Shell Trinidad and Tobago Limited
(formerly known as BG Trinidad and Tobago Limited)

Annual Report and Financial Statements

For the year ended 31 December 2016

Company Registration Number: 2386676

Contents

Strategic report	1 - 2
Directors' report	3 - 5
Independent auditors' report	6 - 7
Income statement	8
Statement of comprehensive income	8
Statement of financial position	9
Statement of changes in equity	10
Notes to the financial statements	11 - 27

Strategic report for the year ended 31 December 2016

The Directors present their Strategic report for Shell Trinidad and Tobago Limited (the "Company") for the year ended 31 December 2016.

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 in which Royal Dutch Shell plc, either directly or indirectly, has control either through a majority of the voting rights or the right to exercise a controlling influence or to obtain the majority of the benefits and be exposed to the majority of the risks. 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.

Business review

Shell 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 Shell BG combination was completed on February 15, 2016. The Company has changed its name from BG Trinidad and Tobago Limited to Shell Trinidad and Tobago Limited in the current year.

The Company retains interests in two operating blocks, both held under separate Production Sharing Contracts. These interests comprise (i) a 45.885% interest in the NCMA (North Coast Marine Area) 1 block, located off the north coast of Trinidad and Tobago which contains the Hibiscus, Poinsettia, Chaconia, Ixora, Heliconia and Bougainvillea Fields; and (ii) a 50% interest in Block 6, located off the east coast of Trinidad and Tobago, which includes the Dolphin Field. During 2016, BG Trinidad and Tobago Limited continued to supply both the domestic and export markets. Subsequent to the year end, the Company has acquired Centrica's share of 17.3075% in NCMA1 block raising the overall interest in the Block to 63.1925%.

Production volumes from the Dolphin field achieved 2.9 mmboe (million barrels of oil equivalent) in 2016 (2015: 3.6mmboe), whereas production from the NCMA 1 block reached 9.03 mmboe (2015: 9.3 mmboe).

There have not been any changes in the Company's activities in the year under review. The Directors are not aware, at the date of this report, of any likely major changes in the Company's activities in the next year other than the ones noted above.

Principal risks and uncertainties

The Company is subject to a broad range of risks such as political, commodity prices, reserves replacement, people resource and project delivery risks. The Company's revenues are dependent upon the performance of its working interest in the block 6 and NMCA 1 block fields. The integrity of the Company's assets can be affected by a number of factors including unplanned shutdowns and equipment failure. The Company has a continuing monitoring and maintenance programme to reduce the risk of failure.

The Shell Group has a single risk based control framework – The Shell Control Framework – to identify and manage risks. The Shell Control Framework applies to all wholly owned Shell companies and to those ventures and other companies in which Royal Dutch Shell has directly or indirectly a controlling interest. From the perspective of the Company, the principal risks and uncertainties affecting the Company are considered to be those that affect the Shell Group. Accordingly, the principal risks and uncertainties of the Shell Group, which are discussed on pages 12 to 15 of Royal Dutch Shell's Annual Report and Form 20-F for the year ended 31 December 2016 (the "Group Report"), include those of the Company. (The Group Report does not form part of this report).

Strategic report for the year ended 31 December 2016 continued

Key performance indicators (KPIs)

Companies of the Shell Group comprise the Upstream businesses of Exploration and Production, Gas and Power and Oil Sands and the Downstream businesses of Oil Products and Chemicals. The Company's key performance indicators, that give an understanding of the development, performance and position of the business, are aligned with those of the Shell Group. The development, performance and position of the various businesses is discussed on pages 22 to 48 of the Group Report and the key performance indicators through which the Group's performance is measured are as set out on pages 20 to 21 of the Group Report.

Financial performance and position

As shown in the Company's income statement on page 8, revenue of the Company decreased by 50% during the year to $61,939,000 (2015: $123,939,000). The loss before taxation increased to $340,541,000 (2015: $116,861,000) as a result of the reduction in commodity prices and decline in volumes.

The loss for the year ended 31 December 2016 of $280,683,000 (2015: $115,806,000) has been transferred to reserves.

