

Registration number: 00602872

# Shell Aircraft Limited

Annual Report

and

Financial Statements

For the year ended 31 December 2019



## **Shell Aircraft Limited**

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## **Shell Aircraft Limited**

### **Strategic report for the year ended 31 December 2019**

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

The Company is one of the entities within the "Shell Group". In this context the term "Shell Group" and "Companies of the Shell Group" or "Group companies" means companies where Royal Dutch Shell plc, either directly or indirectly, is exposed to, or has rights to, variable returns from its involvement with the Company and has the ability to affect those returns through its power over the Company. Companies in which Group companies have significant influence but not control are classified as "Associated companies". Royal Dutch Shell plc, a company incorporated in England and Wales, is known as the "Parent Company" of the Shell Group. In this Report "Shell", "Shell Group" and "Royal Dutch Shell" are sometimes used for convenience where references are made to Royal Dutch Shell and its subsidiaries in general. These expressions are also used where no useful purpose is served by identifying the particular company or companies.

#### **Business review**

The principal activities of Shell Aircraft Limited are to operate and manage corporate aircraft of the companies of the Shell Group and provide advice on aircraft safety and related matters to operating companies. The Company will continue with these activities for the foreseeable future.

The Company's loss for the financial year increased from a profit of \$1,044,000 to a loss of \$34,000 . This was principally due to tax charge on account of exchange differences.

#### **Principal risks and uncertainties**

The Shell Group has a single risk based control framework - The Shell Control Framework - to identify and manage risks. The Shell Control Framework applies to all wholly owned Shell companies and to those ventures and other companies in which Royal Dutch Shell has directly or indirectly a controlling interest. From the perspective of the Company, the principal risks and uncertainties affecting the Company are considered to be those that affect the Shell Group. Accordingly, the principal risks and uncertainties of the Shell Group, which are discussed on pages 27 to 36 of Royal Dutch Shell's Annual Report and Form 20-F for the year ended 31 December 2019 (the "Group Report"), include those of the Company. The Group Report does not form part of this report.

#### **Key Performance Indicators**

Companies of the Shell Group comprise the Upstream businesses of Exploration and Production, Integrated Gas and New Energies, Oil Sands and the Downstream businesses of Oil Products and Chemicals. The Company's key performance indicators, that give an understanding of the development, performance and position of the business, are aligned with those of the Shell Group. The development, performance and position of the various businesses is discussed on pages 45 to 79 of the Group Report and the key performance indicators through which the Group's performance is measured are as set out on pages 42 to 44 of the Group Report.

## **Shell Aircraft Limited**

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

#### **Section 172(1) statement/Statement of stakeholder interests**

The Companies (Miscellaneous Reporting) Regulations 2018 ('2018 MRR') require Directors to explain how they considered the interests of key stakeholders and the broader matters set out in section 172(1) (A) to (F) of the Companies Act 2006 ('S172') when performing their duty to promote the success of the Company under S172. This includes considering the interest of other stakeholders which will have an impact on the long-term success of the company.

This Section 172 Statement, explains how the Directors have acted in the way they consider, in good faith, would most likely promote the success of the Company for the benefit of its members as a whole, and in doing so have regard (among other matters) to:

- the likely consequences of any decision in the long term and the impact of the Company's operations on the community and the environment;
- the desirability of the Company maintaining a reputation for high standards of business conduct; and
- employee interests, the need to foster the Company's business relationships with suppliers, customers, and others, and the effect of that regard, including on the principal decisions taken by the Company during the financial year.

Ahead of matters being put to the Company Board for consideration, significant levels of engagement are often undertaken by the broader business ahead of many of Shell projects or activities. This engagement is often governed by formulated policies, control frameworks, regulation, legislation and may differ by region. Dependent on the project or activity, Board members may participate in this engagement.

The Company is a member of the Shell Group, an organisation which follows a highly developed and formalised governance and oversight framework, which includes but is not limited to Group policies such as the Shell General Business Principles (which sets out the Shell Group's responsibilities to shareholders, customers, employees, business partners and society) and the Shell Code of Conduct.

