

Registration number: 902239

BG International Limited

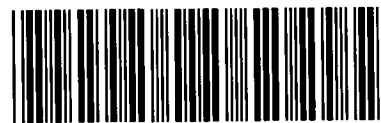
Annual Report

and

Financial Statements

For the year ended 31 December 2018

MONDAY



L8F4FGUY

LD2

30/09/2019

#212

COMPANIES HOUSE

BG International Limited

Contents

Strategic report	1 to 2
Directors' report	3 to 5
Independent Auditor's report	6 to 8
Profit and loss account	9
Statement of comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13 to 50

BG International Limited

Strategic report for the year ended 31 December 2018

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

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

Business review

The 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.

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 Basins in Southern Queensland which generated revenues of £62 million in 2018. 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 £20 million were capitalised in the financial year as intangible assets.

The Company's turnover from continuing operations for the financial year was £62 million (2017: £52 million) and was principally derived from the production of coal seam gas in Australia. The profit after tax for 2018 from continuing operations amounted to £556 million (2017: Loss after tax £284 million) which was mainly driven by dividends received from subsidiary undertakings of £854 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 2018 (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 15 to 20 of Royal Dutch Shell's Annual Report and Form 20-F for the year ended 31 December 2018 (the "Group Report"), include those of the Company. (The Group Report does not form part of this report).

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 29 to 61 of the Group Report and the key performance indicators through which the Group's performance is measured are as set out on pages 27 to 28 of the Group Report.

Approved by the Board on 27 September 2019 and signed on its behalf by:

DocuSigned by:

4F3ED67E85D5474...

.....
J G Connell
Director

BG International Limited

Directors' report for the year ended 31 December 2018

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

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

Dividends

No dividends were paid during the year (2017 : £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 J Ten Brink (resigned 1 April 2019)

S A Constant-Glemas (resigned 12 March 2019)

N M Humphrey

S M A Iskander (resigned 10 January 2018)

K Jackson (resigned 1 February 2019)

S C Lynch (resigned 1 April 2019)

A D McLean (resigned 1 April 2019)

R L O'Brien (resigned 1 April 2019)

S R Phimister (resigned 1 April 2019)

Shell Corporate Director Limited (appointed 3 July 2018)

The following Directors were appointed after the year end:

J G Connell (appointed 1 April 2019)

F Hinden (appointed 1 April 2019)

G S Hua Lim (appointed 1 April 2019)

H Jones (appointed 1 April 2019)

EC Andrew (appointed 1 April 2019)

BG International Limited

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

Financial risk management

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

Events after the end of the reporting period

Refer to note 24 "Events after the end of the reporting period".

Prior year restatement

The 2017 comparative figures have been restated to reflect the correct accounting for an exploration write-off transaction. Refer to Note 3 Prior period restatement.

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 (in liquidation), Egypt, Honduras (in liquidation), Kazakhstan and Trinidad.

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.

BG International Limited

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


Statement of Directors' responsibilities (continued)

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 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.

Approved by the Board on 27 September 2019 and signed on its behalf by:

DocuSigned by:

F651352B46B643C...

.....
A. Alfert
Authorised signatory for
Shell Corporate Secretary Limited
Company Secretary

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 2018, which comprise the Profit and loss account, Statement of comprehensive income, Balance sheet, Statement of changes in equity, and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

Independent Auditor's report to the Member of BG 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 auditor's report thereon. The Directors are responsible for the other information.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Independent Auditor's report to the Member of BG International Limited (continued)

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 4 and 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Ernst & Young LLP

