Registration number: 06560238

Shell QGC Upstream 1 Limited

Annual Report

and

Financial Statements

For the year ended 31 December 2020

Shell QGC Upstream 1 Limited

Contents

Shell QGC Upstream 1 Limited

Strategic report for the year ended 31 December 2020

The Directors present their Strategic report on Shell QGC Upstream 1 Limited (also referred to as the "Company") for the year ended 31 December 2020.

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

Business review

The Company was incorporated on 9 April 2008 and is a wholly owned subsidiary of Shell QGC Holdings Limited. The Company acts as a holding company. The financial statements are presented in Australian dollars.

The Company's loss for the financial year increased from $670.9 million (restated) to $3,565.3 million.This was principally due to an increase in impairments from $585.6 million (restated) to $3,678.2 million, decrease in interest income from $289.3 million to $177.5 million and partially offset by decrease in ECL charge from $279.3 million to $5.1 million.

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

Management has assessed that there are indicators of impairment in the investments held by the Company as a result of revised medium- and long-term price outlook assumptions in response to the energy market demand and supply fundamentals, changes to net assets of investee entity as well as the COVID-19 pandemic and macroeconomic conditions. Management has therefore performed impairment testing of its investment and recorded impairments for $3,678.2 million during the current financial year.

Brexit impact

On 23 June 2016, the UK held a referendum on the UK's continuing membership of the EU, the outcome of which was a decision for the UK to leave the EU (Brexit). On 26 December 2020, the EU-UK Trade and Cooperation agreement was agreed and provisionally applied. An impact assessment at country level was performed based on a no deal Brexit, which included the activities of the Company. The Board currently sees a limited impact from the EU-UK Trade and Cooperation agreement on its existing business based on the assessment undertaken.

IBOR Reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as GBP LIBOR, USD LIBOR and other inter-bank offered rates ('IBORs') has become a priority for global regulators. IBOR Reform - Phase 2 Amendments to IFRS 9 Financial Instruments (IFRS 9), IFRS 7 Financial Instruments: Disclosures (IFRS 7) and IFRS 16 Leases (IFRS 16) were issued in August 2020 that complement those amendments issued in 2019 (IBOR Reform - Phase 1) and focus on the effects of IBOR reform on a company's financial statements that arise when, for example, an IBOR used to calculate interest on a financial asset is replaced with an alternative benchmark rate. The amendments are effective for periods beginning on or after January 1, 2021 and are to be applied retrospectively with early application permitted. The entity's intra group floating rate borrowing and lending will be affected by the market-wide replacement of LIBOR by alternative risk-free reference rates, most significantly by reform of dollar LIBOR. Loans will be transitioned at economically equivalent rates.

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 28 to 37 of Royal Dutch Shell's Annual Report for the year ended 31 December 2020 (the "Group Report"), include those of the Company. The Group Report does not form part of this report.

Key Performance Indicators

Companies of the Shell Group comprise the Upstream businesses of Exploration and Production, Integrated Gas and New Energies and the Downstream businesses of Oil Products and Chemicals. The Company's key performance indicators, that give an understanding of the development, performance and position of the business, are aligned with those of the Shell Group. The development, performance and position of the various businesses is discussed on pages 46 to 80 of the Group Report and the key performance indicators through which the Group's performance is measured are as set out on pages 43 to 45 of the Group Report.

Going concern

In determining the appropriate basis of preparation of the Financial Statements, the Directors are required to consider whether the Company can continue in operational existence over the period to 30 September 2022 (the 'going concern period'). The Directors have considered the potential risks and uncertainties relating to COVID-19 and Brexit impact on the Company's business, credit, market, and liquidity position. Based on the above, together with the Directors knowledge and experience of the market, the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2020.

Section 172(1) statement/Statement of stakeholder interests

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

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

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

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

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

The strategy of the Company is considered to be derived from those of the Shell Group, which is discussed on pages 18 - 21 of the Royal Dutch Shell plc 2020 Annual Report. The Shell Group internally organises its activities principally along business and function lines but transacts its business through legal entities. This organisation structure is designed to achieve Shell's overall business objectives, whilst respecting the separate legal identity of the individual Shell companies through which it is implemented and the independence of each legal entity's Board of Directors.

