

**THE SHELL TRANSPORT AND TRADING COMPANY LIMITED**

**DIRECTORS' REPORT**

**AND ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2013**

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# **THE SHELL TRANSPORT AND TRADING COMPANY LIMITED**

## **STRATEGIC REPORT**

The Directors present their strategic report on the Company for the year ended 31 December 2013.

The Shell Transport and Trading Company Limited (also referred to as 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 principal activity of the Company is its investment in The Shell Petroleum Company Limited ("SPCO"), a wholly owned subsidiary undertaking. SPCO holds, directly and indirectly, investments in companies of the Shell Group, which is present worldwide and is engaged in the Upstream businesses of Exploration and Production, Gas and Power and Oil Sands and the Downstream businesses of Oil Products and Chemicals. In addition the Company holds a direct stake in a North Sea oil and gas field which ceased production in 2010 and is now pursuing a Carbon Capture and Storage ("CCS") project. The Company will continue with these activities for the foreseeable future.

The Company's profit for the financial year was generated principally by dividends received from the Company's subsidiary undertaking and increased from \$2,649.6 million in 2012 to \$4,033.1 million in 2013.

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

### **Principal Risks and Uncertainties**

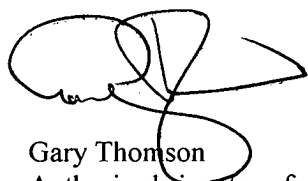
The Shell Group has a single risk based control framework – The Shell Control Framework – to identify and manage risks. The Shell Control Framework applies to all wholly owned Shell companies and to those ventures and other companies in which Royal Dutch Shell has directly or indirectly a controlling 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 11 to 14 of Royal Dutch Shell's Annual Report and Form 20-F for the year ended 31 December 2013 (the "Group Report"), include those of the Company. (The Group Report does not form part of this report).

**THE SHELL TRANSPORT AND TRADING COMPANY LIMITED**  
**STRATEGIC REPORT (continued)**

**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 47 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.

By order of the Board

A handwritten signature in black ink, appearing to be 'Gary Thomson', written over a circular stamp or seal.

Gary Thomson  
Authorised Signatory for  
Shell Corporate Secretary Limited  
Company Secretary  
6 August 2014

# **THE SHELL TRANSPORT AND TRADING COMPANY LIMITED**

## **DIRECTORS' REPORT**

The Directors present their report and audited accounts for the year ended 31 December 2013.

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

### **Dividends**

Interim dividends of \$3,693.0 million were paid in the year (2012: \$5,029.9 million). The Directors recommend that no further dividends be paid for the year ended 31 December 2013 (2012:\$ 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.

### **Research and Development**

The Company has availed the services of Shell Research Limited, a fellow subsidiary undertaking of the Company, and other research companies of the Shell Group to carry out research and development where it is applicable in its businesses. The Directors regard the investment in research and development as integral to the continuing success of the business.

## **DIRECTORS**

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

M.J. Ashworth

M.J. ten Brink

S.A. Constant-Glema

E.D. Daniels

Appointed 1 January 2013

Resigned 9 May 2014

A.W. Longden

A.D. McLean

E. Bonino

Appointed 8 April 2014

J. Wilson

Appointed 1 July 2014

## **FINANCIAL RISK MANAGEMENT**

The Company's Directors have adopted a Treasury Policy, which is consistent with 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 68 to 70 and note 20).

## **POST BALANCE SHEET EVENTS**

Refer to Note 19 "Post balance sheet events".

## **THE SHELL TRANSPORT AND TRADING COMPANY LIMITED**

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

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

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

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

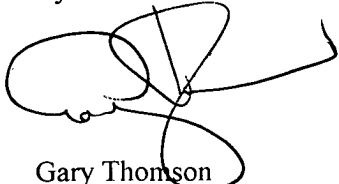
- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- Prepare the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

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

#### **DISCLOSURE OF INFORMATION TO AUDITORS**

All Directors in office at the date of approval of the Directors' report confirm that in 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.

By order of the Board



Gary Thomson  
Authorised signatory for  
Shell Corporate Secretary Limited  
Company Secretary  
6 August 2014

# **INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF THE SHELL TRANSPORT AND TRADING COMPANY LIMITED**

## **Report on the financial statements**

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### **Our opinion**

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 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.

This opinion is to be read in the context of what we say below.

### **What we have audited**

The financial statements for the year ended 31 December 2013, which are prepared by The Shell Transport and Trading Company Limited, comprise:

- Profit and Loss Account
- Statement of Total Recognised Gains and Losses
- Balance Sheet
- the Accounting Policies; and
- related notes.

