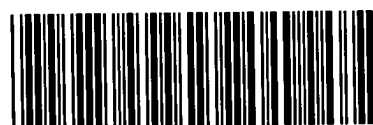


Registration No. 07489042

**Shell Energy UK Limited**  
**Annual Report and Financial Statements**  
**For the year ended 31 December 2022**

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## Shell Energy UK Limited

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# **Shell Energy UK Limited**

## **Company Information**

### **Directors**

G Arnaboldi  
J Eaton  
P A Robinson

### **Secretary**

A Mountford

### **Company Registration Number**

07489042

### **Registered Office**

Shell Centre  
London  
United Kingdom  
SE1 7NA

### **Auditor**

Ernst & Young LLP  
Statutory Auditor  
1 More London Place  
London  
SE1 2AF  
United Kingdom

# Shell Energy UK Limited

## Strategic Report

For the year ended 31 December 2022

### Introduction and changes in the year

The Directors present their Strategic report on the Company for the year ended 31 December 2022.

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.

The Company continues to deliver on its strategic plans to provide the electricity and gas supply to business customers in the Industrial and Commercial (I&C) sector, with the successful migration of Shell's own industrial power supplies in June 2021. The deployment of Flex Shape, Flex Block and Index products to support I&C customers are provided to customers as part of their energy management strategies.

### Business review

The principal activity of Shell Energy UK Limited is the supply of 100% renewable power and gas to business customers under long term fully inclusive or flexible energy contracts. By fixing the price of power or gas under these contracts, the Company's customers offset their exposure to changes in the prices of these essential commodities. Flexible contracts allow larger business customers to buy their energy in tranches as part of a purchasing framework which provides greater control and access to the wholesale market. The Company's long-term strategy is to become a leading provider of sustainable energy solutions, partnering with business customers on their net-zero carbon journey.

The Company's operating loss for the year was (£168m) (2021: profit of £77m). The loss is driven by the (£154m) loss on the revaluation to fair value of the company's energy derivatives on 31 December 2022 (2021: gain of £98m).

After a period of low commodity price during Covid-19, the market rebounded in 2021 as a result of strong global demand and lower gas storage levels across Europe, this continued during 2022. The Company responded to the increased market volatility by strengthening existing processing contract management, reviewing and updating risk premiums and continuing to apply prudent credit controls, focusing on resilient business sectors. The Company took active steps to understand the impact on cash flows due to high commodity prices working with Shell Treasury to ensure the necessary funds were available to support day to day operations.

### 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 15 to 26 of Shell's Annual Report for the year ended 31 December 2022 (the "Group Report"), include those of the Company. The Group Report does not form part of this report.

## Shell Energy UK Limited

### Strategic Report (continued)

For the year ended 31 December 2022

#### Performance monitoring – Key performance indicators (“KPI”)

The successful delivery of the Company's objectives is monitored by the Board through tracking key performance indicators and regular review of the Company's operations.

	31 December 2022 £000	31 December 2021 £000
Total Sales	549,103	211,201
Gross margin	12,569	(1,444)
Gross margin %	2.3%	(1)%
Operating Profit / (Loss)	(167,896)	76,592

The increase in revenue compared to the year ended 31 December 2021 is a result of change in business strategy to introduce I&C customers, additional customers taken on due to EBRS introduction with lowered commercial risk factors and significantly higher wholesale prices driving up customer revenue.

The operating loss reported includes a (£154m) loss relating to the revaluation of the company's derivatives to their fair value as at 31 December 2022 (2021: a revaluation gain of £98m).

The Board also considers the following measures to be important:

#### Other Key performance indicators

Other Measures	Definition
Customer account health	Key indicators on customer accounts monitored and reported to Management Team monthly which include; correct customer contact, customer billed up to date, monitoring of debt over 30 days, meter reads within the last two months.
Bad Debt	Customer aged debt and Bad debt is closely managed and reported to the Management Team monthly.
Employee Engagement	Annual employee survey and interim surveys completed through the year. Employee survey results are analysed and reported to the Management Team.

## Shell Energy UK Limited

### Strategic Report (continued)

For the period ended 31 December 2022

#### Going concern

The balance sheet at 31 December 2022 reports a net current liability of £84m (2021: current asset of £30m) driven by the temporary mark to market derivative position of energy contracts.

The financial statements have been prepared under the going concern concept due to the availability of parent company funding, which will enable the Company to meet its liabilities and commitments over the going concern period to 30 September 2024.

As part of this approved funding, the Company will also have access to working capital facility of £30m from a Shell Treasury company.

This funding will enable the Company to meet its liabilities as they fall due for a period.

The Company has prepared cash flow forecasts until 30 September 2024 which show that with the funding requirements outlined above, the company has sufficient headroom to meet its obligations.