Moira Ann Lawrence (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen

Date: 27 SEPTEMBER 2019

BG International Limited

Profit and loss account for the year ended 31 December 2018

		Continuing operations 2018 £ m	Total 2018 £ m	Restated * Continuing operations 2017 £ m	Restated * Discontinued operations 2017 £ m	Restated * Total 2017 £ m
	Note					
Turnover	5	62	62	52	407	459
Cost of sales		<u>(218)</u>	<u>(218)</u>	<u>(173)</u>	<u>(155)</u>	<u>(328)</u>
GROSS (LOSS)/PROFIT		(156)	(156)	(121)	252	131
Administrative expenses		(7)	(7)	(21)	(10)	(31)
Exploration expenses		(42)	(42)	(29)	(1)	(30)
Other expense		<u>(69)</u>	<u>(69)</u>	<u>(209)</u>	<u>(114)</u>	<u>(323)</u>
OPERATING (LOSS)/PROFIT	8	(274)	(274)	(380)	127	(253)
Income from shares in subsidiary undertakings		854	854	956	-	956
Amounts provided against investments	14	(119)	(119)	(202)	-	(202)
Profit on disposal of tangible fixed assets		6	6	-	167	167
Loss from disposals of investments	14	<u>-</u>	<u>-</u>	<u>(709)</u>	<u>-</u>	<u>(709)</u>
PROFIT/(LOSS) BEFORE INTEREST AND TAXATION		467	467	(335)	294	(41)
Interest receivable and similar income	6	80	80	61	1	62
Interest payable and similar charges	7	<u>(36)</u>	<u>(36)</u>	<u>(5)</u>	<u>(25)</u>	<u>(30)</u>
PROFIT/(LOSS) BEFORE TAXATION		511	511	(279)	270	(9)
Tax on profit/(loss)	11	<u>45</u>	<u>45</u>	<u>(5)</u>	<u>(4)</u>	<u>(9)</u>
PROFIT/(LOSS) FOR THE YEAR		<u>556</u>	<u>556</u>	<u>(284)</u>	<u>266</u>	<u>(18)</u>

BG International Limited

Statement of comprehensive income for the year ended 31 December 2018

		2018	Restated *
	Note	£ m	2017 £ m
Profit/(loss) for the year		556	(18)
Other comprehensive income: Items that may be reclassified subsequently to profit or loss			
Foreign currency translation (losses)/gains		<u>3</u>	<u>(35)</u>
		<u>3</u>	<u>(35)</u>
Items that will not be reclassified subsequently to profit or loss			
Remeasurement loss on pension scheme	19	<u>(3)</u>	<u>(1)</u>
		<u>(3)</u>	<u>(1)</u>
Other comprehensive income for the year, net of tax		<u>-</u>	<u>(36)</u>
Total comprehensive income for the year		<u>556</u>	<u>(54)</u>

* Refer note 3 on prior period restatement.

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 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 2018**

		2018	Restated*
	Note	£ m	2017
			£ m
Fixed assets			
Intangible assets	12	588	584
Tangible assets	13	1,049	1,114
Investments	14	2,468	2,581
Deferred tax	11	<u>2</u>	<u>9</u>
		<u>4,107</u>	<u>4,288</u>
Current assets			
Stock	15	2	14
Debtors	16	971	1,177
Cash at bank and in hand		<u>12</u>	<u>11</u>
		985	1,202
Creditors: Amounts falling due within one year	17	<u>(2,434)</u>	<u>(3,909)</u>
Net current liabilities		<u>(1,449)</u>	<u>(2,707)</u>
Total assets less current liabilities		2,658	1,581
Provisions	20	<u>(344)</u>	<u>(354)</u>
Net assets		2,314	1,227
Pension deficit	19	<u>(52)</u>	<u>(55)</u>
Net assets		<u>2,262</u>	<u>1,172</u>
Equity			
Called up share capital	21	2,655	2,121
Currency translation reserve		(32)	(35)
Revaluation reserve		623	623
Profit and loss account		<u>(984)</u>	<u>(1,537)</u>
Total equity		<u>2,262</u>	<u>1,172</u>

* Refer note 3 on prior period restatement.

