

Registration number: 03466994

Shell Treasury Centre Limited

Annual Report

and

Financial Statements

For the year ended 31 December 2018

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Shell Treasury Centre Limited

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Shell Treasury Centre Limited

Strategic report for the year ended 31 December 2018

The Directors present their Strategic report on Shell Treasury Centre Limited (also referred to as the "Company") for the year ended 31 December 2018.

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 activities of Shell Treasury Centre Limited are to provide loans to and receive deposits from Shell Group companies on a short term basis and to provide foreign exchange and interest rate risk management services to the Group. The Company's aim is to centralise the foreign exchange and money market flows within the Group and to offset the net position to the market. The Company is also the main interface with the external market for derivative transactions. The Company will continue with these activities for the foreseeable future.

The Company's profit for the financial year increased from \$66,544,000 to \$144,837,000. This was principally due to increase in net interest income from \$107,532,000 to \$223,925,000 in 2018.

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 15 to 20 of Royal Dutch Shell's Annual Report and Form 20-F for the year ended 31 December 2018 (the "Group Report"), include those of the Company. The Group Report does not form part of this report.

Shell Treasury Centre Limited

Strategic report for the year ended 31 December 2018 (continued)

Key Performance Indicators

The Group Treasury operation is responsible for managing the overall cash position of the Group and in meeting its short-term and long-term funding requirements. The Company is one of several entities which are involved in treasury operations and these operations are managed by Group Treasury. Because of this, there are no separate KPIs for the Company that are necessary or appropriate for an understanding of the development, performance or position of the Company.

Companies of the Shell Group comprise the Upstream businesses of Exploration and Production, Integrated Gas and New Energies, 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 29 to 61 of the Group Report and the key performance indicators through which the Group's performance is measured are as set out on pages 27 to 28 of the Group Report.

Foreign Exchange Global Code

In March 2018 Shell committed to the Foreign Exchange Global Code ("Code"). The Code represents a set of principles generally recognised as good practice in the wholesale foreign exchange market. Shell has confirmed that where it acts as a market participant as defined by the Code, including through Shell Treasury Centre Limited, it is committed to conducting its foreign exchange market activities in a manner consistent with the principles of the Code.

Human Rights

Respect for human rights is embedded in the Shell Group's Business Principles and Code of Conduct. This approach is informed by the Universal Declaration of Human Rights, the core conventions of the International Labour Organization and the United Nations' Guiding Principles on Business and Human Rights.

The Shell Group works closely with other companies and non-governmental organisations to continuously improve the way it applies these principles, with a focus on four key areas: communities, security, labour rights, and supply chain. The Shell Group has systems and processes in place for managing projects, contracting and procurement, recruitment and employment, security and social performance and requires all Group companies and contractors to respect the human rights of their workforce and neighbouring communities.

The Shell Group's Modern Slavery Statement provides more details about the process applied. It can be found at www.shell.com/uk-modern-slavery-act.html.

Approved by the Board on 21st August 2019 and signed on its behalf by:



M. Dawson
Director

Shell Treasury Centre Limited

Directors' report for the year ended 31 December 2018

The Directors present their report and the financial statements for the year ended 31 December 2018.

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

Dividends

The Company paid a dividend of \$66,600,000 in the year (2017: \$70,400,000).

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 (except as noted) were as follows:

M. Dawson

F. Hinden

M. Pearman

R.L. O'Brien

J.L. Wilson (resigned 9 November 2018)

The following director was appointed after the year end:

E.C. Andrew (appointed 1 April 2019)

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 103 to 104 and note 19).

Financial risks that are specific to the Company are discussed in note 3 of the Notes to financial statements.

Events after the end of the reporting period

Refer to note 18 "Events after the end of the reporting period".

Shell Treasury Centre Limited

Directors' report for the year ended 31 December 2018 (continued)

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:

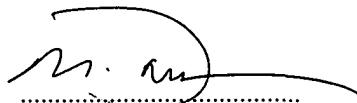
- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether United Kingdom Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

Disclosure of information to the auditor

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.

