2017.

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 activities of the Company are the exploration for, and production of, oil and gas hydrocarbons in the United Kingdom and overseas; and to hold investments in subsidiary undertakings engaged in similar activities. The Company will continue with these activities for the foreseeable future.

On 31 October 2017 the Company disposed of all of its North Sea assets, except Jackdaw, which formed part of the Company's production of oil and gas hydrocarbons operations. The results of the disposed assets are presented as discontinued operations in the Profit and Loss Account. The Company continues to hold the largest participating interest of 74% in Jackdaw, which is currently in the pre-sanction concept selection stage with first production targeted for 2022.

The Company's principal overseas operations are in Australia and Trinidad. The Company holds assets involved in the production of coal seam gas in the Surat and Bowen Basin in Southern Queensland which generated revenues of £52 million in 2017. The Company's holdings in Trinidad include interests in fields currently under exploration or in the pre-development stage. Exploration costs incurred in Trinidad of £15 million were capitalised in the financial year as intangible assets. The results of the overseas operations are presented in continuing operations in the Profit and Loss account.

The Company's turnover from discontinued operations for the financial year was £407 million (2016: £382 million). This was mainly driven by higher production of oil and gas and an increase in the oil and gas selling prices compared to the prior year. The profit after tax from discontinued operations amounted to £266 million (2016: loss of £364 million) which was mainly driven by the gain of £167 million recognised on disposal of the North Sea assets.

The Company's turnover from continuing operations for the financial year was £52 million (2016: £129 million) and was principally derived from the production of coal seam gas in Australia. The loss after tax for 2017 from continuing operations amounted to £509 million (2016: £474 million) which was mainly driven by operating losses of £632m and loss on the disposal of investments of £709 million offset by dividends from subsidiary undertakings of £956 million.

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

## BG International Limited

### Strategic report for the year ended 31 December 2017 (continued)

#### Principal risks and uncertainties

The Company is subject to a broad range of risks such as political, commodity prices, reserves replacement, people resource and project delivery risks.

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 12 to 16 of Royal Dutch Shell's Annual Report and Form 20-F for the year ended 31 December 2017 (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 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 24 to 53 of the Group Report and the key performance indicators through which the Group's performance is measured are as set out on pages 22 to 23 of the Group Report.

20/9/18

Approved by the Board on ..... and signed on its behalf by:

*Simon Constant-Glema*

.....  
S A Constant-Glema  
Director

## **BG International Limited**

### **Directors' report for the year ended 31 December 2017**

The Directors present their report and the financial statements for the year ended 31 December 2017.

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

#### **Dividends**

No dividends were paid during the year (2016: £nil).

#### **Future Outlook**

The Company disposed of a major portion of North Sea assets during the year, however no significant change has taken place in the other business of the Company during the year or is expected in the near future.

#### **Directors of the company**

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

E Bonino (resigned 7 February 2017)

M J Ten Brink

B P Eggleston (resigned 31 October 2017)

S A Constant-Glemas

P Goodfellow (resigned 28 February 2017)

N M Humphrey (appointed 1 November 2017)

S M A Iskander (resigned 10 January 2018)

K Jackson

S C Lynch (appointed 27 November 2017)

A D McLean

R L O'Brien

S R Phimister (appointed 1 March 2017)

The following Director was appointed after the year end:

Shell Corporate Director Limited (appointed 3 July 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 82 to 83 and note 19).

**Directors' report for the year ended 31 December 2017 (continued)**

**Events after the end of the reporting period**

Refer to note 27 "Events after the reporting date".

**Qualifying third party indemnities**

Certain Directors have been granted qualifying third-party indemnity under Section 234 of the Companies Act 2006 by BG Group Limited, which remains in force. The indemnity does not apply in the event the indemnified individual is proved to have acted fraudulently or dishonestly.

**Branches**

The Company has branches in the following locations: Australia, Canada, China, Egypt, Honduras, Kazakhstan and Trinidad.

**Statement of Directors' responsibilities**

The Directors acknowledge their responsibilities for preparing the Strategic Report, Directors' Report and the Company's accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom 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 FRS 101 has 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.

**BG International Limited**

**Directors' report for the year ended 31 December 2017 (continued)**

**Disclosure of information to auditors**

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.

20/9/18

Approved by the Board on ..... and signed on its behalf by:

*Simon Constant-Glema*

.....

S A Constant-Glema

Director

## **Independent Auditor's Report to the Member of BG International Limited**

### **Opinion**

We have audited the financial statements of BG International Limited (the "Company") for the year ended 31 December 2017, which comprise the Profit and Loss Account, Statement of comprehensive income, Balance Sheet, Statement of changes in equity and the related notes 1 to 27, 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 2017 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.

### **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 International Limited (continued)**

### **Other information**

The other information comprises the information included in the annual report set out on pages 1 to 5, other than the financial statements and our auditors' 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.