Human Rights

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

The Shell Group works closely with other companies and non-governmental organisations to continuously improve the way it applies these principles, with a focus on four key areas: communities, security, labour rights, and supply chain. The Shell Group has systems and processes in place for managing projects, contracting and procurement, recruitment and employment, security and social performance and requires all Group companies and contractors to respect the human rights of their workforce and neighbouring communities.The Shell Group's Modern Slavery Statement provides more details about the process applied. It can be found at www.shell.com/uk-modern-slavery-act.html.

29-Sep-2021

Approved by the Board on .... and signed on its behalf by:

DocuSigned by:

Jeff Connell

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J.G. Connell
Director

Shell QGC Upstream 1 Limited

Directors' report for the year ended 31 December 2020

The Directors present their report and the financial statements for the year ended 31 December 2020.

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

Dividend

Interim dividends of $2,557.9 million were paid during the year (2019: $nil). The Directors recommend that no further dividend be paid for the year ended 31 December 2020 (2019: $nil).

Future Outlook

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

Directors of the Company

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

S. Bond (resigned 6 October 2020)

D. Warrilow (resigned 31 January 2020)

L. Ritchie (resigned 1 September 2021)

S.R. Eglington (appointed 6 October 2020)

C. Harrison (appointed 31 January 2020)

The following director was appointed after the year end:

J.G. Connell - Director (appointed 14 September 2021)

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 186 to 188 and note 19).

Streamlined Energy and Carbon Reporting

The directors are aware of the requirements for large UK companies to report on their UK energy use and carbon emissions. The company's energy usage and greenhouse gas emissions form part of the overall Shell Group results. The climate change and energy transition strategy and disclosures are discussed on pages 94 to 107 of the Group Report with greenhouse gas emissions and energy usage being set out on pages 106 to 107.

Statement of Directors' responsibilities

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

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

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

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

Disclosure of information to the auditor

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

29-Sep-2021
Approved by the Board on .... and signed on its behalf by:

DocuSigned by:
Jeff Connell
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....
J.G. Connell
Director

Independent Auditor's report to the Member of Shell QGC Upstream 1 Limited

Opinion

We have audited the financial statements of Shell QGC Upstream 1 Limited (the "Company") for the year ended 31 December 2020, which comprise the Profit and loss account, the Balance sheet, the Statement of changes in equity, and the related notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of the period up to 30 September 2022.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern.

Independent Auditor's report to the Member of Shell QGC Upstream 1 Limited (continued)

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach are as follows;

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Company and determined that the most significant are those that relate to the reporting framework (FRS 101 "Reduced Disclosure Framework", Companies Act 2006, Bribery Act 2010, Companies (Miscellaneous Reporting) Regulation 2018 and relevant tax compliance regulations in the jurisdictions in which the Company operates, including the United Kingdom.
- We understood how the Company is complying with those frameworks and Shell Group policies by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through the review of the following documentation:
  - all minutes of board meetings held during the year;
  - the Shell Group's code of conduct setting out the key principles and requirements for all staff in relation to compliance with laws and regulations;
  - any relevant correspondence with local tax authorities;
  - and any relevant correspondence received from regulatory bodies.

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company established to address risks identified by the entity or that otherwise seek to prevent, deter or detect fraud. We gained an understanding of the entity level controls and policies that the Company applies being part of the Shell Group.
- Based on the results of our risk assessment we designed our audit procedures to identify non-compliance with such laws and regulations identified above. Our procedures involved testing of journal entries, with a focus on journals indicating large or unusual transactions or meeting our defined risk criteria based on our understanding of the business, enquiries of legal counsel and management, review of internal audit reports and of the volume and nature of complaints received by the whistleblowing hotline during the year relevant to the Company.

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

Use of our report

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

Ernst & Young LLP

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

Date: 29 September 2021

Shell QGC Upstream 1 Limited

Profit and loss account for the year ended 31 December 2020

Continuing operations

	Note	2020 $ 000	Restated * 2019 $ 000
Other expense		(5,166)	(279,293)
OPERATING LOSS	6	**(5,166)**	**(279,293)**
Amounts provided against investments		(3,678,213)	(585,581)
LOSS BEFORE INTEREST AND TAXATION		**(3,683,379)**	**(864,874)**
Interest receivable and similar income	4	177,516	289,353
Interest payable and similar charges	5	(29,525)	(47,022)
LOSS BEFORE TAXATION		**(3,535,388)**	**(622,543)**
Tax on loss	8	(29,877)	(48,383)
LOSS FOR THE YEAR		**(3,565,265)**	**(670,926)**

* Refer to note 3 on prior period restatements.

