

**SHELL U.K. OIL PRODUCTS LIMITED**

**DIRECTORS' REPORT**

**AND ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2012**

**CONTENTS**

DIRECTORS' REPORT	1
INDEPENDENT AUDITORS' REPORT	4
PROFIT AND LOSS ACCOUNT	5
BALANCE SHEET	6
NOTES TO THE ACCOUNTS	7

THURSDAY



LD8      \*L2HPNQAR\*      #213  
26/09/2013  
COMPANIES HOUSE

## **SHELL U.K. OIL PRODUCTS 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 U K Oil Products 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 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. No change to this activity is expected in the foreseeable future.

The Company has made a loss for the year of £2,569,000 (2011 profit of £482,000). This is mainly on account of increase in share based payment from £1,283,000 in 2011 to £2,066,000 in 2012 and an increase in tax charge from a tax credit of £1,665,000 in 2011 to tax charge of £720,000 in 2012.

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

#### **Dividends**

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

#### **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 2012 (the "Group Report"), include those of the Company. (The Group Report does not form part of this report).

## **SHELL U.K. OIL PRODUCTS LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **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.

#### **DIRECTORS**

The Directors of the Company, who served throughout the year and to the date of this report (except as noted) were

J Anthea Hampson	Appointed 2 May 2012	
T Baker		Resigned 30 November 2012
M Colgan		
B David Moss	Appointed 1 March 2013	
D Edward Daniels	Appointed 1 January 2013	
T Kabalin		Resigned 1 May 2012
M Lane		Resigned 7 December 2012
D Paul Milliken	Appointed 30 March 2012	
J M Rasmussen		Resigned 12 March 2012
G Van't Hoff		Resigned 31 December 2012
M A Al Zerkli		Resigned 1 May 2012

#### **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. Employees have been advised of the right to apply for share options in Royal Dutch Shell plc under the "Shell Sharesave" savings-related share option scheme.

#### **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 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 U.K. Oil Products Limited is a founder member of the Employers' Forum on Disability, 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 while working for the Company.

## **SHELL U.K. OIL PRODUCTS LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **EQUAL OPPORTUNITIES (continued)**

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 maternity leave for women and a range of childcare support initiatives to support employees with families.

#### **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 these accounts, the Directors are required to:

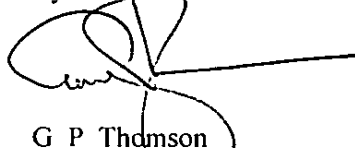
- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts, and
- Prepare the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

#### **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



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

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SHELL U.K. OIL PRODUCTS LIMITED**

We have audited the accounts of Shell U K Oil Products 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 the accounts 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 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.

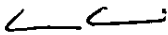
### **Opinion on other matter prescribed by Companies Act 2006**

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  
24<sup>th</sup> September 2013

**SHELL U.K. OIL PRODUCTS LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**For the year ended 31 December 2012**

	<b>Note</b>	<b>2012 £'000</b>	<b>2011 £'000</b>
<b>Continuing operations</b>			
<b>Turnover</b>	2	37,907	84,908
Cost of sales	3	<u>(39,756)</u>	<u>(86,091)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	(1,849)	(1,183)
Tax on loss on ordinary activities	4	<u>(720)</u>	<u>1,665</u>
<b>(LOSS)/PROFIT FOR THE FINANCIAL YEAR</b>		<u>(2,569)</u>	<u>482</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 loss for the current year and profit for the prior year and accordingly a statement of total recognised gains and losses has not been presented

**SHELL U.K. OIL PRODUCTS LIMITED**  
**REGISTERED IN ENGLAND AND WALES: 03625633**  
**BALANCE SHEET**  
**As at 31 December 2012**

	Note	2012 £'000	2011 £'000
<b>CURRENT ASSETS</b>			
Debtors	5	9,252	9,755
<b>NET ASSETS</b>		<u>9,252</u>	<u>9,755</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	7	5,000	5,000
Profit and loss account	8	<u>4,252</u>	<u>4,755</u>
<b>TOTAL SHAREHOLDER'S FUNDS</b>	8	<u>9,252</u>	<u>9,755</u>

The accounts on pages 5 to 16 were approved by the Board of Directors on <sup>23</sup> September 2013 and were signed on its behalf by



P Milliken  
Director

# **SHELL U.K. OIL PRODUCTS 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 Shell Holdings (U K ) Limited

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

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) Turnover**

Turnover comprises management fees receivable, net of value added tax, 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

