Registration number: 04162523

Shell Energy Europe Limited

Annual Report

and

Financial Statements

For the year ended 31 December 2019

Shell Energy Europe Limited

Contents

Shell Energy Europe Limited

Strategic report for the year ended 31 December 2019

The Directors present their Strategic report on Shell Energy Europe Limited (also referred to as the "Company") for the year ended 31 December 2019.

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

Business review

The principal activities of Shell Energy Europe Limited are trading and marketing gas, electricity and emission rights across Europe. The subsidiary of the Company, Shell Energy Supply UK Limited is associated as a nominated electricity supplier.

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

The Company's profit for the financial year ended 31 December 2019 was €320 million (2018: €72 million). The profits for the year increased majorly on account of mark to market gains on derivatives for the year by €639 million, gain in the power transmission income by €13 million, gas trading gains by €21 million which is offset by emissions trading loss by €16 million, closing stock MTM loss by €106 million and administrative expenses for the year which stood at €146 million. The gains are further offset by resulting tax charge for the year of €80 million and a loss in the foreign exchange transactions by €8 million. Net Assets at 31 December 2019 were €1,026 million (2018: €706 million)

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

Principal risks and uncertainties

The Shell Group has a single risk based control framework - The Shell Control Framework - to identify and manage risks. The Shell Control Framework applies to all wholly owned Shell companies and to those ventures and other companies in which Royal Dutch Shell has directly or indirectly a controlling interest. From the perspective of the Company, the principal risks and uncertainties affecting the Company are considered to be those that affect the Shell Group. Accordingly, the principal risks and uncertainties of the Shell Group, which are discussed on pages 27 to 36 of Royal Dutch Shell's Annual Report for the year ended 31 December 2019 (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 45 to 79 of the Group Report and the key performance indicators through which the Group's performance is measured are as set out on pages 42 to 44 of the Group Report.

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 will have an impact on 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 subsidiary of Royal Dutch Shell plc ("Shell", and together with its subsidiaries,"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 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 Board of Directors.

PRINCIPAL DECISIONS

We define Principal decisions taken by the Board as those decisions in 2019, 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 six 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/NGOs
D. Communities
E. Customers
F. Counterparties /Strategic Partners

Principal Decisions in 2019

In the table below we outline the principal decision made by the Board over the year, explain how the Directors have engaged with, or in relation to, the different key stakeholder groups and how stakeholder interests were considered over the course of decision-making.

The level of information disclosed on the principal decision in the table below is consistent with the size and complexity of the business.

How were stakeholders considered

We describe how stakeholders were considered during the decision-making process by summarising the relevant discussions. The relevance of each stakeholder group's interests may differ depending on the nature of decisions being considered. Board decisions will not necessarily result in a positive outcome for all of our stakeholders, but by considering our purpose, values and business objectives, and having due regard for stakeholder relationships, the Board aims to ensure that its decisions promote the long-term success of the Company.

What was the outcome

Financial Crime	Outcome
The Board considered putting in place a policy to formalise, update and consolidate existing policies and controls related to the prevention of financial crime.	The Board adopted a Financial Crime Policy in 2019 which covered offences related to money laundering, terrorist financing, sanctions, bribery and corruption, tax evasion, modern slavery, fraud, and market abuse.
How were stakeholders considered.	
The implementation of revised financial crime prevention controls is a demonstration of the interest of the Directors in upholding high operational standards in the Company's business activities in preventing financial crime, and thereby maintaining a strong reputation with all of its stakeholder groups, thus benefitting the Company and those stakeholders.	The decision to adopt this Financial Crime Policy demonstrated the Directors commitment to implementing operational standards to prevent the use of the organisation by criminals to perpetrate or facilitate financial crime.

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 3 November 2020 and signed on its behalf by:

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D. Wells

Director

Directors' report for the year ended 31 December 2019

The Directors present their report and the financial statements for the year ended 31 December 2019.

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

Dividend

The Company has not declared any dividend during the year 2019 (2018: €209 million).

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:

M. Plaum (appointed 7 June 2019)

H.J. Stinis

S. Liow (resigned 15 April 2019)

D. Wells

P. Hauxwell - Director (appointed 4 May 2020)

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 168 to 170 and note 19).