The balance sheet on page 9 shows that the Company's net liabilities at 31 December 2016 were $207,431,000 (2015: net assets of $70,020,000). This is principally due to the write down of exploration assets.

By order of the Board:

E Williams
Company Secretary
Authorised Signatory for Shell Corporate Secretary Limited

Date: 28/09/2017

Registered Office:
Shell Centre
London, United Kingdom
SE1 7NA

Registered in England and Wales No. 2386676

Directors' report for the year ended 31 December 2016

The Directors present their report and the audited Financial Statements for Shell Trinidad and Tobago Limited for the year ended 31 December 2016.

Dividend

The Directors did not propose an interim dividend for the year ended 31 December 2016 (2015: $nil). The Directors have not proposed a final dividend (2015: $nil).

Future developments

Future developments are included in the Strategic report.

Directors

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

M Ashworth (appointed 29 September 2016)

N W H Blaker

A Collins (resigned 11 July 2016)

G Goddard (resigned 31 May 2016)

D Hudson (appointed 1 June 2016)

A Martin-Davis (resigned 31 May 2016)

C Orr-Burns

A H M Ten-Have (appointed 25 April 2016 and resigned 15 August 2016)

Company Secretaries

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

C S Barry (resigned 31 July 2016)

R L Dunn (resigned 31 May 2016)

C L Ennett (resigned 31 July 2016)

Shell Corporate Secretary Limited (appointed 31 July 2016)

Directors' report for the year ended 31 December 2016 continued

Equal opportunities

The Company takes a positive approach to equality and diversity and encourages its partners to do likewise. By using the talent and skills available in all groups and communities in the countries in which it operates, the Company is able to build a strong foundation for the lasting success of the business.

The Company achieves this by using appropriate recruitment and selection techniques, ensuring equality of employment opportunity and equal access to development opportunities for all employees and potential new hires.

The Company is also committed to providing a work environment free from harassment and discrimination and remains committed to fair treatment of people with disabilities in relation to job applications, training, promotion and career development. Every effort is made to find appropriate alternative jobs for those who are unable to continue in their existing job because of disability. As with the approach to equality and diversity, the Company encourages its partners to have a similar approach to these issues where Company policies are not able to be implemented directly.

Employees are informed about significant business issues and the Company's performance using webcasts, internal intranet and in-house publications, as well as at face-to-face briefing meetings at each business location. When appropriate, consultation with employee and union representatives also takes place.

Employee involvement

The Company has a comprehensive policy concerning information provision and consultation with employees. Its objective is to meet their needs for information and involvement in issues affecting them, and to contribute to the management of change in the organisation.

The primary responsibility for information and consultation rests with management. It is supplemented by representative bodies at some employment locations. In addition, there is a well-established system by which the senior management in the Company makes presentations to employees on business results and plans. This is in turn supplemented by in-house journals, briefing papers, management letters and video presentations.

All of the formal employee representative bodies held regular meetings throughout the year. Employees have been advised of the right to apply for share options in Royal Dutch Shell plc under the "Shell Sharesave" savings-related share option scheme.

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 71 to 72 and note 20).

Auditors

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

Statement of Directors' responsibilities

The Directors are responsible for preparing the Directors' report, Strategic report and the Company's accounts in accordance with applicable law and regulations.

Directors' report for the year ended 31 December 2016 continued

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have elected to prepare the Company's accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including Financial Reporting Standard 101 'Reduced Disclosure Framework'. Under company law, the Directors must not approve the accounts 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 accounts, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- Prepare the accounts on the 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 accounts 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.

