Registration number: 03075807

Shell International Limited

Annual Report

and

Financial Statements

For the year ended 31 December 2021

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Shell International Limited

Contents

Shell International Limited

Strategic report for the year ended 31 December 2021

The Directors present their Strategic report on Shell International Limited (also referred to as the "Company") for the year ended 31 December 2021.

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 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 International Limited are to provide services to other companies of the Group such as Real Estate, Legal, Global Finance and Human Resources. The Company will continue with these activities for the foreseeable future.

The Company operates on a full cost recovery basis.

The Company's result for the financial year is a loss of £1,188 thousand (2020: profit of £3,593 thousand). The loss represents taxes which cannot be recovered from other group entities and the net impact of share based payments. Share based payments are recovered on an actual basis. The net profit and loss impact of share based payments represents the difference between the notional charge and the recovery of the actual charge.

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

Organisational Restructuring

A restructuring plan named Reshape was announced by the Shell Group in the third quarter 2020. In January 2021 the impact of Reshape was communicated to employees, which established a constructive obligation for recognising a redundancy provision under IAS 37 for qualifying employees. The related redundancy provisions and charges recognised during the year is £821 thousand. (Refer note 18 for Provisions)

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 22 to 33 of Shell's Annual Report and Form 20-F for the year ended 31 December 2021 (the "Group Report"), include those of the Company. The Group Report does not form part of this report.

Key Performance Indicators

Companies of the Shell Group comprise the Upstream businesses of Exploration and Production, Integrated Gas and New Energies, and the Downstream businesses of Oil Products and Chemicals. The Company's key performance indicators, that give an understanding of the development, performance and position of the business, are aligned with those of the Shell Group. The development, performance and position of the various businesses is discussed on pages 38 to 74 of the Group Report and the key performance indicators through which the Group's performance is measured are as set out on pages 36 to 37 of the Group Report.

Going concern

In determining the appropriate basis of preparation of the Financial Statements, the Directors are required to consider whether the Company can continue in operational existence over the period to 30 September 2023 (the 'going concern period'). The Directors have considered the potential risks and uncertainties relating to COVID-19 on the Company's business, credit, market, and liquidity position.Based on the above, together with the Directors knowledge and experience of the market, the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2021.

Section 172(1) statement/Statement of stakeholder interests

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

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

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

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

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

The strategy of the Company is considered to be derived from those of the Shell Group, which is discussed on pages 10 - 15 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.

PRINCIPAL DECISIONS

We define Principal decisions taken by the Board as those decisions in 2021, 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 2021

Upon review of the Board activity in 2021 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.

Employee engagement

The principal route by which the Directors of the Company effect engagement with employees of the Company are the processes and practices of the Shell Group.

The Shell Group, of which the Company is a member, transacts its business through legal entities whilst internally organising its activities along business and function lines. This extends to Shell's engagement with its employees, where this is aligned to the businesses and functions of the Shell Group where those employees are engaged.

On a regular basis, Shell Group management engages with employees on a global, country, region, business or function basis through a range of formal and informal channels, including: emails from the Shell Group Chief Executive Officer, Country Chair and Senior Leader communications and blogs, webcasts, townhalls, team meetings, Intranet articles, online publications and social media.

Employee Forums (organised by business and function line) are well established and meet on a quarterly basis. This is an additional mechanism through which management engages with employees on business decisions for provision of information, staff consultation purposes and for employees' views.

In addition, the annual Shell People Survey, which measures employee engagement, is an opportunity for employees to give their opinion on a series of topics ranging from leadership, business direction, communication, inclusion, and pride in the company. The purpose of the survey is to enable an ongoing, constructive dialogue between management and employees, enabling trends to be identified and areas for focus to deliver business outcomes.

The Shell Group operates a number of share plans designed to align employees' interests with performance through share ownership. These are discussed further within the Shell plc Annual Report.

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 23-Sep-2022 and signed on its behalf by:

DocuSigned by:
Tsira Kemularia
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Tsira Kemularia
Director

Shell International Limited

Directors' report for the year ended 31 December 2021

The Directors present their report and the financial statements for the year ended 31 December 2021.