Financial risks that are specific to the Company are discussed in note 3 of the Notes to Financial statements.

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

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

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

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

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

Events after the end of the reporting period

After the balance sheet date, we have seen macro-economic uncertainty with regards to prices and demand for oil, gas and products as a result of the COVID-19 (coronavirus) outbreak. Furthermore, recent global developments and uncertainty in oil supply in March have caused further abnormally large volatility in commodity markets. The scale and duration of these developments remain uncertain but could impact our earnings, cash flow and financial condition.

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 3 November 2020 and signed on its behalf by:

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D. Wells
Director

Independent Auditor's report to the Member of Shell Energy Europe Limited

Opinion

We have audited the financial statements of Shell Energy Europe Limited (the "Company") for the year ended 31 December 2019, which comprise the Profit and loss account, Balance sheet, Statement of changes in equity, and the related notes 1 to 17, 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 state of the Company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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.

Emphasis of matter

We draw attention to Note 17 of the financial statements, which describes the economic and social disruption the Company is facing as a result of COVID-19 which is impacting financial matters. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditor's report to the Member of Shell Energy Europe Limited (continued)

Other information

The other information comprises the information included in the annual report set out on pages 1 to 7, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

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.

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this 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 our 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 where 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 Energy Europe Limited (continued)

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 7, 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.

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

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

Date: 06/11/2020

Shell Energy Europe Limited

Profit and loss account for the year ended 31 December 2019

Continuing operations

	Note	2019 € 000	2018 € 000
NET TRADING PROFIT		**541,219**	**234,986**
Administrative expenses		(146,864)	(138,184)
Other income/(expenses)		4,870	(8,037)
OPERATING PROFIT	6	**399,225**	**88,765**
PROFIT BEFORE INTEREST AND TAXATION		**399,225**	**88,765**
Interest receivable and similar income	4	1,180	691
Interest payable and similar charges	5	(333)	(579)
PROFIT BEFORE TAXATION		**400,072**	**88,877**
Tax on profit	8	(79,870)	(16,547)
PROFIT FOR THE YEAR		**320,202**	**72,330**

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

Shell Energy Europe Limited

(Registration number: 04162523)
Balance sheet as at 31 December 2019

	Note	2019 € 000	2018 € 000
Fixed assets			
Tangible assets		-	-
Investments	9	-	-
Other non-current financial assets		2,872	-
		2,872	**-**
Current assets			
Stock	10	329,076	527,910
Debtors	11	2,939,785	2,278,760
Cash at bank and in hand		2,498	53,442
Derivatives	3	1,923,995	1,291,781
		5,195,354	4,151,893
Creditors: Amounts falling due within one year	12	(4,159,226)	(3,434,364)
Net current assets		**1,036,128**	**717,529**
Total assets less current liabilities		**1,039,000**	**717,529**
Creditors: Amounts falling due after more than one year	13	(6,845)	(1,179)
Provisions	14	(5,780)	(10,177)
Net assets		**1,026,375**	**706,173**
Equity			
Called up share capital	15	633,000	633,000
Profit and loss account		393,375	73,173
Total equity		**1,026,375**	**706,173**

The financial statements on pages 11 to 31 were authorised for issue by the Board of Directors on 3 November 2020 and signed on its behalf by:

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D. Wells
Director

Shell Energy Europe Limited

Statement of changes in equity for the year ended 31 December 2019

	Called up share capital € 000	Profit and loss account € 000	Total € 000
Balance as at 01 January 2018	**933,000**	**209,843**	**1,142,843**
Profit for the year	-	72,330	72,330
Total comprehensive income for the year	-	**72,330**	**72,330**
Capital reduction	(300,000)	-	(300,000)
Dividends paid (refer note 16)	-	(209,000)	(209,000)
Balance as at 31 December 2018	**633,000**	**73,173**	**706,173**
Balance as at 01 January 2019	633,000	73,173	706,173
Profit for the year	-	320,202	320,202
Total comprehensive income for the year	-	**320,202**	**320,202**
Balance as at 31 December 2019	**633,000**	**393,375**	**1,026,375**

Shell Energy Europe Limited

Notes to the financial statements for the year ended 31 December 2019

General information

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

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

1 Accounting policies

Basis of preparation

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

As applied to the Company, there are no material differences between EU endorsed IFRS and IFRS as issued by the International Accounting Standards Board.

