

BG Trinidad and Tobago Limited
Annual Report and Financial Statements
For the year ended 31 December 2011



Company Registration Number: 2386676

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Directors' report for the year ended 31 December 2011

The Directors present their report and the audited Financial Statements for the year ended 31 December 2011

Business review and principal activities

BG Trinidad and Tobago Limited (the "Company") was incorporated on 19 May 1989 and is a wholly owned subsidiary of BG North Sea Holdings Limited. The principal activity of the Company is the exploration, development and production of hydrocarbons in Trinidad and Tobago. 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.

The Company retains interests in two operating blocks, both held under separate Production Sharing Contracts. The two blocks consist of (i) the NCMA (North Coast Marine Area) 1 block, located off the north coast of Trinidad and which contains the Hibiscus, Poinsettia, Chaconia and Ixora Fields, (ii) Block 6, located off the east coast of Trinidad and containing the Dolphin Field.

Turnover and production expenses arise from the Dolphin, Hibiscus, Poinsettia and Chaconia Fields. Production volumes from the Dolphin field reached 10.12 mmbbl (million barrels of oil equivalent) in 2011 (2010: 10.38 mmbbl), whereas production from the NCMA block reached 8.58 mmbbl (2010: 10.69 mmbbl).

An incremental gas sales contract to supply 220 mmscfd (million standard cubic feet per day) of gas from the East Coast Marine Area to The National Gas Company of Trinidad and Tobago Limited for up to 15 years, commenced firm supply in July 2009.

As part of the development of the Poinsettia field, the NCMA phased development continued with Phase 3c – first gas being achieved in January 2009 from the Poinsettia D well on the recently installed Poinsettia platform. Work recommenced in July 2009 with the drilling of six additional wells as part of the combined 3c/d programme. Six wells were completed in 2009/2010 and are on production, thereby increasing NCMA deliverability.

The results for the year are set out in the profit and loss account on page 6. Turnover increased by 5% in the year to \$337,281,000 (2010: \$320,335,000) as a result of higher commodity prices offset by lower production volumes. Profit on ordinary activities before taxation increased by 21% to \$168,528,000 (2010: \$139,389,000).

Key performance indicators ("KPIs")

The performance of the Company is monitored, reviewed and assessed at group level, and therefore the Directors are of the opinion that analysis of the business of the Company using KPIs is not appropriate for an understanding of the development, performance or position of the business of the Company. For further information about KPIs, in the context of the group as a whole, please refer to the BG Group plc's Annual Report and Accounts 2011.

Principal Risks and Uncertainties

The success of the Company depends in part upon understanding and managing the political, economic and market conditions in Trinidad and Tobago. The Company's revenues are dependent on consistency and reliability of operations and project delivery. Inability to meet contractual obligations in terms of quality and quantity of supply could also result in losses for the Company. The Company has a monitoring, review and assurance program to mitigate these risks. The Company's results are sensitive to natural gas prices. The Company does not hedge commodity prices.

Directors' report for the year ended 31 December 2011 continued

Principal Risks and Uncertainties continued

In addition, the Company faces risks which affect both the Company and BG Group as a whole. These risks are managed at group level on behalf of the Directors' of the Company.

Group risks are discussed in the BG Group plc's Annual Report and Accounts 2011 which does not form part of this report.

Results and dividend

The profit for the year of \$65,125,000 (2010 \$38,119,000) has been transferred to reserves. The Directors do not propose to declare a dividend in respect of the year ended 31 December 2011 (2010 \$nil).

Directors

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

K M Behrens De Lima (alternate to D I G Hudson)

S J Hill

D I G Hudson

P S Vidler

Company Secretaries

The following served as joint Company Secretaries during the year:

Resigned

R L Dunn

C S Inman

A W McCulloch

27 April 2012

Directors' insurance

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

Suppliers

It is the Company's policy to pay all its creditors promptly and in accordance with contractual and other legal obligations. It is the Company's policy to agree the payment terms at the start of business with each supplier and to ensure that they are aware of the terms of payment.

The Company had 11 days' purchases outstanding at 31 December 2011 based on the average daily amount invoiced by suppliers during the year (2010 3 days).

Derivative financial instruments

The Company did not transact in any derivative financial instruments during the year. Full details of the BG Group policies and procedures surrounding financial instruments and details of such transactions can be found in the BG Group plc's Annual Report and Accounts 2011.