The financial statements on pages 9 to 50 were authorised for issue by the Board of Directors on 27 September 2019 and signed on its behalf by:

DocuSigned by:

 4F3ED67E85D5474...
 J G Connell
 Director

BG International Limited

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

	Note	Called up share capital £ m	Revaluation reserve £ m	Restated * Profit and loss account £ m	Currency translation reserve £ m	Total £ m
Balance as at 1 January 2017 (as restated*)		1,688	623	(1,518)	-	793
Loss for the year (as restated*)		-	-	(18)	-	(18)
Other comprehensive income for the year		-	-	(1)	(35)	(36)
Total comprehensive income for the year (as restated)		-	-	(19)	(35)	(54)
Proceeds from shares issued	21	433	-	-	-	433
Balance as at 31 December 2017(as restated*)		2,121	623	(1,537)	(35)	1,172
Balance as at 01 January 2018		2,121	623	(1,537)	(35)	1,172
Profit for the year		-	-	556	-	556
Other comprehensive income for the year		-	-	(3)	3	-
Total comprehensive income for the year		-	-	553	3	556
Proceeds from shares issued	21	534	-	-	-	534
Balance as at 31 December 2018		2,655	623	(984)	(32)	2,262

* Refer note 3 on prior period restatement.

BG International Limited

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

General information

The Company is a private company limited by share capital incorporated in England and Wales.

The address of its registered office is: Shell Centre, London, SE1 7NA, United Kingdom.

1 Accounting policies

Basis of preparation

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

As applied to the Company, there are no material differences between EU endorsed IFRS and IFRS as issued by the International Accounting Standards Board. The principal accounting policies applied in the 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 9 and IFRS 15.

New standards applied

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

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

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

BG International Limited

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

1 Accounting policies (continued)

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

BG International Limited

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

1 Accounting policies (continued)

Consolidation

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

The immediate parent company is BG Energy Holdings Limited.

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

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

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

Fundamental accounting concept

The balance sheet at 31 December 2018 reports a net current liability of £1,449 million. 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.

BG International Limited

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

BG International Limited

Notes to the financial statements for the year ended 31 December 2018 (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 or branch operates ('the functional currency'). The financial statements are presented in Pounds Sterling (£).

(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 2018 (continued)

1 Accounting policies (continued)

Tangible fixed assets and depreciation (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.

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.

BG International Limited

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

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.

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 their 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.

BG International Limited

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

1 Accounting policies (continued)

Financial instruments

Financial assets

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

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

Impairment of financial assets

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

Financial liabilities

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

BG International Limited

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

1 Accounting policies (continued)

Investment in subsidiaries and participating undertakings

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

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

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 down to their net realisable value, wherever necessary.

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.

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 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 the product is physically transferred into a vessel, pipe or other delivery mechanism. For turnover resulting from arrangements that do not meet the revenue from contract with customer criteria, turnover is classified as from other sources.

BG International Limited

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

1 Accounting policies (continued)

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.

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.

BG International Limited

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

1 Accounting policies (continued)

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.

BG International Limited

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

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

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.

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.

BG International Limited

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

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

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 participated 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.

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.

BG International Limited

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

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

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.

Fair value of financial assets and liabilities

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

3 Prior period restatement

The 2017 comparative figures have been restated to reflect the correct accounting for an exploration write-off transaction and presentation in the financial statements. Amounts in the prior year for other expenses from continuing operations were overstated by £252 million due to amounts recorded for exploration expenses pertaining to 2016 (£112 million) and due to certain foreign exchange transactions recorded on Amounts owed to fellow subsidiary undertakings (£140 million). The prior year balances of these accounts have been appropriately restated with the corresponding impact to other expenses and profit and loss account balance respectively. Further adjustments to the associated tax liability and tax expense resulting from the prior year restatements above have also been made. The net financial effect of the restatements is as follows:

BG International Limited

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

3 Prior period restatement (continued)

	Balance as at 31 December 2017	Restatement as at 31 December 2017	Restated balance as at 31 December 2017
	£m	£m	£m
Profit and loss account			
Other Expense	(575)	252	(323)
Tax on profit / (loss)	18	(27)	(9)
Balance sheet			
Debtors			
Tax receivable	34	(27)	7
Creditors			
Amounts owed to fellow subsidiary undertakings	(3,652)	140	(3,512)
	Balance as at 1 January 2017	Restatement as at 1 January 2017	Restated balance as at 1 January 2017
	£m	£m	£m
Profit and loss account balance	1,406	112	1,518

BG International Limited

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

4 Financial instruments

The Company has the following financial asset and liabilities measured at fair value through profit or loss:

	Other financial assets 2018 £ m	Other financial assets 2017 £ m
Current	9	-
Non-current	3	-

The Company holds a consideration receivable related to sale of the J - Area, Everest, Lomond and Erskine fields which is required to be recognised at fair value because of pricing conditions. The key assumptions used in valuing the financial asset are forward oil prices.