The 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, except for the adoption of IFRS 16 and IFRIC 23.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and the financial statements have therefore been prepared under the going concern basis.

Change in accounting policy

New standards applied
New and amended standards and interpretations

The adoption of IFRS 16 and IFRIC 23 has had no material impact on the Company's retained earnings or balance sheet as at 1 January 2019.

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 IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

1 Accounting policies (continued)

- 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)
- 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':

1 Accounting policies (continued)

(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 Shell Trading International Limited.

The ultimate parent company and controlling party is Royal Dutch Shell plc, which is the parent undertaking of the smallest and largest group to consolidate these financial statements.

The consolidated financial statements of Royal Dutch Shell plc are available from:

Royal Dutch Shell plc
Tel: +31 888 800 844
email: order@shell.com
Registered office: Shell Centre, London, SE1 7NA

Taxation

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

Current tax

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date for tax payable to HM Revenue and Customs, or for group relief to surrender to or to be received from other Group undertakings, and for which payment may be requested.

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.

A net deferred tax asset is regarded as recoverable and therefore recognised when, on the basis of the most recent available evidence, it is regarded as probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

Deferred tax is measured at the average 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 '€' (EURO), 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 expressed 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 in 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.

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.

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.

Netting off policy

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

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

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.

Net trading profit

The company earns revenue from the sale of All commodity contracts and derivative financial instruments entered into by the Company as part of its energy trading activities and recognised in the financial statements on the date of trade. Net trading profit includes realised gains on all settled gas, electricity, emissions and transport contracts. All open contracts are included at fair value and unrealised gains and losses are recognised in net trading profit.

The Directors consider that turnover is not a meaningful measure of the results of the Company and that this is best represented by net trading profit. Net trading profit represents net profits from the trading of gas, electricity and emission rights. The Company has only one class of business, that of trading gas, electricity and emission rights in Europe. This revenue is recognised in the accounting period when control of the product has been transferred, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for fulfilling its performance obligations to customers.

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 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.

1 Accounting policies (continued)

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 net trading profit in the period in which they arise.

Emission Certificates

Forward contracts to buy or sell emission certificates which meet the definition of a derivative but are not 'own use' are accounted as financial instruments measured at fair value through profit and loss.

Stock

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

Emission trading credits

Pursuant to a change in accounting policy, during the current year, emission trading credits (physical) held under the trading model are included in inventories and valued at lower of cost and net realisable value.

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)

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 gas and electricity 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.

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.

3 Financial instruments

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

	2019	**2018**
	€ 000	**€ 000**
Derivative financial liabilities	(1,533,636)	(1,209,361)
Derivative financial assets	1,926,867	1,291,781

3 Financial instruments (continued)

The Company, in the normal course of the business, uses financial instruments of various kinds for the purposes of managing exposure to currency, commodity price and interest rate movements. All physical and financial derivative instruments are held for trading and hence, classified as current.

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

The Company enters into commodity swap contracts to mitigate the commodity price risk. At 31 December 2019, the outstanding contracts all mature within 45 months (2018: 37 months) of the year end.

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

Derivative instruments as at 31 December 2019

Derivative financial assets/liabilities

	Fair value-current assets and liabilities €000	**Fair value-non-current assets and liabilities €000**
Commodity swaps	96,150	-
Commodity options	19,614	-
Foreign exchange contracts	9,713	2,872
Commodity physical contracts	1,798,518	-
Total	**1,923,995**	**2,872**

3 Financial instruments (continued)

Derivative financial assets/liabilities

	Fair value-current assets and liabilities € 000	Fair value-non-current assets and liabilities € 000
Derivative financial liabilities		
Commodity swaps	(292,771)	-
Commodity options	(12,915)	-
Foreign exchange contracts	(15,902)	(6,845)
Commodity physical contracts	(1,205,203)	-
Total	**(1,526,791)**	**(6,845)**