The financial reporting framework that has been applied in their preparation comprises applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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.

### **What an audit of financial statements involves**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) (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.

In addition, we read all the financial and non-financial information in the Directors' report and Accounts to

identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on matter prescribed by the Companies Act 2006**

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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**

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#### **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, 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 if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

### **Responsibilities for the financial statements and the audit**

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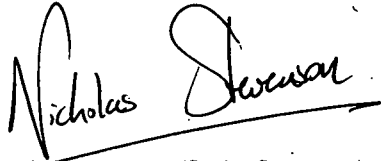
#### **Our responsibilities and those of the directors**

As explained more fully in the Directors' Responsibilities Statement set out on page 4, 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 ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF THE SHELL TRANSPORT  
AND TRADING COMPANY LIMITED (continued)**

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.

A handwritten signature in black ink, reading "Nicholas Stevenson". The signature is written in a cursive style with a long horizontal line extending from the end of the name.

Nicholas Stevenson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
6<sup>th</sup> August 2014

**THE SHELL TRANSPORT AND TRADING COMPANY LIMITED**

**PROFIT AND LOSS ACCOUNT**

**For the year ended 31 December 2013**

**Continuing operations**

	<b>Note</b>	<b>2013 \$ million</b>	<b>2012 \$ million</b>
<b>Turnover</b>	2	0.4	5.1
Cost of sales		11.3	(5.3)
<b>GROSS PROFIT/(LOSS)</b>		<u>11.7</u>	<u>(0.2)</u>
Administrative expenses		<u>(493.0)</u>	<u>(366.5)</u>
<b>OPERATING LOSS</b>		(481.3)	(366.7)
Income from shares in Group undertakings:			
Subsidiary undertakings		<u>4,437.0</u>	<u>3,039.0</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION</b>		3,955.7	2,672.3
Interest receivable and similar income	3	1.4	4.1
Interest payable and similar charges	4	<u>(6.2)</u>	<u>(7.7)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	5	3,950.9	2,668.7
Tax on profit on ordinary activities	6	82.2	(19.1)
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<u>4,033.1</u>	<u>2,649.6</u>

There is no material difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents



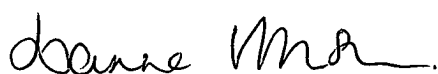
**THE SHELL TRANSPORT AND TRADING COMPANY LIMITED**  
**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**  
**For the year ended 31 December 2013**

	<b>2013</b> <b>\$ million</b>	<b>2012</b> <b>\$ million</b>
<b>PROFIT FOR THE FINANCIAL YEAR</b>	4,033.1	2,649.6
Total gains and losses for the year before currency adjustments	4,033.1	2,649.6
Currency translation differences on foreign currency net investments	(14.9)	(28.5)
Total recognised gains and losses for the year	<u>4,018.2</u>	<u>2,621.1</u>

**THE SHELL TRANSPORT AND TRADING COMPANY LIMITED****REGISTERED IN ENGLAND AND WALES: 00054485****BALANCE SHEET****As at 31 December 2013**

	Note	2013 \$ million	2012 \$ million
<b>FIXED ASSETS</b>			
Tangible assets	7	-	-
Investments	8	433.5	433.5
		<u>433.5</u>	<u>433.5</u>
<b>CURRENT ASSETS</b>			
Debtors: Amounts falling due within one year	9	7,170.6	7,014.4
Cash at bank and in hand		0.1	0.1
		<u>7,170.7</u>	<u>7,014.5</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	11	(738.7)	(937.7)
		<u>6,432.0</u>	<u>6,076.8</u>
<b>NET CURRENT ASSETS</b>			
		<u>6,865.5</u>	<u>6,510.3</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
<b>PROVISIONS FOR LIABILITIES</b>	13	(69.3)	(84.5)
		<u>6,796.2</u>	<u>6,425.8</u>
<b>NET ASSETS EXCLUDING PENSION DEFICIT</b>			
Pension deficit	12	(139.4)	(94.2)
		<u>6,656.8</u>	<u>6,331.6</u>
<b>NET ASSETS</b>			
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	4,331.3	4,331.3
Capital redemption reserve	16	153.4	153.4
Other reserve	16	(4,075.1)	(4,075.1)
Currency translation reserve	16	50.3	65.2
Profit and loss account	16	6,196.9	5,856.8
		<u>6,656.8</u>	<u>6,331.6</u>
<b>TOTAL SHAREHOLDERS' FUNDS</b>			

The accounts on pages 7 to 26 were approved by the Board of Directors on 6 August 2014 and signed on its behalf by:



Joanne Wilson  
Director

# THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

## NOTES TO THE ACCOUNTS

For the year ended 31 December 2013

### 1. Accounting policies

#### a) Accounting convention and compliance with Accounting Standards

The accounts have been prepared on a going concern basis under the historical cost convention in accordance with the Companies Act 2006, applicable Accounting Standards in the UK (UK GAAP), and the accounting policies as described below.

