Registration number: 04162523

Shell Energy Europe Limited

Annual Report

and

Financial Statements

For the year ended 31 December 2017

Shell Energy Europe Limited

Contents

Shell Energy Europe Limited

Strategic report for the year ended 31 December 2017

The Directors present their strategic report on Shell Energy Europe Limited (also referred to as the "Company") for the year ended 31 December 2017.

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 and electricity across Europe.

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.

During the year, the Company acquired 100 ordinary shares of Shell Energy Supply UK Limited at £1 per share each. Shell Energy Supply UK Limited is associated with Shell Energy Europe Limited as a nominated electricity supplier.

The Company's profit for the financial year increased from €100,954,000 to €160,948,000. This was principally due to income earned from an arbitration settlement during 2017. Net Assets at 31 December 2017 were €1,142,843,000 (2016: €1,013,557,000).

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 12 to 16 of Royal Dutch Shell's Annual Report and Form 20-F for the year ended 31 December 2017 (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 Oil Sands and the Downstream businesses of Oil Products and Chemicals. The Company's key performance indicators, that give an understanding of the development, performance and position of the business, are aligned with those of the Shell Group. The development, performance and position of the various businesses is discussed on pages 24 to 53 of the Group Report and the key performance indicators through which the Group's performance is measured are as set out on pages 22 to 23 of the Group Report.

Approved by the Board on 23 August 2018 and signed on its behalf by:

S. Liow
Director

Shell Energy Europe Limited

Directors' Report for the year ended 31 December 2017

The Directors present their report and the financial statements for the year ended 31 December 2017.

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

Dividends

No interim dividends were paid in the year (2016: €55,000,000). The Directors recommend that no dividend be paid for the year ended 31 December 2017 (2016: nil).

Future Outlook

Areas of focus for 2018 are the opportunities presented by further gas and power liberalisation across Europe and operational optimisation of existing businesses. The Directors believe that the balances held will be realised at their reported carrying value in the normal course of business and so the accounts continue to be prepared on a going concern basis.

Directors of the company

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

S. Liow (appointed 9 February 2017)

R. Ilube (resigned 3 April 2018)

A. A. Henwood (appointed 9 February 2017 and resigned 31 January 2018)

S. Preocanin (resigned 28 April 2017)

D. Wells (appointed 10 October 2017)

H. J. Stinis

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 82 to 83 and note 19).

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 and power 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

Refer to note 18 "Events after the end of the reporting period".

Statement of Directors' responsibilities

The Directors acknowledge their responsibilities for preparing the Strategic Report, Directors' Report and the Company's accounts in accordance with applicable law 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 FRS 101 has 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 August 2018 and signed on its behalf by:

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S. Liow
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 2017, which comprise the Profit and loss account, Balance sheet, Statement of changes in equity, and the related notes 1 to 18, 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 2017 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.

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 5], 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 5], 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.

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 5, 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 auditors' 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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Paul Sater (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: 3 September 2018

Shell Energy Europe Limited

Profit and loss account for the year ended 31 December 2017

Continuing operations

	Note	2017 € 000	2016 € 000
NET TRADING PROFIT		**267,210**	**206,294**
Administrative expenses		(89,441)	(90,546)
Other expenses		(17,287)	(14,518)
OPERATING PROFIT	6	**160,482**	**101,230**
PROFIT BEFORE INTEREST AND TAXATION		**160,482**	**101,230**
Interest receivable and similar income	4	706	97
Interest payable and similar charges	5	(240)	(373)
PROFIT BEFORE TAXATION		**160,948**	**100,954**
Tax on profit	8	(31,662)	(21,117)
PROFIT FOR THE YEAR		**129,286**	**79,837**

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 2017

	Note	2017 € 000	2016 € 000
Fixed assets			
Tangible assets	9	-	1,131
Investments	10	-	-
		-	**1,131**
Current assets			
Stock	11	283,584	267,589
Debtors	12	2,152,265	2,134,444
Cash at bank and in hand		830	904
Derivatives	3	1,013,856	2,110,853
		3,450,535	4,513,790
Creditors: Amounts falling due within one year	13	(2,307,371)	(3,482,919)
Net current assets		**1,143,164**	**1,030,871**
Total assets less current liabilities		**1,143,164**	**1,032,002**
Creditors: Amounts falling due after more than one year	14	(321)	(17,896)
Provisions	15	-	(549)
Net assets		**1,142,843**	**1,013,557**
Equity			
Called up share capital	16	933,000	933,000
Profit and loss account		209,843	80,557
Total equity		**1,142,843**	**1,013,557**

The accounts on pages 10 to 29 were authorised for issue by the Board of Directors on 23 August 2018 and signed on its behalf by:

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S. Liow
Director

Shell Energy Europe Limited

Statement of changes in equity for the year ended 31 December 2017

	Called up Share Capital € 000	Profit and loss account € 000	Total € 000
Balance as at 01 January 2016	933,000	55,720	988,720
Profit for the year	-	**79,837**	**79,837**
Total Comprehensive income for the year	-	**79,837**	**79,837**
Dividends paid (refer note 17)	-	**(55,000)**	**(55,000)**
Balance as at 31 December 2016	**933,000**	**80,557**	**1,013,557**
Balance as at 01 January 2017	933,000	80,557	1,013,557
Profit for the year	-	**129,286**	**129,286**
Total Comprehensive income for the year	-	**129,286**	**129,286**
Balance as at 31 December 2017	**933,000**	**209,843**	**1,142,843**

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 (UK).

