

Shell Tunisia Upstream Limited
(formerly BG Tunisia Limited)

Annual Report and Financial Statements

For the year ended 31 December 2015

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Company Registration Number: 2750465

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Strategic report for the year ended 31 December 2015

The Directors present their Strategic report for Shell Tunisia Upstream Limited for the year ended 31 December 2015.

Review of the business

Shell Tunisia Upstream Limited (the "Company") was incorporated on 21 September 1992 and is a wholly owned subsidiary of BG General Holdings Limited. On 9 May 2016, the Company changed its name from BG Tunisia Limited to Shell Tunisia Upstream Limited.

The Company carries out the exploration for, and production of, hydrocarbons in Tunisia. The Company holds a 100% interest in the offshore Miskar gas field within the Miskar Concession and commercial production commenced on 1 June 1996. Net production of gas and condensate from the Miskar field during 2015 was 6.62 million barrels of oil equivalent (mmboe) (2014: 6.66 mmboe), with domestic sales satisfying 35% (2014: 31%) of Tunisia's domestic gas demand. The Miskar concession expires in May 2022.

Miskar gas is processed at the on-shore Hannibal Terminal and is sold under a long-term gas sales contract to the Tunisian State Electricity and Gas Company.

The Miskar field has been subject to an impairment of \$397,000,000 (2014: \$50,228,000) in the year, following a reserves downgrade and reduction in future commodity price assumptions.

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

For a more detailed review of the activities, development and performance of the business during 2015 and the position of BG Group at the end of the year, please refer to the BG Group Annual Report and Accounts 2015 - Strategic report section on pages 2 to 16.

Principal risks and uncertainties

The Company is subject to a broad range of risks such as political, commodity prices, reserves replacement, people resource and project delivery risks. The Company's revenues are dependent upon the performance of its Miskar field offshore installations and Hannibal onshore operating facilities. The integrity of the Company's assets can be affected by a number of factors including unplanned shutdowns and equipment failure. The Company has a continuing monitoring and maintenance program to reduce the risk of failure.

During 2015 and up to the effective date of the Combination (as defined below) (see note 16), the Company faced risks which affected both the Company and BG Group as a whole. BG Group risks are discussed in the BG Group Annual Report and Accounts 2015 which does not form part of this report. For risks applicable to the Company following the Combination, please refer to Royal Dutch Shell plc's Annual Report and Form 20-F for the year ended 31 December 2015.

Key performance indicators (KPIs)

During 2015 and up to the effective date of the Combination (see note 16), BG Group monitored, reviewed and assessed its operations at segment and geographical levels, therefore the Directors are of the opinion that analysis of the Company using KPIs is not appropriate for an understanding of the development, performance or position of the business of the Company. For further information about KPIs, in the context of BG Group as a whole, please refer to the BG Group Annual Report and Accounts 2015. For details of the KPIs that the Company will be measured against following the Combination, please refer to Royal Dutch Shell plc's Annual Report and Form 20-F for the year ended 31 December 2015.

Strategic report for the year ended 31 December 2015 continued


Financial performance and position

As shown in the Company's income statement on page 8, revenue of the Company decreased by 41% during the year to \$258,176,000 (2014: \$441,114,000). Loss before taxation increased to \$295,274,000 (2014: profit before taxation of \$41,698,000), primarily as a result of the current year impairment, only partially offset by the dividend received from the Company's subsidiary undertaking.

The loss for the year ended 31 December 2015 of \$193,447,000 (2014: \$10,407,000) has been transferred to reserves.

The balance sheet on page 9 shows that the Company's net assets decreased by 48%. This is due to the loss for the year and the dividend paid in the year.

By order of the Board:



Shell Corporate Secretary Limited
Company Secretary

Date: 28 SEPTEMBER 2016

Registered Office:
Shell Centre
London
SE1 7NA

Registered in England and Wales No. 2750465

Directors' report for the year ended 31 December 2015

The Directors present their report and the audited Financial Statements for Shell Tunisia Upstream Limited for the year ended 31 December 2015.

Dividend

The Directors proposed and paid an interim dividend for the year ended 31 December 2015 of \$150,000,000 (2014: \$450,000,000). The Directors have not proposed a final dividend (2014: \$nil).

Future developments

Future developments are included in the Strategic report.