The strategic aims of the Company are considered to be derived from those of the Shell Group, which are discussed on pages 20 - 21 of the Royal Dutch Shell plc 2019 Annual Report. The Shell Group internally organises its activities principally along business and function lines but transacts its business through legal entities. This organisation structure is designed to achieve Shell's overall business objectives, whilst respecting the separate legal identity of the individual Shell companies through which it is implemented and the independence of each Board of Directors.

#### **Principal Decisions**

We define Principal decisions taken by the Board as those decisions in 2019, that are of a strategic nature and/or that are significant to any of our key stakeholder groups.

To remain concise, we have categorised our key stakeholders into five groups. Where appropriate, each group is considered to include both current and potential stakeholders.

## Shell Aircraft Limited

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

#### Key stakeholder groups

- A. Shareholders
- B. Employees/Workforce/Pensioners
- C. Regulators/Governments/NGOs
- D. Customers
- E. Suppliers

#### Principal Decisions in 2019

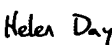
Upon review of the Board activity in 2019 we have determined that no principal decisions were taken by the Board during the year under review. All matters considered by the Board were either standing board updates or the approval of administrative matters.

#### 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 Organisation 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](http://www.shell.com/uk-modern-slavery-act.html).

Approved by the Board on 1 September 2020 and signed on its behalf by:

DocuSigned by:  
  
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Helen Day  
Authorised signatory for  
Shell Corporate Secretary Limited  
Company secretary

## **Shell Aircraft Limited**

### **Directors' report for the year ended 31 December 2019**

The Directors present their report and the financial statements for the year ended 31 December 2019.

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

#### **Dividend**

No dividends were paid during the year (2018: \$Nil).

#### **Future Outlook**

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

#### **Directors of the Company**

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

A. Cramp

S. Medved

J. Phillips (resigned 30 June 2020)

D. M. L Jansen (appointed 5 February 2019)

The following director was appointed after the year end:

David D Leithner (appointed 6 July 2020)

#### **Financial risk management**

The Company's Directors are required to follow the requirements of Shell Group risk management policies, which include specific guidelines on the management of market, credit and liquidity risk, and advice on the use of financial instruments to manage them. Shell Group risk management policies can be found in the Group Report (see pages 168 to 170 and note 19).

#### **Events after the end of the reporting period**

After the balance sheet date, we have seen macro-economic uncertainty with regards to prices and demand for oil, gas and products as a result of the COVID-19 (coronavirus) outbreak. Furthermore, recent global developments and uncertainty in oil supply in March have caused further abnormally large volatility in financial markets. The scale and duration of these developments remain uncertain but could impact our earnings, cash flow and financial condition. The RDS plc group actively assesses the situation across the globe to ensure business continuity plans are put in place to sustain operations and supply chains with a focus on safe working environments and safe conditions for employees and contractors. These developments are not expected to materially impact the recoverability of receivables from other group companies. Further, refer to Note 18 "Events after the end of the reporting period".

## Shell Aircraft Limited

### Directors' report for the year ended 31 December 2019 (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 1 September 2020 and signed on its behalf by:

.....  
Helen Day  
Authorised signatory for  
Shell Corporate Secretary Limited  
Company secretary

DocuSigned by:  
Helen Day  
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## **Independent Auditor's report to the Member of Shell Aircraft Limited**

### **Opinion**

We have audited the financial statements of Shell Aircraft Limited (the "Company") for the year ended 31 December 2019, which comprise the Profit and loss account, Balance sheet, Statement of changes in equity, and the related notes 1 to 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 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Basis for opinion**

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

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

### **Emphasis of matter**

We draw attention to Note 18 of the financial statements, which describes the economic and social disruption the company is facing as a result of COVID-19 which is impacting supply chains, customer demand, and commodity prices. Our opinion is not modified in respect of this matter.

### **Conclusions relating to going concern**

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

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



## **Independent Auditor's report to the Member of Shell Aircraft Limited (continued)**

### **Other information**

The other information comprises the information included in the annual report set out on pages 1 to 5, 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 the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the 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 Aircraft Limited (continued)**

### **Responsibilities of Directors**

As explained more fully in the Statement of Directors' responsibilities set out on page 5, 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.

