

Registration number: 01682052

Shell EP Offshore Ventures Limited

Annual Report

and

Financial Statements

For the year ended 31 December 2022

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Shell EP Offshore Ventures Limited

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Shell EP Offshore Ventures Limited

Strategic report for the year ended 31 December 2022

The Directors present their Strategic report on Shell EP Offshore Ventures Limited (also referred to as the "Company") for the year ended 31 December 2022.

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 Shell plc (formerly 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". 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 "Shell plc" are sometimes used for convenience where references are made to Shell plc 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 activities of Shell EP Offshore Ventures Limited are oil and gas exploration and production in the United Kingdom. The Company will continue with these activities for the foreseeable future.

The Company reported a loss of £50.9m (2021: profit of £5.8m). The main reason for the reduction in financial performance level in 2022 year was temporary suspension of production on the Pierce field from October 2021 to December 2022. Suspension was due to FPSO upgrade work conducted to maintain gas production at satisfactory level in coming years.

The Company is developing strategies and plans to address the current challenging operating environment in the North Sea, including initiatives to reduce costs and improve the profitability of the North Sea business to continue to attract the Group's investment.

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 Shell plc 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 15 to 26 of Shell's Annual Report for the year ended 31 December 2022 (the "Group Report"), include those of the Company. The Group Report does not form part of this report.

Shell EP Offshore Ventures Limited

Strategic report for the year ended 31 December 2022 (continued)

Key Performance Indicators

Companies of the Shell Group comprise the Upstream, Integrated Gas and Renewables and Energy Solutions (formerly New Energies), and Downstream. 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 27 to 77 of the Group Report and the key performance indicators through which the Group's performance is measured are as set out on pages 27 to 28 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 31 December 2024 (the 'going concern period'). The Directors have considered the recovery from COVID-19, the potential risks and uncertainties relating to ongoing geo-political events and its related economic 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 consider it appropriate to prepare the financial statements for the year ended 31 December 2022 on a going concern basis.

Shell EP Offshore Ventures Limited

Strategic report for the year ended 31 December 2022 (continued)

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 interests 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 6 -14 of the Shell plc 2021 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.

Shell EP Offshore Ventures Limited

Strategic report for the year ended 31 December 2022 (continued)

PRINCIPAL DECISIONS

We define Principal decisions taken by the Board as those decisions in 2022, that are of a strategic nature and/or that are significant to any of our key stakeholder groups.

To remain concise, we have categorised our key stakeholders into seven groups. Where appropriate, each group is considered to include both current and potential stakeholders.

Key stakeholder groups

- A. Shareholders
- B. Employees/Workforce/Pensioners
- C. Regulators/Governments
- D. NGOs/civil society stakeholders/academia/think-tanks
- E. Communities
- F. Customers
- G. Suppliers /Strategic Partners

Principal Decisions in 2022

Upon review of the Board activity in 2022 we have determined that no principal decisions were taken by the Board during the year under review. All matters considered by the Board were either standing board updates or the approval of administrative matters.

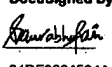
Human Rights

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.

Approved by the Board on ~~25-Aug-2023~~ and signed on its behalf by:

DocuSigned by:

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S. Jain
Director

Shell EP Offshore Ventures Limited

Directors' report for the year ended 31 December 2022

The Directors present their report and the financial statements for the year ended 31 December 2022.

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

Dividend

No dividends were paid during the year (2021: £nil).

Future Outlook

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

Directors of the Company

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

A.E. Brocklebank

H. Burdge (appointed 11 January 2022)

G. Burmeister

S. Jain

R.J. Maxwell (resigned 10 January 2023)

Shell Corporate Director Limited

E.J. Smart

The following director was appointed after the year end:

A. Chauhan (appointed 9 January 2023)

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 215 to 217 and note 25).

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 78 to 105 of the Group Report with greenhouse gas emissions and energy usage being set out on pages 104 to 105.

Shell EP Offshore Ventures Limited

Directors' report for the year ended 31 December 2022 (continued)

Branches outside of United Kingdom

The Company has branches in Kazakhstan and Colombia.

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:

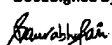
- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

Approved by the Board on 25-Aug-2023 and signed on its behalf by:

DocuSigned by:

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S. Jain
Director

Independent Auditor's report to the Member of Shell EP Offshore Ventures Limited

Opinion

We have audited the financial statements of Shell EP Offshore Ventures Limited (the "Company") for the year ended 31 December 2022, which comprise the Profit and Loss Account, the Statement of comprehensive income, the Balance Sheet, the Statement of changes in equity, and the related notes 1 to 19, 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 2022 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 to 31 December 2024.

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 EP Offshore Ventures 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 this 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 this gives rise to 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 or 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.