The accounting policies have been consistently applied. There have been no changes in accounting policies in 2013.

The Company's accounts fall within the scope of the UK Oil Industry Accounting Committee's Statement of Recommended Practice ("SORP"), "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities" and have been prepared in accordance with the provisions thereof, except for the accounting policy in respect of depletion of platforms, infield pipelines, successful exploration, appraisal and injection wells.

#### b) Group accounts

Group accounts of the Company and its subsidiary undertakings have not been prepared. The Company is exempt from the requirement to prepare group accounts under the provisions of Section 400 of the Companies Act 2006. The accounts present information about the Company as an individual undertaking and not about its group.

The immediate parent company is Shell Petroleum N.V.

The ultimate parent company and controlling party is Royal Dutch Shell plc, which is incorporated in England and Wales.

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

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

Royal Dutch Shell plc is the parent undertaking of the smallest group of undertakings to consolidate these accounts.

#### c) Fixed asset investments

These comprise investments in shares and loans that the Company intends to hold on a continuing basis. The investments 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 Financial Reporting Standard ("FRS") 11. Any impairments are recorded in the profit and loss account.

# THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

## NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2013

### 1. Accounting policies (continued)

#### c) Fixed asset investments (continued)

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

#### d) Income from shares in Group undertakings

Income from shares in Group undertakings represents dividends relating to the current year and prior periods, provided that the dividends have been approved by the Company.

#### e) Taxation

##### (i) Corporation Tax

The Company records a tax charge or credit in the profit and loss account 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 in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profit and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the accounts.

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 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.

Amounts relating to deferred tax are undiscounted.

# **THE SHELL TRANSPORT AND TRADING COMPANY LIMITED**

## **NOTES TO THE ACCOUNTS (continued)**

**For the year ended 31 December 2013**

### **1. Accounting policies (continued)**

#### **f) Foreign currency translation**

Assets and liabilities of the oil and gas field, are translated to US Dollars at year end rates of exchange. Income and expenditure accounts are translated at the average rates for the year. Any translation differences are taken directly to the profit and loss reserve.

Other monetary assets and liabilities recorded in foreign currencies have been expressed in US Dollars at the rates of exchange ruling at the year end. Income and expense items denominated in foreign currencies are translated into US Dollars at the rate ruling on their transaction date. Differences on translation are included in the profit and loss account. Non-monetary assets and liabilities, other than those related to the oil and gas field, denominated in a foreign currency are translated using exchange rates at the date of the transaction. No subsequent translations are made once this has occurred.

Foreign currency amounts have been translated at £1:\$ 1.6526, being the relevant exchange rate prevailing at the balance sheet date.

#### **g) Depreciation, depletion and amortisation**

Platforms and infield pipelines are depleted from the date field production commences on a unit-of-production basis over the proved developed reserves of the field concerned. Successful exploration, appraisal, production and injection wells are depleted on a unit-of-production basis over the proved developed reserves of the field concerned. This is a departure from the SORP, which recommends that depletion should be over total proved reserves. The Directors consider this to provide the most appropriate basis for the calculation of depletion as the cost is spread across the proved developed reserves to which it relates.

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

Other exploration and production fixed assets are depreciated on a straight-line basis over their estimated useful lives, which generally range from 4 to 20 years.

A review for potential impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of a fixed asset may not be recoverable. For this purpose, assets are grouped based on separately identifiable and largely independent cash flows. Such impairment reviews are performed in accordance with FRS 11 "Impairment of fixed assets and goodwill". Impairments thus arising are recorded in the profit and loss account.

# **THE SHELL TRANSPORT AND TRADING COMPANY LIMITED**

## **NOTES TO THE ACCOUNTS (continued)**

**For the year ended 31 December 2013**

### **1. Accounting policies (continued)**

#### **h) Decommissioning and restoration**

The Company follows the requirements of FRS 12 "Provisions, Contingent Liabilities and Contingent Assets." The total estimated cost of decommissioning and restoration, discounted to its net present value, is provided for and also recognised as a cost of each field, onshore terminal or main trunkline and capitalised within tangible fixed assets. The capitalised cost is amortised over the life of the field on a unit-of-production basis for offshore facilities and on a straight-line basis for onshore terminals and main trunklines. The unwinding of the discount in the net present value of the total expected cost is treated as an interest expense. Changes in estimates result in an equal and opposite movement in the provision and the associated asset. If a decrease in the provision exceeds the asset's carrying amount, the excess is recognised in the profit and loss account. Changes in estimates of assets are depreciated prospectively over the remaining reserves of the field or the remaining life of the onshore terminal or pipeline as appropriate.

