Registered in England and Wales 140141

SHELL U.K. LIMITED

DIRECTORS' REPORT

AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2011

CONTENTS

SHELL U.K. LIMITED

DIRECTORS' REPORT

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

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

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

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activities of Shell U K Limited comprise exploration for, and production and sale of, crude oil and natural gas, and the marketing of petroleum products The Company will continue with these activities for the foreseeable future

The Company's profit before tax for the year was £405 million (2010 £204 million)

The increase in profit before tax compared to 2010 was largely driven by the increase in income from shares in Group undertakings of £310 million (2010 £35 million) The exploration and production segment reported a profit before tax of £370 million (2010 £489 million) Turnover was consistent with prior year, with a decrease in trading volumes offset by the increase in average oil and gas prices during the year The result includes an impairment charge of £152 million (2010 £159 million) on tangible fixed assets and capitalised decommissioning costs The oil supply and marketing segment reported a loss before tax of £14 million (2010 £203 million) The prior year loss included an impairment charge relating to the Stanlow property assets which were disposed of on 31 July 2011 The Company also made a lump sum contribution of £250 million (2010 £114 million) to the Shell Overseas Contributory Pension Fund

The area around the Gannet Field and the subsea flowline have been under observation since an oil leak was stopped in August 2011 and no subsequent release has been detected Shell is working in close co-operation with the Secretary of State's Representative (SOSREP), and with the support of other relevant authorities including DECC, Health and Safety Executive, Maritime and Coastguard Agency and Marine Scotland Following the work to vent trapped gas in November 2011, Shell have agreed plans with the relevant authorities which will enable the safe and controlled removal of the residual oil held within the outer carrier pipe of the Gannet F flowline bundle (the subject of the leak in August 2011) This is an important part of the remediation process and is expected to be completed in 2013

Interim dividends of £nil were paid during the year (2010 £nil) The Directors recommend that no further dividend be paid for the year ended 31 December 2011 (2010 £nil)

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

Future Outlook

No significant change in the business of the company 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 2011 (the "Group Report"), include those of the Company (The Group Report does not form part of this report)

Key performance indicators

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

Research & Development

The Company has available the services of Shell Research Limited, a fellow subsidiary undertaking of the Company, and other research companies of the Shell Group to carry out research and development where it is applicable in its businesses The Directors regard the investment in research and development as integral to the continuing success of the business

DIRECTORS

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

A F Hand		Resigned 1 April 2012
G Cayley	Appointed 28 March 2012	
G R van't Hoff (Chairman)	Appointed 18 April 2011	
J M Smith		Resigned 30 April 2011
J S Gordon		Resigned 1 April 2012
J Walls		Resigned 31 January 2012
P Milliken	Appointed 28 March 2012	
R J Henderson		
S A Constant-Glemas		
T Baker	Appointed 28 March 2012	

FINANCIAL RISK MANAGEMENT

The Company's Directors are required to follow the requirements of the Shell Group risk management policies, which include specific guidelines on the management of market, credit and liquidity risk and advice on the use of financial instruments to manage them Shell Group risk management policies can be found in the Group Report (see pages 85 to 87 and note 21)

CREDITOR PAYMENT POLICY

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

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

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

The Company had 41 days of purchases outstanding at 31 December 2011 (2010 38 days) based on average daily amounts invoiced by suppliers during the year

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 in turn is 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 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 age, 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 Limited is a founder member of the Employers' Forum on Disability, which promotes best practice among private sector employers Shell U K 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 maternity leave for women and a range of childcare support initiatives to support employees with families

CHARITABLE AND POLITICAL DONATIONS

During the year, the company made charitable contributions totalling £956,500 (2010 £56,000) to local charities and care facilities

SHELL U.K. LIMITED

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

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

Company law requires the Directors to prepare accounts for each financial year Under that law the Directors have elected to prepare the Company's accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period In preparing those accounts, the Directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts, and
- Prepare the accounts on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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

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

C Bushay

C Bushay
Authorised signatory for
Shell Corporate Secretary Limited
Company Secretary
26 September 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHELL U.K. LIMITED

We have audited the accounts of Shell U K Limited for the year ended 31 December 2011, which comprise the profit and loss account, the statement of total recognised gains and losses, 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 4 the Directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors

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

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

Opinion on accounts
In our opinion the accounts

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by 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 by the Company, 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

Charles van den Arend (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
LONDON
26 September 2012

SHELL U.K. LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2011

	Note	2011 £ million	2010 £ million
Continuing operations			
Sales proceeds		20,991	19,308
Sales taxes and duties		(9,180)	(8,980)
TURNOVER	2	11,811	10,328
Cost of sales	3	(10,872)	(9,572)
GROSS PROFIT		939	756
Selling, distribution and administrative expenses	4	(488)	(462)
Exploration expenses		(37)	(11)
Other operating expense	8	(250)	(114)
Other operating income		127	101
OPERATING PROFIT		291	270
(Loss)/profit on disposal of tangible fixed assets	7	(27)	65
Income from shares in Group undertakings		310	35
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		574	370
Interest receivable and similar income	5	3	12
Interest payable and similar charges	6	(172)	(178)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	7	405	204
Tax on profit on ordinary activities	9	(57)	(145)
PROFIT FOR THE FINANCIAL YEAR	18	348	59

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

SHELL U.K. LIMITED

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

For the year ended 31 December 2011

	2011 £ million	2010 £ million
PROFIT FOR THE FINANCIAL YEAR	348	59
Prior year adjustment	-	24
Total recognised gains and losses relating to the year	348	83

SHELL U.K. LIMITED

REGISTERED IN ENGLAND AND WALES: 140141

BALANCE SHEET

As at 31 December 2011

	Note	2011 £ million	2010 £ million
FIXED ASSETS			
Tangible assets	10	1,878	2,257
Investments	11	5,129	4,470
		7,007	6,727
CURRENT ASSETS			
Stocks	12	298	750
Debtors	13	3,006	2,499
Cash at bank and in hand		76	19
		3,380	3,268
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	14	(3,055)	(2,829)
NET CURRENT ASSETS		325	439
TOTAL ASSETS LESS CURRENT LIABILITIES		7,332	7,166
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	15	(2,460)	(2,339)
PROVISIONS FOR LIABILITIES	16	(2,264)	(2,573)
NET ASSETS		2,608	2,254
CAPITAL AND RESERVES			
Called up share capital	17	2,000	2,000
Profit and loss account	18	608	254
TOTAL SHAREHOLDERS' FUNDS	18	2,608	2,254

