

Registration number: 05819755

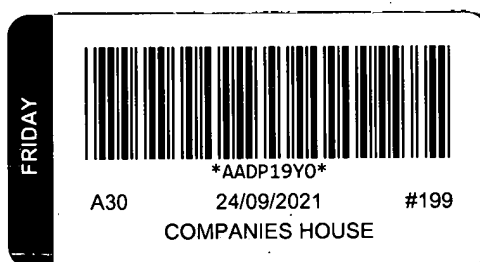
Shell Treasury UK Limited

Annual Report

and

Financial Statements

For the year ended 31 December 2020



Shell Treasury UK Limited

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Shell Treasury UK Limited

Strategic report for the year ended 31 December 2020

The Directors present their Strategic report on Shell Treasury UK Limited (also referred to as the "Company") for the year ended 31 December 2020.

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

Business review

The principal activities of Shell Treasury UK Limited are to provide Pounds Sterling funding to, and take Sterling deposits from operating companies and enterprises in which Companies of the Shell Group have a direct or indirect participation. The Company will continue with these activities for the foreseeable future.

In 2020, the Company continued to assume responsibility for making and receiving payments with HM Revenue and Customs on behalf of the United Kingdom tax group.

The Company's profit for the financial year decreased from £198.8 million in 2019 to £113.2 million in 2020. This was principally due to reversal of provision of expected credit loss (ECL) on loans to the extent of £0.2 million (2019: £68.1 million).

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

As a result of COVID-19 pandemic, there continues to be significant uncertainty in the macroeconomic conditions with an expected volatility in the financial markets where company could be impacted by changes to interest rates, exchange rates and inflation rates. The Company will continue to support the Shell Group Treasury operation in managing the overall cash position of the Shell Group in meeting short-term and long-term funding requirements. The scale and duration of these developments for the Company remain uncertain but could impact earnings, carrying value of assets, derivative valuations, cash flow and financial condition.

Shell Treasury UK Limited

Strategic report for the year ended 31 December 2020 (continued)

Brexit Impact

On 23 June 2016, the UK held a referendum on the UK's continuing membership of the EU, the outcome of which was a decision for the UK to leave the EU (Brexit). On 26 December 2020, the EU-UK Trade and Cooperation agreement was agreed and provisionally applied. An impact assessment at country level was performed based on a no deal Brexit, which included the activities of the Company. The Board currently sees a limited impact from the EU-UK Trade and Cooperation agreement on its existing business based on the assessment undertaken.

IBOR Reform

Following the financial crisis, the reform and replacement of benchmark interest rates such as GBP LIBOR, USD LIBOR and other inter-bank offered rates ('IBORs') has become a priority for global regulators. IBOR Reform - Phase 2 Amendments to IFRS 9 Financial Instruments (IFRS 9), IFRS 7 Financial Instruments: Disclosures (IFRS 7) and IFRS 16 Leases (IFRS 16) were issued in August 2020 that complement those amendments issued in 2019 (IBOR Reform - Phase 1) and focus on the effects of IBOR reform on a company's financial statements that arise when, for example, an IBOR used to calculate interest on a financial asset is replaced with an alternative benchmark rate. The amendments are effective for periods beginning on or after January 1, 2021 and are to be applied retrospectively with early application permitted. The entity's intra group floating rate borrowing and lending will be affected by the market-wide replacement of LIBOR by alternative risk-free reference rates, most significantly by reform of dollar LIBOR. Loans will be transitioned at economically equivalent rates.

During 2020, Shell treasury established a new IBOR transition project plan. This transition project is considering changes to systems, processes, risk management and valuation models, as well as managing any related tax and accounting implications. In January 2021, floating rate interest loan of £2.325 billion GBP LIBOR loan was transitioned to Floored Loan SONIA. The Company has applied the practical expedient of updating the effective interest rate prospectively since the change is a direct consequence of IBOR reform. Therefore, no gain or loss or change to the carrying value of the financial instrument will be recognised in year 2021.

