

BG North Sea Holdings Limited

Annual Report and Financial Statements

For the year ended 31 December 2015

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Company Registration Number: 2383911

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Strategic report for the year ended 31 December 2015

The Directors present their Strategic report for BG North Sea Holdings Limited for the year ended 31 December 2015.

Review of the business

BG North Sea Holdings Limited (the "Company") was incorporated on 15 May 1989 and is a wholly owned subsidiary of BG Energy Holdings Limited. The Company acts as a holding company and has investments in a number of entities with operations around the world involved in the exploration for and production of oil and gas hydrocarbons. In addition, the Company holds direct interests in joint operations in the UK and Colombia.

UK

The Company has an interest of 2.7% in the Erskine field, which is operated by Chevron. Production volumes from the Erskine field in respect of the interest held by the Company reached 0.09 million barrels of oil equivalent (mmboe) (2014: 0.04 mmboe).

Colombia

In January 2014, the Company signed an agreement to acquire a 30% equity interest in Guajira Offshore 3 Block, offshore Colombia. The block is held under a technical evaluation agreement and is located approximately 70 kilometre offshore in water depths of 1,500 to 4,000 metres. In January 2015, the Company opened a branch in Colombia. 3D seismic programmes were completed in 2014 and 2015. For 2016 there are no scheduled survey operations. The Company will continue to process 3D seismic survey acquired in 2015 with a focus on maturing high-graded prospects. An 18 month extension to the Technical Evaluation Agreement was approved by the Agencia Nacional de Hidrocarburos in Q1 2016.

Trinidad and Tobago

BG Trinidad and Tobago Limited, a subsidiary of the Company, retains interests in two operating blocks, both held under separate Production Sharing Contracts. These interests comprise (i) a 45.885% interest in the North Coast Marine Area (NCMA) 1 block, located off the north coast of Trinidad and Tobago containing the Hibiscus, Poinsettia, Chaconia, Ixora, Heliconia and Bougainvillea Fields; and (ii) a 50% interest in Block 6, located off the east coast of Trinidad and Tobago, which includes the Dolphin Field. During 2015, BG Trinidad and Tobago Limited continued to supply both the domestic and export markets from these fields. Production volumes from the Dolphin field achieved 3.56 mmboe in 2015 (2014: 9.50 mmboe), and production from the NCMA 1 block reached 9.31 mmboe (2014: 9.04 mmboe).

Egypt

BG Egypt SA, a subsidiary of the Company, has a 40% interest in the Rosetta Concession and a 20% shareholding in the Rashid Petroleum Company SAE (Rashpetco), a joint venture company formed by the Rosetta concession Holders to undertake exploration, field development and operations on their behalf. The Company's affiliate BG Rosetta Limited holds a parallel 40% interest and 20% Rashpetco shareholding. The Rosetta field started production in January 2001 and supplies the domestic market.

BG Group entered into an agreement in March 2015 to dispose of its interest in the Rosetta onshore facilities for total consideration of \$100,000,000, of which BG Egypt SA's share is \$50,000,000. This sale is expected to be completed by the end of 2016.

Strategic report for the year ended 31 December 2015 continued

India

BG Exploration and Production India Limited, an indirect subsidiary of the Company, jointly operates the Mid & South Tapti Fields (gas) and the Panna-Mukta Fields (oil and gas) and has a 30% participating interest in each of these fields. During 2015, the Panna-Mukta and Mid & South Tapti Fields production reached 5.94 mmboe (2014: 6.70 mmboe).

In June 2016, post cessation of production, certain facilities at the Mid & South Tapti fields have been transferred to a Government of India's nominee on a 'no cost and from all encumbrances' basis.

There have not been any 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.

For a more detailed review of the activities, development and performance of the business during 2015 and the position of BG Group at the end of the year, please refer to the BG Group Annual Report and Accounts 2015 - Strategic report section on pages 2 to 16.

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.

During 2015 and up to the effective date of the Combination (as defined below) (see note 16), the Company faced risks which affected both the Company and BG Group as a whole. BG Group risks are discussed in the BG Group Annual Report and Accounts 2015 which does not form part of this report. For risks applicable to the Company following the Combination, please refer to Royal Dutch Shell plc's Annual Report and Form 20-F for the year ended 31 December 2015.

Key performance indicators (KPIs)

During 2015 and up to the effective date of the Combination (see note 16), BG Group monitored, reviewed and assessed its operations at segment and geographical levels, therefore the Directors are of the opinion that analysis of the Company using KPIs is not appropriate for an understanding of the development, performance or position of the business of the Company. For further information about KPIs, in the context of BG Group as a whole, please refer to the BG Group Annual Report and Accounts 2015. For details of the KPIs that the Company will be measured against following the Combination, please refer to Royal Dutch Shell plc's Annual Report and Form 20-F for the year ended 31 December 2015.