5 Turnover

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

	2018 £ m	2017 £ m
Oil and gas exploration and production	62	459
	<u>62</u>	<u>459</u>

Turnover of £62 million (2017: £52 million) from continuing operations comprises sales of oil and gas products in Australia.

6 Interest receivable and similar income

	2018 £ m	2017 £ m
Interest from Group undertakings:		
Fellow subsidiary undertakings	20	3
Profit on currency translation - financial items	60	59
	<u>80</u>	<u>62</u>

BG International Limited

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

7 Interest payable and similar charges

	2018 £ m	2017 £ m
Interest on loans from Group undertakings:		
Fellow subsidiary undertakings	21	-
Interest on other items	1	1
Net interest on pension liability (note 19)	1	1
Unwinding of discount on long term provisions (note 20)	13	28
	<u>36</u>	<u>30</u>

8 Operating (loss)/profit

Arrived at after charging:

	2018 £ m	2017 £ m
Operating lease rental charged:		
Operating lease expense - other	8	8
Depreciation	125	170
Impairment loss on tangible fixed assets	-	11
Impairment loss on intangible assets	-	63

BG International Limited

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

9 Staff costs

The aggregate payroll costs were as follows:

	2018	2017
	£ m	£ m
Wages and salaries	-	3
Social security costs	-	2
Pension costs	-	1
Other employee expenses	-	13
	<u>-</u>	<u>19</u>

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

	2018	2017
	No.	No.
Upstream	-	122

10 Auditor's remuneration

The Auditors' remuneration of £38,291 (2017: £56,875) in respect of the statutory audit was borne by the immediate parent company for both the current and preceding years.

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

BG International Limited

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

11 Tax on profit/(loss)

Tax (credit)/charge in the profit and loss account

The tax credit for the year of £45 million (2017: charge of £9 million) is made up as follows:

	(As restated)	
	2018 £ m	2017 £ m
Current taxation		
UK corporation tax	(34)	109
UK corporation tax adjustment to prior periods	(13)	69
Foreign tax	(5)	-
Total current tax (credit)/charge	(52)	178
Deferred taxation		
Arising from origination and reversal of temporary differences	(1)	(174)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	8	5
Total deferred tax charge/(credit)	7	(169)
Tax (credit)/charge in the profit and loss account	(45)	9

BG International Limited

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

11 Tax on profit/(loss) (continued)

Reconciliation of total tax (credit)/charge

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

The differences are reconciled below:

	2018	2017
	£ m	£ m
(Profit)/loss before tax	(511)	9
Tax on (profit)/loss calculated at standard rate (2018: 19.00%) (2017: 19.25%)	97	(2)
Effects of:		
Income not taxable	(165)	(270)
Other reconciling item	-	5
Expenses not deductible	35	222
Adjustment in respect of currency translation difference	(5)	-
Adjustment in respect of prior period	(4)	74
Ring fence/non ring fence rate differentials	-	(19)
Effect of change in corporation tax rates	(2)	-
Tax on imputed interest	(1)	(1)
Total tax (credit)/charge	<u>(45)</u>	<u>9</u>

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.