Principal risks and uncertainties

The Shell Group has a single risk-based control framework - The Shell Control Framework - to identify and manage risks. The Shell Control Framework applies to all wholly owned Shell companies and to those ventures and other companies in which Royal Dutch Shell has directly or indirectly a controlling interest. From the perspective of the Company, the principal risks and uncertainties affecting the Company are considered to be those that affect the Shell Group. Accordingly, the principal risks and uncertainties of the Shell Group, which are discussed on pages 28 to 37 of Royal Dutch Shell's Annual Report for the year ended 31 December 2020 (the "Group Report"), include those of the Company. The Group Report does not form part of this report.

Shell Treasury UK Limited

Strategic report for the year ended 31 December 2020 (continued)

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 46 to 80 of the Group Report and the key performance indicators through which the Group's performance is measured are as set out on pages 43 to 45 of the Group Report.

Going concern

In determining the appropriate basis of preparation of the Financial Statements, the Directors are required to consider whether the Company can continue in operational existence over the period to 30 September 2022 (the 'going concern period'). The Directors have considered the potential risks and uncertainties relating to COVID-19 and Brexit impact on the Company's business, credit, market, and liquidity position. Based on the above, together with the Directors knowledge and experience of the market, the Directors continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2020.

Section 172(1) statement/Statement of stakeholder interests

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

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

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

Shell Treasury UK Limited

Strategic report for the year ended 31 December 2020 (continued)

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

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

The strategy of the Company is considered to be derived from those of the Shell Group, which is discussed on pages 18 to 21 of the Royal Dutch Shell plc 2020 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.


Human Rights

Respect for human rights is embedded in the Shell Group's Business Principles and Code of Conduct. This approach is informed by the Universal Declaration of Human Rights, the core conventions of the International Labour Organization and the United Nations' Guiding Principles on Business and Human Rights.

The Shell Group works closely with other companies and non-governmental organisations to continuously improve the way it applies these principles, with a focus on four key areas: communities, security, labour rights, and supply chain. The Shell Group has systems and processes in place for managing projects, contracting and procurement, recruitment and employment, security and social performance and requires all Group companies and contractors to respect the human rights of their workforce and neighbouring communities.

The Shell Group's Modern Slavery Statement provides more details about the process applied. It can be found at www.shell.com/uk-modern-slavery-act.html.

Approved by the Board on 15 September 2021 and signed on its behalf by:

DocuSigned by:

.....
C. Pantling
Director

Shell Treasury UK Limited

Directors' report for the year ended 31 December 2020

The Directors present their report and the financial statements for the year ended 31 December 2020.

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

Dividend

Interim dividends of £197.0 million were paid in the year (2019: £61.0 million). The Directors recommend that no further dividend be paid for the year ended 31 December 2020 (2019: nil).

Future outlook

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

Directors of the Company

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

M.J. Ashworth

D. Khosla

C. Pantling

D.A. Warrilow

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 186 to 188 and note 19).

Financial risks that are specific to the Company are discussed in note 12 of the Notes to Financial statements.

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 94 to 107 of the Group Report with greenhouse gas emissions and energy usage being set out on pages 106 to 107.

Events after the end of the reporting period

On 15 September 2021 the Directors have declared an interim dividend of £0.0266 per share totalling £114.0 million. This dividend has not been accounted for within the current year financial statements.

Shell Treasury UK Limited

Directors' report for the year ended 31 December 2020 (continued)

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.

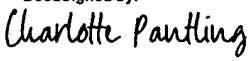
The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies 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.

15 September 2021

Approved by the Board on and signed on its behalf by:

DocuSigned by:

.....
C. Pantling
Director

Independent Auditor's report to the Member of Shell Treasury UK Limited

Opinion

We have audited the financial statements of Shell Treasury UK Limited (the "Company") for the year ended 31 December 2020, which comprise the Profit and loss account, the Balance sheet, the Statement of changes in equity, and the related notes 1 to 14, 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 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for the period up to 30 September 2022.

