

SHELL ENERGY EUROPE LIMITED

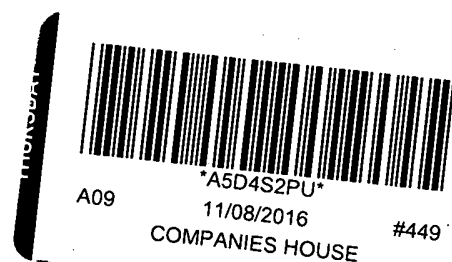
DIRECTORS' REPORT

AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015

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SHELL ENERGY EUROPE LIMITED

STRATEGIC REPORT

The Directors present their strategic report on Shell Energy Europe Limited (also referred to as the “Company”) for the year ended 31 December 2015.

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 is the principal Shell Group Company engaged in trading and marketing gas and electricity across Europe.

The functional and presentational currency of the financial statements is Euros because the majority of the Company’s income and expense is denominated in Euros.

The profit on ordinary activities before taxation amounted to EURO 68,219,000 (2014: EURO 84,239,000). Net Assets at 31 December 2015 were EURO 988,720,000 (2014: EURO 998,712,000). During the year, the company acquired the European gas and power trading desk from Morgan Stanley.

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 8 to 12 of Royal Dutch Shell’s Annual Report and Form 20-F for the year ended 31 December 2015 (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, Gas and Power and Oil Sands and the Downstream businesses of Oil Products and Chemicals. The Company’s key performance indicators, that give an understanding of the development, performance and position of the business, are aligned with those of the Shell Group. The development, performance and position of the various businesses is discussed on pages 23 to 48 of the Group Report and the key performance indicators through which the Group’s performance is measured are as set out on pages 20 to 21 of the Group Report.

On behalf of the Board



S. Preocanin
Director
10 August 2016

SHELL ENERGY EUROPE LIMITED

DIRECTORS' REPORT

The Directors present their report and audited financial statements for the year ended 31 December 2015.

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

Dividends

An interim dividend of EURO 65,700,000 were paid in the year (2014: EURO 61,000,000). The Directors recommend no further dividend be paid for the year ended 31 December 2015 (2014: EURO nil).

Future outlook

Areas of focus for 2016 are the opportunities presented by further gas and power liberalisation across Europe and operational optimisation of existing businesses. The Directors believe that the balances held will be realised at their reported carrying value in the normal course of business and so the accounts continue to be prepared on a going concern basis.

DIRECTORS

The Directors of the Company who served throughout the year and to the date of this report (except as noted) were:

A. J. M. Lumens

S. Preocanin

J. H. Stinis

P.J. Worby

Resigned 06 Nov 2015

R. Ilube Appointed 06 Nov 2015

R. Oberholtzer Appointed 06 Nov 2015

FINANCIAL RISK MANAGEMENT

The Company's risk management policies require the management of exposures in respect of price, timing and currency risks that arise from its energy trading business activities. The Company uses a range of conventional derivative financial instruments available in related commodity markets to manage these risks. These instruments include forward contracts, swaps, options and futures.

The main financial risks faced by the Company through its normal business activities are market price risk, credit risk and cash flow / liquidity risk. These risks and the Company's approach to dealing with them are discussed below.

Market risk is the possibility that changes in natural gas and power prices or currency exchange rates will adversely affect the value of the Company's financial assets, liabilities or expected future cash flows. The Company has established policies, mandates and exposure limits in order to limit these risks. The Company enters into various transactions using derivative financial instruments to manage these risks, there are established processes to ensure close financial and management control around the use of these instruments. The control framework includes; regular review of mandated trading limits by senior management, daily monitoring of risk exposure using value-at-risk principles and marking to market of all trading exposures with independent finance review of the market values applied to trading exposures.

Credit risk is the potential exposure of the Company to loss in the event of non-performance by a counterparty. The Company controls credit risk through credit approvals, limits, use of netting arrangements, prepayments, collateral and monitoring procedures. Counterparty credit checks, independent of the traders, are undertaken before contractual commitment.