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

Shell QGC Upstream 1 Limited

(Registration number: 06560238)
Balance sheet as at 31 December 2020

	Note	2020 $ 000	Restated* 2019 $ 000
Fixed assets			
Investments	9	446,387	1,593,462
		446,387	**1,593,462**
Current assets			
Debtors: amounts due after one year	10	6,389,775	8,952,938
Debtors: amounts due within one year	10	731,659	621,959
Creditors: Amounts falling due within one year	11	(70,773)	(73,341)
Net current assets		**660,886**	**548,618**
Total assets less current liabilities		**7,497,048**	**11,095,018**
Creditors: Amounts falling due after more than one year	12	(1,622,224)	(1,628,070)
Net assets		**5,874,824**	**9,466,948**
Equity			
Called up share capital	13	5,760,351	20,229,213
Profit and loss account		114,473	(10,762,265)
Total equity		**5,874,824**	**9,466,948**

* Refer to note 3 on prior period restatements.

The financial statements on pages 11 to 32 were authorised for issue by the Board of Directors on 29-Sep-2021 and signed on its behalf by:

DocuSigned by:

Jeff Connell

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J.G. Connell
Director

Shell QGC Upstream 1 Limited

Statement of changes in equity for the year ended 31 December 2020

	Called up share capital $ 000	Restated * Profit and loss account $ 000	Total $ 000
Balance as at 1 January 2019 (as restated*)	**20,229,213**	**(10,091,339)**	**10,137,874**
Loss for the year (as restated*)	-	(670,926)	(670,926)
Balance as at 31 December 2019 (as restated*)	**20,229,213**	**(10,762,265)**	**9,466,948**
Balance as at 1 January 2020 (as restated*)	**20,229,213**	**(10,762,265)**	**9,466,948**
Loss for the year	-	(3,565,265)	(3,565,265)
Proceeds from shares issued	2,531,138	-	2,531,138
Capital reduction	(17,000,000)	17,000,000	-
Dividends paid	-	(2,557,997)	(2,557,997)
Balance as at 31 December 2020	**5,760,351**	**114,473**	**5,874,824**

* Refer to note 3 on prior period restatements.

General information

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

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

1 Accounting policies

Basis of preparation

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

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

Going concern

As at the date of approving the financial statements, the impact of COVID-19 on the Company's operations is continually being assessed and is subject to rapid change. The Directors have considered the potential risks and uncertainties relating to COVID-19 and Brexit impact on the Company's business, credit, market, and liquidity position. Based on the above analysis, the Directors have assessed that the Company is expected to have adequate headroom to meet its liabilities and commitments over the going concern period to 30 September 2022. The Directors have assessed that the Company has adequate resources to continue in operation for the period to 30 September 2022.

The Group sweeps cash from subsidiary companies to a central treasury company account on a daily basis. The Company shows the balance swept at the end of the year as an amount owed by a fellow subsidiary undertaking. The Directors consider that the Company will have access to the funds swept to these accounts when required by the Company.

1 Accounting policies (continued)

New Standards applied

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." These had no material impact on the financial statements of the Company, nor is there expected to be any future impact to the Company.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. These amendments had no material impact on the financial statements of the Company.

The following exemptions from the disclosure 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 paragraph 79(a)(iv) of IAS 1 'Presentation of financial statements';
- The following paragraphs of IAS 1, 'Presentation of financial statements':

  (i) 10(d), (statement of cash flows);
  (ii) 10(f) (a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
  (iii) 16 (statement of compliance with all IFRS);
  (iv) 38A (requirement to present a minimum of two statements for each of the primary financial statements, including cash flow statements and related notes);
  (v) 38B-D (additional comparative information);
  (vi) 40A-D (requirements for a third balance sheet);
  (vii) 111 (cash flow statement information); and
  (viii) 134-136 (capital management disclosures);

Shell QGC Upstream 1 Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

1 Accounting policies (continued)

- IAS 7, 'Statement of cash flows';
- Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraphs 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more wholly owned members of a group.

