# BG Kenya L10A Limited

## Annual Report and Financial Statements

## For the year ended 31 December 2013

**Company Registration Number: 03763512**

## Directors' report for the year ended 31 December 2013

The Directors present their report and the audited Financial Statements for BG Kenya L10A Limited for the year ended 31 December 2013. The Company has taken advantage of the small companies' exemptions available under Sections 415A and 414B of the Companies Act 2006 and has not prepared a strategic report nor given certain disclosures in the Directors' report from which it is exempt.

BG Kenya L10A Limited (the "Company") was incorporated on 28 April 1999 and is a wholly owned subsidiary of BG International Ltd. The Company carries out exploration of hydrocarbons in offshore Kenya. 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.

**Results**
The loss for the year ended 31 December 2013 of $4,612,646 (2012: loss $4,723,125) has been transferred to reserves.

**Directors**
The following served as Directors during the year and up to the date of this report:

| | **Appointed** | **Resigned** |
|---|---|---|
| D J Bishopp | | 21 November 2013 |
| J M Collingwood | | 10 October 2013 |
| D P Freeman | 20 November 2013 | |
| G Hall | 20 November 2013 | |
| D I G Hudson | 20 November 2013 | |
| J R Peachey | 20 November 2013 | |
| W E Taylor | | 21 November 2013 |
| P Warburton | | |

**Company Secretaries**
The following served as joint Company Secretaries during the year and up to the date of this report:

| | **Appointed** | **Resigned** |
|---|---|---|
| C S Barry | 22 July 2013 | |
| R L Dunn | | |
| C S Inman | | 22 July 2013 |

**Directors' insurance**
The ultimate parent undertaking has purchased insurance to cover the Directors against liabilities in relation to the Company.

**Auditors**
Pursuant to Section 485 of the Companies Act 2006, Ernst & Young LLP were appointed auditors of the Company for the year ended 31 December 2013 by an ordinary resolution of the shareholder following the expiry of PricewaterhouseCoopers LLP's term of office.

## **Directors' report for the year ended 31 December 2013** continued

**Statement as to disclosure of information to auditors**
As required by Section 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.

**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). 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 6 to 13, 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.

## **Directors' report for the year ended 31 December 2013** continued

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.

The Directors' report has been prepared in accordance with the provisions applicable to small companies.

By order of the Board:

C S Barry
Company Secretary

Date: 19.9.2014

Registered Office:
100 Thames Valley Park Drive
Reading
Berkshire
RG6 1PT

Registered in England & Wales No: 03763512

# Independent Auditor's report to the member of BG Kenya L10A Limited

We have audited the Financial Statements of BG Kenya L10A Limited for the year ended 31 December 2013 which comprise the Profit and loss account, the Balance sheet and the related notes 1 to 15. 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).

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 auditors**

As explained more fully in the Statement of Directors responsibilities set out on pages 2 and 3, 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 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 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

**Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements.

# Independent Auditor's report to the member of BG Kenya L10A Limited
continued

## 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; or
- the Directors were not entitled to take advantage of the small companies' exemption in not preparing the Strategic report and take advantage of the small companies' exemption in preparing the Directors' report.

Ernst & Young LLP

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

Date: 23\9\14

## Profit and loss account for the year ended 31 December

| | Notes | 2013<br>$ | 2012<br>$ |
|---|---|---|---|
| Operating income/(costs) | | **7,912** | (159,745) |
| Exploration expenditure | | **(4,331,110)** | (4,350,778) |
| Depreciation | | **(18,323)** | (10,765) |
| **Operating loss** | 3 | **(4,341,521)** | (4,521,288) |
| Interest payable and similar charges | 5 | **(271,125)** | (201,837) |
| **Loss on ordinary activities before taxation** | | **(4,612,646)** | (4,723,125) |
| Tax on loss on ordinary activities | 6 | **-** | - |
| **Loss for the financial year** | 12,13 | **(4,612,646)** | (4,723,125) |

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

There is no difference between the historical cost profit and losses and the results presented.