Financial performance and position

As shown in the Company's income statement on page 9, revenue of the Company increased by 14% during the year to £2,566,000 (2014: £2,247,000). Loss before taxation decreased to £46,789,000 (2014: (restated) £647,581,000) as a result of a reduction in the impairment recorded in 2015 compared to 2014 and a reduction in the foreign exchange loss following the refinancing of US Dollar loans into Pounds Sterling loans in 2015. Following the adoption of Financial Reporting Standard 101, as set out in note 17, the Company has restated the opening balance sheet as at 1 January 2014, the financial performance for the year ended 31 December 2014 and the balance sheet as at 31 December 2014.

The loss for the year ended 31 December 2015 of £51,083,000 (2014: (restated) £652,938,000) has been transferred to reserves.

The balance sheet on page 10 shows that the Company's net assets decreased by 1%. This is due to the loss for the year.

Strategic report for the year ended 31 December 2015 continued

By order of the Board:

C. Bushay.

Shell Corporate Secretary Limited
Company Secretary

Date: 29 SEPTEMBER 2016.

Registered Office:
Shell Centre
London
SE1 7NA

Registered in England and Wales No. 2383911

Directors' report for the year ended 31 December 2015

The Directors present their report and the audited Financial Statements for BG North Sea Holdings Limited for the year ended 31 December 2015.

Dividend

The Directors did not propose an interim dividend for the year ended 31 December 2015 (2014: £nil). The Directors have not proposed a final dividend (2014: £nil).

Future developments

Future developments are included in the Strategic report.

Post balance sheet events

Shell combination

On 8 April 2015, the Boards of Royal Dutch Shell plc ("Shell") and BG Group plc announced that they had reached agreement on the terms of a recommended cash and share offer to be made by Shell for the entire issued and to be issued share capital of BG Group plc (the "Combination") to be effected by way of a Scheme of Arrangement under Part 26 of the Companies Act 2006 (the "Scheme"). On 27 January 2016, Shell shareholders voted to approve the Combination and on 28 January 2016, BG Group plc shareholders voted to approve the Scheme at a court-convened meeting and to approve a special resolution to implement the Scheme, including amendments to the BG Group plc articles, at a general meeting of BG Group plc. Following a court hearing on 11 February 2016, the Scheme became effective on 15 February 2016.

On 30 March 2016, BG Group plc re-registered as a private limited company, BG Group Limited.

Directors

The following served as Directors during the year and up to the date of this report, unless otherwise shown:

N W H Blaker

A Martin-Davis (appointed 2 March 2015 and resigned 31 May 2016)

J G Seaton (appointed 27 January 2015)

P S Vidler

The following Directors were appointed after the year end:

D M Kemshell (appointed 16 February 2016)

R A Sprouse (appointed 16 February 2016)

Directors' report for the year ended 31 December 2015 continued

Company Secretaries

The following served as joint Company Secretaries during the year and up to the date of this report, unless otherwise shown:

C S Barry (resigned 31 July 2016)

R L Dunn (resigned 31 May 2016)

C L Ennett (appointed 1 October 2015 and resigned 31 July 2016)

The following Secretary was appointed after the year end:

Shell Corporate Secretary Limited (appointed 31 July 2016)

Directors' remuneration

For details of the Directors' remuneration, see note 5 to the Financial Statements.

Branches

In January 2015, the Company opened a branch in Colombia.

Derivative financial instruments and financial risks

Derivative financial instruments utilised by the Company are set out in note 13.

Full details of the BG Group policies and procedures surrounding financial risks, financial instruments and details of such transactions can be found in the BG Group Annual Report and Accounts 2015.

Auditors

Pursuant to Section 487 of the Companies Act 2006, Ernst and Young LLP (the auditors) are deemed to have been reappointed and remain in office as the auditors of the Company.

Statement as to disclosure of information to auditors

As required by Sections 418 and 419 of the Companies Act 2006, each of the Directors has approved this report and confirmed that, so far as he is aware, there is no relevant audit information (being information needed by the auditors in connection with preparing their audit report) of which the Company's auditors are unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' report for the year ended 31 December 2015 continued

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework' (FRS 101). The Financial Statements are required by law to 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 year.

The Directors consider that in preparing the Financial Statements on pages 9 to 26 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all applicable accounting standards have been followed and that the Financial Statements have been prepared on the going concern basis. The Company has complied with UK disclosure requirements.

The Directors have responsibility for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enables them to ensure that the Financial Statements comply with the Companies Act 2006.

The Directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors, having prepared the Financial Statements, have requested the auditors to take whatever steps and undertake whatever inspections they consider to be appropriate for the purpose of enabling them to give their audit report.