Derivative instruments as at 31 December 2018

Derivative financial assets/liabilities

	Fair value-current assets and liabilities € 000	Fair value-non-current assets and liabilities € 000
Commodity swaps	69,584	-
Commodity Options	24,852	-
Foreign exchange contracts	8,906	1,576
Commodity physical contracts	1,186,863	-
Total	**1,290,205**	**1,576**
Derivative financial liabilities		
Commodity swaps	(75,450)	-
Commodity Options	(6,194)	-
Foreign exchange contracts	(6,523)	(1,179)
Commodity physical contracts	(1,120,015)	-
Total	**(1,208,182)**	**(1,179)**

4 Interest receivable and similar income

	2019 € 000	2018 € 000
Interest from Group undertakings:		
Fellow subsidiary undertakings	646	34
Interest from banks and similar income	534	657
	1,180	**691**

5 Interest payable and similar charges

	2019 € 000	2018 € 000
Interest on loans from Group undertakings:		
Fellow subsidiary undertakings	231	516
Other interest payable	102	63
	333	**579**

6 Operating profit

Arrived at after charging/(crediting):

	2019 € 000	2018 € 000
Wages and salaries including social security costs	85,119	75,435
Provision for doubtful debts	(359)	30,429
Recharge of costs incurred to group undertakings	(3,419)	(7,089)

The employees' contracts of service are with Shell International Trading and Shipping Company Limited and costs have been charged to the Company. The monthly average number of persons working on behalf of the Company in 2019 was 196 (2018: 182). All persons were employed in the United Kingdom and were principally involved in the energy trading business.

None of the Directors received any emoluments (2018: none) in respect of their services to the Company.

7 Auditor's remuneration

The Auditor's remuneration of €41,121 (2018: €45,521) 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 auditors and its associates for non-audit services to the Company itself are not disclosed in the individual accounts of the Company because the Royal Dutch Shell plc consolidated accounts are required to disclose such fees on a consolidated basis.

8 Tax on profit

Tax charge in the profit and loss account

The tax charge for the year €79,870,153 (2018: €16,547,104) is made up as follows:

	2019 € 000	2018 € 000
Current taxation		
UK corporation tax	80,228	16,235
UK corporation tax adjustment to prior periods	(242)	1,306
Total current tax charge	**79,986**	**17,541**
Deferred taxation		
Arising from origination and reversal of temporary differences	(122)	(120)
Arising from adjustment in respect of prior periods	(7)	(886)
Arising from changes in tax rates and laws	13	12
Total deferred tax credit	**(116)**	**(994)**
Tax charge in the profit and loss account	**79,870**	**16,547**

Reconciliation of total tax charge

The tax on profit before tax for the year differs from the standard rate of corporation tax in the UK of 19% (2018: 19%).

The differences are reconciled below:

8 Tax on profit (continued)

	2019 € 000	2018 € 000
Profit before tax	**(400,072)**	**(88,877)**
Tax on profit calculated at standard rate (2019- 19.00%) (2018- 19.00%)	76,013	16,887
Effects of:		
Adjustments in respect of prior periods	(249)	420
Effect of changes in corporate tax rates	13	12
Difference in exchange on tax	4,093	(772)
Total tax charge	**79,870**	**16,547**

UK Finance Act (No 2) Act 2015 which introduced reductions in the UK corporation tax rate to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020 was enacted on 15 November 2015.

UK Finance Act 2016 which introduced further reductions in the UK corporation tax rate to 17% effective 1 April 2020 was enacted on 15 September 2016.

On 11 March 2020, the UK government announced that the rate applicable from 1 April 2020 would be maintained at 19% and this was substantively enacted on 17 March 2020.

Since this change was not substantively enacted before the end of 2019, the relevant deferred tax balances have been measured at 17%, the rate enacted by the Balance Sheet date.