#### **i) Significant estimation techniques**

Future development costs are estimated using standard techniques applied throughout the oil and gas industry. The estimation method used and the uncertainty range of the estimate depends upon the maturity and extent of the underlying technical work. At the early stages of project feasibility, cost estimating software and benchmarking studies will usually be used as the basis of estimates, while at the later stages of project development, supplier quoted costs will be used along with detailed quantities of materials. Statistical methods are also used to establish uncertainty ranges for the estimates. These methods are used for new capital projects as well as decommissioning of existing facilities.

Production forecasts and reserves are estimated using standard techniques of petroleum engineering. These techniques combine geophysical and geological knowledge with detailed information concerning reservoir porosity and permeability distributions and fluid characteristics with estimates of recovery efficiencies from studies or field analogues. There is uncertainty inherent in the measurement and interpretation of the basic data. These uncertainties are accounted for by using a combination of deterministic and statistical methods to calculate the range of recoverable reserves and to estimate future production profiles. Changes in estimates affecting unit-of-production calculations for depletion and decommissioning are accounted for prospectively over the estimated remaining reserves of each field.

#### **j) Underlift and overlift of crude oil**

Underlift and overlift of crude oil is valued at market prices in accordance with industry recommended practice (SORP). The adjustments are recognised against cost of sales in the profit and loss account, in line with the accounting treatment recommended within the SORP.

# THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

## NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2013

### 1. Accounting policies (continued)

#### k) Turnover

Turnover represents amount receivable (excluding value added tax) for sales of crude oil and refined products, for the supply of related services, and income from the trading of open contracts in respect of crude oil and refined products.

#### l) Pension costs

The Company is a member of the Shell Contributory Pension Fund which is a funded defined benefits scheme. The pension cost in relation to this scheme is assessed in accordance with the advice of a qualified actuary using the projected unit method.

The Company is unable to identify its share of the Fund's underlying assets and liabilities on a consistent and reasonable basis and therefore has taken advantage of the exemptions allowed by paragraph 9(b) of FRS 17. There are no contractual or stated policies on which to base an allocation of the Fund's underlying assets and liabilities to member companies. The Company accounts for its contributions to the Fund in the period in respect of which they become payable. Disclosure is provided of available information about the existence of any surplus or deficit of the Fund and any implications for the Company in Note 12. The Fund's assets are held in a separately administered fund from Shell Group assets.

#### m) Netting-off policy

Balances with other companies of the 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) Cash flow statement

In accordance with the exemption allowed by paragraph 5(a) of FRS 1, a cash flow statement for the Company has not been provided.

#### o) Related party disclosures

In accordance with the exemption allowed by paragraph 3(c) of FRS 8, no disclosure is made of transactions with other wholly owned member companies of the Shell Group or investees of the Group qualifying as related parties.

#### p) 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.

**THE SHELL TRANSPORT AND TRADING COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**For the year ended 31 December 2013**

**2. Segment information**

	<b>Turnover</b>		<b>Profit on ordinary activities before taxation</b>		<b>Net assets</b>	
<b>Principal activities</b>	<b>2013 \$ million</b>	<b>2012 \$ million</b>	<b>2013 \$ million</b>	<b>2012 \$ million</b>	<b>2013 \$ million</b>	<b>2012 \$ million</b>
Oil and gas exploration and production	0.4	5.1	8.4	(4.0)	(19.0)	235.0
Corporate and other activities	-	-	3,942.5	2,672.7	6,675.8	6,096.6
	<u>0.4</u>	<u>5.1</u>	<u>3,950.9</u>	<u>2,668.7</u>	<u>6,656.8</u>	<u>6,331.6</u>
Inland trade	<u>0.4</u>	<u>5.1</u>				

All of the Company's turnover, profit on ordinary activities before tax and net assets are derived from its principal activities and originate in the UK.

<b>Oil and gas exploration and production activities</b>	<b>2013 \$ million</b>	<b>2012 \$ million</b>
<b>Results of operations</b>		
Turnover	0.4	5.1
Production and other costs*	11.3	(5.3)
Net interest expense	(3.3)	(3.8)
Profit/(loss) before tax	<u>8.4</u>	<u>(4.0)</u>
Allocable taxes	(5.2)	(53.2)
Profit/(loss) for the financial year	<u>3.2</u>	<u>(57.2)</u>

\* The credit balance in production and other costs is due to the partial release of the decommissioning provision (Refer note 13).