The accounts on pages 6 to 35 were approved by the Board of Directors on 26 September 2012 and signed on its behalf by

S. Constant-Glemas

S A Constant-Glemas
Director

1 Accountıng polıcies

a) Accounting conventıon and complıance with Accounting Standards

The accounts have been prepared on a goıng concern basıs under the hıstorıcal cost conventıon, ın accordance wıth the Companıes Act 2006, applıcable Accountıng Standards ın the UK (UK GAAP), and the accountıng polıcıes as descrıbed below

The Company's accounts fall wıthın the scope of the UK Oıl Industry Accountıng Committee's Statement of Recommended Practıce ("SORP"), "Accountıng for Oıl and Gas Exploratıon, Development, Productıon and Decommıssıonıng Actıvıtıes" and have been prepared ın accordance wıth the provısıons thereof, except as explaıned ın the accountıng polıcy ın respect of depletıon of platforms, ınfield pıpelınes, successful exploratıon, appraısal and ınjection wells

The accountıng polıcıes have been consıstently applıed There have been no changes ın accountıng polıcıes ın 2011 Where appropnate, the comparatıve figures have been reclassıfied to conform to the current year's presentatıon

b) Group accounts

Group accounts of the Company, ıts subsıdıary undertakıngs and ıts partıcıpatıng undertakıngs have not been prepared The Company ıs exempt from the requırement to prepare Group accounts under the provısıons of Sectıon 400 of the Companıes Act 2006 The accounts present ınformatıon about the Company as an ındıvıdual undertakıng and not about ıts group

The ımmedıate parent company ıs Shell Holdıngs (U K) Lımıted

The ultımate parent company and controllıng party ıs Royal Dutch Shell plc, whıch ıs ıncorporated ın England and Wales

Royal Dutch Shell plc ıs the parent undertakıng of the largest and smallest group of undertakıngs to consolıdate these financıal statements at 31 December 2011 The consolıdated financıal statements of Royal Dutch Shell plc are avaılable from

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

c) Joınt venture activities

The Company's exploratıon, development and productıon actıvıtıes are generally conducted ın joınt ventures wıth other companıes The accounts reflect the share of productıon, operatıng costs and capıtal expendıture applıcable to the Company's joınt venture ınterests The effects of redetermınatıons of equıty ınterests ın joınt ventures are accounted for when the outcome of the redetermınatıon ıs known In the case of producıng fields, adjustments to past productıon entitlements arısıng therefrom are accounted for over the perıod of the adjustment to entıtlements agreed wıth co-venturers

1 **Accountıng polıcies (continued)**

d) **Foreign currency translatıon**

Income and expense ıtems denomınated ın foreıgn currencıes are translated ınto Pounds Sterlıng at the rate rulıng on theır transactıon date

Monetary assets and lıabılıtıes recorded ın foreıgn currencıes have been expressed ın Pounds Sterlıng at the rates of exchange rulıng at the year end Dıfferences on translatıon are ıncluded ın the profit and loss account Non-monetary assets and lıabılıtıes denomınated ın a foreıgn currency are translated usıng exchange rates at the date of the transactıon No subsequent translatıons are made once thıs has occurred

e) **Turnover**

Turnover represents ınvoıced amounts net of excıse dutıes and value added tax for sales of crude oıl and refined products and the supply of related servıces to thırd partıes In oıl and gas exploratıon and productıon, tıtle typıcally passes (and revenues are recognısed) when product ıs physıcally transferred ınto a vessel, pıpe or other delıvery mechanısm Revenues on sales of oıl products are recognısed when transfer of ownershıp occurs and tıtle ıs passed, eıther at the poınt of delıvery or the poınt of receıpt, dependıng on contractual condıtıons Turnover ın the oıl supply and marketıng busıness ıncludes oıl tradıng actıvıtıes, whıch are reported gross ıf tıtle passes to the Company Other oıl tradıng contracts are reported on a net margın basıs These prıncıpally represent the net margın on tradıng actıvıtıes where tıtle does not physıcally pass to the Company

f) **Exploration, appraısal and development costs**

Exploratıon and appraısal costs are accounted for under the successful efforts method

Exploratıon costs are charged to ıncome when ıncurred, except that exploratory drıllıng costs are ıncluded ın tangıble fixed assets pendıng determınatıon of proved reserves Exploratıon wells that are more than 12 months old are expensed unless (a) (ı) they are ın an area requırıng major capıtal expendıture before productıon can begın and (ıı) they have found commercıally producıble quantıtıes of reserves and (ııı) they are subject to further exploratory or appraısal actıvıty ın that eıther drıllıng of addıtıonal exploratory wells ıs under way or firmly planned for the near future, or (b) proved reserves are booked wıthın 12 months followıng the completıon of exploratory drıllıng

g) **Income from shares ın Group undertakings and partıcıpating undertakings**

Income from shares ın Group undertakıngs and partıcıpatıng undertakıngs represents dıvıdends relatıng to the current year and prıor perıods, provıded that the dıvıdends have been approved by the Company

1 Accounting policies (continued)

h) Tangible fixed assets, depreciation, depletion and amortisation

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

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

Depreciation and impairment are not normally charged on assets under construction or on freehold land In the case of these assets, an impairment review would only be undertaken if, and only if, there was a change in circumstances indicating that the carrying amount of the asset may not be recoverable

Oil manufacturing and marketing fixed assets are depreciated on a straight-line basis over their estimated useful lives, typically

Buildings	20 years
Oil manufacturing plant	20 years
Oil marketing retail plant	5 to 10 years