There were no recognised gains and losses other than in the profit and loss account and, therefore, a separate statement of total recognised gains and losses has not been presented.

The notes on pages 8 to 13 form part of these Financial Statements.

## Balance sheet as at 31 December

| | Notes | 2013 $ | 2012 $ |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 7 | **9,456,283** | 120,000 |
| Tangible assets | 8 | **43,174** | 16,147 |
| | | **9,499,457** | 136,147 |
| **Current assets** | | | |
| Debtors: amounts falling due within one year | 9 | **1,539,465** | 3,774,366 |
| **Creditors:** amounts falling due within one year | 10 | **(24,902,857)** | (13,161,802) |
| **Net current liabilities** | | **(23,363,392)** | (9,387,436) |
| **Total assets less current liabilities** | | **(13,863,935)** | (9,251,289) |
| **Net liabilities** | | **(13,863,935)** | (9,251,289) |
| **Capital and reserves** | | | |
| Called up share capital | 11 | **3** | 3 |
| Profit and loss account | 12 | **(13,863,938)** | (9,251,292) |
| **Shareholder's deficit** | 13 | **(13,863,935)** | (9,251,289) |

The notes on pages 8 to 13 form part of these Financial Statements.

The Financial Statements on pages 6 to 13 were approved by the Board of Directors and were signed on its behalf by:

G Hall

G Hall
Director

Date: 19 Sept 2014

# Notes to the Financial Statements

## 1 Ultimate parent undertaking

The immediate parent undertaking is BG International Limited.

The ultimate parent undertaking and controlling party is BG Group plc, which 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. BG Energy Holdings Limited and BG Group plc are both registered in England and Wales. Copies of these consolidated accounts may be obtained from the Company Secretary, 100 Thames Valley Park Drive, Reading, Berkshire, RG6 1PT.

## 2 Accounting policies

**Basis of preparation and accounting principles**
The Company is in a net current liabilities position as at 31 December 2013. The Directors of the Company have received confirmation from the Directors of BG Energy Holdings Limited that the entity intends to financially support the Company to enable it to meet its liabilities as they fall due and carry on its business without curtailment of its operations. As a result, the Directors consider the going concern basis of preparation to be appropriate.

These accounts have been prepared on the going concern basis and in accordance with applicable law and Accounting Standards in the United Kingdom, using historical cost principles. A summary of the more important accounting policies, which have been applied consistently, is set out below:

The accounting policies, where applicable, are materially in accordance with a Statement of Recommended Practice (SORP) issued by the Oil Industry Accounting Committee entitled 'Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities' although the accounting policies differ from the SORP as follows. The SORP requires depreciation of licence acquisition costs on a straight line basis over the period of the licence, whereas the Company depreciates licence acquisition costs (once transferred to tangible fixed assets on the determination of proved reserves), on a unit of production basis, consistent with the treatment of other exploration fixed assets. The SORP sets out certain specific rules for impairment test cash flow calculations which, whilst appropriate for a value in use calculation, are not necessarily appropriate for a net realisable value calculation, which the Company may perform on a post-tax basis including certain future capital expenditure.

In addition, the SORP recommends the disclosure of oil and gas reserve quantities. The oil and gas reserve quantities of the Company are included in the oil and gas reserve quantities disclosed in the Annual Report and Accounts of the Company's parent, BG Group plc. The Directors have elected not to publish this information for the Company as the information is disclosed by BG Group plc on a consolidated basis and this disclosure is analysed geographically. The consolidated disclosures and the basis on which the information is disclosed can be found on pages 134 to 137 of the BG Group plc Annual Report and Accounts 2013.

Where the Company has entered into joint operating agreements with other companies to participate in exploration, development and production activities, the Company records its own share of the assets, liabilities, income and expenses including the Company's share of the expenditure incurred by the operator.

