

Registered in England and Wales 539964

**SHELL RESEARCH LIMITED**

**DIRECTORS' REPORT**

**AND ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

**CONTENTS**

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



## **SHELL RESEARCH LIMITED**

### **DIRECTORS' REPORT**

The Directors present their report and audited accounts for the year ended 31 December 2012

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 profit for the financial year was £3,035,000 (2011: Loss of £15,730,000). This was principally due to an impairment of fixed assets in 2011 of £21,574,000, which was not recovered through tariff.

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

#### **Exceptional items**

An ongoing restructuring exercise had resulted in a net release of extra provision related to redundancies of £2,278,000 (2011: Loss of £13,592,000) in the profit and loss account. In 2011 there was also an exceptional item in relation to the impairment of fixed assets.

#### **Dividends**

The Directors recommend that no dividend be paid for the year ended 31 December 2012 (2011: £nil).

#### **Future Outlook**

Following the decision (2012) to exit the company's UK base, Shell Technology Centre Thornton, a divestment process was undertaken, the conclusion of which being that SRL will divest the site by way of a charitable donation to the University of Chester. The current situation can be summarised:

- Heads of Terms for the donation were agreed and signed in January 2013
- Contract exchange is underway
- Experimental activity will cease on the site by December 2013
- Site decommissioning will be completed by March 2014
- Contract completion and hand-over to the University will take place end March 2014
- Project and Technology's (P&T) commitment to the UK has been confirmed by the creation of a Technical Office in London to which some of the Thornton-based scientists are relocating, and also by the co-location of the remaining scientific staff with other Shell businesses in the Shell UK Manchester office.

## **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 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 2012 (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 41 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 83 to 84 and note 21).

#### **POST BALANCE SHEET EVENTS**

Refer to note 20 "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/](http://www.promptpaymentcode.org.uk/)

The Company had 44 days of purchases outstanding at 31 December 2012 (2011: 52 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.

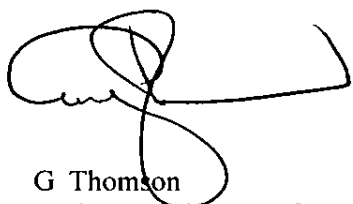
**SHELL RESEARCH LIMITED**

**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

A handwritten signature in black ink, appearing to be 'G Thomson', with a large loop and a horizontal stroke extending to the right.

G Thomson  
Authorised signatory for  
Shell Corporate Secretary Limited  
Company Secretary  
9 September 2013

## **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 2012 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 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **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  
9 September 2013

**SHELL RESEARCH LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 December 2012**

**Continuing operations**

	<b>Note</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
<b>Turnover</b>	2	200,291	190,497
Operating costs		(203,821)	(172,593)
Exceptional Redundancy release/(cost)	15	2,278	(13,592)
Provision for impairment on fixed assets	7	-	(21,574)
<b>Total operating costs</b>		<u>(201,543)</u>	<u>(207,759)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION</b>		(1,252)	(17,262)
Interest receivable and similar income	3	142	51
Interest payable and similar charges	4	<u>(10)</u>	<u>(24)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	5	(1,120)	(17,235)
Tax on loss on ordinary activities	6	<u>4,155</u>	<u>1,505</u>
<b>PROFIT/(LOSS) FOR THE FINANCIAL YEAR</b>	17	<u>3,035</u>	<u>(15,730)</u>

There is no material difference between the profit/(loss) on ordinary activities before taxation and the profit/(loss) 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 loss for the prior year and accordingly a statement of total recognised gains and losses has not been presented

