

Registration number: 03763512

BG Kenya L10A Limited

Annual Report

and

Financial Statements

For the year ended 31 December 2019

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BG Kenya L10A Limited

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BG Kenya L10A Limited

Directors' report for the year ended 31 December 2019

The Directors present their report and the financial statements for the year ended 31 December 2019. The Company has taken advantage of the small companies' exemption available under section 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.

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.

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

Business review

The Company was incorporated on 28 April 1999 and is a wholly owned subsidiary of BG International Limited. The Company carries out exploration of hydrocarbons in offshore Kenya. The Company was in the First Additional Exploration Period License phase until 15 June 2018 and has fulfilled all the required obligations as per the product sharing agreement with the government of Kenya.

The Company's loss for the financial year decreased from \$4,946,000 to \$480,000. This was primarily due to decrease in administrative expenditure of \$446,000 (2018: \$1,070,000) and other operating expenses of \$48,000 (2018: \$3,794,000).

Based on technical reviews on 6 March 2018, management has decided not to enter into the Second Additional Exploration Period after the expiry of the current license. A Group divestment proposal to liquidate the branch in Kenya and to close the local office was approved in November 2018. The liquidation process is in progress with aim to finalise Branch office closure in 2020.

Dividend

No dividends were paid during the year (2018: \$nil).

Future Outlook

The Company's financial statements will be prepared on a going concern basis until the Directors consider the time appropriate to liquidate the company. The Company continues to look for and consider other business opportunities.

BG Kenya L10A Limited

Directors' report for the year ended 31 December 2019 (continued)

Directors of the Company

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

N M Humphrey (resigned 1 February 2020)

B Muriuki (resigned 14 February 2019)

E Okpere (resigned 17 January 2019)

J R Peachey

M De Ruig

The following director was appointed after the year end:

G Bursztyn (appointed 1 February 2020)

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 168 to 170 and note 19).

Events after the end of the reporting period

Since the start of 2020 there has been a developing outbreak of the COVID-19 (coronavirus). To date, we have not seen a material impact on our operations. As a result of COVID-19, we have seen macro-economic uncertainty with regards to prices and demand for oil, gas and products. Furthermore, recent global developments and uncertainty in oil supply in March have caused further volatility in commodity markets. The scale and duration of these developments remain uncertain but could impact our earnings, cashflow and financial condition.

Refer to note 14 "Events after the end of the reporting period".

Branches outside of United Kingdom

The Company operates a branch in Kenya.

BG Kenya L10A Limited

Directors' report for the year ended 31 December 2019 (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.

BG Kenya L10A Limited


Directors' report for the year ended 31 December 2019 (continued)

Statement of Directors' responsibilities (continued)

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 9 July 2020 and signed on its behalf by:

DocuSigned by:

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G Bursztyn
Director

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

Opinion

We have audited the financial statements of BG Kenya L10A Limited (the "Company") for the year ended 31 December 2019, which comprise the Profit and loss account, Balance sheet, Statement of changes in equity, and the related notes 1 to 14, 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 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Emphasis of matter

We draw attention to Note 14 of the financial statements, which describes the economic and social disruption the company is facing as a result of COVID-19 which is impacting financial markets, commodity prices and personnel available for work. Our opinion is not modified in respect of this matter.

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 Members of BG Kenya L10A 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 Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has 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 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 Members of BG Kenya L10A Limited (continued)

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 3, 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 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 member as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

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

Date: 10 July 2020

BG Kenya L10A Limited

Profit and loss account for the year ended 31 December 2019

Continuing operations

	Note	2019 \$ 000	2018 \$ 000
Administrative expenses		(446)	(1,070)
Other operating expense		(48)	(3,794)
Other income		-	22
OPERATING LOSS	5	(494)	(4,842)
LOSS BEFORE INTEREST AND TAXATION		(494)	(4,842)
Interest receivable and similar income	3	26	7
Interest payable and similar charges	4	(9)	(163)
LOSS BEFORE TAXATION		(477)	(4,998)
Tax (charge)/credit on loss	7	(3)	52
LOSS FOR THE YEAR		(480)	(4,946)


The loss 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 Kenya L10A Limited