### **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 auditors' 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*

Mark Woodward (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
London

Date: 21 SEPTEMBER 2018

BG International Limited

Profit and Loss Account for the year ended 31 December 2017

		Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
	Note	2017 £ m	2017 £ m	2017 £ m	2016 £ m	2016 £ m	2016 £ m
<b>Turnover</b>	5	52	407	459	129	382	511
Cost of sales		(173)	(155)	(328)	(257)	(566)	(823)
<b>GROSS (LOSS)/PROFIT</b>		<b>(121)</b>	<b>252</b>	<b>131</b>	<b>(128)</b>	<b>(184)</b>	<b>(312)</b>
Administrative expenses		(21)	(10)	(31)	(83)	(63)	(146)
Exploration expenses		(29)	(1)	(30)	(56)	(8)	(64)
Other expenses		(461)	(114)	(575)	(73)	(112)	(185)
<b>OPERATING (LOSS)/PROFIT</b>		<b>(632)</b>	<b>127</b>	<b>(505)</b>	<b>(340)</b>	<b>(367)</b>	<b>(707)</b>
Income from shares in subsidiary undertakings		956	-	956	-	-	-
Amounts provided against investments	14	(202)	-	(202)	-	-	-
Gain on disposal of tangible fixed assets		-	167	167	3	-	3
Loss from disposals of investments		(709)	-	(709)	-	-	-
<b>(LOSS)/PROFIT BEFORE INTEREST AND TAXATION</b>		<b>(587)</b>	<b>294</b>	<b>(293)</b>	<b>(337)</b>	<b>(367)</b>	<b>(704)</b>
Interest receivable and similar income	6	61	1	62	29	-	29
Interest payable and similar charges	7	(5)	(25)	(30)	(420)	(22)	(442)
<b>(LOSS)/PROFIT BEFORE TAXATION</b>		<b>(531)</b>	<b>270</b>	<b>(261)</b>	<b>(728)</b>	<b>(389)</b>	<b>(1,117)</b>
Tax on (loss)/profit	11	22	(4)	18	254	25	279
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<b>(509)</b>	<b>266</b>	<b>(243)</b>	<b>(474)</b>	<b>(364)</b>	<b>(838)</b>

**BG International Limited**

**Statement of comprehensive income for the year ended 31 December 2017**

	Note	2017 £ m	2016 £ m
<b>Loss for the year</b>		<b>(243)</b>	<b>(838)</b>
<b>Other comprehensive income: Items that may be reclassified subsequently to profit or loss</b>			
Foreign currency translation (losses)/gains		(35)	-
		<u>(35)</u>	<u>-</u>
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Remeasurement (loss)/gain on pension scheme	20	(1)	63
Tax on items relating to components of other comprehensive income that will not be reclassified to profit or loss		-	(14)
		<u>(1)</u>	<u>49</u>
<b>Other comprehensive income for the year, net of tax</b>		<b>(36)</b>	<b>49</b>
<b>Total comprehensive income for the year</b>		<b><u>(279)</u></b>	<b><u>(789)</u></b>

The functional currency of the Egypt branch of the company is US Dollars. Prior to 2017 the accounting system maintained dual currency ledgers for the branch of US Dollars and Pound Sterling, with the Sterling ledger used in the preparation of the Financial Statements. In 2017 a new accounting system was implemented and a decision was made to maintain the ledger in the functional currency of US Dollars only. Therefore the foreign exchange losses recognised in other comprehensive income in 2017 is due to the translation differences of the Egypt branch, when converting its balance sheet and profit and loss account from US Dollars into Pound Sterling.

**BG International Limited**

**(Registration number: 902239)  
Balance Sheet as at 31 December 2017**

		<b>2017</b>	<b>Restated*</b>
	<b>Note</b>	<b>£ m</b>	<b>2016</b>
			<b>£ m</b>
<b>Fixed assets</b>			
Intangible assets	12	584	626
Tangible assets	13	1,114	2,110
Investments	14	2,581	2,746
Deferred tax	11	9	-
		<u><b>4,288</b></u>	<u><b>5,482</b></u>
<b>Current assets</b>			
Stock	15	14	34
Debtors	16	1,204	4,133
Cash at bank and in hand		11	27
		<u>1,229</u>	<u>4,194</u>
<b>Creditors: Amounts falling due within one year</b>	17	<u>(4,049)</u>	<u>(7,446)</u>
<b>Net current liabilities</b>		<u><b>(2,820)</b></u>	<u><b>(3,252)</b></u>
<b>Total assets less current liabilities</b>		<b>1,468</b>	<b>2,230</b>
<b>Creditors: Amounts falling due after more than one year</b>	18	-	(211)
<b>Deferred tax</b>	11	-	(160)
<b>Provisions</b>	21	<u>(354)</u>	<u>(898)</u>
<b>Net assets</b>		<b>1,114</b>	<b>961</b>
Pension deficit	20	<u>(55)</u>	<u>(56)</u>
<b>Net assets</b>		<u><b>1,059</b></u>	<u><b>905</b></u>
<b>Equity</b>			
Called up share capital	22	2,121	1,688
Currency translation reserve		(35)	-
Revaluation reserve		623	623
Profit and loss account		<u>(1,650)</u>	<u>(1,406)</u>
<b>Total equity</b>		<u><b>1,059</b></u>	<u><b>905</b></u>

\*Refer to note 3 on prior year restatements.

The accounts on pages 9 to 43 were authorised for issue by the Board of Directors on 20/9/18 and signed on its behalf by:

*Simon Constant-Glemas*

Simon Constant-Glemas

Director

BG International Limited

Statement of changes in equity for the year ended 31 December 2017

	Called up share capital £ m	Revaluation reserve £ m	Profit and loss account £ m	Currency translation reserve £ m	Total £ m
<b>Balance as at 01 January 2016</b>	<b>1,688</b>	<b>623</b>	<b>(470)</b>	<b>-</b>	<b>1,841</b>
Loss for the year	-	-	(838)	-	(838)
Other comprehensive income for the year	-	-	49	-	49
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(789)</b>	<b>-</b>	<b>(789)</b>
Share based payments - charge from parent	-	-	19	-	19
Derecognition of pension scheme	-	-	(166)	-	(166)
<b>Balance as at 31 December 2016</b>	<b>1,688</b>	<b>623</b>	<b>(1,406)</b>	<b>-</b>	<b>905</b>
<b>Balance as at 01 January 2017</b>	<b>1,688</b>	<b>623</b>	<b>(1,406)</b>	<b>-</b>	<b>905</b>
Loss for the year	-	-	(243)	-	(243)
Other comprehensive income	-	-	(1)	(35)	(36)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>(244)</b>	<b>(35)</b>	<b>(279)</b>
Proceeds from shares issued	433	-	-	-	433
<b>Balance as at 31 December 2017</b>	<b>2,121</b>	<b>623</b>	<b>(1,650)</b>	<b>(35)</b>	<b>1,059</b>

**Notes to the financial statements for the year ended 31 December 2017**

**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 accounting policies have been consistently applied. The presentation of the financial statements has changed from IFRS to Companies Act 2006 to align with the rest of the Shell Group.