Disclosure of information to auditors

All Directors in office at the date of approval of the Directors' report confirm that in so far as each of the Directors is aware, there is no relevant audit information (meaning information needed by the Company's auditors in connection with preparing their report) that has not been disclosed to the Company's auditors. Each of the Directors believes that he or she has taken all steps that ought to have been taken to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board:

E Williams
Company Secretary
Authorised Signatory for Shell Corporate Secretary Limited

Date: 28/09/2017

Registered Office:
Shell Centre
London, United Kingdom
SE1 7NA

Registered in England and Wales No. 2386676

Independent auditors' report to the member of Shell Trinidad and Tobago Limited (Formerly known as BG Trinidad and Tobago Limited)

We have audited the Financial Statements of Shell Trinidad and Tobago Limited for the year ended 31 December 2016 which comprise the Income statement, the Statement of Financial Position, the Statement of changes in equity and the related notes, set out on pages 8 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework'.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditors

As explained more fully in the Statement of Directors' responsibilities (set out on page 4), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including FRS 101, 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditors' report to the member of Shell Trinidad and Tobago Limited continued **(Formerly known as BG Trinidad and Tobago Limited)**

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.
- the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

Ernst & Young LLP

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

Date: 21/9/17

Income statement for the year ended 31 December

	Notes	2016 $000	2015 $000
Revenue	3	**61,939**	123,939
Operating costs		**(111,175)**	(65,734)
Exploration expenditure		**(7,051)**	(3,047)
Depreciation	4	**(222,257)**	(139,921)
Amortisation	4	**(682)**	(683)
Impairment	4	**(48,129)**	(40,500)
Operating loss		**(327,355)**	(125,946)
Finance income	6	**28**	17,424
Finance costs	6	**(13,214)**	(8,339)
Loss before taxation		**(340,541)**	(116,861)
Taxation	7	**59,858**	1,055
Loss for the year		**(280,683)**	(115,806)

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

Statement of comprehensive income for the year ended 31 December

	Notes	2016 $ 000	2015 $ 000
Loss for the year		**(280,683)**	(115,806)
Other items:			
Remeasurement of defined benefit pension obligation	14	**3,232**	(489)
Other comprehensive income/(charge) for the year, net of tax		**3,232**	(489)
Total comprehensive charge for the year		**(277,451)**	(116,295)

Statement of financial position as at 31 December

	Notes	2016 $000	2015 $000
Non-current assets			
Intangible assets	8	**6,462**	8,526
Property, plant and equipment	9	**1,239**	269,852
Investments	10	**2**	2
Deferred tax assets	7	**49,503**	-
Net retirement benefit surplus	14	**204**	-
		57,410	278,380
Current assets			
Inventories	11	**1,341**	892
Trade and other receivables	12	**258,095**	242,359
Cash and cash equivalents		**10,581**	5,789
		270,017	249,040
Total assets		**327,427**	527,420
Current liabilities			
Trade and other payables	13	**(267,836)**	(185,742)
Non-current liabilities			
Net retirement benefit deficit	14	**-**	(4,126)
Provisions for other liabilities and charges	15	**(267,022)**	(267,532)
		(267,022)	(271,658)
Total liabilities		**(534,858)**	(457,400)
Net (liabilities)/assets		**(207,431)**	70,020
Equity			
Called up share capital	16	**-**	-
Capital reserve		**96,341**	96,341
Retained earnings		**(303,772)**	(26,321)
Total equity		**(207,431)**	70,020

The financial statements on pages 8 to 27 were approved by the Board of Directors and were signed on its behalf by:

M Ashworth

Director

Date: 28/09/2017

Statement of changes in equity

	Called up share capital $000	Share premium $000	Retained earnings $000	Total $000
At 1 January 2015	-	96,341	89,974	186,315
Loss for the year	-	-	(115,806)	(115,806)
Other comprehensive income/(loss) for the year	-	-	(489)	(489)
Total comprehensive loss for the year	-	-	(116,295)	(116,295)
At 31 December 2015	-	96,341	(26,321)	70,020
Loss for the year	-	-	(280,683)	(280,683)
Other comprehensive income/(loss) for the year	-	-	3,232	3,232
Total comprehensive loss for the year	-	-	(277,451)	(277,451)
At 31 December 2016	-	96,341	(303,772)	(207,431)

Notes to the financial statements

General company information

The Company is a limited company, which is incorporated in England and Wales. The registered office is Shell Centre, London SE1 7NA.