By order of the Board:



Shell Corporate Secretary Limited
Company Secretary

Date: 29 SEPTEMBER 2016

Registered Office:
Shell Centre
London
SE1 7NA

Registered in England and Wales No. 2383911

Independent auditor's report to the member of BG North Sea Holdings Limited

We have audited the Financial Statements of BG North Sea Holdings Limited for the year ended 31 December 2015 which comprise the Income statement, the Balance sheet and the Statement of changes in equity and the related notes, set out on pages 9 to 26. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

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

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' responsibilities (set out on page 6), the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for auditors.

Scope of the audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the Financial Statements sufficient to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101, 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the member of BG North Sea Holdings Limited
continued

Opinion on other matter 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 have been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic report or Directors' report.

Matters on which we are required to report by exception

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.



Gary Donald
(Senior Statutory Auditor)
For and on behalf of Ernst and Young LLP, Statutory Auditor
London

Date: 30/9/16

Income statement for the year ended 31 December

	Notes	2015 £000	2014 (restated) £000
Revenue	3	2,566	2,247
Other operating income	3	996	1,411
Operating costs		(6,264)	(32,702)
Impairment	4	<u>(103,586)</u>	<u>(349,469)</u>
Operating loss	4	(106,288)	(378,513)
Income from non-current investments		71,179	35,759
Finance costs	6	<u>(11,680)</u>	<u>(304,827)</u>
Loss before taxation		(46,789)	(647,581)
Taxation	7	<u>(4,294)</u>	<u>(5,357)</u>
Loss for the year		<u>(51,083)</u>	<u>(652,938)</u>

The results for the year are derived solely from continuing operations.

There was no other comprehensive income and therefore the total comprehensive income is the same as that presented in the income statement.

The notes on pages 12 to 26 form part of these Financial Statements.

Balance sheet as at 31 December

	Notes	2015 £000	2014 (restated) £000
Non-current assets			
Property, plant and equipment	8	3,177	4,703
Investments	9	5,158,501	5,261,396
Deferred tax assets	7	688	1,003
		<u>5,162,366</u>	<u>5,267,102</u>
Current assets			
Trade and other receivables	10	1,075,489	978,355
Cash and cash equivalents	11	51	-
		<u>1,075,540</u>	<u>978,355</u>
Total assets		<u>6,237,906</u>	<u>6,245,457</u>
Current liabilities			
Trade and other payables	12	(971,050)	(926,153)
Non-current liabilities			
Trade and other payables	12	-	(481)
Provisions for other liabilities and charges	14	(2,629)	(3,513)
		<u>(2,629)</u>	<u>(3,994)</u>
Total liabilities		<u>(973,679)</u>	<u>(930,147)</u>
Net assets		<u>5,264,227</u>	<u>5,315,310</u>
Equity			
Called up share capital	15	3,181,441	3,181,441
Retained earnings		(65,461)	(59,490)
Revaluation reserve		<u>2,148,247</u>	<u>2,193,359</u>
Total equity		<u>5,264,227</u>	<u>5,315,310</u>

The Financial Statements on pages 9 to 26 were approved by the Board of Directors and were signed on its behalf by:



P S Vidler

Director

Date: 29 September 2016

Statement of changes in equity

	Notes	Called up share capital £000	Revaluation reserve £000	Retained earnings £000	Total £000
At 1 January 2014 (as previously reported under UK GAAP)		3,181,441	2,541,533	402,214	6,125,188
Effect of changes in accounting policies	17	-	-	(156,940)	(156,940)
At 1 January 2014 (restated under FRS 101)		3,181,441	2,541,533	245,274	5,968,248
Loss for the year (restated)		-	-	(652,938)	(652,938)
Total comprehensive income for the year (restated)		-	-	(652,938)	(652,938)
Release of realised profit on impairment of investments		-	(348,174)	348,174	-
At 31 December 2014 (restated)		3,181,441	2,193,359	(59,490)	5,315,310
Loss for the year		-	-	(51,083)	(51,083)
Total comprehensive income for the year		-	-	(51,083)	(51,083)
Release of realised profit on impairment of investments		-	(45,112)	45,112	-
At 31 December 2015		<u>3,181,441</u>	<u>2,148,247</u>	<u>(65,461)</u>	<u>5,264,227</u>

The Revaluation reserve arose on the revaluation of certain non-current assets.

Notes to the Financial Statements

1 Ultimate parent undertaking

The immediate parent undertaking is BG Energy Holdings Limited. During the year, and up to the effective date of the Combination (see note 16), the ultimate parent undertaking and controlling party was BG Group plc.