**Independent Auditor's report to the Member of Shell EP Offshore Ventures Limited
(continued)**

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 was 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, Petroleum Act 1998, Oil & Gas Authority regulations and relevant tax compliance regulations in the jurisdictions in which the Company operates, including the United Kingdom, Kazakhstan and Colombia).
- 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:

Independent Auditor's report to the Member of Shell EP Offshore Ventures Limited
(continued)

- 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 that revenue was a judgemental area of the audit which might be more susceptible to fraud. We obtained an understanding of the controls over the process for the recognition of revenue and tested in particular the existence of the revenue recorded in the financial statements and any manual adjustments to the revenue.
 - 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 this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. 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 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

.....
Clarke Cooper (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Aberdeen

31 August 2023
Date:.....

Shell EP Offshore Ventures Limited

Profit and Loss Account for the year ended 31 December 2022

Continuing operations

	Note	2022 £ million	2021 £ million
Turnover	4	4.9	44.0
Cost of sales		<u>(50.1)</u>	<u>(36.2)</u>
GROSS (LOSS)/PROFIT		(45.2)	7.8
Exploration expenses		<u>(1.7)</u>	<u>(1.2)</u>
OPERATING (LOSS)/PROFIT	7	(46.9)	6.6
(Loss)/profit on disposal of tangible fixed assets		<u>(1.8)</u>	<u>1.8</u>
(LOSS)/PROFIT BEFORE INTEREST AND TAXATION		(48.7)	8.4
Interest receivable and similar income	5	3.6	0.3
Interest payable and similar charges	6	<u>(8.8)</u>	<u>(3.6)</u>
(LOSS)/PROFIT BEFORE TAXATION		(53.9)	5.1
Tax on (loss)/profit	9	<u>3.0</u>	<u>0.7</u>
(LOSS)/PROFIT FOR THE YEAR		<u>(50.9)</u>	<u>5.8</u>

Shell EP Offshore Ventures Limited

Statement of comprehensive income for the year ended 31 December 2022

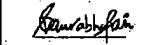
	Note	2022 £ million	2021 £ million
(Loss)/profit for the year		(50.9)	5.8
Other comprehensive income: Items that may be reclassified subsequently to profit or loss			
Foreign currency translation gains		8.0	0.4
Tax on items relating to components of other comprehensive income	9	<u>0.3</u>	<u>-</u>
Other comprehensive income for the year, net of tax		<u>8.3</u>	<u>0.4</u>
Total comprehensive (loss)/income for the year		<u>(42.6)</u>	<u>6.2</u>

Shell EP Offshore Ventures Limited

**(Registration number: 01682052)
Balance Sheet as at 31 December 2022**

	Note	2022 £ million	2021 £ million
Fixed assets			
Tangible assets	10	258.0	102.9
Right-of-use assets	16	13.8	10.8
Deferred tax	9	-	10.7
		<u>271.8</u>	<u>124.4</u>
Current assets			
Stock	12	1.0	0.6
Debtors	13	359.7	1,597.7
Cash at bank and in hand		20.3	31.6
		381.0	1,629.9
Creditors: Amounts falling due within one year	14	<u>(225.8)</u>	<u>(1,418.6)</u>
Net current assets		<u>155.2</u>	<u>211.3</u>
Total assets less current liabilities		427.0	335.7
Creditors: Amounts falling due after more than one year	15	(54.5)	(52.6)
Deferred tax	9	(1.1)	-
Provisions	17	<u>(79.8)</u>	<u>(75.6)</u>
Net assets		<u>291.6</u>	<u>207.5</u>
Equity			
Called up share capital	18	482.5	355.8
Currency translation reserve		8.7	0.4
Profit and loss account		<u>(199.6)</u>	<u>(148.7)</u>
Total equity		<u>291.6</u>	<u>207.5</u>

The financial statements on pages 11 to 43 were authorised for issue by the Board of Directors on 25-Aug-2023 and signed on its behalf by:

DocuSigned by:

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S. Jain
 Director

Shell EP Offshore Ventures Limited

Statement of changes in equity for the year ended 31 December 2022

	Called up Share Capital £ million	Profit and loss account £ million	Currency Translation Reserve £ million	Total £ million
Balance as at 01 January 2021	305.4	(154.5)	-	150.9
Profit for the year	-	5.8	-	5.8
Other comprehensive income for the year	-	-	0.4	0.4
Total Comprehensive loss for the year	-	5.8	0.4	6.2
Proceeds from shares issued	50.4	-	-	50.4
Balance as at 31 December 2021	355.8	(148.7)	0.4	207.5
Balance as at 01 January 2022	355.8	(148.7)	0.4	207.5
Loss for the year	-	(50.9)	-	(50.9)
Other comprehensive income for the year	-	-	8.3	8.3
Total Comprehensive loss for the year	-	(50.9)	8.3	(42.6)
Proceeds from shares issued	126.7	-	-	126.7
Balance as at 31 December 2022	482.5	(199.6)	8.7	291.6

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022

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. 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 Directors have considered the recovery from COVID-19, the potential risks and uncertainties relating to ongoing geo-political events and its related economic 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 resources to meet its liabilities and commitments over the going concern period to 31 December 2024. The Directors have assessed that the Company has adequate resources to continue in operation for the period to 31 December 2024.