1 Ultimate parent undertaking

The immediate parent company is BG North Sea Holdings 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 for Royal Dutch Shell plc are available from Company Secretary, Shell Centre, London SE1 7NA (Tel: +31 888 800 844; Email: order@shell.com).

2 Accounting policies

Basis of preparation and accounting principles

The Statement of Financial position at 31 December 2016 reports a net liability of $207,431,000. The financial statement have been prepared under the going concern basis as a result of the agreement between Company and its immediate parent undertaking, BG North Sea Holdings, 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.

The Statement of financial position and Income statements have been prepared using the IAS 1 format.

These accounts have been prepared on the going concern basis and in accordance with applicable law in the United Kingdom and Financial Reporting Standard 101, 'Reduced disclosure framework', using historical cost convention, except for certain items measured at fair value, and in accordance with the Companies Act 2006. A summary of the more important accounting policies, which have been applied consistently, is set out below.

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

Investments in subsidiary undertakings, joint ventures and associates are stated at cost less any provision for impairment.

Exemptions

Group accounts of the Company and its subsidiary and participating undertakings have not been prepared. The Company is exempt from the requirement to prepare group accounts under the provisions of Section 400 of the Companies Act 2006. The accounts present information about the Company as an individual undertaking and not about its group.

Notes to the financial statements continued

2 Accounting policies continued

Summary of disclosure exemptions

The following disclosure exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:
(a) IFRS 7, 'Financial instruments: disclosures'.
(b) Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement'.
(c) Paragraph 38 of IAS 1, 'Presentation of financial statements' to present comparative information in respect of paragraph 79(a)(iv) of IAS 1, 'Presentation of financial statements', paragraph 73(e) of IAS 16, 'Property, plant and equipment' and paragraph 118(e) of IAS 38, 'Intangible assets';
(d) Paragraphs 10(d), 10(f), 16, 38A, 38B, 38C, 38D, 40A, 40B, 40C, 40D, 111 and 134 to 136 of IAS 1, 'Presentation of financial statements'.
(e) IAS 7, 'Statement of cash flows'.
(f) Paragraphs 30 and 31 of IAS 8, 'Accounting policies, changes in accounting estimates and errors'.
(g) Paragraphs 17 and 18A of IAS 24, 'Related party disclosures'.
(h) The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member.
(i) Paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to135(e) of IAS 36, 'Impairment of assets'.

Exploration expenditure

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

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

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

Other intangible assets

Other intangible assets consist of re-commissioning costs for the Elba Island Terminal. Amortisation is charged on a straight-line basis at rate sufficient to write off the cost of the asset over the life of the related LNG sales and purchase agreement (15 years).

Depreciation

Freehold land is not depreciated. Other property, plant and equipment, except exploration and production assets, is depreciated on a straight-line basis at rates sufficient to write off the historical cost less residual value of individual assets over their estimated useful lives. Asset lives and residual values are reassessed annually. The asset's residual values, useful lives and methods of depreciation are reviewed at each reporting period and adjusted prospectively, if appropriate. The depreciation periods for the principal categories of assets are as follows:

Motor vehicles and office equipment	up to 10 years

Notes to the financial statements continued

2 Accounting policies continued

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

Changes in depreciation estimates are dealt with prospectively.

Decommissioning costs

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

Impairment of non-current assets

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

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

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

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.

Financial instruments

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

Revenue

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

Notes to the financial statements continued

2 **Accounting policies** continued

Interest income

Interest income for financial instruments measured at amortised cost is recognised in finance income in the income statement and is calculated using the effective interest rate method.

Current and deferred income tax

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

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred tax assets are reviewed at each reporting date and a valuation allowance is set up against deferred tax assets so that the net carrying amount equals the highest amount that is more likely than not to be recovered based on current or future taxable profit.

Property plant and equipment

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

Inventories

Inventories, including inventories of gas, LNG and oil held for sale in the ordinary course of business, are stated at weighted average historical cost less provision for deterioration and obsolescence or, if lower, net realisable value.

