

Registration No. 05070887

Shell Energy Retail Limited
Report and financial statements
For the year ended 31 December 2021



Shell Energy Retail Limited
Report and financial statements
For the year ended 31 December 2021

Contents

	Page
Officers and professional advisers	1
Strategic report	2 - 6
Directors' report	7 - 9
Independent Auditor's report	10 - 12
Profit and loss account	13
Balance sheet	14
Statement of changes in equity	15
Notes to the financial statements	16 - 37

Shell Energy Retail Limited
Report and financial statements
For the year ended 31 December 2021

Officers and professional advisers

Company Registration Number

05070887

Directors

C A Crooks
N M Humphrey
A E Keeling

Secretary

M V Henschley

Registered Office

Shell Energy House
Westwood Business Park
Coventry
CV4 8HS

Bankers

Barclays Bank Plc
1 Churchill Place
London
E14 5HP

Auditor

Ernst & Young LLP
Statutory Auditor
No.1 Colmore Square
Birmingham
B4 6HQ

Shell Energy Retail Limited

Strategic report

For the year ended 31 December 2021

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

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

Business review

The principal activities of Shell Energy Retail Limited are to supply 100% renewable electricity, as well as gas, smart home technology and broadband services to domestic customers within the United Kingdom. The Company will continue with these activities for the foreseeable future.

The Company's operating loss for the year was £102.4m (2020: loss of £83.6m) and was principally driven by market conditions. In particular, the unprecedented rise in energy prices in the latter part of 2021 adversely impacted financial performance, including increased costs as a result of supplier failures in the market and the inability to pass on higher energy costs.

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

On 15 March 2021 the Company completed the purchase of the broadband and homephone business of Post Office Limited. The final purchase price paid was £65 million. The acquisition adds approximately 450,000 customers to Shell Energy Retail Limited's existing broadband customer base.

In September 2021, Ofgem appointed Shell Energy Retail Limited, through its Supplier of Last Resort (SoLR) process, to take over Green Supplier Limited's 250,000 customer accounts after it ceased trading.

In October 2021, Ofgem then appointed the Company through a separate SoLR process to take on supply to Pure Planet Limited, GOTO Energy (UK) Limited, Daligas Limited and Colorado Energy Limited's combined total of approximately 252,000 customers.

Under Ofgem licence conditions, the Company is entitled to make a Last Resort Supplier Payment (LRSP) claim for incremental costs reasonably incurred to supply affected customers. The claim is permitted by Ofgem to ensure that energy suppliers can provide support and stability to the market, through a period of significant volatility.

Management has assessed that there are indicators of impairment in the investments held by the Company as a result of revised medium and long-term price outlook assumptions in response to the energy market demand and supply fundamentals as well as the COVID-19 pandemic and macroeconomic conditions. Management has therefore performed impairment testing of material investments and recorded impairments of £8.5m (2020: £52.4m) during the current financial year.

Principal risks and uncertainties

The Shell Group has a single risk-based control framework – The Shell Control Framework – to identify and manage risks. The Shell Control Framework applies to all wholly owned Shell companies and to those ventures and other companies in which Shell plc has directly or indirectly a controlling interest. From the perspective of the Company, the principal risks and uncertainties affecting the Company are considered to be those that affect the Shell Group. Accordingly, the principal risks and uncertainties of the Shell Group, which are discussed on pages 22 to 33 of Shell's Annual Report for the year ended 31 December 2021 (the "Group Report"), include those of the Company. The Group Report does not form part of this report.

Key performance indicators

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

Shell Energy Retail Limited Strategic report (continued) For the year ended 31 December 2021

Going concern

In determining the appropriate basis of preparation of the Financial Statements, the Directors are required to consider whether the Company can continue in operational existence over the period to 31 December 2023 (the 'going concern period'). The Directors have considered the potential risks and uncertainties relating to COVID-19 on the Company's business, credit, market, and liquidity position, as well as the ongoing energy price crisis.

The balance sheet at 31 December 2021 reports net current assets of £6,688,000 (2020: £58,200,000). The financial statements have been prepared under the going concern concept due to the approval of additional equity funding and availability of working capital facilities from other Shell subsidiaries.

On 14 February 2022 the Company received a capital injection of £20m and on 25 March 2022 the Company received a further capital injection of £177m.

The Company has agreed further funding in the form of a capital contribution of £288m from another group entity subsequent to the year-end to enable the company to meet its obligations until 31 December 2023.

As part of this approved funding, the Company will also continue to have access to a working capital facility of £680m with a central treasury company to meet its short-term working capital needs. This funding will enable the Company to meet its liabilities as they fall due for a period until 31 December 2023.

Consideration has been given to a reverse stress test to identify the downside sensitivity assumptions which would need to arise in order for the business to need additional funding (over and above the aforementioned capital injection and working capital facility noted above) to continue in operation. Having identified and considered these assumptions, and after taking into consideration potential mitigating actions that the directors could take, the directors have concluded that such a scenario is not plausible.

Therefore, the Company's directors conclude at the time of approving the financial statements that the Company has adequate resources to continue in operational existence for the foreseeable future.

Section 172(1) statement

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 projects or activities. This engagement is often governed by formulated policies, control frameworks, regulation, legislation and may differ by region. Dependent on the project or activity, Board members may participate in this engagement.

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

The strategy of the Company is considered to be derived from those of the Shell Group, which is discussed on pages 10 - 15 of the Shell plc 2021 Annual Report. The Shell Group internally organises its activities principally along business and function lines but transacts its business through legal entities. This organisation structure is designed to achieve Shell's overall business objectives, whilst respecting the separate legal identity of the individual Shell companies through which it is implemented and the independence of each legal entity's Board of Directors.

Shell Energy Retail Limited Strategic report (continued) For the year ended 31 December 2021

Section 172(1) statement (continued)

PRINCIPAL DECISIONS

We define Principal decisions taken by the Board as those decisions in 2021, that are of a strategic nature and/or that are significant to any of our key stakeholder groups.