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

1 Accounting policies (continued)

Change in accounting policy

New standards applied

New and amended standards and interpretations

Onerous contracts - costs of fulfilling a contract - amendments to IAS 37

The Company does not have any onerous contracts at the beginning of the reporting period and therefore no adjustments are made to the opening financial period.

These amendments had no impact on the financial statements of the Company as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

The following exemptions from the disclosure requirements of UK-adopted International Accounting Standards have been applied in the preparation of these financial statements, in accordance with FRS 101:

- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1 'Presentation of financial statements';
 - (ii) paragraph 73(e) of IAS 16 'Property, plant and equipment';
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - (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)
- The following paragraphs of IFRS 15, 'Revenue from Contracts with Customers';

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

1 Accounting policies (continued)

- (i) the requirements of the second sentence of paragraph 110 (qualitative and quantitative information about contracts with customers, significant judgements, changes in judgements in applying this standard to those contracts, and assets recognised from the costs to obtain or fulfil a contract);
 - (ii) paragraph 113(a) (revenue recognised from contracts with customers);
 - (iii) paragraphs 114 and 115 (disaggregation of revenue);
 - (iv) paragraph 118 (changes in contract asset and liability);
 - (v) paragraphs 119(a) to (c) and 120 to 127 (performance obligations); and
 - (vi) paragraph 129 (practical expedients);
- 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.
 - The following paragraphs of IFRS 16, 'Leases':
 - (i) paragraph 58 (separate maturity analysis for lease liabilities);
 - (ii) paragraphs 90 and 91 (table of lease income from operating leases, including separate disclosure of income from variable lease payments not dependant on an index or a rate);
 - (iii) paragraph 93 (qualitative and quantitative explanation of the significant changes in the carrying amount of the net investment in finance leases).

Consolidation

The immediate parent Company is Enterprise Oil Limited.

The ultimate parent Company and controlling party is Shell plc, which is incorporated in England and Wales. Shell plc is the parent undertaking of the smallest and largest group to consolidate these financial statements.

The consolidated financial statements of Shell plc are available from:

Shell plc

Tel: +44 800 731 8888

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.

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

1 Accounting policies (continued)

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.

Provisions for uncertain income tax positions/treatments are measured at the most likely amount or the expected value, whichever method is more appropriate. Generally, uncertain tax treatments are assessed on an individual basis, except where they are expected to be settled collectively. It is assumed that taxing authorities will examine positions taken if they have the right to do so and that they have full knowledge of the relevant information.

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 functional currency for UK operations is Pound Sterling (£) and for Kazakhstan and Colombia branch is United States Dollars (USD). The financial statements are presented in Pounds Sterling (£).

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

1 Accounting policies (continued)

(ii) Transaction and balances

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

Monetary assets and liabilities recorded in foreign currencies have been translated in the functional currency 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.

Assets and liabilities of the Kazakhstan branch and Colombia branch are translated at GBP 0.8295 : 1 USD being the relevant year end exchange rates. Income and expenditure accounts are translated at GBP 0.8003 : 1 USD being the average rates for the year. Any translation differences are taken in other comprehensive income.

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. A review for the 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. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is the higher of fair value less costs to sell and value in use. Value in use is determined as the amount of estimated risk-adjusted discounted future cash flows. For this purpose, assets are grouped into cash-generating units based on separately identifiable and largely independent cash inflows. Any impairments are recorded in the profit and loss account.

If, after an impairment loss has been recognised, the recoverable amount of a fixed asset increases because of a change in economic conditions or in the expected use of the asset, the resulting reversal of the impairment loss is recognised in the current 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.

Depreciation and impairment are not normally charged on assets under construction or on freehold land. In the case of these assets, an impairment review would only be undertaken if, and only if, there was a change in circumstances indicating that the carrying amount of the asset may not be recoverable.

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

1 Accounting policies (continued)

The cost of licences is carried forward either until a licence is relinquished or the associated costs written off, or until production of oil or gas starts, when the cost is depleted on a unit-of-production basis related to total proved reserves.

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. However, for certain Upstream assets, other approaches are applied to determine the reserves base for the purpose of calculating depreciation, such as using management's expectations of future oil and gas prices rather than the yearly average prices, to provide a phasing of periodic depreciation charges that more appropriately reflects the expected utilisation of the assets concerned.

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.

Exploration, appraisal and development costs

Exploration and appraisal costs are accounted for under the successful efforts method.

Exploration costs are charged to income when incurred, except that exploratory drilling costs are included in tangible fixed assets, pending determination of proved reserves. Exploration wells that are more than 12 months old are expensed unless (a) (i) they are in an area requiring major capital expenditure before production can begin and (ii) they have found commercially producible quantities of reserves and (iii) they are subject to further exploratory or appraisal activity in that either drilling of additional exploratory wells is under way or firmly planned for the near future, or (b) proved reserves are booked within 12 months following the completion of exploratory drilling.

Decommissioning and restoration costs

The Company follows the requirements of IAS 37 "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.