Due consideration has been given to Ofgem regulatory stress tests to identify the downside sensitivity assumptions which would need to arise in order for the business to need additional funding 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 the business has sufficient funding under all stress test scenarios.

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 future.

# Shell Energy UK Limited

## Strategic Report (continued)

For the period ended 31 December 2022

### Directors' statement of compliance with duty to promote the success of the Company

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 interests of other stakeholders which may affect the long-term success of the Company.

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

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

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

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

The strategy of the Company is considered to be derived from those of the Shell Group, which is discussed on pages 6 - 14 of the Group Report. The Shell Group internally organises its activities principally along business and function lines but transacts its business through legal entities. This organisation structure is designed to achieve Shell's overall business objectives, whilst respecting the separate legal identity of the individual Shell companies through which it is implemented and the independence of each legal entity's Board of Directors.

### **PRINCIPAL DECISIONS**

We define Principal decisions taken by the Board as those decisions in 2022, 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

## Shell Energy UK Limited

### Strategic Report (continued)

For the period ended 31 December 2022

#### Principal Decisions in 2022

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	How were stakeholders considered
On 16 August 2022 the Directors of the Company authorised the issue of new shares by Ordinary Resolution	On 16 August 2022, the Company issued 400,000 £0.001 shares for which it received consideration of £40,000,000.	The directors of the Company authorised the issue of new shares by Ordinary Resolution. The impact of the change on stakeholders (existing and future) considerations are taken into account during the decision making process.

#### Human Rights

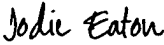
Respect for human rights is embedded in the Shell Group's Business Principles and Code of Conduct. This approach is informed by the Universal Declaration of Human Rights, the core conventions of the International Labour Organization and the United Nations' Guiding Principles on Business and Human Rights.

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 neighboring 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](http://www.shell.com/uk-modern-slavery-act.html).

#### Approval

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

DocuSigned by:

  
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J Eaton

Director

Shell Energy UK Limited

01 September 2023

# Shell Energy UK Limited

## Directors Report

For the year ended 31 December 2022

The Directors present their report and the financial statements for the year ended 31 December 2022.

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

### Dividends

The loss for the period, after taxation, amounted to £134.8m (2021 – profit £61.7m).

No dividends were declared in relation to the period under review (2021: £none).

### Future Outlook

During the year the Company began a transition from providing energy to SME (Small/Medium Entity) business customers to supply energy to larger Industrial & Commercial (I&C) business customers, with the long-term strategic objective to serve 10% of the UK I&C electricity and gas retail market by 2030.

A number of key anchor I&C customers supply contracts were transferred in the year from sister companies within the Shell group. As the company looks forward it expects to launch a wider range of I&C tailored products for both power and gas supply, developing systems and people capability to sell and service this market at a greater scale.

### 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:

G Arnaboldi  
C A Crooks (resigned 30 June 2023)  
J Eaton  
P A Robinson

### 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 215 to 217 and note 25).

## **Shell Energy UK Limited**

### **Directors Report (continued)**

**For the period ended 31 December 2022**

#### **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 78 to 105 of the Group Report with greenhouse gas emissions and energy usage being set out on pages 104 to 105.

#### **Events after the end of the reporting period**

The company changed ownership on 1 July 2023 from the immediate parent company Shell Energy Retail Limited to Shell New Energies Holding Limited. Shell Energy Retail limited sold its 100% holding of the entire issued share capital by way of a Share Purchase Agreement to Shell New Energies Holding Limited. The ultimate parent remains Shell Plc.

#### **Employee involvement**

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

The Internal Communications Team issue communications as required by email to all employees. This includes a regular Newsletter from the CEO containing updates on the business, Energy Market, People, important dates and benefits. The Executive Team also hold in person all staff briefings to ensure colleagues are kept regularly updated on business performance. The CEO also sends video updates to all staff at key milestones through the year.

The Company seeks to regularly consult with employees for views on matters affecting them through a number of channels such as employee opinion surveys, ASK the SLT session, all staff briefings and informal drop in sessions with the CEO and HR Director.

#### **Equal opportunities**

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

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

The Company offers a range of flexible working conditions to assist employees in balancing work and outside commitments. There are also schemes such as, compressed hours, part-time working, career breaks and twenty-six weeks paid maternity/adoption leave (including Shared Parental Leave).

## Shell Energy UK Limited

### Directors Report (continued)

For the period ended 31 December 2022

#### 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, Ask the SLT face to face meetings, quarterly business performance updates, team meetings, Intranet articles and online publications.

The annual Shell Energy UK employee engagement Survey, which measures employee engagement, is an opportunity for employees to give their opinion anonymously 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. In addition, we also run a short pulse survey in June as a temperature check and track progress on actions.

#### 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;
- present information, including accounting policies, in a manner that provides relevant, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in UK GAAP is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the company's financial position and financial performance;
- in respect of the company financial statements, state whether applicable UK Accounting Standards, including FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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.