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

Key stakeholder groups

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

Principal Decisions in 2021

In the table below we outline some of the principal decisions made by the Board over the year under review. We also explain how the Directors have engaged with or considered the different key stakeholder groups and their interests over the course of decision-making.

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

Shell Energy Retail Limited Strategic report (continued) For the year ended 31 December 2021

Section 172(1) statement (continued)

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.

Item	What was the outcome
<p>Acquisition of Post Office broadband customer portfolio</p> <p>The Company as part of its strategy is constantly looking at inorganic growth options. In 2021 management identified an opportunity to acquire the broadband and homephone business of Post Office Limited.</p> <p>The opportunity to acquire the business enables the Company to significantly grow its presence in the UK communications market.</p> <p>This deal also represents a unique opportunity for the business to offer its energy products and solutions to nearly half a million additional households.</p> <p>How were stakeholders considered</p> <p>The acquisition supports the Company's value creation strategy and its ambition to grow its retail customer base.</p> <p>The continued growth of the business is firmly at the heart of its strategic ambition, and the acquisition of the Post Office broadband customer portfolio is very much in line with this.</p>	<p>The Board approved the acquisition and it completed on 15 March 2021. The acquisition adds approximately 450,000 customers to Shell Energy Retail Limited's existing broadband customer base.</p>
<p>Shell Energy appointed as Supplier of Last Resort for 500,000 customers</p> <p>The Company actively participated with industry regulators to find the right solution to best support the industry and consumers as the energy market faced unprecedented challenges during 2021, as global supplies of gas constricted which resulted in higher gas prices and led to around 30 UK energy suppliers going out of business.</p> <p>Through the Supplier of Last Resort (SoLR) process the Company was appointed by Ofgem to take over 500,000 customer accounts.</p> <p>How were stakeholders considered</p> <p>The Company worked diligently with the regulator to play its part in working towards a solution.</p> <p>Customer engagement was crucial as the Company delivered the process of onboarding customers from failed energy suppliers.</p>	<p>During unprecedented times the Company was able to work at pace to onboard a significant number of customers whilst making sure additional support was available when and where it was needed.</p>

Shell Energy Retail Limited
Strategic report (continued)
For the year ended 31 December 2021

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.

Approval

This report was approved by the Board of Directors and signed on its behalf by:



A Keeling

Director

Shell Energy Retail Limited

25 November 2022

Shell Energy Retail Limited

Directors' report

For the year ended 31 December 2021

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

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

Dividends

The profit and loss account is set out on page 13 and shows the result for the year.

No dividends were paid during the year (2020: £nil).

Future Outlook

The number of customers served by the Company grew significantly during 2021 as a result of the acquisition of the broadband customer portfolio from Post Office Limited and the appointment by Ofgem to take on the supply to around 500,000 energy customers after a number of suppliers ceased to trade.

The Company is actively participating in the UK's transition to net-zero emissions and guiding households to a better energy future. For the year ahead the business is focussed on the integration of the customers awarded through the regulator's Supplier of Last Resort process, as well as dealing with the impact of the energy price crisis. Given the ongoing volatility of the wholesale energy markets, 2022 is expected to be another challenging year for the Company.

Research and development

The Company has continued to invest significant internal resource in developing its platforms and systems to enable it to efficiently deliver services to its customers. The Directors regard the investment in research and development as integral to the continuing success of the business.

Directors of the Company

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

C A Crooks
R J Henderson (resigned 18 January 2022)
N M Humphrey
E J Kamm (resigned 10 December 2021)
A E Keeling (appointed 10 December 2021)

Directors' indemnities

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report.

Financial risk management

The Company's Directors are required to follow the requirements of Shell Group risk management policies, which include specific guidelines on the management of market, credit and liquidity risk, and advice on the use of financial instruments to manage them. Shell Group risk management policies can be found in the Group Report (see pages 202 to 204 and note 20).

Streamlined Energy and Carbon Reporting

The directors are aware of the requirements for large UK companies to report on their UK energy use and carbon emissions. The company's energy usage and greenhouse gas emissions form part of the overall Shell Group results. The climate change and energy transition strategy and disclosures are discussed on pages 75 to 98 of the Group Report with greenhouse gas emissions and energy usage being set out on pages 97 to 98.

Events after the end of the reporting period

In the period since the year-end and the date of signing the accounts, the Company has issued 620,000 ordinary shares having an aggregate nominal value of £620,000 which were allotted for an aggregate consideration of £260,000,000.

Shell Energy Retail Limited Directors' report (continued)

For the year ended 31 December 2021

Employee involvement

The Company places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various financial and economic factors affecting the performance of the Company. This is achieved through regular briefings, where the latest customer number, volume and financial information is shared. The internal communications team also issues weekly newsletters and periodic updates on Company performance.

The Company seeks to regularly consult with employees for views on matters affecting them through a number of channels such as focus groups, consultation groups with employee representatives, drop-in sessions and employee surveys.

Equal opportunities

Shell Energy Retail Limited values the diversity of its employees. All recruitment, pay, conditions, performance management, promotion and training is based upon an individual's ability and job performance and excludes any consideration of someone's religion or beliefs, gender, sexual orientation, pregnancy and maternity, gender reassignment, marriage/civil partnership, age, race or disability or on the basis of being a part time or fixed term employee.

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Company continues and that appropriate arrangements are made to facilitate this. It is the policy of the Company that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of other employees.

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

Statement of employee engagement

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

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

On a regular basis, management engages with employees on a business or function basis through a range of formal and informal channels, including emails from the Executive Leadership team, Senior Leader communications and blogs, webcasts, townhalls, team meetings, intranet articles and online publications.

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

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

Shell Energy Retail Limited Directors' report (continued) For the year ended 31 December 2021

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.

Auditors

The auditors, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board of Directors
and signed on behalf of the Board



A Keeling
Director
Shell Energy Retail Limited

25 November 2022

Shell Energy House
Westwood Business Park
Coventry
CV4 8HS

Independent Auditor's report to the member of Shell Energy Retail Limited

Opinion

We have audited the financial statements of Shell Energy Retail Limited for the year ended 31 December 2021 which comprise the Profit and Loss account, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 25, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period until 30 September 2023.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the 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.