Foreign currencies

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

Leases

Rentals under operating leases are charged to the income statement on a straight-line basis over the lease term.

Notes to the financial statements continued

2 Accounting policies continued

Pensions

The amount recognised on the balance sheet in respect of liabilities for defined benefit pension and post-retirement benefit plans represents the present value of the obligations offset by the fair value of plan assets. The cost of providing retirement pensions and related benefits is charged to the income statement over the periods benefiting from the employees' services. Current service costs are reflected in operating profit and net interest costs are reflected in finance costs in the period in which they arise. Actuarial gains and losses are recognised in full as they occur in other comprehensive income.

Judgements and estimates

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

A range of short and long-term assumptions are used to determine the net present value of future cash flows for use in impairment reviews unless short-term market assumptions are more appropriate to the cash generating unit under review. In the year, the Company recognised a pre-tax impairment charge of $39,539,000 (2015: $40,500,000) relating to its interest in the Dolphin and NCMA fields. The impairment is sensitive to assumptions including commodity prices, reserves estimates and the discount rate applied to cash flow projections. Any adverse changes in these assumptions could result in an additional impairment in the next financial year.

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

Related party disclosure

In accordance with the exemption allowed by FRS 101, no disclosure is made of transactions with wholly owned companies of the Shell Group.

3 Revenue

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

	2016 $000	2015 $000
Gas	**61,557**	121,017
Condensate	**382**	2,922
	61,939	123,939

Notes to the financial statements continued

4 Operating loss

Operating loss is stated after charging:

	2016	2015
	$000	$000
Impairment of property, plant and equipment	**39,539**	40,500
Unsuccessful exploration expenditure written off	**8,590**	-
Depreciation	**222,257**	139,921
Amortisation	**682**	683
Operating lease charges	**5,225**	4,629

Employee costs		
Wages and salaries	**49,678**	50,144
Social security costs	**770**	823
Pension costs	**2,968**	3,327
	53,416	54,294

At the end of 2016, driven by the impact of falls in commodity prices, the Company recognised an impairment of $39,539,000 (2015: $40,500,000) relating to production activities in the Dolphin and NCMA fields, considered to be one cash generating unit (CGU), calculated on a fair value less costs of disposal basis using a post-tax discount rate of 6%.

The auditor's remuneration of $9,242 (2015: $9,060) has been borne by BG Energy Holdings Limited and has not been recharged to the Company. Any fees paid to the Company's auditors and its associates for services other than the statutory audit of the Company are not disclosed in these accounts since the consolidated accounts of the Company's ultimate parent (see note 1), are required to disclose non-audit fees on a consolidated basis.

All employee costs are shown gross of recharges to other companies within the Shell Group.

The average number of employees during the year was:

	2016	2015
	No.	No.
Upstream	**387**	448

5 Directors' remuneration

Following the acquisition of BG Group by Royal Dutch Shell plc and the appointment of new directors to the Company, none of the Directors received any emoluments in relation to their services to the Company (2015: $266,000).

Notes to the financial statements continued

6 Finance income and costs

	2016 $000	2015 $000
Finance income		
Interest receivable	**28**	6
Foreign exchange gain	**-**	17,418
	28	17,424
Finance costs		
Foreign exchange loss	**(2,911)**	-
Unwinding of discount on provisions	**(10,159)**	(8,211)
Other finance costs (refer to note 14)	**(144)**	(128)
	(13,214)	(8,339)
Net finance (costs)/income	**(13,186)**	9,085

7 Current and deferred tax

The credit for taxation comprises:

	2016 $000	2015 $000
Current tax		
Corporation tax	**(10,893)**	15,833
Adjustments in respect of prior periods	**249**	325
Double tax relief	**-**	(12,305)
Overseas tax	**-**	4,068
Overseas tax adjustments in respect of prior periods	**-**	(546)
Currency translation adjustment	**289**	-
Total current tax charge	**(10,355)**	7,375
Deferred tax	**(49,503)**	(8,430)
Total tax credit	**(59,858)**	(1,055)

