

Registration number: 03625633.

# Shell U.K. Oil Products Limited

Annual Report

and

Financial Statements

For the year ended 31 December 2021



## **Shell U.K. Oil Products Limited**

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## **Shell U.K. Oil Products Limited**

### **Strategic report for the year ended 31 December 2021**

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

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

#### **Business review**

The principal activity of Shell U.K. Oil Products Limited is the management of the downstream oil products operations and assets of Shell U.K. Limited and Shell Service Station Properties Limited in accordance with the terms of Management Services and Agency Agreements. Shell U.K. Limited and Shell Service Station Properties Limited retain the ownership of all fixed assets of the downstream operations. The Company will continue with these activities for the foreseeable future.

The Company's loss for the financial year increased from £275,000 to £568,000. This was principally due to an increase in the performance share plan accrual charges for the year.

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

#### **Organisational Restructuring**

A restructuring plan named Reshape was announced by the Shell Group in the third quarter 2020. In January 2021 the impact of Reshape was communicated to employees, which established a constructive obligation for recognising a redundancy provision under IAS 37 for qualifying employees. The related redundancy provisions and charges recognised during the year is £441 thousands (Refer note 10 for Provisions).

#### **Principal risks and uncertainties**

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

## **Shell U.K. Oil Products Limited**

### **Strategic report for the year ended 31 December 2021 (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 38 to 74 of the Group Report and the key performance indicators through which the Group's performance is measured are as set out on pages 36 to 37 of the Group Report.

#### **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 2023 (the 'going concern period'). The Directors have considered the potential risks and uncertainties relating to COVID-19 on the Company's business, credit, market, and liquidity position. 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 2021.

#### **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 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.

## Shell U.K. Oil Products Limited

### Strategic report for the year ended 31 December 2021 (continued)

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

#### 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, Shell Group management engages with employees on a global, country, region, business or function basis through a range of formal and informal channels, including: emails from the Shell Group Chief Executive Officer, Country Chair and Senior Leader communications and blogs, webcasts, townhalls, team meetings, Intranet articles, online publications and social media.

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

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

The Shell Group operates a number of share plans designed to align employees' interests with performance through share ownership. These are discussed further within the Shell plc Annual Report.

Approved by the Board on 9/21/2022 and signed on its behalf by:

DocuSigned by:  
  
AB0A7F9AB989491.....  
P.B.Gordon  
Director

## **Shell U.K. Oil Products Limited**

### **Directors' report for the year ended 31 December 2021**

The Directors present their report and the financial statements of Shell U.K. Oil Products Limited for the year ended 31 December 2021.

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

#### **Dividend**

No dividends were paid during the year (2020: £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:

B.V. Burnett (resigned 31 May 2021)

P.B. Gordon

M. Khullar (resigned 1 August 2021)

G. Tonks

E. Stern (appointed 8 October 2021)

B. Williamson

V.R. Boag (appointed 8 October 2021)

The following directors were appointed after the year end:

P. Vincent (appointed 28 July 2022)

S. Brown (appointed 17 August 2022)

#### **Financial risk management**

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

#### **Streamlined Energy and Carbon Reporting**

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

## **Shell U.K. Oil Products Limited**

### **Directors' report for the year ended 31 December 2021 (continued)**

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

On 21 January 2022, the ultimate parent Company changed its name from Royal Dutch Shell plc to Shell plc.

Russia's recent invasion of Ukraine poses wide-ranging challenges. Given the evolving situation, there are many unknown factors and events that could materially impact our operations. These events have and continue to impact credit risks including those related to receivables, treasury and other factors. Any of these factors, individually or in aggregate, could have a material effect on investment carrying value, our earnings, cash flows and financial condition.

#### **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 primary responsibility for information and consultation rests with management. It is supplemented by representative bodies at some employment locations. In addition, there is a well-established system by which the senior management in the Company makes presentations to employees on business results and plans. This is in turn supplemented by in-house journals, briefing papers, management letters and video presentations.

All of the formal employee representative bodies held regular meetings throughout the year.