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 (2020: £ 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 were as follows:

F. Hinden (resigned 13 September 2021)

S.C.Lynch (resigned 18 June 2021)

R.L.O'Brien (resigned 5 July 2021)

E. C. Andrew (resigned 30 June 2022)

M. Khullar (resigned 13 September 2022)

David Bunch (appointed 18 June 2021)

The following director was appointed after the year end:

Tsira Kemularia (appointed 1 July 2022)

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 202 to 204 and note 20).

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 75 to 98 of the Group Report with greenhouse gas emissions and energy usage being set out on pages 97 to 98.

Events after the end of the reporting period

RDS name change
On January 21, 2022, the ultimate parent Company changed its name from Royal Dutch Shell plc to Shell plc.
Ukraine/Russia conflict
Russia's recent invasion of Ukraine poses wide-ranging challenges. Given the evolving situation, there are many unknown factors and events that could materially impact our operations. These events have and continue to impact our credit risks including those related to receivables, treasury and other factors. Any of these factors, individually or in aggregate, could have a material effect on our earnings, cash flows and financial condition.

Employee involvement

The Company has a comprehensive policy concerning information provision and consultation with employees. Its objective is to meet their needs for information and involvement in issues affecting them, and to contribute to the management of change in the organisation.

The primary responsibility for information and consultation rests with management. It is supplemented by representative bodies at some employment locations. In addition, there is a well-established system by which the senior management in the Company makes presentations to employees on business results and plans. This is in turn supplemented by in-house journals, briefing papers, management letters and video presentations.

All of the formal employee representative bodies held regular meetings throughout the year.

Equal opportunities

Shell International Limited aims to have leading equal opportunities policies and practices. The Company has a published equal opportunities policy and a detailed code of practice in support of this. Progress is regularly monitored. The Company's policy continues to be the application of equal opportunity principles to the selection, training and career development of all applicants and employees, irrespective of gender, race, ethnic origin, marital status, religion or disability.

With respect to disabled people, the Company's medical officers provide appropriate advice to help with the successful achievement of these objectives, particularly regarding physical facilities, which need to be made available at the workplace. Shell Group is part of the Business Disability Forum, which promotes best practice among private sector employers. The Company is also committed to providing continuing employment of employees who become disabled whilst working for the Company.

The Company offers a range of flexible working conditions to assist employees in balancing work and outside commitments. There are also schemes such as career breaks, six months paid parental leave and a range of childcare support initiatives to support employees with families.

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 23-Sep-2022 and signed on its behalf by:

DocuSigned by:
Tsira Kemularia
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Tsira Kemularia
Director

Independent Auditor's report to the Member of Shell International Limited

Opinion

We have audited the financial statements of Shell International Limited (the "Company") for the year ended 31 December 2021, which comprise the Profit and loss account, the the Balance sheet, the Statement of changes in equity, and the related notes 1 to 22, 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 2021 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 the period to 30 September 2023.

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.

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 8, 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, those laws and regulations relating to health and safety and employee matters and relevant tax compliance regulations in the jurisdictions in which the Company operates, including the United Kingdom).
- We understood how the Company is complying with those frameworks and Shell group policies by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through the review of the following documentation:

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (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 the results of our risk assessment we designed our audit procedures to identify non-compliance with such laws and regulations identified above. Our procedures involved testing of journal entries, with a focus on journals indicating large or unusual transactions or meeting our defined risk criteria based on our understanding of the business, enquiries of legal counsel and management, review of internal audit reports and of the volume and nature of complaints received by the whistleblowing hotline during the year relevant to the Company.