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

**Notes to the financial statements for the year ended 31 December 2017 (continued)**

**1 Accounting policies (continued)**

- (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)
- 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.

**Consolidation**

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](mailto:order@shell.com)  
Registered office: Shell Centre, London, SE1 7NA

**Fundamental accounting concept**

The balance sheet at 31 December 2017 reports a net current liability of £2,819,666,012. The accounts have been prepared under the going concern concept due to the availability of parent company funding, which will enable the Company to meet its liabilities as they fall due.

**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.



**Notes to the financial statements for the year ended 31 December 2017 (continued)**

**1 Accounting policies (continued)**

**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.

***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 only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is not recognised when tangible fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on the sale has been recognised in the accounts.

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 tax 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.

***Petroleum revenue tax***

Current UK Petroleum Revenue Tax (PRT) is treated as an income tax and is deductible for UK corporation tax purposes. It is charged as a tax expense on chargeable field profits included in the profit and loss account.

Provision for deferred petroleum revenue tax is made on a field-by-field basis using the liability method. Provision is made for temporary differences in respect of capital and revenue expenditure and the decommissioning and restoration provision. The benefits of the oil allowance are assumed to accrue over field life.

**Notes to the financial statements for the year ended 31 December 2017 (continued)**

**1 Accounting policies (continued)**

**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 Pounds Sterling (£), which is also the Company's functional currency.

**(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.

**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.

## BG International Limited

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 1 Accounting policies (continued)

Depreciation is charged so as to write off the cost of assets on a straight line basis, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Leasehold buildings	up to 50 years
Plant and machinery	5 to 40 years
Motor vehicles and office equipment	up to 10 years

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 depreciation, such as using management's expectations of future oil and gas prices rather than the 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.

#### Intangible fixed assets

Intangible fixed assets are valued at cost less accumulated amortisation less any impairment applicable. The cost price of these assets is amortised on a straight-line basis over its estimated useful economic life.

Costs of intangible fixed assets other than those internally generated, including patents and licences, are valued at acquisition cost and amortised on a straight-line basis over the remaining useful economic life, with a maximum of 20 years.

#### Financial assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss; loans and receivables; and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Notes to the financial statements for the year ended 31 December 2017 (continued)

**1 Accounting policies (continued)**

***Cash at bank and in hand***

Cash at bank and in hand includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings.

***Loans and trade and other receivables***

Loans and trade and other receivables are initially recognised at fair value based on the amounts exchanged and are subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment.

**Financial liabilities**

The Company classifies its financial liabilities in the following categories: at fair value through profit or loss; and amortised cost. The classification depends on the nature of the underlying liabilities, with management determining the classification of financial liabilities at initial recognition.

***Loans and trade and other creditors***

Loans and trade and other creditors are initially recognised at fair value based on amounts exchanged, net of transaction costs, and subsequently at amortised cost. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

**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 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.

**Notes to the financial statements for the year ended 31 December 2017 (continued)**

**1 Accounting policies (continued)**

**Stock**

Stocks are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Provision is made for obsolete, slow moving and defective stocks to write stocks now to their net realisable value, wherever necessary.

**Turnover**

Turnover is recognised at the fair value of consideration received or receivable (excluding value added tax) for sales of crude oil and refined products, for the supply of related services.

Turnover represents invoiced amounts net of excise duties and value added tax for sales of crude oil and refined products and the supply of related services to third parties. In oil and gas exploration and production, title typically passes (and revenues are recognised) when product is physically transferred into a vessel, pipe or other delivery mechanism. Revenues on sales of oil products are recognised when transfer of ownership occurs and title is passed, either at the point of delivery or the point of receipt, depending on contractual conditions.

**Leases**

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

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.

**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.

**Notes to the financial statements for the year ended 31 December 2017 (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.

**Share based payments**

The fair value of share-based compensation for performance share plans is estimated using a Monte Carlo pricing model.

The fair value of the performance share plans is recognised in the profit and loss account from the date of grant over the vesting period, with a corresponding increase recognised directly in equity. At each subsequent balance sheet date, the Company revises its estimate of the number of awards that are expected to vest (in relation to non-market based performance conditions) and recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

The market value of vested schemes is subsequently invoiced to employing entities in the year of delivery. This is treated as a distribution and is deducted from equity.

**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.

**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.

**Notes to the financial statements for the year ended 31 December 2017 (continued)**

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

**Impairment of tangible fixed assets and intangible assets**

For the purposes of determining whether impairment of tangible fixed assets and intangible 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 and expected production volumes 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.

**Impairment of investments**

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.

**Group defined benefit pension scheme**

Certain employees participate in a group defined benefit pension scheme with other companies in the region. Under the terms of the scheme, there is no policy for allocating the net defined benefit obligation amongst the participating members.

The scheme is therefore accounted for as a defined contribution scheme.

