

Registered in England and Wales 539964

SHELL RESEARCH LIMITED

DIRECTORS' REPORT

AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2011

CONTENTS

DIRECTORS' REPORT	1
INDEPENDENT AUDITORS' REPORT	5
PROFIT AND LOSS ACCOUNT	6
BALANCE SHEET	7
NOTES TO THE ACCOUNTS	8

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SHELL RESEARCH LIMITED

DIRECTORS' REPORT

The Directors present their report and audited accounts for the year ended 31 December 2011

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

Shell Research Limited (also referred to as 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 in which Royal Dutch Shell plc, either directly or indirectly, has control either through a majority of the voting rights or the right to exercise a controlling influence or to obtain the majority of the benefits and be exposed to the majority of the risks. Companies in which Group companies have significant influence but not control are classified as "Associated companies". Royal Dutch Shell plc, a Company incorporated in England and Wales, is known as the "Parent Company" of the Shell Group. In this Report "Shell", "Shell Group" and "Royal Dutch Shell" are sometimes used for convenience where references are made to Royal Dutch Shell and its subsidiaries in general. These expressions are also used where no useful purpose is served by identifying the particular company or companies.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of Shell Research Limited are to provide research and other related services to other companies of the Shell Group and third parties, and the licensing of technology and patents to third parties.

The loss for the financial year was £15,730,000 (2010: profit of £168,000). This was principally due to impairment loss on fixed assets of £21,574,000 recognised during the year which was offset by a gain on currency translation of £2,348,000 (2010: loss of 471,000), due to favourable GBP exchange rates against USD and Euro and deferred tax credit of £2,824,000 recognised during the year on the redundancy provision outstanding at year end.

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

Exceptional items

An ongoing restructuring exercise had resulted in an exceptional £13,592,000 (2010: £1,592,000) charge to operating costs in the profit and loss account. The redundancy costs are part of the underrecovery and will be recovered through future tariffs.

An impairment loss of £21,574,000 has been recognised on the fixed assets since a decision has been made to abandon the Thornton site (site where Shell Research is carrying on the business) as discussed in Future outlook.

Dividends

The Directors recommend that no dividend be paid for the year ended 31 December 2011 (2010: £nil).

Future Outlook

The results of the strategic footprint review initiated by Project and Technology (P&T) (of which Shell Research Limited is part of) in 2010, were announced on 23 May 2011. The implications for the company's UK base at Thornton Research Centre can be summarised as -

- Over the next few years experimental activity will be moved away from Thornton,
- During the period of transition a review will be undertaken regarding the option of P&T's longer term presence in Thornton. During 2012 the decision was taken to abandon the Thornton site, and
- P&T intends to maintain a presence in the UK in the longer term.

A re-organisation of the commercial business was announced in 2011. The entire process is expected to be completed by end of 2013. As at year end, staff were informed of the planned redundancies and a provision recognised in the accounts accordingly. At present, it is expected that Shell Research Limited will continue to exist in the near future as it is the only P&T entity in the UK.

SHELL RESEARCH LIMITED

DIRECTORS' REPORT (continued)

Principal Risks and Uncertainties

The Shell Group has a single risk based control framework – The Shell Control Framework – to identify and manage risks. The Shell Control Framework applies to all wholly owned Shell companies and to those ventures and other companies in which Royal Dutch Shell plc (“Royal Dutch Shell”) has directly or indirectly a controlling interest. From the perspective of the Company, the principal risks and uncertainties affecting the Company are considered to be those that affect the Shell group. Accordingly, the principal risks and uncertainties of the Shell Group, which are discussed on pages 13 to 15 of Royal Dutch Shell’s Annual Report and Form 20-F for the year ended 31 December 2011 (the “Group Report”), include those of the Company. (The Group Report does not form part of this report)

Key Performance Indicators

Companies of the Shell Group comprise the Upstream businesses of Exploration and Production, Gas and Power and Oil Sands and the Downstream businesses of Oil Products and Chemicals. The Company’s key performance indicators, that give an understanding of the development, performance and position of the business, are aligned with those of the Shell Group. The development, performance and position of the various businesses is discussed on pages 20 to 44 of the Group Report and the key performance indicators through which the Group’s performance is measured are as set out on pages 8 to 9 of the Group Report.