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

Use of our report

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

Ernst & Young LLP

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

Date: 27 September 2022

Shell International Limited

Profit and loss account for the year ended 31 December 2021

Continuing operations

	Note	2021 £ 000	2020 £ 000
Turnover	3	574,603	558,224
Cost of sales		(573,227)	(544,278)
GROSS PROFIT		**1,376**	**13,946**
Other income	4	3,305	-
OPERATING PROFIT	7	**4,681**	**13,946**
PROFIT BEFORE INTEREST AND TAXATION		**4,681**	**13,946**
Interest receivable and similar income	5	8	13
Interest payable and similar charges	6	(8,362)	(9,954)
(LOSS)/PROFIT BEFORE TAXATION		**(3,673)**	**4,005**
Tax on (loss)/profit	10	2,485	(412)
(LOSS)/PROFIT FOR THE YEAR		**(1,188)**	**3,593**

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

Shell International Limited

(Registration number: 03075807)
Balance sheet as at 31 December 2021

	Note	2021 £ 000	2020 £ 000
Fixed assets			
Intangible assets	11	-	-
Tangible assets	12	101,172	105,398
Deferred tax	10	22,580	16,780
Right-of-use assets	16	128,876	136,626
		252,628	**258,804**
Current assets			
Debtors	13	282,825	205,253
		282,825	205,253
Creditors: amounts falling due within one year	14	(230,612)	(155,346)
Net current assets		**52,213**	**49,907**
Total assets less current liabilities		**304,841**	**308,711**
Creditors: amounts falling due after more than one year	15	(151,851)	(159,535)
Provisions	18	(11,890)	(10,561)
Net assets		**141,100**	**138,615**
Equity			
Called up share capital	19	117,000	117,000
Profit and loss account		24,100	21,615
Total equity		**141,100**	**138,615**

The financial statements on pages 13 to 46 were authorised for issue by the Board of Directors on 23-Sep-2022 .... and signed on its behalf by:

DocuSigned by:
Tsira Kemularia
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Tsira Kemularia
Director

Shell International Limited

Statement of changes in equity for the year ended 31 December 2021

	Called up share capital £ 000	Profit and loss account £ 000	Total £ 000
Balance as at 1 January 2020	**117,000**	**22,027**	**139,027**
Profit for the year	-	3,593	3,593
Share based payments - notional	-	11,714	11,714
Share based payments - charge from parent	-	(15,719)	(15,719)
Balance as at 31 December 2020	**117,000**	**21,615**	**138,615**
Balance as at 1 January 2021	117,000	21,615	138,615
Loss for the year	-	(1,188)	(1,188)
Share based payments - notional	-	15,182	15,182
Share based payments - charge from parent	-	(11,509)	(11,509)
Balance as at 31 December 2021	**117,000**	**24,100**	**141,100**

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 impact of COVID-19 on the Company's operations is continually being assessed and is subject to rapid change. The Directors have considered the potential risks and uncertainties relating to COVID-19 on the Company's business, credit, market, and liquidity position. Based on the above analysis, the Directors have assessed that the Company is expected to have adequate headroom to meet its liabilities and commitments over the going concern period to 30 September 2023. The Directors have assessed that the Company has adequate resources to continue in operation for the period to 30 September 2023.

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

1 Accounting policies (continued)

As the majority of the Company's trading is intragroup, it is dependent on group companies for its business operations and the continuance of its financial position and cashflow. Shell Plc (formerly RDS plc) has taken a number of steps to enhance its resilience across the group with an ongoing review of the evolving business environment and assessing strategic decisions to deliver sustainable cash flow generation. The Group is actively managing operational and financial levers including reducing capital expenditure and operating expenses, and organizational restructuring called 'Reshape'.The Group has access to extensive Commercial Paper Programmes and has also negotiated additional undrawn credit facilities. Whilst there remains uncertainty on the impact of volatile commodity prices and COVID-19, and the length of time for which these conditions will continue, the directors have reviewed the Company's current performance, and the financial strength of the Group and are satisfied that the Group entities with which the Company trades, and the Company itself, has adequate resources to meet its liabilities and commitments over the going concern period to 30 September 2023.

New standards applied

Interest Rate Benchmark Reform Phase II - Amendments to IFRS 16

- A practical expedient is available when a lease liability is required to be remeasured as per paragraph 42 of IFRS 16, it will use the revised discount rate that reflects the change in interest rate.

Amendments to IFRS 16 Covid-19 Related Rent Concessions beyond 30 June 2021

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting from the Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification. The amendment applies to annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted. The Company did not receive any Covid-19 related rent concessions and therefore the amendment had no material impact on the financial statements of the Company.