Cash flow / liquidity risk is the risk that suitable sources of funding for the Company's business activities may not be available. The Company actively maintains a funding arrangement with Shell Treasury Centre Limited, this allows for both short term borrowings and short term deposits.

SHELL ENERGY EUROPE LIMITED

DIRECTORS' REPORT (continued)

FINANCIAL RISK MANAGEMENT (continued)

The Company believes it has access to sufficient funding and also has undrawn committed borrowing facilities to ensure that there are sufficiently available funds for its operations.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

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' (FRS 101). 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:

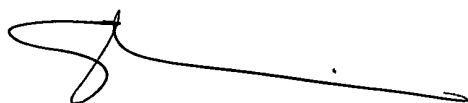
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business.
- Notify the Company's shareholders in writing with regards to the use of the FRS 101 disclosure exemptions used in the preparation of the financial statements.

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

DISCLOSURE OF INFORMATION TO AUDITORS

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

On behalf of the Board



S. Preocanin
Director
10 August 2016

Independent auditors' report to the members of Shell Energy Europe Limited

Report on the financial statements

Our opinion

In our opinion, Shell Energy Europe Limited's financial statements (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 profit for the year then ended;
 - have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
 - have been prepared in accordance with the requirements of the Companies Act 2006.
-

What we have audited

Shell Energy Europe Limited's financial statements comprise:

- Balance Sheet as at 31 December 2015;
- Profit and Loss Account for the year then ended;
- Statement of Changes in Equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 "Reduced Disclosure Framework".

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- 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.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Independent auditors' report to the members of Shell Energy Europe Limited (continued)

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

What an audit of financial statements involves

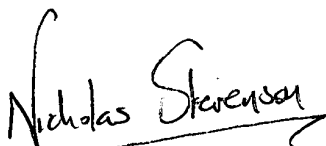
We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Directors' 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.



Nicholas Stevenson (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
10 August 2016

SHELL ENERGY EUROPE LIMITED
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2015

Continuing operations	Note	2015 EURO'000	2014 EURO'000
Net trading profit		129,379	171,299
Administrative expenses		(99,261)	(80,861)
Other operating income/ (expenses)		<u>38,254</u>	<u>(7,014)</u>
OPERATING PROFIT		68,372	83,424
Interest receivable and similar income	4	63	994
Interest payable and similar charges	5	<u>(216)</u>	<u>(179)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	68,219	84,239
Tax on profit on ordinary activities	7	<u>(12,511)</u>	<u>(18,610)</u>
PROFIT FOR THE YEAR		<u>55,708</u>	<u>65,629</u>

The profit for the current year and the profit for the prior year are equal to the total comprehensive income and accordingly a statement of comprehensive income has not been presented.

SHELL ENERGY EUROPE LIMITED
REGISTERED IN ENGLAND AND WALES: 4162523
BALANCE SHEET
As at 31 December 2015

	Note	2015 EURO'000	2014 EURO'000
FIXED ASSETS			
Tangible assets	10	6,212	17,602
CURRENT ASSETS			
Stock	11	222,540	171,813
Debtors	12	7,040,269	4,992,730
Cash and cash equivalents		12,965	-
		<u>7,275,774</u>	<u>5,164,543</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	<u>(6,292,717)</u>	<u>(4,183,433)</u>
NET CURRENT ASSETS		<u>983,057</u>	<u>981,110</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>989,269</u>	<u>998,712</u>
PROVISIONS FOR LIABILITIES	14	<u>(549)</u>	<u>-</u>
NET ASSETS		<u>988,720</u>	<u>998,712</u>
EQUITY			
Called up share capital	15	933,000	933,000
Profit and loss account		55,720	65,712
TOTAL EQUITY		<u>988,720</u>	<u>998,712</u>

The financial statements on pages 6 to 22 were approved by the Board of Directors on 10 August 2016 and were signed on its behalf by:



S. Preocanin
Director

10 August 2016

SHELL ENERGY EUROPE LIMITED
STATEMENT OF CHANGES IN EQUITY
For the year ended 31 December 2015