BG International Limited

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

11 Tax on profit/(loss) (continued)

Deferred tax movement during the year:

	At 1 January 2018 £ m	Recognised in profit and loss account £ m	At 31 December 2018 £ m
Provision for decommissioning and restoration not yet allowed for tax	107	-	107
Accelerated tax depreciation	(117)	11	(106)
Other items	19	(18)	1
Net tax assets/(liabilities)	<u>9</u>	<u>(7)</u>	<u>2</u>

Deferred tax movement during the prior year:

	At 1 January 2017 £ m	Recognised in profit and loss account £ m	At 31 December 2017 £ m
Provision for decommissioning and restoration not yet allowed for tax	311	(204)	107
Accelerated tax depreciation	(494)	377	(117)
Other items	23	(4)	19
Net tax assets/(liabilities)	<u>(160)</u>	<u>169</u>	<u>9</u>

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

	2018 £ m	2017 £ m
Deferred tax assets due more than 12 months	140	148
Deferred tax liabilities due more than 12 months	<u>(138)</u>	<u>(139)</u>
Total deferred tax	<u>2</u>	<u>9</u>

BG International Limited

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

12 Intangible assets

	Exploration & evaluation assets £ m
Cost	
Balance at 1 January 2018	1,042
Additions	20
Write off	(15)
Exchange differences	(1)
Balance at 31 December 2018	<u>1,046</u>
Accumulated amortisation and impairment	
Balance at 1 January 2018	(458)
Balance at 31 December 2018	<u>(458)</u>
Net book amount	
At 31 December 2018	<u><u>588</u></u>
At 31 December 2017	<u><u>584</u></u>
Intangible assets are assets under construction.	

BG International Limited

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

13 Tangible assets

	Land, buildings and office equipment £ m	Oil and gas properties £ m	Long leasehold land and buildings £ m	Total £ m
Cost or valuation				
Balance at 1 January 2018	384	1,225	17	1,626
Additions	-	84	-	84
Assets written off	(23)	(2)	-	(25)
Transfer to other Shell Group companies	(1)	(8)	-	(9)
Change in estimate of decommissioning provision	-	(12)	-	(12)
Balance at 31 December 2018	360	1,287	17	1,664
Accumulated Depreciation				
Balance at 1 January 2018	(269)	(240)	(3)	(512)
Depreciation	(35)	(89)	(1)	(125)
Assets written off	22	-	-	22
Balance at 31 December 2018	(282)	(329)	(4)	(615)
Net book amount				
At 31 December 2018	78	958	13	1,049
At 31 December 2017	115	985	14	1,114

Assets held under finance lease and hire purchase contracts

The net carrying amount of tangible assets includes the following amounts in respect of assets held under finance leases:

	2018 £ m	2017 £ m
Cost	17	-
Depreciation	(4)	-
	13	-

BG International Limited

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

14 Investments

	Subsidiary undertakings shares £ m
Cost	
Balance at 1 January 2018	2,986
Additions	<u>6</u>
Balance at 31 December 2018	<u>2,992</u>
Amounts provided	
Balance at 1 January 2018	(405)
Additions	<u>(119)</u>
Balance at 31 December 2018	<u>(524)</u>
Carrying amount	
At 31 December 2018	<u><u>2,468</u></u>
At 31 December 2017	<u><u>2,581</u></u>

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 to their recoverable amounts based on estimated future cash flows or net assets resulting in recognition of impairments of £113 million, £3 million, £3 million on its investment in subsidiary undertakings Shell Trinidad and Tobago Resources SRL, BG Kenya L10A Limited and BG Kenya L10B Limited, respectively.

Details of the subsidiaries and other related undertakings as at 31 December 2018 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%

BG International Limited

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

14 Investments (continued)

Name	Registered office and Country of incorporation	Class of shares	% of ownership
Prince Rupert LNG Exports Limited	885 West Georgia Street, Suite 900 Vancouver, BC V6C 3H1, Canada	Ordinary	100%
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 International Limited

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

14 Investments (continued)

Name	Registered office and Country of incorporation	Class of shares	% of ownership
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 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	Shell Centre, London, SE1 7NA, 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%

BG International Limited

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

14 Investments (continued)

Name	Registered office and Country of incorporation	Class of shares	% of ownership
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%
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

	2018 £ m	2017 £ m
Raw materials and consumables	1	9
Gas inventories	1	5
	<u>2</u>	<u>14</u>

BG International Limited

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

16 Debtors

Debtors: amounts due within one year

	2018 £ m	2017 £ m
Trade debtors	41	173
Amounts owed by Group undertakings:		
Subsidiary undertakings	225	177
Fellow subsidiary undertakings	668	701
Other financial assets (note 4)	9	-
Prepayments and accrued income	10	49
Other debtors	15	70
Tax receivable	-	7
	<u>968</u>	<u>1,177</u>