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 accounting policies have been consistently applied.

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:

- 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':

1 Accounting policies (continued)

(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)

- IAS 7, 'Statement of cash flows'
- Paragraph 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)
- Paragraph 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation)
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more wholly owned members of a group.

Consolidation

The immediate parent company is Shell Trading International Limited.

The ultimate parent company and controlling party is Royal Dutch Shell plc, which is incorporated in England and Wales. Royal Dutch Shell plc is the parent undertaking of the smallest and largest group to consolidate these accounts.

The consolidated accounts 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, 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 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 assets

The Company classifies its financial assets in the following categories: at fair value through profit or loss; and loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading and hence classified as current. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current investments.

Cash at bank and in hand

Cash at bank and in hand includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the balance sheet, bank overdrafts are shown within borrowings.

Loans and trade and other receivables

Loans and trade and other receivables are initially recognised at fair value based on the amounts exchanged and are subsequently measured at amortised cost using the effective interest rate method, less any provision for impairment.

Financial liabilities

The Company classifies its financial liabilities in the following categories: at fair value through profit or loss; and amortised cost. The classification depends on the nature of the underlying liabilities, with management determining the classification of financial liabilities at initial recognition.

1 Accounting policies (continued)

Loans and trade and other creditors

Loans and trade and other creditors are initially recognised at fair value based on amounts exchanged, net of transaction costs, and subsequently at amortised cost. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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.

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).

Net trading profit

All commodity contracts and derivative financial instruments entered into by the Company as part of its energy trading activities are recognised in the financial statements on the date of trade. Net trading profit includes realised gains on all settled gas, electricity 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 and electricity. The Company has only one class of business, that of trading gas and electricity in Europe.

1 Accounting policies (continued)

Provisions

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

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

Netting off policy

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

(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.

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.

Impairment of trade debtors

The Company makes an estimate of the recoverable value of trade and other debtors. When assessing impairment of trade and other debtors, management considers factors including: the credit rating of the debtor; the ageing profile of debtors; and historical experience. See note 12 for the net carrying amount of the debtors.

3 Financial instruments

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

	2017 € 000	2016 € 000
Derivative financial liabilities	(930,856)	(2,173,894)
Derivative financial assets	1,013,856	2,110,853

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.

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.

3 Financial instruments (continued)

The Company enters into commodity swap contracts to mitigate the commodity price risk. At 31 December 2017, the outstanding contracts all mature within 164 months (2016: 176 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 2017

Derivative financial assets	Fair value-current assets and liabilities € 000	Fair value-non-current assets and liabilities € 000
Commodity swaps	147,232	-
Commodity options	17,939	-
Foreign exchange contracts	8,167	265
Commodity physical contracts	840,253	-
Total	**1,013,591**	**265**
Derivative financial liabilities		
Commodity swaps	(28,479)	-
Commodity options	(7,346)	-
Foreign exchange contracts	(19,793)	(321)
Commodity physical contracts	(874,917)	-
Total	**(930,535)**	**(321)**

3 Financial instruments (continued)

Derivative instruments as at 31 December 2016

Derivative financial assets

	Fair value- current assets and liabilities € 000	Fair value- non-current assets and liabilities € 000
Commodity swaps	94,459	-
Commodity Options	78,827	-
Foreign exchange contracts	31,990	1,927
Commodity physical contracts	1,903,650	-
Total	**2,108,926**	**1,927**

Derivative financial liabilities

Commodity swaps	(75,035)	-
Commodity Options	(44,066)	-
Commodity futures	(968)	-
Foreign exchange contracts	(25,922)	(1,472)
Commodity physical contracts	(2,026,431)	-
Total	**(2,172,422)**	**(1,472)**

4 Interest receivable and similar income

	2017 € 000	2016 € 000
Interest from Group undertakings:		
Fellow subsidiary undertakings	15	8
Interest from banks and similar income	691	89
	706	**97**

5 Interest payable and similar charges

	2017 € 000	2016 € 000
Interest on loans from Group undertakings:		
Fellow subsidiary undertakings	118	71
Other interest payable	122	302
	240	**373**

6 Operating profit

Arrived at after charging / (crediting):

	2017 € 000	2016 € 000
Wages and salaries	(19,767)	(19,751)
Social security costs	(3,580)	(3,846)
Foreign exchange (gain) / loss*	(17,287)	(14,518)
Depreciation:		
On owned assets	1,131	5,081
Recharge of costs incurred to group undertakings	7,948	15,197

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 2017 was 147 (2016: 157). All persons were employed in the United Kingdom and were principally involved in the energy trading business.