Independent Auditor's report to the member of Shell Energy Retail Limited (continued)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or directors' report.

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

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (UK GAAP, including FRS 101 and the Companies Act 2006) and compliance with the relevant direct and indirect tax regulation in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its operations, including health and safety regulations, General Data Protection Regulation (GDPR) regulations and the regulations set out by the Office of Gas and Electricity Markets (OFGEM) and Office of communications (OFCOM).
- We understood how the company is complying with those frameworks by making enquiries of management and those charged with governance to understand how the company maintains and communicates its policies and procedures in these areas. We understood any controls put in place by management to reduce the opportunities for fraudulent transactions and those responsible for legal and compliance procedures.
- We assessed the susceptibility of the company's financial statements to material misstatement, including how fraud might occur by meeting with management and those charged with governance to understand where it considered there was susceptibility to fraud. We understood the programmes and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud; and how senior management monitors those programmes and controls. Where the risk was considered to be higher in respect of management override, including in respect of unbilled revenue, we performed audit procedures to address the identified fraud risk. This included audit procedures to assess the conversion of unbilled revenue into debtors and cash.
- In relation to management override we used data analytics to sample from the entire population of journals, identifying specific transactions which did not meet our expectations based on specific criteria, to investigate to gain an understanding and agree to source documentation.

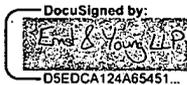
Independent Auditor's report to the member of Shell Energy Retail Limited (continued)

- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures included verifying that material transactions are recorded in compliance with FRS 101 and where appropriate Companies Act 2006. In relation to the OFGEM regulations our procedures included enquiries of management, legal counsel and regulatory officers, and a review of correspondence in relation to any instances of non-compliance

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 members, 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 members 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 members as a body, for our audit work, for this report, or for the opinions we have formed.



Adam Gittens (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Birmingham, UK

Date: 28 November 2022

Shell Energy Retail Limited
Profit and loss account
For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Turnover	4	1,331,822	856,215
Cost of sales		(1,375,807)	(772,336)
Government grant receivable		197,196	-
GROSS PROFIT		153,211	83,879
Administrative expenses		(255,590)	(167,491)
OPERATING LOSS	6	(102,379)	(83,612)
Amounts provided against investments	12	(8,502)	(52,400)
LOSS BEFORE INTEREST AND TAXATION		(110,881)	(136,012)
Interest receivable and similar income	7	3	13
Interest payable and similar charges	8	(734)	(1,777)
LOSS BEFORE TAXATION		(111,612)	(137,776)
Taxation credit on loss for the year	9	14,963	16,218
LOSS FOR THE YEAR		(96,649)	(121,558)

Cost of sales include a credit of £197,196,000 (2020: £nil) recoverable under the Last Resort Supplier Payment claim. These credits offset costs incurred as a result of the Company's appointment as Supplier of Last Resort to customers of energy suppliers who ceased trading during the year. See note 2.

All amounts relate to continuing activities.

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

The notes on pages 16 to 37 form part of these financial statements.

Shell Energy Retail Limited

Balance sheet

As at 31 December 2021

Company number: 05070887

	Note	2021 £'000	2020 £'000
Fixed assets			
Intangible assets	10	109,911	48,629
Tangible assets	11	4,154	3,515
Right-of-use assets	17	2,607	3,760
Investments	12	7,208	11,560
		<u>123,880</u>	<u>67,464</u>
Current assets			
Stock	13	1,181	-
Debtors – due within one year	14	731,358	208,128
Debtors – due after one year	14	12,330	14,700
Cash at bank and in hand		102,758	74,255
		<u>847,627</u>	<u>297,083</u>
Total assets		<u>971,507</u>	<u>364,547</u>
Creditors: Amounts falling due within one year	15	<u>(840,939)</u>	<u>(238,883)</u>
Net current assets		<u>6,688</u>	<u>58,200</u>
Total assets less current liabilities		<u>130,568</u>	<u>125,664</u>
Creditors: Amounts falling due after one year	16	<u>(1,796)</u>	<u>(3,243)</u>
Net assets		<u>128,772</u>	<u>122,421</u>
Equity			
Share capital	19	364	261
Share premium		363,636	260,739
Capital contribution		3,568	3,568
Profit and loss account		(238,796)	(142,147)
Total equity		<u>128,772</u>	<u>122,421</u>

These financial statements were approved by the Board of Directors and authorised for issue on 25 November 2022.

Signed on behalf of the Board of Directors,



A Keeling
Director

The notes on pages 16 to 37 form part of these financial statements.

Shell Energy Retail Limited
Statement of changes in equity
For the year ended 31 December 2021

	Share capital £'000	Share premium £'000	Capital contri- bution £'000	Profit and loss account £'000	Total £'000
Balance at 1 January 2020	42	41,958	3,568	(20,589)	24,979
Loss for the year	-	-	-	(121,558)	(121,558)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(121,558)	(121,558)
Proceeds from shares issued	219	218,781	-	-	219,000
Balance at 31 December 2020	261	260,739	3,568	(142,147)	122,421
Loss for the year	-	-	-	(96,649)	(96,649)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive loss for the year	-	-	-	(96,649)	(96,649)
Proceeds from shares issued	103	102,897	-	-	103,000
Balance at 31 December 2021	364	363,636	3,568	(238,796)	128,772

The notes on pages 16 to 37 form part of these financial statements.

Shell Energy Retail Limited

Notes to the financial statements

For the year ended 31 December 2021

1. General information

Shell Energy Retail Limited is a private company limited by shares incorporated in the United Kingdom under the Companies Act. The address of the registered office is Shell Energy House, Westwood Business Park, Coventry, CV4 8HS. The Company's registration number is 05070887.

2. Significant 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.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

Going concern

In determining the appropriate basis of preparation of the Financial Statements, the Directors are required to consider whether the Company can continue in operational existence over the period to 31 December 2023 (the 'going concern period'). The Directors have considered the potential risks and uncertainties relating to COVID-19 on the Company's business, credit, market, and liquidity position, as well as the ongoing energy price crisis.