Research and Development

Shell Research Limited carries out an annual programme of research & development on behalf of the Shell Group. The research relates to the development and formulation of fuels and lubricants to support the technology vision of the downstream businesses.

DIRECTORS

The Directors of the Company who served throughout the year and to the date of this report were

A W. Foulds

D J. Koris

E D. Daniels

G J M. Schotman

S. Martin

Appointed 27 July 2012

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 85 to 87 and note 21).

POST BALANCE SHEET EVENTS

Refer to note 19 “Post balance sheet events”

SHELL RESEARCH LIMITED

DIRECTORS' REPORT (continued)

CREDITOR PAYMENT POLICY

The Company complies with the Prompt Payment Code, which states that responsible companies undertake to

- Pay suppliers on time, within the terms agreed at the outset of the contract and without attempting to change payment terms retrospectively,
- Provide suppliers with clear and easily accessible guidance on payment procedures,
- Ensure there is a system for dealing with complaints and disputes which is communicated to suppliers,
- Advise suppliers promptly if there is any reason why an invoice will not be paid to the agreed terms,
- Encourage good practice by requesting that lead suppliers encourage adoption of the code throughout their own supply chains

Further information and copies of the code can be obtained from www.promptpaymentcode.org.uk

The Company had 52 days of purchases outstanding at 31 December 2011 (2010 67 days) based on average daily amount invoiced by suppliers during the year

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the Company's accounts in accordance with applicable law and regulations

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have elected to prepare the Company's accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the accounts 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 those accounts, the Directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts, and
- Prepare the accounts on the 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 accounts 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.

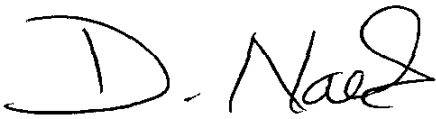
SHELL RESEARCH LIMITED

DIRECTORS' REPORT (continued)

DISCLOSURE OF INFORMATION TO AUDITORS

All Directors in office at the date of approval of the Directors' report confirm that so far as each of the Directors is aware, there is no relevant audit information (meaning information needed by the Company's auditors in connection with preparing their report) that has not been disclosed to the Company's auditors. Each of the Directors believes that he or she has taken all steps that ought to have been taken to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board



Dawn Noel
Authorised signatory for
Shell Corporate Secretary Limited
Company Secretary

3 October 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SHELL RESEARCH LIMITED

We have audited the accounts of Shell Research Limited for the year ended 31 December 2011 which comprise the profit and loss account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 3 the Directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the accounts. In addition, we read all the financial and non-financial information in the directors' report and accounts to identify material inconsistencies with the audited accounts. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on accounts

In our opinion the accounts

- give a true and fair view of the state of the company's affairs as at 31 December 2011 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the accounts are prepared is consistent with the accounts.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the Company accounts 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 of the information and explanations we require for our audit.



Lorraine Quinn (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Glasgow

3 October 2012

SHELL RESEARCH LIMITED
PROFIT AND LOSS ACCOUNT
For the year ended 31 December 2011

Continuing operations

	Note	2011 £'000	2010 £'000
Turnover	2	190,497	127,602
Operating costs		(172,593)	(125,296)
Exceptional Redundancy costs	15	(13,592)	(1,592)
Provision for Impairment on fixed assets	7	<u>(21,574)</u>	<u>-</u>
Total operating costs		<u>(207,759)</u>	<u>(126,888)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		(17,262)	714
Interest receivable and similar income	3	51	46
Interest payable and similar charges	4	<u>(24)</u>	<u>(30)</u>
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	(17,235)	730
Tax on (loss)/profit on ordinary activities	6	<u>1,505</u>	<u>(562)</u>
(LOSS)/PROFIT FOR THE FINANCIAL YEAR	17	<u>(15,730)</u>	<u>168</u>

There is no material difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the year stated above and their historical cost equivalents

There were no recognised gains and losses other than the profit for the current year and the profit for the prior year and accordingly a statement of total recognised gains and losses has not been presented