Approved by the Board on *2nd August* 2019 and signed on its behalf by:



M. Dawson
Director

Independent Auditor's report to the Member of Shell Treasury Centre Limited

Opinion

We have audited the financial statements of Shell Treasury Centre Limited (the "Company") for the year ended 31 December 2018, which comprise the Profit and loss account, Balance sheet, Statement of changes in equity, and the related notes 1 to 19, 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 2018 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.

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.

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 Treasury Centre Limited (continued)

Other information

The other information comprises the information included in the annual report set out on pages 1 to 4, 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 Treasury Centre Limited (continued)

Responsibilities of Directors

As explained more fully in the Statement of Directors' responsibilities set out on page 4, 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.

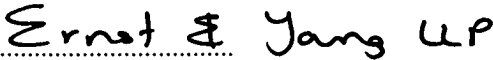
Auditor's responsibilities for the audit of the financial statements

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.


.....
Mark Woodward (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date:..... 2 August 2019

Shell Treasury Centre Limited

Profit and loss account for the year ended 31 December 2018

Continuing operations

	Note	2018 \$ 000	2017 \$ 000
Administrative expenses		<u>(40,136)</u>	<u>(26,124)</u>
OPERATING LOSS		(40,136)	(26,124)
Interest receivable and similar income	4	4,071,217	3,437,432
Interest payable and similar charges	5	<u>(3,847,292)</u>	<u>(3,329,900)</u>
PROFIT BEFORE TAXATION		183,789	81,408
Tax on profit	8	<u>(38,952)</u>	<u>(14,864)</u>
PROFIT FOR THE YEAR		<u>144,837</u>	<u>66,544</u>

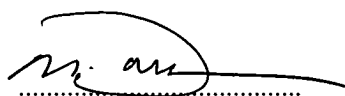
The profit for the current year and for the prior year are equal to the total comprehensive income and accordingly a statement of comprehensive income has not been presented.

Shell Treasury Centre Limited

**(Registration number: 03466994)
Balance sheet as at 31 December 2018**

	Note	2018 \$ 000	2017 \$ 000
Current assets			
Debtors - amounts due after one year	9	1,474,751	1,600,145
Debtors - amounts due within one year	9	92,921,585	70,288,196
Cash and short term investments	12	<u>20,809,321</u>	<u>14,637,731</u>
Total current assets		113,730,906	84,925,927
Creditors: amounts falling due within one year	10	<u>(112,326,369)</u>	<u>(83,600,130)</u>
Net current assets		<u>1,404,537</u>	<u>1,325,797</u>
Total assets less current liabilities		2,879,288	2,925,942
Creditors: amounts falling due after more than one year	11	<u>(1,474,410)</u>	<u>(1,599,301)</u>
Net assets		<u>1,404,878</u>	<u>1,326,641</u>
Equity			
Called up share capital	14	10,000	10,000
Profit and loss account		144,878	66,641
Capital contribution from Parent company		<u>1,250,000</u>	<u>1,250,000</u>
Total equity		<u>1,404,878</u>	<u>1,326,641</u>

The financial statements on pages 8 to 33 were authorised for issue by the Board of Directors on 2nd August 2019 and signed on its behalf by:



M. Dawson
Director

Shell Treasury Centre Limited

Statement of changes in equity for the year ended 31 December 2018

	Called up share capital \$ 000	Capital contribution from Parent company \$ 000	Profit and loss account \$ 000	Total \$ 000
Balance as at 1 January 2017	10,000	1,250,000	70,497	1,330,497
Profit for the year	-	-	66,544	66,544
Total comprehensive income for the year	-	-	66,544	66,544
Dividends paid	-	-	(70,400)	(70,400)
Balance as at 31 December 2017	10,000	1,250,000	66,641	1,326,641
Balance as at 1 January 2018	10,000	1,250,000	66,641	1,326,641
Profit for the year	-	-	144,837	144,837
Total comprehensive income for the year	-	-	144,837	144,837
Dividends paid (refer note 15)	-	-	(66,600)	(66,600)
Balance as at 31 December 2018	10,000	1,250,000	144,878	1,404,878

Shell Treasury Centre Limited

Notes to the financial statements for the year ended 31 December 2018

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.

As applied to the Company, there are no material differences between EU endorsed IFRS and IFRS as issued by the International Accounting Standards Board.