BG Group plc is the parent undertaking of the largest group to consolidate these Financial Statements. The smallest group into which the Company is consolidated is that of which BG Energy Holdings Limited is the parent undertaking. With effect from 30 March 2016, BG Group plc re-registered as a private limited company. BG Group Limited and BG Energy Holdings Limited are both registered in England and Wales. Copies of the Group consolidated accounts may be obtained from the Company Secretary, Shell Centre, London SE1 7NA.

Following the Combination, the ultimate parent undertaking and controlling party is Royal Dutch Shell plc.

2 Accounting policies

Basis of preparation and accounting principles

These accounts have been prepared on the going concern basis and in accordance with applicable law in the United Kingdom and Financial Reporting Standard 101, 'Reduced disclosure framework', adopted in 2015, including the July 2015 amendments to FRS 101 and adoption of the IAS 1 primary statement formats, and applicable accounting standards. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Where the Company has entered into joint operations with other companies to participate in exploration, development and production activities, the Company records its own share of the assets, liabilities, revenue and expenses associated with these joint operations.

Investments in subsidiary undertakings are stated at cost less any provision for impairment.

Exemptions

The Company is a wholly owned subsidiary undertaking of BG Group plc and is therefore exempt under Section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements.

Notes to the Financial Statements continued

2 Accounting policies continued

Summary of disclosure exemptions

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

- (a) IFRS 7, 'Financial instruments: disclosures'.
- (b) Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement'.
- (c) Paragraph 38 of IAS 1, 'Presentation of financial statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1, 'Presentation of financial statements' and paragraph 73(e) of IAS 16, 'Property, plant and equipment'.
- (d) Paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1, 'Presentation of financial statements'.
- (e) IAS 7, 'Statement of cash flows'.
- (f) Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors'.
- (g) Paragraphs 17 and 18A of IAS 24, 'Related party disclosures'.
- (h) The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
- (i) Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36, 'Impairment of assets'.

Exploration expenditure

The Company uses the 'successful efforts' method of accounting for exploration expenditure. Exploration expenditure, including licence acquisition costs, is capitalised as an intangible asset when incurred and certain expenditure, such as geological and geophysical exploration costs, is expensed. A review of each licence or field is carried out, at least annually, to ascertain whether commercial reserves have been discovered.

Intangible exploration and appraisal expenditure is reclassified to property, plant and equipment on the determination of proved reserves. This is the point when exploration and appraisal activities become a development project and reflects the importance of individual well performance and reserves to conventional E&P projects.

Exploration expenditure transferred to property, plant and equipment is subsequently depreciated on a unit of production basis. Exploration expenditure deemed to be unsuccessful is written off to the income statement.

Depreciation

Exploration and production assets are depreciated from the commencement of commercial production in the fields concerned, using the unit of production method based on the proved developed reserves of those fields, except that a basis of total proved reserves is used for acquired interests and for facilities.

Changes in depreciation estimates are dealt with prospectively.

Notes to the Financial Statements continued

2 Accounting policies continued

Decommissioning costs

Where a legal or constructive obligation has been incurred, provision is made for the net present value of the estimated cost of decommissioning at the end of the producing lives of assets. When this provision gives access to future economic benefits, an asset is recognised and then subsequently depreciated in line with the life of the underlying producing asset, otherwise the costs are charged to the income statement. The unwinding of the discount on the provision is included in the income statement within the finance costs. Any changes to estimated costs or discount rates are dealt with prospectively.

Impairment of non-current assets

Non-current assets subject to depreciation or amortisation are reviewed for impairments whenever events or other changes in circumstances indicate that the carrying amount may not be recoverable. Expenditure on unproved gas and oil reserves is assessed for impairment when facts and circumstances suggest that its carrying amount exceeds its recoverable amount.

Any impairment of non-current assets (excluding financial assets) is calculated as the difference between the carrying values of cash-generating units (including associated goodwill) and their recoverable amount, being the higher of the estimated value in use or fair value less costs of disposal at the date the impairment charge is recognised. Value in use represents the net present value of expected future cash flows discounted on a pre-tax basis. Fair value less costs of disposal is based on the best evidence available to the Company, and may include appropriate valuation techniques, market data or sales of comparable assets.

For the purposes of impairment testing, exploration and production assets may be aggregated into appropriate cash-generating units based on considerations including geographical location, the use of common facilities and marketing arrangements.

Financial instruments

Loans not in a fair value hedging relationship, receivable and payable balances are initially recognised at fair value and subsequently carried at amortised cost less impairments.

Derivative financial instruments including commodity contracts within the scope of IAS 39 are initially recognised and subsequently re-measured at fair value. Movements in the fair value of derivative financial instruments not included in hedging relationships are recognised in the income statement.