The note on pages 8 to 21 are an integral part of these accounts

SHELL RESEARCH LIMITED**REGISTERED IN ENGLAND AND WALES: 539964****BALANCE SHEET****As at 31 December 2011**

	Note	2011 £ '000	2010 £ '000
FIXED ASSETS			
Tangible assets	7	16,835	42,631
Investments	8	-	-
		<u>16,835</u>	<u>42,631</u>
CURRENT ASSETS			
Stocks	9	2,122	2,596
Debtors	10	91,378	68,415
Cash at bank and in hand		-	12,471
		<u>93,500</u>	<u>83,482</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	<u>(42,782)</u>	<u>(50,279)</u>
NET CURRENT ASSETS		<u>50,718</u>	<u>33,203</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		67,553	75,834
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12	(614)	(743)
PROVISIONS FOR LIABILITIES			
Deferred taxation	15	(2,140)	(6,514)
Other provisions	15	(29,361)	(17,409)
NET ASSETS		<u>35,438</u>	<u>51,168</u>
CAPITAL AND RESERVES			
Called up share capital	16,17	50	50
Profit and loss account	17	<u>35,388</u>	<u>51,118</u>
TOTAL SHAREHOLDER'S FUNDS	17	<u>35,438</u>	<u>51,168</u>

The accounts on pages 6 to 21 were approved by the Board of Directors on 3 October 2012 and were signed on its behalf by

E Daniels
Director
03 October 2012



SHELL RESEARCH LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2011

1. Accounting policies

a) Accounting convention and compliance with Accounting Standards

The accounts have been prepared on a going concern basis under the historical cost convention, in accordance with the Companies Act 2006, applicable Accounting Standards in the UK (UK GAAP), and the accounting policies as described below

The accounting policies have been consistently applied

There have been no changes in accounting policies in 2011

b) Group accounts

The immediate parent Company is The Shell Petroleum Company Limited

The ultimate parent company and controlling party is Royal Dutch Shell plc, which is incorporated in England and Wales.

Royal Dutch Shell plc is the parent undertaking of the largest and smallest group of undertakings to consolidate these accounts at 31 December 2011. The consolidated accounts of Royal Dutch Shell plc are available from

Royal Dutch Shell plc
Tel +31 888 800 844
email order@shell.com

c) Fixed asset investments

These comprise investments in shares and loans that the Company intends to hold on a continuing basis. The investments are stated at cost, less provisions for impairment. The Company carries out a review for the potential impairment of an investment if events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. Such impairment reviews are performed in accordance with FRS 11. Any impairments are recorded in the profit and loss account.

d) Tax

(i) Corporation tax

The Company records a tax charge or credit in the profit and loss account calculated at the tax rate prevailing in the year 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.

SHELL RESEARCH LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2011

1 Accounting policies (continued)

d) Tax (continued)

(ii) Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profit and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the accounts.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when tangible fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on the sale has been recognised in the accounts.

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

Amounts relating to deferred tax are undiscounted.

e) Foreign currency translation

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

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

f) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. A review for the potential impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of a fixed asset may not be recoverable. Such impairment reviews are performed in accordance with FRS 11. Any impairments are recorded in the profit and loss account.

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

SHELL RESEARCH LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2011

1 Accounting policies (continued)

f) Tangible fixed assets and depreciation (continued)

Depreciation and impairment are not normally charged on assets under construction or on freehold land. In 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 calculated on a straight-line basis over the estimated remaining useful life. The annual percentage rates applicable to the major classes of assets are as follows:

Freehold buildings	2.5% - 5% per annum
Plant and machinery	5% - 6% per annum
Fixtures, fittings, tools and equipment	6% - 33% per annum
Land is not depreciated	

g) Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is determined by the "first-in-first-out" method. Stock includes fuels and lubricants, and testing vehicles, which are valued on an annual basis in line with independent industry standards.

h) Turnover

The Company provides unique expertise mainly to other Shell Group Companies to improve customers' business performance. The Company develops and delivers applied technology solutions, by providing operational services, advice, support, project management, development and research. Turnover represents amounts receivable (excluding value added tax) for expenditure incurred in relation to research and development activities of the Company, which is charged to income as incurred.

Royalty income is recognised as earned, this turnover relates to licence agreements issued on behalf of Shell Group Companies, of which the Company retains up to 5%.

i) Grants

Grants are recognised when there is reasonable assurance that the Company will comply with any conditions attached to the grant and that the grant will be received. The grant is recognised as income over the periods necessary to match it with the expenditure towards which it is intended to contribute.

