

Registration number: 03625633

Shell U.K. Oil Products Limited

Annual Report

and

Financial Statements

For the year ended 31 December 2019

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Shell U.K. Oil Products Limited

Contents

| | |
|-----------------------------------|----------|
| Strategic report | 1 to 2 |
| Directors' report | 3 to 8 |
| Independent Auditor's Report | 9 to 11 |
| Profit and loss account | 12 |
| Balance sheet | 13 |
| Statement of changes in equity | 14 |
| Notes to the financial statements | 15 to 28 |

Shell U.K. Oil Products Limited

Strategic report for the year ended 31 December 2019

The Directors present their Strategic report on Shell U.K. Oil Products Limited (also referred to as the "Company") for the year ended 31 December 2019.

The Company is one of the entities within the "Shell Group". In this context the term "Shell Group" and "Companies of the Shell Group" or "Group companies" means companies where Royal Dutch Shell plc, either directly or indirectly, is exposed to, or has rights to, variable returns from its involvement with the Company and has the ability to affect those returns through its power over the Company. Companies in which Group companies have significant influence but not control are classified as "Associated companies". 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.

Business review

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

The Company's loss for the financial year decreased from £526,000 to £456,000. This was principally due to a reduction in the performance share plan accrual charges for the year and other costs.

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

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 27 to 36 of Royal Dutch Shell's Annual Report and Form 20-F for the year ended 31 December 2019 (the "Group Report"), include those of the Company. The Group Report does not form part of this report.

Shell U.K. Oil Products Limited

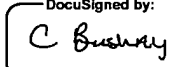
Strategic report for the year ended 31 December 2019 (continued)

Key Performance Indicators

Companies of the Shell Group comprise the Upstream businesses of Exploration and Production, Integrated Gas and New Energies, 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 45 to 79 of the Group Report and the key performance indicators through which the Group's performance is measured are as set out on pages 42 to 44 of the Group Report.

11th September 2020

Approved by the Board on and signed on its behalf by:

DocuSigned by:

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C. Bushay
Authorised signatory for
Shell Corporate Secretary Limited
Company secretary

Shell U.K. Oil Products Limited

Directors' report for the year ended 31 December 2019

The Directors present their report and the financial statements of Shell U.K. Oil Products Limited for the year ended 31 December 2019.

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

Dividend

No dividends were paid during the year (2018: £nil).

Future Outlook

No significant change in the business of the Company has taken place during the year or is expected in the immediately foreseeable future.

Directors of the Company

The Directors, who held office during the year, and to the date of this report were as follows:

B.V. Burnett (appointed 28 February 2019)

P.B. Gordon

M. Khullar

G. Tonks

B. Williamson

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 168 to 170 and note 19).

Shell U.K. Oil Products Limited

Directors' report for the year ended 31 December 2019 (continued)

Events after the end of the reporting period

COVID-19 impact

After the balance sheet date, we have seen macro-economic uncertainty with regards to prices and demand for oil, gas and products as a result of the COVID-19 (corona virus) outbreak. Furthermore, recent global developments and uncertainty in oil supply in March have caused further abnormally large volatility in financial markets. The scale and duration of these developments remain uncertain but could impact our earnings, cashflow and financial condition.

As the majority of the company's trading is intragroup, it is dependent on group companies for its business operations and the continuance of its financial position and cashflow. RDS Plc has taken a number of steps to enhance its resilience across the group with an ongoing review of the evolving business environment and assessing strategic decisions to deliver sustainable cash flow generation. The Group is actively managing operational and financial levers including reducing capital expenditure and operating expenses, and temporarily pausing its share buyback program. The Group has access to extensive Commercial Paper Programmes and has also negotiated additional undrawn credit facilities. Having reviewed the company's current performance, and the financial strength of the Group, the directors are satisfied that the Group entities with which the company trades, and the company itself, will remain well funded for the foreseeable future. Whilst there remains uncertainty on the impact of volatile commodity prices and COVID-19, and the length of time for which these conditions will continue, the Directors have concluded it is appropriate for the financial statements to be prepared on a going concern basis.