Auditors

The auditors are deemed to be re-appointed under Section 487 of the Companies Act 2006 and accordingly PricewaterhouseCoopers LLP (the "Auditors") remain in office.

Directors' report for the year ended 31 December 2011 continued

Statement as to disclosure of information to auditors

As required by Sections 418 and 419 of the Companies Act 2006, each of the Directors has approved this report and confirmed that, so far as he/she 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/she has taken all the steps that he/she ought to have taken as a director in order to make himself/herself 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 19 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates and that all applicable accounting standards have been followed and that the Financial Statements have been prepared on the going concern basis. The Company has complied with UK disclosure requirements.

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

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

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

By Order of the Board



C S Inman
Company Secretary

Date 24/1/12

Registered Office

100 Thames Valley Park Drive
Reading
Berkshire
RG6 1PT

Registered in England and Wales No 2386676

Independent Auditors' report to the member of BG Trinidad and Tobago Limited

We have audited the Financial Statements of BG Trinidad and Tobago Limited for the year ended 31 December 2011 which comprise the Profit and loss account, the Balance sheet, the statement of total recognised gains and losses and the related notes. 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).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' responsibilities as 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. 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.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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 to identify material inconsistencies with the audited financial statements. 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 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

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 Auditors' report to the member of BG Trinidad and Tobago 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

Mark King

Mark King
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

Date *25 September 2012*

Profit and loss account for the year ended 31 December

	Notes	2011 \$000	2010 \$000
Turnover	3	337,281	320,335
Operating costs		(54,554)	(63,655)
Exploration expenditure		(3,469)	(4,997)
Depreciation		(104,193)	(106,003)
Operating profit	4	175,065	145,680
Net interest payable and similar costs	5	(6,537)	(6,291)
Profit on ordinary activities before taxation		168,528	139,389
Tax on profit on ordinary activities	7	(103,403)	(101,270)
Retained profit for the financial year	17,18	65,125	38,119

The results for the year are derived solely from continuing operations

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

The notes on pages 8 to 19 form part of these Financial Statements

Statement of total recognised gains and losses for the year ended 31 December

	Notes	2011 \$000	2010 \$000
Profit for the financial year		65,125	38,119
Actuarial loss on pension scheme	15,17,18	(2,630)	(1,102)
Total recognised gains and losses for the financial year		62,495	37,017

Balance sheet as at 31 December

	Notes	2011 \$000	2010 \$000
Fixed assets			
Intangible assets	8	10,439	9,158
Tangible assets	9	676,913	701,759
Investments	10	2	2
		<u>687,354</u>	<u>710,919</u>
Current assets			
Debtors amounts falling due within one year	11	723,708	547,409
Cash at bank and in hand		-	32,666
		<u>723,708</u>	<u>580,075</u>
Creditors: amounts falling due within one year	12	(70,942)	(65,482)
Net current assets		<u>652,766</u>	<u>514,593</u>
Total assets less current liabilities		1,340,120	1,225,512
Provisions for liabilities and charges	13	(323,427)	(273,883)
Pension liability	15	(4,888)	(2,319)
Net assets		<u>1,011,805</u>	<u>949,310</u>
Capital and reserves			
Called up share capital	16	-	-
Capital reserve	17	96,341	96,341
Profit and loss account	17	915,464	852,969
Equity shareholder's funds	18	<u>1,011,805</u>	<u>949,310</u>

The notes on pages 8 to 19 form part of these Financial Statements

The Financial Statements on pages 6 to 19 were approved and authorised for issue by the Board of Directors and were signed on its behalf by



P S Vidler
Director

Date 24/5/12

Notes to the Financial Statements

1 Ultimate parent undertaking

The immediate parent undertaking is BG North Sea Holdings 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 the Group 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

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 there are three areas where the accounting policies differ from the SORP. These are shown in the section on depreciation, impairment of fixed assets and exploration expenditure (see below).

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 137 and 138 of the BG Group plc's Annual Report and Accounts 2011.

Where the Company has entered into joint operating agreements with other companies to participate in exploration, development and production activities, the Company records the expenditure incurred by the operator in respect of the Company's share in each licence group and includes its share of the capital commitments arising from the joint operations.

Exemptions

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

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. The Company only has one class of business and, as a result, is exempt from the segmental reporting requirements of the Companies Act.

Fixed asset investments

Fixed asset investments are stated at cost less provision for impairment.