**Notes to the financial statements for the year ended 31 December 2017 (continued)**

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

**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.

**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.

**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.



# BG International Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 3 Prior period restatement

During the year, the Company has reclassified £ 1,158 million recorded under Creditors (Note 17) for the prior year to Debtors (Note 16), owing to identification of a grossing up of certain intercompany balances and has accordingly reported the prior year comparable figures. This reclassification has no impact on the reported net assets for the prior year 2016.

	Balance as at 31 December 2016	Restatement as at 31 December 2016	Restated balance as at 31 December 2016
	£m	£m	£m
<b>Balance sheet</b>			
<b>Creditors: amounts falling due within one year</b>			
Amounts owed to subsidiary undertakings	5,019	(1,158)	3,861
<b>Current assets</b>			
<b>Debtors</b>			
Amounts owed by subsidiary undertakings	2,013	(1,158)	855

### 4 Discontinued operations

#### Disposal of North sea assets

On 31 October 2017, the Company disposed of all North Sea assets except Jackdaw field, which formed part of the Company's production of oil and gas hydrocarbons operations. A gain of £166,574,000 was recognised in the profit and loss account as a gain on disposal of fixed assets.

# BG International Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 5 Turnover

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

	2017 £ m	2016 £ m
Oil and gas exploration and production	459	511
	<u>459</u>	<u>511</u>

Turnover of £52 million from continuing operations comprises sales of oil and gas products in Australia. Turnover of £407 million from discontinued operations comprises sales of oil and Gas products in the United Kingdom.

### 6 Interest receivable and similar income

	2017 £ m	2016 £ m
Interest received	3	29
Profit on currency translation - financial items	59	-
	<u>62</u>	<u>29</u>

### 7 Interest payable and similar charges

	2017 £ m	2016 £ m
Interest on loans from Group undertakings:		
Parent undertakings	-	9
Interest on other items	1	2
Net interest on pension liability	1	1
Loss on currency translation - financial items	-	404
Unwinding of discount on long term provisions (note 21)	28	26
	<u>30</u>	<u>442</u>

Notes to the financial statements for the year ended 31 December 2017 (continued)

**8 Operating loss**

Arrived at after charging:

	<b>2017</b>	<b>2016</b>
	<b>£ m</b>	<b>£ m</b>
Depreciation	170	495
Impairment loss on tangible fixed assets	11	39
Impairment loss on intangible assets	63	215

**9 Staff costs**

The aggregate payroll costs were as follows:

	<b>2017</b>	<b>2016</b>
	<b>£ m</b>	<b>£ m</b>
Wages and salaries	3	159
Social security costs	2	27
Pension costs	1	15
Share-based payment expenses	-	18
Other employee expenses	13	69
	<b>19</b>	<b>288</b>

The average number of persons employed by the Company during the year, analysed by category was as follows:

	<b>2017</b>	<b>2016</b>
	<b>No.</b>	<b>No.</b>
Upstream	<b>122</b>	<b>1,037</b>

# BG International Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 10 Auditor's remuneration

	2017 £
Audit of the financial statements	56,875
	<u>56,875</u>

The Auditor's remuneration of £17,722 for the previous year in respect of the statutory audit was borne by the immediate parent company.

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 BG International Limited because the Royal Dutch Shell plc consolidated accounts are required to disclose such fees on a consolidated basis.

### 11 Tax on loss

#### Tax credit in the profit and loss account

The tax credit for the year of £18 million (2016: £279 million) is made up as follows:

	2017 £ m	2016 £ m
<b>Current taxation</b>		
UK corporation tax	82	(162)
UK corporation tax adjustment to prior periods	69	17
Foreign tax	-	122
Petroleum revenue tax	-	(44)
<b>Total current tax charge/(credit)</b>	<u>151</u>	<u>(67)</u>
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	(174)	(212)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	5	-
<b>Total deferred tax credit</b>	<u>(169)</u>	<u>(212)</u>
<b>Tax credit in the profit and loss account</b>	<u>(18)</u>	<u>(279)</u>

Notes to the financial statements for the year ended 31 December 2017 (continued)

11 Tax on loss (continued)

Reconciliation of total tax credit

The tax on loss before tax for the year differs from the standard rate of corporation tax in the UK of 19.25% (2016: 20.0%).

The differences are reconciled below:

	2017 £ m	2016 £ m
Loss before tax	261	1,117
Tax on loss calculated at standard rate (2017: 19.25%) (2016: 20.00%)	(50)	(223)
<b>Effects of:</b>		
Tax on imputed interest	(1)	-
Effect of petroleum revenue tax	-	(58)
Income not taxable	(270)	-
Overseas taxes at different rates to UK statutory rates	-	122
Effect of change in tax rate on deferred tax balances	-	(61)
Other reconciling item	5	-
Expenses not deductible	243	3
Adjustment in respect of prior period	74	17
Ring fence/non ring fence rate differentials	(19)	(79)
<b>Total tax credit</b>	<b>(18)</b>	<b>(279)</b>

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.

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

The Finance Act 2016 enacted on 15 September 2016 reduced the supplementary charge from 20% to 10% effective from 1 January 2016. This reduced the combined ring fence corporation tax and supplementary charge rate from 50% to 40%. These have been reflected in the above tax reconciliation.