The balance sheet at 31 December 2021 reports net current assets of £6,688,000 (2020: £58,200,000). The financial statements have been prepared under the going concern concept due to the approval of additional equity funding and availability of working capital facilities from other Shell subsidiaries.

On 14 February 2022 the Company received a capital injection of £20m and on 25 March 2022 the Company received a further capital injection of £177m.

The Company has agreed further funding in the form of a capital contribution of £288m from another group entity subsequent to the year-end to enable the company to meet its obligations until 31 December 2023.

As part of this approved funding, the Company will also continue to have access to a working capital facility of £680m with a central treasury company to meet its short-term working capital needs. This funding will enable the Company to meet its liabilities as they fall due for a period until 31 December 2023.

Consideration has been given to a reverse stress test to identify the downside sensitivity assumptions which would need to arise in order for the business to need additional funding (over and above the aforementioned capital injection and working capital facility noted above) to continue in operation. Having identified and considered these assumptions, and after taking into consideration potential mitigating actions that the directors could take, the directors have concluded that such a scenario is not plausible.

Therefore, the Company's directors conclude at the time of approving the financial statements that the Company has adequate resources to continue in operational existence for the foreseeable future.

Shell Energy Retail Limited

Notes to the financial statements

For the year ended 31 December 2021

2. Significant accounting policies (continued)

New accounting policies, standards, amendments and interpretations effective or adopted in 2021

Accounting policy for Supplier of Last Resort claim

During the year the Company has been appointed as Supplier of Last Resort (SoLR) to a number of energy suppliers who have ceased to trade.

Under Ofgem licence conditions, the Company is entitled to make a Last Resort Supplier Payment (LRSP) claim for incremental costs reasonably incurred to supply affected customers. The claim is permitted by Ofgem to ensure that energy suppliers can provide support and stability to the market, through a period of significant volatility.

In accounting for the receivable arising under the claim, the Company has applied IAS 20 'Government Grants' on the basis that the LRSP is a form of assistance provided by Ofgem which permits suppliers to recover the incremental costs of supply associated with SoLR appointment. At the year-end the Company has recognised a receivable to the extent that these additional costs of supply have been incurred at that date. A credit, offsetting the associated costs, has been recognised in cost of sales in the profit and loss account.

In December 2021 the Company submitted the first of two LRSP claims to Ofgem and this is to be settled in monthly instalments between April 2022 and April 2023. A second claim will be made in Autumn 2022 to both adjust the first claim for actual costs incurred, and to claim for additional costs not previously included. The second claim will be settled between April 2023 and April 2024.

Critical accounting judgements and key sources of estimation uncertainty

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 3.

Shell Energy Retail Limited

Notes to the financial statements

For the year ended 31 December 2021

2. Significant accounting policies (continued)

Disclosure exemptions

The following exemptions from the disclosure requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101, as comparable disclosures are included in the consolidated financial statements of the Company's ultimate parent, Shell plc:

1. 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)
2. IFRS 7, 'Financial Instruments: Disclosures'
3. 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)
4. 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);
5. 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);
6. 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);
7. IAS 7, 'Statement of cash flows'
8. 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);
9. Paragraph 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation);
10. 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.
11. The following paragraphs of IFRS 16, 'Leases':
 - (i) paragraph 58 (separate maturity analysis for lease liabilities)
 - (ii) paragraphs 90 and 91 (table of lease income from operating leases, including separate disclosure of income from variable lease payments not dependant on an index or a rate)
 - (iii) paragraph 93 (qualitative and quantitative explanation of the significant changes in the carrying amount of the net investment in finance leases)

Shell Energy Retail Limited

Notes to the financial statements

For the year ended 31 December 2021

2. Significant accounting policies (continued)

Consolidation

The financial statements contain information about Shell Energy Retail Limited as an individual company and do not contain consolidated financial information as the parent of a group. The Company is exempt under section 400 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Shell plc, a company incorporated in England and Wales.

The immediate parent company is Impello Limited.

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

The consolidated financial statements of Shell plc are available from:

Shell plc
Tel: +44 800 731 8888
email: order@shell.com
Registered office: Shell Centre, London, SE1 7NA

Taxation

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

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.

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 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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Amounts relating to deferred tax are undiscounted.

Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transaction and balances

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

Monetary assets and liabilities recorded in foreign currencies have been expressed in Pounds Sterling (£) 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.

Shell Energy Retail Limited

Notes to the financial statements

For the year ended 31 December 2021

2. Significant accounting policies (continued)

Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. A review for the potential impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of a fixed asset may not be recoverable. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is the higher of fair value less costs to sell and value in use. Value in use is determined as the amount of estimated risk-adjusted discounted future cash flows. For this purpose, assets are grouped into cash-generating units based on separately identifiable and largely independent cash inflows. Any impairments are recorded in the profit and loss account.

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

Depreciation is charged to write off the cost, less estimated residual values, of all tangible fixed assets, straight line over their expected useful lives. Depreciation is calculated at the following rates:

Leasehold improvements	-	over term of lease
Computer and telecom equipment	-	20% to 33% per annum
Fixtures and fittings	-	20% per annum
Meters	-	10% per annum

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

A tangible fixed asset is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired separately are amortised on the following basis;

Trademarks and licences	-	20% to 50% per annum
Software	-	10% to 33% per annum
Customer list acquired	-	20% per annum

Internally generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the Company's software development is recognised only if all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Shell Energy Retail Limited

Notes to the financial statements

For the year ended 31 December 2021

2. Significant accounting policies (continued)

Intangible assets (continued)

The amount initially recognised for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Internally generated intangible assets are amortised on the following basis:

Software development	- 10% to 33% per annum
----------------------	------------------------

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value, and the amount of any non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

The Company determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs. When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date.

Shell Energy Retail Limited

Notes to the financial statements

For the year ended 31 December 2021

2. Significant 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.

Investments in securities

Investments in securities (also referred to as "securities") comprise equity and debt securities. Equity securities are recognised at FVOCI (without recycling). On sale, net gains and losses previously accumulated in other comprehensive income are transferred to retained earnings. Debt securities are recognised at fair value with unrealised holding gains and losses recognised in OCI. On sale, net gains and losses previously accumulated in OCI are recognised in income.