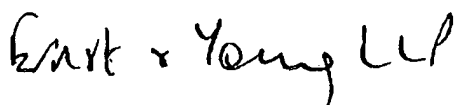
### **Auditor's responsibilities for the audit of the financial statements**

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.



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

Date: **3 September 2020**  
.....

# **Shell Aircraft Limited**

## **Profit and loss account for the year ended 31 December 2019**

### **Continuing operations**

	Note	2019 \$ 000	2018 \$ 000
<b>Turnover</b>	3	56,041	54,194
Cost of sales		<u>(57,033)</u>	<u>(52,977)</u>
<b>OPERATING (LOSS)/PROFIT</b>	6	<b>(992)</b>	<b>1,217</b>
Profit on disposal of tangible fixed assets		<u>4,430</u>	<u>-</u>
<b>PROFIT BEFORE INTEREST AND TAXATION</b>		<b>3,438</b>	<b>1,217</b>
Interest receivable and similar income	4	136	319
Interest payable and similar charges	5	<u>(3,574)</u>	<u>(1,536)</u>
<b>PROFIT BEFORE TAXATION</b>		<b>-</b>	<b>-</b>
Tax on profit	9	<u>(34)</u>	<u>1,044</u>
<b>(LOSS)/PROFIT FOR THE YEAR</b>		<b><u>(34)</u></b>	<b><u>1,044</u></b>

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

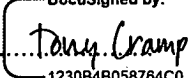
**Shell Aircraft Limited**

**(Registration number: 00602872)**  
**Balance sheet as at 31 December 2019**

	Note	2019 \$ 000	2018 \$ 000
<b>Fixed assets</b>			
Tangible assets	10	199,273	145,584
Right of use assets	14	<u>30,430</u>	<u>-</u>
		<b><u>229,703</u></b>	<b><u>145,584</u></b>
<b>Current assets</b>			
Debtors	11	<u>18,045</u>	<u>10,862</u>
		18,045	10,862
<b>Creditors: Amounts falling due within one year</b>	12	<u>(34,026)</u>	<u>(46,155)</u>
<b>Net current liabilities</b>		<b><u>(15,981)</u></b>	<b><u>(35,293)</u></b>
<b>Total assets less current liabilities</b>		<b>213,722</b>	<b>110,291</b>
<b>Creditors: Amounts falling due after more than one year</b>	13	<u>(184,444)</u>	<u>(80,979)</u>
<b>Net assets</b>		<b><u>29,278</u></b>	<b><u>29,312</u></b>
<b>Equity</b>			
Called up share capital	15	16,594	16,594
Profit and loss account		<u>12,684</u>	<u>12,718</u>
<b>Total equity</b>		<b><u>29,278</u></b>	<b><u>29,312</u></b>

The financial statements on pages 9 to 29 were authorised for issue by the Board of Directors on 1 September 2020 and signed on its behalf by:

.....  
A. Cramp  
Director

DocuSigned by:  
  
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**Shell Aircraft Limited**

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

	Called up share capital \$ 000	Profit and loss account \$ 000	Total \$ 000
<b>Balance as at 01 January 2018</b>	<b>16,594</b>	<b>11,674</b>	<b>28,268</b>
Profit for the year	-	1,044	1,044
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>1,044</b>	<b>1,044</b>
<b>Balance as at 31 December 2018</b>	<b>16,594</b>	<b>12,718</b>	<b>29,312</b>
<b>Balance as at 01 January 2019</b>	<b>16,594</b>	<b>12,718</b>	<b>29,312</b>
Loss for the year	-	(34)	(34)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>(34)</b>	<b>(34)</b>
<b>Balance as at 31 December 2019</b>	<b>16,594</b>	<b>12,684</b>	<b>29,278</b>

## **Shell Aircraft Limited**

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

#### **General information**

The Company is a private company limited by share capital incorporated in England and Wales.  
The address of its registered office is: Shell Centre, London, SE1 7NA, United Kingdom.

