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Registration number: 2386676

Shell Trinidad and Tobago Limited

Annual Report

and

Financial Statements

For the year ended 31 December 2019

Shell Trinidad and Tobago Limited

Contents

Shell Trinidad and Tobago Limited

Strategic report for the year ended 31 December 2019

The Directors present their Strategic report on Shell Trinidad and Tobago Limited (also referred to as the "Company") for the year ended 31 December 2019.

The Company is one of the entities within the "Shell Group". In this context the term "Shell Group" and "Companies of the Shell Group" or "Group companies" means companies where Royal Dutch Shell plc, either directly or indirectly, is exposed to, or has rights to, variable returns from its involvement with the Company and has the ability to affect those returns through its power over the Company. Companies in which Group companies have significant influence but not control are classified as "Associated companies". Royal Dutch Shell plc, a company incorporated in England and Wales, is known as the "Parent Company" of the Shell Group. In this Report "Shell", "Shell Group" and "Royal Dutch Shell" are sometimes used for convenience where references are made to Royal Dutch Shell and its subsidiaries in general. These expressions are also used where no useful purpose is served by identifying the particular company or companies.

Business review

Shell Trinidad and Tobago Limited was incorporated on 19 May 1989 and is a wholly owned subsidiary of BG North Sea Holdings Limited.

The Company retains interests in two operating blocks, both held under separate Production Sharing Contracts. These interests comprise (i) 63.1875% 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 Field; and (ii) 50% interest in Block 6, located off the east coast of Trinidad and Tobago, which includes the Dolphin Field. During 2019, the Company continued to supply both the domestic and export markets.

Production volumes from the Dolphin field were 3.09 mmboe in 2019 (2018: 0.94 mmboe), whereas production from the NCMA 1 block reached 7.46 mmboe (2018: 6.74 mmboe).

The Company's loss after tax increased to $145,919,000 in 2019 from $49,741,000 in 2018. The increase was primarily driven by impairment on tangible and right of use assets, partly offset by tax credits (current and deferred) .

The Directors consider that the year end financial position of the Company was satisfactory.

Principal risks and uncertainties

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 27 to 36 of Royal Dutch Shell's Annual Report and Form 20-F for the year ended 31 December 2019 (the "Group Report"), include those of the Company. The Group Report does not form part of this report.

Key Performance Indicators

Companies of the Shell Group comprise the Upstream businesses of Exploration and Production, Integrated Gas and New Energies, 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 45 to 79 of the Group Report and the key performance indicators through which the Group's performance is measured are as set out on pages 42 to 44 of the Group Report.

Section 172(1) statement/Statement of stakeholder interests

The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the company.

This Section 172 Statement, explains how the Directors have acted in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

- the likely consequences of any decision in the long term and the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- employee interests, the need to foster the Company's business relationships with suppliers, customers, and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year.

Ahead of matters being put to the Company Board for consideration, significant levels of engagement are often undertaken by the broader business ahead of many of Shell projects or activities. This engagement is often governed by formulated policies, control frameworks, regulation, legislation and may differ by region. Dependent on the project or activity, Board members may participate in this engagement.

The Company is a member of the Shell Group, an organisation which follows a highly developed and formalised governance and oversight framework, which includes but is not limited to Group policies such as the Shell General Business Principles (which sets out the Shell Group's responsibilities to shareholders, customers, employees, business partners and society) and the Shell Code of Conduct.

The strategic aims of the Company are considered to be derived from those of the Shell Group, which are discussed on pages 20 - 21 of the Royal Dutch Shell plc 2019 Annual Report. The Shell Group internally organises its activities principally along business and function lines but transacts its business through legal entities. This organisation structure is designed to achieve Shell's overall business objectives, whilst respecting the separate legal identity of the individual Shell companies through which it is implemented and the independence of each Board of Directors.

Principal decisions

We define Principal decisions taken by the Board as those decisions in 2019, that are of a strategic nature and/or that are significant to any of our key stakeholder groups.

To remain concise, we have categorised our key stakeholders into six groups. Where appropriate, each group is considered to include both current and potential stakeholders.

Key stakeholder groups

A. Shareholders
B. Employees/Workforce/Pensioners
C. Regulators/Governments/NGOs
D. Communities
E. Customers
F. Suppliers /Strategic Partners

Principal Decisions in 2019

In the table below we outline some of the principal decisions made by the Board during the year, explain how the Directors have engaged with, or in relation to, the different key stakeholder groups and how stakeholder interests were considered over the course of decision-making.

The level of information disclosed on principal decisions in the table below is consistent with the size and the complexity of the business.

How were stakeholders considered

We describe how stakeholders were considered during the decision-making process by summarising the relevant discussions. The relevance of each stakeholder group's interests may differ depending on the nature of the proposal being considered. Board decisions will not necessarily result in a positive outcome for all of our stakeholders, but by considering the Company's purpose, values and business objectives, and having due regard for stakeholder relationships, the Board aims to ensure that its decisions promote the long-term success of the Company.

What was the outcome

See the table below.

Investing in New business and acquisitions	Outcome
Over the course of the year, the Board considered various potential investment opportunities and reviewed investment requests in respect of ongoing projects.	The Board provided its support to long-term projects by citing reference to the Company's purpose and strategy.
How were stakeholders considered	
The Board examined expenditure requests and the impact of this on the Company's success in the longer term. Future value growth opportunities were balanced against any impact to budget and on any possible effects on the Company's various stakeholders. For example, with proposed equity injections, the creation of additional share capital which would reduce possible debt financing for stakeholders were considered.	Equity injections were made in connection with existing Group projects and which had been approved in accordance with the Shell Group's organisational structure and control framework.

Employee engagement

The principal route by which the Directors of the Company effect engagement with employees of the Company are the processes and practices of the Shell Group.

The Shell Group, of which the Company is a member, transacts its business through legal entities whilst internally organising its activities along business and function lines. This extends to Shell's engagement with its employees, where this is aligned to the businesses and functions of the Shell Group where those employees are engaged.

On a regular basis, Shell Group management engages with employees on a global, country, region, business or function basis through a range of formal and informal channels, including: emails from the Shell Group Chief Executive Officer, Country Chair and Senior Leader communications and blogs, webcasts, townhalls, team meetings, Intranet articles, online publications and social media.

Employee Forums (organised by business and function line) are well established and meet on a quarterly basis. This is an additional mechanism through which management engages with employees on business decisions for provision of information, staff consultation purposes and for employees' views.