Impairment of financial assets

The impairment requirements for expected credit losses are applied to financial assets measured at amortised cost, financial assets measured at FVOCI and financial guarantees contracts to which IFRS 9 is applied and that are not accounted for at FVTPL and lease receivables under IFRS 15 that give rise to a conditional right to consideration. If the credit risk on the financial asset has increased significantly since initial recognition, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses. In other instances, the loss allowance for the financial asset is measured at an amount equal to the twelve month expected credit losses (ECLs). Changes in loss allowances are recognised in profit and loss. For trade debtors that do not contain a significant financing component, the simplified approach is applied recognising expected lifetime credit losses from initial recognition.

Financial liabilities

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL, such as instruments held for trading, or the Company has opted to measure them at FVTPL. Debt and trade creditors are recognised initially at fair value based on amounts exchanged, net of transaction costs, and subsequently at amortised cost. Interest expense on debt is accounted for using the effective interest method and is recognised in income.

Derivative contracts

Commodity price risk arises from the forward purchases and forward sales of gas and electricity. When commodity contracts have been entered into as part of the Company's normal business activity, the Company seeks to classify them as 'own use' contracts and outside the scope of IFRS 9. This is achieved when:

- A physical delivery takes place under all such contracts;
- The volumes purchased or sold under the contracts corresponds to the Company's operating requirements and
- The contracts are not considered as written options as defined by the standard.

Shell Energy Retail Limited

Notes to the financial statements

For the year ended 31 December 2021

2. Significant accounting policies (continued)

Derivative contracts (continued)

Energy procurement contracts are entered into and continue to be held for the purpose of the receipt of a non-financial item which is in accordance with the Company's expected purchase and sale requirements and are therefore out of scope of IFRS 9 (the "own use" exemption).

The use of derivatives and other financial instruments is governed by the Company's policies and approved by the Board. The Company does not use derivatives and other financial instruments for speculative purposes.

Investment in subsidiaries and participating undertakings

These comprise investments in shares and loans that the Company intends to hold on a continuing basis. The investments in subsidiaries and participating undertakings are stated at cost, less provisions for impairment. The Company carries out a review for the potential impairment of an investment if events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. Such impairment reviews are performed in accordance with IAS 36. Any impairments are recorded in the profit and loss account.

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

Netting off policy

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

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

Stock

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

Cash and cash equivalents

In the Balance Sheet, cash and cash equivalents include cash in hand and deposits held at call with banks.

Turnover

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

For contracts that contain separate performance obligations the transaction price is allocated to those separate performance obligations by reference to their relative standalone selling prices. Turnover is recognised as the performance obligations are fulfilled and for the company this is when the goods or services have transferred to the customer and the customer has control of these.

For energy supply, revenue is recognised on the basis of electricity and gas delivered during the period at the price at which the Company is expected to be entitled to after deducting VAT and other sales-related taxes. For those customers awaiting a bill an estimate is made of the sales value of units and terms supplied between the last bill period date and the year-end date. Any unbilled amounts are included in accrued income to the extent they are considered recoverable.

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Shell Energy Retail Limited

Notes to the financial statements

For the year ended 31 December 2021

2. Significant accounting policies (continued)

Government grants

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

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

In 2021 the Company recognised a receivable in relation to amounts recoverable under the Last Resort Supplier Payment mechanism administered by Ofgem, a government body. This process allows suppliers, appointed as Supplier of Last Resort, to recover costs reasonably incurred in supplying affected customers. The receivable recognised reflects amounts incurred primarily on commodity costs up to the reporting date which are recoverable under the LRSP claim. The associated credit has been recognised in cost of sales.

Leases

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

Accounting as Lessee

Classification and measurement:

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

However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

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

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

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

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

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

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

Shell Energy Retail Limited

Notes to the financial statements

For the year ended 31 December 2021

2. Significant accounting policies (continued)

Leases (continued)

Subsequent measurement

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

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

Short-term leases and leases of low-value assets

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

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 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.

Retirement benefit costs

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans, contributions are paid to publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as an employee benefit expense when they are due.

Shell Energy Retail Limited

Notes to the financial statements

For the year ended 31 December 2021

3. 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.

Revenue recognition – unbilled amounts

It is the aim of the Company to generate a bill every month for all electricity and gas customers. Revenue is recognised on the basis of electricity and gas supplied during the accounting period using the monthly customer billed data where available. Unbilled amounts are recognised based on actual customer tariff rates and industry expected settlement data for each customer from their last bill date to the period end date. The industry expected settlement data is the estimated quantity the industry system deems the individual suppliers, including the Company, to have supplied.

Useful economic life of intangible fixed assets

Depreciation of intangible 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. The Company amortises its software and internally generated software development assets over a period of three to ten years. Assets amortised over a period of ten years relate predominantly to the Company's customer care and billing platform.

Fixed tariff acquisition costs

Fixed tariff acquisition costs are included in prepayments and accrued income and are charged to the profit and loss account over the average economic life of the customer base.

The estimated useful life principally reflects management's view of the average economic life of the customer base and is assessed by reference to customer churn rates. An increase in churn rates may lead to a reduction in the estimated useful life and an acceleration in the charge to profit or loss. It is impracticable to assess the impact on profit or loss as a result of the changes to the assessed average economic life of the customer base during 2021.

Impairment of trade debtors

The Company computes probability of default rates for third party trade debtors (note 14) 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.

Determining lease term

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

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

Determining lease discount rate

The Company cannot readily determine the interest rate implicit in its lease agreements, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company estimates the IBR using observable inputs like the risk-free rate and adjust it for factors such as the credit rating of the Company and the terms and conditions of the lease.

Impairment of investments

The Company faces a risk of decline in the performance of its subsidiary undertakings impacting the carrying value of investments in subsidiaries. The company manages this risk through management focus on the operations of its trading subsidiaries.