The cost of licences is carried forward either until a licence is relinquished or the associated costs written off, or until production of oil or gas starts, when the cost is depleted on a unit-of-production basis related to total proved reserves Platforms and infield pipelines are depleted from the date field production commences on a unit-of-production basis over the proved developed reserves of the field concerned Successful exploration, appraisal, production and injection wells are depleted on a unit-of-production basis over the proved developed reserves of the field concerned This is a departure from the SORP, which recommends that depletion should be over total proved reserves The Directors consider this to provide the most appropriate basis for the calculation of depletion as the cost is spread across the proved developed reserves to which it relates

Changes in estimates are accounted for prospectively over the remaining reserves of the field

Other exploration and production fixed assets are depreciated on a straight-line basis over their estimated useful lives, which generally range from 4 to 20 years

i) Environmental expenditure

Environmental expenditure relating to current operations is expensed, or capitalised where such expenditure provides future economic benefits Liabilities for environmental remediation resulting from past operations or events are recognised in the period in which an obligation to a third party arises and when the amount can be reasonably estimated Measurement of liabilities is based on current legal requirements and existing technology Liabilities are determined independently of expected recoveries from third parties Such recoveries are recognised and reported as separate events and brought to account when reasonably certain of realisation The carrying amount of liabilities is regularly reviewed and adjusted as appropriate for new facts or changes in law or technology

1 **Accounting policies (continued)**

j) **Decommissioning and restoration**

The Company follows the requirements of FRS 12 "Provisions, Contingent Liabilities and Contingent Assets" The total estimated cost of decommissioning and restoration, discounted to its net present value, is provided for and also recognised as a cost of each field, onshore terminal or main trunkline and capitalised within tangible fixed assets The capitalised cost is amortised over the life of the field on a unit-of-production basis for offshore facilities and on a straight-line basis for onshore terminals and main trunklines The unwinding of the discount in the net present value of the total expected cost is treated as an interest expense Changes in estimates result in an equal and opposite movement in the provision and the associated asset If a decrease in the provision exceeds the asset's carrying amount, the excess is recognised in the profit and loss account Changes in estimates of assets are depreciated prospectively over the remaining reserves of the field or the remaining life of the onshore terminal or pipeline as appropriate

k) **Leased assets**

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

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

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

l) **Regional development grants**

Regional development grants are credited to the profit and loss account over the same period as depreciation is provided for on the related assets

m) **Stocks**

Product stocks are valued at the lower of cost and net realisable value Cost is determined by the first-in-first-out method and comprises production or purchase cost, together with the appropriate transportation and manufacturing costs Stocks of materials are valued at average cost Where necessary, provision is made for obsolete, slow moving and defective stocks to write inventories down to their net realisable value

n) **Tax**

(i) Corporation tax

The Company records a tax charge or credit in the profit and loss account calculated at the tax rate prevailing in the year for tax payable to HM Revenue and Customs, or for Group relief to surrender to or to be received from other Group undertakings, and for which payment may be requested

1 Accounting policies (continued)

n) Tax (continued)

(ii) Deferred tax

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

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

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

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

Amounts relating to deferred tax are undiscounted

(iii) Petroleum revenue tax

Current UK Petroleum Revenue Tax (PRT) is treated as an income tax and is deductible for UK corporation tax purposes It is charged as a tax expense on chargeable field profits included in the profit and loss account

Provision for deferred PRT is made on a field-by-field basis using the liability method Provision is made for timing differences in respect of capital and revenue expenditure and the decommissioning and restoration provision The benefits of uplift, safeguard and oil allowance are assumed to accrue over field life

o) Pension costs

The Company is a contributor to the Shell Contributory Pension Fund and the Shell Overseas Contributory Pension Fund which are funded defined benefits schemes The pension costs in relation to these schemes are 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 Funds' underlying assets and liabilities on a consistent and reasonable basis and therefore has taken advantage of the exemptions allowed by paragraph 9(b) of FRS 17 There are no contractual or stated policies on which to base an allocation of the Funds' underlying assets and liabilities to member companies The Company accounts for its contributions to the Funds 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 Funds and any implications for the Company in Note 20 The Funds' assets are held in separately administered funds from Shell Group assets

1 **Accounting policies (continued)**

p) **Fixed asset investments**

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

q) **Underlift and overlift of crude oil**

Underlift and overlift of crude oil is valued at market prices in accordance with industry recommended practice (SORP) The adjustments are recognised against cost of sales in the profit and loss account, in line with the accounting treatment recommended within the SORP

r) **Netting-off policy**

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

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

s) **Significant estimation techniques**

Future development costs are estimated using standard techniques applied throughout the oil and gas industry The estimation method used and the uncertainty range of the estimate depends upon the maturity and extent of the underlying technical work At the early stages of project feasibility, cost estimating software and benchmarking studies will usually be used as the basis of estimates, while at the later stages of project development, supplier quoted costs will be used along with detailed quantities of materials Statistical methods are also used to establish uncertainty ranges for the estimates These methods are used for new capital projects as well as decommissioning of existing facilities

Production forecasts and reserves are estimated using standard techniques of petroleum engineering These techniques combine geophysical and geological knowledge with detailed information concerning reservoir porosity and permeability distributions and fluid characteristics with estimates of recovery efficiencies from studies or field analogues There is uncertainty inherent in the measurement and interpretation of the basic data These uncertainties are accounted for by using a combination of deterministic and statistical methods to calculate the range of recoverable reserves and to estimate future production profiles

Changes in estimates affecting unit-of-production calculations for depletion, decommissioning and petroleum revenue tax are accounted for prospectively over the estimated remaining reserves of each field

t) **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

1 **Accounting policies (continued)**

u) **Related party disclosures**

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

v) **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

w) **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 **Segment information**

	Turnover		**Profit/(loss) on ordinary activities before tax**		**Net assets**	
Principal activities	**2011 £ million**	**2010 £ million**	**2011 £ million**	**2010 £ million**	**2011 £ million**	**2010 £ million**
Oil and gas exploration and production	1,559	1,665	370	489	1,558	1,302
Oil supply and marketing	10,281	8,700	(14)	(203)	608	604
Corporate and other activities	-	-	49	(82)	442	348
Inter-segment	(29)	(37)	-	-	-	-
	11,811	10,328	405	204	2,608	2,254