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 9 and IFRS 15.

New standards applied

The adoption of IFRS 9 and IFRS 15 have had no material impact on the Company’s retained earnings or balance sheet as at 1 January 2018.

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.

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 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 paragraph 79(a)(iv) of IAS 1 ‘Presentation of financial statements’

Shell Treasury Centre Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

- 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)
- IAS 7, 'Statement of cash flows'
- Paragraph 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)
- Paragraph 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 The Shell Petroleum Company Limited.

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

Taxation

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

Shell Treasury Centre Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

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.

Deferred tax

Deferred tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised when, on the basis of the most recent available evidence, it is regarded as probable that there will be suitable taxable profits from which the future reversal of the underlying temporary differences can be deducted.

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset deferred tax assets against deferred tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Amounts relating to deferred tax are undiscounted.

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 US Dollars (\$), 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 Treasury Centre Limited

Notes to the financial statements for the year ended 31 December 2018 (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.

Cash and short term investments

The Company invests surplus cash for short periods with banks, corporates and financial institutions. These deposits are highly liquid and are presented as cash equivalents or short term investments in note 12. Investments with maturities of 3 months or less at the date of investment are classified as cash equivalents on the face of the balance sheet whilst those greater than 3 months, but less than 12 months, are classified as short term investments.

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, financial guarantees contracts to which IFRS 9 is applied and that are not accounted for at FVTPL and lease receivables 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.

Shell Treasury Centre Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

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.

Derivative contracts

Derivative contracts are held at fair value. Gains or losses arising from changes in fair value are recognised in the profit and loss account within interest income or expenses in the period in which they arise.

Defined contribution plan

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid to publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as an employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

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.

Shell Treasury Centre Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

1 Accounting policies (continued)

Finance income and costs

Interest income is recognised using the effective interest method. When a loan or receivable is impaired, the Company reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loans and receivables is recognised using the original effective interest rate.

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.

Group defined benefit pension scheme

Certain employees participate in a group defined benefit pension scheme with other companies in the region. Under the terms of the scheme, there is no policy for allocating the net defined benefit obligation amongst the participating members.

The scheme is therefore accounted for as a defined contribution scheme, see note 13.

Provision for expected credit losses of trade debtors

The Company computes probability of default rates for 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.

Shell Treasury Centre Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

3 Financial instruments

Financial risk management

In the normal course of business, the Company is exposed to the following financial risks:

Credit risk

Surplus cash is invested in a range of short-dated, secure and liquid instruments including short-term deposits, reverse repos, money market funds and similar instruments. The portfolio of these investments is diversified to avoid concentrating risk in any one instrument, country or counterparty. Management monitors the investments regularly and adjusts the investment portfolio in light of new market information where necessary to ensure credit risk is effectively diversified. Included within cash and short term investments is \$10,527,480,000 (2017: \$7,540,358,000) of reverse repos which are fully collateralised.

The Company routinely enters into offsetting, master netting and similar arrangements with counterparties to manage credit risk. Where unconditional offsetting of outstanding balances is allowed under such arrangements and net settlement is regularly applied, the net asset or liability is recognised on the balance sheet, otherwise assets and liabilities are presented gross.

Shell Treasury Centre Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

3 Financial instruments (continued)

Financial risk management (continued)

Master netting arrangements and similar agreements

The following financial assets/liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

**Financial assets
2018**

	Amounts offset			Amounts not offset		Net amounts \$ 000
	Gross amounts \$ 000	Amounts offset \$ 000	Net amounts presented \$ 000	Collateral received/ pledged \$ 000	Other offsetting instruments \$ 000	
Within derivatives	<u>2,307,615</u>	<u>-</u>	<u>2,307,615</u>	<u>(354,786)</u>	<u>(597,129)</u>	<u>1,355,700</u>

**Financial liabilities
2018**

	Gross	Amounts	Net	Collateral	Other	Net
	amounts	offset	amounts	received/ pledged	offsetting instruments	amounts
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Within derivatives	<u>(2,319,239)</u>	<u>-</u>	<u>(2,319,239)</u>	<u>224,096</u>	<u>597,129</u>	<u>(1,498,014)</u>