In addition, the annual Shell People Survey, which measures employee engagement, is an opportunity for employees to give their opinion on a series of topics ranging from leadership, business direction, communication, inclusion, and pride in the company. The purpose of the survey is to enable an ongoing, constructive dialogue between management and employees, enabling trends to be identified and areas for focus to deliver business outcomes.

The Shell Group operates a number of share plans designed to align employees' interests with performance through share ownership. These are discussed further within the Royal Dutch Shell plc (RDS) Annual Report.

Human Rights

Respect for human rights is embedded in the Shell Group's Business Principles and Code of Conduct. This approach is informed by the Universal Declaration of Human Rights, the core conventions of the International Labour Organization and the United Nations' Guiding Principles on Business and Human Rights.

The Shell Group works closely with other companies and non-governmental organisations to continuously improve the way it applies these principles, with a focus on four key areas: communities, security, labour rights, and supply chain. The Shell Group has systems and processes in place for managing projects, contracting and procurement, recruitment and employment, security and social performance and requires all Group companies and contractors to respect the human rights of their workforce and neighbouring communities.

The Shell Group's Modern Slavery Statement provides more details about the process applied. It can be found at www.shell.com/uk-modern-slavery-act.html.

Approved by the Board on 21 December 2020 and signed on its behalf by:

DocuSigned by:
Nicholas Blaker
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N W H Blaker
Director

Shell Trinidad and Tobago Limited

Directors' report for the year ended 31 December 2019

The Directors present their report and the financial statements for the year ended 31 December 2019.

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

Dividend

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

Future Outlook

No significant change in the business of the Company has taken place during the year or is expected in the immediately foreseeable future.

Directors of the company

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

M J Ashworth

N W H Blaker

D Hudson

R W J Driessen (resigned 13 May 2020)

Shell Corporate Director Limited

T J K Clarke (appointed 5 July 2019)

E C Okpere (appointed 1 July 2019)

The following directors were appointed after the year end:

R A Adams (appointed 3 January 2020)

Grace Siew Hua Lim (appointed 23 March 2020 and resigned 3 April 2020)

Financial risk management

The Company's Directors are required to follow the requirements of Shell Group risk management policies, which include specific guidelines on the management of market, credit and liquidity risk, and advice on the use of financial instruments to manage them. Shell Group risk management policies can be found in the Group Report (see pages 168 to 170 and note 19).

Events after the end of the reporting period

After the balance sheet date, we have seen macro-economic uncertainty with regards to prices and demand for oil, gas and products as a result of the COVID-19 (coronavirus) outbreak. Furthermore, recent global developments and uncertainty in oil supply in 2020 have caused further abnormally large volatility in commodity markets. The scale and duration of these developments remain uncertain but could impact our earnings, cash flow and financial condition. The RDS plc group actively assesses the situation across the globe to ensure business continuity plans are put in place to sustain operations and supply chains with a focus on safe working environments and safe conditions for employees and contractors. These developments are not expected to materially impact the recoverability of receivables from other group companies.

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.

Equal opportunities

Shell Trinidad and Tobago Limited aims to have leading equal opportunities policies and practices. The Company has a published equal opportunities policy and a detailed code of practice in support of this. Progress is regularly monitored. The Company's policy continues to be the application of equal opportunity principles to the selection, training and career development of all applicants and employees, irrespective of gender, race, ethnic origin, marital status, religion or disability.

With respect to disabled people, the Company's medical officers provide appropriate advice to help with the successful achievement of these objectives, particularly regarding physical facilities, which need to be made available at the workplace. Shell Group is part of the Business Disability Forum, which promotes best practice among private sector employers. The Company is also committed to providing continuing employment of employees who become disabled whilst working for the Company.

The Company offers a range of flexible working conditions to assist employees in balancing work and outside commitments. There are also schemes such as career breaks, six months paid parental leave and a range of childcare support initiatives to support employees with families.

Statement of employee engagement

Refer to the Employee engagement paragraph in the Strategic report set out on page 5.

Statement of Directors' responsibilities

The Directors acknowledge their responsibilities for preparing the Strategic report, Directors' report and the Company's financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of information to the auditor

Each Director has taken steps that they ought to have taken as a Directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on 21 December 2020 and signed on its behalf by:

DocuSigned by:
Nicholas Blaker
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N W H Blaker
Director

Independent Auditor's report to the Member of Shell Trinidad and Tobago Limited

Opinion

We have audited the financial statements of Shell Trinidad and Tobago Limited (the "Company") for the year ended 31 December 2019, which comprise the Profit and loss account, Statement of comprehensive income, Balance sheet, Statement of changes in equity, and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Emphasis of matter

We draw attention to Note 22 of the financial statements, which describes the economic and social disruption the Company is facing as a result of COVID-19 which is impacting commodity prices and personnel available for work and or being able to access offices. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditor's report to the Member of Shell Trinidad and Tobago Limited (continued)

Other information

The other information comprises the information included in the annual report set out on pages 1 to 9, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Ernst & Young LLP

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

Date: 22 December 2020

Shell Trinidad and Tobago Limited

Profit and loss account for the year ended 31 December 2019

Continuing operations

	Note	2019 $ 000	2018 $ 000
Turnover	3	79,173	105,858
Cost of sales		(59,442)	(59,449)
GROSS PROFIT		**19,731**	**46,409**
Administrative expenses		(85,979)	(57,388)
Exploration expenses		(5,552)	(1,092)
Impairment of tangible assets	10	(107,103)	-
Impairment of intangible assets		-	(12,129)
Impairment of right of use assets	16	(45,268)	-
Amount provided against investments	11	(11,825)	-
Other expenses		(38,559)	(5,649)
OPERATING LOSS	6	**(274,555)**	**(29,849)**
LOSS BEFORE INTEREST AND TAXATION		**(274,555)**	**(29,849)**
Interest receivable and similar income	4	12,025	158
Interest payable and similar charges	5	(17,555)	(20,889)
LOSS BEFORE TAXATION		**(280,085)**	**(50,580)**
Tax credit on loss	9	134,166	839
LOSS FOR THE YEAR		**(145,919)**	**(49,741)**

Shell Trinidad and Tobago Limited

Statement of comprehensive income for the year ended 31 December 2019

	Note	2019 $ 000	2018 $ 000
Loss for the year		(145,919)	(49,741)
Items that will not be reclassified subsequently to profit or loss			
Remeasurement gain on pension scheme	17	1,332	93
Other comprehensive income for the year, net of tax		1,332	93
Total comprehensive loss for the year		(144,587)	(49,648)