## Shell Energy UK Limited

### Directors Report (continued)

For the period ended 31 December 2022

#### Auditors

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

#### 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.

This report was approved by the board and signed on its behalf.

DocuSigned by:

*Jodie Eaton*  
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J Eaton

Director  
Shell Energy UK Limited

01 September 2023

## **Shell Energy UK Limited Shell E**

### **Independent auditor's report to the members of Shell Energy UK Limited**

#### **Opinion**

We have audited the financial statements of Shell Energy UK Limited for the year ended 31 December 2022 which comprise the Profit and Loss account, the Statement of Comprehensive Income, 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 2022 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 to 30 September 2024.

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.

## **Shell Energy UK Limited Shell E**

### **Independent auditor's report to the members of Shell Energy 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 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 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 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.

#### **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.

## Shell Energy UK Limited Shell

### Independent auditor's report to the members of Shell Energy UK Limited (continued)

#### Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 10, 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).
- 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 processes 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 processes 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. These procedures included the checking of unbilled volumes to an independent third-party source and obtaining a breakdown of the unbilled revenue amounts, selecting a representative sample of amounts and verifying to post year end invoices and payments. Further, to test management override we used data analytics to sample from the entire population of journals with a focus on manual journals to revenue, identifying specific transactions which did not meet our expectations based on specific criteria, to investigate to gain an understanding and agree to source documentation, where required, that supports the appropriateness of the journal.
- Based on this understanding we designed our audit procedures to identify noncompliance 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.

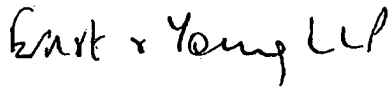
## Shell Energy UK Limited Shell

### Independent auditor's report to the members of Shell Energy UK Limited (continued)

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.



William Testa (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London, UK

Date: 4 September 2023

## Shell Energy UK Limited

### Profit and Loss Account

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
Turnover	4	549,103	211,201
Cost of sales		(536,534)	(212,645)
<b>GROSS PROFIT / (LOSS)</b>		12,569	(1,444)
Distribution costs		(16,156)	(14,872)
Administrative expenses		(10,450)	(4,935)
Fair value movements		(153,859)	97,843
<b>OPERATING (LOSS) / PROFIT</b>	5	(167,896)	76,592
Interest payable and similar expenses	9	(455)	(418)
<b>(LOSS) / PROFIT BEFORE TAXATION</b>		(168,351)	76,174
Taxation on (loss)/profit for the year	10	33,538	(14,439)
<b>(LOSS)/PROFIT FOR THE YEAR</b>		(134,813)	61,735

The notes on pages 19 to 41 form part of these financial statements.

## Shell Energy UK Limited

### Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	2022 £'000	2021 £'000
(Loss)/profit for the financial year		(134,813)	61,735
<b>Other comprehensive income:</b>			
<b>Items that will not be reclassified to profit or loss:</b>			
Other comprehensive income		-	-
		-	-
<b>Total comprehensive income for the year</b>		<b>(134,813)</b>	<b>61,735</b>

The notes on pages 19 to 41 form part of these financial statements.

# Shell Energy UK Limited

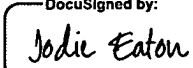
## Registration Number: 0748904

### Balance Sheet

As at 31 December 2022

	Note	2022 £'000	2021 £'000
<b>Fixed assets</b>			
Intangible assets	11	863	758
Tangible assets	12	2,426	1,021
Deferred taxation	19	12,623	-
		<u>15,912</u>	<u>1,779</u>
<b>Current assets</b>			
Debtors	13	230,242	173,031
Cash at bank and in hand	14	28,086	14,956
		<u>258,328</u>	<u>187,987</u>
<b>Debtors: Amounts falling due after one year</b>			
Financial Instruments		42,359	17,531
<b>Total assets</b>		<u>316,599</u>	<u>207,297</u>
<b>Creditors: Amounts falling due within one year</b>	15	<u>(384,279)</u>	<u>(175,707)</u>
<b>Net current (liabilities) / assets</b>		<u>(83,592)</u>	<u>29,811</u>
<b>Total assets less current liabilities</b>		<u>(67,680)</u>	<u>31,590</u>
<b>Creditors: Amounts falling due after one year</b>	16	<u>(17,315)</u>	<u>(3,076)</u>
<b>Provisions for liabilities</b>			
Deferred taxation	19	-	(18,696)
<b>Net (liabilities) / assets</b>		<u>(84,995)</u>	<u>9,818</u>
<b>Equity</b>			
Share capital	20	5	5
Share premium	21	88,000	48,000
Profit and loss account	21	(173,000)	(38,187)
<b>Total equity</b>		<u>(84,995)</u>	<u>9,818</u>

These financial statements were approved and authorised for issue by the Board and were signed on its behalf

DocuSigned by:  
  
 SCE6713A06B143D...  
 J Eaton  
 Director

Date: 01 September 2023

The notes on pages 19 to 41 form part of these financial statements.