Post balance sheet events

Shell combination

On 8 April 2015, the Boards of Royal Dutch Shell plc ("Shell") and BG Group plc announced that they had reached agreement on the terms of a recommended cash and share offer to be made by Shell for the entire issued and to be issued share capital of BG Group plc (the "Combination") to be effected by way of a Scheme of Arrangement under Part 26 of the Companies Act 2006 (the "Scheme"). On 27 January 2016, Shell shareholders voted to approve the Combination and on 28 January 2016, BG Group plc shareholders voted to approve the Scheme at a court-convened meeting and to approve a special resolution to implement the Scheme, including amendments to the BG Group plc articles, at a general meeting of BG Group plc. Following a court hearing on 11 February 2016, the Scheme became effective on 15 February 2016.

On 30 March 2016, BG Group plc re-registered as a private limited company, BG Group Limited.

Directors

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

R P Coe (appointed 1 January 2015 and resigned 9 May 2016)

M Dhouib (resigned 1 July 2016)

D P Freeman (resigned 31 July 2016)

A Martin-Davis (appointed 2 March 2015 and resigned 31 May 2016)

J G Seaton (appointed 27 January 2015)

J E Smith (appointed 2 February 2015 and resigned 31 August 2016)

The following Directors were appointed after the year end:

K Kacem (appointed 9 May 2016)

R Karame (appointed 1 July 2016)

E Nijssse (appointed 9 May 2016)

Directors' report for the year ended 31 December 2015 continued

Company Secretaries

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

C S Barry (resigned 31 July 2016)

R L Dunn (resigned 31 May 2016)

C L Ennett (appointed 1 October 2015 and resigned 31 July 2016)

The following Secretary was appointed after the year end:

Shell Corporate Secretary Limited (appointed 31 July 2016)

Directors' remuneration

For details of the Directors' remuneration, see note 5 to the Financial Statements.

Employees

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

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

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

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

Derivative financial instruments and financial risks

The Company did not transact in any derivative financial instruments during the year.

Full details of the BG Group policies and procedures surrounding financial risks, financial instruments and details of such transactions can be found in the BG Group Annual Report and Accounts 2015.

Auditors

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

Directors' report for the year ended 31 December 2015 continued

Statement as to disclosure of information to auditors

As required by Sections 418 and 419 of the Companies Act 2006, each of the Directors has approved this report and confirmed that, so far as he is aware, there is no relevant audit information (being information needed by the auditors in connection with preparing their audit report) of which the Company's auditors are unaware, and he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 101 'Reduced Disclosure Framework' (FRS 101). The Financial Statements are required by law to give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year.

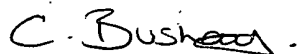
The Directors consider that in preparing the Financial Statements on pages 8 to 23 the Company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates and that all applicable accounting standards have been followed and that the Financial Statements have been prepared on the going concern basis. The Company has complied with UK disclosure requirements.

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

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

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

By order of the Board:



Shell Corporate Secretary Limited
Company Secretary

Date: 28 SEPTEMBER 2016

Registered Office:
Shell Centre
London
SE1 7NA

Registered in England and Wales No. 2750465

Independent auditor's report to the member of Shell Tunisia Upstream Limited

We have audited the Financial Statements of Shell Tunisia Upstream Limited for the year ended 31 December 2015 which comprise the Income statement, the Balance sheet and the Statement of changes in equity and the related notes, set out on pages 8 to 23. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 101 'Reduced Disclosure Framework'.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' responsibilities (set out on page 5), the Directors are responsible for the preparation of the Financial Statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Financial Statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for auditors.

Scope of the audit of the Financial Statements

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

Opinion on Financial Statements

In our opinion the Financial Statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 101, 'Reduced Disclosure Framework'; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditor's report to the member of Shell Tunisia Upstream Limited
continued

Opinion on other matter prescribed by the Companies Act 2006

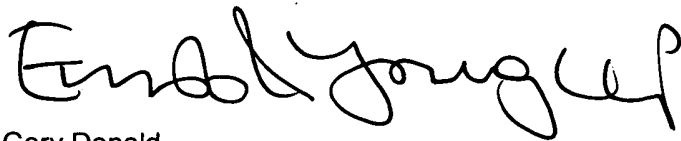
In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the financial year for which the Financial Statements are prepared is consistent with the Financial Statements and have been prepared in accordance with applicable legal requirements.