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

1 Accounting policies (continued)

Environmental expenditure

Environmental expenditure relating to current operations is expensed, or capitalised where such expenditure provides future economic benefits. Liabilities for environmental remediation resulting from past operations or events are recognised in the period in which an obligation to a third party arises and when the amount can be reasonably estimated. Measurement of liabilities is based on current legal requirements and existing technology. Liabilities are determined independently of expected recoveries from third parties. Such recoveries are recognised and reported as separate events and brought to account when virtually certain of realisation. The carrying amount of liabilities is regularly reviewed and adjusted as appropriate for new facts or changes in law or technology.

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 depreciation and petroleum revenue tax are accounted for prospectively over the estimated remaining commercial reserves of each field.

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

1 Accounting policies (continued)

Impairment of Tangible assets

Tangible assets other than unproved properties are tested for impairment whenever events or changes in circumstances indicate that the carrying amounts for those assets may not be recoverable. On classification as held for sale, the carrying amounts of property, plant and equipment are also reviewed. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is the higher of fair value less costs to sell and value in use.

Value in use is determined as the amount of estimated risk-adjusted discounted future cash flows. For this purpose, assets are grouped into cash-generating units based on separately identifiable and largely independent cash inflows. Estimates of future cash flows used in the evaluation of impairment of assets are made using management's forecasts of commodity prices, market supply and demand, potential costs associated with operational GHG emissions, and forecast product and refining margins. In addition, management takes into consideration the expected useful lives of the refineries, and exploration and production assets, and expected production volumes. The latter takes into account assessments of field and reservoir performance and includes expectations about both proved reserves and volumes that are expected to constitute proved reserves in the future (unproved volumes), which are risk-weighted utilising geological, production, recovery and economic projections. Cash flow estimates are adjusted for risks specific to the asset and discounted at a post-tax rate based on Shell's post-tax weighted average cost of capital (WACC). When calculating value in use, using post-tax discount rates does not result in a materially different outcome of determining if an impairment is needed or related to the amount of the impairment than when using pre-tax discount rates.

Impairments, except those related to goodwill, are reversed as applicable to the extent that the events or circumstances that triggered the original impairment have changed.

Impairment losses and reversals are reported within depreciation, depletion and amortisation.

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

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. 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 and geo-political events, there continues to be 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.

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

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 trade 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.

Derivative contracts

Derivative contracts are held at fair value. Gains or losses arising from changes in fair value are recognised in the profit and loss account within interest income or expenses in the period in which they arise.

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 investment up to the amount it would have been had the original impairment not occurred.

Stock

Stocks are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Provision is made for obsolete, slow moving and defective stocks to write stocks down to their net realisable value, wherever necessary.

Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

1 Accounting policies (continued)

Underlift and overlift of oil

Underlift and overlift of crude oil is valued at market prices. The resulting impact is recognised within cost of sales in the profit and loss account.

Turnover

Recognition

Turnover from contracts with customers is recognised over time, or at a point in time, when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services.

For contracts that contain separate performance obligations the transaction price is allocated to those separate performance obligations by reference to their relative standalone selling prices. Turnover is recognised as the performance obligations are fulfilled.

Sale of goods

Turnover from sales of oil, natural gas, chemicals and other products is recognised at the price at which the Company is expected to be entitled to, after deducting sales taxes, excise duties and similar levies, and when the control of the products have been transferred, which is when the customer has the ability to direct the use of the products and obtain substantially all of the remaining benefits from the products.

Turnover from sales of oil products and chemicals, it is either at the point of delivery or the point of receipt, depending on contractual conditions.

Turnover from sales by Upstream and Integrated Gas operations generally occurs when product is physically transferred into a vessel, pipe or other delivery mechanism.

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

1 Accounting policies (continued)

Leases

At inception of a contract, the Company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in IFRS 16.

Accounting as Lessee:

Classification and measurement:

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date for non-cancellable leases. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines the incremental borrowing rate representing the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The incremental borrowing rate applied to each lease was determined taking into account the risk-free rate, adjusted for factors such as the credit rating of the Company and the terms and conditions of the lease.

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

1 Accounting policies (continued)

Lease payments included in the measurement of the lease liability comprise the following:

1. fixed payments, including in-substance fixed payments;
2. variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
3. amounts expected to be payable under a residual value guarantee; and
4. the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

Right-of-use assets are presented separately in the statement of financial position.

Subsequent measurement

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability such as variable lease payments or change in terms.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment. For remeasurements to lease liabilities, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

1 Accounting policies (continued)

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value at a rate intended to reflect the time value of money where the effect of time value of money is material.

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.

Joint arrangements

The Company's exploration, development and production activities are generally conducted in joint arrangements with other companies. The Company recognises its assets and liabilities relating to its interests in joint operations, including its share of assets held jointly and liabilities incurred jointly with other parties.

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.

Useful economic life of tangible fixed assets

Depreciation of tangible fixed assets is calculated using management's assessment of the useful economic lives of the underlying assets. Upon purchase or construction of an asset, useful economic life is assessed by reference to a number of underlying assumptions, including the economic lives of other similar assets. As the economic benefit of the assets is consumed over the course of its life, revisions to the useful life of the asset may be made upon assessment of changes in the operating environment or the condition of the asset itself.