	Note	Called-up Share Capital EURO'000	Profit and loss account EURO'000	Total EURO'000
Balance as at 1 January 2014		933,000	61,083	994,083
Profit for the year		-	65,629	65,629
Total comprehensive income for the year		-	65,629	65,629
Dividends paid	16	-	(61,000)	(61,000)
Balance as at 31 December 2014		933,000	65,712	998,712
Balance as at 1 January 2015		933,000	65,712	998,712
Profit for the year		-	55,708	55,708
Total comprehensive income for the year		-	55,708	55,708
Dividends paid	16	-	(65,700)	(65,700)
Balance as at 31 December 2015		933,000	55,720	988,720

SHELL ENERGY EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

General company information

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

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 Act 2006.

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 policies set out in Note 1(a) to 1(n) have been consistently applied to all periods presented. There have been no changes in accounting policies in 2015.

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 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';
 - (iii) paragraph 118(e) of IAS 38 'Intangible assets' (reconciliations 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 for minimum of two primary statements, including cash flow statements);
 - (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)

SHELL ENERGY EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

1. Summary of significant accounting policies (continued)

a) Basis of preparation (continued)

- 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)
- Paragraph 17 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.

b) Consolidation

The immediate parent company is Shell Trading International 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 financial statements.

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

c) Net trading profit

All commodity contracts and derivative financial instruments entered into by the Company as part of its energy trading activities are recognised in the financial statements on the date of trade. Net trading profit includes realised gains on all settled gas, electricity and transport contracts. All open contracts are included at fair value and unrealised gains and losses are recognised in net trading profit. See note 1(j).

The Directors consider that turnover is not a meaningful measure of the results of the Company and that this is best represented by net trading profit. Net trading profit represents net profits from the trading of gas and electricity. The Company has only one class of business, that of trading gas and electricity in Europe.

d) Taxation

(i) Corporation tax

The Company records a tax charge or credit in the profit and loss account, which is calculated at the tax rate prevailing in the year 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.

(ii) 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.

SHELL ENERGY EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

1. Summary of significant accounting policies (continued)

d) Taxation (continued)

(ii) Deferred Tax (continued)

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when tangible fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on the sale has been recognised in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing 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 current tax assets against current 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.

e) 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 'Euros' (€), which is also the Company's functional currency.

(ii) Transaction and balances

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

Monetary assets and liabilities recorded in foreign currencies have been expressed in Euros 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 transaction. No subsequent translations are made once this has occurred.

f) 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 of the potential impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable. Such impairment reviews are performed in accordance with IAS 36. Any impairments are recorded in the profit and loss account.

SHELL ENERGY EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

1. Summary of significant accounting policies (continued)

f) Tangible fixed assets and depreciation (continued)

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 period 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.

The Company capitalises certain costs associated with the acquisition or development of software for internal use. Once the software is ready for its intended use, capitalised costs are depreciated over an expected useful life of not more than four years.

g) Financial assets

(i) Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss; and 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.

1. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading. As these assets are held for trading purposes, they are classified as current assets regardless of contract maturity.

2. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise trade, contractual loans and cash on the balance sheet.

(ii) Recognition and measurement

Financial assets 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. Financial assets at fair value through profit or loss are subsequently carried at fair value. 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.

SHELL ENERGY EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

1. Summary of significant accounting policies (continued)

g) Financial assets (continued)

(ii) Recognition and measurement (continued)

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the profit and loss account within net trading profit in the period in which they arise.

h) Financial liabilities

(i) Classification

The Company classifies its financial liabilities in the following categories: at fair value through profit or loss; and 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.

1. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are those held for trading, and derivatives in a negative fair value position. Derivatives are also categorised as held for trading. As these liabilities are held for trading purposes, they are classified as current liabilities regardless of contract maturity.

2. Financial liabilities at amortised cost

All other financial liabilities which do not meet the criteria of fair value through profit or loss are held at amortised cost.