## Shell Energy UK Limited

### Statement of Changes in Equity

For the year ended 31 December 2022

	Note	Called up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
<b>At 1 January 2021</b>		5	48,000	(99,922)	(51,917)
Profit for the year		-	-	61,735	61,735
Shares issued during the year		-	-	-	-
<b>At 1 January 2022</b>		5	48,000	(38,187)	9,818
Loss for the year		-	-	(134,813)	(134,813)
Shares issued during the year	21	-	40,000	-	40,000
<b>At 31 December 2022</b>		5	88,000	(173,000)	(84,995)

The notes on pages 19 to 41 form part of these financial statements.

# Shell Energy UK Limited

## Notes to the Financial Statements

For the year ended 31 December 2022

### 1. General information

Shell Energy UK Limited is a private company limited by shares incorporated and domiciled in England and Wales, registration number 07489042. The registered office is Shell Centre, London, United Kingdom, SE1 7NA.

The Company's principal activity is that of supply of electricity to the commercial market under long-term fixed price or variable priced contracts.

By fixing the price of natural gas or electricity under its fixed price or variable priced contracts, the Company's customers offset their exposure to changes in the prices of these essential commodities. Variable rate products allow customers to maintain competitive rates while retaining the ability to lock into a fixed price at their discretion. The Company derives its margin or gross profit from the difference between the price at which it is able to sell the commodities to its customers and the related price at which it purchases the associated volumes from its suppliers.

The financial statements are presented in GBP (£) and all values are rounded to the nearest thousand, except where indicated.

### 2. Accounting policies

#### 2.1 Basis of preparation

The financial statements have been prepared under the historic cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" and the Companies Act 2006.

The following principal accounting policies have been applied:

#### 2.2 Going concern

The balance sheet at 31 December 2022 reports a net current liability of £(85)m (2021: asset of £30m), driven by the temporary mark to market derivative position of energy contracts.

The financial statements have been prepared under the going concern concept due to the availability of parent company funding, which will enable the Company to meet its liabilities and commitments over the going concern period to 30 September 2024.

As part of this approved funding, the Company will also have access to a working capital facility of £30m from a Shell Treasury company.

This funding will enable the Company to meet its liabilities as they fall due for the period.

The company has prepared cash flow forecasts until 30 September 2024, this shows that with the funding requirements outlined above, the company has sufficient headroom to meet its obligations.

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 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 UK Limited

## Notes to the Financial Statements

For the year ended 31 December 2022

### 2. Accounting policies (continued)

#### 2.3 Financial Reporting Standard 101 – reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions under FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1 'Presentation of financial statements';
  - (ii) paragraph 73(e) of IAS 16 'Property, plant and equipment';
  - (iii) paragraph 118(e) of IAS 38 'Intangible assets' (reconciliation between the carrying amount at the beginning and end of the period);
- The following paragraphs of IAS 1, 'Presentation of financial statements':
  - (i) 10(d) (statement of cash flows);
  - (ii) 10(f) (a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
  - (iii) 16 (statement of compliance with all IFRS);
  - (iv) 38A (requirement to present a minimum of two statements for each of the primary financial statements, including cash flow statements and related notes);
  - (v) 38B-D (additional comparative information);
  - (vi) 40A-D (requirements for a third balance sheet);
  - (vii) 111 (cash flow statement information); and
  - (viii) 134-136 (capital management disclosures);
- The following paragraphs of IFRS 15, 'Revenue from Contracts with Customers':
  - (i) the requirements of the second sentence of paragraph 110 (qualitative and quantitative information about contracts with customers, significant judgements, changes in judgements in applying this standard to those contracts, and assets recognised from the costs to obtain or fulfil a contract);
  - (ii) paragraph 113(a) (revenue recognised from contracts with customers);
  - (iii) paragraphs 114 and 115 (disaggregation of revenue);
  - (iv) paragraph 118 (changes in contract asset and liability);
  - (v) paragraphs 119(a) to (c) and 120 to 127 (performance obligations); and
  - (vi) paragraph 129 (practical expedients);
- IAS 7, 'Statement of cash flows';
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraph 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more wholly owned members of a group.
- 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 UK Limited**

### **Notes to the Financial Statements**

**For the year ended 31 December 2022**

#### **2. Accounting policies (continued)**

##### **Consolidation**

The financial statements contain information about Shell Energy UK 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 Shell New Energies Holding Limited.

The ultimate parent Company and controlling party is Shell plc, which 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](mailto:order@shell.com)  
Registered office: Shell Centre, London, SE1 7NA

# Shell Energy UK Limited

## Notes to the Financial Statements

For the year ended 31 December 2022

### 2. Accounting policies (continued)

#### 2.4 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.

##### **Deferred tax**

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

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

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

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

Amounts relating to deferred tax are undiscounted.