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

Matters on which we are required to report by exception

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

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



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

Date: 30/9/16

Income statement for the year ended 31 December

	Notes	2015 \$000	2014 \$000
Revenue	3	258,176	441,114
Operating costs		(108,036)	(155,074)
Exploration expenditure		-	(29,354)
Depreciation		(116,569)	(137,391)
Impairment	4	<u>(397,000)</u>	<u>(50,228)</u>
Operating (loss)/profit		(363,429)	69,067
Income from fixed asset investments		50,000	-
Finance income	6	18,155	931
Finance costs	6	<u>-</u>	<u>(28,300)</u>
(Loss)/profit before taxation		(295,274)	41,698
Taxation	7	<u>101,827</u>	<u>(52,105)</u>
Loss for the year		<u>(193,447)</u>	<u>(10,407)</u>

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

There was no other comprehensive income and therefore the total comprehensive income is the same as that presented in the income statement.

The notes on pages 11 to 23 form part of these Financial Statements.

Balance sheet as at 31 December

	Notes	2015 \$000	2014 \$000
Non-current assets			
Property, plant and equipment	9	411,033	779,455
Investments	10	674,555	674,555
Deferred tax assets	7	106,608	-
		<u>1,192,196</u>	<u>1,454,010</u>
Current assets			
Inventories	11	22,902	20,172
Trade and other receivables	12	215,244	417,808
Cash and cash equivalents		11,202	6,812
		<u>249,348</u>	<u>444,792</u>
Total assets		<u>1,441,544</u>	<u>1,898,802</u>
Current liabilities			
Trade and other payables	13	(1,069,432)	(1,168,516)
Non-current liabilities			
Deferred tax liabilities	7	-	(14,727)
Total liabilities		<u>(1,069,432)</u>	<u>(1,183,243)</u>
Net assets		<u>372,112</u>	<u>715,559</u>
Equity			
Called up share capital	14	211,000	211,000
Share premium		41,962	41,962
Retained earnings		119,150	462,597
Total equity		<u>372,112</u>	<u>715,559</u>

The Financial Statements on pages 8 to 23 were approved by the Board of Directors and were signed on its behalf by:



J G Seaton

Director

Date: 28/9/16

Statement of changes in equity

	Notes	Called up share capital \$000	Share premium \$000	Retained earnings \$000	Total \$000
At 1 January 2014		211,000	41,962	923,004	1,175,966
Loss for the year		-	-	(10,407)	(10,407)
Total comprehensive income for the year		-	-	(10,407)	(10,407)
Equity dividends paid	8	-	-	(450,000)	(450,000)
At 31 December 2014		211,000	41,962	462,597	715,559
Loss for the year		-	-	(193,447)	(193,447)
Total comprehensive income for the year		-	-	(193,447)	(193,447)
Equity dividends paid	8	-	-	(150,000)	(150,000)
At 31 December 2015		211,000	41,962	119,150	372,112

Notes to the Financial Statements

1 Ultimate parent undertaking

The immediate parent undertaking is BG General Holdings Limited. During the year, and up to the effective date of the Combination (see note 16), the ultimate parent undertaking and controlling party was BG Group plc.

BG Group plc is the parent undertaking of the largest group to consolidate these Financial Statements. The smallest group into which the Company is consolidated is that of which BG Energy Holdings Limited is the parent undertaking. With effect from 30 March 2016, BG Group plc re-registered as a private limited company. BG Group Limited and BG Energy Holdings Limited are both registered in England and Wales. Copies of the Group consolidated accounts may be obtained from the Company Secretary, Shell Centre, London SE1 7NA.

Following the Combination, the ultimate parent undertaking and controlling party is Royal Dutch Shell plc.

2 Accounting policies

Basis of preparation and accounting principles

The Company is in a net current liabilities position as at 31 December 2015. The Financial Statements have been prepared under the going concern basis as a result of the agreement between the Company and its immediate parent undertaking, BG General Holdings Limited, for the Company to issue additional equity shares to its immediate parent undertaking and the declaration of a dividend by the Company's subsidiary, Shell Hasdrubal Limited, both subsequent to the year-end, which will enable the Company to meet its liabilities as they fall due. As a result, the Directors consider the going concern basis of preparation to be appropriate.

These accounts have been prepared on the going concern basis and in accordance with applicable law in the United Kingdom and Financial Reporting Standard 101, 'Reduced disclosure framework', adopted in 2015, including the July 2015 amendments to FRS 101 and adoption of the IAS 1 primary statement formats, and applicable accounting standards. A summary of the more important accounting policies, which have been applied consistently, is set out below.