	2011	2010
Inland trade	11,009	9,491
Exports	802	837
	11,811	10,328

SHELL U.K. LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2011

2 **Segment information (continued)**

All of the Company's turnover, profit on ordinary activities before tax and net assets are derived from its principal activities and originate in the UK Export sales to North America account for 8% (2010 11%) of total exports and to Europe 89% (2010 87%) and to Asia 3% (2010 2%) These include sales made through the Shell Group international trading companies Turnover within the oil supply and marketing segment includes £177 million (2010 £89 million) in respect of oil trading activities

Oil and gas exploration and production activities

	2011 £ million	2010 £ million
(a) **Results of operations**		
Turnover	1,559	1,665
Production and other costs	(674)	(504)
Exploration expenses	(37)	(11)
Depreciation and depletion	(192)	(372)
Other operating income	11	22
Profit on disposal of fixed assets	16	3
Impairment of fixed assets and investments	(152)	(159)
Net interest expense	(161)	(155)
Profit before tax	370	489
Allocable taxes	(119)	(228)
Profit for the financial year	251	261

Oil and gas exploration and production activities	2011 £ million	2010 £ million
(b) **Pre-production costs**		
Exploration and appraisal costs	(1)	-
Development costs	167	147
Total pre-production costs	166	147

Pre-production costs include £162 million (2010 £141 million) capitalised during the year and not written off to the profit and loss account

3 **Cost of sales – exceptional items**

Included in cost of sales are the following exceptional items

(i) Impairment charge of £152 million on exploration and production tangible fixed assets and capitalised decommissioning costs This was based on forecasted cash flows, discounted using a nominal discount rate of 7%

(ii) Additionally, included in the 2010 comparatives are
- An impairment charge of £172 million relating to the Stanlow property assets Net realiseable value was based on the amounts the assets could be disposed of, less any direct selling costs, and
- An impairment charge of £159 million relating to capitalised decommissioning costs This was based on forecasted cash flows, discounted using a nominal discount rate of 7%

4 Selling, distribution and administrative expenses

	2011 £ million	2010 £ million
Selling and distribution expenses	488	462

5 Interest receivable and similar income

	2011 £ million	2010 £ million
Interest from Group undertakings		
Fellow subsidiary undertakings	2	10
Other interest receivable	1	2
	3	12

6 Interest payable and similar charges

	2011 £ million	2010 £ million
Loans from Group undertakings		
Parent undertakings	32	29
Fellow subsidiary undertakings	14	15
Unwinding of discount on long term provisions (refer to note 16)	126	121
Other interest payable	-	13
	172	178

7 Profit on ordinary activities before taxation

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

	2011 £ million	2010 £ million
Operating lease rental charged		
Hire of plant and machinery	-	14
Other operating leases	113	163
Depreciation and depletion		
On own assets	218	424
Research & development expenditure	-	4
Loss/(profit) on disposal of fixed assets	27	(65)
Release of regional development grants	(1)	(2)
Provision for impairment of tangible fixed assets (refer to note 3)	152	331

7 Profit on ordinary activities before taxation (continued)

	2011 £ '000	2010 £ '000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	472	598

Fees paid to PricewaterhouseCoopers LLP and its associates for non-audit services to the Company itself are not disclosed in the individual accounts of Shell U K Limited because the Royal Dutch Shell plc consolidated accounts are required to disclose such fees on a consolidated basis

8 Staff Costs and Employee Information

	2011 £ million	2010 £ million
Staff costs		
Wages and salaries	269	290
Social security costs	25	21
Other pension costs (refer to note 20)	296	182
Share based payments (refer to note 24)	6	5
	596	498

Included in Other pension costs is a charge of £250 million (2010 £114 million) relating to a contribution to the Shell Overseas Contributory Pension Fund (refer to note 20)

	2011 Number	2010 Number
The monthly average number of employees, including those employed by the Company on Company-operated joint ventures, was as follows		
Oil and gas exploration	1,838	1,830
Oil supply and marketing	894	1,398
	2,732	3,228

Contracts of employment for employees in the oil supply and marketing division are held by a fellow subsidiary company of Shell U K Limited All costs in relation to these employees are included in the numbers above as Shell U K Limited is recharged in full

9 Tax on profit on ordinary activities

(a) The charge for the year of £57 million (2010 £145 million) is made up as follows

	2011 £ million	2010 £ million
UK corporation tax at the standard rate of 26 5% (2010 28 0%)	336	359
Adjustments in respect of prior years	-	68
Total current tax charge	336	427
Deferred tax – Current year	(175)	(213)
Deferred tax – Prior year	(10)	(19)
Effect of decreased tax rate on opening liability	(26)	1
Total deferred tax credit (refer to note 16)	(211)	(231)
Corporation tax charge	125	196
Current petroleum revenue tax at 50% (2010 50%)	(10)	(22)
Deferred petroleum revenue tax at 50% (2010 50%)	(58)	(29)
Petroleum revenue tax credit	(68)	(51)
Total tax charge	57	145

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 26 5% (2010 28 0%) The differences are explained below

	2011 £ million	2010 £ million
Profit on ordinary activities before taxation	(405)	(204)
Tax on profit on ordinary activities at standard UK corporation tax rate of 26 5% (2010 28 0%)	107	57
Effects of		
Income not assessable	(101)	(42)
Expenses not deductible	35	40
Capital allowances for the year in excess of depreciation	89	85
Supplementary corporation tax	181	181
Corporation tax relief on petroleum revenue tax	2	(9)
Tax on imputed interest	1	-
Other timing differences	1	47
Impact of difference in corporation tax rates between ring fence and non-ring fence activities	21	-
Adjustments in respect of prior years	-	68
Current tax charge for the year	336	427

9 **Tax on profit on ordinary activities (continued)**

The corporation tax rate for non-upstream companies was 26 5% for current tax in the year to 31 December 2011 (2010 28 0%) The corporation tax rate for upstream companies increased from 50% to 62% (including a 32% supplementary charge (2010 20%)

(b) **Corporation tax**

£363 million of tax charge (2010 £448 million) of the current corporation tax charge relates to exploration and production activities, which must be treated separately from other activities for tax purposes These charges are offset by the downstream tax credits