**BG International Limited**

**Notes to the financial statements for the year ended 31 December 2017 (continued)**

**11 Tax on loss (continued)**

**Deferred tax movement during the year:**

	<b>At 1 January 2017 £ m</b>	<b>Recognised in profit and loss account £ m</b>	<b>At 31 December 2017 £ m</b>
Tax losses carried forward	334	(208)	126
Accelerated tax depreciation	(494)	377	(117)
Other items	-	-	-
<b>Net tax assets/(liabilities)</b>	<b>(160)</b>	<b>169</b>	<b>9</b>

**Deferred tax movement during the prior year:**

	<b>At 1 January 2016 £ m</b>	<b>Recognised in profit and loss account £ m</b>	<b>Recognised in other comprehensive income £ m</b>	<b>At 31 December 2016 £ m</b>
Tax losses carried forward	348	(47)	33	334
Accelerated tax depreciation	(741)	247	-	(494)
Other items	(12)	12	-	-
<b>Net tax assets/(liabilities)</b>	<b>(405)</b>	<b>212</b>	<b>33</b>	<b>(160)</b>

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

	<b>2017 £ m</b>	<b>2016 £ m</b>
Deferred tax assets due more than 12 months	148	334
Deferred tax liabilities due more than 12 months	(139)	(494)
<b>Total deferred tax</b>	<b>9</b>	<b>(160)</b>

# BG International Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 12 Intangible assets

	<b>Other Intangibles £ m</b>
<b>Cost</b>	
Balance at 1 January 2017	1,021
Additions	15
Exchange differences	11
Transfer to other Shell Group companies	<u>(5)</u>
<b>Balance at 31 December 2017</b>	<b><u>1,042</u></b>
<b>Accumulated amortisation and impairment</b>	
Balance at 1 January 2017	(395)
Charge for impairment	<u>(63)</u>
<b>Balance at 31 December 2017</b>	<b><u>(458)</u></b>
<b>Net book amount</b>	
<b>At 31 December 2017</b>	<b><u><u>584</u></u></b>
<b>At 31 December 2016</b>	<b><u><u>626</u></u></b>

**BG International Limited**

**Notes to the financial statements for the year ended 31 December 2017 (continued)**

**13 Tangible assets**

	<b>Oil and gas properties £ m</b>	<b>Land, buildings and office equipment £ m</b>	<b>Long leasehold land and buildings £ m</b>	<b>Total £ m</b>
<b>Cost or valuation</b>				
Balance at 1 January 2017	5,092	847	17	<b>5,956</b>
Additions	50	2	-	<b>52</b>
Increase in decommissioning provision	29	-	-	<b>29</b>
Disposal of assets	(3,951)	-	-	<b>(3,951)</b>
Assets written off	-	(429)	-	<b>(429)</b>
Exchange differences	(5)	-	-	<b>(5)</b>
Transfer to other Shell Group companies	(15)	-	-	<b>(15)</b>
Impairment	-	(36)	-	<b>(36)</b>
Reversal of impairment	25	-	-	<b>25</b>
<b>Balance at 31 December 2017</b>	<b><u>1,225</u></b>	<b><u>384</u></b>	<b><u>17</u></b>	<b><u>1,626</u></b>
<b>Accumulated Depreciation</b>				
Balance at 1 January 2017	(3,159)	(684)	(3)	<b>(3,846)</b>
Depreciation	(120)	(50)	-	<b>(170)</b>
Assets written off	-	465	-	<b>465</b>
Disposal of assets	3,039	-	-	<b>3,039</b>
<b>Balance at 31 December 2017</b>	<b><u>(240)</u></b>	<b><u>(269)</u></b>	<b><u>(3)</u></b>	<b><u>(512)</u></b>
<b>Net book amount</b>				
<b>At 31 December 2017</b>	<b><u>985</u></b>	<b><u>115</u></b>	<b><u>14</u></b>	<b><u>1,114</u></b>
<b>At 31 December 2016</b>	<b><u>1,933</u></b>	<b><u>163</u></b>	<b><u>14</u></b>	<b><u>2,110</u></b>



# BG International Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 14 Investments

	Subsidiary undertakings shares £ m
<b>Cost</b>	
Balance at 1 January 2017	3,061
Additions	837
Disposals	(800)
<b>Balance at 31 December 2017</b>	<b>3,098</b>
<b>Amounts provided</b>	
Balance at 1 January 2017	(315)
Additions	(202)
<b>Balance at 31 December 2017</b>	<b>(517)</b>
<b>Carrying amount</b>	
<b>At 31 December 2017</b>	<b>2,581</b>
<b>At 31 December 2016</b>	<b>2,746</b>

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

Impairment reviews have been performed and investments have been written down where appropriate to their recoverable amounts. This has been based on estimated future cash flows, valuations and subsidiary accounts, where applicable, using a discount rate of 6%.

Details of the subsidiaries and other related undertakings as at 31 December 2017 are as follows:

Name	Registered office and Country of incorporation	Class of shares	% of ownership
Shell Trinidad and Tobago Resources SRL	One Welches, Welches St. Thomas, Barbados	Ordinary	100%
BG Chile S.A.	Carey Y Cia Abogadas, Miraflores 222, Piso 28, Chile	Ordinary	100%
Prince Rupert LNG Exports Limited	885 West Georgia Street, Suite 900 Vancouver, BC V6C 3H1, Canada	Ordinary	100%

