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# ***Shell Olie- og Gasudvinding Danmark Pipelines ApS***

Midtermolen 3, 4., DK-2100 Copenhagen

## **Annual Report for 1 January - 31 December 2015**

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CVR No 27 97 75 61

The Annual Report was  
presented and adopted at  
the Annual General  
Meeting of the Company on  
27/5 2016

Christina Schmidt Mourier  
Chairman

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## **Management's Statement**

The Executive Board has today considered and adopted the Annual Report of Shell Olie- og Gasudvinding Danmark Pipelines ApS for the financial year 1 January - 31 December 2015.

The Annual Report is prepared in accordance with the Danish Financial Statements Act.

In our opinion the Financial Statements give a true and fair view of the financial position at 31 December 2015 of the Company and of the results of the Company operations for 2015.

We recommend that the Annual Report be adopted at the Annual General Meeting.

Copenhagen, 27 May 2016

### **Executive Board**

Bob Anthony Tulleken

Benjamin Ralph Ring

Michael Lund Jensen

# **Independent Auditor's Report on the Financial Statements**

To the Shareholder of Shell Olie- og Gasudvinding Danmark Pipelines ApS

## **Report on the Financial Statements**

We have audited the Financial Statements of Shell Olie- og Gasudvinding Danmark Pipelines ApS for the financial year 1 January - 31 December 2015, which comprise income statement, balance sheet, statement of changes in equity, notes and summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act and the Danish Accounting Standard for small enterprises.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and the Danish Accounting Standard for small enterprises, and for such internal control as Management determines is necessary to enable the preparation of Financial Statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Financial Statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and additional requirements under Danish audit regulation. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the Financial Statements are free from material misstatement.

An audit involves performing audit procedures to obtain audit evidence about the amounts and disclosures in the Financial Statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Financial Statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of Financial Statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Financial Statements.

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

Our audit has not resulted in any qualification.

### **Opinion**

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 31 December 2015 and of the results of the Company operations for the financial year 1 January - 31 December 2015 in accordance with the Danish Financial Statements Act and the Danish Accounting Standard for small enterprises.

# **Independent Auditor's Report on the Financial Statements**

## **Statement on Management's Review**

We have read Management's Review in accordance with the Danish Financial Statements Act. We have not performed any procedures additional to the audit of the Financial Statements. On this basis, in our opinion, the information provided in Management's Review is in accordance with the Financial Statements.

Hellerup, 27 May 2016

**PricewaterhouseCoopers**

Statsautoriseret Revisionspartnerselskab

*CVR No 33 77 12 31*

Bo Schou-Jacobsen

State Authorized Public Accountant

## Company Information

### **The Company**

Shell Olie- og Gasudvinding Danmark Pipelines ApS  
Midtermolen 3, 4.  
DK-2100 Copenhagen

CVR No: 27 97 75 61

Financial period: 1 January - 31 December

Municipality of reg. office: Copenhagen

### **Parent company**

Shell Olie- og Gasudvinding Danmark B.V. (Holland)

### **Executive Board**

Bob Anthony Tulleken

Benjamin Ralph Ring

Michael Lund Jensen

### **Auditors**

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

Strandvejen 44

DK-2900 Hellerup

# **Management's Review**

## **Main activity**

The activities and purpose of the company is to provide an alternative distribution channel to the European gas market and thereby increase competition. The company currently provides pipeline transportation capacity to the gas producers from Danish fields to the NOGAT pipeline. The parent company thereby is able to distribute part of the Danish gas production to the western European market. The Company has a 23 % interest in the pipeline. The other investors in the pipeline are A.P. Møller-Mærsk (19,5 %), Chevron (7,5 %) and DONG (50%).

## **Development in the year**

The income statement of the Company for 2015 shows a loss of TDKK 1,116, and at 31 December 2015, the balance sheet of the Company shows equity of TDKK 91,964.

## **Targets and expectations for the year ahead**

The Company expects a result at this years level in 2016.

## **Unusual events**

The financial position at 31 December 2015 of the Company and the results of the activities of the Company for the financial year for 2015 have not been affected by any unusual events.

## **Subsequent events**

No events materially affecting the assessment of the Annual Report have occurred after the balance sheet date.