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

Independent Auditor's report to the Member of Shell Treasury UK Limited (continued)

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Independent Auditor's report to the Member of Shell Treasury UK Limited (continued)

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 6, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework FRS 101 "Reduced Disclosure Framework", Companies Act 2006, Bribery Act 2010, Companies (Miscellaneous Reporting) Regulation 2018 and relevant tax compliance regulations in the jurisdictions in which the Company operates, including the United Kingdom.

Independent Auditor's report to the Member of Shell Treasury UK Limited (continued)

- We understood how the Company is complying with those frameworks and Shell group policies by making enquiries of management, those responsible for legal and compliance procedures and the Company Secretary. We corroborated our enquiries through the review of the following documentation:
 - all minutes of board meetings held during the year;
 - the Shell group's code of conduct setting out the key principles and requirements for all staff in relation to compliance with laws and regulations;
 - any relevant correspondence with local tax authorities;
 - and any relevant correspondence received from regulatory bodies.
- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Company established to address risks identified by the entity or that otherwise seek to prevent, deter or detect fraud. We gained an understanding of the entity level controls and policies that the Company applies being part of the Shell group.
- Based on the results of our risk assessment we designed our audit procedures to identify non-compliance with such laws and regulations identified above. Our procedures involved testing of journal entries, with a focus on journals indicating large or unusual transactions or meeting our defined risk criteria based on our understanding of the business, enquiries of legal counsel and management, review of internal audit reports and of the volume and nature of complaints received by the whistleblowing hotline during the year relevant to the Company.

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

Use of our report

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

Ernst & Young LLP

.....
Neil Warnock (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast

16 September 2021
Date:.....

Shell Treasury UK Limited

Profit and loss account for the year ended 31 December 2020

Continuing operations

| | Note | 2020 £ m | 2019 £ m |
|--|------|---------------------|---------------------|
| Other income | | <u>0.2</u> | <u>68.1</u> |
| OPERATING PROFIT | 5 | 0.2 | 68.1 |
| Interest receivable and similar income | 3 | 140.7 | 160.8 |
| Interest payable and similar charges | 4 | <u>(1.2)</u> | <u>-</u> |
| PROFIT BEFORE TAXATION | | 139.7 | 228.9 |
| Tax on profit | 7 | <u>(26.5)</u> | <u>(30.1)</u> |
| PROFIT FOR THE YEAR | | <u>113.2</u> | <u>198.8</u> |

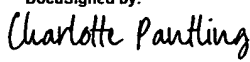
The profit for the current year and for the prior year are equal to the total comprehensive income and accordingly a statement of comprehensive income has not been presented.

Shell Treasury UK Limited

(Registration number: 05819755)
Balance sheet as at 31 December 2020

| | Note | 2020 £ m | 2019 £ m |
|---|------|----------------|----------------|
| Current assets | | | |
| Debtors: amounts due after one year | 8 | 4,439.5 | 4,438.0 |
| Debtors: amounts due within one year | 8 | 70.3 | 142.8 |
| Creditors: amounts falling due within one year | 9 | <u>(62.0)</u> | <u>(49.2)</u> |
| Net current assets | | <u>8.3</u> | <u>93.6</u> |
| Net assets | | <u>4,447.8</u> | <u>4,531.6</u> |
| Equity | | | |
| Called up share capital | 10 | 4,288.8 | 4,288.8 |
| Profit and loss account | | <u>159.0</u> | <u>242.8</u> |
| Total equity | | <u>4,447.8</u> | <u>4,531.6</u> |

The financial statements on pages 11 to 24 were authorised for issue by the Board of Directors on 15 September 2021 and signed on its behalf by:

DocuSigned by:


 C. Pantling
 Director

Shell Treasury UK Limited

Statement of changes in equity for the year ended 31 December 2020

| | Called up share capital £ m | Profit and loss account £ m | Total £ m |
|---------------------------------------|-----------------------------------|-----------------------------------|-----------------------|
| Balance as at 1 January 2019 | 4,288.8 | 105.0 | 4,393.8 |
| Profit for the year | - | 198.8 | 198.8 |
| Dividends paid (note 11) | - | (61.0) | (61.0) |
| Balance as at 31 December 2019 | <u>4,288.8</u> | <u>242.8</u> | <u>4,531.6</u> |
| Balance as at 1 January 2020 | 4,288.8 | 242.8 | 4,531.6 |
| Profit for the year | - | 113.2 | 113.2 |
| Dividends paid (note 11) | - | (197.0) | (197.0) |
| Balance as at 31 December 2020 | <u>4,288.8</u> | <u>159.0</u> | <u>4,447.8</u> |

Shell Treasury UK Limited

Notes to the financial statements for the year ended 31 December 2020

General information

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

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

1 Accounting policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework, 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 accounting policies have been consistently applied.

Going concern

As at the date of approving the financial statements, the impact of COVID-19 on the Company’s operations is continually being assessed and is subject to rapid change. The Directors have considered the potential risks and uncertainties relating to COVID-19 and Brexit impact on the Company’s business, credit, market, and liquidity position. The Directors have assessed that the Company is expected to have adequate headroom to meet its liabilities and commitments over the going concern period to 30 September 2022. The Directors have assessed that the Company has adequate resources to continue in operation for the period to 30 September 2022.

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

New standards applied

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” These had no material impact on the financial statements of the Company, nor is there expected to be any future impact to the Company.

Shell Treasury UK Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

1 Accounting policies (continued)

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. These amendments had no material impact on the financial statements of the Company.

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

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

- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of paragraph 79(a)(iv) of IAS 1 'Presentation of financial statements';
- 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)
- IAS 7, 'Statement of cash flows';
- Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraphs 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more wholly owned members of a group.

Shell Treasury UK Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

1 Accounting policies (continued)

Consolidation

The immediate parent company is The Shell Petroleum Company Limited.

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

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

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

Taxation

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

Current tax

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

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.

Shell Treasury UK Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

1 Accounting policies (continued)

(ii) Transaction and balances

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

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

Interest receivable and interest payable

Interest receivable and payable is recognised on an accrual basis as it is earned or incurred and recorded in the profit and loss account of the period to which it relates.

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.

Shell Treasury UK Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

1 Accounting policies (continued)

Impairment of financial assets

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

As a result of COVID-19, there continues to be significant uncertainty in the macroeconomic conditions with an expected negative impact on global economic environment. Therefore, this has an impact on our customers who are also exposed to the same macroeconomic changes. The Company however has Credit-risk policies in place to ensure that sales are made to customers with appropriate creditworthiness, and include detailed credit analysis and monitoring of customers against counterparty credit limits. Where appropriate, netting arrangements, credit insurance, prepayments and collateral are used to manage credit risk. Therefore the Company's risk of exposure to bad debts is not significant.

Financial liabilities

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

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.

Shell Treasury UK Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

2 Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Provision for expected credit losses of trade debtors

The Company computes probability of default rates for third party trade debtors based on historical loss experience adjusted for current and forward looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. For intra-group trade debtors, the Company uses an internal credit rating to determine the probability of default. Internal credit ratings are based on methodologies adopted by independent credit rating agencies.

3 Interest receivable and similar income

| | 2020 £ m | 2019 £ m |
|-----------------------------------|--------------|--------------|
| Interest from Group undertakings: | | |
| Fellow subsidiary undertakings | 140.5 | 160.7 |
| Interest from related party | 0.2 | 0.1 |
| | <u>140.7</u> | <u>160.8</u> |

4 Interest payable and similar charges

| | 2020 £ m | 2019 £ m |
|------------------------|-------------|-------------|
| Other interest payable | <u>1.2</u> | <u>-</u> |

5 Operating profit

Arrived at after crediting:

| | 2020 £ m | 2019 £ m |
|-------------------|-------------|-------------|
| Provision for ECL | 0.2 | 68.1 |

Shell Treasury UK Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

5 Operating profit (continued)

The Company had no employees during 2020 (2019: none).