(c) **Petroleum revenue tax**

Provision is made for timing differences in respect of capital and revenue expenditure and the decommissioning and restoration provision The benefits of uplift, safeguard and oil allowance are assumed to accrue over field life Full provision has been made in these accounts for all deferred petroleum revenue tax (refer to note 13)

(d) **Factors affecting current and future tax charges**

Changes to the UK corporation tax rate were announced in the March 2011 Budget, including a reduction to the UK main corporation tax rate from 28% to 26% which became effective on 1 April 2011 and was substantively enacted on 29 March 2011 A further reduction to the UK main corporation tax rate to 24% was announced in the March 2012 Budget, is effective from 1 April 2012 and was substantively enacted on 26 March 2012 Further changes which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 22% by 1 April 2014 with the reduction to 23% effective from 1 April 2013 substantively enacted on 4 July 2012

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

The Chancellor also announced on 23 March 2011 that the Supplementary Charge levied on upstream companies would be increased from the current rate of 20% to 32% from midnight 23 March 2011 The rate of Corporation Tax for upstream companies is unchanged at 30%, leading to an increase in the overall tax rate from 50% to 62% Furthermore, future tax relief available on upstream decommissioning costs subject to the Supplementary Charge would be restricted to 20%, rather than the full 32% rate
The relevant deferred tax balances have been remeasured to 62%, the rate enacted by the balance sheet date

SHELL U.K. LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2011

10 Tangible assets

Tangible fixed assets are classified, consistent with oil and gas industry practice, according to operating activities Such a classification, rather than one according to type of asset, is given in order to permit a better comparison with other companies having similar activities

	Oil and gas exploration and production	Oil supply and marketing	Oil supply and marketing – Held for disposal	Total	Of which: assets under construct-ion
	£ million	£ million	£ million	£ million	£ million
Cost					
At 1 January 2011	11,333	667	551	12,551	365
Additions	165	200	-	365	254
Transfers in/(out)	-	-	-	-	(246)
Disposals and retirements	(234)	(117)	(551)	(902)	(9)
Unsuccessful exploration expenditure	(10)	-	-	(10)	-
Change in estimates	(115)	-	-	(115)	-
At 31 December 2011	11,139	750	-	11,889	364
Depreciation and depletion					
At 1 January 2011	(9,625)	(279)	(390)	(10,294)	
Charge for the year	(192)	(26)	-	(218)	
Charge for impairment	(152)	-	-	(152)	
Disposals and retirements	225	38	390	653	
At 31 December 2011	(9,744)	(267)	-	(10,011)	
Net book amount					
At 31 December 2011	1,395	483	-	1,878	
At 31 December 2010	1,708	388	161	2,257	

10 **Tangible assets (continued)**

Included in the oil and gas exploration and production balance are decommissioning costs capitalised, with a net book value at 31 December 2011 of £569 million (2010 £817 million)

Included in the oil and gas exploration and production balance is exploration and appraisal expenditure as at 31 December 2011 of £44 million (2010 £55 million) relating to fields for which the existence of proved reserves are yet to be established

The net book amount of land and buildings at 31 December was as follows:

	2011 £ million	2010 £ million
Freehold	228	199
Short leasehold	-	-
	228	199

Capitalised costs relating to oil and gas exploration and production activities as at 31 December were as follows:

	2011 £ million	2010 £ million
Gross capitalised costs		
- proven properties	11,070	11,253
- unproven properties	69	80
	11,139	11,333
Accumulated depreciation, depletion and amortization	(9,744)	(9,625)
Net book amount	1,395	1,708

Included in the tangible fixed assets as at 31 December are assets held under finance leases as follows:

	2011 £ million	2010 £ million
Cost	167	65
Depreciation	(84)	(11)
Net book amount	83	54

11 Fixed asset investments

	Subsidiary undertakings Shares £ million	Subsidiary undertakings Loans £ million	Participating undertakings Shares £ million	Total £ million
Cost				
At 1 January 2011	4,468	7	14	4,489
Additions	12	649	-	661
Transfers / reclassifications	-	-	(2)	(2)
At 31 December 2011	4,480	656	12	5,148
Provisions				
At 1 January 2011	(19)	-	-	(19)
Transfers / reclassifications	-	-	-	-
At 31 December 2011	(19)	-	-	(19)
Net book amount				
At 31 December 2011	4,461	656	12	5,129
At 31 December 2010	4,449	7	14	4,470

i) Principal subsidiary undertakings

The principal subsidiary undertakings at 31 December 2011 were as follows

	Country of incorporation	Principal activity	% of ordinary shares held
Enterprise Oil Limited	England and Wales	Exploration and production	100
Shell UK North Atlantic Limited	England and Wales	Exploration and production	100
Shell Distributor (Holdings) Limited	England and Wales	Holding company	100
Shell Gas Direct Limited	England and Wales	Natural gas	100
Shell Gas Holdings (Malaysia) Limited	England and Wales	Holding company	100
Woodlea Limited	England and Wales	Downstream- property	100
Shell Service Station Properties Limited	Channel Islands	Downstream- retail	100

11 **Fixed asset investments (continued)**

ii) Principal participating undertakings

The principal participating undertakings at 31 December 2011 were as follows

	Country of incorporation	Principal activity	% of ordinary shares held
Eastham Refinery Limited	England and Wales	Bitumen refinery	50
British Pipeline Agency Limited	England and Wales	Pipeline management	50

12 **Stocks**

	2011 £ million	2010 £ million
Crude oil and natural gas liquids	61	301
Petroleum products	206	402
Other stocks	31	47
	298	750

13 **Debtors**

	2011 Within 1 Year £ million	2011 Over 1 Year £ million	2010 Within 1 Year £ million	2010 Over 1 Year £ million
Trade debtors	870	-	876	5
Amounts owed by Group undertakings				
Parent undertakings	341	-	357	-
Subsidiary undertakings	417	-	142	-
Fellow subsidiary undertakings	275	-	177	-
Other debtors *	413	6	315	1
Taxation receivable	-	-	-	-
Deferred petroleum revenue tax	604	-	546	-
Prepayments and accrued income	77	3	78	2
	2,997	9	2,491	8
	3,006		2,499	