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.

1 Accounting policies (continued)

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

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  (i) paragraph 79(a)(iv) of IAS 1 'Presentation of financial statements';
  (ii) paragraph 73(e) of IAS 16 'Property, plant and equipment;
  (iii) paragraph 118(e) of IAS 38 'Intangible assets' (reconciliation between the carrying amount at the beginning and end of the period);

  The following paragraphs of IAS 1, 'Presentation of financial statements':

  (i) 10(d), (statement of cash flows);
  (ii) 10(f) (a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
  (iii) 16 (statement of compliance with all IFRS);
  (iv) 38A (requirement 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)

1 Accounting policies (continued)

- The following paragraphs of IFRS 15, 'Revenue from Contracts with Customers':
(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).

1 Accounting policies (continued)

Consolidation

The immediate parent company is The Shell Petroleum Company 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 accounts.

The consolidated accounts of Shell plc are available from:

Shell plc
Tel: +44 800 731 8888
email: order@shell.com
Registered office: Shell Centre, London, SEI 7NA

Taxation

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

Current tax

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

1 Accounting policies (continued)

Deferred tax

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

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

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

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

Amounts relating to deferred tax are undiscounted.

Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transaction and balances

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

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

1 Accounting policies (continued)

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.

Depreciation is charged so as to write off the cost of assets on a straight line basis, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	**Depreciation method and rate**
Leasehold improvements	over period of lease
Plant and machinery	5% - 20% per annum

1 Accounting policies (continued)

Intangible fixed assets

Intangible fixed assets relates to Computer software. These assets are stated at cost less accumulated amortisation and provision for impairment. Cost includes the development costs and the purchase price of the asset. A review for the potential impairment of an intangible asset is carried out if events or changes in circumstances indicate that the carrying amount of an intangible asset may not be recoverable. Such impairment reviews are performed in accordance with IAS 36. Any impairment is recorded in the profit and loss account.

Amortisation is calculated on a straight-line basis over the estimated remaining useful life. The annual percentage rates applied ranges between 10%-20% per annum.

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.

1 Accounting policies (continued)

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, 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.

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.

Turnover

Turnover represents amounts receivable (excluding value added tax) for the supply of services to Group and Associated companies provided in the ordinary course of business which is recognised when the cost are incurred and services delivered.

The Company acts as an agent for the invoicing of certain types of costs including expatriate costs, shareholder costs and other types of costs where a direct beneficiary is identifiable. The amounts involved in these transactions are not recognised as turnover to properly reflect the underlying nature of the risk and rewards of these transactions.

1 Accounting policies (continued)

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.

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.

This accounting policy is applied to contracts entered into, on or after 1 January 2019.

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.

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.

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.

Sub leases

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

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.

Share based payments

The fair value of share-based compensation for performance share plans is estimated using a Monte Carlo pricing model.

The fair value of the performance share plans is recognised in the profit and loss account from the date of grant over the vesting period, with a corresponding increase recognised directly in equity. At each subsequent balance sheet date, the Company revises its estimate of the number of awards that are expected to vest (in relation to non-market based performance conditions) and recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

The market value of vested schemes is subsequently invoiced by issuing company to employing entities in the year of delivery This entry is offset by recognising an adjustment to the equity.

1 Accounting policies (continued)

Defined benefit pension plan

Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the reporting date minus the fair value of plan assets. The defined benefit obligation is measured using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments by reference to market yields at the reporting date on high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Service costs and net interest are charged to the profit and loss account. Actuarial gains and losses are charged or credited to other comprehensive income in the period in which they arise.

Defined benefit plan surpluses are recognised as assets to the extent that they are considered recoverable, which is generally by way of a refund or lower future employer contributions.

Past-service costs are recognised immediately in profit and loss account

Government grants

Grants from the government are recognised at their fair value in profit and loss account where there is a reasonable assurance that the grant will be received and the Company has complied with all attached conditions. Grants received where the Company has yet to comply with all attached conditions are recognised as a liability (and included in deferred income within trade and other payables) and released to profit and loss account when all attached conditions have been complied with. When the grant relates to an expenditure, it is recognised in profit and loss account over the periods, the related costs are expensed.