#### **1 Accounting policies**

##### **Basis of preparation**

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

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 accounting policies have been consistently applied.

## Shell Aircraft Limited

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

#### 1 Accounting policies (continued)

##### New standards applied

The Company has adopted IFRS 16 Leases with effect from 1 January 2019. Under the new standard, all lease contracts, with limited exceptions outlined below, are recognised in the financial statements by way of right-of-use assets and corresponding lease liabilities. On adoption of IFRS 16, the Company has recognised lease liabilities in relation to leases which had previously been classified as 'non-cancellable operating leases' under the principles of IAS 17 Leases. At 1 January 2019, additional lease liabilities were recognised for leases previously classified as operating leases applying IAS 17. These lease liabilities were measured at the present value of the remaining lease payments and discounted using entity-specific incremental borrowing rates at 1 January 2019. In general, a corresponding right-of-use asset was recognised for an amount equal to each lease liability, adjusted by the amount of any prepayment relating to the specific lease contract, as recognised on the balance sheet at 31 December 2018. Provisions for onerous lease contracts at 31 December 2018 were adjusted to the respective right-of-use assets recognised at 1 January 2019. The Company has applied the modified retrospective transition method, and consequently comparative information is not restated. The reclassifications and the adjustments arising from the new leasing standards are therefore recognised in the opening balance sheet on 1 January 2019.

The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.5%.

In applying IFRS 16 for the first time, the Company has applied the following practical expedients permitted by the standard:

- no reassessment was performed of contracts that were previously identified as leases and contracts that were not previously identified as containing a lease applying IAS 17 Leases and IFRIC 4 Determining whether an arrangement contains a lease.
- leases for which the lease term ends within 12 months of the date of initial application of IFRS 16 have been treated as short-term leases.
- The Company has used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

# Shell Aircraft Limited

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

### 1 Accounting policies (continued)

For leases previously classified as finance leases the Company recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application.

#### Impact on transition

On transition to IFRS 16, the Company recognised additional right of use assets and lease liabilities. The impact on the retained earnings was immaterial.

The detailed impact on the balance sheet at 1 January 2019, is as follows:

	31 December 2018 \$ 000	IFRS 16 Impact \$ 000	1 January 2019 \$ 000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use-assets -Property, plant and equipment	-	60,110	60,110
Tangible Assets (Note 10)	57,301	(57,301)	-
Prepaid leases	220	(220)	-
<b>Current assets</b>			
<b>Total assets</b>	<b>57,521</b>	<b>2,589</b>	<b>60,110</b>
<b>LIABILITIES</b>			
<b>Non current liabilities</b>			
Lease liabilities	(28,869)	(2,519)	(31,388)
<b>Current liabilities</b>			
Lease liabilities	(34,495)	(70)	(34,565)
<b>Total equity and liabilities</b>	<b>63,364</b>	<b>2,589</b>	<b>65,953</b>

The reconciliation of differences between the operating lease commitments disclosed under the prior standard and the additional lease liabilities recognised on the balance sheet at 1 January 2019 is as follows:



## Shell Aircraft Limited

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

#### 1 Accounting policies (continued)

##### LEASE LIABILITIES RECONCILIATION

##### Undiscounted future minimum lease payments under

	\$ 000
<b>Operating leases at 31 December 2018</b>	<b>342</b>
Impact of discounting	(671)
Other reconciling items	3,260
<b>Additional lease liability at 1 January 2019</b>	<b>2,589</b>

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 45(b) and 46 to 52 of IFRS 2, 'Share-based payment' (details of the number and weighted-average exercise prices of share options, and how the fair value of goods or services received was determined);
- IFRS 7, 'Financial Instruments: Disclosures';
- Paragraphs 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities);
- Paragraph 38 of IAS 1, 'Presentation of financial statements' comparative information requirements in respect of:
  - (i) paragraph 79(a)(iv) of IAS 1 'Presentation of financial statements';
  - (ii) paragraph 73(e) of IAS 16 'Property, plant and equipment';
- The following paragraphs of IAS 1, 'Presentation of financial statements':