SHELL RESEARCH LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2011

1 Accounting policies (continued)

j) Leased Assets

Assets leased under finance and operating leases have been accounted for on the basis prescribed by Statement of Standard Accounting Practice ("SSAP") 21

Leases that transfer substantially all the risks and rewards of ownership are recognised at the commencement of the lease term as finance leases. Finance leases are recorded in the balance sheet as assets and as obligations to make future payments. The sum recorded both as an asset and as a liability is the present value of the minimum lease payments calculated using the discount rate implicit in the lease. The resultant tangible fixed assets are depreciated, depleted or amortised over the lower of the useful life and the term of the lease. Payments made are accounted for in the appropriate proportions as repayments of principal and charges for interest.

All other leases are recorded as operating leases and the costs are charged to the profit and loss account as incurred.

k) Pension costs

The Company is a contributor to the Shell Contributory Pension Fund which covers the majority of its employees and is a funded defined benefits scheme. The pension cost in relation to this scheme is assessed in accordance with the advice of a qualified actuary using the projected unit method.

The Company is unable to identify its share of the Fund's underlying assets and liabilities on a consistent and reasonable basis and therefore has taken advantage of the exemptions allowed by paragraph 9(b) of FRS 17. There are no contractual or stated policies on which to base an allocation of the Fund's underlying assets and liabilities to member companies. The Company accounts for its contributions to the Fund in the period in respect of which they become payable. Disclosure is provided of available information about the existence of any surplus or deficit of the Fund and any implications for the Company in Note 14. The Fund's assets are held in a separately administered fund from Shell Group assets.

l) Netting-off policy

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

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

m) Cash flow statement

In accordance with the exemption allowed by paragraph 5(a) of FRS 1, a cash flow statement for the Company has not been provided.

n) Related party disclosures

In accordance with the exemption allowed by paragraph 3(c) of FRS 8, no disclosure is made of transactions with other member companies of the Shell Group or investees of the Group qualifying as related parties.

SHELL RESEARCH LIMITED**NOTES TO THE ACCOUNTS (continued)****For the year ended 31 December 2011****1 Accounting policies (continued)****o) Long-term contracts**

Turnover should be ascertained in a manner appropriate to the stage of completion of the contract, the business and the industry in which it operates. The treatment of turnover and attributable profit follows that prescribed by SSAP 9. The Company recognises turnover as expenditure is incurred, expenditure that is not yet invoiced is recognised on the balance sheet as accrued income under debtors and amounts invoiced in excess of the amount of revenue recognised are recorded on the balance sheet as payments on account.

2 Turnover

	2011 Gross Royalties £'000	2011 Operating Income £'000	2011 Total £'000	2010 Gross Royalties £'000	2010 Operating Income £'000	2010 Total £'000
Geographical markets						
Europe	5,572	175,697	181,269	10,414	107,953	118,367
Other eastern hemisphere	6,120	2,151	8,271	6,033	2,625	8,658
Western hemisphere	<u>957</u>	<u>-</u>	<u>957</u>	<u>573</u>	<u>4</u>	<u>577</u>
	<u>12,649</u>	<u>177,848</u>	<u>190,497</u>	<u>17,020</u>	<u>110,582</u>	<u>127,602</u>

3 Interest receivable and similar income

	2011 £'000	2010 £'000
Interest from banks and similar income	<u>51</u>	<u>46</u>

4 Interest payable and similar charges

	2011 £'000	2010 £'000
Finance lease charges	<u>24</u>	<u>30</u>

SHELL RESEARCH LIMITED**NOTES TO THE ACCOUNTS (continued)****For the year ended 31 December 2011****5 (Loss)/profit on ordinary activities before taxation**

(Loss)/profit on ordinary activities before taxation is stated after charging/ (crediting) the following

	2011	2010
	£'000	£'000
Staff costs:		
Wages and salaries	47,928	35,212
Social security costs	5,824	3,958
Other pension costs (note 14)	<u>9,968</u>	<u>11,912</u>
	<u>63,720</u>	<u>51,082</u>

The Company does not directly employ staff, all employment contracts are held with Shell International Petroleum Company Limited. Staff costs are 100% recharged from Shell International Petroleum Company Limited.