## Income Statement 1 January - 31 December

	Note	2015 TDKK	2014 TDKK
<b>Revenue</b>	1	<b>36.134</b>	<b>46.112</b>
Productions costs		-2.967	-3.973
<b>Gross profit/loss</b>		<b>33.167</b>	<b>42.139</b>
Staff costs	2	0	0
Depreciation and impairment of property, plant and equipment	3	-34.552	-75.516
Other operating expenses		-295	-313
<b>Profit/loss before financial income and expenses</b>		<b>-1.680</b>	<b>-33.690</b>
Financial expenses		0	0
<b>Profit/loss before tax</b>		<b>-1.680</b>	<b>-33.690</b>
Tax on profit/loss for the year	4	564	7.023
<b>Net profit/loss for the year</b>		<b>-1.116</b>	<b>-26.667</b>

## Distribution of profit

### Proposed distribution of profit

Proposed dividend for the year	0	0
Retained earnings	-1.116	-26.667
	<b>-1.116</b>	<b>-26.667</b>



## Balance Sheet 31 December

### Assets

	Note	2015 TDKK	2014 TDKK
Pipeline		63.360	97.365
<b>Property, plant and equipment</b>	5	<b>63.360</b>	<b>97.365</b>
<b>Fixed assets</b>		<b>63.360</b>	<b>97.365</b>
Receivables from group enterprises		32.881	27.548
Deferred tax asset	6	4.968	0
Corporation tax		0	13.428
<b>Receivables</b>		<b>37.849</b>	<b>40.976</b>
<b>Current assets</b>		<b>37.849</b>	<b>40.976</b>
<b>Assets</b>		<b>101.209</b>	<b>138.341</b>

# Balance Sheet 31 December

## Liabilities and equity

	Note	2015 TDKK	2014 TDKK
Share capital		500	500
Retained earnings		91.464	92.580
<b>Equity</b>		<b>91.964</b>	<b>93.080</b>
Provision for deferred tax	6	0	1.250
Decommissioning provision	7	2.373	1.825
<b>Provisions</b>		<b>2.373</b>	<b>3.075</b>
Trade payables		71	70
Payables to group enterprises		554	42.116
Corporation tax		6.247	0
<b>Short-term debt</b>		<b>6.872</b>	<b>42.186</b>
<b>Debt</b>		<b>6.872</b>	<b>42.186</b>
<b>Liabilities and equity</b>		<b>101.209</b>	<b>138.341</b>
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## Statement of Changes in Equity

	Share capital	Retained earnings	Total
	TDKK	TDKK	TDKK
Equity at 1 January	500	92.580	93.080
Net profit/loss for the year	0	-1.116	-1.116
<b>Equity at 31 December</b>	<b>500</b>	<b>91.464</b>	<b>91.964</b>

# Notes to the Financial Statements

## 1 Revenue

The Company's revenue comes from selling pipeline capacity in Denmark to the Parent Company.

## 2 Staff costs

No wages or salaries were paid in the financial year.

No fees were paid to members of the Executive Board in the year.

## 3 Depreciation and impairment of property, plant and equipment

	2015 TDKK	2014 TDKK
Depreciation of property, plant and equipment	34.552	34.516
Impairment of property, plant and equipment	0	41.000
	<b>34.552</b>	<b>75.516</b>

Which is specified as follows:

Pipeline depreciation	34.466	34.447
Pipeline decommissioning accretion expense	86	69
Pipeline impairment	0	41.000
	<b>34.552</b>	<b>75.516</b>

## 4 Tax on profit/loss for the year

Current tax for the year	6.246	8.590
Deferred tax for the year	-6.218	-17.305
Adjustment of tax concerning previous years	-592	1.692
	<b>-564</b>	<b>-7.023</b>

# Notes to the Financial Statements

## 5 Property, plant and equipment

	Pipeline TDKK
Cost at 1 January	329.039
Restoration costs, adjustment	462
Cost at 31 December	329.501
Impairment losses and depreciation at 1 January	231.674
Depreciation for the year	34.467
Impairment losses and depreciation at 31 December	266.141
<b>Carrying amount at 31 December</b>	<b>63.360</b>

## 6 Deferred tax

	2015 TDKK	2014 TDKK
Property, plant and equipment	-4.037	1.250
	<b>4.037</b>	<b>1.250</b>

## 7 Decommissioning provision

The Company together with the other consortium participants have an obligation to dismantle the pipeline and associated facilities by end of pipeline life. The consortium participants have to develop a plan and a budget for the decommissioning of the pipeline. In a Management Committee meeting on the 19th of June 2007, the operator has presented a schedule and a budget for the removal of pipelines and this has been approved by the consortium partners. When the time for decommissioning of the pipeline approaches, application for approval will be sent to the Danish Energy Authority.

Due to the uncertainty of the final removal cost estimates, these Financial Statements contain an estimate of the obligation and equivalent capitalized asset.

Decommissioning provision beginning of the year	1.825	1.282
Adjustments in the year	462	474
Accretion	86	69
	<b>2.373</b>	<b>1.825</b>

# Notes to the Financial Statements

## **8 Contingent assets, liabilities and other financial obligations**

### **Contingent liabilities**

There are no contingencies or other financial obligations.