Consolidation

The financial statements contain information about Shell QGC Upstream 1 Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Royal Dutch Shell plc, a company incorporated in England and Wales.

The immediate parent company is Shell QGC Holdings Limited.

The ultimate parent company and controlling party is Royal Dutch Shell plc, which 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
Registered office: Shell Centre, London, SE1 7NA

Taxation

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

Current tax

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date for tax payable to HM Revenue and Customs, or for group relief to surrender to or to be received from other Group undertakings, and for which payment may be requested. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation by Shell and tax authorities differently and establishes provisions where appropriate.

1 Accounting policies (continued)

Deferred tax

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

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and credits carried forward can be utilized.

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

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

Amounts relating to deferred tax are undiscounted.

Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

1 Accounting policies (continued)

Financial instruments

Financial assets

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

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

Impairment of financial assets

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

As a result of COVID-19, there continues to be significant uncertainty in the macroeconomic conditions with an expected negative impact on global economic environment. Therefore, this has an impact on our customers who are also exposed to the same macroeconomic changes. The Company however has Credit -risk policies in place to ensure that sales are made to customers with appropriate creditworthiness, and include detailed credit analysis and monitoring of customers against counterparty credit limits. Where appropriate, netting arrangements, credit insurance, prepayments and collateral are used to manage credit risk. Therefore the Company's risk of exposure to bad debts is not significant.

1 Accounting policies (continued)

Financial liabilities

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

Investment in subsidiaries and participating undertakings

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

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

Management has assessed that there are indicators of impairment in the investments held by the Company as a result of revised medium- and long-term price outlook assumptions in response to the energy market demand and supply fundamentals, changes to net assets of investee entity as well as the COVID-19 pandemic and macroeconomic conditions.
Management has therefore performed impairment testing of material investments and recorded impairments wherever necessary (Refer Investments note 8)

Netting off policy

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

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

2 Critical accounting judgements and key sources of estimation uncertainty

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

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

Impairment of investments

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

Provision for expected credit losses of debtors

For intra-group debtors, the Company uses an internal credit rating to determine the probability of default. Internal credit ratings are based on methodologies adopted by independent credit rating agencies.

3 Prior period adjustments

Management has restated the loss reported for the financial year 2019 and the opening reserves as at 1 January 2019 as an outcome of a detailed review of the recoverable value of Investments. The balances that were determined not recoverable were charged/credited to the opening reserves and to the Profit and loss account of 2019 as appropriate. The table below provides an overview of the amounts restated in each of the financial statement captions.

Shell QGC Upstream 1 Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

3 Prior period adjustments (continued)

	Balance as at 1 January 2019(as previously reported)	Restatement as at 1 January 2019	Restated balance as at 1 January 2019
	$000	$000	$000
Equity			
Profit and loss account	$(8,224,416)	$(1,866,923)	$(10,091,339)

	Balance as at 31 December 2019 (as reported)	Restatement as at 2019	Restated balance as at 31 December 2019
	$000	$000	$000
Balance Sheet			
Fixed Assets			
Investments	$3,429,768	$(1,836,306)	$1,593,462
Equity			
Profit and loss account	$(8,925,959)	$(1,836,306)	$(10,762,265)

	Amounts for the year ended 31 December 2019 (as previously reported)	Restatement for the year 2019	Restated amounts for the year ended 31 December 2019
	$000	$000	$000
Profit and loss account			
Amounts provided against investments	$616,198	$(30,617)	$585,581

4 Interest receivable and similar income

	2020 $ 000	2019 $ 000
Interest from Group undertakings:		
Subsidiary undertakings	170,965	277,719
Fellow subsidiary undertakings	352	3,102
Profit on currency translation	353	2,686
Other interest income	5,846	5,846
	177,516	**289,353**

5 Interest payable and similar charges

	2020 $ 000	2019 $ 000
Interest on loans from Group undertakings:		
Parent undertakings	29,525	47,022
	29,525	**47,022**

6 Operating loss

Arrived at after charging

	2020 $ 000	2019 $ 000
Provision for ECL	5,166	279,293

The Company had no employees during 2020 (2019: none).