#### **Equal opportunities**

Shell U.K. Oil Products 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 medical officers 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 U.K. Oil Products 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 career breaks, six months paid parental leave and a range of childcare support initiatives to support employees with families.

**Shell U.K. Oil Products Limited**

**Directors' report for the year ended 31 December 2021 (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:

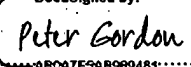
- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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 auditors**

Each Director has taken steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information. The Directors confirm that there is no relevant information that they know of and of which they know the auditor is unaware.

Approved by the Board on 9/21/2022 and signed on its behalf by:

DocuSigned by:  
  
P.B.Gordon  
Director



## **Independent Auditor's report to the Member of Shell U.K. Oil Products Limited**

### **Opinion**

We have audited the financial statements of Shell U.K. Oil Products Limited (the "Company") for the year ended 31 December 2021, which comprise the Profit and loss account, the Balance sheet, the Statement of changes in equity, and the related notes 1 to 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 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

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

### **Conclusions relating to going concern**

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

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

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

**Independent Auditor's report to the Member of Shell U.K. Oil Products 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 this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

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

- the information given in the Strategic report and 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 U.K. Oil Products 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, those laws and regulations relating to health and safety and employee matters 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 U.K. Oil Products 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 that revenue was a judgemental area of the audit which might be more susceptible to fraud. We obtained an understanding of the controls over the process for the recognition of revenue and tested in particular the existence of the revenue recorded in the financial statements and any manual adjustments to the revenue.
- 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

27 September 2022  
Date:.....

**Shell U.K. Oil Products Limited****Profit and loss account for the year ended 31 December 2021****Continuing operations**

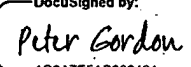
	<b>Note</b>	<b>2021 £ 000</b>	<b>2020 £ 000</b>
<b>Turnover</b>		24,543	22,986
Cost of sales		(25,070)	(23,220)
<b>OPERATING LOSS</b>	3.	<b>(527)</b>	<b>(234)</b>
<b>LOSS BEFORE TAXATION</b>		<b>(527)</b>	<b>(234)</b>
Tax on loss	6	(41)	(41)
<b>LOSS FOR THE YEAR</b>		<b>(568)</b>	<b>(275)</b>

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

**Shell U.K. Oil Products Limited**  
**(Registration number: 03625633)**  
**Balance sheet as at 31 December 2021**

	Note	2021 £ 000	2020 £ 000
<b>Current assets</b>			
Debtors	7	13,005	8,599
		13,005	8,599
<b>Creditors: Amounts falling due within one year</b>	8	(3,898)	(91)
<b>Net current assets</b>		<b>9,107</b>	<b>8,508</b>
<b>Total assets less current liabilities</b>		<b>9,107</b>	<b>8,508</b>
<b>Provisions</b>	10	(441)	-
<b>Net assets</b>		<b>8,666</b>	<b>8,508</b>
<b>Equity</b>			
Called up share capital	11	5,000	5,000
Profit and loss account		3,666	3,508
<b>Total equity</b>		<b>8,666</b>	<b>8,508</b>

The financial statements on pages 11 to 26 were authorised for issue by the Board of Directors on 9/21/2022 and signed on its behalf by:

DocuSigned by:  
  
 ABCA7F6AB009484.....  
 P.B.Gordon  
 Director

**Shell U.K. Oil Products Limited**

**Statement of changes in equity for the year ended 31 December 2021**

	<b>Called up share capital £ 000</b>	<b>Profit and loss account £ 000</b>	<b>Total £ 000</b>
<b>Balance as at 01 January 2020</b>	<b>5,000</b>	<b>3,348</b>	<b>8,348</b>
Loss for the year	-	(275)	(275)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(275)</b>	<b>(275)</b>
Share based payments - notional	-	435	435
<b>Balance as at 31 December 2020</b>	<b>5,000</b>	<b>3,508</b>	<b>8,508</b>
<b>Balance as at 01 January 2021</b>	<b>5,000</b>	<b>3,508</b>	<b>8,508</b>
Loss for the year	-	(568)	(568)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>(568)</b>	<b>(568)</b>
Share based payments - notional	-	726	726
<b>Balance as at 31 December 2021</b>	<b>5,000</b>	<b>3,666</b>	<b>8,666</b>

## **Shell U.K. Oil Products Limited**

### **Notes to the financial statements for the year ended 31 December 2021**

#### **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. 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 on the Company's business, credit, market, and liquidity position. Based on the above analysis, 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 2023. The Directors have assessed that the Company has adequate resources to continue in operation for the period to 30 September 2023.