# BG International Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 14 Investments (continued)

Name	Registered office and Country of incorporation	Class of shares	% of ownership
Prince Rupert LNG Limited	885 West Georgia Street, Suite 900 Vancouver, BC V6C 3H1, Canada	Ordinary	100%
Westcoast Connector Gas Transmission Limited	4529 Melrose Street, Port Alberni, BC V9Y 1K7, Canada	Ordinary	50%
Burullus Gas Company SAE*	28 Road, 270 Maadi Cairo, Egypt	Ordinary	25%
Karachaganak Petroleum Marketing LLP*	Promzona Burlinski District, Aksai Town, West Kazakhstan Oblast, Kazakhstan	Ordinary	29.25%
BGMEP LLC*	Suite 403, Floor 4, New Century Plaza Chinggis Avenue, 1st Khoroo Sukhbaatar, Ulaanbaatar, Mongolia	Ordinary	100%
Karachaganak Petroleum Operating B.V.*	Strawinskylaan 1725, Amsterdam 1077, Netherlands	Ordinary	29.25%
OKLNG Free Zone Enterprise*	Kingsway Close, Ikoyi BP, Nigeria	Ordinary	14.25%
BG Norge AS*	Tananger, 4056 Stravenger, Norway	Ordinary	100%
Tanzania LNG Limited*	1st Floor Kilwa House, Plot 369, Toure Drive, Oyster Bay, Dares Salaam, Tanzania	Ordinary	1%
Alie Investments Limited	Shell Centre, London, SE1 7NA, United Kingdom	Ordinary	100%
BG Central Holdings Limited	Shell Centre, London, SE1 7NA, United Kingdom	Ordinary	100%
BG Delta Limited	Shell Centre, London, SE1 7NA, United Kingdom	Ordinary	100%
BG Gas Services Limited	Shell Centre, London, SE1 7NA, United Kingdom	Ordinary	100%

# BG International Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 14 Investments (continued)

<b>Name</b>	<b>Registered office and Country of incorporation</b>	<b>Class of shares</b>	<b>% of ownership</b>
BG Group Company Secretaries Limited	Shell Centre, London, SE1 7NA, United Kingdom	Ordinary	100%
BG Group Healthcare Trustee Limited	Shell Centre, London, SE1 7NA, United Kingdom	Ordinary	100%
BG Karachaganak Limited	Shell Centre, London, SE1 7NA, United Kingdom	Ordinary	100%
BG Kenya L10A Limited	Shell Centre, London, SE1 7NA, United Kingdom	Ordinary	100%
BG Kenya L10B Limited	Shell Centre, London, SE1 7NA, United Kingdom	Ordinary	100%
BG Mongolia Holdings Limited	Shell Centre, London, SE1 7NA, United Kingdom	Ordinary	100%
BG Norge Exploration Limited	Shell Centre, London, SE1 7NA, United Kingdom	Ordinary	100%
BG Norge Limited	Shell Centre, London, SE1 7NA, United Kingdom	Ordinary	100%
BG OKLNG Limited	Shell Centre, London, SE1 7NA, United Kingdom	Ordinary	100%
BG Pension Funding Scottish Limited Partnership	50 Lothian Road, Festival Square, Edinburgh, United Kingdom	Ordinary	50%
BG Subsea Well Project Limited	Shell Centre, London, SE1 7NA, United Kingdom	Ordinary	100%
Karachaganak Project Development Limited*	Shell Centre, London, SE1 7NA, United Kingdom	Ordinary	38%
Oil Spill Response Limited*	Lower William Street, Southampton SO14 5QE, United Kingdom	Ordinary	0.77%
Shell Exploration and Production Tanzania Limited	Shell Centre, London, SE1 7NA, United Kingdom	Ordinary	100%

# BG International Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 14 Investments (continued)

<b>Name</b>	<b>Registered office and Country of incorporation</b>	<b>Class of shares</b>	<b>% of ownership</b>
Shell Trinidad 5(A) Limited	Shell Centre, London, SE1 7NA, United Kingdom	Ordinary	100%
Shell Trinidad Block E Limited	Shell Centre, London, SE1 7NA, United Kingdom	Ordinary	100%

\* indicates indirect investment of the Company.

### 15 Stocks

	<b>2017 £ m</b>	<b>2016 £ m</b>
Raw materials and consumables	9	33
Gas inventories	5	1
	<b>14</b>	<b>34</b>

# BG International Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 16 Trade and other receivables

#### Debtors: amounts due within one year

	2017	Restated*
	2016	
	£ m	£ m
Trade debtors	173	239
Amounts owed by Group undertakings:		
Parent undertakings	-	698
Subsidiary undertakings	177	855
Fellow subsidiary undertakings	701	2,145
Prepayments and accrued income	49	8
Other debtors	70	80
Tax receivable	34	108
	<u>1,204</u>	<u>4,133</u>

All amounts owed by Group undertakings are unsecured, interest free and are repayable upon demand.

\*Refer note 3 on prior year restatements.

# BG International Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 17 Creditors: amounts falling due within one year

	2017	Restated*
	£ m	2016 £ m
Bank loans and overdrafts	-	11
Trade creditors	107	127
Amounts owed to Group undertakings		
Parent undertakings	145	2,068
Subsidiary undertakings	89	18
Fellow subsidiary undertakings	3,652	5,019
Accrued expenses	41	168
Other creditors	15	35
	<u>4,049</u>	<u>7,446</u>

Amount owed to group undertakings in 2016, included a loan of £2,290 million which was unsecured and interest free, and was repaid during 2017.

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

\*Refer note 3 on prior year restatements.

### 18 Creditors: amounts falling due after more than one year

	2017	2016
	£ m	£ m
Amounts due to Group undertaking		
Fellow subsidiary undertakings	<u>-</u>	<u>211</u>

Amounts owed to group undertakings in 2016 of £211 million, was unsecured, bore interest at LIBOR plus 59 basis points and was repaid in 2017.