## Shell Aircraft Limited

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

#### 1 Accounting policies (continued)

- (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';
  - Paragraphs 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors' (requirement for the disclosure of information when an entity has not applied a new IFRS that has been issued but is not yet effective);
  - Paragraphs 17 and 18A of IAS 24, 'Related party disclosures' (key management compensation);
  - The requirements in IAS 24, 'Related party disclosures' to disclose related party transactions entered into between two or more wholly owned members of a group.
  - The following paragraphs of IFRS 16, 'Leases':
    - (i) paragraph 58 (separate maturity analysis for lease liabilities);
    - (ii) paragraphs 90 and 91 (table of lease income from operating leases, including separate disclosure of income from variable lease payments not dependant on an index or a rate);
    - (iii) paragraph 93 (qualitative and quantitative explanation of the significant changes in the carrying amount of the net investment in finance leases).

## **Shell Aircraft Limited**

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

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

##### **Consolidation**

The immediate parent company is Shell Overseas Investments B.V.

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](mailto:order@shell.com)  
Registered Office: Shell Centre, London, SE1 7NA

##### **Fundamental accounting concept**

The balance sheet at 31 December 2019 reports a net current liability position of \$15,981,000. The accounts have been prepared under the going concern concept, based on the fact that Shell Aircraft Limited is a full cost recovery company. All costs are subsequently recovered from the shareholder which enables the Company to meet its liabilities as they fall due. The net current liability is due to timing difference between the recognition of liability and the recovery of related cost from the shareholder. The Company has a long term loan facility to meet the capital expenditure commitment and a current account with an overdraft facility of \$35.5 million with a group company to meet short term funding requirements. Further details in respect of this funding are provided in note 11 and 13.

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

## Shell Aircraft Limited

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

#### 1 Accounting policies (continued)

##### **Taxation**

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

##### ***Corporation Tax***

The Company is registered in The Netherlands for Tax. For the assessment of Netherlands income tax, the Company, together with its parent company, Royal Dutch Shell plc, and most of the subsidiaries in The Netherlands forms part of a fiscal unity.

Royal Dutch Shell plc charges the estimated corporation tax relating to the subsidiaries forming part of the fiscal unity to these subsidiaries. Settlement of Netherlands income tax in the fiscal unity is based on fiscal results.

Income tax is calculated on the profit/(loss) before tax in the profit and loss account, taking into account any losses carried forward from previous financial years (where not included in deferred income tax assets) and tax-exempt items and non-deductible expenses. Account is also taken of changes in deferred income tax assets and liabilities owing to changes in the applicable tax rates.

The Company is part of the fiscal unity for corporate tax of Royal Dutch Shell plc. As a result, the companies in the Shell Nederland group are jointly and severally liable for tax liabilities of the entire fiscal unity.

## **Shell Aircraft Limited**

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

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

##### **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 Dollar (\$), which is also the Company's functional currency.

###### **(ii) Transaction and balances**

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

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

Foreign currency amounts have been translated at \$1.1212: £1 (2018: \$1.2736: £1), being the relevant exchange rate prevailing at the balance sheet date.

##### **Tangible fixed assets and depreciation**

Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use. A review for the potential impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of a fixed asset may not be recoverable. If assets are determined to be impaired, the carrying amounts of those assets are written down to their recoverable amount, which is the higher of fair value less costs to sell and value in use. Value in use is determined as the amount of estimated risk-adjusted discounted future cash flows. For this purpose, assets are grouped into cash-generating units based on separately identifiable and largely independent cash inflows. 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.

## Shell Aircraft Limited

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

#### 1 Accounting policies (continued)

Depreciation is charged so as to write off the cost of assets on a straight line basis, other than land and properties under construction over their estimated useful lives, as follows:

Asset class	Depreciation method and rate
Plant and machinery	10% per annum

Plant and machinery represents aircraft and are depreciated on a straight-line basis over their estimated useful life to their estimated residual value.

Changes in estimates are accounted for prospectively over the remaining useful life of the asset.