Notes to the Financial Statements continued

2 Accounting policies continued

Tangible fixed assets

Tangible fixed assets are carried at depreciated historical cost. Additions represent extensions to, or significant increases in, the capacity of tangible fixed assets. Interest charges on borrowings used to finance major capital projects are capitalised.

Impairment of fixed assets

Any impairment of fixed assets is calculated as the difference between the carrying values of cash generating units and the estimated value in use at the date the impairment loss is recognised. Value in use represents the net present value of expected future cash flows discounted on a pre-tax basis. Impairment of fixed assets is recognised in the profit and loss account within operating costs. The Company utilises proved plus probable reserves estimates in performing impairment testing on its gas and oil reserves.

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 of individual assets over their estimated useful lives. The depreciation period for the principal category of assets is as follows:

Motor vehicles and 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. Asset lives are kept under review and complete asset life reviews are regularly carried out.

Revenue recognition

Revenue associated with exploration and production sales is recorded when title passes to the customer. Revenue from the production of hydrocarbons in which the Company has an interest with other producers is recognised on the basis of the Company's working interest (entitlement method). Differences between production sold and the Company's share of production are not significant. All other revenue is recognised when title passes to the customer.

Exploration expenditure

The SORP (see 'Basis of preparation and accounting principles' above) requires depreciation of licence acquisition costs on a straight-line basis. It also permits capitalisation of all costs incurred as intangible fixed assets. The Company accounts for exploration expenditure under the successful efforts method and differs from the SORP as follows:

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.

The Company considers this application of the successful efforts method to be appropriate as it provides comparability with the Company peer group and because it treats licence acquisition costs in a manner which is consistent with the treatment of other exploration assets within intangible fixed assets.

Notes to the Financial Statements continued

2 Accounting policies continued

Decommissioning costs

Where a legal or constructive obligation has been incurred, provision is made for the net present value of the estimated cost of decommissioning at the end of the producing lives of fields

When this provision gives access to future economic benefits, an asset is recognised and then subsequently depreciated in line with the life of the underlying producing field, otherwise the costs are charged to the profit and loss account. The unwinding of the discount on the provision is included in the profit and loss account as a financial item and is included within the net interest charge. Any changes to estimated costs or discount rates 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.

Leases

Rentals under operating leases are charged to the profit and loss account as incurred.

Pensions

The majority of the Company's employees participate in the BG Trinidad and Tobago Limited Pension Fund Plan (the "Plan"), which is a defined benefit scheme. Provision has been made for the obligations in accordance with FRS 17 'Retirement Benefits'.

The amount recognised on the balance sheet in respect of assets for the defined benefit pension scheme represents the fair value of the Plan's assets less the present value of the obligation less the deferred tax.

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services. The regular pension cost variations, from the regular pension cost and interest, are all charged within employee costs.

Foreign currencies

Transactions in foreign currencies are translated into US Dollars at average rates of exchange. 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.

Functional currency

Management considers that the Company's functional currency is US Dollars and the Financial Statements are presented in that currency. The exchange rates of US Dollars to pounds Sterling used in preparing these Financial Statements were as follows:

	Weighted average rate	Closing rate
Year ended 31 December 2010	1.5489	1.5657
Year ended 31 December 2011	1.6079	1.5541

The average exchange rates have been calculated based on an average of the exchange rates prevailing at each month end during the relevant year.

Notes to the Financial Statements continued**3 Turnover**

All turnover is solely derived from the sale of natural gas which excludes value added tax and which, for the purposes of the Companies Act 2006, constitutes one class of business

4 Operating profit

Operating profit is stated after charging,

	2011	2010
	\$000	\$000
Depreciation charge for the year		
Tangible owned fixed assets	104,193	106,003
Fees payable to the Auditors for taxation services	-	7
Operating lease rentals	4,004	4,410
Well write-offs	2	17,889

The remuneration of the Auditors, amounting to \$9,650 (2010 \$9,200), has been borne by BG Energy Holdings Limited and has not been recharged to the Company

5 Net interest payable and similar costs

	2011	2010
	\$000	\$000
Interest receivable	16	19
Interest payable	(1,706)	-
Foreign exchange gain/(loss)	335	(890)
Other finance (costs)/income (note 15)	(5)	26
Unwinding of discount on decommissioning provision	(5,177)	(5,446)
	(6,537)	(6,291)

6 Directors and employees

The average number of people employed by the Company during the year was 389 (2010 373)