# **Notes to the Financial Statements** continued

## 2 **Accounting policies** continued

**Exemptions**

The Company has taken advantage of the exemptions available to wholly-owned UK subsidiaries under Financial Reporting Standard (FRS) 1 (Revised 1996) 'Cash Flow Statements', and accordingly has not prepared a cash flow statement; and within FRS 8 'Related Party Disclosures' from disclosure of transactions with other group companies.

**Exploration expenditure**

The Company accounts for exploration expenditure under the successful efforts method. Exploration expenditure, including licence acquisition costs, is capitalised as an intangible fixed 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 proved reserves have been discovered. When proved reserves are determined, the relevant expenditure, including licence acquisition costs, is transferred to tangible fixed assets and depreciated on a unit of production basis. Expenditure deemed to be unsuccessful is written off to the profit and loss account.

**Tangible fixed assets**

All tangible fixed assets are carried at depreciated historical cost. Additions represent extensions to, or significant increases in, the capacity of tangible fixed assets.

**Depreciation**

Tangible fixed assets, except exploration and production assets, are depreciated on a straight-line basis at rates sufficient to write off the historical cost less residual value of individual assets over their estimated useful lives. Asset lives and residual values are reassessed annually. The depreciation periods for the principal categories of assets are as follows:

| | |
|---|---|
| Office equipment | up to 10 years |

Exploration and production assets are depreciated from the commencement of 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 facilities.

Changes in these estimates are dealt with prospectively.

**Deferred taxation**

Provision is made in full, on an undiscounted basis, for the deferred tax arising on the difference between the accounting treatment and tax treatment for depreciation in respect of accelerated capital allowances and other timing differences. Deferred tax assets are recognised to the extent that they are regarded as recoverable.

**Foreign currencies**

Management considers that the Company's functional currency is US Dollars and the Financial Statements are presented in that currency. Transactions in foreign currencies are translated into US Dollars at the rates of exchange ruling at the date of the transaction. Foreign currency monetary assets and liabilities are translated into US Dollars at the rates of exchange ruling at the balance sheet date. Differences arising from changes in exchange rates are taken to the profit and loss account in the year in which they arise.

## Notes to the Financial Statements continued

### 2 Accounting policies continued

**Financial instruments**
All loans are stated at the fair value of the consideration paid/received less any repayments and if necessary, provisions for impairment.

**Leases**
Rentals under operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

### 3 Operating loss

The operating loss is stated after charging:

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Depreciation charge on owned tangible fixed assets | 18,323 | 10,765 |
| Operating leases: | | |
| Land and buildings | 48,900 | - |

The auditor's remuneration of $3,226 (2012: $3,900) 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, BG Group plc, are required to disclose non-audit fees on a consolidated basis.

The Company had no employees during the year (2012: nil).

### 4 Directors remuneration

The total remuneration for all serving directors for their period of directorship to the Company is disclosed below. A number of Directors are considered group function Directors of the BG Group and received no remuneration for services to the Company.

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| Remuneration | 335,487 | 239,188 |
| Pension scheme contributions | 59,148 | 56,754 |
| | 394,635 | 295,942 |

Retirement benefits are accruing to three Directors (2012: two) under a defined benefit scheme and to no Directors (2012: none) under a defined contribution scheme.

Two Directors (2012: one) exercised share options and three Directors (2012: two) received shares under long-term incentive plans.

The remuneration of the Directors has been borne by another Group company. Where some or all of the remuneration of the Directors has been recharged, it has been included in the profit and loss account.

## Notes to the Financial Statements continued

### 4 Directors remuneration continued

| Highest paid Director | 2013 $ | 2012 $ |
|---|---|---|
| Remuneration | **158,342** | 142,276 |
| Pension scheme contributions | **28,509** | 29,942 |
| | **186,851** | 172,218 |

The highest paid Director had an accrued pension of $83,846 under a defined benefit pension scheme as at 31 December 2013 (2012: $75,749).

The highest paid Director exercised share options during the year (2012: none) and received shares under long-term incentive plans (2012: received shares).