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.

Shell U.K. Oil Products Limited

Directors' report for the year ended 31 December 2019 (continued)

Equal opportunities

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

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

The Company offers a range of flexible working conditions to assist employees in balancing work and outside commitments. There are also schemes such as career breaks, six months paid parental leave and a range of childcare support initiatives to support employees with families.

Statement of employee engagement

The principal route by which the Directors of the Company effect engagement with employees of the Company are the processes and practices of the Shell Group.

The Shell Group, of which the Company is a member, transacts its business through legal entities whilst internally organising its activities along business and function lines. This extends to Shell's engagement with its employees, where this is aligned to the businesses and functions of the Shell Group where those employees are engaged.

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

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

In addition, the annual Shell People Survey, which measures employee engagement, is an opportunity for employees to give their opinion on a series of topics ranging from leadership, business direction, communication, inclusion, and pride in the company. The purpose of the survey is to enable an ongoing, constructive dialogue between management and employees, enabling trends to be identified and areas for focus to deliver business outcomes. The Shell Group operates a number of share plans designed to align employees' interests with performance through share ownership. These are discussed further within the Royal Dutch Shell plc Annual Report.

Shell U.K. Oil Products Limited

Directors' report for the year ended 31 December 2019 (continued)

Statement of corporate governance

The Company is a subsidiary entity of a listed Company, Royal Dutch Shell plc, which aims to align its governance processes with the requirements of the UK Corporate Governance Code.

As a member of the Shell Group, the Company is part of an organisation which follows a highly developed and formalised governance and oversight framework. The Directors consider this a suitable corporate governance arrangement for the Company and have full confidence in its operating effectiveness.

The Shell Group internally organises its activities principally along business and function lines, but transacts its business through legal entities. This organisation structure is designed to achieve Shell's overall business objectives, whilst respecting the separate legal identity of the individual Shell companies through which it is implemented and the independence of each Board of Directors. Each legal entity, for legal and tax purposes, exercises control of its own assets and employees. This is achieved by legal entities taking formal binding decisions or actions through corporate authorities. It is the task of the businesses and functions to provide prior advice to the legal entities with respect to such decisions and actions.

Shell has an integrated, consistent process to delegate authority from the Royal Dutch Shell plc Board and other Shell company boards to organisations, individuals and committees. The objective of delegating authorities is to ensure that decisions are made at the appropriate level in the organisation and that transactions are carried out by the appropriate company. Support from the business or functional line is achieved through organisational authorities. Organisational support, as a general rule, precedes corporate approval.

Shell operates in an environment of uncertainty and significant volatility, that provides risks (upside and downside) to meeting individual Company and Group objectives. Shell has therefore adopted a risk-based approach to the overall design of the Shell Control Framework and its components. It requires management in businesses and functions to understand the relationship between the business environment, objectives, risks and performance, and to establish appropriate risk responses and assess their effectiveness.

The Board of Royal Dutch Shell plc, Chief Executive Officer and Executive Committee have defined accountabilities and authorities and set the overall strategy, objectives and the boundaries within which these are achieved, which includes approval of the Shell Control Framework.

The strategic aims of the Company are considered to be derived from those of the Shell Group, which are discussed on pages 10 to 11 of the Group Report.

Ahead of each board meeting, directors are asked to confirm that there is no conflict of interests between those of the Company and their own interests in the business being considered.

Shell U.K. Oil Products Limited

Directors' report for the year ended 31 December 2019 (continued)

The Shell Group maintains a code of business conduct and ethics for all employees which are established in the Shell General Business Principles and the Shell Code of Conduct. Employees, contract staff, third parties with whom Shell has a business relationship (such as customers, suppliers and agents), and any member of the public (including shareholders) may raise ethics and compliance concerns (anonymously if preferred) through the Shell Global Helpline. This is a worldwide confidential reporting mechanism.