Notes to the financial statements continued

7 Current and deferred tax continued

The total tax credit reconciles with that calculated using the statutory UK corporate tax rate of 20.00% (2015: 20.25%):

	2016 $000	2015 $000
Loss before tax	**(340,541)**	(116,861)
Tax on loss before taxation at UK statutory corporation tax rate	**(68,108)**	(23,661)
Effects on tax credit of:		
Non-tax deductible or non-taxable items	**(306)**	15,015
Overseas taxes at different rates to UK statutory rates	**(13,181)**	(24,713)
Currency translation adjustment	**289**	-
Adjustment recognised for current tax of prior periods	**249**	(221)
Adjustment recognised for deferred tax of prior periods	**-**	7,360
Derecognition of deferred tax	**21,048**	25,165
Other items	**151**	-
Total tax credit	**(59,858)**	(1,055)

The total tax charge reconciliation includes temporary 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% (2015:57.25%).

Effective 1 April 2015, the applicable rate of UK corporation tax was reduced to 20%.

UK Finance Act (No 2) Act 2015 which introduced further 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 from 1 April 2020 was enacted on 15 September 2016.

Notes to the financial statements continued

7 Current and deferred tax continued

Deferred tax

	Accelerated tax depreciation $000
At 1 January 2015	(8,430)
Credit/(charge) for the year	8,430
As at 31 December 2015	-
Credit for the year	49,503
As at 31 December 2016	49,503

	2016 $000	2015 $000
Deferred tax assets	**49,503**	-

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

Total unrecognised Deferred tax assets for various temporary differences are as follows:

	2016 $000	2015 $000
Deductible temporary differences	**6,407**	17,278
Unused tax losses	**39,807**	7,887
Tax credits	**377,516**	378,681
	423,730	403,846

Notes to the financial statements continued

8 Intangible assets

	Unproved properties $000	Other intangible assets $000	Total $000
Cost			
At 1 January 2016	3,254	10,127	13,381
Additions	7,208	-	7,208
Unsuccessful exploration expenditure written off	(8,590)	-	(8,590)
At 31 December 2016	1,872	10,127	11,999
Amortisation			
At 1 January 2016	-	4,855	4,855
Amortisation	-	682	682
At 31 December 2016	-	5,537	5,537
Net book value			
At 31 December 2016	1,872	4,590	6,462
At 31 December 2015	3,254	5,272	8,526

Other intangible assets consist of re-commissioning costs for the Elba Island Terminal.

Notes to the financial statements continued

9 Property, plant and equipment

	Exploration and production $000	Office equipment and motor vehicles $000	Total $000
Cost			
At 1 January 2016	1,505,468	65,474	1,570,942
Additions	3,828	24	3,852
Movement in decommissioning asset	(10,669)	-	(10,669)
At 31 December 2016	1,498,627	65,498	1,564,125
Accumulated depreciation and Impairment			
At 1 January 2016	1,238,712	62,378	1,301,090
Depreciation	220,376	1,881	222,257
Impairment	39,539	-	39,539
At 31 December 2016	1,498,627	64,259	1,562,886
Net book value			
At 31 December 2016	-	1,239	1,239
At 31 December 2015	266,756	3,096	269,852

10 Investments

	Associates $000
At 1 January and 31 December 2016	2

The Company's investment as at 31 December 2016 comprises:

Name	Activity	Country of incorporation	Proportion of shares held 2016
The International School of Port of Spain Limited	Education	Trinidad and Tobago	25%

The investment is directly held.