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

2 Critical accounting judgements and key sources of estimation uncertainty (continued)

Impairment of tangible fixed assets

For the purposes of determining whether impairment of tangible fixed assets and intangible fixed assets has occurred, and the extent of any impairment or its reversal, the key assumptions management uses in estimating risk-adjusted future cash flows for value in use measures are future oil and gas prices and refining margins. In addition, management uses other assumptions such as potential costs associated with operational GHG emissions and expected production volumes 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 or the risk adjustment in the future cash flows.

Future price assumptions tend to be stable because management does not consider short-term increases or decreases in prices as being indicative of long-term levels, but they are nonetheless subject to change. Expected production volumes, which comprise proved reserves and unproved volumes, are used for impairment testing because management believes this to be the most appropriate indicator of expected future cash flows. As discussed in "Estimation of proved oil and gas reserves", reserves estimates are inherently imprecise. Furthermore, projections about unproved volumes are based on information that is necessarily less robust than that available for mature reservoirs. Due to the nature and geographical spread of the business activity in which those assets are used, it is typically not practicable to estimate the likelihood or extent of impairments under different sets of assumptions. The discount rate applied is reviewed annually.

The determination of cash-generating units requires judgement. Changes in this determination could impact the calculation of value in use and therefore the conclusion on the recoverability of assets' carrying amounts when performing an impairment test.

Judgement, which is subject to change as new information becomes available, can be required in determining when an asset is classified as held for sale. A change in that judgement could result in impairment charges affecting income, depending on whether classification requires a write-down of the asset to its fair value less costs to sell.

In assessing the value in use, the estimated risk adjusted future cash flows are discounted to their present value using a post-tax discount rate that reflects Shell's post-tax WACC. The discount rate applied does not reflect specific local risks for which future cash flow estimates have been adjusted.

Changes in assumptions could affect the carrying amounts of assets, and impairment charges and reversals will affect income.

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

2 Critical accounting judgements and key sources of estimation uncertainty (continued)

Climate change and energy transition

In 2021, Shell launched its Powering Progress strategy to become a net-zero emissions business by 2050. The strategy includes targets to reduce absolute emissions from its operations and the energy it buys to run them, compared with 2016 levels. Shell's targets include reducing Scope 1 and 2 emissions by 50% by 2030 and reducing the carbon intensity of energy products sold (Scope 1, 2 and 3 emissions) by 6-8% by 2023, 9-12% by 2024, 9-13% by 2025, 20% by 2030, 45% by 2035, and 100% by 2050. Shell plc's Annual Report in pages 252- 253 under note 4 describes how Shell has considered climate-related impacts in some key areas of the financial statements and how this translates into the valuation of assets and measurement of liabilities as Shell makes progress in the energy transition.

Estimation of proved oil and gas reserves

Unit-of-production depreciation, depletion and amortisation charges are principally measured based on management's estimates of proved developed oil and gas reserves. Also, exploration drilling costs are capitalised pending the results of further exploration or appraisal activity, which may take several years to complete and before any related proved reserves can be booked.

Proved reserves are estimated by reference to available geological and engineering data and only include volumes for which access to market is assured with reasonable certainty. Estimates of proved reserves are inherently imprecise, require the application of judgement and are subject to regular revision, either upward or downward, based on new information such as from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans.

Changes to estimates of proved developed reserves affect prospectively the amounts of depreciation, depletion and amortisation charged and, consequently, the carrying amounts of exploration and production assets. It is expected, however, that in the normal course of business the diversity of the asset portfolio will limit the effect of such revisions. The outcome of, or assessment of plans for, exploration or appraisal activity may result in the related capitalised exploration drilling costs being recognised in income in that period.

Stock provision

In the course of management's assessment of the recoverability of stock balances, assumptions are made over the expected economic benefit to be derived from stock assets. These include, but are not limited to, future oil and gas prices; exchange rates and other economic indices. Provisions are made where management do not believe that the book value of the stock will be recovered through sale or use, the value of which will change in line with the underlying economic indicators that influence the market for such goods.

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

2 Critical accounting judgements and key sources of estimation uncertainty (continued)

Provision for expected credit losses of trade debtors

The Company computes probability of default rates for third party trade debtors based on historical loss experience adjusted for current and forward looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. For intra-group trade 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.

Fair value of financial assets and liabilities

Where the fair value of financial assets and liabilities cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of mathematical models. The input to these models is derived from observable markets where available, but where this is not feasible, a degree of judgement is required in determining assumptions used in the models. Changes in assumptions used in the models could affect the reported fair value of financial assets and liabilities.

Determining lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

Determining lease discount rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

The Company estimates the IBR using observable inputs like the risk-free rate and adjust it for factors such as the credit rating of the Company and the terms and conditions of the lease.