When the grant relates to an asset, it is recognised in the profit and loss account in equal amounts over the expected useful life of the related asset.

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.

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

Dilapidation provision

A provision is recognised for future dilapidation costs for the restoration of buildings to the original state at the end of their economic lives.

They are recognised when
- The Company has a present legal or constructive obligation as a result of past event;
- It is probable that an outflow of resources will be required to settle the obligation; and
- A reliable estimate of the amount can be made.

Estimates of the amounts of the 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, can take place many years in the future, the carrying amounts of provisions are regularly reviewed and adjusted to take into account of such changes. The discount rate applied is reviewed annually.

Climate change and energy transition

In 2021, Shell launched its Powering Progress strategy to accelerate the transition of its business to net-zero emissions, including targets to reduce the carbon intensity of energy products sold (Scope 1, 2 and 3 emissions) by 6-8% by 2023, 20% by 2030, 45% by 2035, and 100% by 2050. In October 2021, Shell announced a new target to halve the absolute emissions from its operations and the energy it buys to run them by 2030, compared with 2016 levels on a net basis. This additional target will help Shell to step up the pace of change to become a net-zero emissions energy business. Shell plc's Annual Report in page 242 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.

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.

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

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.

3 Turnover

Class of business	2021 £ 000	2020 £ 000
Global Finance	139,931	180,782
Central HR	26,318	25,152
Legal	48,231	52,463
IT	-	36,250
Real Estate	74,413	77,900
Corporate Affairs	67,185	51,603
Other Functions and Corporate	162,718	68,681
Upstream International	55,807	65,393
	574,603	**558,224**

4 Other income

	2021 £ 000	2020 £ 000
Sublease income	3,305	-
	3,305	**-**

5 Interest receivable and similar income

	2021 £ 000	2020 £ 000
Interest from Group undertakings:		
Fellow subsidiary undertakings	8	13
	8	**13**

6 Interest payable and similar charges

	2021 £ 000	2020 £ 000
Interest on loans from Group undertakings:		
Fellow subsidiary undertakings	93	170
Interest expense on leases	7,557	7,457
Loss on currency translation	595	2,192
Unwinding of discount on long term provisions (note 18)	117	135
	8,362	**9,954**

7 Operating profit

Arrived at after *charging*:

	2021 £ 000	2020 £ 000
Currency translation:		
Trading activities	2,341	3,180
Depreciation:		
On owned assets (Note 12)	7,034	7,916
On lease assets (Note 16)	7,750	9,006

None of the Directors received any emoluments (2020: none) in respect of their services to the Company.

8 Staff costs

The aggregate payroll costs were as follows:

	2021 £ 000	2020 £ 000
Wages and salaries	167,914	143,725
Social security costs	17,807	20,657
Pension costs (note 17)	15,410	12,082
Share-based payment expenses (note 21)	15,182	11,714
	216,313	**188,178**

The average number of persons employed by the Company in 2021 was 933 (2020: 957).

9 Auditor's remuneration

The Auditor's remuneration of £286 thousand (2020: £ 266 thousand) 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 accounts of the Company because the Shell plc consolidated financial statements are required to disclose such fees on a consolidated basis.

10 Tax on profit

Tax (credit)/charge in the profit and loss account

The tax credit for the year of £ 2,485,000 (2020: charge of £ 412,000) is made up as follows:

	2021 £ 000	2020 £ 000
Current taxation		
UK corporation tax	4,326	1,833
UK corporation tax adjustment to prior periods	(1,011)	(71)
Total current tax charge	**3,315**	**1,762**

10 Tax on profit (continued)

	2021 £ 000	2020 £ 000
Deferred taxation		
Arising from origination and reversal of temporary differences	(1,107)	257
Arising from changes in tax rates and laws	(5,059)	(1,793)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	366	186
Total deferred tax credit	**(5,800)**	**(1,350)**
Tax (credit)/charge in the profit and loss account	**(2,485)**	**412**

Reconciliation of total tax (credit)/charge

The tax on loss before tax for the year differs from the standard rate of corporation tax in the UK of 19% (2020: 19%).