Shell Trinidad and Tobago Limited

(Registration number: 2386676)
Balance sheet as at 31 December 2019

	Note	2019 $ 000	2018 $ 000
Fixed assets			
Tangible assets	10	1,404	901
Right of use assets	16	6,368	-
Investments	11	2	11,827
Deferred tax	9	117,229	50,153
		125,003	**62,881**
Current assets			
Stock	12	2,132	1,848
Debtors	13	834,303	590,049
Cash at bank and in hand		731	3,647
		837,166	595,544
Creditors: Amounts falling due within one year	14	(107,722)	(190,653)
Net current assets		**729,444**	**404,891**
Total assets less current liabilities		**854,447**	**467,772**
Creditors: Amounts falling due after more than one year	15	(27,628)	-
Provisions	18	(387,641)	(337,138)
Net assets excluding pension surplus		**439,178**	**130,634**
Pension surplus	17	3,317	1,605
Net assets		**442,495**	**132,239**
Equity			
Called up share capital	19	1,157,000	700,000
Share premium reserve		96,341	96,341
Profit and loss account		(810,846)	(664,102)
Total equity		**442,495**	**132,239**

The financial statements on pages 13 to 52 were authorised for issue by the Board of Directors on 21 December 2020 and signed on its behalf by:

DocuSigned by:
Nicholas Blaker
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N W H Blaker
Director

Shell Trinidad and Tobago Limited

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

	Called up Share Capital $ 000	Share premium $ 000	Profit and loss account $ 000	Total $ 000
Balance as at 01 January 2018	**-**	**96,341**	**(615,841)**	**(519,500)**
Loss for the year	-	-	(49,741)	(49,741)
Other comprehensive income for the year	-	-	93	93
Total Comprehensive loss for the year	**-**	**-**	**(49,648)**	**(49,648)**
Share based payments - notional	-	-	1,387	1,387
Proceeds from shares issued	700,000	-	-	700,000
Balance as at 31 December 2018	**700,000**	**96,341**	**(664,102)**	**132,239**
Balance as at 01 January 2019	700,000	96,341	(664,102)	132,239
Loss for the year	-	-	(145,919)	(145,919)
Other comprehensive income for the year	-	-	1,332	1,332
Total Comprehensive loss for the year	**-**	**-**	**(144,587)**	**(144,587)**
Share based payments - notional	-	-	1,704	1,704
Share based payments - charge from parent	-	-	(3,861)	(3,861)
Proceeds from shares issued	457,000	-	-	457,000
Balance as at 31 December 2019	**1,157,000**	**96,341**	**(810,846)**	**442,495**

General information

The Company is a private company limited by share capital incorporated in England and Wales.

The address of its registered office is: Shell Centre, London, SE1 7NA, United Kingdom.

1 Accounting policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework, which involves the application of International Financial Reporting Standards ("IFRS") with a reduced level of disclosure. The financial statements have been prepared under the historical cost convention, except for certain items measured at fair value, and in accordance with the Companies Act 2006.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except for the adoption of IFRS 16 and IFRIC 23.

Going concern

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and the financial statements have therefore been prepared under the going concern basis.

1 Accounting policies (continued)

New standards applied

New and amended standards and interpretations

The adoption of IFRIC 23 has had no material impact on the Company's retained earnings or balance sheet as at 1 January 2019.

The Company has adopted IFRS 16 Leases with effect from 1 January 2019. Under the new standard, all lease contracts, with limited exceptions outlined below, are recognised in the financial statements by way of right of use assets and corresponding lease liabilities. On adoption of IFRS 16, the Company has recognised lease liabilities in relation to leases which had previously been classified as 'non-cancellable operating leases' under the principles of IAS 17 Leases. At 1 January 2019, additional lease liabilities were recognised for leases previously classified as operating leases applying IAS 17. These lease liabilities were measured at the present value of the remaining lease payments and discounted using entity-specific incremental borrowing rates at 1 January 2019. In general, a corresponding right of use asset was recognised for an amount equal to each lease liability, adjusted by the amount of any prepayment relating to the specific lease contract, as recognised on the balance sheet at 31 December 2018. Provisions for onerous lease contracts at 31 December 2018 were adjusted to the respective right of use assets recognised at 1 January 2019. The Company has applied the modified retrospective transition method, and consequently comparative information is not restated. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening balance sheet on 1 January 2019.

The weighted average lessee's incremental borrowing rates applied to the lease liabilities on 1 January 2019 was 7.0% to 7.5%.

In applying IFRS 16 for the first time, the Company has applied the following practical expedients permitted by the standard:
- no reassessment was performed of contracts that were previously identified as leases and contracts that were not previously identified as containing a lease applying IAS 17 Leases and IFRIC Determining whether an Arrangement contains a lease.
- leases for which the lease term ends within 12 months of the date of initial application of IFRS 16 have been treated as short-term leases.
- the Company has used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

In March 2019, the IFRS Interpretations Committee (IFRIC) finalised its decision regarding "Liabilities in relation to a Joint Operator's Interest in a Joint Operation (IFRS 11 Joint Arrangements)", concluding that a joint operator should recognise the liabilities for which it has primary responsibility, which may be different from its share in the joint operation. A review of the impact of this decision was conducted and the Company concluded that there is no material impact as a result of the IFRIC interpretation decision.

1 Accounting policies (continued)

Impact on transition

On transition to IFRS 16, the Company recognised additional right of use assets and lease liabilities. There was no impact to retained earnings.

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

	31 December 2018 $ 000	IFRS 16 Impact $ 000	1 January 2019 $ 000
ASSETS			
Non-current assets			
Right of use assets	-	54,578	54,578
Current assets			
Total assets	**-**	**54,578**	**54,578**
LIABILITIES			
Non current liabilities			
Lease liabilities	-	35,850	35,850
Current liabilities			
Lease liabilities	-	18,728	18,728
Total equity and liabilities	**-**	**54,578**	**54,578**

1 Accounting policies (continued)

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

LEASE LIABILITIES RECONCILIATION

	$ 000
Undiscounted future minimum lease payments under operating lease at 31 December 2018 (As previously reported)	36,456
Restatement*	37,607
Undiscounted future minimum lease payments under operating lease at 31 December 2018 (Restated)	74,063
Impact of discounting	(9,749)
Long-term leases expiring before 31 December 2019	(878)
Other reconciling items	(8,858)
Total lease liability at 1 January 2019	**54,578**

* The future minimum lease payments mainly pertaining to a lease of an helicopter were erroneously omitted to be disclosed as commitments in the year 2018 and hence is considered as a restatement in determining the lease liability as at the transition date of IFRS 16. There is no impact on the balance sheet as at 31 December 2018 or the income statement for the year ended 31 December 2018.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The following exemptions from the disclosure requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:

1 Accounting policies (continued)

(i) paragraph 79(a)(iv) of IAS 1 'Presentation of financial statements';
(ii) paragraph 73(e) of IAS 16 'Property, plant and equipment';
(iii) paragraph 118(e) of IAS 38 'Intangible assets' (reconciliation between the carrying amount at the beginning and end of the period);

- The following paragraphs of IAS 1, 'Presentation of financial statements':

  (i) 10(d) (statement of cash flows);
  (ii) 10(f) (a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
  (iii) 16 (statement of compliance with all IFRS);
  (iv) 38A (requirement to present a minimum of two statements for each of the primary financial statements, including cash flow statements and related notes);
  (v) 38B-D (additional comparative information);
  (vi) 40A-D (requirements for a third balance sheet);
  (vii) 111 (cash flow statement information); and
  (viii) 134-136 (capital management disclosures)
- The following paragraphs of IFRS 15, 'Revenue from Contracts with Customers';
  (i) the requirements of the second sentence of paragraph 110 (qualitative and quantitative information about contracts with customers, significant judgements, changes in judgements in applying this standard to those contracts, and assets recognised from the costs to obtain or fulfil a contract);
  (ii) paragraph 113(a) (revenue recognised from contracts with customers);
  (iii) paragraphs 114 and 115 (disaggregation of revenue);
  (iv) paragraph 118 (changes in contract asset and liability);
  (v) paragraphs 119(a) to (c) and 120 to 127 (performance obligations); and
  (vi) paragraph 129 (practical expedients);
- IAS 7, 'Statement of cash flows';
- Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraphs 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more wholly owned members of a group.
- The following paragraphs of IFRS 16, 'Leases':
  (i) paragraph 58 (separate maturity analysis for lease liabilities);
  (ii) paragraphs 90 and 91 (table of lease income from operating leases, including separate disclosure of income from variable lease payments not dependant on an index or a rate);
  (iii) paragraph 93 (qualitative and quantitative explanation of the significant changes in the carrying amount of the net investment in finance leases).

1 Accounting policies (continued)

Consolidation

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 financial statements of Royal Dutch Shell plc are available from:

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

Taxation

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

Current tax

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

1 Accounting policies (continued)

Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised when, on the basis of the most recent available evidence, it is regarded as probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets against deferred tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Amounts relating to deferred tax are undiscounted.

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in US Dollars ($), which is also the Company's functional currency.

(ii) Transaction and balances

Income and expense items denominated in foreign currencies are translated into $ at the rate ruling on their transaction date.

Monetary assets and liabilities recorded in foreign currencies have been expressed in $ at the rates of exchange ruling at the year end. Differences on translation are included in the profit and loss account. Non-monetary assets and liabilities denominated in a foreign currency are translated using exchange rates at the date of the transaction. No subsequent translations are made once this has occurred.

1 Accounting policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. A review for the potential impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of a fixed asset may not be recoverable. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is the higher of fair value less costs to sell and value in use. Value in use in determined as the amount of estimated risk-adjusted discounted future cash flows. For this purpose, assets are grouped into cash-generating units based on separately identifiable and largely independent cash inflows. Any impairments are recorded in the profit and loss account.

If, after an impairment loss has been recognised, the recoverable amount of a fixed asset increases because of a change in economic conditions or in the expected use of the asset, the resulting reversal of the impairment loss is recognised in the current year to the extent that it increases the carrying amount of the fixed asset up to the amount it would have been had the original impairment not occurred.

Depreciation and impairment are not normally charged on assets under construction or on freehold land. In the case of these assets, an impairment review would only be undertaken if, and only if, there was a change in circumstances indicating that the carrying amount of the asset may not be recoverable.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, as follows:

Asset class	**Depreciation method and rate**
Development wells and facilities	Unit of production method
Motor vehicles and office equipment	Straight line basis (up to 10 years)

The cost of licences is carried forward either until a licence is relinquished or the associated costs written off, or until production of oil or gas starts, when the cost is depleted on a unit-of-production basis related to total proved reserves.

Platforms and infield pipelines are depleted from the date field production commences on a unit-of-production basis over the proved developed reserves of the field concerned. Successful exploration, appraisal, production and injection wells are depleted on a unit-of-production basis over the proved developed reserves of the field concerned.

Changes in estimates are accounted for prospectively over the remaining reserves of the field.

1 Accounting policies (continued)

Decommissioning and restoration costs

The Company follows the requirements of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The total estimated cost of decommissioning and restoration, discounted to its net present value, is provided for and also recognised as a cost of each field, onshore terminal or main trunkline and capitalised within tangible fixed assets. The capitalised cost is amortised over the life of the field on a unit-of-production basis for offshore facilities and on a straight-line basis for onshore terminals and main trunklines. The unwinding of the discount in the net present value of the total expected cost is treated as an interest expense. Changes in estimates result in an equal and opposite movement in the provision and the associated asset. If a decrease in the provision exceeds the asset's carrying amount, the excess is recognised in the profit and loss account. Changes in estimates of assets are depreciated prospectively over the remaining reserves of the field or the remaining life of the onshore terminal or pipeline as appropriate.

Onerous provision

Provisions are recognised for contracts in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The present obligation under the contract is recognised as a provision. Before a separate provision for an onerous contract is established, the Company recognises any impairment loss that has occurred on assets dedicated to that contract.

Financial instruments

Financial assets

Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification of financial assets is determined by the contractual cash flows and where applicable the business model for managing the financial assets.

A financial asset is measured at amortised cost if the objective of the business model is to hold the financial asset in order to collect contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. Financial assets at amortised cost are initially recognised at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently the financial asset is measured using the effective interest method less any impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. All equity instruments and other debt instruments are recognised at fair value. For equity instruments, on initial recognition, an irrevocable election (on an instrument-by-instrument basis) can be made to designate these as at FVOCI (without recycling to profit and loss) instead of FVTPL. Dividends received on equity instruments are recognised as other income in profit or loss when the right of payment has been established, except when the company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income.

1 Accounting policies (continued)

Impairment of financial assets

The impairment requirements for expected credit losses are applied to financial assets measured at amortised cost, financial assets measured at FVOCI and financial guarantees contracts to which IFRS 9 is applied and that are not accounted for at FVTPL and lease debtors under IFRS 15 that give rise to a conditional right to consideration. If the credit risk on the financial asset has increased significantly since initial recognition, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses. In other instances, the loss allowance for the financial asset is measured at an amount equal to the twelve month expected credit losses (ECLs). Changes in loss allowances are recognised in profit and loss. For trade debtors that do not contain a significant financing component, the simplified approach is applied recognising expected lifetime credit losses from initial recognition.