If implicit interest rate can be determined from the lease contract then, the same should be used to measure lease liability. Implicit interest rate is defined as the rate of interest that causes the present value of (a) the lease payments and (b) the unguaranteed residual value to equal the sum of (i) the fair value of the underlying asset and (ii) any initial direct costs of the lessor. In practice, it is not easy to identify the implicit rate from a lease contract, therefore it is suggested to use the entity's incremental borrowing rate.

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

2 Critical accounting judgements and key sources of estimation uncertainty (continued)

Decommissioning and restoration provisions

Provisions are recognised for the future decommissioning and restoration of hydrocarbon production facilities and pipelines at the end of their economic lives. The estimated cost is recognised in income over the life of the proved developed reserves on a unit-of-production basis or on a straight-line basis, as applicable. Changes in the estimates of costs to be incurred, proved developed reserves, or in the rate of production will therefore impact income, generally over the remaining economic life of the related assets.

Estimates of the amounts of provisions recognised are based on current legal and constructive requirements, technology and price levels. Because actual outflows can differ from estimates due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take account of such changes. The discount rate applied is reviewed annually.

3 Financial instruments

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

	2022 £ million	2021 £ million
Derivative financial assets	2.0	6.6

The Company is party to certain long term contracts to sell and purchase gas and oil products which are required to be recognised at fair value because of pricing and delivery conditions, even though they are entered into to meet operational requirements.

The key assumptions used in valuing these contracts are the forward gas and bitumen prices, which are based on forward gas price formulae used in similar contracts.

The Company holds a consideration receivable of £2.0 million (2021: £6.6 million) related to the sale of the Bittern field and Triton FPSO (floating production storage and offloading) which is required to be recognised at fair value because of pricing conditions. The key assumption used in valuing the derivatives was the forward oil price.

4 Turnover

The analysis of the Company's turnover for the year from continuing operations is as follows:

	2022 £ million	2021 £ million
Sale of oil products	4.9	44.0
	<u>4.9</u>	<u>44.0</u>

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

4 Turnover (continued)

The analysis of the Company's turnover for the year by market is as follows:

	2022 £ million	2021 £ million
Europe	4.9	38.9
Asia Pacific	-	5.1
	<u>4.9</u>	<u>44.0</u>

Class of business

Turnover is principally related, directly or indirectly, to oil and gas exploration and production.

5 Interest receivable and similar income

	2022 £ million	2021 £ million
Interest from Group undertakings:		
Parent undertakings	2.7	-
Interest received	0.5	-
Profit on currency translation	0.4	0.3
	<u>3.6</u>	<u>0.3</u>

6 Interest payable and similar charges

	2022 £ million	2021 £ million
Interest on loans from Group undertakings:		
Fellow subsidiary undertakings	2.0	1.3
Interest on obligations under leases	0.3	0.7
Loss on currency translation - financial items	4.5	0.2
Unwinding of discount on long term provisions (note 17)	1.8	1.3
Other interest payable	0.2	0.1
	<u>8.8</u>	<u>3.6</u>

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

7 Operating profit/(loss)

Arrived at after charging:

	2022 £ million	2021 £ million
Depreciation:		
On owned assets	0.2	10.8
On lease assets	1.4	1.4

The Company had no employees during 2022 (2021: none).

None of the Directors received any emoluments (2021: none) in respect of their services to the Company.

8 Auditor's remuneration

The Auditor's remuneration of £13,723 (2021: £11,803) in respect of the statutory audit was borne by the immediate parent Company for both 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 Shell plc consolidated financial statements are required to disclose such fees on a consolidated basis.

9 Tax on profit

Tax (credit) in the profit and loss account

The tax credit for the year of £2.7m (2021: £0.7m) is made up as follows:

	2022 £ million	2021 £ million
Current taxation		
UK corporation tax	(15.3)	(1.5)
UK corporation tax adjustment to prior periods	<u>0.7</u>	<u>0.5</u>
Total current tax credit	<u>(14.6)</u>	<u>(1.0)</u>

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

9 Tax on profit (continued)

	2022 £ million	2021 £ million
Deferred taxation		
Arising from origination and reversal of temporary differences	(23.1)	1.7
Arising from adjustment in respect of prior periods	(1.0)	(1.2)
Arising from changes in tax rates and laws	35.7	(0.1)
Arising from reclassification from currency translation reserve to profit or loss	-	(0.1)
Total deferred tax charge	11.6	0.3
Tax credit in the profit and loss account	(3.0)	(0.7)

Reconciliation of total tax (credit)

The tax on profit before tax for the year differs from the standard rate of corporation tax in the UK of 65% (2021: 40%).

The tax on loss before tax for the year applicable to oil and gas exploration and production companies differs from the standard rate of corporation tax in the UK of 40% (ring fence corporation tax of 30% and supplementary charge of 10%) (2021: 40%).