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

Debtors: amounts due after one year

	2018 £ m	2017 £ m
Other financial assets (note 4)	<u>3</u>	<u>-</u>
	<u>3</u>	<u>-</u>

BG International Limited

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

17 Creditors: amounts falling due within one year

	2018	*Restated 2017
	£ m	£ m
Trade creditors	2	107
Amounts owed to Group undertakings		
Parent undertakings	168	145
Subsidiary undertakings	117	89
Fellow subsidiary undertakings	2,042	3,512
HP and finance lease liabilities (note 18)	23	15
Tax liability	30	-
Accrued expenses	42	41
Other creditors	10	-
	<u>2,434</u>	<u>3,909</u>

* Refer note 3 on prior period restatement.

Amounts owed to Group undertakings are payable upon demand and include £1,736 million (2017: £1,490 million) on which interest rates ranging from 0.48% to 1.92% (2017: 0.08% to 0.59%) is applicable and remaining balance is interest free.

The tax liability includes a non-current tax provision of £117 million in connection with claims made against a subsidiary of the Company.

BG International Limited

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

18 Obligations under leases and hire purchase contracts

Finance leases

	Minimum lease payments £ m	Interest £ m	Present value £ m
2018			
Within one year	2	(2)	-
In two to five years	10	(9)	1
In over five years	42	(20)	22
	<u>54</u>	<u>(31)</u>	<u>23</u>
	Minimum lease payments £ m	Interest £ m	Present value £ m
2017			
Within one year	1	(1)	-
In two to five years	6	(5)	1
In over five years	28	(14)	14
	<u>35</u>	<u>(20)</u>	<u>15</u>

The present values of future finance lease payments are analysed as follows:

	2018 £ m	2017 £ m
Non-current liabilities	23	15

Operating leases

As at 31 December 2018, the Company was committed to making the following future minimum lease payments under non-cancellable operating leases:

	2018 £ m	2017 £ m
Within one year	7	8
In two to five years	25	29
In over five years	4	7
	<u>36</u>	<u>44</u>

BG International Limited

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

19 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.

BG International Limited

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

19 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 financial statements. 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 2018 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 2.90% (2017: 2.54%), and a price inflation rate of 3.22% (2017: 3.17%). The value of the BGPS's assets as at that date was £1,787 million (2017: £1,851 million) and the value of the liabilities on this accounting basis was £1,488 million (2017: £1,665 million) meaning the surplus measured for accounting purposes was £299 million (2017: £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 2018 was £52 million (2017: £55 million), which continues to be recognised by the Company.

The Company's contributions to the BGPS for the year amounted to £16 million (2017: £108 million).

BG International Limited

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

19 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:

	2018	2017
	£ m	£ m
Present value at start of year	55	56
Actuarial gains and losses arising from changes in demographic assumptions	-	(2)
Actuarial gains and losses arising from changes in financial assumptions	(3)	1
Interest cost	1	1
Benefits paid	<u>(1)</u>	<u>(1)</u>
Present value at end of year	<u>52</u>	<u>55</u>
Analysed as:		
Present value of scheme liabilities arising from unfunded schemes	<u>52</u>	<u>55</u>

Scheme assets

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

	2018	2017
	£ m	£ m
Employer contributions	1	1
Benefits paid	<u>(1)</u>	<u>(1)</u>
Fair value at end of year	<u>-</u>	<u>-</u>

BG International Limited

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

20 Provisions

	Onerous contracts £ m	Other provisions £ m	Decommission and restoration £ m	Total £ m
Balance as at 1 January 2018	35	8	311	354
Increase in provisions	10	-	-	10
Change in estimate (note 13)	-	-	(12)	(12)
Reversal of unused provisions	(6)	(2)	-	(8)
Unwinding of discount (note 7)	1	-	12	13
Increase in provision due to foreign exchange movements	-	-	5	5
Increase/(decrease) in provisions due to other movements	(1)	1	(18)	(18)
Balance as at 31 December 2018	39	7	298	344

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 (2017: £5 million) are currently anticipated within one to five years; £106 million (2017: £103 million) within six to 10 years; and £187 million (2017: £203 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 2018 was 4% (2017: 4%).