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 International Financial Reporting Standards (IFRS) have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:



## Shell U.K. Oil Products Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 1 Accounting policies (continued)

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

## **Shell U.K. Oil Products Limited**

### **Notes to the financial statements for the year ended 31 December 2021 (continued)**

#### **1 Accounting policies (continued)**

##### **Consolidation**

The immediate parent company is Shell Holdings (U.K.) Limited.

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

The consolidated financial statements of Shell plc are available from:

Shell plc

Tel: +44 800 731 8888

email: [order@shell.com](mailto: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 U.K. Oil Products Limited**

### **Notes to the financial statements for the year ended 31 December 2021 (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.

##### **Provisions**

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

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

##### **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 U.K. Oil Products Limited**

### **Notes to the financial statements for the year ended 31 December 2021 (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 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.

##### **Turnover**

Turnover comprises management fees receivable and the recovery of salaries paid to employees of the Company during the period. Turnover is recognised in the period to which management fees and payroll costs relate.

## **Shell U.K. Oil Products Limited**

### **Notes to the financial statements for the year ended 31 December 2021 (continued)**

#### **1 Accounting policies (continued)**

##### **Defined contribution plan**

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

For defined contribution plans, contributions are paid to publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as an employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

The Company is a member of the Shell Contributory Pension Fund, a Group plan which covers the majority of its employees and is a funded defined benefits scheme.

Under the terms of the scheme, there is no defined policy for allocating the net defined benefit obligation amongst the participating members. Accordingly, the plan is accounted for as a defined contribution plan.

##### **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.

##### **Share based payments**

The fair value of share-based compensation for performance share plans is estimated using a Monte Carlo pricing model.

The fair value of the performance share plans is recognised in the profit and loss account from the date of grant over the vesting period, with a corresponding increase recognised directly in equity. At each subsequent balance sheet date, the Company revises its estimate of the number of awards that are expected to vest (in relation to non-market based performance conditions) and recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity.

The market value of vested schemes is subsequently invoiced by issuing company to employing entities in the year of delivery. This is treated as a distribution and is deducted from equity.

## **Shell U.K. Oil Products Limited**

### **Notes to the financial statements for the year ended 31 December 2021 (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.

##### **Climate change and energy transition**

In 2021, Shell launched its Powering Progress strategy to accelerate the transition of its business to net-zero emissions, including targets to reduce the carbon intensity of energy products sold (Scope 1, 2 and 3 emissions) by 6-8% by 2023, 20% by 2030, 45% by 2035, and 100% by 2050. In October 2021, Shell announced a new target to halve the absolute emissions from its operations and the energy it buys to run them by 2030, compared with 2016 levels on a net basis. This additional target will help Shell to step up the pace of change to become a net-zero emissions energy business. Shell plc's Annual Report in page 242 under note 4 describes how Shell has considered climate-related impacts in some key areas of the financial statements and how this translates into the valuation of assets and measurement of liabilities as Shell makes progress in the energy transition.

##### **Provision for expected credit losses of debtors**

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 Operating loss**

None of the Directors received any emoluments (2020: none) in respect of their services to the Company.

## Shell U.K. Oil Products Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 4 Staff costs

The aggregate payroll costs were as follows:

	2021	2020
	£ 000	£ 000
Wages and salaries	19,401	18,428
Social security costs	2,503	2,409
Pension costs (note 9)	2,440	1,948
Share-based payment expenses (note 13)	726	435
	<u>25,070</u>	<u>23,220</u>

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

	2021	2020
	No.	No.
Oil manufacturing, supply and marketing	<u>230</u>	<u>266</u>

The average number of persons employed during the year 2021 is 230 (2020 : 266).