Last Resort Supplier Payment

The Company recognised a receivable in relation to amounts recoverable under the Last Resort Supplier Payment mechanism administered by Ofgem (note 2). There is an inherent level of judgement and estimation involved with the amounts recognised at the balance sheet date ahead of the claim being finalised in 2022.

Shell Energy Retail Limited
Notes to the financial statements
For the year ended 31 December 2021

4. Turnover

Turnover is wholly attributable to the principal activity of the Company and arises solely within the United Kingdom.

5. Staff costs

The aggregate payroll costs during the year were as follows:

	2021 £'000	2020 £'000
Wages and salaries	51,209	40,845
Social security costs	5,322	4,104
Pension costs	2,022	1,388
	<u>58,553</u>	<u>46,337</u>

The average number of persons employed by the Company (including Directors) during the year, analysed by category was as follows:

	2021 No.	2020 No.
Administrative and Support	455	412
Operations	786	668
Sales	152	146
	<u>1,393</u>	<u>1,226</u>

Included in the staff costs above is an amount of £5,202,000 (2020: £6,780,000) relating to costs that have been capitalised as intangible assets.

6. Operating loss

Arrived at after charging:

	2021 £'000	2020 £'000
Depreciation charge on tangible fixed assets	6,087	1,287
Depreciation charge on right-of-use assets	1,153	1,153
Amortisation charge on intangible assets	19,818	9,365
Loss on disposal of investments	950	-
Foreign currency loss	135	150
Trade debtors and accrued income impairment charge	31,203	32,942
Auditor's remuneration		
- fees payable to the Company's auditor for the audit of the Company's annual accounts	85	69
	<u>59,411</u>	<u>75,906</u>

The Auditor's remuneration of £85,000 (2020: £69,000) in respect of the statutory audit was borne by the company for both the current and preceding years.

Auditor's remuneration for the immediate parent company of £5,000 (2020: £4,000) is borne by Shell Energy Retail Limited.

Fees paid to the Company's auditor and its associates for non-audit services to the Company itself are not disclosed in the individual financial statements of the Company because the Shell plc consolidated financial statements are required to disclose such fees on a consolidated basis.

Shell Energy Retail Limited
Notes to the financial statements
For the year ended 31 December 2021

7. Interest receivable and similar income

	2021 £'000	2020 £'000
Interest from banks and similar income	-	13
Interest from subsidiary undertakings	3	-
	<u>3</u>	<u>13</u>

8. Interest payable and similar charges

	2021 £'000	2020 £'000
Lease liabilities	270	348
Interest payable on amounts owed to group undertakings:		
- Fellow subsidiary undertakings	464	1,429
	<u>734</u>	<u>1,777</u>

9. Taxation

(a) Tax credit included in the profit and loss account

The tax credit for the year is made up as follows:

	2021 £'000	2020 £'000
Corporation tax		
UK corporation tax credit on results for the period	(15,930)	(15,394)
Adjustments in respect of prior years	75	(58)
Total current tax credit	<u>(15,855)</u>	<u>(15,452)</u>
Deferred tax		
Current year (origination and reversal of temporary differences)	(1,617)	(785)
Adjustment in respect of prior years	2,897	257
Effect of change in corporation tax rates	(388)	(238)
Total deferred tax charge/(credit)	<u>892</u>	<u>(766)</u>
Taxation credit on loss before tax	<u>(14,963)</u>	<u>(16,218)</u>

Shell Energy Retail Limited
Notes to the financial statements
For the year ended 31 December 2021

9. Taxation (continued)

(b) Reconciliation of total tax credit

The tax assessed for the year is higher (2020: higher) than the standard rate of corporation tax in the UK of 19% (2020: 19%).

The credit for the year can be reconciled to the loss (2020: loss) before tax as follows:

	2021 £'000	2020 £'000
Loss before tax	(111,612)	(137,776)
Tax on loss at the standard rate of corporation tax in the UK of 19% (2020: 19%)	(21,206)	(26,177)
Effects of:		
Income not assessable	(105)	(4)
Expenses not deductible	3,764	10,002
Adjustments to tax in respect of prior years	2,972	199
Effect of change in corporation tax rates	(388)	(238)
Total tax on loss before tax	<u>(14,963)</u>	<u>(16,218)</u>

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

The UK Budget 2021 announcements on 3 March 2021 included measures to support economic recovery as a result of the ongoing COVID-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023 and this change was substantively enacted on 24 May 2021.

Accordingly, deferred taxes as at 1 January 2021 have been re-measured at applicable tax rates of 19% (2021 and 2022), 23.5% (2023) and 25% (2024 and onward) based on future unwinding profile that results in £388,000 of credit in the profit and loss account.

The deferred tax for the new temporary differences arise in the current year have been measured at future applicable tax rates based on the unwinding profile.

(c) Deferred tax in profit and loss account

	2021 £'000	2020 £'000
Accelerated capital allowances	(1,018)	(212)
Movement in provisions	(100)	(201)
Tax losses carried forward	2,400	(50)
Other temporary differences	(2)	(65)
Effect of change in corporation tax rates	(388)	(238)
Total deferred tax charge/(credit)	<u>892</u>	<u>(766)</u>

Shell Energy Retail Limited
Notes to the financial statements
For the year ended 31 December 2021

9. Taxation (continued)

(d) Deferred tax assets

Deferred tax movement during the year:

	At 1 January 2021 £	Recognised in profit and loss £	At 31 December 2021 £
Accelerated capital allowances	876	1,536	2,412
Provisions	458	100	558
Tax losses carried forward	2,400	(2,400)	-
Other items	(684)	(128)	(812)
Net deferred tax asset	3,050	(892)	2,158
	At 1 January 2020 £	Recognised in profit and loss £	At 31 December 2020 £
Accelerated capital allowances	594	282	876
Provisions	230	228	458
Tax losses carried forward	2,098	302	2,400
Other items	(638)	(46)	(684)
Net deferred tax asset	2,284	766	3,050

10. Intangible fixed assets

	Software and software development £'000	Trademarks and licences £'000	Customer relationships acquired £'000	Goodwill £'000	Total £'000
Cost					
At 1 January 2021	86,110	1,823	-	487	88,420
Additions	13,392	-	67,708	-	81,100
At 31 December 2021	99,502	1,823	67,708	487	169,520
Accumulated amortisation and impairment					
At 1 January 2021	37,578	1,726	-	487	39,791
Charge for the year	9,618	68	10,132	-	19,818
At 31 December 2021	47,196	1,794	10,132	487	59,609
Net book value					
At 31 December 2021	52,306	29	57,576	-	109,911
At 31 December 2020	48,532	97	-	-	48,629

All amortisation and impairment charges are included within administrative expenses.