**THE SHELL TRANSPORT AND TRADING COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**For the year ended 31 December 2013**

**3. Interest receivable and similar income**

	<b>2013</b> <b>\$ million</b>	<b>2012</b> <b>\$ million</b>
Interest from Group undertakings:		
Subsidiary undertakings	0.9	4.1
Other interest receivable	0.5	-
	<hr/> 1.4	<hr/> 4.1

**4. Interest payable and similar charges**

	<b>2013</b> <b>\$ million</b>	<b>2012</b> <b>\$ million</b>
Loans from Group undertakings:		
Subsidiary undertakings	0.1	-
Loss on currency translation	2.8	3.9
Unwinding of discount on long term provisions	3.3	3.8
	<hr/> 6.2	<hr/> 7.7

**5. Profit on ordinary activities before taxation**

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

	<b>2013</b> <b>\$ million</b>	<b>2012</b> <b>\$ million</b>
Currency translation:		
Financing	2.8	3.9

Auditors' remuneration

	<b>2013</b> <b>\$</b>	<b>2012</b> <b>\$</b>
Fees payable to the Company's auditor for the audit of the Company's annual accounts	111,770	120,500

There were no non audit services rendered to the Company during the year.

The Company had no employees during 2013 (2012: none).

**THE SHELL TRANSPORT AND TRADING COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**For the year ended 31 December 2013**

**6. Tax on profit on ordinary activities**

(a) The tax credit for the year of \$82.2 million (2012: charge \$19.1 million) is made up as follows:

	<b>2013</b> <b>\$ million</b>	<b>2012</b> <b>\$ million</b>
UK corporation tax credit on results for the period	(84.2)	(59.2)
Adjustments in respect of prior years	(0.2)	77.7
Total current tax (credit)/charge	(84.4)	18.5
Deferred tax - Current year (Origination and reversal of timing differences)	(2.1)	(11.3)
Effect of decreased tax rate on opening deferred tax asset	4.3	11.9
Total deferred tax charge (Note 10)	2.2	0.6
Total tax (credit)/charge	(82.2)	19.1

The tax assessed for the year differs from the standard effective rate of corporation tax in the UK of 23.25% (2012: 24.5%). The differences are explained below:

	<b>2013</b> <b>\$ million</b>	<b>2012</b> <b>\$ million</b>
Profit on ordinary activities before taxation	3,950.9	2,668.7
Tax on profit on ordinary activities at standard UK corporation tax rate of 23.25% (2012: 24.5%)	918.6	654.0
Effects of:		
Income not assessable	(1,043.4)	(745.6)
Expenses not deductible	36.3	23.1
Supplementary corporation tax*	(2.7)	(3.1)
Tax on imputed interest	-	(0.2)
Other timing differences	7.0	12.6
Adjustments in respect of prior years	(0.2)	77.7
Current tax (credit)/charge for the year	(84.4)	18.5

The average main rate of UK Corporation tax for the year to 31 December 2013 was 23.25% (2012: 24.5%). The corporation tax rate for upstream companies was 62.0% in the year to 31 December 2013 (2012: 62.0%).

\* With effect from 23 March 2011, UK North Sea oil related income and expenditure arising from that date are subject to a supplementary corporation tax of 32% calculated on the same base as normal corporation tax except that there is no deduction for finance costs. UK North Sea oil related capital expenditure incurred from 17 April 2002 will qualify for 100% allowances.

**THE SHELL TRANSPORT AND TRADING COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**For the year ended 31 December 2013**

**6. Tax on profit on ordinary activities (continued)**

**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.

The relevant deferred tax balances have been re-measured to 20%, the rate enacted by the balance sheet date.

The rate of Corporation Tax for upstream companies is unchanged at 30%, leading to an overall tax rate of 62% (including the 32% supplementary charge). Tax relief available on upstream decommissioning costs subject to the Supplementary Charge is restricted to 20% rather than the full 32% rate.

Deferred tax balances have been measured at 62%, the rate enacted by the balance sheet date except for balances relating to decommissioning which have been measured at 50%.

**(b) Corporation tax**

\$3.2 million (2012: charge of \$40.9 million) of the current corporation tax credit relates to exploration and production activities, which for tax purposes must be treated separately from other activities.