Remuneration policy for employees is set on a country by country basis but individual performance is rewarded by reference to the business or function in which the employee works. Individual directors are generally not remunerated in connection with the management of the affairs of the company on whose board they serve but rather in relation to the role they perform in their business or function.

Legal entity directorships are allocated to individuals of sufficient seniority on the basis of business or functional expertise that reflects the operating requirements of the particular Company. The level of activity and complexity of the Company is also taken into account when considering the size and structure of the board.

Statement of Directors' responsibilities

The Directors acknowledge their responsibilities for preparing the Strategic report, Directors' report and the Company's financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 101 'Reduced Disclosure Framework' ('FRS 101'). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Shell U.K. Oil Products Limited

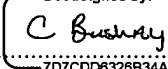
Directors' report for the year ended 31 December 2019 (continued)

Disclosure of information to the auditors

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

11th September 2020

Approved by the Board on and signed on its behalf by:

DocuSigned by:

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C. Bushay

Authorised signatory for
Shell Corporate Secretary Limited
Company secretary

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

Opinion

We have audited the financial statements of Shell U.K. Oil Products Limited (the "Company") for the year ended 31 December 2019, which comprise the Profit and loss account, Balance sheet, Statement of changes in equity, and the related notes 1 to 13, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 101 "Reduced Disclosure Framework" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Emphasis of matter

We draw attention to Note 13 of the financial statements, which describes the economic and social disruption the Company is facing as a result of COVID-19 which is impacting financial markets and personnel available for work. Our opinion is not modified in respect of this matter.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Independent Auditor's report to the Member of Shell U.K. Oil Products Limited (continued)

Other information

The other information comprises the information included in the annual report set out on pages 1 to 8, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic report and Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and Directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report and the Directors' report.

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 financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Independent Auditor's report to the Member of Shell U.K. Oil Products Limited (continued)

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 7, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's member, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's member as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

.....
Neil Warnock (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Belfast

16 September 2020
Date:.....

Shell U.K. Oil Products Limited

Profit and loss account for the year ended 31 December 2019

Continuing operations

| | Note | 2019 £ 000 | 2018 £ 000 |
|-----------------------------|------|---------------------|---------------------|
| Turnover | 3 | 22,448 | 24,133 |
| Cost of sales | | <u>(22,855)</u> | <u>(24,612)</u> |
| OPERATING LOSS | 4 | <u>(407)</u> | <u>(479)</u> |
| LOSS BEFORE TAXATION | | <u>(407)</u> | <u>(479)</u> |
| Tax on loss | 7 | <u>(49)</u> | <u>(47)</u> |
| LOSS FOR THE YEAR | | <u><u>(456)</u></u> | <u><u>(526)</u></u> |

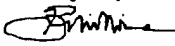
The loss for the current year and for the prior year are equal to the total comprehensive income and accordingly a statement of comprehensive income has not been presented.

Shell U.K. Oil Products Limited

(Registration number: 03625633)
Balance sheet as at 31 December 2019

| | Note | 2019 £ 000 | 2018 £ 000 |
|---|------|---------------|---------------|
| Current assets | | | |
| Debtors | 8 | 8,445 | 8,335 |
| | | 8,445 | 8,335 |
| Creditors: Amounts falling due within one year | 9 | (97) | (137) |
| Net current assets | | 8,348 | 8,198 |
| Total assets less current liabilities | | 8,348 | 8,198 |
| Equity | | | |
| Called up share capital | 11 | 5,000 | 5,000 |
| Profit and loss account | | 3,348 | 3,198 |
| Total equity | | 8,348 | 8,198 |

The financial statements on pages 12 to 28 were authorised for issue by the Board of Directors on 11th September 2020 and signed on its behalf by:

DocuSigned by:

 81F8564269BE49E.....
 B. Williamson
 Director

Shell U.K. Oil Products Limited

Statement of changes in equity for the year ended 31 December 2019

| | Called up share capital £ 000 | Profit and loss account £ 000 | Total £ 000 |
|--|-------------------------------------|-------------------------------------|----------------|
| Balance as at 01 January 2018 | 5,000 | 3,045 | 8,045 |
| Loss for the year | - | (526) | (526) |
| Total comprehensive income for the year | - | (526) | (526) |
| Share based payments - notional | - | 679 | 679 |
| Balance as at 31 December 2018 | 5,000 | 3,198 | 8,198 |
| Balance as at 01 January 2019 | 5,000 | 3,198 | 8,198 |
| Loss for the year | - | (456) | (456) |
| Total comprehensive income for the year | - | (456) | (456) |
| Share based payments - notional | - | 606 | 606 |
| Balance as at 31 December 2019 | 5,000 | 3,348 | 8,348 |

Shell U.K. Oil Products Limited

Notes to the financial statements for the year ended 31 December 2019

General information

The Company is a private company limited by share capital incorporated in England and Wales.

The address of its registered office is: Shell Centre, London, SE1 7NA, United Kingdom.

1 Accounting policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework, which involves the application of International Financial Reporting Standards ("IFRS") with a reduced level of disclosure. The financial statements have been prepared under the historical cost convention, except for certain items measured at fair value, and in accordance with the Companies Act 2006.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, except for the adoption of IFRS 16 and IFRIC 23. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and the financial statements have therefore been prepared under the going concern basis.

Change in accounting policy

New standards applied

New and amended standards and interpretations

The adoption of IFRS 16 and IFRIC 23 has had no material impact on the Company's retained earnings or balance sheet as at 1 January 2019.

The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Shell U.K. Oil Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

The following exemptions from the disclosure requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- Paragraphs 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
 - (i) paragraph 79(a)(iv) of IAS 1 'Presentation of financial statements';
 - (ii) paragraph 73(e) of IAS 16 'Property, plant and equipment';
 - (iii) paragraph 118(e) of IAS 38 'Intangible assets' (reconciliation between the carrying amount at the beginning and end of the period);
- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - (i) 10(d), (statement of cash flows);
 - (ii) 10(f) (a balance sheet as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements);
 - (iii) 16 (statement of compliance with all IFRS);
 - (iv) 38A (requirement to present a minimum of two statements for each of the primary financial statements, including cash flow statements and related notes);
 - (v) 38B-D (additional comparative information);
 - (vi) 40A-D (requirements for a third balance sheet);
 - (vii) 111 (cash flow statement information); and
 - (viii) 134-136 (capital management disclosures)
- The following paragraphs of IFRS 15, 'Revenue from Contracts with Customers':
 - (i) the requirements of the second sentence of paragraph 110 (qualitative and quantitative information about contracts with customers, significant judgements, changes in judgements in applying this standard to those contracts, and assets recognised from the costs to obtain or fulfil a contract);
 - (ii) paragraph 113(a) (revenue recognised from contracts with customers);
 - (iii) paragraphs 114 and 115 (disaggregation of revenue);
 - (iv) paragraph 118 (changes in contract asset and liability);
 - (v) paragraphs 119(a) to (c) and 120 to 127 (performance obligations); and
 - (vi) paragraph 129 (practical expedients);

Shell U.K. Oil Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

- IAS 7, 'Statement of cash flows';
- Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
- Paragraphs 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation);
- The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more wholly owned members of a group.

Consolidation

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. Royal Dutch Shell plc is the parent undertaking of the smallest and largest group to consolidate these accounts.

The consolidated accounts of Royal Dutch Shell plc are available from:

Royal Dutch Shell plc
Tel: +31 888 800 844
email: order@shell.com
Registered office: Shell Centre, London, SE1 7NA

Shell U.K. Oil Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Taxation

Tax is recognised in profit or loss, except that tax attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income or directly in equity.

Current tax

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date for tax payable to HM Revenue and Customs, or for group relief to surrender to or to be received from other Group undertakings, and for which payment may be requested.

Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates ('the functional currency'). The financial statements are presented in Pounds Sterling (£), which is also the Company's functional currency.

(ii) Transaction and balances

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

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

Shell U.K. Oil Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

Financial instruments

Financial assets

Financial assets are classified at initial recognition and subsequently measured at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification of financial assets is determined by the contractual cash flows and where applicable the business model for managing the financial assets.

A financial asset is measured at amortised cost if the objective of the business model is to hold the financial asset in order to collect contractual cash flows and the contractual terms give rise to cash flows that are solely payments of principal and interest. Financial assets at amortised cost are initially recognised at fair value plus or minus transaction costs that are directly attributable to the acquisition or issue of the financial asset. Subsequently the financial asset is measured using the effective interest method less any impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. All equity instruments and other debt instruments are recognised at fair value. For equity instruments, on initial recognition, an irrevocable election (on an instrument-by-instrument basis) can be made to designate these as at FVOCI (without recycling to profit and loss) instead of FVTPL. Dividends received on equity instruments are recognised as other income in profit or loss when the right of payment has been established, except when the company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income.

Impairment of financial assets

The impairment requirements for expected credit losses are applied to financial assets measured at amortised cost, financial assets measured at FVOCI and financial guarantees contracts to which IFRS 9 is applied and that are not accounted for at FVTPL and lease debtors under IFRS 15 that give rise to a conditional right to consideration. If the credit risk on the financial asset has increased significantly since initial recognition, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses. In other instances, the loss allowance for the financial asset is measured at an amount equal to the twelve month expected credit losses (ECLs). Changes in loss allowances are recognised in profit and loss. For trade debtors that do not contain a significant financing component, the simplified approach is applied recognising expected lifetime credit losses from initial recognition.

Financial liabilities

Financial liabilities are measured at amortised cost, unless they are required to be measured at FVTPL, such as instruments held for trading, or the Company has opted to measure them at FVTPL. Debt and trade creditors are recognised initially at fair value based on amounts exchanged, net of transaction costs, and subsequently at amortised cost. Interest expense on debt is accounted for using the effective interest method and is recognised in income.

Shell U.K. Oil Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

1 Accounting policies (continued)

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.

Employee benefits

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

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

Netting off policy

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

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

Share based payments

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

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

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

Shell U.K. Oil Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

2 Critical accounting judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Provision for expected credit losses of trade debtors

The Company computes probability of default rates for third party trade debtors based on historical loss experience adjusted for current and forward looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. For intra-group trade debtors, the Company uses an internal credit rating to determine the probability of default. Internal credit ratings are based on methodologies adopted by independent credit rating agencies.

3 Turnover

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

4 Operating loss

None of the Directors received any emoluments (2018: none) in respect of their services to the Company.

Shell U.K. Oil Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

5 Staff costs

The aggregate payroll costs were as follows:

| | 2019 | 2018 |
|--|----------------------|----------------------|
| | £ 000 | £ 000 |
| Wages and salaries | 17,800 | 18,920 |
| Social security costs | 2,680 | 2,486 |
| Pension costs (note 10) | 1,769 | 2,527 |
| Share-based payment expenses (note 12) | 606 | 679 |
| | <u>22,855</u> | <u>24,612</u> |

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

| | 2019 | 2018 |
|---|-------------------|-------------------|
| | No. | No. |
| Oil manufacturing, supply and marketing | <u>260</u> | <u>257</u> |

The average number of persons employed increased from 257 to 260 in 2019.

Payroll costs associated with six overseas employees are charged directly to Shell UK Limited and are not included in Shell U.K. Oil Products Limited's profit and loss account but are included in the average number of persons above.

6 Auditor's remuneration

The Auditor's remuneration of £4,230 (2018: £1,764) in respect of the statutory audit was borne by the immediate parent company for both the current and preceding years.