#### Turnover

Turnover represents amounts receivable (excluding value added tax) derived mainly from rendering aircraft services, consultancy services and recharge of other costs including impairment under agreements with Group and Associated companies and is recognised when the services are provided or based on other specific arrangements.

#### 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.

#### 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.

## **Shell Aircraft Limited**

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

#### **2 Critical accounting judgements and key sources of estimation uncertainty (continued)**

##### **Useful economic life of tangible fixed assets**

Depreciation of tangible fixed assets is calculated using management's assessment of the useful economic lives of the underlying assets. Upon purchase or construction of an asset, useful economic life is assessed by reference to a number of underlying assumptions, including the economic lives of other similar assets. As the economic benefit of the assets is consumed over the course of its life, revisions to the useful life of the asset may be made upon assessment of changes in the operating environment or the condition of the asset itself.

##### **Impairment of tangible fixed assets**

For the purposes of determining whether impairment of tangible fixed assets has occurred, and the extent of any impairment or its reversal, management uses the market valuation received from external valuer appropriate to the local circumstances and environment. These assumptions and the judgements of management that are based on them are subject to change as new information becomes available. Changes in economic conditions can also affect the rate used to discount future cash flow estimates.

Changes in assumptions could affect the carrying amounts of assets, and impairment charges and reversals will affect income.

##### **Provision for expected credit losses of trade debtors**

The Company computes the probability of default rates for intra-group trade debtors using an internal credit rating. These ratings are based on methodologies adopted by independent credit rating agencies, therefore the internal ratings already consider forward looking information.

##### **Determining lease term**

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

## Shell Aircraft Limited

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

#### 2 Critical accounting judgements and key sources of estimation uncertainty (continued)

##### Determining lease discount rate

The Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Company would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The Company estimates the IBR using observable inputs like the risk-free rate and adjust it for factors such as the credit rating of the Company and the terms and conditions of the lease.

#### 3 Turnover

Turnover represents amounts receivable (excluding value added tax) derived mainly from rendering aircraft services, consultancy activities and cost recharges under agreements with Group and Associated Companies.

#### 4 Interest receivable and similar income

	2019 \$ 000	2018 \$ 000
Interest from Group undertakings:		
Fellow subsidiary undertakings	10	22
Profit on currency translation	<u>126</u>	<u>297</u>
	<u><b>136</b></u>	<u><b>319</b></u>

#### 5 Interest payable and similar charges

	2019 \$ 000	2018 \$ 000
Interest on loans from Group undertakings:		
Fellow subsidiary undertakings	2,794	685
Interest on obligations under finance leases and hire purchase contracts	<u>780</u>	<u>851</u>
	<u><b>3,574</b></u>	<u><b>1,536</b></u>



## Shell Aircraft Limited

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

#### 6 Operating profit

Arrived at after charging:

	2019 \$ 000	2018 \$ 000
Operating lease rental charged:		
Land and buildings	-	343
Aircraft	-	1,522
Depreciation:		
On owned assets	4,739	-
On assets under leases	12,047	13,618

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

#### 7 Staff costs

The aggregate payroll costs were as follows:

	2019 \$ 000	2018 \$ 000
Wages and salaries	11,911	11,422
Social security costs	684	722
Pension costs	1,293	1,335
	<u>13,888</u>	<u>13,479</u>

The average number of persons working on behalf of the Company in 2019 was 58 (2018: 57). All of them were employed in the United Kingdom, The Netherlands, the United States of America and were principally involved in the activities of Shell Aircraft Limited. These staff were employed by Shell International Limited ("SIL"), Shell International B.V. ("SIBV") and Shell Oil Company ("SOC"), but their costs were recharged to Shell Aircraft Limited.

#### 8 Auditors' remuneration

The auditors' remuneration of \$11,000 (2018: \$4,900) in respect of the statutory audit was borne by the immediate parent company for both the current and preceding years.

# **Shell Aircraft Limited**

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

### **9 Tax on profit**

#### **Tax charge/(credit) in the profit and loss account**

The tax residency was moved from United Kingdom (UK) to The Netherlands (NL) with effect from 1 January 2015.