#### 2.5 Foreign currency translation

##### **Functional and presentation currency**

The Company's functional and presentational currency is GBP.

##### **Transactions and balances**

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

Monetary assets and liabilities recorded in foreign currencies have been translated in functional currency 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 UK Limited

## Notes to the Financial Statements

For the year ended 31 December 2022

### 2. Accounting policies (continued)

#### 2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

The Company adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when the cost is incurred, if the replacement part is expected to provide incremental future benefits to the Company. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, on a reducing balance basis.

Depreciation and impairment are not normally charged on assets under construction or on freehold land. In the case of these assets, an impairment review would only be undertaken if, and only if, there was a change in circumstances indicating that the carrying amount of the asset may not be recoverable.

Depreciation is provided on the following basis:

ROU asset	-	Term of lease
Leasehold improvements	-	Term of lease
Fixtures and fittings	-	20% straight line
Office equipment	-	20% straight line
Computer equipment	-	30% straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

#### 2.7 Intangible assets

Internally generated intangible assets – research and development expenditure

Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful lives, which range from 3 to 6 years.

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 probably 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 UK Limited

## Notes to the Financial Statements

For the year ended 31 December 2022

### 2. Accounting policies (continued)

#### 2.7 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.

Intangible assets are initially recognised at costs. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

The estimated useful lives range as follows;

Development expenditure	-	Amortised over estimated useful life only when the asset is completed
Software	-	3 years straight line

#### 2.8 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

For energy supply, turnover is recognised on the basis of electricity and gas supplied during the period. 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 period end date. Any unbilled amounts are included in debtors to the extent they are considered recoverable.

Of our portfolio, almost all will be paying via variable direct debit. This means they would pay in arrears of the performance obligations. This also means that a contract asset can exist in respect of a balance, accrued income.

#### Revenue and Energy Bill Relief Scheme

The Energy Bill Relief Scheme (EBRS) scheme has been introduced for non-domestic customers, providing government supported unit rates at £211/MWh for electricity and £75/MWh for gas. EBRS support is calculated on the differential between the EBRS rate, and the wholesale price of electricity or gas at either the inception of a customer's fixed price contract, or the date of delivery for variable, deemed and all other contracts, subject to a maximum discount. Since the EBRS scheme became effective from October 2022, the Company has recognised £32 million of revenue from the Government of which £10.6 million is recognised as a trade receivable on the balance sheet at the year-end date. The EBRS scheme ended on 31 March 2023. The Company recognises revenue based on existing estimation and measurement processes with the EBRS discount applied and subsequently recovered from the Government.

The Company has determined that it is appropriate to apply the requirements of IFRS 15 'Revenue from Contracts with Customers' where the Government is effectively settling a portion of customers' energy bills. This is on the basis that the Company remains entitled to receive consideration for the supply of electricity and gas based on either the existing price cap structure or customers' fixed or variable priced contracts and the transaction price is unchanged. The trade receivable arising from the supply of energy is settled both by the customer, and the Government. The Company observes that the alternative application of IAS 20 'Government Grants' would have resulted in a similar accounting outcome.

# Shell Energy UK Limited

## Notes to the Financial Statements

For the year ended 31 December 2022

### 2. Accounting policies (continued)

#### 2.9 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.

##### 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.

##### 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 the profit and loss account.

##### Derivative contracts

Certain derivative contracts qualify and are designated either as a "fair value" hedge or as "cash flow" hedge. A change in the fair value of a fair value hedge is recognised in profit and loss account, together with the consequential adjustment to the carrying amount of the hedged item. The effective portion of a change in fair value of a derivative contract designated as a cash flow hedge is recognised in other comprehensive income until the hedged transaction occurs; any ineffective portion is recognised in profit and loss account.

## Shell Energy UK Limited

### Notes to the Financial Statements

For the year ended 31 December 2022

#### 2. Accounting policies (continued)

##### 2.10 Finance costs

Finance costs are charged to profit or loss over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

##### 2.11 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 standalone 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.

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

# Shell Energy UK Limited

## Notes to the Financial Statements

For the year ended 31 December 2022

### 2. Accounting policies (continued)

#### 2.11 Leases (continued)

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

#### 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.

#### 2.12 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.

#### 2.13 Pensions

##### Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

# **Shell Energy UK Limited**

## **Notes to the Financial Statements**

**For the year ended 31 December 2022**

### **2. Accounting policies (continued)**

#### **2.14 Research and Development**

Development costs that are expected to generate probable future economic benefits are capitalised as intangible fixed assets. All other research and development expenditure is recognised in the profit and loss account as incurred.