Financial liabilities

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL, such as instruments held for trading, or the Company has opted to measure them at FVTPL. Debt and trade creditors are recognised initially at fair value based on amounts exchanged, net of transaction costs, and subsequently at amortised cost. Interest expense on debt is accounted for using the effective interest method and is recognised in income.

Investment in subsidiaries and participating undertakings

These comprise investments in shares and loans that the Company intends to hold on a continuing basis. The investments in subsidiaries and participating undertakings are stated at cost, less provisions for impairment. The Company carries out a review for the potential impairment of an investment if events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. Such impairment reviews are performed in accordance with IAS 36. Any impairments are recorded in the profit and loss account.

If, after an impairment loss has been recognised, the recoverable amount of an investment 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 investment up to the amount it would have been had the original impairment not occurred.

Stock

Stocks are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Provision is made for obsolete, slow moving and defective stocks to write stocks now to their net realisable value, wherever necessary.

Underlift and overlift of gas

Underlift and overlift of gas is valued at market prices. The resulting impact is recognised within cost of sales in the profit and loss account.

1 Accounting policies (continued)

Turnover

Recognition

Turnover from contracts with customers is recognised over time, or at a point in time, when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

For contracts that contain separate performance obligations the transaction price is allocated to those separate performance obligations by reference to their relative standalone selling prices. Turnover is recognised as the performance obligations are fulfilled.

Turnover from sales of oil, natural gas, chemicals and other products is recognised at the price at which the Company is expected to be entitled to, after deducting sales taxes, excise duties and similar levies, and when the control of the products have been transferred, which is when the customer has the ability to direct the use of the products and obtain substantially all of the remaining benefits from the products. For turnover from refining operations, it is either when product is placed onboard a vessel or offloaded from the vessel, depending on the contractually agreed terms; and for sales of oil products and chemicals, it is either at the point of delivery or the point of receipt, depending on contractual conditions. Turnover from sales of oil and natural gas generally occurs when product is physically transferred into a vessel, pipe or other delivery mechanism. For turnover resulting from arrangements that do not meet the revenue from contract with customer criteria, turnover is classified as from other sources.

1 Accounting policies (continued)

Leases (IAS 17) applicable before 1 January 2019

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

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised as non-current assets of the Company at the lower of their fair value at the date of commencement of the lease and at the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the income statement and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Leases (IFRS 16) applicable from 1 January 2019

Leases

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

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

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

1 Accounting policies (continued)

Lessee:

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

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

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

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

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

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

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

Right of use assets are presented separately in the balance sheet.

With effect from 2019, expenses related to leases previously classified as operating leases are presented under Depreciation within cost of sales /other income / (expense) and interest expense under interest payable and similar charges (in 2018 these were mainly reported in cost of sales).

1 Accounting policies (continued)

Subsequent measurement

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

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. For remeasurements to lease liabilities, a corresponding adjustment is made to the carrying amount of the right of use asset, or is recorded in profit or loss if the carrying amount of the right of use asset has been reduced to zero.

Short-term leases and leases of low-value assets

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

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value at a rate intended to reflect the time value of money where the effect of time value of money is material.

1 Accounting policies (continued)

Defined benefit pension obligation

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on Government bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.

Past-service costs are recognised immediately in profit or loss.

Netting off policy

Balances with other companies of the Shell Group are stated gross, unless both of the following conditions are met:

- Currently there is a legally enforceable right to set off the recognised amounts; and
- There is intent either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Share based payments

The fair value of share-based compensation for performance share plans is estimated using a Monte Carlo pricing model.

The fair value of the performance share plans is recognised in the profit and loss account from the date of grant over the vesting period, with a corresponding increase recognised directly in equity. At each subsequent balance sheet date, the Company revises its estimate of the number of awards that are expected to vest (in relation to non-market based performance conditions) and recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

The market value of vested schemes is subsequently invoiced to employing entities in the year of delivery. This is treated as a distribution and is deducted from equity.

1 Accounting policies (continued)

Joint arrangements

The Company's exploration, development and production activities are generally conducted in joint arrangements with other companies. The Company recognises its assets and liabilities relating to its interests in joint operations, including its share of assets held jointly and liabilities incurred jointly with other parties.

2 Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Useful economic life of tangible fixed assets

Depreciation of tangible fixed assets is calculated using management's assessment of the useful economic lives of the underlying assets. Upon purchase or construction of an asset, useful economic life is assessed by reference to a number of underlying assumptions, including the economic lives of other similar assets. As the economic benefit of the assets is consumed over the course of its life, revisions to the useful life of the asset may be made upon assessment of changes in the operating environment or the condition of the asset itself.

Impairment of investments

Investments are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts for those assets may not be recoverable. For the purposes of determining whether impairment of investments has occurred, and the extent of any impairment or its reversal, management review a range of measures relating to the underlying entity's performance, including the net present value of future cash flows. In assessing these measures, management make a number of assumptions relating (but not restricted) to future oil and gas prices, expected production volumes and refining margins appropriate to the local circumstances and environment. These assumptions and the judgements of management that are based on them are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates.

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

Impairment of tangible fixed assets

For the purposes of determining whether impairment of tangible fixed assets has occurred, and the extent of any impairment or its reversal, the key assumptions management uses in estimating risk-adjusted future cash flows for value-in-use measures are future oil and gas prices, expected production volumes and refining margins where appropriate to the local circumstances and environment. These assumptions and the judgements of management that are based on them are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates.

Future price assumptions tend to be stable because management does not consider short-term increases or decreases in prices as being indicative of long-term levels, but they are nonetheless subject to change. Expected production volumes, which comprise proved reserves and unproved volumes, are used for impairment testing because management believes this to be the most appropriate indicator of expected future cash flows. As discussed in "Estimation of proved oil and gas reserves", reserves estimates are inherently imprecise. Furthermore, projections about unproved volumes are based on information that is necessarily less robust than that available for mature reservoirs. Due to the nature and geographical spread of the business activity in which those assets are used, it is typically not practicable to estimate the likelihood or extent of impairments under different sets of assumptions. The discount rate applied is reviewed annually.

Changes in assumptions could affect the carrying amounts of assets, and impairment charges and reversals will affect income.

Estimation of proved oil and gas reserves

Unit-of-production depreciation, depletion and amortisation charges are principally measured based on management's estimates of proved developed oil and gas reserves. Also, exploration drilling costs are capitalised pending the results of further exploration or appraisal activity, which may take several years to complete and before any related proved reserves can be booked.