The tax charge for the year of \$34,000 (2018: credit of \$1,044,000) is made up as follows:

	<b>2019</b>	<b>2018</b>
	<b>\$ 000</b>	<b>\$ 000</b>
<b>Current taxation</b>		
NL Corporation tax	34	(229)
<b>Deferred taxation</b>		
Arising from origination and reversal of temporary differences	-	(815)
Total deferred taxation	-	(815)
<b>Tax credit in the profit and loss account</b>	<b>34</b>	<b>(1,044)</b>

#### **Reconciliation of total tax charge/(credit)**

The tax assessed for the year differs from the standard effective rate of corporation tax in the NL of 25% (2018: 25%).

The differences are reconciled below:

	<b>2019</b>	<b>2018</b>
	<b>\$ 000</b>	<b>\$ 000</b>
(Profit)/loss before tax	-	-
<b>Effects of:</b>		
Difference in exchange	34	(1,044)
<b>Total tax charge/(credit)</b>	<b>34</b>	<b>(1,044)</b>

The average main rate of NL Corporation tax for the year 31 December 2019 was 25% (2018 : 25%)

# Shell Aircraft Limited

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

### 10 Tangible assets

	<b>Aircraft Owned Assets \$ 000</b>	<b>Aircraft Leased Assets \$ 000</b>	<b>Assets under construction \$ 000</b>	<b>Total \$ 000</b>
<b>Cost or valuation</b>				
Balance at 31 December 2018	-	174,654	88,284	262,938
IFRS 16 Transition adjustment	-	(174,654)	-	(174,654)
Balance at 01 January 2019 (Restated)	-	-	88,284	88,284
Additions	-	-	115,728	115,728
Transfers	121,484	-	(121,484)	-
<b>Balance at 31 December 2019</b>	<b>121,484</b>	<b>-</b>	<b>82,528</b>	<b>204,012</b>
<b>Accumulated Depreciation</b>				
Balance as at 31 December 2018	-	(117,353)	-	(117,353)
IFRS 16 Transition Adjustment	-	117,353	-	117,353
Balance at 01 January 2019 (Restated)	-	-	-	-
Charge for the year	(4,739)	-	-	(4,739)
<b>Balance at 31 December 2019</b>	<b>(4,739)</b>	<b>-</b>	<b>-</b>	<b>(4,739)</b>
<b>Net book amount</b>				
<b>At 31 December 2019</b>	<b>116,745</b>	<b>-</b>	<b>82,528</b>	<b>199,273</b>
<b>At 31 December 2018</b>	<b>-</b>	<b>57,301</b>	<b>88,284</b>	<b>145,585</b>

The leased assets above represent aircraft held under finance lease with a Group company which is now classified as right-of-use assets in Note 14.

# **Shell Aircraft Limited**

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

### **11 Debtors**

#### **Debtors: amounts due within one year**

	<b>2019</b>	<b>2018</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Trade debtors	2	1
Amounts owed by Group undertakings:		
Fellow subsidiary undertakings	1,166	415
Amounts owed by participating undertakings	121	61
Prepayments and accrued income	16,347	10,249
Other debtors	409	136
	<u><b>18,045</b></u>	<u><b>10,862</b></u>

Amounts owed by group undertakings are unsecured, interest free except for the current account balance of \$623,162 (2018: \$919,536 payable) with Shell Treasury Centre Limited at an effective interest rate between 0% and 2.49%, and are receivable within the normal 30 day credit period.

### **12 Creditors: Amounts falling due within one year**

	<b>2019</b>	<b>2018</b>
	<b>\$ 000</b>	<b>\$ 000</b>
Trade creditors	1,985	732
Amounts owed to Group undertakings		
Fellow subsidiary undertakings	12,050	10,210
Lease liabilities	19,329	34,495
Accrued expenses	662	718
	<u><b>34,026</b></u>	<u><b>46,155</b></u>

Amounts owed to Group undertakings does not include any current account balance (2018: \$919,536 Payable) with Shell Treasury Centre Limited. The remaining amounts owed to Group undertakings are non-interest bearing and payable within 30 day credit period.