Revenue

Revenue associated with exploration and production sales (of natural gas, crude oil and petroleum products) is recorded when title passes to the customer. Revenue from the production of hydrocarbons in which the Company has an interest with other producers is recognised based on the Company's working interest and the terms of the relevant production sharing contracts (entitlement method). All other revenue is recognised when title passes to the customer.

Notes to the Financial Statements continued

2 Accounting policies continued

Current and deferred income tax

The tax expense for the period comprises current and deferred tax, determined using currently enacted or substantively enacted tax laws. Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available, against which the temporary differences can be utilised. Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Property plant and equipment

All property, plant and equipment is carried at depreciated historical cost. Additions represent new, or replacements of specific components of property, plant and equipment.

Foreign currencies

The functional currency of the Company is Pounds Sterling and the Financial Statements are presented in that currency. Transactions in foreign currencies are translated into Pounds Sterling at the rates of exchange ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated into Pounds Sterling at the rates of exchange ruling at the balance sheet date. Differences arising from changes in exchange rates are taken to the income statement in the year in which they arise.

Judgements and estimates

The preparation of financial statements in conformity with FRS 101 requires the Company to make judgements and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingencies at the date of the financial statements and the reported revenues and expenses during the reporting period. Actual results could differ from these estimates.

A range of short and long-term assumptions are used to determine the net present value of future cash flows for use in impairment reviews unless short-term market assumptions are more appropriate to the cash generating unit under review. In the year, the Company recognised a pre-tax impairment charge of £691,000 (2014: £1,295,000) relating to the Company's interest in the Erskine field, primarily relating to the continued reduction in commodity prices. The impairment is sensitive to assumptions including commodity prices, reserves estimates and the discount rate applied to cash flow projections. Any adverse changes in these assumptions could result in an additional impairment in the next financial year.

In addition, during 2015, the Company recognised a pre-tax impairment charge of £102,895,000 (2014 (restated): £348,174,000) in the Company's subsidiaries. The impairment is sensitive to the subsidiaries' assumptions including commodity prices, reserves estimates, exchange rates and the discount rate applied to cash flow projections. Any adverse changes in these assumptions could result in an additional impairment in the next financial year.

The Company believes that there are no other specific judgements or estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Notes to the Financial Statements continued

3 Revenue and other operating income

Revenue, which excludes value added tax, represents amounts receivable for sales of hydrocarbons as follows:

	2015 £000	2014 (restated) £000
Revenue		
Gas, condensate and liquefied petroleum gas	1,022	1,402
Oil	<u>1,544</u>	<u>845</u>
	2,566	2,247
Other operating income		
Re-measurements of commodity-based contracts	<u>996</u>	<u>1,411</u>
	<u><u>3,562</u></u>	<u><u>3,658</u></u>

4 Operating loss

Operating loss is stated after charging:

	2015 £000	2014 (restated) £000
Exploration expenditure	8,321	28,177
Impairment of property, plant and equipment	691	1,295
Impairment of investments	102,895	348,174
Depreciation	847	616
Write back of loan to group undertakings	(2,128)	-
Unused provision credited to the income statement	<u>(980)</u>	<u>-</u>

In 2015, driven by the impact of further falls in commodity prices and reserves revisions, the Company recognised an impairment of £691,000 (2014: £1,295,000) relating to exploration and production activities in the Erksine field, calculated on a fair value less costs of disposal basis using a post-tax discount rate of 8%. The recoverable amount of the property, plant and equipment at 31 December 2015 is £3,177,000 (2014: £4,703,000).

In 2015, the Company recognised an impairment of £102,895,000 (2014: (restated) £348,174,000) on its investments in specific subsidiary undertakings, which was driven by substantial operating losses incurred by those subsidiary undertakings during the year.

Notes to the Financial Statements continued

4 Operating loss continued

The auditor's remuneration of £5,887 (2014: £5,667) has been borne by BG Energy Holdings Limited and has not been recharged to the Company. Any fees paid to the Company's auditor and its associates for services other than the statutory audit of the Company are not disclosed in these accounts since the consolidated accounts of the Company's ultimate parent (see note 1) are required to disclose non-audit fees on a consolidated basis.

The Company had no employees during the year (2014: nil).

5 Directors' remuneration

No Directors received remuneration in respect of their services to the Company during the year ended 31 December 2015. The total remuneration for all serving Directors for their period of directorship to the Company during the year ended 31 December 2014 is disclosed below. The remuneration of the Directors was borne by another Group Company and was not recharged to the Company. A number of Directors are considered group function Directors of BG Group and received no remuneration for services to the Company.