#### **2.15 Creditors**

Creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Creditors are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### **2.16 Debtors**

Short-term debtors are measured at transaction price, less an impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

#### **2.17 Cash and cash equivalents**

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of no more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

# Shell Energy UK Limited

## Notes to the Financial Statements

For the year ended 31 December 2022

### 3. Judgements in applying accounting policies and key sources of estimation uncertainty

Preparation of the financial statements requires the directors to make significant judgements and estimates that affect the reported amounts of assets, liabilities, income, expenses, and the disclosure of contingent liabilities. The judgements and estimates are based on previous experience and other factors considered reasonable under the circumstances, the results of which form the basis for making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources.

The judgements and estimates are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised. Judgements made by the directors that have a significant impact on the financial statements relate to the following:

#### **Trade receivables:**

The Company reviews its individually significant receivables at each reporting date to assess whether an impairment loss should be recorded in the Statement of comprehensive income. In particular, judgement by the directors is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. In estimating these cash flows, the Company makes judgements about the borrower's financial situation and the fair value of collateral. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

#### **Unbilled receivables**

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 per customer 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.

#### **Deferred taxes**

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant judgement is required to determine the amount of deferred tax assets and liabilities that can be recognised, based upon the likely timing and the level of future taxable income realised.

#### **Useful life of key tangible and intangible fixed assets**

The amortisation method and useful lives reflect the pattern in which management expects the assets' future economic benefits to be consumed by the Company.

#### **Fair value of financial instruments**

Where the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including discounted cash flow models. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. The judgement includes consideration of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

# Shell Energy UK Limited

## Notes to the Financial Statements

For the year ended 31 December 2022

### 4. Turnover

An analysis of turnover by class of business is as follows:

	2022 £'000	2021 £'000
Shell Energy UK Limited Gas	41,021	9,431
Shell Energy UK Limited Electricity	508,082	201,770
	<u>549,103</u>	<u>211,201</u>

All turnover arose within the United Kingdom.

There is no future revenue related to performance obligations that are unsatisfied (or partially unsatisfied) at the period end.

There is no revenue recognised in relation to customer contracts where the performance obligations were fulfilled in the previous periods.

### 5. Operating profit / (loss)

The operating profit / (loss) is stated after charging:

	2022 £'000	2021 £'000
Depreciation of tangible fixed assets and ROU assets	302	337
Amortisation of intangible assets	271	174
Exchange differences	-	5
Defined contribution pension cost	414	431
	<u>414</u>	<u>431</u>

### 6. Auditors' remuneration

	2022 £'000	2021 £'000
Fees payable to the Company's auditor and its associates for the audit of the Company's annual financial statements	69	69
	<u>69</u>	<u>69</u>

The Company has taken advantage of the exemption not to disclose amounts paid for non-audit services as these are disclosed in the group accounts of the parent Company.

# Shell Energy UK Limited

## Notes to the Financial Statements

For the year ended 31 December 2022

### 7. Employees

Staff costs, including directors' remuneration, were as follows:

	2022 £'000	2021 £'000
Wages and salaries	7,273	6,364
Social security costs	828	660
Cost of defined contribution scheme	414	431
	<u>8,515</u>	<u>7,455</u>

The average monthly number of employees, including the directors, during the period was as follows:

	2022 No.	2021 No.
Operations	<u>130</u>	<u>138</u>

# Shell Energy UK Limited

## Notes to the Financial Statements

For the year ended 31 December 2022

### 8. Directors' remuneration

Borne by the Company and Shell group for its Directors:

	2022 £'000	2021 £'000
Directors' emoluments	1,589	1,807
Compensation for loss of office	255	-

Company contributions to defined contribution pension schemes for Directors totalled £11,000 (2021: £31,000).

The company has 4 directors, and a number of directors are paid by other Shell companies for their work within the group. No recharges are made to the company from other Shell companies. In addition to the £532,000 (2021 - £439,000) paid to Directors by the company, the directors are remunerated for their work for the overall Shell group by other Shell companies and receive an additional £1,312,000 (2021 - £1,368,000).

During the period 3 directors received shares under the long term incentive schemes (2021 - 3).

During the period retirement benefits were accruing to 2 directors from other Shell group companies (2021 - 2) in respect of defined contribution pension schemes.

#### Highest paid Director

In 2022 the highest paid director received £778,000 (2021 - £735,000) from Shell group companies. The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £NIL.

During the year the highest paid Director was entitled to receive shares under a long term incentive scheme.

