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Registered in the Cayman Islands: FC030727

**SCHIEHALLION OIL & GAS LIMITED**

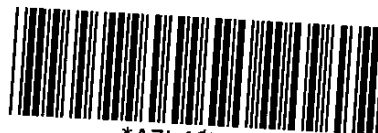
**UNAUDITED ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2017**

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## **SCHIEHALLION OIL AND GAS LIMITED**

### **STRATEGIC REPORT**

The Directors present their strategic report on Schiehallion Oil and Gas Limited (also referred to as the "Company") for the year ended 31 December 2017.

The Company is one of the entities within the "Shell Group". In this context the term "Shell Group" and "Companies of the Shell Group" or "Group companies" means companies in which Royal Dutch Shell plc, either directly or indirectly, has control either through a majority of the voting rights or the right to exercise a controlling influence or to obtain the majority of the benefits and be exposed to the majority of the risks. Companies in which Group companies have significant influence but not control are classified as "Associated companies". Royal Dutch Shell plc, a company incorporated in England and Wales, is known as the "Parent Company" of the Shell Group. In this Report "Shell", "Shell Group" and "Royal Dutch Shell" are sometimes used for convenience where references are made to Royal Dutch Shell and its subsidiaries in general. These expressions are also used where no useful purpose is served by identifying the particular company or companies.

### **BUSINESS REVIEW**

The Company was incorporated on 14 March 2012 by Hess Limited. On 29 May 2012 the Company purchased an interest in oil and gas assets located in the North Sea from Hess Limited. All of the share capital of the Company was acquired by Shell U.K. Limited on 28 September 2012. On 24 December 2013, the interest the Company held in the Schiehallion field was transferred to Shell U.K. Limited.

The principal activity of Schiehallion Oil and Gas Limited is oil and gas exploration and production.

The Company has carried on no business activity during the year and accordingly there is no Profit and Loss Account for the year.

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

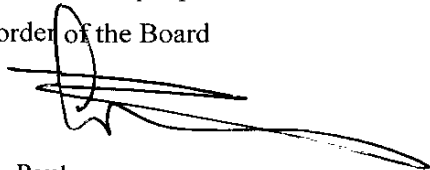
### **Principal Risks and Uncertainties**

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 12 to 16 of Royal Dutch Shell's Annual Report and Form 20-F for the year ended 31 December 2017 (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 Oil Sands and the Downstream businesses of Oil Products and Chemicals. The Company's key performance indicators, that give an understanding of the development, performance and position of the business, are aligned with those of the Shell Group. The development, performance and position of the various businesses is discussed on pages 24 to 53 of the Group Report and the key performance indicators through which the Group's performance is measured are as set out on pages 22 to 23 of the Group Report.

By order of the Board



G.C. Paul  
Director  
20 September 2018

## **SCHIEHALLION OIL AND GAS LIMITED**

### **DIRECTORS' REPORT**

The Directors present their report and unaudited accounts for the year ended 31 December 2017.

The Directors' report and unaudited accounts of the Company have been prepared in accordance with Companies Law (2011 Revision) (as amended) of the Cayman Islands and the Overseas Companies Regulations 2009.

#### **Dividends**

No interim dividend was paid in the year (2016: £nil). The Directors recommend that no further dividend be paid for the year ended 31 December 2017 (2016: £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**

The Directors of the Company who served throughout the year and to the date of this report were:

G.C. Paul

M.K. Tough

### **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 82 to 83 and note 19).

### **COMPANY SECRETARY**

Sterling Trust (Cayman) Limited

### **REGISTERED OFFICE**

Sterling Trust (Cayman) Limited  
Whitehall House  
238 North Church Street  
P.O. Box 1043  
George Town  
Grand Cayman  
KY1-1102  
Cayman Islands

## **SCHIEHALLION OIL AND GAS LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors acknowledge their responsibilities for preparing the Strategic Report, Directors' Report and the Company's accounts in accordance with applicable law and regulations.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

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

By order of the Board

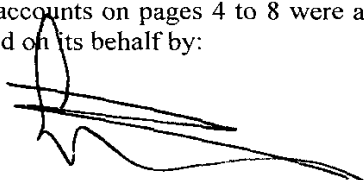


G.C. Paul  
Director  
20 September 2018

**SCHIEHALLION OIL AND GAS LIMITED**  
**REGISTERED IN THE CAYMAN ISLANDS: FC030727**  
**BALANCE SHEET**  
**As at 31 December 2017**

	Note	2017 £ 000	2016 £ 000
<b>CURRENT ASSETS</b>			
Debtors	2	340,913	341,276
		<u>340,913</u>	<u>341,276</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	3	-	(363)
		<u>-</u>	<u>(363)</u>
<b>NET CURRENT ASSETS</b>		340,913	340,913
		<u>340,913</u>	<u>340,913</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		340,913	340,913
		<u>340,913</u>	<u>340,913</u>
<b>NET ASSETS</b>		<u>340,913</u>	<u>340,913</u>
<b>EQUITY</b>			
Called up share capital	4	25	25
Share premium account		318,523	318,523
Profit and loss account		22,365	22,365
		<u>340,913</u>	<u>340,913</u>
<b>TOTAL EQUITY</b>		<u>340,913</u>	<u>340,913</u>