(ii) Recognition and measurement

Financial liabilities held at fair value through profit or loss are revalued at each balance sheet date, with gains and losses recognised directly in the profit and loss account within net trading profit.

i) Goodwill

Purchased goodwill arises on the acquisition of the net assets of a business and represents the excess of the consideration given over the aggregate of the fair value of the separable net assets acquired. Purchased goodwill is capitalised and stated at cost less accumulated amortisation and provisions for impairment. Goodwill is reviewed annually for impairment in accordance with IAS 36. Impairments thus arising are recorded in the profit and loss account.

Amortisation is calculated on a straight-line basis over the period which the Directors' estimate benefits may reasonably be expected to accrue from the acquisitions.

j) Stocks and open contracts (including derivatives) held for trading purposes

For the measurement of gas stocks held for trading purposes, the Company applies the exception for commodity broker-traders under IAS 2. Accordingly, gas stock held for trading purposes are included in the balance sheet at fair value, with fair value movements being recognised in net trading profit. Fair value is based generally on market prices or broker quotations. To the extent that prices are not readily available fair value is based either on internal valuation models or management's estimate of amounts that could be realised under current market conditions. (see note 3).

SHELL ENERGY EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

1. Summary of significant accounting policies (continued)

j) Stocks and open contracts (including derivatives) held for trading purposes (continued)

Open contracts held for trading purposes are included in the balance sheet at fair value. The fair value of open contracts, which include forwards, futures, options and contracts for differences, representing both long and short positions, is included in the balance sheet under trade debtors and trade creditors. Amounts are offset and the net amount reported in the balance sheet if, and only if there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously. This is not generally the case and the related assets and liabilities are presented gross in the balance sheet. (see Note 3).

k) Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are recognised at management's best estimate of the expenditure expected to settle the present obligation. Non-current amounts are discounted at a rate intended to reflect the time value of money. The present value is calculated using amounts discounted at a pre-tax rate over the period to the date the obligation is expected to be settled.

l) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings in current liabilities.

m) Netting-off policy

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

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

n) 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.

SHELL ENERGY EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

2. Critical accounting estimates and judgements

Estimates and judgments 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.

a. Fair value of derivatives and inventories

The Company enters into derivative contracts to mitigate various risks. The valuation of these contracts involves the use of estimates of product prices, see note 3 for further details.

3. Financial Instruments

The Company, in the normal course of the business, uses financial instruments of various kinds for the purposes of managing exposure to currency, commodity price and interest rate movements.

The Company has a treasury policy consistent with the Shell Group Treasury Guidelines. These policies cover financial structure, foreign exchange and interest rate risk management as well as the treasury control framework. The use of financial instruments for managing exposures has been successful during the year and the Company will use financial instruments, where required, to manage exposures in future periods. Estimates and judgments 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.

The company has the following financial assets and liabilities measured at fair value through profit or loss :

	2015	2014
	EURO'000	EURO'000
Derivative financial liabilities	(5,143,415)	(2,951,172)
Derivative financial assets	5,519,746	3,038,849

The company enters into commodity swap contracts to mitigate the commodity price risk. At 31 December 2015, the outstanding contracts all mature within 188 months (2014: 194 months) of the year end.

SHELL ENERGY EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2015****3. Financial Instruments (continued)**

Contracts are typically valued using price curves for each of the different products that are built up from active market pricing data. Where limited data exists for certain products, prices are interpolated using historic and long-term pricing relationships. Certain contracts are valued in part using active quotes and in part using observable, market-corroborated data. A limited number of contracts are valued in part using internal models due to the absence of quoted prices, including over-the-counter options.

The fair value of instruments held by the Company as at 31 December 2015 and the unrealised amounts included in the profit and loss account during 2015 were as follows:

	Fair value	Fair value
	Assets	Liabilities
	EURO'000	EURO'000
Commodity physical contracts	5,302,738	(4,713,627)
Commodity swaps	27,138	(226,744)
Commodity options	180,878	(199,006)
Commodity futures	8,992	(50)
Foreign exchange contracts	-	(3,988)
	<u>5,519,746</u>	<u>(5,143,415)</u>

The fair value of instruments held by the Company as at 31 December 2014 and the unrealised amounts included in the profit and loss account during 2014 were as follows:

	Fair value	Fair value
	Assets	Liabilities
	EURO'000	EURO'000
Commodity physical contracts	2,859,666	(2,652,178)
Commodity swaps	22,090	(130,372)
Commodity options	35,468	(50,615)
Commodity futures	38,616	(38,472)
Foreign exchange contracts	83,009	(79,535)
	<u>3,038,849</u>	<u>(2,951,172)</u>

SHELL ENERGY EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

4. Interest receivable and similar income

	2015	2014
	EURO'000	EURO'000
Interest from Group undertakings:		
Fellow subsidiary undertakings	15	363
Interest from banks and similar income	48	631
	<u>63</u>	<u>994</u>

5. Interest payable and similar charges

	2015	2014
	EURO'000	EURO'000
Loans from Group undertakings:		
Fellow subsidiary undertakings	(72)	(179)
Other interest payable	<u>(144)</u>	<u>-</u>
	<u>(216)</u>	<u>(179)</u>

6. Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging the following:-

	2015	2014
	EURO'000	EURO'000
Wages and salaries	29,797	22,705
Social security costs	3,782	2,870
Staff costs	<u>33,579</u>	<u>25,575</u>
Depreciation:		
On owned assets	11,382	10,202
Audit fees payable to the Company's auditor	315	306
Foreign exchange (profit) / loss*	(38,254)	7,014
Recharge of costs incurred to group undertakings	(18,014)	(28,201)

*Foreign exchange profit for 2015 includes a profit of EURO 8,931,301 for the revaluation of the year-end UK Corporation tax liability (2014: loss of EURO 551,200).

SHELL ENERGY EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

7. Tax on profit on ordinary activities

a. Tax charge included in profit or loss

The tax charge for the year of EURO 12,511,000 (2014: EURO 18,610,000) is made up as follows:

	2015 EURO'000	2014 EURO'000
UK corporation tax charge on the result of the year	13,297	19,276
Adjustments in respect of prior years	1,008	1,172
Double tax relief	46	46
Total current tax charge	14,351	20,494
Current year (Origination and reversal of timing differences)	(1,282)	(1,082)
Adjustment in respect of prior years	(910)	(878)
Effect of change in corporation tax rates	352	76
Total deferred tax credit	(1,840)	(1,884)
Total tax charge	12,511	18,610

b. Reconciliation of total tax charge

The tax assessed for the year differs from the standard effective rate of corporation tax in the UK of 20.25% (2014: 21.5%). The differences are explained below:

	2015 EURO'000	2014 EURO'000
Profit on ordinary activities before taxation	68,219	84,239
Tax on profit on ordinary activities at standard UK corporation tax rate of 20.25% (2014: 21.5%)	13,815	18,112
Effects of:		
Income not assessable	(1,809)	-
Adjustments to tax charge in respect of prior years	98	294
Effect of change in corporation tax rates	352	76
Expenses not deductible	55	128
Total tax on profit on ordinary activities	12,511	18,610

The average main rate of UK corporation tax for the year to 31 December 2015 was 20.25% (2014: 21.5%).

SHELL ENERGY EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2015****7. Tax on profit on ordinary activities (continued)****c. Deferred tax in the profit and loss account**

	2015	2014
	EURO'000	EURO'000
Accelerated capital allowances	(1,282)	(1,082)
Adjustment in respect of prior years	(910)	(878)
Effect of decreased tax rate on opening asset/liability	352	76
Total deferred tax credit	(1,840)	(1,884)

d. Factors affecting current and future tax charges

Changes to the UK corporation tax rate were introduced by the UK Finance Act 2012, including a reduction to the UK main corporation tax rate to 24% effective as from 1 April 2012 and a further tax rate reduction to 23% effective as from 1 April 2013. Further changes reducing the UK corporation tax rate to 21% effective from 1 April 2014, and to 20% effective from 1 April 2015 were introduced by the Finance Act 2013 and enacted on 17 July 2013. On 16 March 2016, the UK Government announced that the rate applicable from 1 April 2020 would be further reduced by 1% to 17%, but this further reduction was not substantially enacted before the end of 2015.

The relevant deferred tax balances have been re-measured to 18%, the rate enacted by the balance sheet date.