## **9 Group information**

### **Group information**

Shell Olie og Gasudvinding Danmark Pipelines ApS is included in the consolidated Financial Statements of Royal Dutch Shell plc, the Hague, the Netherlands, which is the ultimate Parent Company. Consolidated Financial Statements of Royal Dutch Shell plc, can be found at the website, [www.shell.com](http://www.shell.com).

# **Accounting Policies**

## **Basis of Preparation**

Financial Statements of Shell Olie- og Gasudvinding Danmark Pipelines ApS for 2015 has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to enterprises of reporting class B as well as selected rules applying to reporting class C .

The accounting policies applied remain unchanged from last year.

Financial Statements for 2015 are presented in TDKK.

## **Recognition and measurement**

Revenues are recognised in the income statement as earned. Furthermore, value adjustments of financial assets and liabilities measured at fair value or amortised cost are recognised. Moreover, all expenses incurred to achieve the earnings for the year are recognised in the income statement including depreciation, amortisation, impairment losses and provisions as well as reversals due to changed accounting estimates of amounts that have previously been recognised in the income statement.

Assets are recognised in the balance sheet when it is probable that future economic benefits attributable to the asset will flow to the Company, and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when it is probable that future economic benefits will flow out of the Company, and the value of the liability can be measured reliably.

Assets and liabilities are initially measured at cost. Subsequently, assets and liabilities are measured as described for each item below.

## **Translation policies**

Transactions in foreign currencies are translated at the exchange rates at the dates of transaction. Gains and losses arising due to differences between the transaction date rates and the rates at the dates of payment are recognised in financial income and expenses in the income statement.

Receivables, payables and other monetary items in foreign currencies that have not been settled at the balance sheet date are translated at the exchange rates at the balance sheet date. Any differences between the exchange rates at the balance sheet date and the transaction date rates are recognised in financial income and expenses in the income statement.

Fixed assets acquired in foreign currencies are measured at the transaction date rates.

# **Accounting Policies**

## **Income Statement**

### **Revenue**

Income from the sale of pipeline capacity is recognized in revenue at the time of delivery, provided that the income can be made up reliably. VAT, indirect taxes and discounts are excluded from the revenue.

### **Production costs**

Production costs include the costs incurred to obtain revenue for the year.

### **Depreciation and impairment losses**

Depreciation and impairment losses comprise depreciation and impairment of pipeline.

### **Other operating income and expenses**

Other operating income and other operating expenses comprise items of a secondary nature to the core activities of the enterprise.

### **Tax on profit/loss for the year**

Tax for the year consists of current tax for the year and changes in deferred tax for the year. The tax attributable to the profit for the year is recognised in the income statement, whereas the tax attributable to equity transactions is recognised directly in equity.

The Company is jointly taxed with the Danish Shell Companies. The tax effect of the joint taxation is allocated to Danish enterprises in proportion to their taxable incomes.

## **Balance Sheet**

### **Property, plant and equipment**

Property, plant and equipment are measured at cost less accumulated depreciation and less any accumulated impairment losses.

Depreciation based on cost reduced by any residual value is calculated on a straight-line basis over the expected useful lives of the assets, which are:

Pipeline	14 years
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Assets costing less than DKK 12,800 are expensed in the year of acquisition.

### **Impairment of fixed assets**

The carrying amounts of property, plant and equipment are reviewed on an annual basis to determine whether there is any indication of impairment other than that expressed by amortisation and depreciation.



# Accounting Policies

If so, the asset is written down to its lower recoverable amount.

## **Receivables**

Receivables are recognised in the balance sheet at amortised cost, which substantially corresponds to nominal value. Provisions for estimated bad debts are made.

## **Equity**

### ***Dividend***

Dividend distribution proposed by Management for the year is disclosed as a separate equity item.

## **Deferred tax assets and liabilities**

Deferred income tax is measured using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes on the basis of the intended use of the asset and settlement of the liability, respectively.

Deferred tax assets, including the tax base of tax loss carry-forwards, are measured at the value at which the asset is expected to be realised, either by elimination in tax on future earnings or by set-off against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that will be effective under the legislation at the balance sheet date when the deferred tax is expected to crystallise as current tax. Any changes in deferred tax due to changes to tax rates are recognised in the income statement.

## **Current tax receivables and liabilities**

Current tax liabilities and receivables are recognised in the balance sheet as the expected taxable income for the year adjusted for tax on taxable incomes for prior years and tax paid on account. Extra payments and repayment under the on-account taxation scheme are recognised in the income statement in financial income and expenses.

## **Financial debts**

Liabilities are measured at amortised cost, substantially corresponding to nominal value.

## **Provisions**

Provisions comprise expected expenses relating to restructurings. Provisions are recognised when, at the balance sheet date, the enterprise has a legal or constructive obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

Provisions expected to be settled after more than one year after the balance sheet date are measured at the net present value of the expected payment. Other provisions are measured at the net realisable value.