* Included in Other debtors is underlift of £84 million (2010 £107 million)

Refer to note 9 for further information in relation to deferred petroleum revenue tax

14 Creditors: amounts falling due within one year

	2011 £ million	2010 £ million
Trade creditors	501	330
Amounts owed to Group undertakings		
Parent undertakings	1	28
Subsidiary undertakings	1,462	893
Fellow subsidiary undertakings	446	660
Associate undertakings*	8	8
Tax and social security payable	233	521
Other creditors**	126	100
Accruals and deferred income	278	289
	3,055	2,829

* Included in Amounts owed to Associate undertakings is an amount of £8 million (2010 £8 million) owed to Shell Mex and BP Limited, a related party in which the Company has a 20% shareholding

** Included within Other creditors is overlift of £93 million (2010 £73 million)

15 Creditors: amounts falling due after more than one year

	2011 £ million	2010 £ million
Loans due to group undertakings		
Parent undertakings	286	137
Fellow subsidiary undertakings	2,162	2,162
Other creditors	11	38
Accruals and deferred income	1	2
	2,460	2,339

15 **Creditors: amounts falling due after more than one year (contınued)**

The maturıty profile of the carryıng amount of the Company's financıal lıabılıtıes due to Group undertakıngs as at 31 December 2011 was as follows

	2011 £ mıllion	2010 £ million
Wıthın one year, or on demand	-	-
Wıthın one to two years	-	-
Wıthın two to five years	2,280	1,356
After five years	168	943
	2,448	2,299

A loan agreement exısts between the Company and a fellow subsıdıary undertakıng to finance oıl and gas exploratıon and productıon actıvıtıes, totallıng £117 mıllıon at 31 December 2011 (2010 £117 mıllıon) The loan carrıes ınterest at LIBOR plus 0 4% per annum and ıs repayable ın March 2056

A loan agreement exısts between the Company and a fellow subsıdıary undertakıng to finance oıl and gas exploratıon and productıon actıvıtıes, totallıng £1,219 mıllıon at 31 December 2011 (2010 £1,219 mıllıon) The loan carrıes ınterest at LIBOR plus 1 33% per annum and ıs repayable ın June 2014

A loan exısts between the Company and a parent undertakıng to finance oıl supply and marketıng actıvıtıes, totallıng £137 mıllıon at 31 December 2011 (2010 £137 mıllıon) The loan carrıes ınterest at LIBOR plus 1 33% per annum and ıs repayable ın June 2014

A loan agreement exısts between the Company and a fellow subsıdıary undertakıng to finance oıl and gas exploratıon and productıon actıvıtıes, and totallıng £376 mıllıon at 31 December 2011 (2010 £376 mıllıon) The loan carrıes ınterest at LIBOR plus 0 25% per annum and ıs repayable ın May 2016

A loan agreement exısts between the Company and a fellow subsıdıary undertakıng to finance oıl and gas exploratıon and productıon actıvıtıes, and totallıng £450 mıllıon at 31 December 2011 (2010 £450 mıllıon) The loan carrıes ınterest at LIBOR plus 0 23% per annum and ıs repayable ın December 2016

A loan agreement exısts between the Company and a fellow subsıdıary undertakıng to finance oıl and gas exploratıon and productıon actıvıtıes, and totallıng £98 mıllıon at 31 December 2011 (2010 Nıl) The loan carrıes ınterest at LIBOR plus 1 95% per annum and ıs repayable ın May 2016

A loan agreement exısts between the Company and a fellow subsıdıary undertakıng to finance oıl and gas exploratıon and productıon actıvıtıes, and totallıng £51 mıllıon at 31 December 2011 (2010 Nıl) The loan carrıes ınterest at LIBOR plus 2 20% per annum and ıs repayable ın October 2021

16 **Provisions for liabilities**

Deferred tax

The amount set aside 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 2011

The provision comprises

	2011 £ million	2010 £ million
Provision for deferred tax:		
Accelerated capital allowances	771	767
Provision for decommissioning and restoration not yet allowed for tax	(1,614)	(1,342)
Deferred corporation tax on deferred petroleum revenue tax	304	217
Other timing differences	176	206
	(363)	(152)

At 1 January 2011	(152)
Deferred tax credit in the profit and loss account (refer to note 9)	(211)
At 31 December 2011	(363)

Other provisions

	Decommissioning and restoration £ million	Other £ million	Total £ million
At 1 January 2011	2,684	41	2,725
Additions in the year	18	2	20
Asset disposals	-	-	-
Utilisation of provision	(104)	(17)	(121)
Unwinding of discount (refer to note 6)	126	-	126
Changes in estimates	(123)	-	(123)
At 31 December 2011	2,601	26	2,627

At 31 December 2011, the Company has provided £2,601 million (2010 £2,684 million) in respect of the decommissioning of its oil and gas fields and related infrastructure and the restoration of the sites It is anticipated that decommissioning and restoration costs will be incurred over the next 40 years The exact timing of these costs is dependent upon a number of factors such as reservoir performance, new near field developments and the oil price The provision has been estimated using existing technology, at current prices and discounted using a real discount rate of 5% (2010 5%)

SHELL U.K. LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2011

16 Provisions for liabilities (continued)

The Company has also provided £16 million (2010 £20 million) in respect of environmental provisions, which is included in "Other provisions" above This represents the estimated environmental restoration and remediation costs required for various sites as a result of past activities It is anticipated that these costs will be incurred over the next 16 years The provision has been estimated using existing technology, at current prices and discounted using a real discount rate of 5% (2010 5%) £3 million (2010 £5 million) has been provided in respect of onerous lease provisions, which is also included within "Other provisions" above This represents the net present value of the shortfall between the recoverable amount from the interest in the lease properties and the future obligations relating to the leases, as at the balance sheet date £1 million (2010 £9 million) has been provided in respect of redundancies

17 Called up share capital

	2011 £ million	2010 £ million
Authorised		
2,000,000,000 (2010 2,000,000,000) ordinary shares of £1 each	2,000	2,000
Allotted and fully paid		
2,000,000,000 (2010 2,000,000,000) ordinary shares of £1 each	2,000	2,000