Proved reserves are estimated by reference to available geological and engineering data and only include volumes for which access to market is assured with reasonable certainty. Estimates of proved reserves are inherently imprecise, require the application of judgement and are subject to regular revision, either upward or downward, based on new information such as from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans.

Changes to estimates of proved developed reserves affect prospectively the amounts of depreciation, depletion and amortisation charged and, consequently, the carrying amounts of exploration and production assets. It is expected, however, that in the normal course of business the diversity of the asset portfolio will limit the effect of such revisions. The outcome of, or assessment of plans for, exploration or appraisal activity may result in the related capitalised exploration drilling costs being recognised in income in that period.

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

Stock provision

In the course of management's assessment of the recoverability of stock balances, assumptions are made over the expected economic benefit to be derived from stock assets. These include, but are not limited to, future oil and gas prices; exchange rates and other economic indices. Provisions are made where management do not believe that the book value of the stock will be recovered through sale or use, the value of which will change in line with the underlying economic indicators that influence the market for such goods.

Provision for expected credit losses of debtors

The Company computes probability of default rates for third party debtors based on historical loss experience adjusted for current and forward looking information. At every reporting date, the historical observed default rates are updated and changes in the forward looking estimates are analysed. For intra-group debtors, the Company uses an internal credit rating to determine the probability of default. Internal credit ratings are based on methodologies adopted by independent credit rating agencies.

Decommissioning and restoration provisions

Provisions are recognised for the future decommissioning and restoration of hydrocarbon production facilities and pipelines at the end of their economic lives. The estimated cost is recognised in income over the life of the proved developed reserves on a unit-of-production basis or on a straight-line basis, as applicable. Changes in the estimates of costs to be incurred, proved developed reserves, or in the rate of production will therefore impact income, generally over the remaining economic life of the related assets.

Estimates of the amounts of provisions recognised are based on current legal and constructive requirements, technology and price levels. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes. The discount rate applied is reviewed annually.

Fair value of financial assets and liabilities

Where the fair value of financial assets and liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is derived from observable markets where available, but where this is not feasible, a degree of judgement is required in determining assumptions used in the models. Changes in assumptions used in the models could affect the reported fair value of financial assets and liabilities.

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

Determining lease term

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

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

Determining lease discount rate

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

If implicit interest rate can be determined from the lease contract then, the same should be used to measure lease liability. Implicit interest rate is defined as the rate of interest that causes the present value of (a) the lease payments and (b) the unguaranteed residual value to equal the sum of (i) the fair value of the underlying asset and (ii) any initial direct costs of the lessor.

In practice, it is not easy to identify the implicit rate from a lease contract, therefore the entity's incremental borrowing rate is used.

3 Turnover

The analysis of the Company's turnover for the year from operations in Trinidad and Tobago is as follows:

	2019 $ 000	2018 $ 000
Sale of gas	79,173	105,858
	79,173	**105,858**

4 Interest receivable and similar income

	2019 $ 000	2018 $ 000
Interest from banks and similar income	1,805	49
Profit on currency translation	10,086	-
Other finance income	134	109
	12,025	**158**

5 Interest payable and similar charges

	2019 $ 000	2018 $ 000
Interest on loans from Group undertakings:		
Fellow subsidiary undertakings	799	3,661
Interest on leases	3,271	-
Loss on currency translation	-	5,188
Unwinding of discount on long term provisions (note 18)	13,485	12,040
	17,555	**20,889**

6 Operating loss

Arrived at after charging:

	2019 $ 000	2018 $ 000
Operating lease rental charged:		
Hire of plant and machinery	-	1,063
Other operating lease expense - property	878	2,503
Depreciation:		
On owned assets	40,956	463
On lease assets	2,942	-

7 Staff costs

The aggregate payroll costs were as follows:

	2019 $ 000	2018 $ 000
Wages and salaries	77,826	71,239
Social security costs	954	852
Pension costs	2,242	3,889
Share-based payment expenses (note 20)	1,704	1,386
	82,726	**77,366**

The average number of persons employed by the Company (including Directors) during the year, analysed by category was as follows:

	2019 No.	2018 No.
Oil and gas exploration	**471**	**457**

8 Auditor's remuneration

The Auditor's remuneration of $24,348 (2018: $31,363) in respect of the statutory audit was borne by another group company for both the current and preceding years.

Fees paid to the Company's auditor and its associates for non-audit services to the Company itself are not disclosed in the individual financial statements of the Company because the Royal Dutch Shell plc consolidated financial statements are required to disclose such fees on a consolidated basis.

9 Tax on loss

Tax credit in the profit and loss account

The tax credit for the year of $134,166,000 (2018: $839,000) is made up as follows

	2019 $ 000	2018 $ 000
Current taxation		
UK corporation tax	(13,661)	(5,597)
UK corporation tax adjustment to prior periods	(52,576)	(771)
Foreign tax	(853)	5,440
Total current tax credit	**(67,090)**	**(928)**
Deferred taxation		
Arising from origination and reversal of temporary differences	(97,960)	(19,426)
Arising from previously unrecognised temporary difference	30,884	19,515
Total deferred tax (credit)/charge	**(67,076)**	**89**
Tax credit in the profit and loss account	**(134,166)**	**(839)**

9 Tax on loss (continued)

Reconciliation of total tax credit

The tax on loss before tax for the year differs from the standard rate of corporation tax in the UK of 19.00% (2018:19.00%).

The differences are reconciled below:

	2019 $ 000	2018 $ 000
Loss before tax	**280,085**	**50,580**
Tax on loss calculated at standard rate (2019: 19.00%) (2018: 19.00%)	(53,216)	(9,610)
Effects of:		
Expenses not deductible	41,424	5,906
Adjustments in respect of prior periods	(52,576)	(771)
Currency translation adjustments	(1,745)	630
Tax imposed outside the UK	(854)	5,440
Deferred tax credit from unrecognised temporary difference from a prior period	(67,076)	89
Other items	(1,071)	(4,003)
Tax on imputed interest	948	1,480
Total tax credit	**(134,166)**	**(839)**

UK Finance Act (No 2) Act 2015 which introduced reductions in the UK corporation tax rate to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020 was enacted on 15 November 2015.

UK Finance Act 2016 which introduced further reductions in the UK corporation tax rate to 17% effective 1 April 2020 was enacted on 15 September 2016.

On 11 March 2020, the UK government announced that the rate applicable from 1 April 2020 would be maintained at 19% and this was substantively enacted on 17 March 2020.

Since this change was not substantively enacted before the end of 2019, the relevant deferred tax balances have been measured at 17%, the rate enacted by the Balance Sheet date.