	2015 £000	2014 £000
Remuneration	-	65
Pension scheme contributions	-	2
	<u>-</u>	<u>67</u>

During the year the number of Directors who were receiving benefits and share incentives was as follows:

	2015 No.	2014 No.
Received or were entitled to receive shares under long term incentive schemes	-	1
Exercised share options	-	-
Accruing benefits under defined benefit pension scheme	-	-
Accruing benefits under defined contribution pension scheme	-	1

6 Finance costs

	2015 £000	2014 (restated) £000
Interest payable	(1)	-
Foreign exchange loss	(11,603)	(304,737)
Unwinding of discount on provisions	(76)	(90)
	<u>(11,680)</u>	<u>(304,827)</u>

Notes to the Financial Statements continued

7 Taxation

The charge for taxation comprises:

	2015 £000	2014 (restated) £000
Current tax		
Group relief	1,646	-
Corporation tax	3,539	1,825
Adjustments in respect of prior periods	<u>(1,206)</u>	<u>2,805</u>
Total current tax charge	3,979	4,630
Deferred tax	<u>315</u>	<u>727</u>
Total tax charge	<u>4,294</u>	<u>5,357</u>

The total tax charge reconciles with that calculated using the statutory UK corporate tax rate of 20.25% (2014: 21.50%):

	2015 £000	2014 (restated) £000
Loss before tax	<u>(46,789)</u>	<u>(647,581)</u>
Tax on loss before taxation at UK statutory corporation tax rate	<u>(9,196)</u>	<u>(139,724)</u>
Effects on tax credit of:		
Non-deductible expenses	2,663	125,842
Non-taxable income	(14,411)	(7,686)
Impairments	20,833	15,724
Effect of changes in tax rate on deferred tax balances	(239)	76
Adjustment recognised for current tax of prior periods	(1,206)	2,805
Profits of overseas subsidiary	<u>5,850</u>	<u>8,320</u>
Total tax charge	<u>4,294</u>	<u>5,357</u>

Effective 1 April 2015, the applicable rate of UK corporation tax was reduced to 20%, with further reductions in the UK corporation tax rate to 19% effective from 1 April 2017 and 18% effective from 1 April 2020.

Notes to the Financial Statements continued

7 Taxation continued

Deferred tax

	Accelerated tax depreciation £000	Unused tax losses £000	Other temporary differences £000	Total £000
At 1 January 2014 (restated)	(736)	1,134	1,332	1,730
Credit/(charge) for the year (restated)	27	121	(875)	(727)
As at 31 December 2014 (restated)	(709)	1,255	457	1,003
Credit/(charge) for the year	426	(154)	(587)	(315)
As at 31 December 2015	(283)	1,101	(130)	688
			2015 £000	2014 (restated) £000
Deferred tax liabilities			(413)	(709)
Deferred tax assets			1,101	1,712
Net deferred tax as at 31 December			688	1,003

Other temporary differences relate to derivative financial instruments on gas contracts.

Deferred tax assets are recognised for deductible temporary differences to the extent that realisation of the related tax benefit through future taxable income is probable. To determine the future taxable income, reference is made to the latest available profit forecast which takes into account production volumes, supply volumes and commodity prices in the relevant jurisdictions. This requires assumptions regarding future profitability and is therefore inherently uncertain.

Temporary differences for which no deferred tax asset has been recognised:

	2015 £000	2014 £000
Unused tax losses	1,100	2,900

Notes to the Financial Statements continued

8 Property, plant and equipment

	Exploration and production £000
Cost	
At 1 January 2015	9,839
Additions	11
At 31 December 2015	9,850
Accumulated depreciation	
At 1 January 2015	5,136
Depreciation	846
Impairment	691
At 31 December 2015	6,673
Net book value	
At 31 December 2015	3,177
At 31 December 2014	4,703

9 Investments

	Shares in subsidiary undertakings £000
At 1 January 2015 (restated)	5,261,396
Impairments	(102,895)
At 31 December 2015	5,158,501

The Company's subsidiary and other related undertakings as at 31 December 2015 comprise:

Name	Activity	Country of incorporation	Proportion of shares held
BG Atlantic Finance Limited	Financing company	England and Wales (a)	100%
BG Egypt SA	Exploration and production	Cayman Islands (b)	100%
BG Trinidad and Tobago Limited	Exploration and production	England and Wales (a)	100%