### 9. Interest payable and similar expenses

	2022 £'000	2021 £'000
Interest on intergroup facilities	396	344
Interest on lease liabilities	63	74
	<u>459</u>	<u>418</u>

# Shell Energy UK Limited

## Notes to the Financial Statements

For the year ended 31 December 2022

### 10. Taxation

	2022 £'000	2021 £'000
<b>Corporation tax</b>		
Current tax on loss/ profit for the year	(2,962)	(4,151)
Adjustments in respect of previous years	743	12
<b>Total current tax</b>	<u>(2,219)</u>	<u>(4,139)</u>
<b>Deferred tax</b>		
Originating and reversal of timing differences	(36,112)	18,452
Effect of change in corporation tax rates	290	126
Remeasurement impact	4,503	-
<b>Total deferred tax</b>	<u>(31,319)</u>	<u>18,578</u>
<b>Taxation on (loss) / profit on ordinary activities</b>	<u><u>(33,538)</u></u>	<u><u>14,439</u></u>

#### Factors affecting tax charge for the period

The tax assessed for the year differs from the standard effective rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £'000	2021 £'000
(Loss) / profit on ordinary activities before tax	<u>(168,351)</u>	<u>76,174</u>
(Loss) / profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021: 19%)	(31,987)	14,473
<b>Effects of:</b>		
Expenses not deductible for tax purposes	(174)	(7)
Adjustments to tax charge in respect of prior periods	1,033	12
Effects of change in corporate tax rates	(2,410)	(126)
Other timing differences	-	87
<b>Total tax (credit) / charge for the period</b>	<u><u>(33,538)</u></u>	<u><u>14,439</u></u>

# Shell Energy UK Limited

## Notes to the Financial Statements

For the year ended 31 December 2022

### 11. Intangible assets

	Development expenditure £'000	Computer Software £'000	Total £'000
<b>Cost</b>			
At 1 January 2022	4,167	2,645	6,812
Additions	1,603	336	1,939
At 31 December 2022	5,770	2,981	8,751
<b>Amortisation</b>			
At 1 January 2022	3,409	2,645	6,054
Charge for the period on owned assets	-	271	271
At 31 December 2022	3,409	2,916	6,325
<b>Net book value</b>			
At 31 December 2022	2,361	65	2,426
At 31 December 2021	758	-	758

### 12. Tangible fixed assets

	ROU asset £'000	Leasehold Improvements £'000	Plant and Machinery £'000	Total £'000
<b>Cost or valuation</b>				
At 1 January 2022	1,463	101	1,149	2,713
Additions	-	-	144	144
At 31 December 2022	1,463	101	1,293	2,857
<b>Depreciation</b>				
At 1 January 2022	524	71	1,097	1,692
Charge for the period	190	6	106	302
At 31 December 2022	714	77	1,203	1,994
<b>Net book value</b>				
At 31 December 2022	749	24	90	863
At 31 December 2021	939	30	52	1,021

# Shell Energy UK Limited

## Notes to the Financial Statements

For the year ended 31 December 2022

### 13. Debtors

	2022 £'000	2021 £'000
<b>Due after more than one year</b>		
Financial instruments	42,359	17,531
<b>Due within one year</b>		
Trade debtors	34,976	9,467
Amounts owed by group undertakings	7,895	7,015
Other debtors	2,369	2,345
Prepayments and accrued income	98,232	29,104
Tax recoverable	7,113	11,398
Financial instruments	79,657	113,702
	<u>272,601</u>	<u>190,562</u>

Refer to Note 18 for details in relation to Financial Instruments

Total Impairment losses have been recognised on assets arising from the Company's contracts with customers as follows:

	2022 £'000	2021 £'000
Impairment losses on receivables from contracts with customers	34,924	35,971
Impairment losses on contract assets		1,569
	<u>34,924</u>	<u>37,540</u>

### 14. Cash and cash equivalents

	2022 £'000	2021 £'000
Cash at bank and in hand	<u>28,086</u>	<u>14,956</u>

# Shell Energy UK Limited

## Notes to the Financial Statements

For the year ended 31 December 2022

### 15. Creditors: Amounts falling due within one year

	2022 £'000	2021 £'000
Trade creditors	5,550	6,651
Amounts owed to group undertakings	121,804	83,220
Other taxation and social security	9,179	3,806
Lease liabilities	194	181
Other creditors	20,225	6,644
Accruals and deferred income	70,590	48,677
Financial instruments	156,737	26,528
Total trade and other creditors	<u>384,279</u>	<u>175,707</u>

Amounts due to group undertakings comprise intercompany loan amounts, which are repayable on demand and amounts owed to intercompany counterparties in relation to trading amounts which are settled on 30 day terms. These trading amounts incur interest.