### 5 Interest payable and similar charges

| | 2013 $ | 2012 $ |
|---|---|---|
| Foreign exchange loss | **(271,125)** | (201,837) |

### 6 Tax on loss on ordinary activities

| The charge for taxation comprises: | 2013 $ | 2012 $ |
|---|---|---|
| **Current tax** | | |
| UK corporation tax at 23.25% (2012: 24.5%) | **-** | - |
| **Total current tax charge** | **-** | - |
| **Total tax charge** | **-** | - |
| **Factors affecting the tax charge for the period:** | | |
| Loss on ordinary activities before tax | **(4,612,646)** | (4,723,125) |
| Tax on loss on ordinary activities at 23.25% (2012: 24.5%) | **(1,072,283)** | (1,157,038) |
| Effects of: | | |
| Pre trading expenses | **1,067,778** | 1,154,364 |
| Permanent differences | **246** | 37 |
| Depreciation in excess of capital allowances | **4,259** | 2,637 |
| **Current tax charge** | **-** | - |

Effective 1 April 2013, the applicable rate of UK corporation tax reduced to 23%, with further reductions in the UK corporation tax rate to 21% effective from 1 April 2014 and 20% from 1 April 2015.

There is an unrecognised Deferred Tax Asset of $2,772,546 (2012: $2,127,763) in respect of pre trading expenditure. If the Company were to commence trading in the future then the asset could be realised.

## **Notes to the Financial Statements** continued

### 7 Intangible assets

| | **Unproved properties** |
|---|---|
| | **$** |
| At 1 January 2013 | 120,000 |
| Additions | 9,336,283 |
| **At 31 December 2013** | **9,456,283** |

### 8 Tangible assets

| | **Office equipment** |
|---|---|
| | **$** |
| **Cost** | |
| At 1 January 2013 | 32,294 |
| Additions | 45,350 |
| **At 31 December 2013** | **77,644** |
| | |
| **Accumulated depreciation** | |
| At 1 January 2013 | 16,147 |
| Charge for the year | 18,323 |
| **At 31 December 2013** | **34,470** |
| | |
| **Net book value** | |
| **At 31 December 2013** | **43,174** |
| At 31 December 2012 | 16,147 |

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

| | **2013** | 2012 |
|---|---|---|
| | **$** | $ |
| Amounts owed by Joint Venture partners | **1,377,514** | 3,763,921 |
| Amounts owed by group undertakings | **57,327** | 3 |
| Other debtors | **104,624** | 10,442 |
| | **1,539,465** | 3,774,366 |

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

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

| | **2013** | 2012 |
|---|---|---|
| | **$** | $ |
| Trade creditors | **105,231** | 1,124,981 |
| Amounts owed to group undertakings | **19,184,298** | 6,984,464 |
| Other creditors | **5,613,328** | 5,052,357 |
| | **24,902,857** | 13,161,802 |

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

## Notes to the Financial Statements continued

### 11 Called up share capital

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| **Allotted and fully paid:** | | |
| 2 ordinary shares of £1 each | 3 | 3 |

The allotted share capital is shown in US Dollars at the prevailing rate of exchange as at the date of issue.

### 12 Reserves

| | Profit and loss account |
|---|---|
| | $ |
| As at 1 January 2013 | (9,251,292) |
| Transfer from profit and loss account | (4,612,646) |
| **As at 31 December 2013** | **(13,863,938)** |

### 13 Reconciliation of movements in shareholder's deficit

| | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| As at 1 January | **(9,251,289)** | (4,528,164) |
| Transfer from profit and loss account | **(4,612,646)** | (4,723,125) |
| As at 31 December | **(13,863,935)** | (9,251,289) |

### 14 Capital commitments and contingencies

As at 31 December 2013, the Company had placed contracts for capital expenditure amounting to $37,738,000 (2012: $nil).

### 15 Commitments under operating leases

As at 31 December the Company was committed to making the following payments under non-cancellable operating leases during the following 12 months:

| Lease commitments expiring: | 2013 | 2012 |
|---|---|---|
| | $ | $ |
| **Land and buildings:** | | |
| Between two and five years | 293,400 | - |