The differences are reconciled below:

	2021 £ 000	2020 £ 000
Loss/(profit) before tax	**3,673**	**(4,005)**
Tax on loss/(profit) calculated at standard rate (2021:19%) (2020:19%)	(698)	761
Effects of:		
Income exempt from taxation	(2,187)	(2,986)
Expenses not deductible	6,215	4,315
Adjustments in respect of prior periods	(645)	115
Deferred tax credit relating to changes in tax rates or laws	(5,059)	(1,793)
Reconciliation between accounting profit and tax expense (income)	(111)	-
Total tax (credit)/charge	**(2,485)**	**412**

10 Tax on profit (continued)

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

Deferred taxes on the balance sheet have been measured at 25% (2020: 19%) which represents the future corporation tax rate that was enacted at the balance sheet date.

The Finance Act 2021 (enacted on 24 May 2021) increased the main rate of UK corporation tax to 25%.

Deferred tax assets as at:	**2021 £ 000**	**2020 £ 000**
Temporary difference in respect of capital allowance	19,935	14,773
Other items	2,645	2,007
	22,580	**16,780**

Deferred tax movement during the year:	**At 1 January 2021 £ 000**	**Recognised in profit and loss account £ 000**	**At 31 December 2021 £ 000**
Temporary difference in respect of capital allowance	14,773	5,162	19,935
Other items	2,007	638	2,645
	16,780	**5,800**	**22,580**

Deferred tax movement during the prior year:	**At 1 January 2020 £ 000**	**Recognised in profit and loss account £ 000**	**At 31 December 2020 £ 000**
Temporary difference in respect of capital allowance	13,924	1,090	15,014
Other items	1,505	260	1,766
	15,429	**1,350**	**16,780**

10 Tax on profit (continued)

Deferred tax consists of the following deferred tax assets:

	2021 £ 000	2020 £ 000
Deferred tax assets due more than 12 months	22,580	16,780
Total deferred tax	**22,580**	**16,780**

11 Intangible assets

	Computer software £ 000
Cost	
Balance at 1 January 2021	75,793
Balance at 31 December 2021	**75,793**
Accumulated amortisation and impairment	
Balance at 1 January 2021	(75,793)
Balance at 31 December 2021	**(75,793)**
Net book amount	
At 31 December 2021	**-**
At 31 December 2020	**-**

12 Tangible assets

	Leasehold improvements £ 000	Plant and machinery £ 000	Assets under construction £ 000	Total £ 000
Cost or valuation				
Balance at 1 January 2021	105,186	13,866	-	**119,052**
Additions	-	47	3,002	**3,049**
Disposals and retirements of assets	(238)	-	-	**(238)**
Balance at 31 December 2021	**104,948**	**13,913**	**3,002**	**121,863**
Accumulated Depreciation				
Balance at 1 January 2021	(5,522)	(8,135)	-	**(13,657)**
Charge for the year	(5,633)	(1,401)	-	**(7,034)**
Balance at 31 December 2021	**(11,155)**	**(9,536)**	**-**	**(20,691)**
Net book amount				
At 31 December 2021	**93,793**	**4,377**	**3,002**	**101,172**
At 31 December 2020	**99,664**	**5,731**	**-**	**105,395**

13 Debtors

Debtors: amounts due within one year

	2021 £ 000	2020 £ 000
Trade debtors	2,601	2,043
Sublease income receivable	3,305	-
Amounts owed by Group undertakings:		
Fellow subsidiary undertakings	186,488	173,341
Amounts owed by participating undertakings	380	2,079
Other debtors	74,026	15,574
Tax receivable	16,025	12,216
	282,825	**205,253**

Amounts owed by Group undertakings are generally unsecured, payable upon demand and majorly bearing interest rate ranging from 0% to 1.56%.

The Company has recorded all financials assets at amortised cost.