**SHELL RESEARCH LIMITED****REGISTERED IN ENGLAND AND WALES: 539964****BALANCE SHEET****As at 31 December 2012**

	<b>Note</b>	<b>2012 £ '000</b>	<b>2011 £ '000</b>
<b>FIXED ASSETS</b>			
Tangible assets	7	10,696	16,835
Investments	8	-	-
		<u>10,696</u>	<u>16,835</u>
<b>CURRENT ASSETS</b>			
Stocks	9	2,148	2,122
Debtors	10	95,830	91,378
		<u>97,978</u>	<u>93,500</u>
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	11	<u>(43,312)</u>	<u>(42,782)</u>
<b>NET CURRENT ASSETS</b>		<u>54,666</u>	<u>50,718</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		65,362	67,553
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	12	(9)	(614)
<b>PROVISIONS FOR LIABILITIES</b>			
Deferred taxation	15	-	(2,140)
Other provisions	15	(26,880)	(29,361)
		<u>-</u>	<u>(31,501)</u>
<b>NET ASSETS</b>		<u>38,473</u>	<u>35,438</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16,17	50	50
Profit and loss account	17	38,423	35,388
<b>TOTAL SHAREHOLDER'S FUNDS</b>	17	<u>38,473</u>	<u>35,438</u>

The accounts on pages 6 to 21 were approved by the Board of Directors on 9 September 2013 and were signed on its behalf by



S Martin  
Director



## **SHELL RESEARCH LIMITED**

### **NOTES TO THE ACCOUNTS**

**For the year ended 31 December 2012**

#### **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 2012

##### **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 2012. The consolidated accounts of Royal Dutch Shell plc are available from

Royal Dutch Shell plc  
Tel +31 888 800 844  
email [order@shell.com](mailto:order@shell.com)

##### **c) Fixed asset investments**

These comprise investments in shares 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 Financial Reporting Standard ("FRS") 11. Any impairments are recorded in the profit and loss account.

##### **d) Taxation**

###### **(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 2012**

**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.

Foreign currency amounts have been translated at \$1 6166 £1 (2011 \$1 5415 £1), being the relevant exchange rate prevailing at the balance sheet date.

**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 Financial Reporting Standard ("FRS") 11. Any impairments are recorded in the profit and loss account.

# **SHELL RESEARCH LIMITED**

## **NOTES TO THE ACCOUNTS (continued)**

**For the year ended 31 December 2012**

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

#### **f) Tangible fixed assets and depreciation (continued)**

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

Depreciation 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% - 5.0% per annum
Plant and machinery	2.5% - 25.0% per annum
Fixtures fittings, tools and equipment	5.0% - 33.0% 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 2012**

#### **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 both 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 wholly-owned companies of the Shell Group.

**SHELL RESEARCH LIMITED****NOTES TO THE ACCOUNTS (continued)**

For the year ended 31 December 2012

**1. Accounting policies (continued)****o) Forward exchange contracts**

Forward exchange contracts taken out to cover the currency exposure in Pounds Sterling of the Company in respect of its pool of foreign currency monetary assets or specific foreign currency liabilities are deemed to be hedges. Exchange gains or losses on such contracts are offset against those arising on the hedged assets or liabilities. Premiums or discounts on the contracts are amortised over the lives of the contracts.

**2. Turnover**

	<b>2012 Gross Royalties £'000</b>	<b>2012 Operating Income £'000</b>	<b>2012 Total £'000</b>	<b>2011 Gross Royalties £'000</b>	<b>2011 Operating Income £'000</b>	<b>2011 Total £'000</b>
<b>Geographical markets</b>						
Europe	13,138	176,587	189,725	5,572	175,697	181,269
Other eastern hemisphere	8,726	539	9,265	6,120	2,151	8,271
Western hemisphere	<u>1,225</u>	<u>76</u>	<u>1,301</u>	<u>957</u>	<u>-</u>	<u>957</u>
	<b><u>23,089</u></b>	<b><u>177,202</u></b>	<b><u>200,291</u></b>	<b><u>12,649</u></b>	<b><u>177,848</u></b>	<b><u>190,497</u></b>

**3. Interest receivable and similar income**

	<b>2012 £'000</b>	<b>2011 £'000</b>
Interest from banks and similar income	142	51
	<hr/>	<hr/>

**4. Interest payable and similar charges**

	<b>2012 £'000</b>	<b>2011 £'000</b>
Finance lease charges	10	24
	<hr/>	<hr/>

**SHELL RESEARCH LIMITED****NOTES TO THE ACCOUNTS (continued)****For the year ended 31 December 2012****5. Profit/(loss) on ordinary activities before taxation**

Profit/(loss) on ordinary activities before taxation is stated after charging/ (crediting) the following

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs		
Wages and salaries	45,556	47,928
Social security costs	6,249	5,824
Other pension costs (note 14)	10,362	9,968
	<u>62,167</u>	<u>63,720</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.