The differences are reconciled below:

	2022 £ million	2021 £ million
Loss/(profit) before tax	53.9	(5.1)
Tax on loss/(profit) calculated at standard rate (2022:65%) (2021:40%)	(35.0)	2.0
Effects of:		
Income exempt from taxation	(0.1)	(0.7)
Expenses not deductible	1.1	0.2
Adjustments in respect of prior periods	(0.3)	(0.8)
Recognition of tax loss or credit	(6.1)	(2.8)
Ring fence/non-ring fence tax rate differentials	4.8	1.5
Reconciliation between accounting profit and tax expense (income)	-	(0.1)
Tax on imputed interest	0.2	-
Effect of change in corporation tax rates	35.6	-
Super deduction claim against EPL	(3.2)	-

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

9 Tax on profit (continued)

	2022 £ million	2021 £ million
Total tax credit	(3.0)	(0.7)

The Finance Act 2020 (enacted on 22 July 2020) maintained the statutory corporation tax rate of 19% as applicable in the previous year. The 2021 Budget announcement, to increase the main corporation tax rate to 25%, effective from 1 April 2023, was substantively enacted on 24 May 2021. The proposal of maintaining the main corporation tax rate at 19% in September 2022 budget did not come into force.

The main corporation tax rate of 40% (ring fence corporation tax of 30% and supplementary charge of 10%) (2021 – 40%), is applicable on the profits earned by oil and gas companies from the production of oil and gas on the United Kingdom Continental Shelf. On 14 July 2022, the Energy (Oil & Gas) Profits Levy Act 2022 (EPL) was enacted, which imposed 25% of additional levy. The new levy was applicable to income generated after 26 May 2022 for the year 2022. Further, in November 2022, this levy was increased to 35% effective 1 January 2023 and its applicability was extended till 31 March 2028. Accordingly, deferred taxes have been re-measured at applicable tax rates based on future unwinding profile.

Deferred tax asset/(liability)

	Asset £ million	Liability £ million	Net deferred tax £ million
2022			
Accelerated tax depreciation	-	(90.4)	(90.4)
Provision for decommissioning and restoration not yet allowed for tax	31.8	-	31.8
Tax losses carry-forward	57.5	-	57.5
	89.3	(90.4)	(1.1)
2021			
Accelerated tax depreciation	-	(38.9)	(38.9)
Provision for decommissioning and restoration not yet allowed for tax	30.2	-	30.2
Tax losses carry-forward	19.5	-	19.5
	49.7	(38.9)	10.8

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

9 Tax on profit (continued)

Deferred tax movement during the year:

	At 1 January 2022 £ million	Recognised profit and loss £ million	Recognised in other comprehensive income £ million	Recognised in equity £ million	At 31 December 2022 £ million
Tax losses carried forward	19.5	38.0	-	-	57.5
Provision for decommissioning and restoration not yet allowed for tax	30.2	(0.3)	-	1.9	31.8
Accelerated tax depreciation	(38.9)	(13.6)	(0.3)	(37.6)	(90.4)
Net tax liabilities	<u>10.8</u>	<u>24.1</u>	<u>(0.3)</u>	<u>(35.7)</u>	<u>(1.1)</u>

Deferred tax movement during the prior year:

	At 1 January 2021 £ million	Recognised in income £ million	Recognised in equity £ million	At 31 December 2021 £ million
Tax losses carried forward	16.7	2.9	-	19.5
Provision for decommissioning and restoration not yet allowed for tax	28.2	(1.7)	3.8	30.2
Accelerated tax depreciation	(33.7)	(1.4)	(3.8)	(38.9)
Net tax assets	<u>11.1</u>	<u>(0.3)</u>	<u>-</u>	<u>10.8</u>

The provision for deferred tax consists of the following deferred tax (liabilities) / assets:

	2022 £ million	2021 £ million
Deferred tax assets due more than 12 months	98.1	49.7
Deferred tax liabilities due more than 12 months	<u>(99.2)</u>	<u>(38.9)</u>
Total deferred tax	<u>(1.1)</u>	<u>10.8</u>

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

10 Tangible assets

	Oil and gas properties £ million	Assets under construction £ million	Total £ million
Cost or valuation			
Balance at 1 January 2022	340.6	53.1	393.7
Additions	-	150.1	150.1
Change in estimates (note 17)	4.7	-	4.7
Disposal of assets	(78.9)	-	(78.9)
Translation difference	-	1.2	1.2
Transfers	77.1	(77.1)	-
Balance at 31 December 2022	343.5	127.3	470.8
Accumulated Depreciation			
Balance at 1 January 2022	(290.8)	-	(290.8)
Charge for the year	(0.2)	-	(0.2)
Disposal of assets	78.2	-	78.2
Balance at 31 December 2022	(212.8)	-	(212.8)
Net book amount			
At 31 December 2022	130.7	127.3	258.0
At 31 December 2021	49.8	53.1	102.9

The oil and gas property fixed assets above were held in the UK and Colombia.

Aggregate net decommissioning costs included in tangible fixed assets of the Company as at 31 December 2022 were £17.2 million (2021: £12.6 million).

Disposal movements in Cost and in Depreciation during financial year ending 31 December 2022 relate to divestment of Company share in Licence P.096, Block 22/13a in Central North Sea which includes the Bardolino field.

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

11 Investments

The investment in participating undertaking is carried at £nil (2021: £nil).