Notes to the financial statements for the year ended 31 December 2017 (continued)

**19 Obligations under leases and hire purchase contracts**

**Operating leases**

As at 31 December 2017, the Company was committed to making the following future minimum lease payments under non-cancellable operating leases:

	<b>2017</b>	<b>2016</b>
	<b>£ m</b>	<b>£ m</b>
Within one year	8	8
In two to five years	29	33
In over five years	7	11
	<u><b>44</b></u>	<u><b>52</b></u>

**20 Net retirement benefit surplus/deficit**

The Company is a Member Company of the BG Pension Scheme (BGPS), a defined benefit registered pension plan established under trust. The Trustee is BG Group Pension Trustees Limited. The BGPS is funded to cover future pension liabilities in respect of service up to the closure of the scheme. It is subject to an independent valuation at least every three years, on the basis of which the independent qualified actuary certifies the rate of employers' contributions that, together with the returns on the BGPS's assets, are expected to be sufficient to fund the benefits payable.

The BGPS closed to future accrual of benefits on 31 December 2013 and all active members became deferred pensioners with pensions calculated based on salaries up until the point of closure for such active members. These deferred pensions are generally revalued in line with movements in the Retail Prices Index. Certain benefits relating to individual transfers-in and purchases of additional pensionable service by employees retain a link to pensionable salary post-closure.

The last full independent actuarial valuation of the BGPS for funding purposes showed that the aggregate market value of the plan assets at 31 March 2017 was £1,991m, representing 89% of the accrued liabilities. The next full funding valuation is expected to be performed with an effective date of 31 March 2020. As part of the funding agreement in respect of the 2011 actuarial valuation and the closure of the BGPS to future accrual of benefits, the Company and the Trustee established a Pension Funding Partnership (PFP) to address the deficit and to provide greater security to the Trustee.

**Notes to the financial statements for the year ended 31 December 2017 (continued)**

**20 Net retirement benefit surplus/deficit (continued)**

In December 2013, the Company acquired an interest in the PFP for £110m. It also contributed £350m to the BGPS and the Trustee used this to purchase its interest in the PFP. The PFP had an interest in loans due from a fellow subsidiary undertaking, Methane Service Limited ("MSL"), secured on four ships owned by MSL. The proceeds from the loans were to be used to make annual distributions of £33m to the BGPS for 15 years and to pay a capital sum in 2028 of £172m which would have been used, if necessary, to fund any deficit in the BGPS at that time, measured on a 'self-sufficiency' funding basis. In December 2014, MSL entered into an agreement for the sale of two of these LNG ships for proceeds of \$460m, which completed in March 2015. From this sale, MSL repaid £220m of the loans due to the PFP, which were utilised to support the funding of the BGPS. As such the amount of ongoing annual distributions reduced to £16.5m and the capital sum due in 2028 was revised to £86m. As part of the establishment of the PFP, it was agreed that certain additional payments into the BGPS may be required. In accordance with this agreement, the Company contributed an additional £91m into the BGPS in October 2017 based on the 2017 valuation.

The Company is unable to identify its share of the scheme's underlying assets and liabilities on a consistent and reasonable basis to enable it to account for the plan as a defined benefit plan. There are no contractual or stated policies on which to base an allocation of the Fund's underlying assets and liabilities to member companies. As part of the acquisition of BG Group by Royal Dutch Shell plc, Shell Petroleum N.V. ("SPNV") has provided a guarantee to the Trustees of the BGPS for all the obligations of the member companies. SPNV ultimately bears the risk of the BGPS and is deemed to be the sponsoring employer for the purposes of these statutory accounts. Accordingly, the Company derecognised the BGPS effective from 15 February 2016 directly against retained earnings, and accounts for the BGPS as a defined contribution scheme from this date forwards.

The BG Supplementary Benefits Scheme (BGSBS) provides benefits broadly in excess of the 'lifetime allowance'. This defined benefit plan is an unfunded, non-registered arrangement. The BGSBS was closed to future accrual of benefits on 31 December 2013, the same date as benefit accrual ceased in the BGPS.

A valuation was performed for accounting purposes at 31 December 2017 using assumptions set in line with the requirements of the IAS19 accounting standard. The principal financial assumptions adopted in the valuation were a discount rate of 2.54% (2016: 2.7%), and a price inflation rate of 3.17% (2016: 2.2%). The value of the BGPS's assets as at that date was £1,851 million and the value of the liabilities on this accounting basis was £1,665 million, meaning the surplus measured for accounting purposes was £186 million, however due to the above-mentioned guarantee provided by SPNV this has not been recognised by the Company. The value of the BGSBS deficit as at 31 December 2017 was £55 million, which continues to be recognised by the Company.

The Company's contributions to the BGPS for the year amounted to £108 million (2016: £15 million).



Notes to the financial statements for the year ended 31 December 2017 (continued)

20 Net retirement benefit surplus/deficit (continued)

*Reconciliation of scheme assets and liabilities to assets and liabilities recognised*

*Scheme liabilities*

Changes in the present value of scheme liabilities are as follows:

	2017 £ m	2016 £ m
Present value at start of year	56	1,408
Actuarial gains and losses arising from changes in demographic assumptions	(2)	-
Actuarial gains and losses arising from changes in financial assumptions	1	(47)
Interest cost	1	8
Benefits paid	(1)	(7)
Derecognition	-	(1,306)
Present value at end of year	<u>55</u>	<u>56</u>

**Analysed as:**

Present value of scheme liabilities arising from unfunded schemes	<u>55</u>	<u>56</u>
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*Scheme assets*

Changes in the fair value of scheme assets are as follows:

	2017 £ m	2016 £ m
Fair value at start of year	-	1,500
Interest income	-	7
Return on plan assets, excluding amounts included in interest income/(expense)	-	16
Employer contributions	1	3
Benefits paid	(1)	(7)
Derecognition	-	(1,519)
Fair value at end of year	<u>-</u>	<u>-</u>