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Currency translation		
Trading activities	(48)	(2,348)
Depreciation		
On owned assets	6,733	6,858
On assets held under finance leases	133	225
Loss on sale of fixed assets	76	4
Auditors' remuneration for audit services		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	11	12
Release of grants	(53)	(53)
Net restructuring costs (see note 15)	(2,278)	13,592
Impairment of fixed assets (see note 15)	-	21,574
Provision for site exit costs (see note 15)	(2,500)	-

**SHELL RESEARCH LIMITED****NOTES TO THE ACCOUNTS (continued)****For the year ended 31 December 2012****6. Tax on profit/(loss) on ordinary activities**

The credit for the year of £3,722,000 (2011 £1,505,000) is made up as follows

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
UK corporation tax at the standard rate of 24.5% (2011 26.5%)	(741)	2,194
Adjustments in respect of prior years	926	675
Tax imposed outside of the UK	450	206
Double tax relief	<u>(450)</u>	<u>(206)</u>
Total current tax (credit)/charge	185	2,869
Deferred tax – Current year (Origination and reversal of timing differences) (note 15)	186	(4,016)
Deferred tax – Prior year (Adjustment in respect of prior years) (note 15)	(3,979)	(110)
Effect of decreased tax rate on opening liability (note 15)	<u>(547)</u>	<u>(248)</u>
Total deferred tax credit	<u>(4,340)</u>	<u>(4,374)</u>
Total tax credit	<u>(4,155)</u>	<u>(1,505)</u>

The tax assessed for the year differs from the standard effective rate of corporation tax in the UK of 24.5% (2011 26.5%). The differences are explained below

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
(Profit)/loss on ordinary activities before taxation	<u>(1,120)</u>	17,235
Tax on (profit)/loss on ordinary activities at standard UK corporation tax rate of 24.5% (2011 26.5%)	(274)	(4,567)
Effects of		
Income not assessable	(13)	(20)
Expenses not deductible	455	5,717
Capital allowances for the year less than depreciation	837	991
Double tax relief	(450)	(206)
Research and development tax credit	(1,549)	(2,925)
Tax imposed outside the UK	450	206
Other timing differences	(196)	2,998
Adjustments in respect of prior years	<u>926</u>	<u>675</u>
Current tax (credit)/charge for the year	<u>185</u>	<u>2,869</u>

The corporation tax rate for non-upstream companies was 24.5% for current tax in the year to 31 December 2012 (2011 26.5%)

**SHELL RESEARCH LIMITED****NOTES TO THE ACCOUNTS (continued)****For the year ended 31 December 2012****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 2012 Budget, including a reduction to the UK main corporation tax rate from 26% to 24% which became effective on 1 April 2012 and was substantively enacted on 26 March 2012. A further reduction to 23% is effective from 1 April 2013 and was substantively enacted on 3 July 2012.

The relevant deferred tax balances have been remeasured to 23%, the rate enacted by the balance sheet date.

The March 2013 Budget announced further changes reducing the UK corporation tax rate to 21% effective from 1 April 2014 and to 20% from 1 April 2015 which were substantively enacted on 2nd July 2013.