**Financial assets
2017**

	Amounts offset			Amounts not offset		Net amounts \$ 000
	Gross amounts \$ 000	Amounts offset \$ 000	Net amounts presented \$ 000	Collateral received/ pledged \$ 000	Other offsetting instruments \$ 000	
Within derivatives	<u>2,446,630</u>	<u>-</u>	<u>2,446,630</u>	<u>(89,072)</u>	<u>(1,473,283)</u>	<u>884,275</u>

**Financial liabilities
2017**

	Gross	Amounts	Net	Collateral	Other	Net
	amounts	offset	amounts	received/ pledged	offsetting instruments	amounts
	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000	\$ 000
Within derivatives	<u>(2,426,410)</u>	<u>-</u>	<u>(2,426,410)</u>	<u>185,792</u>	<u>1,473,283</u>	<u>(767,335)</u>

Shell Treasury Centre Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

3 Financial instruments (continued)

Financial risk management (continued)

Amounts not offset principally relate to contracts where the intention to settle on a net basis was not clearly established at 31 December 2018.

Market risk

Foreign exchange risk

Exchange rate gains and losses arise in the normal course of business from the recognition of receivables and payables and other monetary items in currencies other than the Company's functional currency of US Dollars. The Company's exposure to foreign exchange risk is deemed to be low as the majority of the Company's borrowing and lending is denominated in US Dollars and therefore is not exposed to significant foreign exchange risk.

Any residual foreign exchange exposures are managed through the use of derivative contracts, being predominantly foreign exchange forwards and swaps.

The Company's remaining exposure to foreign exchange risk is minimal as the Company operates on a largely back to back basis with all exposures fully hedged to the Company's functional currency of US Dollars in line with the Treasury Policy.

Interest rate risk

The Company is exposed to variations in cash flow arising from movements in interest rates, due to the floating rate nature of the Company's financial assets and liabilities.

Based on the net balance sheet position at 31 December 2018, assuming other factors remained constant and that no further interest rate risk management actions were taken, a 1% increase in LIBOR would have increased 2018 profit before tax and net assets by \$15,751,000 (2017: \$12,257,000). All financial assets and liabilities which had an initial term of less than 12 months and are subject to fixed interest rates have been classified as floating rate in the assessment of interest rate sensitivity.

Liquidity risk

Liquidity risk is the risk that suitable sources of funding for the Company's activities may not be available. Management believes that it has access to sufficient, liquid funding sources to meet currently foreseeable requirements, given its position as Group treasury centre.

Shell Treasury Centre Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

3 Financial instruments (continued)

Fair value measurements

The net carrying amounts of financial instruments held at 31 December 2018, categorised according to the predominant source and nature of inputs used in determining the fair value of each contract, were as follows:

	2018	2017
	\$ 000	\$ 000
Forward foreign exchange contracts	(11,624)	20,220

The fair value of financial instruments, where other observable inputs are used to determine the fair value, have been ascertained using discounted cash flow techniques, with a discount rate reflecting the market rate of interest applicable to the underlying arrangement.

The carrying value of all other balances on the balance sheet approximate their fair values with the exception of interest rate swaps and cross currency interest rate swaps which net to nil due to external swaps being mirrored to Group undertakings on identical terms.

Derivative contracts

Derivative contracts are used principally as hedging instruments. However, movements in the carrying amounts of derivative contracts that are recognised in income are not always matched in the same period by the recognition of the income effects of the related hedged items. There are no instruments designated as part of a formal hedge relationship under IFRS 9.

Shell Treasury Centre Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

3 Financial instruments (continued)

The fair value of derivative contracts were as follows:

Derivative instruments as at 31 December 2018

Derivative financial assets

	Fair value \$ 000
Forward currency contracts	587,610
Interest rate swaps	262,143
Cross currency interest rate swaps	1,457,862
Total	<u>2,307,615</u>

Derivative financial liabilities

Forward currency contracts	(599,234)
Interest rate swaps	(262,143)
Cross currency interest rate swaps	(1,457,862)
Total	<u>(2,319,239)</u>

Shell Treasury Centre Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

3 Financial instruments (continued)

Derivative instruments as at 31 December 2017

Derivative financial assets

	Fair value \$ 000
Forward currency contracts	944,600
Interest rate swaps	185,753
Cross currency interest rate swaps	1,316,277
Total	<u>2,446,630</u>

Derivative financial liabilities

Forward currency contracts	(924,380)
Interest rate swaps	(185,753)
Cross currency interest rate swaps	(1,316,277)
Total	<u>(2,426,410)</u>

Net loss before tax on derivative contracts was \$161,033,000 (2017: profit of \$171,405,000).