(Registration number: 03763512)
Balance sheet as at 31 December 2019

	Note	2019 \$ 000	2018 \$ 000
Fixed assets			
Intangible assets	8	-	-
Tangible assets	9	-	1
Right of use assets	10	<u>19</u>	<u>-</u>
		<u>19</u>	<u>1</u>
Current assets			
Debtors	11	632	426
Cash at bank and in hand		<u>2</u>	<u>30</u>
		634	456
Creditors: Amounts falling due within one year	12	<u>(623)</u>	<u>(2,897)</u>
Net current assets/(liabilities)		<u>11</u>	<u>(2,441)</u>
Total assets less current liabilities		<u>30</u>	<u>(2,440)</u>
Net assets/(liabilities)		<u>30</u>	<u>(2,440)</u>
Equity			
Called up share capital	13	109,550	106,600
Profit and loss account		<u>(109,520)</u>	<u>(109,040)</u>
Total equity		<u>30</u>	<u>(2,440)</u>

The financial statements on pages 8 to 29 were authorised for issue by the Board of Directors on 9 July 2020 and signed on its behalf by:

DocuSigned by:

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 G Bursztyn
 Director

BG Kenya L10A Limited

Statement of changes in equity for the year ended 31 December 2019

	Called up share capital \$ 000	Profit and loss account \$ 000	Total \$ 000
Balance as at 01 January 2018	103,100	(104,094)	(994)
Loss for the year	-	(4,946)	(4,946)
Total comprehensive income for the year	-	(4,946)	(4,946)
Proceeds from shares issued	3,500	-	3,500
Balance as at 31 December 2018	106,600	(109,040)	(2,440)
Balance as at 01 January 2019	106,600	(109,040)	(2,440)
Loss for the year	-	(480)	(480)
Total comprehensive income for the year	-	(480)	(480)
Proceeds from shares issued	2,950	-	2,950
Balance as at 31 December 2019	109,550	(109,520)	30

BG Kenya L10A Limited

Notes to the financial statements for the year ended 31 December 2019

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.

The accounting policies have been consistently applied.

New standards applied

The Company has adopted IFRS 16 Leases with effect from 1 January 2019. Under the new standard, all lease contracts, with limited exceptions outlined below, are recognised in the financial statements by way of right-of-use assets and corresponding lease liabilities. On adoption of IFRS 16, the Company has recognised lease liabilities in relation to leases which had previously been classified as 'non-cancellable operating leases' under the principles of IAS 17 Leases. At 1 January 2019, additional lease liabilities were recognised for leases previously classified as operating leases applying IAS 17. These lease liabilities were measured at the present value of the remaining lease payments and discounted using entity-specific incremental borrowing rates at 1 January 2019. In general, a corresponding right-of-use asset was recognised for an amount equal to each lease liability. The Company has applied the modified retrospective transition method, and consequently comparative information is not restated. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening balance sheet on 1 January 2019.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 8%.

In applying IFRS 16 for the first time, the Company has applied the following practical expedients permitted by the standard:

BG Kenya L10A Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

- no reassessment was performed of contracts that were previously identified as leases and contracts that were not previously identified as containing a lease applying IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease.
- leases for which the lease term ends within 12 months of the date of initial application of IFRS 16 have been treated as short-term leases.
- The Company has used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

Impact on transition

On transition to IFRS 16, the Company recognised additional right of use assets and lease liabilities. The impact on the retained earnings was immaterial.

The detailed impact on the balance sheet at 1 January 2019, is as follows:

	31 December 2018 \$ 000	IFRS 16 Impact \$ 000	1 January 2019 \$ 000
ASSETS			
Non-current assets			
Right-of-use-assets -Property, plant and equipment	-	57	57
Total assets	-	57	57
LIABILITIES			
Current liabilities			
Lease liabilities	-	(57)	(57)
Total equity and liabilities	-	57	57

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Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

The reconciliation of differences between the operating lease commitments disclosed under the prior standard and the additional lease liabilities recognised on the balance sheet at 1 January 2019 is as follows:

LEASE LIABILITIES RECONCILIATION

	\$ 000
Undiscounted future minimum lease payments under operating leases at 31 December 2018	97
Impact of discounting	(25)
Leases not yet commenced at 1 January 2019	34
Other reconciling items	(49)
Additional lease liability at 1 January 2019	57
Finance lease liability at 31 December 2018	-
Total lease liability at 1 January 2019	57

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment

The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following

- Whether an entity considers uncertain tax treatments separately.
- The assumptions an entity makes about the examination of tax treatments by taxation authorities.
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.
- How an entity considers changes in facts and circumstances.