	2011	2010
Exploration and production	211	234
Administration	178	139
	389	373

Employee costs during the year were as follows

	2011	2010
	\$000	\$000
Wages and salaries	35,157	31,471
Social security costs	456	424
Pension costs	1,772	1,438
	37,385	33,333

No Directors received emoluments in respect of their services to the Company during the year (2010 \$nil)

Notes to the Financial Statements continued**7 Taxation on ordinary activities**

The charge for taxation comprises

	2011	2010
	\$000	\$000
Current tax		
UK corporation tax at 26 4932% (2010 28%)	74,172	77,327
Double tax relief	(74,080)	(77,564)
Over provision of UK corporation tax in prior years	(13,763)	(6,820)
Foreign tax	110,739	101,389
Under provision of foreign tax in prior years	4,214	-
Total current tax charge	101,282	94,332
Deferred tax		
Deferred tax current year charge	2,716	7,998
Over provision of deferred tax in prior years	(595)	(1,060)
Total deferred tax charge	2,121	6,938
Total tax charge for the year	103,403	101,270
	2011	2010
Factors affecting the tax charge for the year:		
	\$000	\$000
Profit on ordinary activities before tax	168,528	139,389
Tax on profit on ordinary activities at 26 4932% (2010 28%)	44,648	39,029
Effects of		
Depreciation in excess of capital allowances	29,894	37,614
Permanent disallowables	(370)	684
Adjustments attributable to overseas tax	36,659	23,825
Under provision of foreign tax in prior years	4,214	-
Over provision of UK corporation tax in prior years	(13,763)	(6,820)
Current year tax charge	101,282	94,332

The current tax charge reconciliation includes timing differences reflected in the UK corporation tax return. The deferred tax charge is calculated using the foreign tax base and rate. Overseas deferred tax is provided at 57.25% (2010 57.25%).

There is an unrecognised deferred tax asset of \$486,268,000 (2010 \$446,947,000) relating to excess foreign tax credits. This amount would be realised if future UK corporation tax liabilities exceed foreign tax liabilities.

Effective 1 April 2011, the applicable rate of UK corporation tax is reduced to 26%, with a further reduction in the UK corporation tax rate to 24% effective from 1 April 2012.

8 Intangible fixed assets

	Unproved properties
	\$000
At 1 January 2011	9,158
Additions	1,283
Well write-offs	(2)
At 31 December 2011	10,439

Notes to the Financial Statements continued

9 Tangible fixed assets

	Proved oil and gas properties in production and development \$000	Motor vehicles and office equipment \$000	Total \$000
Cost			
At 1 January 2011	1,139,850	58,759	1,198,609
Additions	78,700	647	79,347
At 31 December 2011	1,218,550	59,406	1,277,956
Accumulated depreciation			
At 1 January 2011	470,638	26,212	496,850
Provision for the year	96,168	8,025	104,193
At 31 December 2011	566,806	34,237	601,043
Net book value			
At 31 December 2011	651,744	25,169	676,913
At 31 December 2010	669,212	32,547	701,759

10 Fixed asset investments

	2011 \$000	2010 \$000
Cost and net book value of shares in associated undertakings	2	2

The Company holds a 25% direct interest in The International School of Port of Spain Limited, a company incorporated in Trinidad and Tobago, whose principal business is education. As at 31 December 2011 and 31 December 2010, the Company held 10,000 ordinary shares of nominal value TT\$1 each fully paid.

11 Debtors: amounts falling due within one year

	2011 \$000	2010 \$000
Trade debtors	32,385	44,918
Amounts owed by group undertakings	644,546	462,169
Other debtors	38,639	38,071
Amounts owed by group undertakings in respect of taxation	140	-
Prepayments and accrued income	7,998	2,251
	723,708	547,409

Amounts owed by group undertakings are unsecured, interest free and have no fixed date of repayment.