**7. Tangible assets**

	<b>Freehold land and buildings</b>	<b>Plant and machinery</b>	<b>Fixtures fittings tools and equipment</b>	<b>Assets under construction</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>					
Balance at 1 January 2012	69,388	9,256	38,238	1,903	118,785
Additions	-	-	-	804	804
Disposals and retirements	-	(75)	(359)	-	(434)
Transfers	194	969	149	(1,312)	-
Balance at 31 December 2012	<u>69,582</u>	<u>10,150</u>	<u>38,028</u>	<u>1,395</u>	<u>119,155</u>
<b>Accumulative depreciation</b>					
Balance at 1 January 2012	(64,663)	(9,256)	(28,031)	-	(101,950)
Charge for the year	(3,254)	(690)	(2,922)	-	(6,866)
Disposals and retirements	-	22	335	-	357
Balance at 31 December 2012	<u>(67,917)</u>	<u>(9,924)</u>	<u>(30,618)</u>	<u>-</u>	<u>(108,459)</u>
<b>Net book amount</b>					
At 31 December 2012	<u>1,665</u>	<u>226</u>	<u>7,410</u>	<u>1,395</u>	<u>10,696</u>
At 31 December 2011	<u>4,725</u>	<u>-</u>	<u>10,207</u>	<u>1,903</u>	<u>16,835</u>

Fixtures & Fittings and Plant & Machinery held under finance leases have a cost of £248,000 (2011 £598,000) and £26,000 (2011 £26,000) and accumulated depreciation of £196,000 (2011 £401,000) and £5,000 (2011 £26,000) respectively.



**SHELL RESEARCH LIMITED****NOTES TO THE ACCOUNTS (continued)****For the year ended 31 December 2012****8. Fixed assets - Investments**

	<b>£'000</b>
<b>Cost</b>	
Balance at 1 January 2012	6,022
Additions	4,051
Balance at 31 December 2012	<u>10,073</u>
<b>Amounts provided</b>	
Balance at 1 January 2012	(6,022)
Additions	(4,051)
Balance at 31 December 2012	<u>(10,073)</u>
<b>Net book amount</b>	
At 31 December 2012 and 31 December 2011	<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 each year, 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 £4,051,000. Full provision has currently been recorded against the investment as it is yet to demonstrate long term value to the Company.

**9. Stocks**

	<b>2012 £'000</b>	<b>2011 £'000</b>
Raw materials and consumables		
Lubricants and Fuels	1,381	1,481
Testing Vehicles	<u>767</u>	<u>641</u>
	<u>2,148</u>	<u>2,122</u>

**SHELL RESEARCH LIMITED****NOTES TO THE ACCOUNTS (continued)****For the year ended 31 December 2012****10. Debtors**

	<b>2012</b>	<b>2011</b>
	<b>Within</b>	<b>Within</b>
	<b>1 Year</b>	<b>1 Year</b>
	<b>£'000</b>	<b>£'000</b>
Trade debtors	7,551	10,055
Amounts owed by fellow subsidiary undertakings	80,063	78,408
Other debtors	1,084	640
Tax receivable	3,871	-
Deferred tax	2,200	-
Prepayments and accrued income	1,061	2,275
	<u>95,830</u>	<u>91,378</u>

**11. Creditors: amounts falling due within one year**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Bank overdraft	-	1,086
Trade creditors	3,700	2,816
Amounts owed to fellow subsidiary undertakings	14,392	7,694
Obligations under finance leases (note 13)	49	139
Tax payable	-	1,093
Accruals and deferred income	24,389	28,661
Payments received on account	782	1,293
	<u>43,312</u>	<u>42,782</u>

**12. Creditors: amounts falling due after more than one year**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Obligations under finance leases (note 13)	9	73
Accruals and deferred income	-	541
	<u>9</u>	<u>614</u>

**SHELL RESEARCH LIMITED****NOTES TO THE ACCOUNTS (continued)****For the year ended 31 December 2012****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 2012 was as follows

	2012	2011
	£'000	£'000
Within one year, or on demand	43,312	42,782
Within one to two years	9	118
Within two to five years	-	167
After five years	-	329
	<u>43,321</u>	<u>43,396</u>

**13. Obligations under finance leases**

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

	2012	2011
	£ '000	£ '000
Within one year	49	139
Within one to two years	9	65
Within two to five years	-	8
	<u>58</u>	<u>212</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%.