At 31 December 2021, software development costs included £32,618,000 (2020: £23,049,000) of assets under development.

Shell Energy Retail Limited
Notes to the financial statements
For the year ended 31 December 2021

10. Intangible fixed assets (continued)

Business combinations

Acquisition of the broadband and homephone business of Post Office Limited

On 15 March 2021 the Company completed the purchase of the broadband and homephone business of Post Office Limited. The acquisition adds approximately 450,000 customers to Shell Energy Retail Limited's existing broadband customer base.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities acquired were:

Fair value recognised on acquisition	£'000
Assets	
Intangible fixed assets (note 10)	67,708
Tangible fixed assets (note 11)	5,910
Debtors	10,769
Cash at bank and in hand	619
	<hr/>
	85,006
Liabilities	
Creditors: Amounts falling due within one year	(20,092)
	<hr/>
Total identifiable net assets as fair value and purchase consideration transferred	64,914
	<hr/> <hr/>

From the date of acquisition, the acquired business contributed £96,956,000 of revenue and underlying EBITDA of £7,610,000 as stated before one-off implementation costs and depreciation and amortisation charges of £10,132,000.

Shell Energy Retail Limited
Notes to the financial statements
For the year ended 31 December 2021

11. Tangible fixed assets

	Leasehold improvements £'000	Computer and telecom equipment £'000	Broadband routers acquired £'000	Meters £'000	Fixtures and fittings £'000	Total £'000
Cost						
At 1 January 2021	2,388	5,649	-	2,655	2,373	13,065
Additions	-	386	425	-	5	816
Acquired as part of business combination	-	1,729	4,181	-	-	5,910
At 31 December 2021	2,388	7,764	4,606	2,655	2,378	19,791
Depreciation						
At 1 January 2021	1,226	4,268	-	2,576	1,480	9,550
Charge for the year	374	2,279	3,141	47	246	6,087
At 31 December 2021	1,600	6,547	3,141	2,623	1,726	15,637
Net book value						
At 31 December 2021	788	1,217	1,465	32	652	4,154
At 31 December 2020	1,162	1,381	-	79	893	3,515

12. Investments

	£'000
Investments in subsidiaries	
Cost	
At 1 January 2021	82,697
Additions during the year	5,150
At 31 December 2021	87,847
Amounts provided	
At 1 January 2021	72,137
Amounts provided on investments during the year	8,502
At 31 December 2021	80,639
Carrying amount	
At 31 December 2021	7,208
At 31 December 2020	10,560

During the year the Company increased its investment in its subsidiary company Shell Energy Retail GmbH by £5,150,000 (2020: £13,000,000).

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. During the year the Company has undertaken an impairment review of its investments in subsidiaries.

The review involves assessing whether the carrying value of the investment exceeds the amount that could be received through use or selling the asset. An impairment loss is recognised to the extent that the carrying amount of an asset or cash-generating unit (CGU) exceeds its recoverable amount where the recoverable amount of the asset is the higher of its fair value less costs to sell and its value in use.

Based on the impairment testing the Directors consider that it is appropriate to make an impairment provision relating to the carrying value of the Company's investments in subsidiaries of £8,502,000 in 2021 (2020: £52,400,000).

Shell Energy Retail Limited

Notes to the financial statements

For the year ended 31 December 2021

12. Investments (continued)

Details of the Company's subsidiaries at 31 December 2021 are as follows:

Name of subsidiary	Registered address	Country of incorporation	Principal activity	Description of shares held	% held
Shell Energy UK Limited	Shell Energy House, Westwood Way, Westwood Business Park Coventry CV4 8HS	England and Wales	Provision of electricity and gas	Ordinary	100
Shell Energy Retail GmbH	Suhrenkamp 71 – 77, D-22335, Hamburg, Germany	Germany	Provision of electricity and gas	Ordinary	100
Shell Energy Retail Poland Sp. z o.o.	Pawia 21, 31-154, Kraków, Poland	Poland	Business operations	Ordinary	100

The investments in subsidiaries are all stated at cost less provision for impairment.

	2021 £'000	2020 £'000
Available-for-sale investments carried at fair value		
Shares	-	1,000

During the year the Company disposed of its investment in unquoted equity investments. The Company held a strategic non-controlling interest of 3% per cent in Bizby Limited and these shares were previously classified as available for sale.

13. Stock

	2021 £'000	2020 £'000
Broadband routers	1,181	-

14. Debtors

Amounts falling due within one year:

	2021 £'000	2020 £'000
Trade debtors	134,048	46,505
Other debtors	11,584	1,471
Taxation and social security	14,274	10,596
Prepayments and accrued income	501,176	61,900
Corporation tax receivable	31,247	20,227
Amounts owed by Group undertakings		
- Fellow subsidiary undertakings	39,029	67,429
	<u>731,358</u>	<u>208,128</u>

Debtors are stated after provisions for impairment of £123,356,000 (2020: £107,816,000) and arise from contracts with customers.

Prepayments and accrued income include £197,196,000 (2020: £nil) for costs recoverable under the Last Resort Supplier Payment claim. These credits offset costs incurred as a result of the Company's appointment as Supplier of Last Resort to customers of energy suppliers who ceased trading during the year. See note 2.