14 Creditors: amounts falling due within one year

	2021 £ 000	2020 £ 000
Trade creditors	33,686	26,014
Amounts owed to Group undertakings		
Fellow subsidiary undertakings	97,366	83,262
Amounts due to participating undertakings	28	705
Lease liabilities	4,340	6,325
Tax liability	5,145	1,713
Social security	20,154	17,962
Accrued expenses	63,206	12,971
Other creditors	6,687	6,394
	230,612	**155,346**

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 financials liabilities at amortised cost.

15 Creditors: amounts falling due after more than one year

	2021 £ 000	2020 £ 000
Long term lease liabilities	151,851	159,535
	151,851	**159,535**

16 Leases

Right-of-use assets

The Company has lease contracts for buildings used in its operations.

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

	Building £ 000
Balance at 1 January 2021	136,626
Depreciation charge for the year	(7,750)
Balance at 31 December 2021	**128,876**

17 Pension and other 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 to eligible United Kingdom employees. 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 2020 using the projected unit method. The value of the SCPF's assets taken into account for the funding valuation at that date was £16,940 million and the value of the liabilities was £16,461 million. The principal financial assumptions adopted in the valuation were: a discount rate determined with reference to the UK Government Fixed Interest yield curve plus a term dependent risk premium which had an initial level of 2.65% per annum at 31 December 2020, and reduces to 0.5% per annum linearly over the period from 2021 to 2034 inclusive; a price inflation rate being the difference between the UK Government Fixed Interest yield and the UK Government Index-Linked yield curves; and a rate of general salary increases set as nil in year 1 and then fixed at 2.5% per annum. The funding surplus (excess of assets compared to the value of pension liabilities) was £479 million. This corresponded to a funding ratio (assets as a percentage of liabilities) of 103%.

17 Pension and other schemes (continued)

A valuation was performed for accounting purposes at 31 December 2021 using assumptions set in line with the requirements of the IAS19 accounting standard. The principal financial assumptions adopted in the valuation were a discount rate of 1.94%, a rate of general salary increases of 0.00-2.50% for 2021 onwards, and a price inflation rate of 3.20%. The value of the SCPF's assets as at that date was £17,492 million and the value of the liabilities on this accounting basis was £15,433 million, meaning the surplus measured for accounting purposes was £2,059 million.

The plan assets of the scheme were invested mainly in quoted equities (18%) and debt instruments (55%), with the remainder (27%) invested across a variety of asset classes including real estate, private equity and other investment funds.

The Company is unable to identify its share of the scheme's underlying assets and liabilities on a consistent and reasonable basis to enable it to account for the plan as a defined benefit plan. There are no contractual or stated policies on which to base an allocation of the Fund's underlying assets and liabilities to member companies. Accordingly, the Company will continue to account for the SCPF as a defined contribution scheme. The Company's contributions to the SCPF for the year amounted to £8,956 thousands (2020: £4,401 thousands). As a result of changes enacted to the funding of the SCPF during 2014, Company contributions are held in a Contribution Reserve Account ("CRA") to which the SCPF Trustee will have access under certain circumstances. Contributions were 10% for 2020, will be 10% from January 2021 to June 2021 and 30% from July 2021.

The cost of contributions to the UKSPP for the year amounts to £6,447 thousands (2020: £6,244 thousands).

Amounts have been paid to other Shell companies in respect of pension contributions for expat employees amounting to £7 thousand (2020: £1,437 thousand).

18 Provisions

	Decommissioning and restoration £ 000	Employee benefits £ 000	Total £ 000
Balance as at 1 January 2021	6,552	4,009	10,561
Increase (decrease) in existing provisions	(241)	12,638	12,397
Provisions used	-	(4,896)	(4,896)
Released to the profit and loss account	-	(6,289)	(6,289)
Increase due to passage of time or unwinding of discount (note 5)	117	-	117
Balance as at 31 December 2021	**6,428**	**5,462**	**11,890**

The Company has provided £821 thousand in respect of redundancies and restructuring.