None of the Directors received any emoluments (2019: none) in respect of their services to the Company.

6 Auditor's remuneration

The Auditor's remuneration of £3,825 (2019: £3,156) in respect of the statutory audit was borne by another Group company for both the current and preceding years.

No non audit fees were paid to the Company's auditor.

7 Tax on profit

Tax charge in the profit and loss account

The tax charge for the year of £26.5 million (2019: £30.1 million) is made up as follows:

| | 2020 £ m | 2019 £ m |
|--|-------------|-------------|
| Current taxation | | |
| UK corporation tax | 26.5 | 30.6 |
| UK corporation tax adjustment to prior periods | - | (0.5) |
| Tax charge in the profit and loss account | <u>26.5</u> | <u>30.1</u> |
| Reconciliation of total tax charge | | |

The tax on profit before tax for the year differs from the standard rate of corporation tax in the UK of 19% (2019: 19%).

The differences are reconciled below:

| | 2020 £ m | 2019 £ m |
|---|-------------|-------------|
| Profit before tax | 139.7 | 228.9 |
| Tax on profit calculated at standard rate (2020: 19%) (2019: 19%) | 26.5 | 43.5 |
| Effects of: | | |
| Income exempt from taxation | - | (12.9) |
| Adjustments in respect of prior periods | - | (0.5) |
| Total tax charge | <u>26.5</u> | <u>30.1</u> |

Shell Treasury UK Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

7 Tax on profit (continued)

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

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. It is not anticipated that these changes will have a material impact on the company's/group's deferred tax balances.

These changes were substantively enacted on 24 May 2021 and is not anticipated to have a material impact on the balance sheet of the company as at 31 December 2020.

8 Debtors

Debtors: amounts due within one year

| | 2020 £ m | 2019 £ m |
|-------------------------------------|-------------|--------------|
| Amounts owed by Group undertakings: | | |
| Fellow subsidiary undertakings | <u>70.3</u> | <u>142.8</u> |

Amounts owed by Group undertakings include amounts owed by fellow subsidiary undertakings that are generally unsecured, payable upon demand and bearing LIBOR interest rate ranging from 0% to 0.49%.

Debtors: amounts due after one year

| | 2020 £ m | 2019 £ m |
|-------------------------------------|----------------|----------------|
| Amounts owed by Group undertakings: | | |
| Fellow subsidiary undertakings | 4,435.3 | 4,435.1 |
| Loan to related party | <u>4.2</u> | <u>2.9</u> |
| | <u>4,439.5</u> | <u>4,438.0</u> |

Amounts owed by Group undertakings due after one year bears interest at LIBOR plus margins with the last loan receivable due in November 2036. Margin ranges from 1.66% to 3.88%.

Refer to note 13 for interest rate and maturity date of loan with related party.

Shell Treasury UK Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

8 Debtors (continued)

The impairment allowance for financial assets as at 31 December 2020 is as follows:

| | 2020 £ m | 2019 £ m |
|--|----------------|----------------|
| At amortised cost | | |
| Loans receivable from Group undertakings | 4,446.4 | 4,446.4 |
| Loan receivable from related party | 4.2 | 2.9 |
| Amounts owed by Group undertakings | 70.3 | 142.8 |
| | <u>4,520.9</u> | <u>4,592.1</u> |