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Company applies significant judgement in identifying uncertainties over income tax treatments. Since the Company operates in a complex multinational environment, it assessed whether the Interpretation had an impact on its statutory financial statements.

Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions, particularly those relating to transfer pricing. The Interpretation did not have an impact on the statutory financial statements of the Company.

BG Kenya L10A Limited

Notes to the financial statements for the year ended 31 December 2019 (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 Kenya L10A Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

- IAS 7, 'Statement of cash flows';
- Paragraphs 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);
- Paragraphs 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.
- The following paragraphs of IFRS 16, 'Leases':
 - (i) paragraph 58 (separate maturity analysis for lease liabilities);
 - (ii) paragraphs 90 and 91 (table of lease income from operating leases, including separate disclosure of income from variable lease payments not dependant on an index or a rate);
 - (iii) paragraph 93 (qualitative and quantitative explanation of the significant changes in the carrying amount of the net investment in finance leases).

Consolidation

The immediate parent company is BG International Limited.

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

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

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

Fundamental accounting concept

The balance sheet at 31 December 2019 reports a net current asset of \$11,000. The financial statements have been prepared under the going concern basis on account of agreement between the company and its immediate parent company, BG International Limited, for the company to issue additional equity shares to its immediate parent undertaking, which will enable the company to meet its liabilities as they fall due.

On 19 May 2020, the company issued 408,300 ordinary shares of £1 each to BG International Limited, its immediate parent undertaking. As a result of this, the company's allotted, issued and fully paid up share capital increased to \$ 110,050,001.

BG Kenya L10A Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Taxation

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

Current tax

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

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 Kenya L10A Limited

Notes to the financial statements for the year ended 31 December 2019 (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
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 Kenya L10A Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

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 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 economic life, with a maximum of 20 years.

Leases (IAS 17) applicable before 1 January 2019

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

Leases (IFRS 16) applicable from 1 January 2019

Leases

The Company has applied IFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under IAS 17 and IFRIC 4.

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

This accounting policy is applied to contracts entered into, on or after 1 January 2019

BG Kenya L10A Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Lessee:

Classification and measurement:

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company's uses its incremental borrowing rate as the discount rate.

The Company determines the incremental borrowing rate representing the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate applied to each lease was determined taking into account the risk-free rate, adjusted for factors such as the credit rating of the Company and the terms and conditions of the lease.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Right of use assets are presented separately in the statement of financial position.

With effect from 2019, expenses related to leases previously classified as operating leases are presented under Depreciation, depletion and amortisation and Interest expense (in 2018 these were mainly reported in administrative expenses).

BG Kenya L10A Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Subsequent measurement

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability such as variable lease payments or change in terms.

The lease liability is measured at amortised cost using the effective interest method.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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 Kenya L10A Limited

Notes to the financial statements for the year ended 31 December 2019 (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 debtors 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.

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.

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.

BG Kenya L10A Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

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

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.

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.

Determining lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Determining lease discount rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company estimates the IBR using observable inputs like the risk-free rate and adjust it for factors such as the credit rating of the Company and the terms and conditions of the lease.

BG Kenya L10A Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

3 Interest receivable and similar income

	2019	2018
	\$ 000	\$ 000
Interest from Group undertakings:		
Fellow subsidiary undertakings	4	7
Profit on currency translation	22	-
	<u>26</u>	<u>7</u>

4 Interest payable and similar charges

	2019	2018
	\$ 000	\$ 000
Interest on loans from Group undertakings:		
Fellow subsidiary undertakings	7	78
Interest on lease liabilities	2	-
Loss on currency translation	-	85
	<u>9</u>	<u>163</u>

5 Operating loss

Operating loss is stated after charging

	2019	2018
	\$ 000	\$ 000
Depreciation:		
On owned assets	1	2
On lease assets	38	-

The Company had no employees during 2019 (2018: nil).

None of the Directors received any emoluments (2018: none) in respect of their services to the Company.

BG Kenya L10A Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

6 Auditors' remuneration

The Auditor's remuneration of \$11,586 (2018: \$12,847) in respect of the statutory audit was borne by a 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.