Details of the participating undertakings as at 31 December 2022 are as follows:

Name of participating undertaking	Registered office and Country of incorporation	Class of shares	% of ownership
Caspi Meruerty Operating Company B.V.	Prins Bernhardplein 200, 1097 JB Amsterdam Netherlands	Ordinary	40%

12 Stock

	2022 £ million	2021 £ million
Finished goods and goods for resale	<u>1.0</u>	<u>0.6</u>

13 Trade and other debtors

Debtors: amounts due within one year

	2022 £ million	2021 £ million
Trade debtors	1.1	1.2
Amounts owed by Group undertakings:		
Parent undertakings	67.6	1,392.6
Fellow subsidiary undertakings	245.0	188.1
Prepayments and accrued income	2.0	1.4
Derivative assets	1.6	3.6
Tax receivable	16.5	2.6
Other debtors	<u>25.5</u>	<u>5.2</u>
	<u>359.3</u>	<u>1,594.7</u>

Included within Other debtors is underlift of £0.0 million (2021: £2.3 million).

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

13 Trade and other debtors (continued)

Amounts owed by Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Debtors: amounts due after one year

	2022 £ million	2021 £ million
Derivative assets	0.4	3.0
	<u>0.4</u>	<u>3.0</u>

The Company holds a consideration receivable of £2.0 million (2021: £6.6 million) related to the sale of the Bittern field and Triton FPSO (floating production storage and offloading) which is required to be recognised at fair value because of pricing conditions. The key assumption used in valuing the derivatives was the forward oil price.

The Company has recorded all financial assets at amortised cost except for derivative assets.

14 Creditors: amounts falling due within one year

	2022 £ million	2021 £ million
Trade creditors	7.4	10.0
Amounts owed to Group undertakings		
Parent undertakings	107.3	1,332.2
Fellow subsidiary undertakings	58.8	44.8
Lease liabilities	1.8	1.8
Accrued expenses	13.1	12.5
Other creditors	37.4	17.3
	<u>225.8</u>	<u>1,418.6</u>

Included within Other creditors is overlift of £0.6 million (2021: £9.4 million).

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

The Company has recorded all financial liabilities at amortised cost except for derivative assets.

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

15 Creditors: amounts falling due after more than one year

	2022	2021
	£ million	£ million
Amounts due to Group undertaking		
Parent undertakings	48.0	47.6
Lease liabilities	6.5	5.0
	<u>54.5</u>	<u>52.6</u>

The Company has recorded all financial liabilities at amortised cost.

	2022	2021
	£ million	£ million
Amounts falling due after more than five years		
Lease liabilities	1.7	1.4

16 Leases

Right-of-use assets

The Company has entered into lease contracts for provision of production, storage, offtake and transportation services for the Pierce field.

Set out below are the carrying amounts of right-of use assets recognised and the movements during the period:

	Machinery	Total
	£ million	£ million
Balance at 1 January 2022	10.8	10.8
Depreciation charge for the year	(1.4)	(1.4)
Modifications during the year	4.4	4.4
Balance at 31 December 2022	<u>13.8</u>	<u>13.8</u>

Amounts recognised in profit and loss account

	Note	2022	2021
		£ million	£ million
Interest expense (included in finance cost)	6	0.3	0.7
		<u>0.3</u>	<u>0.7</u>

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

17 Provisions

	Decommissioning and restoration £ million	Total £ million
Balance as at 1 January 2022	75.6	75.6
Provisions used	(0.1)	(0.1)
Increase due to unwinding of discount (note 6)	1.8	1.8
Increase due to change in estimates	2.5	2.5
Balance as at 31 December 2022	79.8	79.8
Non-current liabilities	79.8	79.8
Current liabilities	-	-

At 31 December 2022, the Company has provided £79.8 million (2021: £75.6 million) in respect of the decommissioning of its oil and gas fields and related infrastructure and the restoration of the sites. It is anticipated that decommissioning and restoration costs will be incurred over the next 13 years. The exact timing of these costs is dependent upon a number of factors such as reservoir performance, new near field developments and the oil price. The provision has been estimated using existing technology, at current prices and discounted using a discount rate of 3.25% (2021: 2.00%).

Discount rate impact on Decommissioning provision

The discount rate applied for provisions at December 31, 2022 was 3.25% (December 31, 2021: 2.00%). Compared with December 31, 2021, non-current decommissioning and restoration provisions decreased by £7.1 million as a result of the change in the discount rate.

18 Called up share capital

Allotted, called up and fully paid shares

	No.	2022 £ million	No.	2021 £ million
Issued share capital of £1 each	482,460,576	482.5	355,754,876	355.8

New shares allotted

During the year 126,705,700 ordinary share capital having an aggregate nominal value of £1 were allotted for an aggregate consideration of £126,705,700.

Shell EP Offshore Ventures Limited

Notes to the financial statements for the year ended 31 December 2022 (continued)

19 Commitments

Capital commitments

The total amount contracted for but not provided in the financial statements was £0.0 m (2021: £0.0 m).