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

Shell U.K. Oil Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

7 Tax on loss

Tax charge in the profit and loss account

The tax charge for the year of £49,000 (2018: £47,000) is made up as follows:

| | 2019 | 2018 |
|--|------------------|------------------|
| | £ 000 | £ 000 |
| Current taxation | | |
| UK corporation tax | 49 | 47 |
| Total current tax charge | <u>49</u> | <u>47</u> |
| Total deferred tax charge | - | - |
| Tax charge in the profit and loss account | <u><u>49</u></u> | <u><u>47</u></u> |

Reconciliation of total tax charge

The tax on loss before tax for the year differs from the standard rate of corporation tax in the UK of 19% (2018: 19%).

The differences are reconciled below:

| | 2019 | 2018 |
|---|------------------|------------------|
| | £ 000 | £ 000 |
| Loss before tax | 407 | 479 |
| Tax on loss calculated at standard rate (2019:19%) (2018:19%) | (77) | (91) |
| Effects of: | | |
| Expenses not deductible | 115 | 129 |
| Tax on imputed interest | <u>11</u> | <u>9</u> |
| Total tax charge | <u><u>49</u></u> | <u><u>47</u></u> |

Shell U.K. Oil Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

7 Tax on loss (continued)

UK Finance Act (No 2) Act 2015 which introduced reductions in the UK corporation tax rate to 19% effective from 1 April 2017 and to 18% effective from 1 April 2020 was enacted on 15 November 2015.

UK Finance Act 2016 which introduced further reductions in the UK corporation tax rate to 17% effective 1 April 2020 was enacted on 15 September 2016.

On 11 March 2020, the UK government announced that the rate applicable from 1 April 2020 would be maintained at 19% and this was substantively enacted on 17 March 2020.

8 Debtors

Debtors: amounts due within one year

| | 2019 £ 000 | 2018 £ 000 |
|-------------------------------------|---------------|---------------|
| Amounts owed by Group undertakings: | | |
| Fellow subsidiary undertakings | 8,445 | 8,335 |
| | <u>8,445</u> | <u>8,335</u> |

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

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

9 Creditors: amounts falling due within one year

| | 2019 £ 000 | 2018 £ 000 |
|---------------|---------------|---------------|
| Tax liability | 97 | 137 |
| | <u>97</u> | <u>137</u> |

Shell U.K. Oil Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

10 Pension and other schemes

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

Aon Hewitt Limited carried out the triennial actuarial valuation of the SCPF as at 31 December 2017 using the projected unit method. The value of the SCPF's assets taken into account for the funding valuation at that date was £16,322 million and the value of the liabilities was £15,169 million. The principal financial assumptions adopted in the valuation were: a discount rate determined with reference to the UK Government Fixed Interest yield curve plus 1.25%; a price inflation rate being the difference between the UK Government Fixed Interest yield and the UK Government Index-Linked yield curves; and a rate of general salary increases fixed at 3.1% per annum. The funding surplus (excess of assets compared to the value of pension liabilities) was £1,153 million. This corresponded to a funding ratio (assets as a percentage of liabilities) of 108%.

A valuation was performed for accounting purposes at 31 December 2019 using assumptions set in line with the requirements of the IAS19 accounting standard. The principal financial assumptions adopted in the valuation were a discount rate of 2.05%, a rate of general salary increases of 3.0% for 2020 onwards, and a price inflation rate of 2.82%. The value of the SCPF's assets as at that date was £16,417 million and the value of the liabilities on this accounting basis was £15,127 million, meaning the surplus measured for accounting purposes was £1,290 million.

The plan assets of the scheme were invested mainly in quoted equities (18%) and debt instruments (52%), with the remainder (30%) invested across a variety of asset classes including real estate, private equity and other investment funds.