#### **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

##### **(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

**SHELL U.K. OIL PRODUCTS LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**  
**For the year ended 31 December 2012**

**1 Accounting policies (continued)**

**d) Taxation (continued)**

**(ii) Deferred tax (continued)**

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) 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 FRS17. 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 10. The Fund's assets are held in a separately administered fund from Shell Group assets

**f) 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

**g) 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 member companies of the Shell Group

**h) Share-based payments**

The fair value of share-based compensation for equity-settled plans granted to employees after 7 November 2002, and which had not vested by 1 January 2005, is recognised as an expense from the date of grant over the vesting period with a corresponding reversal directly to retained earnings. The fair value of share-based compensation for options is estimated using a Black-Scholes option-pricing model and for performance shares is estimated using a Monte Carlo pricing model. At each balance sheet date, the company revises its estimates of the number of options that are expected to vest and recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity

The actual Share based payment charge is borne directly by Shell UK Limited

**SHELL U.K. OIL PRODUCTS LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**  
**For the year ended 31 December 2012**

**1 Accounting policies (continued)**

**i) Employer's NICs on employee share schemes**

In accordance with UITF 25, employer's NICs are provided for on employee share plans where it is expected that options will be exercised or performance share plans will vest. The amounts provided are spread over the relevant performance period for each employee share scheme and are adjusted annually for changes in market value and the latest enacted National Insurance rate.

**2 Turnover**

The United Kingdom is the sole source of turnover and operating profits and is the location of the net assets of the company. All turnover relates to the provision of management services to the downstream oil business.

**3 Loss on ordinary activities before taxation**

Loss on ordinary activities before taxation is stated after charging the following

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Staff costs		
Wages and salaries	27,185	64,555
Social security costs	2,179	7,722
Other pension costs (Refer to note 10)	5,637	11,962
Share based payments (Refer to note 11)	2,066	1,283
*Severance cost	2,689	569
	<b>39,756</b>	<b>86,091</b>

	<b>2012</b>	<b>2011</b>
The average number of persons employed by the Company including directors and 12 expat employees in 2012 was as follows		
Oil, manufacturing, supply and marketing**	<b>424</b>	<b>934</b>

The Auditors' remuneration of £4,631 (2011: £5,200) in respect of the statutory audit was borne by immediate parent company for both the current and preceding years.

\*Severance cost was paid by a fellow group company Shell U.K. Limited on behalf of the Company as per the Management Services and Agency Agreement, hence the provision of £2.7 million is disclosed in the books of Shell U.K. Limited.

\*\*Payroll costs associated with overseas employees are charged directly to Shell U.K. Limited and are not included in Shell U.K. Oil Products Limited's profit and loss account. The average number of persons employed is reduced from 934 to 424 in 2012 due to sale of Stanlow Refinery in August 2011.

**SHELL U.K. OIL PRODUCTS LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**  
**For the year ended 31 December 2012**

**4 Tax on loss on ordinary activities**

The charge for the year of £720,000 (2011 credit of £1,665,000) is made up as follows

	<b>2012</b> <b>£'000</b>	<b>2011</b> <b>£'000</b>
UK corporation tax at the standard rate of 24.5% (2011 26.5%)	65	(1,275)
Adjustments in respect of prior years	<u>-</u>	<u>1</u>
Total current tax credit	65	(1,274)
Effect of decreased tax rate on opening asset	52	44
Deferred tax – Current year (Adjustment in respect of prior years)	<u>603</u>	<u>(435)</u>
Total deferred tax charge/(credit)	<u>655</u>	<u>(391)</u>
Total tax charge/(credit)	<u>720</u>	<u>(1,665)</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>£'000</b>	<b>2011</b> <b>£'000</b>
Loss on ordinary activities before taxation	<u>1,849</u>	<u>1,183</u>
Tax on loss on ordinary activities at standard UK corporation tax rate of 24.5% (2011 26.5%)	(453)	(314)
Effects of		
Expenses not deductible	507	(539)
Tax on imputed interest	11	13
Other timing differences	-	(435)
Adjustments in respect of prior years	<u>-</u>	<u>1</u>
Current tax charge/(credit) for the year	<u>65</u>	<u>(1,274)</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%)

**Factors affecting current and future tax changes**

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 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 2 July 2013.