None of the Directors received any emoluments (2019: none) in respect of their services to the Company.

7 Auditor's remuneration

The auditor's remuneration of $6,914 (2019: $6,663) in respect of the statutory audit was borne by another Group Company for the current and preceding years.

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

8 Tax on loss

Tax charge in the profit and loss account

The tax charge for the year of $29,876,000 (2019: $48,383,000) is made up as follows:

	2020 $ 000	2019 $ 000
Current taxation		
UK corporation tax	29,876	48,383
Double taxation relief	(17,096)	(27,772)
Foreign tax	17,096	27,772
Total current tax charge	**29,876**	**48,383**
Total deferred tax	**1**	**-**
Tax charge in the profit and loss account	**29,877**	**48,383**

8 Tax on loss (continued)

Reconciliation of total tax charge

The tax on loss before tax for the year differs from the standard rate of corporation tax in the UK of 19% (2019: 19%).

The differences are reconciled below:

	2020 $ 000	2019 $ 000
Loss before tax	**(3,535,388)**	**(622,543)**
Tax on loss calculated at standard rate (2020: 19.00%) (2019: 19.00%)	(671,724)	(118,283)
Effects of:		
Expenses not deductible	699,842	164,326
Currency translation adjustments	1,752	2,280
Unrelieved tax losses carried forward	-	34,626
Tax imposed outside the UK	17,096	27,772
Double taxation relief	(17,096)	(27,772)
Tax on imputed interest	7	60
Tax on share of partnership loss	-	(34,626)
Total tax charge	**29,877**	**48,383**

The Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in the Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax, thereby maintaining the current rate of 19%.

These changes were substantively enacted on 24 May 2021 and is not anticipated to have a material impact on the balance sheet of the company as at 31 December 2020

Unrecognised deferred tax asset

There are $5,415,933,178 of unused tax losses (2019: $3,408,596,593) for which no deferred tax asset is recognised in the Balance sheet.

9 Investments

	Subsidiary undertakings shares $ 000 (Restated*)
Cost	
Balance at 1 January 2020	12,936,101
Additions	2,531,138
Balance at 31 December 2020	**15,467,239**
Amounts provided	
Balance at 1 January 2020 (restated)	(11,342,639)
Amounts provided against investment	(3,678,213)
Balance at 31 December 2020	**(15,020,852)**
Carrying amount	
At 31 December 2020	**446,387**
At 31 December 2019	**1,593,462**

* Refer to note 3 on prior period restatements.

The Directors believe that the carrying value of the Company's investment is supported by the underlying net asset of the subsidiary.

A list of the Company's subsidiary undertakings as at 31 December 2020 is included in note 14.

9 Investments (continued)

During the year, the Company recorded an impairment of AUD $3.7 billion in investment in subsidiary with a carrying value of AUD $4.1 billion (restated), due to decrease in the net assets of the investee entity as a result of losses incurred by the entity due to COVID-19 pandemic and changes in macroeconomic conditions.

For the purposes of determining whether impairment of investments in subsidiaries has occurred, and the extent of any impairment loss or its reversal, the key assumptions management uses in estimating risk-adjusted future cash flows for value-in-use measures include future oil and gas prices, expected production volumes and refining margins appropriate to the local circumstances and environment. These assumptions and the judgements of management that are based on them are subject to change as new information becomes available. Cash flow estimates are risk-adjusted to reflect local conditions as appropriate and discounted using pre-tax rate of 6% (2019: 6%). These cash flows were adjusted for the risks specific to the assets, and therefore these risks were not included in the determination of the discount rate applied.

Oil and gas price assumptions applied for impairment testing are reviewed and, where necessary, adjusted on a periodic basis. Reviews include comparison with available market data and forecasts that reflect developments in demand such as global economic growth, technology efficiency, policy measures and, in supply, consideration of investment and resource potential, cost of development of new supply, and behaviour of major resource holders. The near-term commodity price assumptions applied in impairment testing were as follows:

For periods after 2024, the real-term long-term price assumptions applied were $60 per barrel (/b) (2019:$60/b) for Brent crude oil and $3.00 per million British thermal units (/MMBtu) (2019: $3.00/MMBtu) for Henry Hub natural gas, both at real term 2020.