#### 5 Auditor's remuneration

The Auditor's remuneration of £4,960 (2020: £4,960) in respect of the statutory audit was borne by the immediate parent company for both the current and preceding years.

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

# Shell U.K. Oil Products Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 6 Tax on loss

#### Tax charge in the profit and loss account

The tax charge for the year of £41,000 (2020: £41,000) is made up as follows:

	2021 £ 000	2020 £ 000
<b>Current taxation</b>		
UK corporation tax	41	41
<b>Total current tax charge</b>	<b>41</b>	<b>41</b>
<b>Total deferred tax charge</b>	<b>-</b>	<b>-</b>
<b>Tax charge in the profit and loss account</b>	<b>41</b>	<b>41</b>

#### Reconciliation of total tax charge

The tax on loss, before tax for the year differs from the standard rate of corporation tax in the UK of 19% (2020: 19%).

The differences are reconciled below:

	2021 £ 000	2020 £ 000
Loss before tax	527	234
Tax on loss calculated at standard rate (2021:19%) (2020:19%)	(100)	(44)
<b>Effects of:</b>		
Expenses not deductible	138	82
Tax on imputed interest	3	3
<b>Total tax charge</b>	<b>41</b>	<b>41</b>

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 Finance Act 2021 (enacted on 24 May 2021) increased the main rate of UK corporation tax to 25% with effect from 1 April 2023.



# Shell U.K. Oil Products Limited

## Notes to the financial statements for the year ended 31 December 2021 (continued)

### 7 Debtors

#### Debtors: amounts due within one year

	2021 £ 000	2020 £ 000
Amounts owed by Group undertakings:		
Fellow subsidiary undertakings	13,005	8,599
	<u>13,005</u>	<u>8,599</u>

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

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

No assets were assessed as credit impaired. The Company has recorded all financial assets at amortised cost.

### 8 Creditors: amounts falling due within one year

	2021 £ 000	2020 £ 000
Tax liability	83	91
Accrued expenses	3,815	-
	<u>3,898</u>	<u>91</u>

## Shell U.K. Oil Products Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 9 Pension and other schemes

The Company is a Member Company of the Shell Contributory Pension Fund ("SCPF"), a defined benefits pension scheme, which provides pensions and other post-retirement benefit entitlements to eligible United Kingdom employees. Apart from the contributions from employee members, which have a fixed maximum rate, the SCPF is funded entirely by contributions from Member Companies at rates certified from time to time by Aon Hewitt Limited, the SCPF's actuary. On 1 March 2013, the SCPF was closed to new entrants. At the same time, the Shell Group established the UK Shell Pension Plan ("UKSPP"), a defined contribution scheme, to provide benefits to new employees.

Aon Hewitt Limited carried out the triennial actuarial valuation of the SCPF as at 31 December 2020 using the projected unit method. The value of the SCPF's assets taken into account for the funding valuation at that date was £16,940 million and the value of the liabilities was £16,461 million. The principal financial assumptions adopted in the valuation were: a discount rate determined with reference to the UK Government Fixed Interest yield curve plus a term dependent risk premium which had an initial level of 2.65% per annum at 31 December 2020, and reduces to 0.5% per annum linearly over the period from 2021 to 2034 inclusive; a price inflation rate being the difference between the UK Government Fixed Interest yield and the UK Government Index-Linked yield curves; and a rate of general salary increases set as nil in year 1 and then fixed at 2.5% per annum. The funding surplus (excess of assets compared to the value of pension liabilities) was £479 million. This corresponded to a funding ratio (assets as a percentage of liabilities) of 103%.

A valuation was performed for accounting purposes at 31 December 2021 using assumptions set in line with the requirements of the IAS19 accounting standard. The principal financial assumptions adopted in the valuation were a discount rate of 1.94%, a rate of general salary increases of 0.00-2.50% for 2021 onwards, and a price inflation rate of 3.20%. The value of the SCPF's assets as at that date was £17,492 million and the value of the liabilities on this accounting basis was £15,433 million, meaning the surplus measured for accounting purposes was £2,059 million.