Deferred tax as at:

Deferred tax movement during the year:

	At 1 January 2019 € 000	Recognised in profit and loss € 000	At 31 December 2019 € 000
Accelerated tax depreciation	5,824	-	5,824
Other items	(646)	116	(530)
Net tax assets/(liabilities)	**5,178**	**116**	**5,294**

8 Tax on profit (continued)

Deferred tax movement during the prior year:

	At 1 January 2018 € 000	Recognised in income € 000	At 31 December 2018 € 000
Accelerated tax depreciation	4,100	1,048	5,148
Other items	84	(54)	30
Net tax assets/(liabilities)	**4,184**	**994**	**5,178**

9 Investments

During the year ended 31 December 2017, the Company acquired 100 ordinary shares of Shell Energy Supply UK Limited at £1 per share for €115. Shell Energy Supply UK Limited is engaged in the marketing and sale of electricity to industrial and commercial customers in the United Kingdom.

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

Details of the subsidiaries as at 31 December 2019 are as follows:

Name of subsidiary	Registered office and Country of incorporation	Class of shares	% of ownership
Shell Energy Supply UK Limited	Shell Centre, London, SE1 7NA, United Kingdom	Ordinary	100%

* indicates indirect investment of the Company.

10 Stock

	2019 € 000	2018 € 000
Trading stock	296,244	527,910
Emission trading credits	32,832	-
	329,076	**527,910**

11 Debtors

Debtors: amounts due within one year

	2019 € 000	2018 € 000
Trade debtors	1,075,895	881,736
Amounts owed by Group undertakings:		
Fellow subsidiary undertakings	1,676,318	1,140,304
Prepayments and accrued income	182,278	251,542
Other debtors	5,294	5,178
	2,939,785	**2,278,760**

Trade debtors of €750,370 (2018: €219,711) fall due after more than one year. Debtors are stated after provisions for impairment of €30,070,370 (2018: €30,428,937). This includes impairments of €30,070,370 (2018: €30,428,937) that arose from contracts with customers.

The amounts owed by Group undertakings include at 31 December 2019 is €289,882,470 (2018: €10,104,252 of interest bearing deposits repayable on demand. All other amounts owed by Group undertakings and other third parties arose in the normal course of business and are due for settlement according to contractual credit terms.

The impairment allowance for financial assets as at 31 December 2019 is as follows:

The impairment provision required under IFRS 9 was calculated using lifetime ECLs (Expected Credit Losses). The Company has recorded all financials assets at amortised cost.

12 Creditors: amounts falling due within one year

	2019 € 000	2018 € 000
Trade creditors	910,449	1,026,309
Amounts owed to Group undertakings		
Fellow subsidiary undertakings	1,503,983	1,087,275
Amounts due to participating undertakings	-	1,695
Derivative liabilities	1,526,791	1,208,182
Tax liability	95,888	67,305
Social security	4,950	4,808
Accrued expenses	117,165	38,790
	4,159,226	**3,434,364**

The amounts owed to Group undertakings include at 31 December 2019 is €134,031 (2018: €99,223) with Shell Finance Netherlands B.V. towards guarantee fees payable for the year and an amount as at 31 December 2019 €338,460,239 (2018: € 154,927,346) which is interest bearing and repayable on demand.

The Company has recorded all financials liabilities at amortised cost.

13 Creditors: amounts falling due after more than one year

	2019 € 000	2018 € 000
Derivative liabilities	**6,845**	**1,179**

14 Provisions

	Other provisions € 000	Total € 000
Balance as at 1 January 2019	(10,177)	(10,177)
Increase (decrease) in existing provisions	4,397	4,397
Balance as at 31 December 2019	**(5,780)**	**(5,780)**

15 Called up share capital

Allotted, called up and fully paid shares

		2019		2018
	No.	€ 000	No.	€ 000
Issued share capital of £1 each	633,000,000	633,000	633,000,000	633,000

16 Dividends

The Company has not declared any dividend in the year 2019 (2018: 209,000,000).

17 Events after the end of the reporting period

After the balance sheet date, we have seen macro-economic uncertainty with regards to prices and demand for oil, gas and products as a result of the COVID-19 (coronavirus) outbreak. Furthermore, recent global developments and uncertainty in oil supply in March have caused further abnormally large volatility in commodity markets. The scale and duration of these developments remain uncertain but could impact our earnings, cashflow and financial condition.