Amounts owed by fellow subsidiary undertakings are either due for payment under arm's-length credit terms or are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Shell Energy Retail Limited
Notes to the financial statements
For the year ended 31 December 2021

14. Debtors (continued)

Amounts falling due after one year:

	2021 £'000	2020 £'000
Prepayments	10,172	11,650
Deferred tax asset (note 9)	2,158	3,050
	<u>12,330</u>	<u>14,700</u>

15. Creditors: amounts falling due within one year

	2021 £'000	2020 £'000
Trade creditors	159,855	24,639
Taxation and social security	3,636	1,146
Lease liabilities (note 17)	1,379	1,347
Other creditors	6,228	8,659
Amounts owed to Group undertakings		
- Parent undertakings	2,897	2,898
- Fellow subsidiary undertakings	418,654	56,113
Total trade and other creditors	<u>592,649</u>	<u>94,802</u>
Accruals	202,868	117,026
Deferred income	45,422	27,055
Total accruals and deferred income	<u>248,290</u>	<u>144,081</u>
	<u>840,939</u>	<u>238,883</u>

The Company has recorded all financial liabilities at amortised cost.

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

Amounts owed to fellow subsidiary undertakings are due for payment under arm's-length credit terms.

Deferred income balances represent the net credit position at the year-end of energy customers paying by a monthly fixed direct debit payment method. This is calculated after applying unbilled revenue to customer accounts.

16. Creditors: amounts falling due after more than one year

	2021 £'000	2020 £'000
Lease liabilities (note 17)	<u>1,796</u>	<u>3,243</u>

Shell Energy Retail Limited

Notes to the financial statements

For the year ended 31 December 2021

17. Leases

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

Right-of-use assets

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

	Buildings £'000
Balance at 1 January 2021	3,760
Depreciation charge for the year	(1,153)
Balance at 31 December 2021	<u>2,607</u>

Lease liabilities

	31 Dec 2021 £'000	1 Jan 2021 £'000
Current	1,379	1,347
Non-current	1,796	3,243
	<u>3,175</u>	<u>4,590</u>

Amounts recognised in the Profit and loss account

The Profit and loss account shows the following amounts relating to leases:

	2021 £'000	2020 £'000
Depreciation charge of right-of-use assets - Buildings	1,153	1,153
Interest expense (note 8)	270	348

Future minimum lease payments as at 31 December 2021 are as follows:

	2021 £'000	Buildings 2020 £'000
Not later than one year	1,553	1,507
Later than one year and not later than five years	1,896	3,624
Total gross payments	3,449	5,131
Impact of finance expenses	(274)	(541)
Carrying amount of liability	<u>3,175</u>	<u>4,590</u>

The total cash outflow for leases in 2021 was £1,685,000 (2020: £1,244,000).

18. Retirement benefit schemes

Defined contribution scheme

The Company provides a Group Personal Pension Plan for all qualifying employees. This scheme became active as of April 2014. The Plan is run and administered by Standard Life.

The total expense for the year was £2,022,000 (2020: £1,388,000). The Company has outstanding contributions at the end of the year of £367,000 (2020: £315,000).

Shell Energy Retail Limited

Notes to the financial statements

For the year ended 31 December 2021

19. Share capital

	2021 £'000	2020 £'000
Issued and fully paid:		
364,002 (2020: 261,002) ordinary shares of £1 each	364	261

The Company has one class of ordinary shares which carry no right to fixed income.

New shares allotted

During the year 103,000 ordinary shares having an aggregate nominal value of £103,000 were allotted for an aggregate consideration of £103,000,000.

The proceeds are allocated to share capital with any excess being recorded as share premium.

20. Dividends

The Company did not pay a dividend during the year (2020: £nil). The Directors recommend no dividend be paid for the year ended 31 December 2021 (2020: £nil).

21. Directors' emoluments

The Directors' emoluments for the year were as follows:

	2021 £'000	2020 £'000
Emoluments	1,471	1,015

During the year the number of Directors receiving retirement benefits at 31 December 2021 were as follows:

	2021 No.	2020 No.
Shares receivable by Directors	3	5
Accruing benefits under defined benefit pension scheme	3	4

In respect of the highest paid Director:

	2021 £'000	2020 £'000
Emoluments	499	348
Defined benefit accrued pension entitlement in other Shell companies	12	31
	511	379

During the year the highest paid Director was not entitled to receive shares in another group company under a long-term incentive scheme.

Shell Energy Retail Limited

Notes to the financial statements

For the year ended 31 December 2021

22. Derivatives not included at fair value

The Company has derivatives which are not included at fair value in the financial statements. The difference between fair value and cost is as follows:

	2021 £'000	2020 £'000
Energy contracts	605,466	68,635

This fair value is based on information provided by the Company's supplier.

The Company uses the derivatives to hedge its exposures to changes in market prices arising from energy purchases.

Energy procurement contracts are entered into and continue to be held for the purpose of the receipt of a non-financial item which is in accordance with the Company's expected purchase and sale requirements and are therefore out of scope of IFRS 9.

23. Related party transactions

The Company has taken advantage of the exemption under FRS 101 para 8(k) from the requirement to disclose related party transactions with other group companies, on the grounds that they are wholly owned subsidiaries of Shell plc.

24. Events after the end of the reporting period

In the period since the year-end and the date of signing the accounts, the Company has issued share capital as follows:

- On 14 February 2022 19,800 ordinary shares having an aggregate nominal value of £19,800 which were allotted for an aggregate consideration of £19,800,000.
- On 25 March 2022 177,000 ordinary shares having an aggregate nominal value of £177,000 which were allotted for an aggregate consideration of £177,000,000.
- On 19 May 2022 23,555 ordinary shares having an aggregate nominal value of £23,555 which were allotted for an aggregate consideration of £23,555,000. This issue of share capital was used to increase the Company's investment in its subsidiary company Shell Energy Retail GmbH by the same value.
- On 25 August 2022 400,000 ordinary shares having an aggregate nominal value of £400,000 which were allotted for an aggregate consideration of £400,000,000. This issue of share capital was used to increase the Company's investment in its subsidiary company Shell Energy UK Limited by the same value.

25. Contingent liabilities

The company is in on-going discussions with its regulatory bodies, OFGEM and OFCOM, in relation to its compliance with certain license conditions. The company is unable, at the period end, to reliably assess whether the company will be subject to any financial penalty as a result, and as such considers that these matters are contingent liabilities under IAS37 for which no amount has been accrued.