| | 2020 | | |
|--|---------------------------------|----------------------|------------------------|
| | Gross carrying amount £ m | ECL allowance £ m | Carrying amount £ m |
| Loans receivable from Group undertakings | 4,446.4 | 11.1 | 4,435.3 |
| Loan receivable from related party | 4.2 | - | 4.2 |
| Amounts owed by Group undertakings | 70.3 | - | 70.3 |
| | <u>4,520.9</u> | <u>11.1</u> | <u>4,509.8</u> |

| | 2019 | | |
|--|---------------------------------|----------------------|------------------------|
| | Gross carrying amount £ m | ECL allowance £ m | Carrying amount £ m |
| Loans receivable from Group undertakings | 4,446.4 | 11.3 | 4,435.1 |
| Loan receivable from related party | 2.9 | - | 2.9 |
| Amounts owed by Group undertakings | 142.8 | - | 142.8 |
| | <u>4,592.1</u> | <u>11.3</u> | <u>4,580.8</u> |

The impairment provision required under IFRS 9 was calculated using 12 month ECLs.

The Company has recorded all financial assets at amortised cost.

Shell Treasury UK Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

9 Creditors: amounts falling due within one year

| | 2020 | 2019 |
|---------------|-------------|-------------|
| | £ m | £ m |
| Tax liability | 62.0 | 49.2 |
| | <u>62.0</u> | <u>49.2</u> |

10 Called up share capital

Allotted, called up and fully paid shares

| | No. | 2020 £ m | No. | 2019 £ m |
|---------------------------------|---------------|-------------|---------------|-------------|
| Issued share capital of £1 each | 4,288,788,760 | 4,288.8 | 4,288,788,760 | 4,288.8 |

11 Dividends

Interim dividends of £197.0 million were paid in the year (2019: £61.0 million). The Directors recommend no further dividend be paid for the year ended 31 December 2020 (2019: nil).

12 Financial risk management and impairment of financial assets

Credit risk

The Company is exposed to the risk that a counterparty will default on its contractual obligation to repay its debt. The level of the risk is mitigated to the extent that the Company's lending is primarily to 100% Shell companies. Each new loan is subject to a counterparty credit appraisal and support via an approved financing proposal.

The Company does not routinely enter into offsetting, master netting and similar arrangements with counterparties to manage credit risk and therefore the net carrying amounts of financial assets and financial liabilities presented are materially equal to the gross amounts.

Shell Treasury UK Limited

Notes to the financial statements for the year ended 31 December 2020 (continued)

12 Financial risk management and impairment of financial assets (continued)

Market risk

Interest rate risk

The Company is exposed to variations in cash flow arising from movements in interest rates, due to the floating rate nature of the Company's financial assets. As at 31 December 2020, the Company had entered into lending relationships with a total value of £4,520.9 million (2019: £4,592.1 million). All of these loans are interest bearing and therefore the Company has a significant exposure to adverse interest rate movements. The majority of the Company's lending is in Pound Sterling at floating rate.

The Company has entered into numerous loan agreements as at 31 December 2020 carrying interest rates at LIBOR plus margins with varying maturity dates up to 4 November 2036. Margin ranges from 1.66% to 4.33%.

Foreign exchange risk

There is no foreign exchange risk as all the receivables and payables and other monetary items are in the Company's functional currency of Pound Sterling.

13 Related party transactions

Related parties comprise entities which are joint venture members of the Shell Group of which the Company is a member.

The loan given to related party is unsecured and will be settled in cash, bearing interest at LIBOR plus margin of 4.33% with maturity date in July 2025.

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

| Related party name | Loan advanced during the year | | Loan balance as at | |
|--|-------------------------------|------|--------------------|------|
| | 2020 | 2019 | 2020 | 2019 |
| | £ m | £ m | £ m | £ m |
| Manchester Airport Storage and Hydrant Company Limited | 1.3 | 1.6 | 4.2 | 2.9 |

14 Events after the end of the reporting period

On 15 September 2021 the Directors have declared an interim dividend of £0.0266 per share totalling £114.0 million. This dividend has not been accounted for within the current year financial statements.