# BG International Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 21 Provisions

	Onerous contracts £ m	Other provisions £ m	Decommission and restoration £ m	Total £ m
Balance as at 1 January 2017	44	33	821	898
Increase in provisions	3	40	-	43
Released to the profit and loss account	2	(40)	-	(38)
Decrease in provisions through disposals	-	-	(573)	(573)
Utilisation of provisions	(26)	-	(1)	(27)
Change in estimates (note 13)	-	-	29	29
Unwinding of discount	1	-	27	28
Increase/(decrease) in provisions due to other movements	11	(25)	8	(6)
<b>Balance as at 31 December 2017</b>	<b>35</b>	<b>8</b>	<b>311</b>	<b>354</b>

The estimated cost of decommissioning at the end of the producing lives of fields is reviewed at least annually and engineering estimates and reports are updated periodically. Provision is made for the estimated cost of decommissioning at the balance sheet date, to the extent that current circumstances indicate that the Company will ultimately bear this cost. The payment dates of expected future decommissioning costs are uncertain and are based on economic assumptions surrounding the useful economic lives of the fields concerned. Useful economic lives are affected by the estimation of hydrocarbon reserves and resources, which is in turn impacted by available reservoir data, commodity prices and future costs. Payments (on a discounted basis) of £5 million (2016: £80 million) are currently anticipated within one to five years; £103 million (2016: £464 million) within six to 10 years; and £203 million (2016: £277 million) over 10 years.

The amount of decommissioning provision is discounted at a rate intended to reflect the time value of money. Reviews of estimated decommissioning and restoration costs and the discount rate applied are carried out annually. The discount rate applied in 2017 was 4% (2016: 4%).

# BG International Limited

## Notes to the financial statements for the year ended 31 December 2017 (continued)

### 22 Called up share capital

#### Allotted, called up and fully paid shares

	No.	2017 £ m	No.	2016 £ m
Ordinary shares of £1 each	<u>2,121,105,921</u>	<u>2,121</u>	<u>1,688,000,000</u>	<u>1,688</u>

#### New shares allotted

During the year 433,105,921 Ordinary shares having an aggregate nominal value of £433,105,921 were allotted for an aggregate consideration of £433,105,921.

### 23 Directors' emoluments

The Directors' emoluments for the year were as follows:

	2017 £ 000	2016 £ 000
Emoluments	3,026	2,806
Pension scheme contributions	<u>25</u>	<u>29</u>
	<u><b>3,051</b></u>	<u><b>2,835</b></u>

The number of Directors who were receiving benefits as at 31 December 2017 are as follows:

	2017 No.	2016 No.
Shares receivable by Directors	7	7
Accruing benefits under defined benefit pension scheme	5	5
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

In respect of the highest paid Director:

	2017 £ 000	2016 £ 000
Emoluments	669	634
Company contributions to money purchase pension schemes	11	12

During the year the highest paid Director received or was entitled to receive shares under a long term incentive scheme. These emoluments and pensions were not borne by the Company and hence not charged in the profit and loss account.

## **BG International Limited**

### **Notes to the financial statements for the year ended 31 December 2017 (continued)**

#### **24 Contingent liabilities**

The Company has contingent liabilities related to the acquisition of Centrica's interest in undeveloped, offshore Trinidad and Tobago blocks, subject to taking final investment decision and obtaining regulatory approvals to develop Block 22, amounting to \$40,000,000 (2016: \$40,000,000).

#### **25 Commitments and contingencies**

##### **Capital commitments**

The total amount contracted for but not provided in the financial statements was £1,872,398 (2016 - £18,658,000).

#### **26 Share-based payments**

Prior to the Scheme of Arrangement becoming effective on 15 February 2016, there were various BG Long Term Incentive Plans in place which were considered as share plans. The remaining awards were transferred to Royal Dutch Shell and will be settled in RDSB shares at a relevant ratio depending on the details of each specific scheme. For the purposes of disclosure at 31 December 2017, share plans have been aggregated together. Conditional awards of Royal Dutch Shell plc shares are otherwise made under an amended long-term incentive plan (the 'Performance Share Plan') when making awards to employees who are not Executive Directors of Royal Dutch Shell plc. None of these Performance Share Plan awards were granted to employees of the Company during 2017 or 2016.

	<b>Option awards</b>	<b>Other share plan awards</b>
<b>2017</b>		
Options exercised in the year:		
Weighted average share price at the date of exercise (£)	22.52	22.42
Options outstanding at the end of the year:		
Number (m)	1.16	0.68
Range of exercise prices (£)	nil-11.85	n/a
Weighted average remaining contractual life (years)	4yrs 8 mths	n/a

## BG International Limited

### Notes to the financial statements for the year ended 31 December 2017 (continued)

#### 26 Share-based payments (continued)

	Option awards	Other share plan awards
<b>2016</b>		
Options exercised in the year:		
Weighted average share price at the date of exercise (£)	10.62	10.62
Options outstanding at the end of the year:		
Number (m)	1.64	0.76
Range of exercise prices (£)	11.85 - 14.59	n/a
Weighted average remaining contractual life (years)	4yrs 9 mths	n/a

The weighted average share price at the date of exercise in 2017 relates to the share price of Royal Dutch Shell plc class B shares (RDSB). The weighted average price for 2016 related to both the price of RDSB shares and BG Group plc prior to the Scheme of Arrangement being effective.

#### 27 Events after the reporting date

On 27 June 2018, the Company issued 534,379,925 ordinary shares of £1 each to BG Energy Holdings Limited, its immediate parent undertaking. As a result of this, the Company's allotted and fully paid share capital increased to £2,655,485,846.