Notes to the Financial Statements continued**9 Investments** continued

Name	Activity	Country of incorporation	Proportion of shares held
BG Asia Pacific Holdings Pte Limited	Holding company	Singapore (c)	100%
BG Asia Pacific Pte Limited*	Exploration and production	Singapore (c)	100%
BG Asia Pacific Services Pte Limited*	LNG	Singapore (c)	100%
BG India Energy Private Limited*	Non-trading	India (d)	100%
BG India Energy Services Private Limited*	Non-trading	India (d)	100%
BG India Energy Solutions Private Limited*	Non-trading	India (d)	100%
Egypt LNG Shipping Limited*	Transportation	Bermuda (e)	25%
BG Insurance Company (Singapore) Pte Limited*	Insurance	Singapore (f)	100%
BG Mumbai Holdings Limited*	Holding company	Mauritius (g)	100%
BG Exploration and Production India Limited*	Exploration and production	Cayman Islands (h)	100%
BG Myanmar Pte Limited*	Exploration and production	Singapore (c)	100%
BG Exploration & Production Myanmar Pte Limited*	Exploration and production	Singapore (c)	100%
BG Oil Marketing Pte Limited*	Oil marketing	Singapore (c)	100%
BG Singapore Gas Marketing Pte Limited*	LNG marketing	Singapore (c)	100%
BG Singapore Gas Supply Pte Limited*	Dormant	Singapore (c)	100%
BG South Asia LNG Limited*	LNG	England and Wales (a)	100%
BG Thailand Pte Limited (in liquidation)*	Holding company	Singapore (c)	100%
El Behera Natural Gas Liquefaction Company SAE*	Exploration and production	Egypt (i)	35.5%

Notes to the Financial Statements continued

9 Investments continued

Name	Activity	Country of incorporation	Proportion of shares held
IDKU Natural Gas Liquefaction Company SAE*	Exploration and production	Egypt (i)	38%
Mahanagar Gas Limited*	Transmission and distribution	India (j)	49.75%
Thai Energy Company Limited*	Exploration and production	Thailand (k)	99.98%
The Egyptian LNG Company SAE*	Exploration and production	Egypt (j)	35.5%
The Egyptian Operating Company For Natural Gas Liquefaction Projects SAE*	Exploration and production	Egypt (j)	35.5%
Rashid Petroleum Company SAE*	Exploration and production	Egypt (l)	20%
The International School of Port of Spain Limited*	Education	Trinidad and Tobago (m)	25%

* indicates the investment is indirectly held

(a) Registered office: Shell Centre, London SE1 7NA

(b) Registered office: Scorer Limited, 5th Floor Bermuda House, Dr. Roy's Drive, George Town, Grand Cayman

(c) Registered office: 8 Marina View, Asia Square Tower 1, 11-03, Singapore, 018960

(d) Registered office: 301 World Trade Tower, Barakhamba Lane, New Delhi, Delhi, 110001

(e) Registered office: Clarendon House, 2 Church Street, Hamilton HM 11

(f) Registered office: 10 Collyer Quay, 10-01 Ocean Financial Centre, Singapore, 049315

(g) Registered office: Abax Corporation Services Limited, 6th Floor, Tower A, 1 Cybercity, Ebene

(h) Registered office: Floor 4, Willow House, Cricket Square, PO Box 268, George Town, Grand Cayman

(i) Registered office: City of Rashi, El Behera Governorate, Arab Republic of Egypt

(j) Registered office: MGL House, Block No G33, OPP ICICI Towers, Barndra-Kurla complex, Bandra (East), Mumbai, 400 051

(k) Registered office: 90 Cyberworld Tower A, Room A 2401, 24th Floor, Ratchadapisek Road Kwaeng Huaykwang, Khet Huay Kwang, Bangkok Metropolis

(l) Registered office: 38, Street No 270, Maadi, Cairo

(m) Registered office: 1 International Drive, West Moorings

10 Trade and other receivables

	2015 £000	2014 £000
Current		
Trade receivables	25	416
Amounts owed by group undertakings	1,074,746	977,693
Derivative financial instruments (see note 13)	258	-
Other receivables	460	246
	<u>1,075,489</u>	<u>978,355</u>

Amounts owed by group undertakings are unsecured, interest free and are repayable on demand.

Notes to the Financial Statements continued**11 Cash and cash equivalents**

At 31 December 2014, cash at bank is a net overdraft. It is therefore included within trade and other payables (see note 12).

12 Trade and other payables

	2015 £000	2014 (restated) £000
Non-current		
Derivative financial instruments (see note 13)	-	481
Current		
Trade payables	754	101
Amounts owed to group undertakings	668,305	608,619
Amounts owed to group undertakings in respect of taxation	2,877	17,586
Amounts payable in respect of taxation	2,925	-
Derivative financial instruments (see note 13)	-	257
Other payables	538	2,793
Accrued expenses	2,520	3,611
Overdraft (see note 11)	-	55
Unsecured loan stock	293,131	293,131
	<u>971,050</u>	<u>926,153</u>

Amounts owed to group undertakings are unsecured, interest free and are repayable on demand. The unsecured loan stock was issued to BG Energy Holdings Limited. It is non-interest bearing and does not have a specific repayment date.