	2011	2010
	£'000	£'000
Currency translation		
Trading activities	(2,348)	471
Depreciation		
On owned assets	6,858	7,075
On assets held under finance leases	225	216
Loss/ (profit) on sale of fixed assets	4	(12)
Auditors' remuneration for audit services		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	12	12
Release of grants	(53)	(53)
Exceptional net restructuring costs (see note 15)	13,592	1,592
Provision for impairment of fixed assets	21,574	-

SHELL RESEARCH LIMITED**NOTES TO THE ACCOUNTS (continued)****For the year ended 31 December 2011****6 Tax on (loss)/profit on ordinary activities**

The credit for the year of £1,505,000 (2010 charge of £562,000) is made up as follows

	2011	2010
	£'000	£'000
UK corporation tax at the standard rate of 26.5% (2010 28.0%)	2,194	(1,582)
Adjustments in respect of prior years	675	2,411
Tax imposed outside of the UK	206	331
Double tax relief	<u>(206)</u>	<u>(331)</u>
Total current tax charge	2,869	829
Deferred tax – Current year (Origination and reversal of timing differences)	(4,016)	(686)
Deferred tax – Prior year (Adjustment in respect of prior years)	(110)	685
Effect of decreased tax rate on opening liability	<u>(248)</u>	<u>(266)</u>
Total deferred tax credit	<u>(4,374)</u>	<u>(267)</u>
Total tax (credit)/ charge	<u>(1,505)</u>	<u>562</u>

The tax assessed for the year differs from the standard effective rate of corporation tax in the UK of 26.5% (2010 28.0%). The differences are explained below

	2011	2010
	£'000	£'000
Loss/(profit) on ordinary activities before taxation	<u>17,235</u>	<u>(730)</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 26.5% (2010 28.0%)	(4,567)	204
Effects of		
Income not assessable	(20)	-
Expenses not deductible	5,717	167
Accelerated capital allowances	991	711
Double tax relief	(206)	(331)
Research and development tax credit	(2,925)	(2,665)
Tax imposed outside the UK	206	331
Other timing differences	2,998	1
Adjustments to tax charge in respect of prior years	<u>675</u>	<u>2,411</u>
Current tax charge for the year	<u>2,869</u>	<u>829</u>

The corporation tax rate for non-upstream companies was 26.5% for current tax in the year to 31 December 2011 (2010 28.0%)

SHELL RESEARCH LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2011

6 Tax on (loss)/profit on ordinary activities (continued)

Factors affecting current and future tax charges

Changes to the UK corporation tax rate were announced in the March 2011 Budget, including a reduction to the UK main corporation tax rate from 28% to 26% which became effective on 1 April 2011 and was substantively enacted on 29 March 2011. A further reduction to the UK main corporation tax rate to 24% was announced in the March 2012 Budget, is effective from 1 April 2012 and was substantively enacted on 26 March 2012. Further changes which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 22% by 1 April 2014 with the reduction to 23% effective from 1 April 2013 substantively enacted on 3 July 2012.

The relevant deferred tax balances have been remeasured to 25%, the rate enacted by the balance sheet date

7 Tangible assets

	Freehold land and buildings	Plant and machinery	Fixtures fittings tools and equipment	Assets under construction	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
Balance at 1 January 2011	68,953	6,402	38,511	3,460	117,326
Additions	-	-	-	2,895	2,895
Disposals and retirements	-	-	(1,436)	-	(1,436)
Transfers	435	2,854	1,163	(4,452)	-
Balance at 31 December 2011	69,388	9,256	38,238	1,903	118,785
Accumulative depreciation					
Balance at 1 January 2011	(47,515)	(2,501)	(24,679)	-	(74,695)
Charge for the year	(3,305)	(629)	(3,149)	-	(7,083)
Impairment charge	(13,843)	(6,126)	(1,605)	-	(21,574)
Disposals and retirements	-	-	1,402	-	1,402
Balance at 31 December 2011	(64,663)	(9,256)	(28,031)	-	(101,950)
Net book amount					
At 31 December 2011	4,725	-	10,207	1,903	16,835
At 31 December 2010	21,438	3,901	13,832	3,460	42,631

Assets held under finance leases have a cost of £598,000 (2010 £775,000) and accumulated depreciation of £401,000 (2010 £448,000)

An impairment charge of £21,574,000 has been recorded since the Thornton site is decided to be abandoned as part of the Winning Innovation project. The activities from this site will be moved to other locations. The impairment amount is equivalent to the net book value of all assets that are not identified to be transferred to other locations.