Commodity price assumptions [A]

	2021	2022	2023	2024
Brent crude oil ($/b)	40	50	60	63
Henry Hub Natural gas ($/MMBtu)	2.50	2.50	2.75	3.03

[A] Money of the day

10 Debtors

Debtors: amounts due within one year

	2020 $ 000	2019 $ 000
Amounts owed by Group undertakings:		
Parent undertakings	-	20,227
Fellow subsidiary undertakings	731,659	601,732
	731,659	**621,959**

Amounts owed by Parent undertakings are unsecured, interest free and are repayable on demand. Amounts owed by Fellow subsidiary undertakings are unsecured bearing interest rates ranging from 0.00% to 0.31% and are repayable on demand.

The Company has recorded all financial assets at amortised cost.

Debtors: amounts due after one year

The impairment provision required under IFRS 9 was calculated using 12 month ECLs. No assets were assessed as credit impaired.

	2020			2019		
At amortised cost	**Gross carrying amount $ 000**	**ECL allowance $ 000**	**Carrying amount $ 000**	**Gross carrying amount $ 000**	**ECL allowance $ 000**	**Carrying amount $ 000**
Loans receivable	**6,674,234**	**284,459**	**6,389,775**	**9,232,231**	**279,293**	**8,952,938**

Amounts owed by fellow subsidiary undertaking is loan issued for $9.2 billion bearing 6 months BBSW plus a margin of 1.30% interest rate. During the year, the Company received $2.5 billion as principal repayment. The balance principal amount is repayable in the year 2023 for $4.2 billion and $2.5 billion in the year 2025. After the balance sheet date, the Company has further received $6.4 billion as principal repayment.

The impairment provision required under IFRS 9 was calculated using 12 month ECLs. No assets were assessed as credit impaired.

The Company has recorded all financial assets at amortised cost.

11 Creditors: amounts falling due within one year

	2020 $ 000	2019 $ 000
Amounts owed to Group undertakings:		
Parent undertakings	36,721	-
Tax liability	28,206	67,495
Deferred income	5,846	5,846
	70,773	**73,341**

Amounts owed to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand. Deferred income relates to gain on acquisition of a non current loan receivable from a Group undertaking.

The Company has recorded all financial liabilities at amortised cost.

12 Creditors: amounts falling due after more than one year

	2020 $ 000	2019 $ 000
Amounts due to Group undertaking:		
Parent undertakings	1,601,763	1,601,763
Deferred income	20,461	26,307
	1,622,224	**1,628,070**

Amounts owed to Group undertakings are loans denominated in Australian Dollars. The loans have an interest rate of 6 months BBSW plus a margin of 1.23% and payable on 30 June 2025. After the balance sheet date, the Company has repaid outstanding loan amount of $1.6 billion.

Deferred income relates to gain on acquisition of a non current loan receivable from a group undertaking.

The Company has recorded all financial liabilities at amortised cost.

Shell QGC Upstream 1 Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

13 Called up share capital

Allotted, called up and fully paid shares

	No.	2020 $ 000	No.	2019 $ 000
Ordinary A shares of £1 each	2,000	5	2,000	5
Ordinary B shares of AU$1 each	5,760,346,005	5,760,346	20,229,207,833	20,229,208
	5,760,348,005	**5,760,351**	**20,229,209,833**	**20,229,213**

During the year 2,531,138,172 of ordinary share capital having an aggregate nominal value of AUD 1 were allotted for an aggregate consideration of AUD 2,531.1 million. During the year, as part of capital reduction, the Company cancelled 17,000,000,000 of ordinary share capital having an aggregate nominal value of AUD 1 amounting to AUD 17,000.0 million.