**THE SHELL TRANSPORT AND TRADING COMPANY LIMITED****NOTES TO THE ACCOUNTS (continued)****For the year ended 31 December 2013****7. Tangible fixed assets**

Tangible fixed assets are classified, consistent with oil and gas industry practice, according to operating activities. Such a classification rather than one according to type of asset is given in order to permit a better comparison with other companies having similar activities.

	<b>Oil and gas exploration and production \$ million</b>
<b>Cost</b>	
Balance at 1 January 2013 and 31 December 2013	202.7
<b>Accumulated Depreciation</b>	
Balance at 1 January 2013 and 31 December 2013	(202.7)
<b>Net book amount</b>	
At 31 December 2012 and 31 December 2013	-

All of the tangible fixed assets relate to the Company's oil and gas field interest. Income and expenditure relating to this field have been included in the profit and loss account for the year. Refer to Note 2.

The field is located on the UK Continental Shelf.

**THE SHELL TRANSPORT AND TRADING COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**For the year ended 31 December 2013**

**8. Fixed assets - Investments**

	<b>Shares in group undertakings</b>
	<b>\$ million</b>
<b>Cost</b>	
Balance 1 January 2013 and 31 December 2013	582.7
<b>Amounts provided</b>	
Balance 1 January 2013 and 31 December 2013	(149.2)
<b>Net book amount</b>	
As at 31 December 2012 and 31 December 2013	433.5

The Directors believe that the carrying value of the investments is supported by their underlying net assets.

**Principal subsidiary undertaking**

The principal investment at 31 December 2013 is as follows:

	<b>Country of incorporation</b>	<b>Principal activity</b>	<b>% of shares held directly</b>
The Shell Petroleum Company Limited	England & Wales	Holding Company	100%

All shares held are ordinary shares.

**9. Debtors**

	<b>2013 Within 1 Year \$ million</b>	<b>2012 Within 1 Year \$ million</b>
Amounts owed by Group undertakings:		
Subsidiary undertakings	7,054.4	6,943.0
Tax receivable	49.3	-
Other debtors	4.1	8.0
Deferred tax (Note 10)	62.2	63.4
Prepayments and accrued income	0.6	-
	<u>7,170.6</u>	<u>7,014.4</u>

**THE SHELL TRANSPORT AND TRADING COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**For the year ended 31 December 2013**

**10. Deferred tax**

The amount set aside for deferred tax represents the timing differences between the recognition of items of income and expenditure for accounting and tax purposes for the years up to and including 2013.

	<b>2013</b> <b>\$ million</b>	<b>2012</b> <b>\$ million</b>
<b>Deferred tax asset comprises:</b>		
Provision for decommissioning and restoration not yet allowed for tax	34.3	41.8
Unfunded pension provision	27.9	21.6
Total deferred tax asset	<u>62.2</u>	<u>63.4</u>
At 1 January 2013	63.4	
Deferred tax credit in the profit and loss account	2.2	
Impact of tax rate change	(4.3)	
Difference in exchange	0.9	
At 31 December 2013	<u>62.2</u>	

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

	<b>2013</b> <b>\$ million</b>	<b>2012</b> <b>\$ million</b>
Trade creditors	0.1	-
Amounts owed to Group undertakings:		
Parent undertakings	-	178.6
Subsidiary undertakings	707.2	574.4
Fellow subsidiary undertakings	18.7	92.4
Other creditors	1.2	5.6
Corporation tax	-	75.2
Unclaimed dividends	11.5	11.5
	<u>738.7</u>	<u>937.7</u>

# THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

## NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2013

### 12. Pension schemes

The Company is a Member Company of the Shell Contributory Pension Fund ("SCPF"), a defined benefits pension scheme, which provides pensions and other post retirement benefit entitlements for those United Kingdom employees who elected to become members of the SCPF. Apart from the contributions from employee members, which have a fixed maximum rate, the SCPF is funded entirely by contributions from Member Companies at rates certified from time to time by Aon Hewitt Limited, the SCPF's actuary. On 1 March 2013, the SCPF was closed to new entrants. At the same time, the Shell Group established the UK Shell Pension Plan ("UKSPP"), a defined contribution scheme, to provide benefits to new employees.

Aon Hewitt Limited carried out the triennial actuarial valuation of the SCPF as at 31 December 2011 using the projected unit method. The value of the SCPF's assets taken into account for the funding valuation at that date was £12,374 million and the value of the liabilities was £12,615 million. The principal financial assumptions adopted in the valuation were a discount rate of 4.05%, a rate of general salary increases of 4.5%, and a price inflation rate of 3.0%. The funding deficit (shortfall of assets compared to the value of pension liabilities) was £241 million. This corresponded to a funding ratio (assets as a percentage of liabilities) of 98%.