13 Derivative financial instruments

The Company has entered into a long-term agreement for the sale and purchase of natural gas from the Erskine Field, which expires in September 2016. The contract contains an embedded derivative, which brings it into the scope of IAS 39.

Derivative fair values are derived directly from observable quoted prices in active markets where possible, or otherwise are based on valuation techniques using relevant market prices and market yield curves at the balance sheet date.

Notes to the Financial Statements continued

13 Derivative financial instruments continued

Fair values of derivatives on balance sheet are set out below:

	2015 Assets £000	2015 Liabilities £000	2014 Assets (restated) £000	2014 Liabilities (restated) £000
Non-current				
Gas contracts	-	-	-	(481)
Current				
Gas contracts	258	-	-	(257)
			2015 £000	2014 (restated) £ 000
Fair value through the income statement:				
Gas contracts			996	1,411

14 Provisions for other liabilities and charges

	Decomm- issioning costs £000
At 1 January 2015	3,513
Increase in existing provisions	20
Unused provision credited to the income statement	(980)
Unwinding of discount	76
At 31 December 2015	2,629

Decommissioning costs

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 £2,629,000 (2014: £3,513,000) are currently anticipated within one to five years.

Notes to the Financial Statements continued

15 Called up share capital

Allotted and fully paid:

	No. 000	2015 £000	No. 000	2014 £000
Ordinary shares of £1 each	<u>3,181,441</u>	<u>3,181,441</u>	<u>3,181,441</u>	<u>3,181,441</u>

16 Post balance sheet events

Shell combination

On 8 April 2015, the Boards of Shell and BG Group plc announced that they had reached agreement on the terms of a recommended cash and share offer to be made by Shell for the entire issued and to be issued share capital of BG Group plc to be effected by way of a Scheme of Arrangement under Part 26 of the Companies Act 2006. On 27 January 2016, Shell shareholders voted to approve the Combination and on 28 January 2016, BG Group plc shareholders voted to approve the Scheme at a court-convened meeting and to approve a special resolution to implement the Scheme, including amendments to the BG Group plc articles, at a general meeting of BG Group plc. Following a court hearing on 11 February 2016, the Scheme became effective on 15 February 2016.

On 30 March 2016, BG Group plc re-registered as a private limited company, BG Group Limited.

17 Transition to FRS 101

For all periods up to and including the year-ended 31 December 2014, the Company prepared its Financial Statements in accordance with previously extant UK Generally Accepted Accounting Practice (UK GAAP). These Financial Statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with FRS 101, 'Reduced disclosure framework'.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2014, the Company's date of transition to FRS 101, and made those changes in accounting policies required for the first-time adoption of FRS 101. The Company has applied the following exemptions from retrospective application of IFRSs as permitted by IFRS 1, 'First time adoption of International Financial Reporting Standards':

- Investments in subsidiaries are recognised at deemed cost at the transition date, being the previous UK GAAP carrying amount at that date.
- On initial recognition of financial assets or financial liabilities at fair value, the 'day one' gain or loss recognition requirement of IAS 39 has been applied prospectively to transactions entered into on or after the date of transition.

Notes to the Financial Statements continued

17 Transition to FRS 101 continued

The principal adjustments made by the Company in restating its balance sheets as at 1 January 2014 and 31 December 2014 and comprehensive income for the year ended 31 December 2014 are set out below.

	£000
Reconciliation of equity as at 1 January 2014	
As previously reported under UK GAAP	6,125,188
Presentation of a material 2013 balance as a prior year adjustment under FRS 101, previously adjusted in 2014 under UK GAAP as not considered fundamental	(156,123)
Recognition of derivatives at fair value	(2,149)
Tax on transition adjustments	<u>1,332</u>
As restated under FRS 101	<u>5,968,248</u>
	£000
Reconciliation of equity as at 31 December 2014	
As previously reported under UK GAAP	5,320,189
Reversal of revaluation of investment on cessation of net investment hedging	343,576
Impairment of investment on cessation of net investment hedging	(348,174)
Recognition of derivatives at fair value	(738)
Tax on transition adjustments	<u>457</u>
As restated under FRS 101	<u>5,315,310</u>
	£000
Reconciliation of total comprehensive income for the year ended 31 December 2014	
As previously reported under UK GAAP	(804,999)
Presentation of a material 2013 balance as a prior year adjustment under FRS 101, previously adjusted in 2014 under UK GAAP as not considered fundamental	156,123
Reversal of revaluation of investment on cessation of net investment hedging	343,576
Impairment of investment on cessation of net investment hedging	(348,174)
Fair value movements on derivatives	1,411
Tax on transition adjustments	<u>(875)</u>
As restated under FRS 101	<u>(652,938)</u>