

Registration number: 3254203

# BG Delta Limited

Annual Report

and

Financial Statements

For the year ended 31 December 2018

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## **BG Delta Limited**

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## **BG Delta Limited**

### **Strategic report for the year ended 31 December 2018**

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

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

#### **Business review**

The Company was incorporated on 19 September 1996 and is a wholly owned subsidiary of BG International Limited. The Company is engaged in the exploration for and production of hydrocarbons in Egypt.

The Company has a 50% interest as a “Contractor” party to the West Delta Deep Marine (“WDDM”) concession inclusive of development leases. The Company explores for and produces hydrocarbons and supplies these to the domestic market and international markets via the Egyptian Liquefied Natural Gas facilities. During 2018, net production from WDDM was 11.65 million barrels of oil equivalent (mmboe) (2017: 12.13 mmboe).

The WDDM Phase 9 development was sanctioned in February 2013. The Phase 9a Project was planned to ensure continuity of supply for the LNG export SPAs and supplement domestic supply. However, over the past few years, higher than agreed gas volumes have been directed to the Egyptian domestic market, impacting volumes available for LNG export.

As at 31 December 2018, the amount owed by Egypt General Petroleum Corporation (EGPC) in respect of domestic gas sales was \$0.07 billion (2017: \$0.97 billion). The Group considers that the current receivable balance remains fully recoverable as cash payments from EGPC continue to be received. Discussions continue with the Egyptian government regarding potential future gas development programmes, subject to the negotiation of a higher domestic gas price and resolution of the outstanding receivables.

The Company’s profit for the financial year decreased from \$437,635,000 to \$353,228,000. This was principally due to recognition of revenue from Memphis field and decrease in deferred tax credit.

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

There have not been any other changes in the Company’s activities in the year under review. The Directors are not aware, at the date of this report, of any likely major changes in the Company’s activities in the next year.

## BG Delta Limited

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

#### Principal risks and uncertainties

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

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

Approved by the Board on 20 September 2019 and signed on its behalf by:

DocuSigned by:

Helen Day

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H Day

Company secretary

## **BG Delta 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**

Interim dividends of \$700,000,000 were paid in the year (2017: \$nil). The Directors recommend that no further dividend be paid for the year ended 31 December 2018 (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 were as follows:

A J Murphy (resigned 2 August 2018)

G Hanter (resigned 1 May 2019)

M Tighe (resigned 15 May 2019)

N M Humphrey

Shell Corporate Director Limited (appointed 19 July 2018 and resigned 6 December 2018)

The following directors were appointed after the year end:

G Cooper (appointed 15 May 2019)

K Kacem (appointed 1 May 2019)

#### **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).

## **BG Delta Limited**

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

#### **Statement of Directors' responsibilities**

The Directors acknowledge their responsibilities for preparing the Strategic report, Directors' report and the Company's financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

#### **Disclosure of information to the auditor**

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on 20 September 2019 and signed on its behalf by:

DocuSigned by:

Helen Day

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H Day

Company secretary

## **Independent Auditor's report to the Member of BG Delta Limited**

### **Opinion**

We have audited the financial statements of BG Delta Limited (the "Company") for the year ended 31 December 2018, which comprise the Profit and loss account, Balance sheet, Statement of changes in equity, and the related notes 1 to 20, 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 Delta Limited (continued)**

### **Other information**

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

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

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

We have nothing to report in this regard.