9 Tax on loss (continued)

Deferred tax movement during the year:

	At 1 January 2019 $ 000	Recognised in profit and loss $ 000	At 31 December 2019 $ 000
Tax losses carried forward	49,321	67,908	117,229
Accelerated tax depreciation	832	(832)	-
Net tax assets	**50,153**	**67,076**	**117,229**

Deferred tax movement during the prior year:

	At 1 January 2018 $ 000	Recognised in profit and loss $ 000	At 31 December 2018 $ 000
Tax losses carried forward	30,612	18,709	49,321
Accelerated tax depreciation	19,630	(18,798)	832
Net tax assets	**50,242**	**(89)**	**50,153**

Deferred tax consists of the following deferred tax assets:

	2019 $ 000	2018 $ 000
Deferred tax assets due more than 12 months	117,229	50,153
Total deferred tax	**117,229**	**50,153**

10 Tangible assets

	Oil and gas properties $ 000	Office equipment and motor vehicles $ 000	Total $ 000
Cost or valuation			
Balance at 1 January 2019	1,561,316	66,052	1,627,368
Additions	147,922	640	148,562
Balance at 31 December 2019	**1,709,238**	**66,692**	**1,775,930**
Accumulated Depreciation			
Balance at 1 January 2019	(1,561,316)	(65,151)	(1,626,467)
Charge for the year	(40,819)	(137)	(40,956)
Charge for impairment	(107,103)	-	(107,103)
Balance at 31 December 2019	**(1,709,238)**	**(65,288)**	**(1,774,526)**
Net book amount			
At 31 December 2019	**-**	**1,404**	**1,404**
At 31 December 2018	**-**	**901**	**901**

At the end of 2019, driven by the impact of a fall in the projected revenue as a result of market allocation and resultant cash flows calculated on a fair value less costs of disposal basis using a pre-tax discount rate of 6%, the Company recognised an impairment of $107,103,000 (2018: Nil) on its tangible assets.

11 Investments

	Subsidiary undertakings Shares $ 000	Associates $ 000
Cost		
Balance at 1 January 2019	11,825	2
Balance at 31 December 2019	**11,825**	**2**
Amounts provided		
Amounts provided against investments*	(11,825)	-
Balance at 31 December 2019	**(11,825)**	**-**
Carrying amount		
At 31 December 2019	**-**	**2**
At 31 December 2018	**11,825**	**2**

*Based on impairment review conducted, the company recognised an impairment of $11,825,000 on its subsidiary undertakings.

Details of the subsidiaries as at 31 December 2019 are as follows:

Name of subsidiary	Registered office and Country of incorporation	Class of shares	% of ownership
Shell Trinidad North Coast Limited	5 Saint Clair Avenue, Saint Clair, Port of Spain Trinidad and Tobago	Ordinary	100%

Details of the Participating undertakings as at 31 December 2019 are as follows:

Name of Participating undertaking	Registered office and Country of incorporation	Class of shares	% of ownership
The International School of Port of Spain Limited	1 International Drive, West moorings Trinidad and Tobago	Ordinary	25%

12 Stocks

	2019 $ 000	2018 $ 000
Raw materials and consumables	2,132	1,848

13 Debtors

Debtors: amounts due within one year

	2019 $ 000	2018 $ 000
Trade debtors	14,856	19,376
Amounts owed by Group undertakings:		
Parent undertakings	25,393	25,393
Subsidiary undertakings	7,296	-
Fellow subsidiary undertakings	626,824	436,722
Amounts owed by joint venture partners	5,503	6,974
Prepayments and accrued income	3,732	3,039
Other debtors	78,206	83,173
Tax receivable	72,493	15,372
	834,303	**590,049**

Amounts owed by Shell Treasury Centre Limited, a fellow subsidiary, bear interest rate ranging from 0.4703% to 4.2304%. All other amounts owed by group undertakings are payable upon demand, unsecured and interest free.

Trade debtors include $5,391,000 (2018: $Nil) which represents revenue share of other parties to Production Sharing Contract under the pooling of revenue model, wherein the entity acts as the representative of Dolphin field.

14 Creditors: amounts falling due within one year

	2019 $ 000	2018 $ 000
Trade creditors	20,371	22,326
Amount owed to Group undertakings		
Subsidiary undertakings	-	3,725
Fellow subsidiary undertakings	23,415	92,948
Lease liabilities	12,981	-
Accrued expenses	46,611	69,139
Other creditors	4,344	2,515
	107,722	**190,653**

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

15 Creditors: amounts falling due after more than one year

	2019 $ 000	2018 $ 000
Lease liabilities	**27,628**	**-**

16 Leases

Right of use assets

The Company has lease contracts for various items of buildings, vessels and other equipment used in its operations.

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

	Total $ 000
Balance at 1 January 2019	54,578
Depreciation charge for the year	(2,942)
Charge for impairment	(45,268)
Balance at 31 December 2019	**6,368**

17 Pension and other schemes

Defined benefit pension schemes

Shell Trinidad and Tobago Limited Pension Fund Plan (formerly British Gas Trinidad Limited Pension Fund Plan)

A number of the Company's employees participate in the Shell Trinidad and Tobago Limited Pension Fund Plan (formerly 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 2019, the employer's contribution rate was 18.6% of members' salaries. A rate of 14.6% has been confirmed as sufficient contribution until the next full actuarial valuation is performed as at 31 December 2020.

The figures below in relation to the year ended 31 December 2019 are based on a valuation of the Plan's assets and expected liabilities as at 31 December 2019 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 2019 was $33,461,000 (2018: $29,875,000).

The scheme was most recently valued on 3 April 2020. For the defined benefit elements of the retirement benefit scheme and the provident fund, a full actuarial valuation was carried out using the projected unit method at 31 December 2019 by a qualified independent actuary.

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.