SHELL RESEARCH LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2011

8 Fixed assets - Investments

	£'000
Cost	
Balance at 1 January 2011	3,384
Additions	2,638
Balance at 31 December 2011	<u>6,022</u>
Amounts provided	
Balance at 1 January 2011	(3,384)
Additions	(2,638)
Balance at 31 December 2011	<u>6,022</u>
Net book amount	
At 31 December 2011	<u>-</u>
At 31 December 2010	<u>-</u>

In 2008 the Company entered into an agreement to fund the operations of a new entity (limited liability partnership), Energy Technologies Institute LLP ("ETI") The Company is committed to contribute up to £5 million, with the amount contributed in a financial year being agreed each year by the Members The Directors believe that the Company does not control or have significant influence over ETI and consequently, have accounted for it as a trade investment During the period the Company paid over £2,638,000 Full provision has currently been recorded against the investment as it is yet to demonstrate long term value to the Company

9 Stocks

	2011 £'000	2010 £'000
Raw materials and consumables		
Lubricants and Fuels	1,481	1,432
Testing Vehicles	<u>641</u>	<u>1,164</u>
	<u>2,122</u>	<u>2,596</u>

SHELL RESEARCH LIMITED**NOTES TO THE ACCOUNTS (continued)****For the year ended 31 December 2011****10 Debtors**

	2011	Restated
	Within	2010
	1 Year	Within
	£'000	1 Year
		£'000
Trade debtors	10,055	14,697
Amounts owed by fellow subsidiary undertakings	78,408	40,823
Other debtors	640	1,089
Tax receivable	-	9,082
Prepayments and accrued income	2,275	2,724
	<u>91,378</u>	<u>68,415</u>

The amount owed by fellow subsidiary undertakings of 2010 was restated by £1,089,000. This relates to the Value added tax receivable which was earlier grouped under this head now shown as other debtors to provide consistency with the current year presentation.

11 Creditors: amounts falling due within one year

	2011	2010
	£'000	£'000
Bank overdraft	1,086	-
Trade creditors	2,816	2,797
Amounts owed to fellow subsidiary undertakings	7,694	18,173
Obligations under finance leases (note 13)	139	201
Tax payable	1,093	-
Accruals and deferred income	28,661	28,494
Payments received on account	1,293	614
	<u>42,782</u>	<u>50,279</u>

12 Creditors: amounts falling due after more than one year

	2011	2010
	£'000	£'000
Obligations under finance leases (note 13)	73	149
Accruals and deferred income	541	594
	<u>614</u>	<u>743</u>

SHELL RESEARCH LIMITED**NOTES TO THE ACCOUNTS (continued)****For the year ended 31 December 2011****12 Creditors: amounts falling due after more than one year (continued)**

The maturity profile of the carrying amount of the Company's financial liabilities at 31 December 2011 was as follows

	2011	2010
	£'000	£'000
Within one year, or on demand	42,782	50,279
Within one to two years	118	159
Within two to five years	167	202
After five years	329	382
	<u>43,396</u>	<u>51,022</u>

13 Obligations under finance leases

The Company's net obligations under finance leases fall due as follows

	2011	2010
	£ '000	£ '000
Within one year	139	201
Within one to two years	65	106
Within two to five years	8	43
	<u>212</u>	<u>350</u>

14 Pension 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 for those United Kingdom employees who elect to become members of the SCPF. 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.

Aon Hewitt Limited carried out the triennial actuarial valuation of the SCPF as at 31 December 2011 using the projected unit method on a funding basis. The actuarial value of the SCPF's assets as at that date was £12,374 million and the value of the liabilities was £12,615 million. The principal actuarial assumptions adopted in the valuation were a discount rate of 4.05%, a rate of general salary increases of 4.5%, and a price inflation rate of 3.0%. The fund deficit (shortfall of assets compared to the value of pension liabilities) is £241 million. This corresponds to a funding ratio of 98%. Member Companies' contributions to the SCPF were suspended with effect from 1 July 2007, but have resumed regular contributions from 1 July 2009.