### **Opinions on other matters prescribed by the Companies Act 2006**

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

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

### **Matters on which we are required to report by exception**

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

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

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



## **Independent Auditor's report to the Member of BG Delta Limited (continued)**

### **Responsibilities of Directors**

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

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

### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **Use of our report**

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

*Ernst & Young LLP*

Tareq Fancy (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor  
London

Date: *26 September 2019*

**BG Delta Limited**

**Profit and loss account for the year ended 31 December 2018**

**Continuing operations**

	Note	2018 \$ 000	2017 \$ 000
<b>Turnover</b>	3	439,756	232,614
Cost of sales		<u>(44,392)</u>	<u>(109,063)</u>
<b>GROSS PROFIT</b>		<b>395,364</b>	<b>123,551</b>
Administrative expenses		(7,961)	(11,232)
Exploration expenses		(22,297)	(12,470)
Other expense		(69,413)	(72,316)
Reversal of provision on receivables	13	<u>-</u>	<u>93,754</u>
<b>OPERATING PROFIT</b>	6	<b><u>295,693</u></b>	<b><u>121,287</u></b>
<b>PROFIT BEFORE INTEREST AND TAXATION</b>		<b>295,693</b>	<b>121,287</b>
Interest receivable and similar income	4	38,535	44,051
Interest payable and similar charges	5	<u>(1)</u>	<u>(10,715)</u>
<b>PROFIT BEFORE TAXATION</b>		<b>334,227</b>	<b>154,623</b>
Tax on profit	8	<u>19,001</u>	<u>283,012</u>
<b>PROFIT FOR THE YEAR</b>		<b><u><u>353,228</u></u></b>	<b><u><u>437,635</u></u></b>

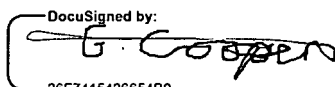
The profit for the current year and for the prior year are equal to the total comprehensive income and accordingly a statement of comprehensive income has not been presented.

**BG Delta Limited**

**(Registration number: 3254203)  
Balance sheet as at 31 December 2018**

	<b>Note</b>	<b>2018 \$ 000</b>	<b>2017 \$ 000</b>
<b>Fixed assets</b>			
Intangible assets	9	18,858	16,986
Tangible assets	10	151,030	51,017
Investments	11	-	2
Deferred tax	8	536,201	462,478
		<u><b>706,089</b></u>	<u><b>530,483</b></u>
<b>Current assets</b>			
Stock	12	10,755	41,109
Debtors	13	663,709	1,252,715
Cash at bank and in hand		20,605	19,397
		<u>695,069</u>	<u>1,313,221</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(387,331)</u>	<u>(478,504)</u>
<b>Net current assets</b>		<u><b>307,738</b></u>	<u><b>834,717</b></u>
<b>Total assets less current liabilities</b>		<b>1,013,827</b>	<b>1,365,200</b>
<b>Provisions</b>	16	<u>(3,838)</u>	<u>(8,439)</u>
<b>Net assets</b>		<u><b>1,009,989</b></u>	<u><b>1,356,761</b></u>
<b>Equity</b>			
Called up share capital	18	767,333	1,920,403
Profit and loss account		242,656	(563,642)
<b>Total equity</b>		<u><b>1,009,989</b></u>	<u><b>1,356,761</b></u>

The financial statements on pages 8 to 30 were authorised for issue by the Board of Directors on 20 September 2019 and signed on its behalf by:

DocuSigned by:  
  
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 G Cooper  
 Director

**BG Delta Limited**

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

	Called up share capital \$ 000	Profit and loss account \$ 000	Total \$ 000
<b>Balance as at 01 January 2017</b>	<b>1,920,403</b>	<b>(1,001,277)</b>	<b>919,126</b>
Profit for the year	-	437,635	437,635
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>437,635</b>	<b>437,635</b>
<b>Balance as at 31 December 2017</b>	<b>1,920,403</b>	<b>(563,642)</b>	<b>1,356,761</b>
<b>Balance as at 01 January 2018</b>	<b>1,920,403</b>	<b>(563,642)</b>	<b>1,356,761</b>
Profit for the year	-	353,228	353,228
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>353,228</b>	<b>353,228</b>
Capital reduction	(1,153,070)	1,153,070	-
Dividends paid (refer note 19)	-	(700,000)	(700,000)
<b>Balance as at 31 December 2018</b>	<b>767,333</b>	<b>242,656</b>	<b>1,009,989</b>

## **BG Delta 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.

The accounting policies have been consistently applied.

##### **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.

##### **Standards issued but not yet effective**

IFRS 16 Leases was issued in 2016 to replace IAS 17 Leases and is required to be adopted by 2019. Under the new standard all lease contracts, with limited exceptions, are recognised in financial statements by way of right-of-use assets and corresponding lease liabilities. The company will apply the modified retrospective approach, which means that the cumulative effect of initially applying the standard is recognised at the date of initial application and there is no restatement of comparative information. Compared with the existing accounting for operating leases, application of the standard will have a significant impact on the classification of expenditures and consequently the classification of cash flow from operating activities, cash flow from investing activities and cash flow from financing activities. It will also impact the timing of expenses recognised in the statement of income. No impact is expected in relation to lease contracts previously classified as finance leases. The adoption of the new standard at January 1, 2019, is expected to have a negligible impact on equity following the recognition of lease liabilities.