7 Tax on loss

Tax charge/credit in the profit and loss account

The tax charge for the year of \$3,000 (2018: credit of \$52,000) is made up as follows:

	2019 \$ 000	2018 \$ 000
Current taxation		
UK corporation tax	3	(33)
UK corporation tax adjustment to prior periods	-	(19)
Total deferred tax charge	<u>-</u>	<u>-</u>
Tax charge/(credit) in the profit and loss account	<u><u>3</u></u>	<u><u>(52)</u></u>

BG Kenya L10A Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

7 Tax on loss (continued)

Reconciliation of total tax charge/(credit)

The differences are reconciled below:

	2019 \$ 000	2018 \$ 000
Loss before tax	477	4,998
Tax on loss calculated at standard rate (2019- 19.00%) (2018- 19.00%)	(90)	(949)
Effects of:		
Adjustments in respect of prior periods	-	(19)
Expenses not deductible	-	(7)
Tax losses for which no deferred tax asset was recognised	84	923
Effect of change in corporation tax rates	10	-
Tax on imputed interest	(1)	-
Total tax charge/(credit)	<u><u>3</u></u>	<u><u>(52)</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 Kenya L10A Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

8 Intangible assets

	Trademarks, patents and licenses \$ 000
Cost	
Balance at 1 January 2019	<u>120</u>
Balance at 31 December 2019	<u>120</u>
Accumulated amortisation and impairment	
Balance at 1 January 2019	<u>(120)</u>
Balance at 31 December 2019	<u>(120)</u>
Net book amount	
At 31 December 2019	<u><u>-</u></u>
At 31 December 2018	<u><u>-</u></u>

9 Tangible assets

	Office furniture and fittings \$ 000
Cost or valuation	
Balance at 1 January 2019	<u>303</u>
Balance at 31 December 2019	<u>303</u>
Accumulated Depreciation	
Balance at 1 January 2019	<u>(302)</u>
Charge for the year	<u>(1)</u>
Balance at 31 December 2019	<u>(303)</u>
Net book amount	
At 31 December 2019	<u><u>-</u></u>
At 31 December 2018	<u><u>1</u></u>

BG Kenya L10A Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

10 Leases

Right-of-use assets

The Group has lease contract for buildings used in its operations.

Set out below are the carrying amounts of right-of use-assets recognised and the movements during the period:

	Property \$ 000	Total \$ 000
Balance at 1 January 2019 (restated)	57	57
Depreciation charge for the year	<u>(38)</u>	<u>(38)</u>
Balance at 31 December 2019	<u>19</u>	<u>19</u>

Amounts recognised in statement of comprehensive income

	Notes	2019 \$ 000
Interest expense (included in finance cost)	4	<u>2</u>
		<u>(2)</u>

Total cash outflow for right-of-use assets during the 2019 financial year was \$53,070 (2018: Nil)

BG Kenya L10A Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

11 Debtors

Debtors: amounts due within one year

	2019	2018
	\$ 000	\$ 000
Amounts owed by Group undertakings:		
Fellow subsidiary undertakings	527	275
Prepayments and accrued income	-	25
Other debtors	76	74
Tax receivable	29	52
	<u>632</u>	<u>426</u>

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

12 Creditors: amounts falling due within one year

	2019	2018
	\$ 000	\$ 000
Trade creditors	-	16
Amounts owed to Group undertakings		
Fellow subsidiary undertakings	535	2,828
Lease liabilities	6	-
Other creditors	82	53
	<u>623</u>	<u>2,897</u>

Amounts owed to group undertakings are payable upon demand bearing interest rate ranging from 2.13% to 4.23%

BG Kenya L10A Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

13 Called up share capital

Allotted, called up and fully paid shares

	No.	2019 \$ 000	No.	2018 \$ 000
Ordinary shares of £1 each	<u>82,694,621</u>	<u>109,550</u>	<u>80,470,321</u>	<u>106,600</u>

New shares allotted

During the year 2,224,300 Ordinary Shares having an aggregate nominal value of £2,224,300 were allotted for an aggregate consideration of \$2,950,000.

14 Events after the end of the reporting period

After the balance sheet date, we have seen macro-economic uncertainty with regards to prices and demand for oil, gas and products as a result of the COVID-19 (coronavirus) outbreak. Furthermore, recent global developments and uncertainty in oil supply in March have caused further abnormally large volatility in commodity markets. The scale and duration of these developments remain uncertain but could impact our earnings, cash flow and financial condition.

On 19 May 2020, the company issued 408,300 ordinary shares of £1 each to BG International Limited, its immediate parent undertaking. As a result of this, the company's allotted, issued and fully paid up share capital increased to \$ 110,050,001.