## Shell Aircraft Limited

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

#### 13 Creditors: Amounts falling due after more than one year

	2019 \$ 000	2018 \$ 000
Amounts due to Group undertaking		
Fellow subsidiary undertakings	170,239	52,110
Lease liabilities	14,205	28,869
	<u>184,444</u>	<u>80,979</u>

Amounts owed to Group undertakings includes two loans from Shell Petroleum N.V. denominated in USD, these loans are chargeable to interest rate of 2.5876%. The loan amounting to \$111 million falls due on 18 April 2021 and the other loan matures on 16 July 2024.

#### 14 Leases

##### Right-of-use assets

The Company has lease contracts for various items of plant, machinery, vehicles and other equipment used in its operations.

Set out below are the carrying amounts of right-of use-assets recognised and the movements during the period:

	Property \$ 000	Other \$ 000	Total \$ 000
Balance at 1 January 2019 (restated)	2,809	57,301	60,110
Depreciation charge for the year	(248)	(11,826)	(12,074)
Additions during the year	49	-	49
Derecognition during the year	-	(17,655)	(17,655)
<b>Balance at 31 December 2019</b>	<u><b>2,610</b></u>	<u><b>27,820</b></u>	<u><b>30,430</b></u>

## Shell Aircraft Limited

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

#### 15 Called up share capital

##### Allotted, called up and fully paid shares

	No.	2019 \$ 000	No.	2018 \$ 000
Issued share capital of £1 each	<u>8,200,000</u>	<u>16,594</u>	<u>8,200,000</u>	<u>16,594</u>

#### 16 Dividends

The Directors recommend that no dividend be paid for the year ended 31 December 2019 (2018: \$Nil).

#### 17 Commitments

##### Capital commitments

Capital expenditure contracted for but not provided for the year ended 31 December 2019 is \$18,242,000 (2018: \$149,118,000) towards purchase of new aircraft.

#### 18 Events after the end of the reporting period

Subsequent to the balance sheet date, the Company completed sale of two leased aircraft for \$16,000,000 and \$14,700,000 carrying a lease liability of \$9,300,000 and \$9,100,000 respectively. This transaction is consistent with Shell's overall divestment programme.

Also, due to adverse macroeconomic conditions and global pandemic, as a cash preservation initiative, the company cancelled the purchase of one of the two 8X aircrafts to be delivered in 2020. The refund was received in May 2020.

After the balance sheet date, we have seen macro-economic uncertainty with regards to prices and demand for oil, gas and products as a result of the COVID-19 (coronavirus) outbreak. Furthermore, recent global developments and uncertainty in oil supply in March have caused further abnormally large volatility in financial markets. The scale and duration of these developments remain uncertain but could impact our earnings, cash flow and financial condition. The RDS plc group actively assesses the situation across the globe to ensure business continuity plans are put in place to sustain operations and supply chains with a focus on safe working environments and safe conditions for employees and contractors. These developments are not expected to materially impact the recoverability of receivables from other group companies.

## Shell Aircraft Limited

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

#### 19 Related party transactions

The Company is controlled by Shell Overseas Investments B.V. (incorporated in The Netherlands), which owns 100% of the Company's shares. The group's ultimate parent is Royal Dutch Shell plc. (incorporated in England and Wales).

In accordance with the exemption allowed by FRS 101 no disclosure is made of transactions with wholly-owned member companies of the Shell Group.

The details of related party transactions happened during the year and year end balance outstanding are as follows:

Related party name	Receivable balance as at		Sales during the year	
	2019 \$ 000	2018 \$ 000	2019 \$ 000	2018 \$ 000
Sakhalin Energy Investment Company Ltd	-	-	205	-
Brunei Shell Petroleum Company Sendirian Berhad	-	-	298	143
LNG Canada Development Inc.	50	-	50	-
Nederlandse Aardolie Maatschappij B.V.	-	61	63	153
Shell & BP South African Petroleum Refineries (Pty) Limited	-	-	-	29