Registered address: 1 International Drive, West Moorings

Notes to the financial statements continued

11 Inventories

	2016	2015
	$000	$000
Raw materials and consumables	**1,341**	892

12 Trade and other receivables

	2016	2015
	$000	$000
Current		
Trade receivables	**3,724**	12,556
Amounts owed by parent undertakings	**251**	52,872
Amounts owed by fellow subsidiary undertakings	**178,023**	116,676
Amounts owed by group undertakings in respect of taxation	**7,108**	1,037
Amounts owed by joint venture partners	**16,605**	17,275
Other receivables	**35,565**	24,664
Prepayments	**16,819**	17,279
	258,095	242,359

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

13 Trade and other payables

	2016	2015
	$000	$000
Current		
Trade payables	**21,439**	14,547
Amounts owed to fellow subsidiary undertakings	**143,439**	98,365
Other payables	**15,902**	7,037
Accrued expenses	**87,056**	65,793
	267,836	185,742

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

Notes to the financial statements continued

14 Net retirement benefit

A number of the Company's employees participate in the British Gas Trinidad Limited Pension Fund Plan (the "Plan"), a defined benefit registered pension plan 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 at least every three years, on the basis of which the independent qualified actuary certifies the rate of employer contributions that, together with the specified contributions payable by employees and returns on the Plan's assets, are expected to be sufficient to fund the benefits payable.

Employees contribute to the Plan at a rate of 4% of National Insurance System (NIS) salary and 6% of salary in excess of this amount. For the year ended 31 December 2016, the employer's contribution rate was 18.6% of members' salaries. A rate of 18.6% has been confirmed as sufficient contribution until the next full actuarial valuation is performed as at 31 December 2017.

The figures below in relation to the year ended 31 December 2016 are based on a valuation of the Plan's assets and expected liabilities as at 31 December 2016 carried out by independent actuaries in accordance with the requirements of IAS 19.

The last independent valuation showed that the value of the Plan's assets as at 31 December 2016 was $25,182,000 (2015: $24,399,076).

The BG Supplementary Benefits Scheme (BGSBS) provides benefits broadly in excess of the 'lifetime allowance'. This defined benefit plan is an unfunded, non-registered arrangement. The BGSBS was closed to future accrual of benefits on 31 December 2013, the same date as benefit accrual ceased in the BGPS.

With effect from 2 April 2007, new UK employees have been offered membership of a defined contribution stakeholder pension plan, the BG Group Retirement Benefits Plan (BGRBP). With effect from 1 April 2013, the Company enhanced the BGRBP by increasing employer's pension contributions to 20% of salary, irrespective of the contribution rate chosen by employees. Under the BG Group Flexible Benefits system, BGRBP members can choose to increase this percentage via salary sacrifice or to receive a proportion of the 20% contribution as cash. With effect from 1 December 2013, existing BGPS employee members transferred to the BGRBP for future service. A wide range of funds is available from which members may choose how the contributions will be invested.

The fair value of plan assets, the present value of plan liabilities and the net balance sheet surplus/(deficit) were as follows:

	2016 $000	2015 $000
Fair value of plan assets	**25,182**	24,399
Present value of liabilities	**(24,978)**	(28,525)
Net balance sheet surplus/(deficit)	**204**	(4,126)

The following tables show the movements in the defined benefit obligation (DBO), the fair values of plan assets and the net defined benefit obligation in the period, separately identifying the impact on the income statement and other comprehensive income:

Notes to the financial statements continued

14 **Net retirement benefit** continued

2016 **$000**	**Defined benefit obligation**	**Fair value of plan assets**	**Net defined benefit obligation**
At 1 January	(28,525)	24,399	**(4,126)**
Pension (cost)/credit to income statement:			
Current service cost	(1,390)	-	**(1,390)**
Past service cost	(243)	-	**(243)**
Administrative expenses paid	-	(87)	**(87)**
Effect of curtailments	1,094	-	**1,094**
Net interest	(1,344)	1,200	**(144)**
Subtotal recognised in the income statement:	(1,883)	1,113	**(770)**
Remeasurement gains/(losses) in other comprehensive income:			
Return on plan assets, excluding amounts included in net interest	-	(945)	**(945)**
Actuarial gains and losses arising from changes in financial assumptions	2,459	-	**2,459**
Experience adjustments	1,501	-	**1,501**
Currency translation adjustments	1,507	(1,289)	**218**
Subtotal recognised in other comprehensive income:	5,467	(2,234)	**3,233**
Benefits paid	434	(434)	**-**
Contributions by employees	(471)	471	**-**
Contributions by employer	-	1,867	**1,867**
	(37)	1,904	**1,867**
At 31 December	(24,978)	25,182	**204**