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

**SHELL U.K. OIL PRODUCTS LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**  
**For the year ended 31 December 2012**

**5 Debtors**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Amounts owed by Group undertakings		
Fellow subsidiary undertakings	7,402	7,400
Tax receivable	1,850	1,700
Deferred tax (note 6)	-	655
	<u>9,252</u>	<u>9,755</u>

**6 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 asset comprises

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Deferred tax asset		
Other timing differences	-	655
Total deferred tax asset	<u>-</u>	<u>655</u>
At 1 January 2012	655	
Deferred tax charge in profit and loss account (note 4)	(52)	
Adjustments in respect of prior years in the profit and loss account	<u>(603)</u>	
At 31 December 2012	<u>-</u>	

**7 Called up share capital**

	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Authorised		
20,000,000 (2011 20,000,000) ordinary shares of £1 each	<u>20,000</u>	<u>20,000</u>
Allotted and fully paid		
5,000,000 (2011 5,000,000) ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>

**SHELL U.K. OIL PRODUCTS LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**  
**For the year ended 31 December 2012**

**8 Reconciliation of movements in reserves and shareholder's funds**

	<b>Profit and loss account £'000</b>	<b>Share capital £'000</b>	<b>Shareholders' funds £'000</b>
At 1 January 2011	2,990	5,000	7,990
Share based payments -notional	1,283	-	1,283
Profit for the year	482	-	482
At 1 January 2012	4,755	5000	9,755
Share based payments -notional	2,066	-	2,066
Loss for the year	(2,569)	-	(2,569)
At 31 December 2012	4,252	5,000	9,252

**9 Directors**

Directors' emoluments	<b>2012</b>	<b>2011</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments	2,159	3,589

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

	<b>2012</b>	<b>2011</b>
	<b>Number</b>	<b>Number</b>
In respect of defined benefit schemes	6	6

Share options were exercised by 4 Directors (2011 4) during the year

Shares were receivable by 7 Directors (2011 6) during the year under long-term incentive schemes

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	183	190
Defined benefit pension scheme		
Accrued pension at end of year	-	8

The highest paid Director exercised no share option during the year The highest paid Director received shares in respect of a long-term incentive scheme in respect of services rendered to the Company

Of these emoluments and pensions £481,685 in 2012 (2011 £666,054) were borne by the Company and charged to the profit and loss account

**SHELL U.K. OIL PRODUCTS LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**  
**For the year ended 31 December 2012**

**10 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. The value of the SCPF's assets taken into account for the funding valuation at that date was £12,374 million and the value of the liabilities was £12,615 million. The principal financial 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 funding deficit (shortfall of assets compared to the value of pension liabilities) was £241 million. This corresponded to a funding ratio (assets as a percentage of liabilities) of 98%.

A valuation was performed for accounting purposes at 31 December 2012 using assumptions set in line with the requirements of the IAS19/FRS17 accounting standard. The principal financial assumptions adopted in the valuation were a discount rate of 4.4%, a rate of general salary increases of 4.5%, and a price inflation rate of 3.0%. The value of the SCPF's assets as at that date was £12,983 million and the value of the liabilities on this accounting basis was £11,587 million, meaning the surplus measured for accounting purposes was £1,396 million.

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 the SCPF as a defined contribution scheme.

The Company's contributions to the SCPF for the year amounted to £5,637,000 (2011: £11,962,000). 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.

**11 Share based payments**

There are a number of share-based compensation plans for employees of the Shell Group. Following the unification transaction in 2005 (the "Unification") pursuant to which Royal Dutch Shell plc became the single parent company of Royal Dutch Petroleum Company (N.V. Koninklijke Nederlandsche Petroleum Maatschappij) and The Shell Transport and Trading Company plc, the underlying shares for all the continuing plans which were previously Royal Dutch or Shell Transport are now shares of Royal Dutch Shell plc, and awards and rights under plans in existence at the time of the Unification have been converted into awards and rights over Royal Dutch Shell plc shares, all information in the remainder of this note related to the period prior to the Unification has also been converted.

Information on the principal plans is given below.

**Share option plans (closed)**

Shell offered eligible employees options over shares of Royal Dutch Shell plc, at a price not less than the fair market value of the shares at the date the options were granted. The options were mainly exercisable three years from grant date. The options lapse ten years after grant or, if earlier, on resignation from Shell employment (subject to certain exceptions).