The accounts on pages 4 to 8 were approved by the Board of Directors on 20 September 2018 and were signed on its behalf by:



G.C. Paul  
Director

**SCHIEHALLION OIL AND GAS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 31 December 2017**

**General company information**

The Company is a private company limited by share capital incorporated in Cayman Islands. The registered office is Sterling Trust (Cayman) Limited, Whitehall House, 238 North Church Street, P.O. Box 1043, George Town, Grand Cayman, KY1-1102, Cayman Islands.

**1. Summary of significant accounting policies**

**a) Basis of preparation**

The financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ("FRS 101"), 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 Law (2011 Revision) (as amended) of the Cayman Islands and the Overseas Companies Regulations 2009.

As applied to the Company, there are no material differences between EU endorsed IFRS and IFRS as issued by the International Accounting Standards Board.

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

- IFRS 7, 'Financial Instruments: Disclosures'
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1 'Presentation of financial statements';
  - (ii) paragraph 73(e) of IAS 16 'Property, plant and equipment';
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - 10(d) (statement of cash flows);
  - 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);
  - 16 (statement of compliance with all IFRS);
  - 38A (requirement to present a minimum of two statements for each of the primary financial statements, including cashflow statements and related notes);
  - 38B-D (additional comparative information);
  - 40A-D (requirements for a third balance sheet);
  - 111 (cash flow statement information); and
  - 134-136 (capital management disclosures)
- IAS 7, 'Statement of cash flows'
- Paragraph 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)
- 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 accounting policies have been consistently applied.

**SCHIEHALLION OIL AND GAS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2017**

**1. Summary of significant accounting policies (continued)**

**b) Group Accounts**

The immediate parent Company is Shell U.K. Limited.

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

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

Royal Dutch Shell plc  
Tel: +31 888 800 844  
email: [order@shell.com](mailto:order@shell.com)

**c) 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 Pounds Sterling (£), which is also the Company's functional currency.

**(ii) Transaction and balances**

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

Monetary assets and liabilities recorded in foreign currencies have been expressed in Pounds Sterling 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.

Foreign currency amounts have been translated at \$1.3508: £1(2016: \$1.229: £1) being the relevant exchange rate prevailing at the balance sheet date.

**SCHIEHALLION OIL AND GAS LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS (continued)**

**For the year ended 31 December 2017**

**1. Summary of significant accounting policies (continued)**

**d) Financial assets**

**(i) Classification**

The Company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

**(ii) Recognition and measurement**

Loans and trade and other receivables are initially recognised at fair value based on the amounts exchanged and are subsequently carried at amortised cost using the effective interest method, less any provision for impairment. Loans and trade and other receivables are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

**e) Financial liabilities**

**(i) Classification**

The Company classifies its financial liabilities at amortised cost. The classification depends on the nature of the underlying liabilities, with management determining the classification of financial liabilities at initial recognition.

**(ii) Recognition and measurement**

Financial liabilities are initially recognised at fair value, and then subsequently at amortised cost using the effective interest rate method.

**f) Related party disclosures**

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



**SCHIEHALLION OIL AND GAS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS (continued)**  
**For the year ended 31 December 2017**

**2. Debtors**

	<b>2017</b>	<b>2016</b>
	<b>£ 000</b>	<b>£ 000</b>
Amounts owed by Group undertakings:		
Parent undertaking	340,913	341,276
	<u>340,913</u>	<u>341,276</u>

**3. Creditors: amounts falling due within one year**

	<b>2017</b>	<b>2016</b>
	<b>£ 000</b>	<b>£ 000</b>
Tax payable	-	363
	<u>-</u>	<u>363</u>

**4. Called up share capital**

	<b>2017</b>	<b>2016</b>
	<b>£ 000</b>	<b>£ 000</b>
Authorised		
4,500,000 (2016: 4,500,000) ordinary shares of \$0.01 each	29	29
500,000 (2016: 500,000) ordinary shares of \$0.01 each	3	3
	<u>32</u>	<u>32</u>
Allotted, called up and fully paid		
4,000,000 (2016: 4,000,000) ordinary shares of \$0.01 each	25	25
	<u>25</u>	<u>25</u>

**5. Profit and loss accounts**

During the year the Company has not traded, received no income and incurred no expenditure and made neither a profit nor a loss. Consequently no Profit and Loss Account has been presented. In the year, the Company had no other recognised gains or losses.

None of the Directors received any emoluments in 2017 (2016: none) in respect of their services to the Company.

The Company had no employees during 2017 (2016: none).