## BG Delta Limited

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

#### 1 Accounting policies (continued)

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';
  - (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);

## **BG Delta Limited**

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

#### **1 Accounting policies (continued)**

- 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 financial statements contain information about BG Delta 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 International Limited.

The ultimate parent company and controlling party is Royal Dutch Shell plc, which 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

#### **Taxation**

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

#### **Current tax**

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

## **BG Delta Limited**

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

#### **1 Accounting policies (continued)**

##### ***Deferred tax***

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

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

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

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

Amounts relating to deferred tax are undiscounted.

##### **Foreign currency translation**

###### **(i) Functional and presentation currency**

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

###### **(ii) Transaction and balances**

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

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



## BG Delta Limited

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

#### 1 Accounting policies (continued)

##### 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.

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
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.

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

## **BG Delta Limited**

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

#### **1 Accounting policies (continued)**

##### **Exploration, appraisal and development costs**

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

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

##### **Intangible fixed assets**

Intangible fixed assets are valued at cost less accumulated amortisation less any impairment applicable. The cost price of these assets are 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 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.

## **BG Delta Limited**

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

#### **1 Accounting policies (continued)**

##### **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.

##### **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.

## **BG Delta Limited**

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

###### *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.

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

###### *Sale of goods*

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

##### **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.

## **BG Delta Limited**

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

#### **1 Accounting policies (continued)**

##### **Netting off policy**

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

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

##### **Joint arrangements**

The Company's exploration, development and production activities are generally conducted in joint arrangements with other companies. The Company recognises its assets and liabilities relating to its interests in joint operations, including its share of assets held jointly and liabilities incurred jointly with other parties. Investments in joint ventures and associates are accounted for using the equity method, under which the investment is initially recognised at cost and subsequently adjusted for the Shell share of the post acquisition income less dividends received.

#### **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 Delta 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 tangible fixed assets and intangible fixed 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, 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.

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.

## **BG Delta 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.

##### **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.

##### **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.

## BG Delta Limited

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

#### 3 Turnover

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

	2018 \$ 000	2017 \$ 000
Sale of goods	<u>439,756</u>	<u>232,614</u>

#### 4 Interest receivable and similar income

	2018 \$ 000	2017 \$ 000
Interest from banks and similar income	35,195	44,051
Profit on currency translation	<u>3,340</u>	<u>-</u>
	<u><b>38,535</b></u>	<u><b>44,051</b></u>

#### 5 Interest payable and similar charges

	2018 \$ 000	2017 \$ 000
Interest on bank overdrafts and borrowings	1	237
Loss on currency translation	<u>-</u>	<u>10,478</u>
	<u><b>1</b></u>	<u><b>10,715</b></u>

#### 6 Operating profit

Arrived at after charging/(crediting):

	2018 \$ 000	2017 \$ 000
Operating lease rental charged:		
Hire of plant and machinery	10,388	11,130
Currency translation:		
Trading activities	(10,867)	(39,129)
Depreciation:		
On owned assets	38,039	80,295

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



## BG Delta Limited

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

#### 6 Operating profit (continued)

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

#### 7 Auditor's remuneration

The Auditor's remuneration of \$18,444 (2017: \$20,962) in respect of the statutory audit was borne by another group 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 individual financial statements of the Company because the Royal Dutch Shell plc consolidated financial statements are required to disclose such fees on a consolidated basis.