The plan assets of the scheme were invested mainly in quoted equities (18%) and debt instruments (55%), with the remainder (27%) invested across a variety of asset classes including real estate, private equity and other investment funds.

The Company is unable to identify its share of the scheme's underlying assets and liabilities on a consistent and reasonable basis to enable it to account for the plan as a defined benefit plan. There are no contractual or stated policies on which to base an allocation of the Fund's underlying assets and liabilities to member companies. Accordingly, the Company will continue to account for the SCPF as a defined contribution scheme. The Company's contributions to the SCPF for the year amounted to £1,352,220 (2020: £778,257). As a result of changes enacted to the funding of the SCPF during 2014, Company contributions are held in a Contribution Reserve Account ("CRA") to which the SCPF Trustee will have access under certain circumstances. Contributions were 10% to 30 June 2021 and 30% from the 1 July 2021, and will be 30% for 2022.

## Shell U.K. Oil Products Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 9 Pension and other schemes (continued)

The cost of contributions to the UKSPP for the year amounts to £1,070,636 (2020: £1,137,427).

##### Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme amounted to £16,886 (2020: £31,995).

#### 10 Provisions

	Redundancy provisions £ 000	Total £ 000
Additional Provision	441	441
<b>Balance as at 31 December 2021</b>	<b>441</b>	<b>441</b>

##### Redundancies and Restructuring

The Company has provided £441 thousands (2020: £nil) in respect of redundancies and restructuring that is expected to be utilized in 2022.

#### 11 Called up share capital

##### Allotted, called up and fully paid shares

	No.	2021 £	No.	2020 £
Issued share capital of £1 each	5,000,000	5,000,000	5,000,000	5,000,000

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

On 21 January 2022, the ultimate parent Company changed its name from Royal Dutch Shell plc to Shell plc.

Russia's recent invasion of Ukraine poses wide-ranging challenges. Given the evolving situation, there are many unknown factors and events that could materially impact our operations. These events have and continue to impact credit risks including those related to receivables, treasury and other factors. Any of these factors, individually or in aggregate, could have a material effect on investment carrying value, our earnings, cash flows and financial condition.

## Shell U.K. Oil Products Limited

### Notes to the financial statements for the year ended 31 December 2021 (continued)

#### 13 Share-based payments

##### Scheme Description

Conditional awards of Shell plc shares are made under a long-term incentive plan (the 'Performance Share Plan') when making awards to employees who are not Executive Directors of Shell plc. The actual amount of shares that may vest, ranging from 0-200% of the conditional awards, depends on the measurement of the prescribed performance conditions over a three-year period beginning on 1 January of the award year. On 18 June 2021, Shell plc granted all eligible employees a single Powering Progress shares award with vesting date in June 2022.

For awards granted in 2021 and 2022, half the award is linked to the relative performance compared to four of its main competitors in Total Shareholder Return ('TSR') measure, earnings per share, cash flow from operations and return on actual capital employed over the measurement period. 10% of the award is linked to free cash flow factor relative to internal operating plans over the remeasurement period, 10% of the award is linked to the energy transition and remaining 30% is linked to the relative performance compared to four of its competitors in TSR, cash flow from operations and return on actual capital employed. The other half of the award is linked to the Shell scorecard results.

The weighted average market price for exercises in 2021 was £14.52 (2020: £17.58) for Shell plc Class A shares, £13.80 (2020: £17.39 ) for Shell plc Class B shares, and £27.70 (2020: £35.43 ) for Shell plc Class A ADRs. For the performance shares which were outstanding as at 31 December 2021, the weighted average exercise price is £ nil (2020:£ nil) and the weighted average remaining contractual life is 1.14 year (2020: 1.06 year).

The profit and loss charge for 2021 is £726,571 (2020: £435,103).

#### 14 Contingent liabilities

The Company is a party to a claim relating to alleged infringement of technology patent through Shell's Pay-at-Pump service. There is considerable uncertainty inherent to the litigation or governmental proceedings. The Company believes that the outcome of this claim will not have a material adverse effect on the Company's Financial Statements as the outflow will eventually be recovered since the Company merely acts as an agent for and on behalf of Shell U.K Limited in accordance with the management agreement.