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

Investments in subsidiary undertakings are stated at cost less any provision for impairment.

Exemptions

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

Notes to the Financial Statements continued

2 Accounting policies continued

Summary of disclosure exemptions

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

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

Exploration expenditure

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

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

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

Depreciation

Property, plant and equipment, except exploration and production assets, is depreciated on a straight-line basis at rates sufficient to write off the historical cost less residual value of individual assets over their estimated useful lives. Asset lives and residual values are reassessed annually. The depreciation periods for the principal categories of assets are as follows:

Furniture, fittings, motor vehicles and office equipment	up to 10 years
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Exploration and production assets are depreciated from the commencement of commercial production in the fields concerned, using the unit of production method based on the proved developed reserves of those fields, except that a basis of total proved reserves is used for acquired interests and for facilities.

Changes in depreciation estimates are dealt with prospectively.

Notes to the Financial Statements continued

2 Accounting policies continued

Impairment of non-current assets

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

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

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

Financial instruments

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

Revenue

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

Current and deferred income tax

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

Property, plant and equipment

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

Inventories

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

Notes to the Financial Statements continued

2 Accounting policies continued

Foreign currencies

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

Leases

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

Pensions

Contributions made to defined contribution pension plans are charged to the income statement when payable.

Judgements and estimates

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

A range of short and long-term assumptions are used to determine the net present value of future cash flows for use in impairment reviews unless short-term market assumptions are more appropriate to the cash generating unit under review. In the year, the Company recognised a pre-tax impairment charge of \$397,000,000 relating to the Miskar field, relating to a reserves downgrade and a reduction in commodity prices. The impairment is sensitive to assumptions including commodity prices, reserves estimates, exchange rates and the discount rate applied to cash flow projections. Any adverse changes in these assumptions could result in an additional impairment in the next financial year.

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

3 Revenue

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

	2015 \$000	2014 \$000
Revenue		
Gas	230,370	376,542
Condensate	27,096	63,720
Tariff income	710	852
	<u>258,176</u>	<u>441,114</u>

Notes to the Financial Statements continued

4 Operating (loss)/profit

Operating (loss)/profit is stated after charging:

	2015	2014
	\$000	\$000
Impairment of property, plant and equipment	397,000	50,228
Depreciation	116,569	137,391
Loss/(profit) on disposal of property, plant and equipment	22	(111)
Operating lease charges	962	1,205
Employee costs		
Wages and salaries	23,966	25,778
Social security costs	5,409	5,719
Pension costs	1,263	1,187
	30,638	32,684

At the end of 2015, driven by the impact of a reserves downgrade and the continued reduction in commodity prices, the Company recognised an impairment of \$397,000,000 (2014: \$50,228,000) relating to production activities in the Miskar field, calculated on a fair value less costs of disposal basis using a post-tax discount rate of 8%. The recoverable amount of the cash generating unit is \$407,167,000.

The auditor's remuneration of \$9,060 (2014: \$9,330) has been borne by BG Energy Holdings Limited and has not been recharged to the Company. Any fees paid to the Company's auditor and its associates for services other than the statutory audit of the Company are not disclosed in these accounts since the consolidated accounts of the Company's ultimate parent (see note 1) are required to disclose non-audit fees on a consolidated basis.

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

The average number of employees during the year was:

	2015	2014
	No.	No.
Upstream	381	407

Notes to the Financial Statements continued

5 Directors' remuneration

The total remuneration for all serving Directors for their period of directorship to the Company is disclosed below. The remuneration of the Directors has been borne by another Group Company and has not been recharged to the Company. A number of Directors are considered group function Directors of BG Group and received no remuneration for services to the Company.