A valuation was performed for accounting purposes at 31 December 2013 using assumptions set in line with the requirements of the IAS19/FRS17 accounting standard. The principal financial assumptions adopted in the valuation were a discount rate of 4.4%, a rate of general salary increases of 4.9%, and a price inflation rate of 3.4%. The value of the SCPF's assets as at that date was £13,875 million and the value of the liabilities on this accounting basis was £12,486 million, meaning the surplus measured for accounting purposes was £1,389 million.

The Company is unable to identify its share of the scheme's underlying assets and liabilities on a consistent and reasonable basis. There are no contractual or stated policies on which to base an allocation of the Fund's underlying assets and liabilities to member companies. In accordance with the exemption allowed by paragraph 9(b) of FRS 17, the Company will continue to account for the SCPF as a defined contribution scheme.

In the accounts of the Company there is no charge for contributions to the SCPF since the Company had not made contributions (2012: \$Nil). Contributions are expected to remain at 31% of members' pensionable salaries until the next triennial valuation (due as at 31 December 2014) unless certain surplus limits are reached prior to that time, or if the funding ratio deteriorates sufficiently, at the annual review contributions will be reviewed and may increase.

The cost of contributions to the UKSPP for the year amounts to £nil (2012: £nil).

Liabilities to provide unfunded pension arrangements to certain former and current directors and employees of the Company are provided in full based on actuarial valuations carried out in accordance with the requirements of FRS 17. At 31 December 2013, the obligation for accrued benefits in respect of these schemes was \$139.4 million (2012: \$94.2 million).

**THE SHELL TRANSPORT AND TRADING COMPANY LIMITED****NOTES TO THE ACCOUNTS (continued)****For the year ended 31 December 2013****13. Provisions for liabilities**

	<b>Decommissioning and restoration \$ million</b>
Balance at 1 January 2013	84.5
Addition	-
Utilisation of provision	(9.1)
Change in estimate	(11.0)
Translation difference	1.6
Unwinding of discount	3.3
Balance at 31 December 2013	69.3

At 31 December 2013, the Company has provided \$69.3 million (2012: \$84.5 million) in respect of the decommissioning of its oil and gas field and related infrastructure and the restoration of the sites. It is anticipated that decommissioning and restoration costs will be incurred over the next 4 years. The exact timing of these costs is dependent upon a number of factors. The provision has been estimated using existing technology, at current prices and discounted using a real discount rate of 4% (2012: 5%).



# THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

## NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2013

### 14. Called up share capital

	2013 \$ million	2012 \$ million
Authorised		
9,947,999,999 (2012: 9,947,999,999) ordinary shares of £0.25 each	4,476.6	4,476.6
1 (2012: 1) dividend access share of £0.25	-	-
Allotted and fully paid		
9,603,349,999 (2012: 9,603,349,999) ordinary shares of £0.25 each	4,331.3	4,331.3
1 (2012: 1) dividend access share of £0.25	-	-

The dividend access share is held by Computershare Trustees (Jersey) Limited ('Computershare Trustees') as dividend access share trustee to facilitate the preservation of the tax treatment of dividends paid to the previous public shareholders of the Company. Pursuant to a declaration of trust, Computershare Trustees will hold any dividends paid in respect of the dividend access share on trust for the holders of Class B shares of Royal Dutch Shell plc from time to time and will arrange for prompt disbursement of such dividends to holders of Class B shares of Royal Dutch Shell plc. Interest and other income earned on unclaimed dividends will be for the account of the Company and any dividends which are unclaimed after 12 years will revert to the Company. Holders of Class B shares of Royal Dutch Shell plc will not have any interest in the dividend access share and will not have any rights against the Company as issuer of the dividend access share. The only assets held on trust for the benefit of the holders of Class B shares of Royal Dutch Shell plc will be dividends paid to the dividend access trustee in respect of the dividend access share.

The declaration and payment of dividends on the dividend access share will require board action by the Company and will be subject to any applicable legal or articles limitations in effect from time to time. In no event will the aggregate amount of the dividend paid by the Company under the dividend access mechanism for a particular period exceed the aggregate amount of the dividend declared by the Royal Dutch Shell plc Board on the Class B shares of Royal Dutch Shell plc in respect of the same period.

The dividend access mechanism may be suspended or terminated at any time by Royal Dutch Shell's Directors or the Directors of the Company, for any reason and without financial recompense. This might, for instance, occur in response to changes in relevant tax legislation.