19 Called up share capital

Allotted, called up and fully paid shares

	No.	2021 £	No.	2020 £
Allotted and fully paid of £ 1 each	117,000,000	117,000,000	117,000,000	117,000,000

20 Events after the end of the reporting period

On January 21, 2022, the ultimate parent Company changed its name from Royal Dutch Shell plc to Shell plc.

Russia's recent invasion of Ukraine poses wide-ranging challenges. Given the evolving situation, there are many unknown factors and events that could materially impact our operations. These events have and continue to impact, credit risks including those related to receivables, treasury and other factors. Any of these factors, individually or in aggregate, could have a material effect on, our earnings, cash flows and financial condition.

21 Share-based payments

Conditional awards of Shell plc shares are made under a long-term incentive plan (the 'Performance Share Plan') when making awards to employees who are not Executive Directors of Shell plc. The actual amount of shares that may vest, ranging from 0-200% of the conditional awards, depends on the measurement of the prescribed performance conditions over a three-year period beginning on 1 January of the award year. For awards granted in 2020 and 2021, half the award is linked to the relative performance compared to four of its main competitors in Total Shareholder Return ('TSR') measure, earnings per share, cash flow from operations and return on actual capital employed over the measurement period. The other half of the award is linked to the Shell scorecard results.

For awards granted in 2020 and 2021, 12.5% of the award is linked to free cash flow factor relative to internal operating plans over the remeasurement period and remaining 37.5% is linked to the relative performance compared to four of its competitors in TSR, cash flow from operations and return on actual capital employed. The other half of the award is linked to the Shell scorecard results.

The weighted average market price for exercises in 2021 was £14.52 (2020: £17.58) for Shell plc Class A shares, £13.80 (2020: £17.39) for Shell plc Class B shares, and £27.70 (2020: £35.43) for Shell plc Class A ADRs. For the performance shares which were outstanding as at 31 December 2021, the weighted average exercise price is £ nil (2020: £ nil) and the weighted average remaining contractual life is 1.18 year (2020: 1.06 year).

The profit and loss charge for 2021 is £ 15,182 thousands (2020: £ 11,714 thousands).

22 Related party transactions

The details of related party transactions that occurred during the year and the year end balance outstanding are as follows:

Related party name	Receivable / (payable) balance as at 2021 £ 000	2020 £ 000	Sales/(purchase) during the year 2021 £ 000	2020 £ 000
Brunei Shell Petroleum Company Sendirian Berhad	-	(205)	388	988
Raizen Energia S.A	23	-	-	-
Pecten Midstream LLC	-	49	66	(10)
Nederlandse Aardolie Maatschappij B.V.	(1)	(130)	362	550
Petroleum Development Oman Llc	227	685	-	(7)
Nigeria LNG Limited	-	-	-	(30)
Oman LNG Llc	4	5	-	11
Shell & BP South African Petroleum Refineries (PTY) Limited	42	7	-	-
Infineum International Limited	-	23	176	162
Alliance Holding LLC	2	5	2	3
Pilipinas Shell Petroleum Corporation	73	17	842	454
Shell & Turcas Petrol A.S.	-	-	215	340
Shell Oman Marketing Company SAOG	8	4	1	1
Salym Petroleum Development N.V.	(30)	363	5	14
Shell Downstream South Africa (Pty) Ltd	-	(96)	773	812
Shell Pakistan Limited	867	320	141	136
Shell Pakistan Limited	(274)	-	(2)	-

22 Related party transactions (continued)

Related party name	Receivable / (payable) balance as at 2021 £ 000	Receivable / (payable) balance as at 2020 £ 000	Sales/(purchase) during the year 2021 £ 000	Sales/(purchase) during the year 2020 £ 000
Shell MDS (Malaysia) Sendirian Berhad	29	20	5	12
Salym Petroleum Services B.V.	-	28	10	11
Hankook Shell Oil Company	-	-	58	54
Shell Timur Sdn. Bhd.	-	-	109	115
Sakhalin Energy Investment Company Ltd	-	185	164	316
Shell Midstream Partners, L.P.	-	-	-	(144)
Brunei Shell Marketing Company	16	-	16	-
PCK Raffinerie GmbH	7	-	-	-