The Company is unable to identify its share of the scheme's underlying assets and liabilities on a consistent and reasonable basis. There are no contractual or stated policies on which to base an allocation of the Fund's underlying assets and liabilities to member companies. In accordance with the exemption allowed by paragraph 9(b) of FRS 17, the Company will continue to account for SCPF as a defined contribution scheme.

In the accounts of the Company there is a charge of £9,968,480 for the year for contributions to the SSPF (2010: £11,911,930). Contributions are expected to remain at 31% of members' pensionable salaries until the next triennial valuation (due as at 31 December 2014) unless certain surplus limits are reached prior to that time, or if the funding ratio deteriorates sufficiently, at the annual review contributions will be reviewed and may increase.

SHELL RESEARCH LIMITED**NOTES TO THE ACCOUNTS (continued)****For the year ended 31 December 2011****15 Provisions for liabilities**

	Cost sharer pension reimbursement provision £'000	Restructuring £'000	Total £'000
Balance at 1 January 2011	16,364	1,045	17,409
Additions	-	13,592	13,592
Utilisation of provision	-	(1,611)	(1,611)
Translation difference	-	(29)	(29)
Balance at 31 December 2011	<u>16,364</u>	<u>12,997</u>	<u>29,361</u>

At the end of 2011, we have a provision for redundancy of £12,997,000 all of which is expected to be utilized over a period of two years. We recognise a provision for pensions of £16,364,000 related to pension reimbursement to cost sharers. The repayment date of this balance has not yet been agreed.

Provisions for deferred tax

The amount set aside for deferred tax represents the timing differences between the recognition of items of income and expenditure for accounting and tax purposes for the years up to and including 2011.

The provision comprises

	2011 £'000	2010 £'000
Provision for deferred tax		
Accelerated capital allowances	4,973	6,519
Other timing differences	(2833)	(5)
Total provision for deferred tax	<u>2,140</u>	<u>6,514</u>
1 January 2011	6,514	
Deferred tax credit in the profit and loss account	(4,016)	
Impact of tax rate change	(248)	
Adjustment in respect of prior years in the profit and loss account	(110)	
31 December 2011	<u>2,140</u>	

There are no unrecognised deferred tax assets or liabilities

SHELL RESEARCH LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2011

16 Called up share capital

	2011	2010
	£'000	£'000
Authorised		
50,000 (2010 50,000) ordinary shares £1 each	<u>50</u>	<u>50</u>
Allotted and fully paid		
50,000 (2010 50,000) ordinary shares £1 each	<u>50</u>	<u>50</u>

17 Reconciliation of movements in reserves and shareholder's funds

	Profit and loss account	Share capital	Shareholder's Funds
	£'000	£'000	£'000
At 1 January 2010	50,950	50	51,000
Profit for the year	<u>168</u>	<u>-</u>	<u>168</u>
At 1 January 2011	51,118	50	51,168
Loss for the year	<u>(15,730)</u>	<u>-</u>	<u>(15,730)</u>
At 31 December 2011	<u>35,388</u>	<u>50</u>	<u>35,438</u>

18 Directors

Directors' emoluments

	2011	2010
	£'000	£'000
Aggregate emoluments	955	453

The number of Directors to whom retirement benefits are accruing is as follows

	2011	2010
	£'000	£'000
In respect of defined benefit schemes	2	2

Highest paid Director

	2011	2010
	£'000	£'000
Total amount of emoluments and amounts (excluding shares) receivable under long term incentive schemes	575	320
Defined benefit pension scheme		
Accrued pension at end of year	104	90

These emoluments and pensions are recharged to the Company from Shell International Petroleum Company Ltd and are then charged to other group companies

SHELL RESEARCH LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2011

19 Post balance sheet events

A re-organisation of the commercial business was announced in 2011. The entire process is expected to be completed by end of 2013. As at year end, staff were informed of the planned redundancies and a provision recognised in the accounts accordingly. At present, it is expected that Shell Research Limited will continue to exist in the near future as it is the only P&T entity in UK.