Shell Treasury Centre Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

3 Financial instruments (continued)

The contractual maturities of derivative and non-derivative financial liabilities at December 31 compare with their fair value on the balance sheet as follows:

	Less than 1 year \$ 000	Between 1 and 2 years \$ 000	Between 2 and 3 years \$ 000	Between 3 and 4 years \$ 000	Between 4 and 5 years \$ 000	Greater than 5 years \$ 000	Total \$ 000	Difference from fair value \$ 000	Fair value \$ 000
2018									
Derivative liabilities									
Interest rate swaps	109,265	76,178	34,062	15,509	13,222	21,461	269,697	(7,554)	262,143
Forward foreign exchange contracts	436,642	6,334	39,110	295,854	-	37,730	815,670	(216,436)	599,234
Cross currency interest rate swaps	397,080	140,166	352,026	348,110	107,473	1,420,387	2,765,242	(1,307,380)	1,457,862
	942,987	222,678	425,198	659,473	120,695	1,479,578	3,850,609	(1,531,370)	2,319,239
Non-derivative liabilities									
Amounts owed to Group undertakings	110,971,453	-	-	-	-	-	110,971,453	-	110,971,453
	111,914,440	222,678	425,198	659,473	120,695	1,479,578	114,822,062	(1,531,370)	113,290,692

Shell Treasury Centre Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

3 Financial instruments (continued)

	Less than 1 year \$ 000	Between 1 and 2 years \$ 000	Between 2 and 3 years \$ 000	Between 3 and 4 years \$ 000	Between 4 and 5 years \$ 000	Greater than 5 years \$ 000	Total \$ 000	Difference from fair value \$ 000	Fair value \$ 000
2017									
Derivative liabilities									
Interest rate swaps	55,970	63,057	51,899	16,591	962	2,812	191,291	(5,538)	185,753
Forward foreign exchange contracts	421,415	125,333	34,240	2,323	2,248	(38,751)	546,808	377,572	924,380
Cross currency interest rate swaps	<u>279,499</u>	<u>171,264</u>	<u>(52,196)</u>	<u>110,299</u>	<u>129,418</u>	<u>436,881</u>	<u>1,075,165</u>	<u>241,112</u>	<u>1,316,277</u>
	756,884	359,654	33,943	129,213	132,628	400,942	1,813,264	613,146	2,426,410
Non-derivative liabilities									
Amounts owed to Group undertakings	<u>82,623,004</u>	-	-	-	-	-	<u>82,623,004</u>	-	<u>82,623,004</u>
	<u>83,379,888</u>	<u>359,654</u>	<u>33,943</u>	<u>129,213</u>	<u>132,628</u>	<u>400,942</u>	<u>84,436,268</u>	<u>613,146</u>	<u>85,049,414</u>

Shell Treasury Centre Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

4 Interest receivable and similar income

	2018	2017
	\$ 000	\$ 000
Interest from Group undertakings:		
Parent undertakings	3,677	401
Other Group undertakings	2,971,373	2,063,722
Interest from banks and similar income	1,032,655	1,351,721
Profit on currency translation - financial items	58,933	19,279
Other interest income	4,579	2,309
	<u>4,071,217</u>	<u>3,437,432</u>

5 Interest payable and similar charges

	2018	2017
	\$ 000	\$ 000
Interest on loans from Group undertakings:		
Parent undertakings	181,290	54,998
Other Group undertakings	2,267,006	1,708,267
Interest on bank overdrafts and borrowings	1,398,996	1,566,635
	<u>3,847,292</u>	<u>3,329,900</u>

6 Staff costs

The aggregate payroll costs were as follows:

	2018	2017
	\$ 000	\$ 000
Wages and salaries	526	2,794
Social security costs	67	279
Pension costs (note 13)	80	337
	<u>673</u>	<u>3,410</u>

The monthly average number of persons employed by the Company was 5 (2017: 28).