#### 8 Taxation

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

The tax credit for the year of \$19,001,000 (2017: \$283,012,000) is made up as follows:

	2018 \$ 000	2017 \$ 000
<b>Current taxation</b>		
UK corporation tax	61,908	58,141
UK corporation tax adjustment to prior periods	<u>(7,186)</u>	<u>(11,268)</u>
<b>Total current tax charge</b>	<u><b>54,722</b></u>	<u><b>46,873</b></u>
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	(6,149)	(337,496)
Arising from adjustment in respect of prior periods	9,707	7,611
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	<u>(77,281)</u>	<u>-</u>
<b>Total deferred tax credit</b>	<u><b>(73,723)</b></u>	<u><b>(329,885)</b></u>
<b>Tax credit in the profit and loss account</b>	<u><u><b>(19,001)</b></u></u>	<u><u><b>(283,012)</b></u></u>

## BG Delta Limited

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

#### 8 Taxation (continued)

##### Reconciliation of total tax (credit)

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 \$ 000	2017 \$ 000
Profit before tax	(334,227)	(154,623)
Tax on profit calculated at standard rate (2018- 19.00%) (2017- 19.25%)	63,503	29,765
<b>Effects of:</b>		
Expenses not deductible	(1,145)	9,010
Adjustments in respect of prior periods	(7,186)	(11,268)
Currency translation adjustments	(7,322)	5,468
Foreign tax rates	(77,281)	-
Deferred tax credit from unrecognised tax loss or credit	-	(317,227)
Deferred tax expense from unrecognised temporary difference from a prior period	9,706	-
Reconciliation between accounting profit and tax expense (income)	724	-
Tax on imputed interest	-	1,240
<b>Total tax credit</b>	<u><u>(19,001)</u></u>	<u><u>(283,012)</u></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 Delta Limited**

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

**8 Taxation (continued)**

**Deferred tax assets as at:**

	<b>Asset \$ 000</b>
<b>2018</b>	
Other items	2,299
Tax losses carried forward	56,153
Accelerated tax depreciation	477,749
	<u><b>536,201</b></u>
	<b>Asset \$ 000</b>
<b>2017</b>	
Other items	2,299
Tax losses carried forward	-
Accelerated tax depreciation	460,179
	<u><b>462,478</b></u>

**Deferred tax movement during the year:**

	<b>At 1 January 2018 \$ 000</b>	<b>Recognised in profit and loss account \$ 000</b>	<b>At 31 December 2018 \$ 000</b>
Other items	2,299	-	2,299
Tax losses carried forward	-	56,153	56,153
Accelerated tax depreciation	460,179	17,570	477,749
Net tax assets/(liabilities)	<u><b>462,478</b></u>	<u><b>73,723</b></u>	<u><b>536,201</b></u>

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

	<b>At 1 January 2017 \$ 000</b>	<b>Recognised in profit and loss account \$ 000</b>	<b>At 31 December 2017 \$ 000</b>
Other items	-	2,299	2,299
Tax losses carried forward	-	-	-
Accelerated tax depreciation	132,593	327,586	460,179
Net tax assets/(liabilities)	<u><b>132,593</b></u>	<u><b>329,885</b></u>	<u><b>462,478</b></u>

**BG Delta Limited**

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

**9 Intangible assets**

	<b>Unproved properties \$ 000</b>
<b>Cost and net book amount</b>	
Balance at 1 January 2018	16,986
Additions	18,031
Disposals	<u>(16,159)</u>
<b>Balance at 31 December 2018</b>	<b><u>18,858</u></b>

**10 Tangible assets**

	<b>Exploration and production \$ 000</b>	<b>Office equipment and motor vehicles \$ 000</b>	<b>Total \$ 000</b>
<b>Cost or valuation</b>			
Balance at 1 January 2018	5,195,542	1,827	5,197,369
Additions	138,052	-	138,052
Disposals and retirements of assets	<u>-</u>	<u>(1,827)</u>	<u>(1,827)</u>
<b>Balance at 31 December 2018</b>	<b><u>5,333,594</u></b>	<b><u>-</u></b>	<b><u>5,333,594</u></b>
<b>Accumulated Depreciation</b>			
Balance at 1 January 2018	(5,144,526)	(1,826)	(5,146,352)
Charge for the year	(38,038)	(1)	(38,039)
Disposals and retirements of assets	<u>-</u>	<u>1,827</u>	<u>1,827</u>
<b>Balance at 31 December 2018</b>	<b><u>(5,182,564)</u></b>	<b><u>-</u></b>	<b><u>(5,182,564)</u></b>
<b>Net book amount</b>			
<b>At 31 December 2018</b>	<b><u>151,030</u></b>	<b><u>-</u></b>	<b><u>151,030</u></b>
<b>At 31 December 2017</b>	<b><u>51,016</u></b>	<b><u>1</u></b>	<b><u>51,017</u></b>