The Company is unable to identify its share of the scheme's underlying assets and liabilities on a consistent and reasonable basis to enable it to account for the plan as a defined benefit plan. There are no contractual or stated policies on which to base an allocation of the Fund's underlying assets and liabilities to member companies. Accordingly, the Company will continue to account for the SCPF as a defined contribution scheme. The Company's contributions to the SCPF for the year amounted to £562,862 (2018: £1,831,434). As a result of changes enacted to the funding of the SCPF during 2014, Company contributions are held in a Contribution Reserve Account ("CRA") to which the SCPF Trustee will have access under certain circumstances. Contributions were 10% for 2019, and will be 10% for 2020.

Shell U.K. Oil Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

10 Pension and other schemes (continued)

The cost of contributions to the UKSPP for the year amounts to £915,912 (2018: £668,291).

Defined contribution pension scheme

The Company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the Company to the scheme and amounted to £289,229 (2018: £26,946).

11 Called up share capital

Allotted, called up and fully paid shares

| | No. | 2019 £ | No. | 2018 £ |
|------------------------------------|------------------|------------------|------------------|------------------|
| Allotted and fully paid of £1 each | <u>5,000,000</u> | <u>5,000,000</u> | <u>5,000,000</u> | <u>5,000,000</u> |

Shell U.K. Oil Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

12 Share-based payments

Scheme Description

Conditional awards of Royal Dutch Shell plc shares are made under a long-term incentive plan (the 'Performance Share Plan') when making awards to employees who are not Executive Directors of Royal Dutch Shell plc. The actual amount of shares that may vest, ranging from 0-200% of the conditional awards, depends on the measurement of the prescribed performance conditions over a three-year period beginning on 1 January of the award year. For awards granted in 2016 and 2017, half the award is linked to the relative performance compared to four of its main competitors in Total Shareholder Return ('TSR') measure, earnings per share, cash flow from operations and return on actual capital employed over the measurement period. The other half of the award is linked to the Shell scorecard results.

For awards granted in 2018 and 2019, 12.5% of the award is linked to free cash flow factor relative to internal operating plans over the remeasurement period and remaining 37.5% is linked to the relative performance compared to four of its competitors in TSR, cash flow from operations and return on actual capital employed. The other half of the award is linked to the Shell scorecard results.

The weighted average market price for exercises in 2019 was £23.47 (2018: £22.60) for Royal Dutch Shell plc Class A shares, £23.67 (2018: £22.80) for Royal Dutch plc Shell Class B shares, and £47.07 (2018: £45.78) for Royal Dutch Shell plc Class A ADRs. For the performance shares which were outstanding as at 31 December 2019, the weighted average exercise price is £nil (2018: £nil) and the weighted average remaining contractual life is 1.06 years (2018: 0.93 years).

The profit and loss charge for 2019 is £606,279 (2018: £678,458).

Shell U.K. Oil Products Limited

Notes to the financial statements for the year ended 31 December 2019 (continued)

13 Events after the end of the reporting period

COVID - 19 impact

After the balance sheet date, we have seen macro-economic uncertainty with regards to prices and demand for oil, gas and products as a result of the COVID-19 (corona virus) outbreak. Furthermore, recent global developments and uncertainty in oil supply in March have caused further abnormally large volatility in financial markets. The scale and duration of these developments remain uncertain but could impact our earnings, cashflow and financial condition.

As the majority of the company's trading is intragroup, it is dependent on group companies for its business operations and the continuance of its financial position and cashflow. RDS Plc has taken a number of steps to enhance its resilience across the group with an ongoing review of the evolving business environment and assessing strategic decisions to deliver sustainable cash flow generation. The Group is actively managing operational and financial levers including reducing capital expenditure and operating expenses, and temporarily pausing its share buyback program. The Group has access to extensive Commercial Paper Programmes and has also negotiated additional undrawn credit facilities. Having reviewed the company's current performance, and the financial strength of the Group, the directors are satisfied that the Group entities with which the company trades, and the company itself, will remain well funded for the foreseeable future. Whilst there remains uncertainty on the impact of volatile commodity prices and COVID-19, and the length of time for which these conditions will continue, the Directors have concluded it is appropriate for the financial statements to be prepared on a going concern basis.