Shell Treasury Centre Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

7 Auditor's remuneration

The Auditor's remuneration of \$33,093 (2017: \$32,104) in respect of the statutory audit was borne by another Group undertaking 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 accounts of the Company because the Royal Dutch Shell plc consolidated accounts are required to disclose such fees on a consolidated basis.

8 Tax on profit

Tax charge in the profit and loss account

The tax charge for the year of \$38,952,000 (2017: \$14,864,000) is made up as follows:

	2018	2017
	\$ 000	\$ 000
Current taxation		
UK corporation tax	34,239	16,177
UK corporation tax adjustment to prior periods	4,657	(662)
Double taxation relief	(689)	(473)
Foreign tax	689	473
Total current tax charge	38,896	15,515
Deferred taxation		
Arising from origination and reversal of temporary differences	56	57
Arising from adjustment in respect of prior periods	-	(708)
Total deferred tax charge/(credit)	56	(651)
Tax charge in the profit and loss account	38,952	14,864

Shell Treasury Centre Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

8 Tax on profit (continued)

Reconciliation of total tax charge

The tax on profit before tax for the year differs from the standard rate of corporation tax in the UK of 19.00% (2017: 19.25%).

The differences are reconciled below:

	2018	2017
	\$ 000	\$ 000
Profit before tax	183,789	81,408
Tax on profit calculated at standard rate (2018: 19.00%) (2017: 19.25%)	34,920	15,671
Effects of:		
Income exempt from taxation	(618)	(133)
Expenses not deductible	-	704
Adjustments in respect of prior periods	4,657	(1,370)
Tax imposed outside the UK	689	473
Double taxation relief	(689)	(473)
Other reconciling items	(7)	(8)
Total tax charge	<u>38,952</u>	<u>14,864</u>

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.

The relevant deferred tax balances have been re-measured to 17%, the rate enacted by the balance sheet date.

Shell Treasury Centre Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

8 Tax on profit (continued)

Deferred tax assets as at:

	Asset \$ 000
2018	
Derivatives	<u>341</u>
2017	
Derivatives	<u>397</u>

Deferred tax movement during the year:

	At 1 January 2018 \$ 000	Recognised in profit and loss account \$ 000	At 31 December 2018 \$ 000
Derivatives	<u>397</u>	<u>(56)</u>	<u>341</u>

Deferred tax movement during the prior year:

	At 1 January 2017 \$ 000	Recognised in profit and loss account \$ 000	At 31 December 2017 \$ 000
Derivatives	<u>(254)</u>	<u>651</u>	<u>397</u>

The provision for deferred tax consists of the following deferred tax assets:

	2018 \$ 000	2017 \$ 000
Deferred tax assets	<u>341</u>	<u>397</u>
Total deferred tax	<u>341</u>	<u>397</u>

Shell Treasury Centre Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

9 Debtors

Debtors: amounts due within one year

	2018	2017
	\$ 000	\$ 000
Amounts owed by Group undertakings:		
Parent undertakings	53,242	83,874
Fellow subsidiary undertakings	91,780,264	69,231,035
Other debtors	254,874	126,405
Derivative contracts (refer to note 3)	833,205	846,882
	<u>92,921,585</u>	<u>70,288,196</u>

Debtors: amounts due after one year

	2018	2017
	\$ 000	\$ 000
Derivative contracts (refer to note 3)	1,474,410	1,599,748
Deferred tax on derivatives (refer to note 8)	341	397
	<u>1,474,751</u>	<u>1,600,145</u>

No assets were assessed as credit impaired. The Company has recorded all financial assets at amortised cost except derivative contracts which has been recorded at FVTPL.