# BG Delta Limited

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

### 11 Investments

	Investments in joint ventures \$ 000
<b>Cost</b>	
Balance at 1 January 2018	2
<b>Balance at 31 December 2018</b>	<b>2</b>
<b>Amounts provided</b>	
Amounts (provided against)/ written back on investments	(2)
<b>Balance at 31 December 2018</b>	<b>(2)</b>
<b>Carrying amount</b>	
At 31 December 2018	-
At 31 December 2017	2

### Joint ventures

Details of the joint ventures as at 31 December 2018 are as follows:

Name of Joint-ventures	Principal activity	Registered office	Proportion of ownership interest and voting rights held	
			2018	2017
Burullus Gas Company S.A.E.	Exploration and production	Egypt	25%	25%

### 12 Stocks

	2018 \$ 000	2017 \$ 000
Raw materials and consumables	<u>10,755</u>	<u>41,109</u>

## BG Delta Limited

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

#### 13 Trade and other debtors

##### Debtors: amounts due within one year

	2018 \$ 000	2017 \$ 000
Trade debtors	76,566	850,976
Amounts owed by Group undertakings:		
Parent undertakings	84,026	81,712
Fellow subsidiary undertakings	412,089	246,966
Prepayments and accrued income	24,492	13,274
Other Trade debtors	66,536	59,787
	<u>663,709</u>	<u>1,252,715</u>

Amounts owed by Shell Treasury Centre Limited, a fellow subsidiary, bears interest rate equal to LIBOR. All other amounts owed by group undertakings are unsecured, interest free and repayable on demand.

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

	2018 \$ 000	2017 \$ 000
Trade creditors	10,654	50,282
Amounts owed to Group undertakings		
Fellow subsidiary undertakings	149,814	277,377
Amounts due to participating undertakings	115,966	28,639
Tax liability	110,897	81,813
Accrued expenses	-	19,235
Other Trade creditors	-	21,158
	<u>387,331</u>	<u>478,504</u>

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

## BG Delta Limited

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

#### 15 Obligations under leases and hire purchase contracts

##### Operating leases

The total future value of minimum lease payments is as follows:

	2018 \$ 000	2017 \$ 000
Within one year	11,501	11,920
In two to five years	4,070	12,859
	<u>15,571</u>	<u>24,779</u>

#### 16 Provisions

	Other provisions \$ 000
Balance as at 1 January 2018	8,439
Decrease in existing provisions	<u>(4,601)</u>
<b>Balance as at 31 December 2018</b>	<b><u>3,838</u></b>

#### 17 Related parties

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

Related party name	Receivable / (payable) balance as at		Sales/(purchase) during the year	
	2018 \$ 000	2017 \$ 000	2018 \$ 000	2017 \$ 000
El Behera Natural Gas Liquefaction Company S.A.E.	(1,069)	(21,109)	(29,304)	(31,805)
Idku Natural Gas Liquefaction Company S.A.E.	2,531	(15,117)	(26,564)	(18,419)

## BG Delta Limited

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

#### 17 Related parties (continued)

##### Summary of transactions with associates

In the normal course of business the Company purchased goods and services from El Behera Natural Gas Liquefaction Company S.A.E. and Idku Natural Gas Liquefaction Company S.A.E., associates of Shell Group.

#### 18 Called up share capital

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

	No.	2018 \$ 000	No.	2017 \$ 000
Ordinary shares of £1 each	<u>428,000,000</u>	<u>767,333</u>	<u>1,071,155,167</u>	<u>1,920,403</u>
<b>Capital reduction</b>				

During the year, the Company carried out a capital reduction of \$1,153,070,000 by way of cancellation of 643,155,167 ordinary £1 shares.

All amounts on account of the capital reductions have been transferred to the profit and loss account of the Company.

#### 19 Dividends

Interim dividends of 700,000,000 were paid in the year (2017: nil) The Directors recommend no further dividend be paid for the year ended 31 December 2018 (2017: nil).

#### 20 Commitments

##### Capital commitments

The total amount contracted for but not provided in the financial statements was \$nil - (2017 - \$44,600,000).