18 Reconciliation of movements in reserves and shareholders' funds

	Profit and loss account £ million	Share capital £ million	Shareholders' funds £ million
At 1 January 2010	190	2,000	2,190
Profit for the year	59	-	59
Share based payments - notional charges	5	-	5
At 1 January 2011	254	2,000	2,254
Profit for the year	348	-	348
Share based payments - notional charges	6	-	6
At 31 December 2011	608	2,000	2,608

19 Directors

(a) Directors' emoluments

	2011 £'000	2010 £'000
Aggregate emoluments	1,588	1,050
Aggregate amounts (excludıng shares) receıvable under long term ıncentıve schemes	165	26

No payments were made ın 2011 to any Dırector as compensatıon for loss of office (2010 £nıl)

Share optıons were exercısed by 4 Dırectors (2010 3) durıng the year

Shares were receıvable by 6 Dırectors (2010 7) durıng the year under long-term ıncentıve schemes

The number of Dırectors to whom retırement benefits are accruıng ıs as follows

	2011 Number	2010 Number
In respect of defined benefit schemes	7	6

(b) Highest paıd dırector

	2011 £'000	2010 £'000
Total amount of emoluments and amounts (excludıng shares) receıvable under long term ıncentıve schemes	436	361
Defined benefit pensıon scheme		
Accrued pensıon at end of year	76	101

The hıghest paıd Dırector exercısed share optıons durıng the year and made correspondıng gaıns of £352,320 The hıghest paıd Dırector dıd not receıve shares ın respect of any long-term ıncentıve scheme for servıces rendered to the Company and ıts subsıdıary undertakıngs

(c) Loans to Dırectors

Name of director	Lender	Type of loan	Liability as at 31 December 2011 AUD $	Liability as at 31 December 2010 AUD $
G S Talbot	Shell Australıa Ltd	4 76% Executıve Loan	-	300,000
Total			-	300,000

The loan outstandıng at 31 December 2010 was repaıd on 16 March 2011
As at 31 December 2011, there were no outstandıng loans to Dırectors of the Company

20 Pension schemes

(a) Shell Contributory Pension Fund

The Company is a Member Company of the Shell Contributory Pension Fund ("SCPF"), a defined benefits pension scheme, which provides pensions and other post retirement benefit entitlements for those United Kingdom employees who elect to become members of the SCPF Apart from the contributions from employee members, which have a fixed maximum rate, the SCPF is funded entirely by contributions from Member Companies at rates certified from time to time by Aon Hewitt Limited, the SCPF's actuary

Aon Hewitt Limited carried out the triennial actuarial valuation of the SCPF as at 31 December 2011 using the projected unit method on a funding basis The actuarial value of the SCPF's assets as at that date was £12,374 million and the value of the liabilities was £12,615 million The principal actuarial assumptions adopted in the valuation were a discount rate of 4 05%, a rate of general salary increases of 4 5%, and a price inflation rate of 3 0% The fund deficit (shortfall of assets compared to the value of pension liabilities) is £241 million This corresponds to a funding ratio of 98% Member Companies' contributions to the SCPF were suspended with effect from 1 July 2007, but have resumed regular contributions from 1 July 2009

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

In the accounts of the Company there is a charge of £46 million (2010 £68 million) for contributions to the SCPF 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

(b) Shell Overseas Contributory Pension Fund

The Company is a Member Company of the Shell Overseas Contributory Pension Fund ("SOCPF"), a defined benefits pension scheme, which provides pensions and other post retirement benefit entitlements for expatriate employees whose base country is the United Kingdom Apart from the contributions from employee members, which have a fixed maximum rate, the SOCPF is funded entirely by contributions from Member Companies at rates certified from time to time by Aon Hewitt Limited, the SOCPF's actuary

Aon Hewitt Limited carried out an actuarial valuation of the SOCPF as at 31 December 2008 using the projected unit method The actuarial value of the SOCPF's assets as at that date was £1,678 million and the value of the liabilities was £2,561 million The principal actuarial assumptions adopted in the valuation were a discount rate of 5 15%, a rate of general pay increases of 4 75%, and a price inflation rate of 2 75% An update to the actuarial valuation of the fund was undertaken as at 31 December 2011 using IAS 19 / FRS 17 assumptions consistent with the actuarial valuation and updated financial values The fund deficit (shortfall of assets compared to the value of pension liabilities) at the end of 2011 had fallen to 5 1% of liabilities from 8 9% of liabilities at the end of 2010

The sponsoring companies intend to reduce the deficit by 31 December 2013 Accordingly in December 2011, a lump sum contribution of £250 million (2010 £114 million) was paid into the fund The sponsoring companies will continue to inject additional lump sums into the fund in addition to maintaining monthly contributions at the level of 55% of employees' pensionable salaries The amount of future additional lump sum payments will be dependent on future deficit levels

20 Pension schemes (continued)

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 SOCPF as a defined contribution scheme

The Company's normal contributions to the SOCPF for the year amounted to £nil (2010 £nil) In addition, the Company agreed to provide a £250 million contribution to the Shell Overseas Contributory Pension Fund ('SOCPF') as part of the plan to address the existing deficit in the SOCPF

The cash payment of £250 million was made by the Company to the SOCPF on 16 December 2011

21 Commitments

(a) Capital commitments

	2011 £ million	2010 £ million
Capital expenditure contracted but not provided for at 31 December	56	79

(b) Operating lease commitments

At 31 December the Company had annual commitments under non-cancellable operating leases as follows

	2011		2010	
	Land and buildings £ million	Other £ million	Land and buildings £ million	Other £ million
Leases expiring				
Within one year	5	67	6	110
Within two to five years	29	72	29	21
After five years	17	-	31	-
	51	139	66	131

(c) Forward oil contracts

In the normal course of business the Company has commitments under forward oil purchases and sales contracts during the year There are no outstanding contracts at year end

SHELL U.K. LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2011

22 Contingent liabilities

There were no claims against the Company outstanding at 31 December 2011 (2010 £18 million)