10 Creditors: amounts falling due within one year

	2018	2017
	\$ 000	\$ 000
Bank loans and overdrafts	96,278	103,969
Amount owed to Group undertakings		
Parent undertaking (refer to note 3)	12,863,159	7,828,567
Other Group undertakings (refer to note 3)	98,108,294	74,794,437
Derivative liabilities (refer to note 3)	844,829	827,109
Tax and social security	58,351	40,700
Other creditors	355,458	5,348
	<u>112,326,369</u>	<u>83,600,130</u>

Shell Treasury Centre Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

10 Creditors: amounts falling due within one year (continued)

The Company has recorded all financial liabilities at amortised cost except derivatives liabilities which have been recorded at FVTPL.

All amounts reported above are unsecured.

The carrying amount of financial liabilities pledged as collateral for derivative contracts at 31 December 2018, presented within other creditors, was \$354,786,000 (2017: \$4,670,000).

11 Creditors: amounts falling due after more than one year

	2018 \$ 000	2017 \$ 000
Derivative liabilities (refer to note 3)	<u>1,474,410</u>	<u>1,599,301</u>

The Company has recorded derivative liabilities at FVTPL.

12 Cash and short term investments

	2018 \$ 000	2017 \$ 000
Cash at bank	526,862	1,190,550
Short term investments	285,813	299,185
Other cash and cash equivalents	<u>19,996,646</u>	<u>13,147,996</u>
	<u>20,809,321</u>	<u>14,637,731</u>

Shell Treasury Centre Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

13 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 2018 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 2.90%, a rate of general salary increases of 3.10% for 2019 onwards, and a price inflation rate of 3.22%. The value of the SCPF's assets as at that date was £15,755 million and the value of the liabilities on this accounting basis was £14,029 million, meaning the surplus measured for accounting purposes was £1,726 million.

The plan assets of the scheme were invested mainly in quoted equities (18%) and debt instruments (57%), with the remainder (25%) 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 \$80,000 (2017: \$337,000). 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 remained at 20% for 2018, and will reduce to 10% from 1 January 2019.

The cost of contributions to the UKSPP for the year amounts to \$nil (2017: \$nil).

Shell Treasury Centre Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

14 Called up share capital

Allotted, called up and fully paid shares

	No.	2018 \$ 000	No.	2017 \$ 000
Ordinary shares of \$1 each	<u>10,000,000</u>	<u>10,000</u>	<u>10,000,000</u>	<u>10,000</u>

15 Dividends

Interim dividends of \$66,600,000 were paid in the year (2017: \$70,400,000). The Directors recommend no further dividend be paid for the year ended 31 December 2018 (2017: \$nil).

16 Directors' emoluments

The Directors' emoluments for the year were as follows:

	2018 \$ 000	2017 \$ 000
Emoluments	-	501

The number of Directors who were receiving retirement benefits as at 31 December 2018 are as follows:

	2018 No.	2017 No.
Shares receivable by Directors	-	5
Accruing benefits under defined benefit pension scheme	<u>-</u>	<u>5</u>

In respect of the highest paid Director:

	2018 \$ 000	2017 \$ 000
Emoluments	-	172
Defined benefit accrued pension entitlement at the end of the period	<u>-</u>	<u>37</u>
	<u>-</u>	<u>209</u>

Shell Treasury Centre Limited

Notes to the financial statements for the year ended 31 December 2018 (continued)

16 Directors' emoluments (continued)

During 2018, none of the Directors received any emoluments in respect of their services to the Company.

During 2017, the highest paid director received or was entitled to receive shares under a long term incentive scheme.

These emoluments and pensions were not borne by the Company and hence not charged in the profit and loss account.

17 Commitments and contingent liabilities

Other than the financial instruments already disclosed in the accounts there are no commitments or contingent liabilities as at 31 December 2018 (2017: nil).

18 Events after the end of the reporting period

On 02 August 2019 the Directors declared an interim dividend of \$14.48 per share totalling \$144,800,000. This dividend has not been accounted for within the current year accounts.

19 Related party transactions

Related parties comprise entities which are in the nature of an associate of the Shell Group of which reporting entity (Shell Treasury Centre Limited) is a member.

Related party name	Receivable balance as at		Interest received during the year	
	2018 \$ 000	2017 \$ 000	2018 \$ 000	2017 \$ 000
Gas Del Litoral, S. de R.L. de C.V.	17,271	-	24	49
Private Oil Holdings Oman Limited	364	364	-	-