None of the Directors received any emoluments (2016: none) in respect of their services to the Company.

*Foreign exchange loss for 2017 includes a gain of €1,155,217 (2016: Loss of €3,067,024) for the revaluation of the year-end UK Corporation tax liability.

7 Auditor's remuneration

The Auditor's remuneration of €44,590 (2016: €90,041) 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 of €31,662,000 (2016: €21,117,000) is made up as follows:

	2017 € 000	2016 € 000
Current taxation		
UK corporation tax	31,040	20,772
UK corporation tax adjustment to prior periods	1,040	994
Double taxation relief	42	46
Total current tax charge	**32,122**	**21,812**
Deferred taxation		
Arising from origination and reversal of temporary differences	(314)	(5)
Arising from adjustment in respect of prior periods	(183)	(910)
Arising from changes in tax rates and laws	37	220
Total deferred tax credit	**(460)**	**(695)**
Tax charge in the profit and loss account	**31,662**	**21,117**

8 Tax on profit (continued)

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 19.25% (2016 - 20.0%).

The differences are reconciled below:

	2017 € 000	2016 € 000
Profit before tax	**160,948**	**100,954**
Tax on profit/(loss) calculated at standard rate (2017- 19.25%) (2016- 20.00%)	30,983	20,191
Effects of:		
Expenses not deductible	8	623
Adjustments in respect of prior years	857	84
Effect of changes in corporate tax rates	37	219
Income not assessable	(223)	-
Total tax charge	**31,662**	**21,117**

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.

9 Tangible assets

	Computer Software € 000	Total € 000
Cost or valuation		
Balance at 1 January 2017	51,113	51,113
Balance at 31 December 2017	**51,113**	**51,113**
Accumulated Depreciation		
Balance at 1 January 2017	(49,982)	(49,982)
Charge for the year	(1,131)	(1,131)
Balance at 31 December 2017	**(51,113)**	**(51,113)**
Net book amount		
At 31 December 2017	**-**	**-**
At 31 December 2016	**1,131**	**1,131**

10 Investments

During the year, 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.

11 Stock

	2017 € 000	2016 € 000
Trading stock	283,584	267,589

12 Debtors

Debtors: amounts due within one year

	2017 € 000	2016 € 000
Trade debtors	841,990	737,188
Amounts owed by Group undertakings:		
Fellow subsidiary undertakings	1,090,569	1,207,407
Prepayments and accrued income	207,126	185,985
Other debtors	4,184	3,724
Tax receivable	8,396	140
	2,152,265	2,134,444

The amounts owed by Group undertakings include at 31 December 2017 is €614,529,552 (2016: €766,698,581 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.

13 Creditors: amounts falling due within one year

	2017 € 000	2016 € 000
Trade creditors	756,892	608,752
Amount owed to Group undertakings		
Fellow subsidiary undertakings	482,842	546,040
Derivative liabilities	930,535	2,172,422
Tax and social security	61,623	50,043
Deferred income	75,479	105,662
	2,307,371	**3,482,919**

The amounts owed to Group undertakings include at 31 December 2017 is €634,919 (2016: €548,096 with Shell Finance Netherlands B.V. towards guarantee fees payable for the year 2017.

14 Creditors: amounts falling due after more than one year

	2017 € 000	2016 € 000
Trade and other payables	-	16,424
Derivative liabilities	321	1,472
	321	**17,896**

15 Provisions

	Other provisions € 000	Total € 000
Balance as at 1 January 2017	549	549
Released to the profit and loss account	(549)	(549)
Balance as at 31 December 2017	-	-

16 Called up share capital

Allotted, called up and fully paid shares

	No.	2017 € 000	No.	2016 € 000
Issued share capital of £1 each	933,000,000	933,000	933,000,000	933,000

17 Dividends

No interim dividends were paid in the year (2016: €55,000,000). The Directors recommend no dividend be paid for the year ended 31 December 2017 (2016: nil).

18 Events after the end of the reporting period

Adjusting events after the financial period

During 2018, a price review claim was awarded in favour of Shell Energy Europe Limited and due to this adjusting subsequent event, an income of €113,600,000 was recognized during the year ended 31 December 2017.

Non adjusting events after the financial period

During 2018, the Company's share capital has been reduced from €933,000,000 to €633,000,000 following review by management to amend the capital structure.