**SHELL U.K. OIL PRODUCTS LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**  
**For the year ended 31 December 2012**

**11 Share based payments (continued)**

The following table shows, for 2011 and 2012, in respect of the option plans, the number of shares under option at the beginning of the year, the number of options exercised and expired/forfeited during the year and the number of shares under option at the end of the year, together with the weighted average exercise price translated at the respective year-end exchange rates. Since 2005 no further grants have been made under these plans

	Royal Dutch Shell plc Class A Shares		Royal Dutch Shell plc Class B Shares	
	Number	Weighted average exercise price (£)	Number	Weighted average exercise price (£)
Under option at 1 January 2011	531,476	22.27	1,030,814	16.71
Exercised	(27,950)	16.70	(565,900)	18.29
Expired/forfeited	(113,936)	27.08	(48,372)	21.30
Under option at 31 December 2011*	389,590	20.42	416,542	14.03
Exercised	(50,550)	16.38	(193,610)	14.47
Expired/forfeited	(163,900)	25.50	(7,037)	16.95
<b>Under option at 31 December 2012 **</b>	<b>175,140</b>	<b>16.61</b>	<b>215,895</b>	<b>13.54</b>

\* Unissued

\*\* The underlying weighted average exercise prices for Royal Dutch Shell plc Class A and B shares under option at 31 December 2012 were €19.79 (2011: €20.42) and £13.54 (2011: £14.03) respectively

The weighted average market price for exercises in 2012 was £23.45 (2011: £21.68) for Royal Dutch Shell plc Class A shares and £22.42 (2011: £22.31) for Royal Dutch Shell plc Class B shares

**SHELL U.K. OIL PRODUCTS LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**  
**For the year ended 31 December 2012**

**11 Share based payments (continued)**

The following tables provide further information about share options outstanding at 31 December 2012

**Royal Dutch Shell plc Class A shares**

Range of exercise prices	Number	Options outstanding		Options exercisable	
		Weighted average remaining contractual life (years)	Weighted average exercise price (£)	Number (000's)	Weighted average exercise price (£)
£12.75-£15.94	35,600	0.17	15.45	35,600	15.45
£15.94- £19.13	139,540	1.10	16.90	139,540	16.90
£12.75-£31.89 (total range)	175,140	0.91	16.61	175,140	16.61

**Royal Dutch Shell plc Class B shares**

Range of exercise prices	Number	Options outstanding		Options exercisable	
		Weighted average remaining contractual life (years)	Weighted average exercise price (£)	Number (000's)	Weighted average exercise price (£)
£12.12-£14.03	215,895	0.88	13.54	215,895	13.54
£12.12-£23.59 (total range)	215,895	0.88	13.54	215,895	13.54

**Performance share plan**

Conditional awards of Royal Dutch Shell plc shares are made under an amended long-term incentive plan (the 'Performance Share Plan') when making awards to employees who are not Executive Directors. 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. For awards made in 2009, the extent to which the awards vest was determined by two performance conditions. Half the award was linked to the Total Shareholder Return (TSR) outcome over the performance measurement period. This is a measure of Shell's performance compared to four of its main competitors. The other half of the award was linked to the Shell scorecard results.

For the awards made in 2010 onwards, the extent to which the awards vest will be determined by several performance conditions. Half the award is linked to the relative TSR measure, combined with a review of the earnings per share, cash flow from operations and hydro carbon production over the measurement period. The other half of the award is linked to the Shell scorecard results.

**SHELL U.K. OIL PRODUCTS LIMITED**  
**NOTES TO THE ACCOUNTS (continued)**  
**For the year ended 31 December 2012**

**11 Share based payments (continued)**

The following table provides more information about the performance shares, which were conditionally awarded in 2005 to date

	Class A	Class B	Class A ADRs	Weighted average remaining contractual life (years)
<b>At 1 January 2011</b>	6,280	178,490	-	0.96
Granted	17,615	66,040	2,350	-
Exercised	(500)	(142,150)	-	-
Expired/forfeited	-	(550)	-	-
<b>At 31 December 2011</b>	23,395	101,830	2,350	1.15
Granted	13,215	29,810	2,375	-
Exercised	(2,400)	(33,940)	-	-
Expired/forfeited	-	(250)	-	-
<b>At 31 December 2012</b>	34,210	97,450	4,725	1.07

**Valuation assumptions**

A Monte Carlo option pricing model is used to estimate the fair value of the share-based compensation expense arising from the Performance Share Plan. The model projects and averages the results for a range of potential outcomes for the vesting conditions, the principal assumptions for which are the share price volatility and dividend yields for Shell and four of its main competitors over the last three years and the last 10 years.

**Profit and loss charge**

The profit and loss charge on all share based payments for 2012 is £2,066,018 (2011: £1,282,735)