8. Employees

The employees' contracts of service are with Shell International Trading and Shipping Company Limited and costs have been charged to the Company. The monthly average number of persons working on behalf of the Company in 2015 was 152 (2014: 157). All persons were employed in the United Kingdom and were principally involved in the energy trading business.

9. Directors' Remuneration

None of the Directors received any emoluments in respect of their services to the Company (2014: Nil).

SHELL ENERGY EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

10. Tangible Assets

	Assets under construction EURO'000	Computer Software EURO'000	Total EURO'000
Cost			
Balance at 1 January 2015	3,134	47,987	51,121
Revaluation	(8)	-	(8)
Transfers	(3,126)	3,126	-
Balance at 31 December 2015	-	51,113	51,113
Accumulative Depreciation			
Balance at 1 January 2015	-	(33,519)	(33,519)
Charge for the year	-	(11,382)	(11,382)
Balance at 31 December 2015	-	(44,901)	(44,901)
Net book amount			
At 31 December 2015	-	6,212	6,212
At 31 December 2014	3,134	14,468	17,602

11. Stock

	2015 EURO'000	2014 EURO'000
Trading stock		
Gas	222,540	171,813

SHELL ENERGY EUROPE LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued)

For the year ended 31 December 2015

12. Debtors

	2015 Within 1 Year EURO'000	2015 After 1 Year EURO'000	2014 Within 1 Year EURO'000	2014 After 1 Year EURO'000
Trade debtors	91,724	-	73,442	-
Amounts owed by Group undertakings:				
Fellow subsidiary undertakings	586,320	-	941,864	-
Tax receivable	1,171	-	1,803	-
Deferred tax	-	3,028	-	1,189
Derivative financial instruments	5,519,746	-	3,038,849	-
Prepayments and accrued Income	838,280	-	935,583	-
Total	7,037,241	3,028	4,991,541	1,189

The amounts owed by Group undertakings includes EURO 230,734,909 (2014: EURO 554,609,191) of interest bearing deposits (loans), repayable on demand (interest receivable is disclosed in note 4). All other amounts owed by Group undertakings arose in the normal course of business and are due for settlement according to contractual credit terms.

The Company has accrued for the estimated settlement of price review clauses within certain gas contracts. The Company is actively negotiating settlement of such items and as such further disclosure is not made as the Directors consider it may prejudice the outcome of such negotiations. Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and it is expected to utilises this asset against any future taxable profits.

The presentation of comparatives has been changed to provide consistency with current year presentation.

13. Creditors: Amounts falling due within one year

	2015 EURO'000	2014 EURO'000
Trade creditors	13,751	3,958
Amounts owed to Group undertakings:		
Fellow subsidiary undertakings	533,514	483,418
Tax and social security	46,741	41,287
Derivative financial instruments	5,143,415	2,951,172
Accruals and deferred income	555,296	703,598
	6,292,717	4,183,433

The amounts owed to Group undertakings within amounts falling due within one year includes EURO 333,551 (2014: EURO 573,651) of interest-bearing liabilities (interest payable is disclosed in note 5).

The presentation of comparatives has been changed to provide consistency with current year presentation.

SHELL ENERGY EUROPE LIMITED**NOTES TO THE FINANCIAL STATEMENTS (continued)****For the year ended 31 December 2015****14. Provisions for liabilities**

	Other Provisions EURO'000
Balance at 1 January 2015	-
Additions charged to the profit and loss account	549
Utilisation of provision	-
Balance at 31 December 2015	<u>549</u>

The Company has newly made provisions for redundancy in 2015.

15. Called up share capital

	2015 EURO'000	2014 EURO'000
Authorised 933,000,000 (2014: 933,000,000) ordinary shares of EURO 1 each	933,000	933,000
Allotted, called-up and fully paid 933,000,000 (2014: 933,000,000) ordinary shares of EURO 1 each	933,000	933,000

16. Dividends

	2015 EURO'000	2014 EURO'000
Equity – Ordinary		
Dividend paid: EURO 0.07 (2014: EURO 0.07) per EURO 1 share	65,700	61,000