Notes to the financial statements continued

14 Net retirement benefit continued

2015 **$000**	Defined benefit obligation	Fair value of plan assets	Net defined benefit obligation
At 1 January	(26,220)	22,515	(3,705)
Pension (cost)/credit to income statement:			
Current service cost	(1,537)	-	(1,537)
Administrative expenses paid	-	(99)	(99)
Net interest	(1,299)	1,171	(128)
Currency translation adjustments	184	(158)	26
Subtotal recognised in the income statement:	(2,652)	914	(1,738)
Remeasurement gains/(losses) in other comprehensive income:			
Return on plan assets, excluding amounts included in net interest	-	(1,285)	(1,285)
Experience adjustments	770	-	770
Subtotal recognised in other comprehensive income:	770	(1,285)	(515)
Benefits paid	129	(129)	-
Contributions by employees	(552)	552	-
Contributions by employer	-	1,832	1,832
	(423)	2,255	1,832
At 31 December	(28,525)	24,399	(4,126)

The valuations as at 31 December were based on the following significant assumptions:

	2016 **%**	2015 %
Discount rate	5.0	5.0
Future salary increases	6.0	6.0

If the discount rate used for the valuation of the Plan was reduced by 1 percentage point, the DBO would increase by $5,262,000. A 1 percentage point increase in the future salaries rate would increase the DBO by $2,260,000.

Notes to the financial statements continued

14 **Net retirement benefit** continued

In determining the DBO as at 31 December, mortality assumptions are based on published mortality tables.

	Life expectancy of pensioners (years)	
	2016	2015
Male age 60	21.00	21.00
Female age 60	25.10	25.10

If the life expectancy of a member currently age 60 was increased by one year, with consistent changes for members at other ages, the DBO in respect of the Plan would increase by $436,000.

As at 31 December, the fair value of plan assets was as follows:

	2016	2015
	$ 000	$ 000
Equities	**6,298**	6,291
Corporate bonds	**13,558**	14,315
Money market funds and cash	**5,326**	3,793
	25,182	24,399

15 **Provisions for other liabilities and charges**

	Decomm-issioning costs $000
At 1 January 2016	**267,532**
Decrease in provision estimate	**(10,669)**
Unwinding of discount	**10,159**
At 31 December 2016	**267,022**

Decommissioning costs

The estimated cost of decommissioning at the end of the producing lives of fields is reviewed at least annually and engineering estimates and reports are updated periodically. Provision is made for the estimated cost of decommissioning at the balance sheet date, to the extent that current circumstances indicate that the Company will ultimately bear this cost. The payment dates of expected future decommissioning costs are uncertain and are based on economic assumptions surrounding the useful economic lives of the fields concerned. Useful economic lives are affected by the estimation of hydrocarbon reserves and resources, which is in turn impacted by available reservoir data, commodity prices and future costs. Payments are currently anticipated to be between 2023 and 2032.

Notes to the financial statements continued

16 Called up share capital

Allotted and fully paid:

	No.	**2016 $**	No.	2015 $
Ordinary shares of £1 each	**3**	**5**	3	5

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

17 Commitments and contingencies

As at 31 December 2016, the Company had placed contracts for capital expenditure amounting to $Nil (2015: $12,890,000).

As at 31 December 2016, the Company was committed to making the following future minimum lease payments under non-cancellable operating leases:

	2016 $000	2015 $000
Within one year	**6,282**	10,471
Between one and five years	**12,136**	16,558
After five years	**-**	13,727
	18,418	40,756

18 Events after the balance sheet date

The Company retains a 45.885% interest in the NCMA (North Coast Marine Area) 1 block, located off the north coast of Trinidad and Tobago which contains the Hibiscus, Poinsettia, Chaconia, Ixora, Heliconia and Bougainvillea Fields. Subsequent to the year end, the Company has acquired Centrica's share of 17.3075% in NCMA1 block raising the overall interest in the Block to 63.1925%.