	2015 \$000	2014 \$000
Remuneration	199	196
Pension scheme contributions	25	31
	<u>224</u>	<u>227</u>

During the year the number of Directors who were receiving benefits and share incentives was as follows:

	2015 No.	2014 No.
Received or were entitled to receive shares under long term incentive schemes	2	2
Exercised share options	1	-
Accruing benefits under defined benefit pension scheme	-	-
Accruing benefits under defined contribution pension scheme	1	2

6 Finance income and costs

	2015 \$000	2014 \$000
Finance income		
Interest receivable	1,397	931
Foreign exchange gain	16,758	-
	<u>18,155</u>	<u>931</u>
Finance costs		
Interest payable	-	(4,228)
Foreign exchange loss	-	(24,072)
	<u>-</u>	<u>(28,300)</u>
Net finance income/(costs)	<u>18,155</u>	<u>(27,369)</u>

Notes to the Financial Statements continued

7 Taxation

The (credit)/charge for taxation comprises:

	2015 \$000	2014 \$000
Current tax		
Corporation tax	34,084	50,467
Adjustments in respect of prior periods	-	(6,506)
Double tax relief	(33,877)	(50,266)
Overseas tax	10,552	94,166
Overseas tax adjustments in respect of prior periods	8,749	136,220
Total current tax charge	19,508	224,081
Deferred tax	(121,335)	(171,976)
Total tax (credit)/charge	(101,827)	52,105

The total tax (credit)/charge reconciles with that calculated using the statutory UK corporate tax rate of 20.25% (2014: 21.50%):

	2015 \$000	2014 \$000
(Loss)/profit before tax	(295,274)	41,698
Tax on (loss)/profit before taxation at UK statutory corporation tax rate	(59,783)	8,962
Effects on tax (credit)/charge of:		
Incremental foreign deferred tax over deferred UK tax	(17,272)	48,528
Overseas tax	10,552	94,166
Adjustment recognised for current tax of prior periods	8,749	129,715
Adjustment recognised for deferred tax of prior periods	-	(179,924)
Double tax relief	(33,877)	(50,266)
Expenses not deductible	3	3
Income not taxable	(10,199)	921
Total tax (credit)/charge	(101,827)	52,105

Effective 1 April 2015, the applicable rate of UK corporation tax was reduced to 20%, with further reductions in the UK corporation tax rate to 19% effective from 1 April 2017 and 18% effective from 1 April 2020.

Notes to the Financial Statements continued

7 Taxation continued

Deferred tax

	Accelerated tax depreciation \$000	Other temporary differences \$000	Total \$000
At 1 January 2014	(7,855)	(178,848)	(186,703)
Credit/(charge) for the year	(6,872)	178,848	171,976
As at 31 December 2014	(14,727)	-	(14,727)
Credit for the year	121,335	-	121,335
As at 31 December 2015	106,608	-	106,608
		2015	2014
		\$000	\$000
Deferred tax liabilities		-	(14,727)
Deferred tax assets		106,608	-
Net deferred tax as at 31 December		106,608	(14,727)

The deferred tax asset relates mainly to accelerated capital allowances in the foreign operation, arising in the current year as a result of the impairment of the net book value of assets. Deferred tax assets are recognised to the extent that realisation of the related tax benefit through future taxable income is probable. To determine the future taxable income, reference is made to the latest available profit forecast for the full lifecycle of the company. The requirement to make assumptions regarding future profitability means that any conclusions in respect of the position are inherently uncertain.

8 Dividends

	2015	2014
	\$000	\$000
Equity dividends paid		
Interim dividends	150,000	450,000

An interim dividend of \$150,000,000 (2014: \$450,000,000), representing \$1.06 (2014: \$3.19) per share was declared and paid on 25 November 2015. The Directors have not proposed a final dividend (2014: \$nil).

Notes to the Financial Statements continued

9 Property, plant and equipment

	Exploration and production \$000	Furniture, fittings, office equipment and motor vehicles \$000	Total \$000
Cost			
At 1 January 2015	2,431,343	71,154	2,502,497
Additions	174,651	2,161	176,812
Disposals	(31,496)	(1,077)	(32,573)
Transfers	(3,350)	3,350	-
At 31 December 2015	2,571,148	75,588	2,646,736
Accumulated depreciation			
At 1 January 2015	1,656,335	66,707	1,723,042
Depreciation	110,646	5,923	116,569
Disposals	-	(908)	(908)
Impairment	397,000	-	397,000
At 31 December 2015	2,163,981	71,722	2,235,703
Net book value			
At 31 December 2015	407,167	3,866	411,033
At 31 December 2014	775,008	4,447	779,455

Notes to the Financial Statements continued**10 Investments**

**Shares in
subsidiary
undertakings**
\$000
674,555

At 1 January and 31 December 2015

Subsidiaries

The Company's subsidiary undertakings as at 31 December 2015 comprise:

Name	Activity	Country of incorporation	Proportion of shares held 2015
Shell Hasdrubal Limited (formerly BG Hasdrubal Limited)	Exploration and production	England and Wales (a)	100%
Shell Tunisia LPG, S.A. (formerly BG Tunisia LPG, S.A.)	Exploration and production	Tunisia (b)	99.99%
Tunisian Processing, S.A.	Exploration and production	Tunisia (b)	99.99%

All subsidiaries are directly held

(a) Registered office: Shell Centre, London SE1 7NA

(b) Registered office: Immeuble le Tanit du Lac, Rue du Lac Windermere 1053, Les Berges du Lac

11 Inventories

	2015	2014
	\$000	\$000
Raw materials and consumables	<u>22,902</u>	<u>20,172</u>

Notes to the Financial Statements continued

12 Trade and other receivables

	2015 \$000	2014 \$000
Current		
Trade receivables	61,580	117,698
Amounts owed by group undertakings	143,849	257,498
Other receivables	7,506	39,938
Prepayments	2,309	2,674
	<u>215,244</u>	<u>417,808</u>

Included in amounts owed by group undertakings is a loan of \$143,470,000 (2014: \$142,473,000), which is unsecured, bears interest at LIBOR less 0.1 per cent per annum and is repayable on demand. All other amounts owed by group undertakings are unsecured, interest free and are repayable on demand.

13 Trade and other payables

	2015 \$000	2014 \$000
Current		
Trade payables	1,795	8,341
Amounts owed to group undertakings	809,063	877,033
Amounts owed to group undertakings in respect of taxation	407	2,105
Amounts payable in respect of taxation	166,663	177,104
Other payables	50,617	48,732
Accrued expenses	40,887	55,201
	<u>1,069,432</u>	<u>1,168,516</u>

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

14 Called up share capital

Allotted and fully paid:

	No. 000	2015 \$000	No. 000	2014 \$000
Ordinary shares of £1 each	<u>141,137</u>	<u>211,000</u>	<u>141,137</u>	<u>211,000</u>

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

Notes to the Financial Statements continued

15 Commitments and contingencies

As at 31 December 2015, the Company had placed contracts for capital expenditure amounting to \$1,099,000 (2014: \$24,808,000).

The Company has contingent liabilities relating to decommissioning obligations of \$279,000,000 as at 31 December 2015 (2014: \$226,000,000).

As at 31 December 2015, the Company was committed to making the following future minimum lease payments under non-cancellable operating leases:

	2015	2014
	\$000	\$000
Within one year	578	629
In two to five years	1,420	2,065
After five years	2,053	2,058
	<u>4,051</u>	<u>4,752</u>

16 Post balance sheet events

Shell combination

On 8 April 2015, the Boards of Shell and BG Group plc announced that they had reached agreement on the terms of a recommended cash and share offer to be made by Shell for the entire issued and to be issued share capital of BG Group plc to be effected by way of a Scheme of Arrangement under Part 26 of the Companies Act 2006. On 27 January 2016, Shell shareholders voted to approve the Combination and on 28 January 2016, BG Group plc shareholders voted to approve the Scheme at a court-convened meeting and to approve a special resolution to implement the Scheme, including amendments to the BG Group plc articles, at a general meeting of BG Group plc. Following a court hearing on 11 February 2016, the Scheme became effective on 15 February 2016.

On 30 March 2016, BG Group plc re-registered as a private limited company, BG Group Limited.

Notes to the Financial Statements continued

17 Transition to FRS 101

For all periods up to and including the year-ended 31 December 2014, the Company prepared its Financial Statements in accordance with previously extant UK Generally Accepted Accounting Practice (UK GAAP). These Financial Statements, for the year ended 31 December 2015, are the first the Company has prepared in accordance with FRS 101, 'Reduced disclosure framework'.

In preparing these financial statements, the Company has started from an opening balance sheet as at 1 January 2014, the Company's date of transition to FRS 101, and made those changes in accounting policies required for the first-time adoption of FRS 101. The Company has applied the following exemption from retrospective application of IFRSs as permitted by IFRS 1, 'First time adoption of International Financial Reporting Standards':

- Investments in subsidiaries are recognised at deemed cost at the transition date, being the previous UK GAAP carrying amount at that date.

No restatements of the opening balance sheet as at 1 January 2014, the comparative balance sheet as at 31 December 2014, the income statement for the year-ended 31 December 2014 or other comprehensive income for the year ended 31 December 2014 were required on adoption of FRS 101.