BG International Limited

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

21 Called up share capital

Allotted, called up and fully paid shares

	No.	2018 £ m	No.	2017 £ m
Ordinary shares of £1 each	<u>2,655,485,846</u>	<u>2,655</u>	<u>2,121,105,921</u>	<u>2,121</u>

New shares allotted

During the year £534,379,925 of ordinary shares having an aggregate nominal value of £534,379,925 were allotted for an aggregate consideration of £534,379,925 (2017: £433,105,921).

22 Directors' emoluments

The Directors' emoluments for the year were as follows:

	2018 £ 000	2017 £ 000
Emoluments	2,523	3,026
Pension scheme contributions	<u>15</u>	<u>25</u>
	<u>2,538</u>	<u>3,051</u>

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

	2018 No.	2017 No.
Shares receivable by Directors	6	7
Accruing benefits under defined benefit pension scheme	6	5
Accruing benefits under money purchase pension scheme	<u>2</u>	<u>2</u>

In respect of the highest paid Director:

	2018 £ 000	2017 £ 000
Emoluments	474	669
Company contributions to money purchase pension schemes	15	11

BG International Limited

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

22 Directors' emoluments (continued)

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.

23 Commitments and contingencies

Capital commitments

The total amount contracted for but not provided in the financial statements was £1,078,392 (2017: £1,872,398).

24 Events after the end of the reporting period

On 6 March 2019 the Company issued 114,059,767 ordinary shares of £1 each at par, on 26 April 2019 the Company issued 50,336,123 ordinary shares of £1 each at par and on 23 August 2019 the Company issued 71,554,444 ordinary shares of £1 each at par 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 £2,891,436,180.

25 Related party transactions

The details of related party transactions happened during the year and the year end balance outstanding are as follows:

Related party name	Receivable balance		Sales during the year	
	as at			
	2018	2017	2018	2017
	£ m	£ m	£ m	£ m
Walloons CSG Co Pty Ltd	135	55	61	11

BG International Limited

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

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. At completion date, a portion of the share plan awards that did not transfer to Royal Dutch Shell plc were subject to accelerating vesting. The remaining awards were transferred to Royal Dutch Shell plc and will be settled in RDSB shares at a relevant ratio depending on the details of each specific scheme.

Conditional awards of Royal Dutch Shell plc shares are made under a long-term incentive plan (the 'Performance Share Plan') when making awards to employees who are not Executive Directors of Royal Dutch Shell plc. The actual amount of shares that may vest, ranging from 0-200% of the conditional awards, depends on the measurement of the prescribed performance conditions over a three-year period beginning on 1 January of the award year. For awards granted in 2016, half the award is linked to the relative performance compared to four of its main competitors in Total Shareholder Return ('TSR') measure, earnings per share, cash flow from operations and return on actual capital employed over the measurement period. The other half of the award is linked to the Shell scorecard results.

For awards granted in 2017 and 2018, 37.5% of the award is linked to the relative performance compared to four of its competitors in TSR, cash flow from operations and return on actual capital employed and 12.5% to a free cash flow factor relative to internal operating plans over the remeasurement period. The other half of the award is linked to the Shell scorecard results.

For the purposes of disclosure at 31 December 2018, substantially similar share plans have been aggregated together.

	Option awards	Other share plan awards
2018		
Options exercised in the year:		
Weighted average share price at the date of exercise (£)	25.42	27.96
Options outstanding at the end of the year:		
Number (m)	0.65	0.03
Range of exercise prices (£)	nil-11.85	n/a
Weighted average remaining contractual life (years)	5yrs 2 mths	2 mths

BG International Limited

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

26 Share-based payments (continued)

	Option awards	Other share plan awards
2017		
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

The weighted average share price at the date of exercise in 2018 and 2017 relates to the share price of Royal Dutch Shell plc class B shares (RDSB).