### 16. Creditors: Amounts falling due after more than one year

	2022 £'000	2021 £'000
Lease liabilities	669	864
Financial instruments (after 1 year)	<u>16,646</u>	<u>2,212</u>
	<u>17,315</u>	<u>3,076</u>

# Shell Energy UK Limited

## Notes to the Financial Statements

For the year ended 31 December 2022

### 17. Leases

#### Company as a lessee

Lease liabilities are due as follows:

	31 Dec 2022 £'000	31 Dec 2021 £'000
Not later than one year	194	181
Between one and five years	669	864
	<u>864</u>	<u>1,045</u>

Contractual undiscounted cash flows are due as follows:

	2022 £'000	2021 £'000
Not later than one year	243	243
Between one and five years	638	787
Later than five years	118	212
	<u>999</u>	<u>1,242</u>

The following amounts in respect of leases, where the Company is a lessee, have been recognised in profit and loss:

	2022 £'000	2021 £'000
Interest expense on lease liabilities	<u>63</u>	<u>74</u>

# Shell Energy UK Limited

## Notes to the Financial Statements

For the year ended 31 December 2022

### 18. Financial instruments

	2022 £'000	2021 £'000
<b>Financial assets</b>		
Derivative financial instruments measured at fair value through profit or loss falling due after more than one year	42,359	17,531
Derivative financial assets measured at fair value through profit or loss falling due less than one year	79,657	113,703
Financial assets that are debt instruments measured at amortised cost	150,585	47,929
	<u>          </u>	<u>          </u>
<b>Financial liabilities</b>		
Derivative financial instruments measured at fair value through profit or loss falling due more than one year	(16,646)	(2,212)
Derivative financial instruments measured at fair value through profit or loss falling due less than one year	(156,737)	(26,528)
Financial liabilities measured at amortised cost	(227,542)	(146,236)
	<u>          </u>	<u>          </u>

Financial assets measured at fair value through profit or loss comprise derivative financial instruments.

Financial assets that are debt instruments measured at amortised cost comprise trade debtors, amounts owed to group undertakings, accrued income and other debtors.

Financial liabilities measured at amortised cost comprise trade creditors, accruals, amounts owed to group undertakings and other creditors.

Fair values of assets and liabilities:

The fair value of derivative financial instruments represents the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation. Where market values are not available, fair values have been calculated by discounting cash flows at prevailing rates at the period end. Significant differences can arise between the fair value and the carrying amount of financial instruments that are recognised at historical cost amounts. The profit or loss related to the Company's derivative financial instruments is classified as fair value through profit or loss and recorded on the Company's Balance Sheet as Financial Instruments under debtors and creditors, with their offsetting values recorded in fair value movements as a loss of £(153,858,865) (2021 - gain of £97,842,884).

# Shell Energy UK Limited

## Notes to the Financial Statements

For the year ended 31 December 2022

### 19. Deferred taxation

	<b>2022</b> <b>£000</b>
At 1 January 2021	(18,696)
Credit to income statement	31,319
As at 31 December 2022	<u>12,623</u>

The deferred tax asset / (provision for deferred taxation) is made up as follows:

	<b>2022</b> <b>£000</b>	<b>2021</b> <b>£000</b>
Accelerated capital allowances	171	148
Financial derivatives	12,452	(18,844)
Deferred tax asset / (liability)	<u>12,623</u>	<u>(18,696)</u>

### 20. Share capital

	<b>2022</b> <b>£000</b>	<b>2021</b> <b>£000</b>
Allotted, called up and fully paid		
5,646,002 (2021 – 5,246,001) Ordinary shares of £0.001 each	5	5
	<u>5</u>	<u>5</u>

# Shell Energy UK Limited

## Notes to the Financial Statements

For the year ended 31 December 2022

### 21. Reserves

#### Share premium account

The share premium account arises when the company receives consideration for a share in excess of the nominal amount of the share.

On 16 August 2022, the Company issued 400,000 £0.001 shares for which it received consideration of £40,000,000. The difference between the par value of the shares and this consideration was included within a share premium reserve within equity.

#### Profit and loss account

The profit and loss account includes all current and prior period retained profits and losses.

### 22. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £414,000 (2021: £431,000). Contributions totalling £Nil (2021 - £Nil) were payable to the fund at the reporting date.

### 23. Related party transactions

During the year, the company supplied energy to Dragon LNG Limited, which is a 50% held joint venture of the wider Shell group and therefore is recorded as a related party.

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, where they are wholly owned subsidiaries

	2022 £000	2021 £000
Sales to related parties	37,934	16,316
Amounts owed by related parties	7,710	7,395

### 24. Events after end of reporting period

The company has changed ownership from the immediate parent company Shell Energy Retail Limited to Shell New Energies Holding Limited. Shell Energy Retail Limited has sold its 100% holding of the entire issued share capital by way of a Share Purchase Agreement to Shell New Energies Holding Limited.

## Shell Energy UK Limited

### Notes to the Financial Statements

For the year ended 31 December 2022

#### 25. Ultimate controlling party

At the end of the year the immediate parent company was Shell Energy Retail Limited.

As set out in Note 24, subsequent to the year end, the immediate parent is now Shell New Energies Holding Limited. The ultimate parent company and controlling party is Shell plc. All three companies are incorporated in England and Wales. Shell plc is the parent undertaking of the smallest and largest group to consolidate these accounts.

The consolidated accounts of Shell plc are available from:

Shell plc,

Tel: +31 888 800 844

email: [order@shell.com](mailto:order@shell.com)

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