Notes to the Financial Statements continued**12 Creditors: amounts falling due within one year**

	2011	2010
	\$000	\$000
Trade creditors	10,880	2,401
Amounts owed to group undertakings in respect of taxation	-	13,130
Other creditors	3,114	3,369
Overdrafts	2,697	-
Accruals and deferred income	<u>54,251</u>	<u>46,582</u>
	<u>70,492</u>	<u>65,482</u>

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

13 Provisions for liabilities and charges

	Deferred taxation	Decommissioning provision	Other	Total
	\$000	\$000	\$000	\$000
At 1 January 2011	143,812	129,379	692	273,883
Profit and loss credit	2,121	-	-	2,121
Unwinding of discount	-	5,177	-	5,177
Additions during the year	-	42,938	-	42,938
Decrease in provision	-	-	(692)	(692)
At 31 December 2011	<u>145,933</u>	<u>177,494</u>	<u>-</u>	<u>323,427</u>

The deferred taxation comprises	2011	2010
	\$000	\$000
Accelerated capital allowances	<u>145,933</u>	<u>143,812</u>

Decommissioning costs

The estimated costs of decommissioning at the end of the producing lives of fields are based on engineering estimates and reports from independent experts. Provision is made for the estimated cost of decommissioning at the balance sheet date. The payment dates of total expected future decommissioning costs are uncertain, but are currently anticipated to be between 2026 and 2027.

14 Commitments and contingencies**Commitments under operating leases**

At 31 December 2011, the Company was committed to making the following annual payments on operating leases

	2011	2010
	\$000	\$000
Lease commitments expiring		
within one year	1,911	2,931
between two and five years	4,219	3,007
greater than five years	<u>2,834</u>	<u>4,118</u>
	<u>8,964</u>	<u>10,056</u>

Notes to the Financial Statements continued

14 Commitments and contingencies continued

Capital commitments

As at 31 December 2011, the Company had placed contracts for capital expenditure amounting to \$32,490,000 (2010 \$89,000)

15 Pensions

The majority of the Company's employees participate in the British Gas Trinidad Limited Pension Fund Plan (the "Plan"). The Plan is of the defined benefit type, and is registered and established under Trust. The Plan is funded to cover future pension liabilities in respect of service up to the balance sheet date. It is subject to an independent valuation as least every three years, on the basis of which the qualified actuary certifies the rate of employer's contributions which, together with the contributions payable by employees and proceeds from the Plan's assets, are expected to be sufficient to fund the benefits payable under the Plan. Employees contribute to the Plan at a rate of 4% of National Insurance System (NIS) salary and 6% of salary in excess of NIS salary. For the year ended 31 December 2011, the employer's contribution rate was 11.8% of members' salaries. A rate of 11.8% has been confirmed as sufficient contribution until the next full actuarial valuation is performed as at 31 December 2012.

The figures below in relation to the year ended 31 December 2011 were based and updated where necessary by the actuary in line with FRS17. The financial assumptions used in the 2011 valuation were as follows:

Rate of increase in salaries	6.00%
Rate of increase in pensions in payment and deferred pensions	0.00%
Investment return	6.50%

The last independent valuation showed that the value of the Plan's assets as at 31 December 2011 was \$13,187,000.

The major assumptions used by the actuary for the purposes of FRS 17 were:

	2011	2010	2009
Rate of increase in salaries	6.00%	6.00%	7.00%
Rate of increase in pensions in payment and deferred pensions	0.00%	0.00%	0.00%
Discount rate applied to scheme liabilities	5.50%	6.25%	7.50%
Inflation assumption	7.50%	7.50%	7.50%

The mortality assumptions used were as follows:

	2011 years	2010 years
Longevity at age 60 for current pensioners		
- Men	21.0	21.0
- Women	25.1	25.1
Longevity at age 60 for future pensioners		
- Men	21.4	21.4
- Women	25.4	25.4

Notes to the Financial Statements continued**15 Pensions continued**

The fair value of the Plan's assets and the present value of the Plan's liabilities were as follows.

	2011	2010	2009
	\$000	\$000	\$000
Equities	3,165	1,535	1,117
Government/corporate bonds	8,044	5,326	4,690
Cash	1,978	3,727	2,407
Total market value of assets	13,187	10,588	8,214
Present value of Plan liabilities	(18,075)	(12,907)	(9,571)
Deficit in the Plan	(4,888)	(2,319)	(1,357)
Net pension liability	(4,888)	(2,319)	(1,357)

The expected long-term rate of return on Plan assets is shown below

	2011	2010	2009
	11.8%	11.8%	11.8%
Equities	11.8%	11.8%	11.8%
Bonds	8.8%	8.8%	8.8%
Other - cash/deposits	6.5%	6.5%	6.5%

The investments which are held in Plan assets consist of government, corporate, zero coupon bonds and foreign securities, all of which are stated at fair value

Sensitivity analysis of Plan

The sensitivity of the Plan funding and cost to the Company resulting from changes in the principle assumptions used is set out below