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 £10,362,461 for the year for contributions to the SSPF (2011: £9,968,480). 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 2012**

**15. Provisions for liabilities**

	<b>Cost sharer pension reimbursement provision £'000</b>	<b>Restructuring £'000</b>	<b>Site exit costs £'000</b>	<b>Total £'000</b>
Balance at 1 January 2012	16,364	12,997	-	29,361
Additions	-	1,157	2,500	3,657
Utilisation of provision	-	(2,703)	-	(2,703)
Release to profit and loss account	-	(3,435)	-	(3,435)
Balance at 31 December 2012	<u>16,364</u>	<u>8,016</u>	<u>2,500</u>	<u>26,880</u>

At the end of 2012, we have a provision for redundancy of £8,016,000 all of which is expected to be utilised over a period of one year. We recognised a provision for pensions of £16,364,000 related to pension reimbursement to cost sharers in prior years. The repayment date of this balance has not yet been agreed.

Site exit costs of £2,500,000 comprises of provision for operational expenditure for the divestment of the Thornton site. This provision is expected to be utilised by 2014 and has not been discounted.

**Deferred tax asset**

The amount recognised for deferred corporation 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 2012.

The deferred tax (asset)/provision comprises

	<b>2012 £'000</b>	<b>2011 £'000</b>
Deferred tax (asset)/provision comprises		
Accelerated capital allowances	223	4,973
Other timing differences	(2,423)	(2,833)
Total deferred tax (asset)/ provision	<u>(2,200)</u>	<u>2,140</u>
1 January 2012	2,140	
Deferred tax credit in the profit and loss account (refer to Note 6)	(547)	
Impact of tax rate change	186	
Adjustment in respect of prior years in the profit and loss account	(3,979)	
31 December 2012	<u>(2,200)</u>	

There are no unrecognised deferred tax assets or liabilities.

**SHELL RESEARCH LIMITED****NOTES TO THE ACCOUNTS (continued)****For the year ended 31 December 2012****16. Called up share capital**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Authorised		
50,000 (2011 50,000) ordinary shares £1 each	<u>50</u>	<u>50</u>
Allotted and fully paid		
50,000 (2011 50,000) ordinary shares £1 each	<u>50</u>	<u>50</u>

**17. Reconciliation of movements in reserves and shareholder's funds**

	<b>Profit and loss account</b>	<b>Share capital</b>	<b>Shareholder's Funds</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
At 1 January 2011	51,118	50	51,168
Loss for the year	<u>(15,730)</u>	<u>-</u>	<u>(15,730)</u>
At 1 January 2012	35,388	50	35,438
Profit for the year	<u>3,035</u>	<u>-</u>	<u>3,035</u>
At 31 December 2012	<u>38,423</u>	<u>50</u>	<u>38,473</u>

**18. Directors**

Directors' emoluments

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments	1,061	955

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

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
In respect of defined benefit schemes	3	2

Share options were exercised by 2 Directors (2011 2) during the year

Shares were receivable by 3 Directors (2011 2) during the year under long-term incentive schemes

**SHELL RESEARCH LIMITED****NOTES TO THE ACCOUNTS (continued)****For the year ended 31 December 2012****18. Directors (continued)**

Highest paid Director

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Total amount of emoluments and amounts (excluding shares) receivable under long term incentive schemes	577	575
Defined benefit pension scheme		
Accrued pension at end of year	123	104

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

**19. Financial instruments**

The Company enters into derivative financial instruments to hedge its exposure to foreign currency exchange movements. Such transactions are carried out on commercial terms and conditions and at market rates.

Derivative instruments outstanding at 31 December 2012 are included below

	<b>Contractual or notional amounts</b>	<b>Fair value of derivative</b>
	<b>£'000</b>	<b>£'000</b>
Forward Foreign Exchange Contracts	103,200	236

**20. Post balance sheet events**

Heads of Terms for the site donation were agreed and signed in January 2013 following the decision in 2012 to exit Shell Technology Centre Thornton by way of a gifting option through divestment to the University of Chester.