14 List of investments

Details of the subsidiaries as at 31 December 2020 are as follows:

Name of subsidiary	Registered office and Country of incorporation	Class of shares	% of ownership
BNG (Surat) Pty Ltd*	Level 30, 275 George Street, Brisbane, QLD 4000, Australia	Ordinary B	99%
Condamine 1 Pty Ltd*	Level 30, 275 George Street, Brisbane, QLD 4000, Australia	Ordinary B	99%
Condamine 2 Pty Ltd*	Level 30, 275 George Street, Brisbane, QLD 4000, Australia	Ordinary B	99%
Condamine 3 Pty Ltd*	Level 30, 275 George Street, Brisbane, QLD 4000, Australia	Ordinary B	99%
Condamine 4 Pty Ltd*	Level 30, 275 George Street, Brisbane, QLD 4000, Australia	Ordinary B	99%

Shell QGC Upstream 1 Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

14 List of investments (continued)

Name of subsidiary	Registered office and Country of incorporation	Class of shares	% of ownership
Condamine Power Station Pty Ltd*	Level 30, 275 George Street, Brisbane, QLD 4000, Australia	Ordinary B	99%
New South Oil Pty Ltd*	Level 30, 275 George Street, Brisbane, QLD 4000, Australia	Ordinary B	99%
QCLNG Pty Ltd*	Level 30, 275 George Street, Brisbane, QLD 4000, Australia	Ordinary B	99%
QGC (B7) Pty Ltd*	Level 30, 275 George Street, Brisbane, QLD 4000, Australia	Ordinary B	99%
QGC (Exploration) Pty Ltd*	Level 30, 275 George Street, Brisbane, QLD 4000, Australia	Ordinary B	99%
QGC (Infrastructure) Pty Ltd*	Level 30, 275 George Street, Brisbane, QLD 4000, Australia	Ordinary B	99%
QGC Midstream Services Pty Ltd*	Level 30, 275 George Street, Brisbane, QLD 4000, Australia	Ordinary B	99%
QGC Northern Forestry Pty Ltd*	Level 30, 275 George Street, Brisbane, QLD 4000, Australia	Ordinary B	99%
QGC Pty Limited*	Level 30, 275 George Street, Brisbane, QLD 4000, Australia	Ordinary B	99%
QGC Sales Qld Pty Ltd*	Level 30, 275 George Street, Brisbane, QLD 4000, Australia	Ordinary B	99%
QGC Upstream Investments Pty Ltd*	Level 30, 275 George Street, Brisbane, QLD 4000, Australia	Ordinary B	99%
QGC Upstream Limited Partnership	Level 42, Bourke Place, 600 Bourke Street, Melbourne, VIC 3000, Australia	Ordinary B	99%

Shell QGC Upstream 1 Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

14 List of investments (continued)

Name of subsidiary	Registered office and Country of incorporation	Class of shares	% of ownership
Queensland Gas Company Pty Ltd*	Level 30, 275 George Street, Brisbane, QLD 4000, Australia	Ordinary B	99%
Roma Petroleum Pty Limited*	Level 30, 275 George Street, Brisbane, QLD 4000, Australia	Ordinary B	99%
SGA (Queensland) Pty Ltd*	Level 30, 275 George Street, Brisbane, QLD 4000, Australia	Ordinary B	99%
SGAI Pty Limited*	Level 30, 275 George Street, Brisbane, QLD 4000, Australia	Ordinary B	99%
Starzap Pty Ltd*	Level 30, 275 George Street, Brisbane, QLD 4000, Australia	Ordinary B	99%
Sunshine 685 Pty Limited*	Level 30, 275 George Street, Brisbane, QLD 4000, Australia	Ordinary B	99%
Sunshine Gas Pty Limited*	Level 30, 275 George Street, Brisbane, QLD 4000, Australia	Ordinary B	99%
Walloons Coal Seam Gas Company Pty Limited*	Level 30, 275 George Street, Brisbane, QLD 4000, Australia	Ordinary B	74%
Gas Resources Limited*	Caribbean Management Ltd, 5th Floor, Bermuda House, 36C Dr. Roy's Drive, Grand Cayman, KY1-1102, Cayman Islands	Ordinary B	99%

* indicates indirect investment of the Company.

15 Events after the end of the reporting period

The Company has paid dividend of $3.9 billion on 28 July 2021 by cancelling 4,134,055,841 Ordinary B Shares. The Company allotted and issued shares to Shell QGC Holdings Limited amounting to $4.1 billion and made a Capital contribution amounting to $5.6 billion into QGC Upstream Limited Partnership.