	Change in assumption	Impact on scheme liabilities
Rate of increase in salaries	Increase/reduce salary inflation by 1% per annum	+14%/-12%
Discount rate applied to scheme liabilities	Increase/reduce discount rate by 1% per annum	-19%/+25%
Mortality	Increase/reduce mortality rate by 25%	+/- 4%

Notes to the Financial Statements continued**15 Pensions continued****Reconciliation of the present value of scheme liabilities**

	2011	2010
	\$000	\$000
At 1 January	12,907	9,571
Impact of foreign exchange movement	(81)	152
At 1 January (revised)	12,826	9,723
Service cost	1,243	1,051
Interest cost	796	727
Members' contributions	605	600
Actuarial loss	2,895	990
Benefits paid	(180)	(75)
Expense allowance	(110)	(109)
At 31 December	18,075	12,907

Reconciliation of the fair value of scheme assets

	2011	2010
	\$000	\$000
At 1 January	10,588	8,214
Impact of foreign exchange movement	(66)	130
At 1 January (revised)	10,522	8,344
Expected return on Plan assets	792	753
Actuarial loss	265	(112)
Company contributions	1,293	1,187
Members' contributions	605	600
Benefits paid	(180)	(75)
Expense allowance	(110)	(109)
At 31 December	13,187	10,588

Scheme assets do not include any of the Company's own financial instruments, or any property occupied by the Company

The expected return on Plan assets is determined by considering the expected returns available on the assets underlying the current investment policy. This was based on an analysis of the rates of return on the assets of the Plan over the intervaluation period. The return based on the market value of the assets reflects the volatility of equity prices.

The actual return on scheme assets in the year was \$1,057,000 (2010 \$641,000)

The following amounts have been recognised in the profit and loss account and statement of total recognised gains and losses in the year to 31 December 2011 and 2010 under the requirements of FRS 17

Notes to the Financial Statements continued**15 Pensions continued****Amounts included in operating profit**

	2011	2010
	\$000	\$000
Current service cost	<u>1,243</u>	<u>1,051</u>

Amounts included in other finance income

	2011	2010
	\$000	\$000
Expected return on pension scheme assets	792	753
Interest on pension scheme liabilities	<u>(797)</u>	<u>(727)</u>
	<u>(5)</u>	<u>26</u>

Actuarial gains and losses

The amount of actuarial losses recognised in the statement of recognised gains and losses is \$2,630,000 (2010 \$1,102,000)

Actuarial valuation

The actuarial valuation at 31 December 2011 showed a deficit in the Plan of \$4,888,000 (2010 \$2,319,000) The total contributions expected to be made by the Company in the year ended 31 December 2012 is \$1,331,000

Summary for current and previous four years

	2011	2010	2009	2008	2007
	\$000	\$000	\$000	\$000	\$000
Defined benefit obligation	(18,075)	(12,907)	(9,571)	(6,497)	(4,911)
Plan assets	13,187	10,588	8,214	6,408	5,386
(Deficit)/surplus	(4,888)	(2,319)	(1,357)	(89)	475
Experience adjustments on Plan assets	265	(112)	(6)	(604)	(17)
Experience adjustments on Plan liabilities	(2,895)	(990)	(1,223)	43	243
Actuarial (loss)/gain to be recognised in statement of total recognised gains and losses	(2,630)	(1,102)	(1,229)	(561)	226

Notes to the Financial Statements continued**16 Called up share capital**

	2011	2010
	\$	\$
Authorised:		
1,000 ordinary shares of £1 each	<u>1,453</u>	<u>1,453</u>
Allotted and fully paid:		
3 ordinary shares of £1 each	<u>4</u>	<u>4</u>

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

17 Reserves

	Profit and loss account	Capital reserve	Total
	\$000	\$000	\$000
As at 1 January 2011	852,969	96,341	949,310
Transfer from profit and loss account	65,125	-	65,125
Actuarial loss under FRS 17	<u>(2,630)</u>	<u>-</u>	<u>(2,630)</u>
As at 31 December 2011	<u>915,464</u>	<u>96,341</u>	<u>1,011,805</u>

18 Reconciliation of movement in shareholder's funds

	2011	2010
	\$000	\$000
As at 1 January	949,310	912,293
Transfer from profit and loss account	65,125	38,119
Actuarial loss under FRS 17	<u>(2,630)</u>	<u>(1,102)</u>
As at 31 December	<u>1,011,805</u>	<u>949,310</u>