Principal actuarial assumptions

The significant actuarial assumptions used to determine the present value of the defined benefit obligation at the balance sheet date are as follows:

	2019 %	2018 %
Discount rate	5.5	5.5
Future salary increases	6	6

17 Pension and other schemes (continued)

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

	2019 $,000	2018 $,000
Fair value of plan assets	33,461	29,875
Present value of liabilities	(30,144)	(28,270)
Net balance sheet surplus	**3,317**	**1,605**

Scheme liabilities

Changes in the present value of scheme liabilities are as follows:

	2019 $ 000	2018 $ 000
Present value at start of year	(28,270)	(26,757)
Current service cost	(1,025)	(1,050)
Actuarial gains and losses arising from experience adjustments	237	910
Foreign exchange differences	(55)	73
Interest cost	(1,534)	(1,456)
Benefits paid	896	410
Contributions by scheme participants	(393)	(400)
Present value at end of year	**(30,144)**	**(28,270)**

17 Pension and other schemes (continued)

Scheme assets

Changes in the fair value of scheme assets are as follows:

	2019 $ 000	2018 $ 000
Fair value at start of year	29,875	27,904
Interest income	1,667	1,565
Return on plan assets, excluding amounts included in interest income/(expense)	1,092	(814)
Foreign exchange differences	58	(76)
Employer contributions	1,344	1,380
Contributions by scheme participants	393	400
Benefits paid	(896)	(410)
Administrative expenses paid	(72)	(74)
Fair value at end of year	**33,461**	**29,875**

The major categories of scheme assets are as follows:

	2019 $ 000	2018 $ 000
Cash and cash equivalents	3,253	2,398
Equity instruments	11,223	9,421
Government and Corporate bonds	18,985	18,056
	33,461	**29,875**

Actual return on scheme's assets

	2019 $ 000	2018 $ 000
Actual return on scheme assets	**2,759**	**751**

17 Pension and other schemes (continued)

Amounts recognised in the profit and loss account

	2019 $ 000	2018 $ 000
Amounts recognised in operating profit		
Current service cost	(1,025)	(1,050)
Administrative expenses paid	(72)	(74)
Recognised in arriving at operating profit	(1,097)	(1,124)
Amounts recognised in interest income or costs		
Interest cost on Obligation	(1,534)	(1,456)
Interest Income on Plan assets	1,667	1,565
Recognised in other finance income/(cost)	133	109
Total recognised in the profit or loss account	**(964)**	**(1,015)**

Amounts taken to the statement of comprehensive income

	2019 $ 000	2018 $ 000
Actuarial gains and losses arising from changes in financial assumptions	237	910
Return on plan assets, excluding amounts included in interest (expense)/income	1,092	(814)
Exchange rate movements	3	(3)
Amounts recognised in the Statement of Comprehensive Income	**1,332**	**93**

17 Pension and other schemes (continued)

Sensitivity analysis

A sensitivity analysis for the principal assumptions used to measure scheme liabilities is set out below:

	2019			2018		
Adjustment to discount rate	**+ 0.1%**	**0.0%**	**- 0.1%**	**+ 1%**	**0.0%**	**- 1%**
	$ 000	**$ 000**	**$ 000**	**$ 000**	**$ 000**	**$ 000**
Present value of total obligation	**(4,731)**	**-**	**6,064**	**(4,423)**	**-**	**5,679**

	2019			2018		
Adjustment to rate of salary growth	**+ 0.1%**	**0.0%**	**- 0.1%**	**+ 1%**	**0.0%**	**- 1%**
	$ 000	**$ 000**	**$ 000**	**$ 000**	**$ 000**	**$ 000**
Present value of total obligation	**2,422**	**-**	**(2,129)**	**2,427**	**-**	**(2,110)**

18 Provisions

	Decommissioning and restoration $ 000	Onerous contracts $ 000	Total $ 000
Balance as at 1 January 2019	229,367	107,771	337,138
Change in estimates	47,756	-	47,756
Provisions used	-	(31,577)	(31,577)
Increase due to passage of time or unwinding of discount	9,175	4,310	13,485
Additions	-	20,839	20,839
Balance as at 31 December 2019	**286,298**	**101,343**	**387,641**

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 between 2026 and 2033.

The Company has created a provision for obligations to make shortfall payments under gas supply contracts entered into by the Company, that are deemed to be onerous in nature. The shortfall and obligation to make these payments are based on production volumes and market price of the gas supplied. While payment dates are uncertain, these are currently anticipated between 2020 and 2029.

19 Called up share capital

Allotted, called up and fully paid shares

	2019 No.	2019 $ 000	2018 No.	2018 $ 000
Ordinary shares of £1 each	898,494,923	1,157,000	531,161,108	700,000

New shares allotted

During the year 367,333,815 ordinary shares having a nominal value of £1 were allotted for an aggregate consideration of $457,000,000.

20 Share-based payments

Conditional awards of Royal Dutch Shell plc shares are made under an amended long-term incentive plan (the 'Performance Share Plan') when making awards to employees who are not Executive Directors of Royal Dutch Shell plc. The actual amount of shares that may vest, ranging from 0-200% of the conditional awards, depends on the measurement of the prescribed performance conditions over a three-year period beginning on 1 January of the award year. For the awards granted in 2016 and 2017, half the award is linked to the relative performance compared to four of its main competitors in Total Shareholder Return ('TSR') measure, earnings per share, cash flow from operations and return on actual capital employed over the measurement period. The other half of the award is linked to the Shell scorecard results.

For awards granted in 2018 and 2019, 12.5% of the award is linked to the free cash flow factor relative to internal operating plans over the remeasurement period and remaining 37.5% is linked to the relative performance compared to four of its competitors in TSR, cash flow from operations and return on actual capital employed. The other half of the award is linked to the Shell scorecard results.

The weighted average market price for exercises in 2019 was $31.06 (2018: $31.14) for Royal Dutch Shell plc Class A shares, $31.32 (2018: $31.42) for Royal Dutch plc Shell Class B shares, and $62.29 (2018: $63.09) for Royal Dutch Shell plc Class A ADRs.

For the performance shares which were outstanding as at 31 December 2019, the weighted average remaining contractual life is 1.26 years (2018: 0.95 years).

The profit and loss charge for 2019 is $1,704,000 (2018: $ 1,387,000).

21 Related party transactions

The details of related party transactions happened during the year and the year end balance outstanding are as follows:

	Receivable / (payable) balance as at		Sales/(purchases) during the year	
Related party name	**2019**	**2018**	**2019**	**2018**
	$ 000	**$ 000**	**$ 000**	**$ 000**
Atlantic LNG 2/3 Company of Trinidad and Tobago Limited	21,499	17,167	64,797	91,480

The transactions with Atlantic LNG 2/3 Company of Trinidad and Tobago Unlimited are settled through BG International Limited, a fellow subsidiary undertaking.

22 Events after the end of the reporting period

After the balance sheet date, we have seen macro-economic uncertainty with regards to prices and demand for oil, gas and products as a result of the COVID-19 (coronavirus) outbreak. Furthermore, recent global developments and uncertainty in oil supply in 2020 have caused further abnormally large volatility in commodity markets. The scale and duration of these developments remain uncertain but could impact our earnings, cash flow and financial condition. The RDS plc group actively assesses the situation across the globe to ensure business continuity plans are put in place to sustain operations and supply chains with a focus on safe working environments and safe conditions for employees and contractors. These developments are not expected to materially impact the recoverability of receivables from other group companies.