### 15. Dividends

Interim dividends paid during the year amounted to \$3,693.0 million (2012: \$5,029.9 million). This consists of payments of \$0.11 per share totalling \$1,045.8 million on 28 March 2013, \$0.11 per share totalling \$1,078.1 million on 27 July 2013, \$0.08 per share totalling \$792.0 million on 26 September 2013 and \$0.08 per share totalling \$777.1 million on 23 December 2013. No final dividend for the year ended 31 December 2013 has been proposed (2012: \$ Nil)

**THE SHELL TRANSPORT AND TRADING COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (continued)**

**For the year ended 31 December 2013**

**16. Reconciliation of movements in reserves and shareholder's funds**

	<b>Profit and loss account</b>	<b>Share capital</b>	<b>Capital redemption reserve</b>	<b>Other reserve</b>	<b>Currency translation reserve</b>	<b>Shareholder's funds</b>
	<b>\$ million</b>	<b>\$ million</b>	<b>\$ million</b>	<b>\$ million</b>	<b>\$ million</b>	<b>\$ million</b>
At 1 January 2012	8,237.1	4,331.3	153.4	(4,075.1)	93.7	8,740.4
Profit for the year	2,649.6	-	-	-	-	2,649.6
Currency translation	-	-	-	-	(28.5)	(28.5)
Dividends paid	(5,029.9)	-	-	-	-	(5,029.9)
At 1 January 2013	5,856.8	4,331.3	153.4	(4,075.1)	65.2	6,331.6
Profit for the year	4,033.1	-	-	-	-	4,033.1
Currency translation	-	-	-	-	(14.9)	(14.9)
Dividends paid	(3,693.0)	-	-	-	-	(3,693.0)
At 31 December 2013	6,196.9	4,331.3	153.4	(4,075.1)	50.3	6,656.8

**17. Directors**

**(a) Directors' emoluments**

	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>
Aggregate emoluments	334,193	355,916

The Directors of the Company are employed by various companies in the Shell Group and their emoluments are disclosed on an apportioned basis, no emoluments are paid directly by the Company.

No payments were made in 2013 to any Director as compensation for loss of office (2012: \$Nil)

The number of Directors to whom retirement benefits are accruing is as follows:

	<b>2013</b>	<b>2012</b>
	<b>Number</b>	<b>Number</b>
In respect of defined benefit schemes	6	6

Share options were exercised by 1 Director (2012: Nil) during the year.

Shares were receivable by 6 Directors (2012: 6) during the year under long-term incentive schemes.

# THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

## NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2013

### 17. Directors (continued)

#### (b) Highest paid Director

	2013 \$	2012 \$
Total amount of emoluments and amounts (excluding shares) receivable under long term incentive schemes	202,211	217,456
Defined benefit pension scheme:		
Accrued pension at end of year	18,153	22,106

These emoluments and pensions were borne by the Company and charged in the profit and loss account.

### 18. Contingent liabilities

#### *Guarantees*

In 2009 the Company issued a guarantee to Shell Pensions Trust Limited the Trustee of the SCPF for payments due from Member Companies for an amount up to £500 million.

#### *Other Contingencies*

The Company and its subsidiaries are subject to a number of other loss contingencies arising from litigation and claims brought by governmental and private parties, which are handled in the ordinary course of business. The operations and earnings of the Company and subsidiaries of the Company continue, from time to time, to be affected to varying degrees by political, legislative, fiscal and regulatory developments, including those relating to the protection of the environment and indigenous Groups, in the countries in which they operate, including for example, Nigeria. The industries in which the subsidiaries of the Company are engaged are also subject to physical risks of various types. The nature and frequency of these developments and events, not all of which are covered by insurance, as well as their effect on the future operations and earnings, are unpredictable.

In the judgment of the Board no losses, which are material in relation to the Company's financial position, are likely to arise in respect of these contingent liabilities.

### 19. Post balance sheet events

The Company has paid interim dividends of \$710.4 million on 27 March 2014 and \$1,014.6 million on 26 June 2014 to its parent company, Royal Dutch Shell plc from its 2014 profit.

In early 2014 Shell signed an agreement with the UK government to progress the detailed design of the Peterhead Carbon Capture and Storage ('CCS') project, that could potentially capture and store around 10 million tonnes of CO<sub>2</sub> over ten years, using the Company's North Sea oil and gas field. The agreement marks the start of a period of Front-End Engineering and Design (FEED), which is expected to continue until 2015. Subject to positive final investment decisions by Shell and the UK Government and the receipt of all relevant consents and permits, the project is expected to be up and running by the end of the decade.