23 Joint venture activities

The accounts include the Company's interests in unincorporated joint ventures The principal such relationship is known as the Shell/Esso joint venture, which has its main place of business at 1 Altens Farm Road, Aberdeen and is governed by an agreement dated 22 April 1965 under which costs and entitlement to hydrocarbons are shared equally

24 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)

The following table shows, for 2011 and 2010, 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

24 **Share based payments (contınued)**

	Royal Dutch Shell plc Class A Shares		Royal Dutch Shell plc Class B Shares	
	Number (000's)	Weıghted average exercıse prıce (£)	Number (000's)	Weıghted average exercıse prıce (£)
Under optıon at 1 January 2010	614	38 19	1,348	27 94
Granted	-	-	-	-
Exercısed	(24)	26 34	(303)	26 19
Expıred/forfeıted	(20)	39 98	(47)	29 23
Under optıon at 31 December 2010	570	35 56	998	26 85
Granted	-	-	-	-
Exercısed	(47)	16 72	(462)	19 15
Expıred/forfeıted	(146)	29 15	(87)	20 76
Under option at 31 December 2011 **	377	20 44	449	14 84

** The underlyıng weıghted average exercıse prıces for Royal Dutch Shell Class A and B shares under optıon at 31 December 2011 were €24 39 (2010 €26 66) and £14 84(2010 £17 35) respectıvely

The weıghted average market prıce for exercıses ın 2011 was $21 33 (2010 $30 88) for Royal Dutch Shell plc Class A shares and $22 35 (2010 $29 88) for Royal Dutch Shell plc Class B shares

24 **Share based payments (continued)**

The following tables provide further information about share options outstanding at 31 December 2011

Royal Dutch Shell plc Class A shares

			Options outstanding	Options exercisable	
Range of exercise prices	Number (000's)	Weighted average remaining contractual life (years)	Weighted average exercise price (£)	Number (000's)	Weighted average exercise price (£)
£12 97 to £16 22	103	1 27	15 83	103	15 83
£16 22 to £19 46	105	2 22	17 02	105	17 02
£19 46 to £22 71	-	-	-	-	-
£22 71 to £25 95	134	0 33	25 19	134	25 19
£25 95 to £29 19	35	0 17	26 03	35	26 03
£12 97 to £29 19(total range)	377	1 10	20 44	377	20 44

Royal Dutch Shell plc Class B shares

			Options outstanding	Options exercisable	
Range of exercise prices	Number (000's)	Weighted average remaining contractual life (years)	Weighted average exercise price (£)	Number (000's)	Weighted average exercise price (£)
£10 38 to £12 33	-	-	-	-	-
£12 33 to £14 27	343	1 95	13 71	343	13 71
£14 27 to £16 22	-	-	-	-	-
£16 22 to £18 16	-	-	-	-	-
£18 16 to £20 11	106	0 31	18 50	106	18 50
£10 38 to £20 11(total range)	449	1 57	14 84	449	14 84

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NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2011

24 **Share based payments (continued)**

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 2005 and 2006 the extent to which the awards vest depends on the total shareholder return of Shell compared with four of its main competitors ("relative TSR") over the measurement period For the awards made in 2007, 2008 and 2009, the extent to which the awards vest will be determined by two performance conditions The relative TSR measure over the measurement period will be used to determine the vesting of half of the award and the other half of the award will be 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 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 will be used to determine the vesting of half of the award and the other half of the award will be linked to the Shell scorecard results

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

	Class A (000's)	Class B (000's)	Class A ADRs (000's)	Weighted average remaining contractual life (years)
At 1 January 2010	24	662	1	1 17
Granted	27	233	1	
Exercised	(1)	(98)	-	
Expired/forfeited	(1)	(76)	-	
At 31 December 2010	49	721	2	1 01
Granted	94	283	5	
Exercised	(5)	(242)	-	
Expired/forfeited	-	(17)	-	
At 31 December 2011	138	745	7	1 11

Valuation assumptions

The valuation assumptions used to estimate the Group's share-based compensation expense for the share option plans and the performance share plan are summarised below

The fair value of the performance share plan is estimated using a Monte Carlo pricing model The risk-free interest rate used in 2011 was 1 2% (2010 1 4%, 2009 1 4%) To reflect the long-term equity characteristics and the term of the awards the valuation was performed using both ten-year and three-year historical volatility, 28 1% and 35 2% (2010 27 5% and 34 7%, 2009 27 9% and 32 5%) and dividend yield, 4 4% and 5 6% (2010 4 2% and 5 1%, 2009 3 8% and 4 2%)

Profit and loss charge

The profit and loss charge for 2011 is £6 million (2010 £5 million)

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SUPPLEMENTARY INFORMATION (UNAUDITED)

Net commercial oil and gas reserve quantities for the year ended 31 December 2011:

	2011	2011	2010	2010
	Crude oil and natural gas liquids Million barrels	Natural gas Billion cubic metres	Crude oil and natural gas liquids Million barrels	Natural gas Billion cubic metres
Net commercial reserves at the beginning of the year:				
Proved developed reserves	75 33	18 47	73 09	19 82
Proved undeveloped reserves	6 67	1.04	3 39	0 84
	82 00	19 51	76 48	20 66
Changes during the year				
Revisions of previous estimates	79 38	2 33	26 54	4 04
Sales of reserves-in-place	-	-	-	-
Production	(12 78)	(4 13)	(21 02)	(5 18)
	66 60	(1 80)	5 52	(1 14)
Net commercial reserves at the end of the year:				
Proved developed reserves	50 87	15 44	75 33	18 47
Proved undeveloped reserves	97 73	2 27	6 67	1 04
	148 60	17 71	82 00	19 51

All proved oil and gas reserves of Shell U K Limited are located on the UK Continental Shelf

The proved oil and gas reserve quantity estimates are generated by field reservoir engineers according to the Securities and Exchange Commission (SEC) and Shell reserves requirements utilising best available engineering estimates from reservoir simulation results and up to date production and pressure data trends at the 100% field basis These estimates are reviewed by senior technical staff and authorised by the Technical Director The net working interest amount of proved oil and gas reserves are calculated based on the Shell share of the 100% volumes