

Registration number: 00602872

Shell Aircraft Limited

Annual Report

and

Financial Statements

For the year ended 31 December 2018



Shell Aircraft Limited

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Shell Aircraft Limited

Strategic report for the year ended 31 December 2018

The Directors present their strategic report on Shell Aircraft 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 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 profit for the financial year increased from \$677,000 to \$1,044,000. This was principally due to higher tax credit 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 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).

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 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.

Shell Aircraft Limited

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

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.

Approved by the Board on 25 July 2019 and signed on its behalf by:

DocuSigned by:

Helen Day

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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 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

No dividends were paid during the year (2017: \$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

The following director was appointed after the year end:

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

Events after the end of the reporting period

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

Shell Aircraft 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 law 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 25 July 2019 and signed on its behalf by:

DocuSigned by:

Helen Day

Helen Day CA4E1...

Authorised signatory for
Shell Corporate Secretary Limited
Company secretary

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 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 Aircraft 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 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 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.

Ernst & Young LLP

William Testa (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP, Statutory Auditor
London

Date: *21 August 2019*

Shell Aircraft Limited

Profit and loss account for the year ended 31 December 2018

Continuing operations

	Note	2018 \$ 000	2017 \$ 000
Turnover	3	54,194	57,319
Cost of sales		<u>(52,977)</u>	<u>(54,135)</u>
OPERATING PROFIT	6	1,217	3,184
Provision for impairment of tangible fixed assets		<u>-</u>	<u>(1,286)</u>
PROFIT BEFORE INTEREST AND TAXATION		1,217	1,898
Interest receivable and similar income	4	319	69
Interest payable and similar charges	5	<u>(1,536)</u>	<u>(1,967)</u>
PROFIT BEFORE TAXATION		-	-
Tax on profit	9	<u>1,044</u>	<u>677</u>
PROFIT FOR THE YEAR		<u>1,044</u>	<u>677</u>

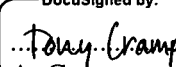
The profit for the current year and for the prior year are equal to the total comprehensive income and accordingly a statement of comprehensive income has not been presented.

Shell Aircraft Limited

(Registration number: 00602872)
Balance sheet as at 31 December 2018

	Note	2018 \$ 000	2017 \$ 000
Fixed assets			
Tangible assets	10	<u>145,584</u>	<u>105,659</u>
		145,584	105,659
Current assets			
Debtors	11	<u>10,862</u>	<u>22,173</u>
		10,862	22,173
Creditors: amounts falling due within one year	12	<u>(46,155)</u>	<u>(27,515)</u>
Net current liabilities		(35,293)	(5,342)
Total assets less current liabilities		110,291	100,317
Creditors: amounts falling due after more than one year	13	<u>(80,979)</u>	<u>(72,049)</u>
Net assets		29,312	28,268
Equity			
Called up share capital	15	16,594	16,594
Profit and loss account		<u>12,718</u>	<u>11,674</u>
Total equity		29,312	28,268

The financial statements on pages 8 to 26 were authorised for issue by the Board of Directors on 25 July 2019 and signed on its behalf by:

DocuSigned by:
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Director

Shell Aircraft Limited

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

	Called up share capital \$ 000	Profit and loss account \$ 000	Total \$ 000
Balance as at 01 January 2017	16,594	10,997	27,591
Profit for the year	-	677	677
Total comprehensive income for the year	-	677	677
Balance as at 31 December 2017	16,594	11,674	28,268
Balance as at 01 January 2018	16,594	11,674	28,268
Profit for the year	-	1,044	1,044
Total comprehensive income for the year	-	1,044	1,044
Balance as at 31 December 2018	16,594	12,718	29,312

Shell Aircraft 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 accounting policies have been consistently applied.

New standards applied

The adoption of IFRS 9 and IFRS 15 has 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 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';

Shell Aircraft 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.

Shell Aircraft Limited

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

Registered Office: Shell Centre, London, SE1 7NA

Fundamental accounting concept

The balance sheet at 31 December 2018 reports a net current liability position of \$35,293,000. 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. Further details in respect of this funding are provided in note 13.

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.

Shell Aircraft Limited

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

1 Accounting policies (continued)

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.

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 \$1.2736: £1 (2017: \$1.3508: £1), being the relevant exchange rate prevailing at the balance sheet date.

Shell Aircraft Limited

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

1 Accounting policies (continued)

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.

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- Leased	10% per annum

Plant and machinery - leased 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.

Shell Aircraft 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.

Impairment of financial assets

The impairment requirements for expected credit losses are applied to financial assets measured at amortised cost, financial assets measured at FVOCI and financial guarantees contracts to which IFRS 9 is applied and that are not accounted for at FVTPL and lease 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. For trade debtors that do not contain a significant financing component, the simplified approach is applied recognising expected lifetime credit losses from initial recognition.

Financial Liabilities

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

Shell Aircraft Limited

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

1 Accounting policies (continued)

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.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

Assets held under finance leases are recognised as non-current assets of the Company at the lower of their fair value at the date of commencement of the lease and at the present value of the minimum lease payments. These assets are depreciated on a straight-line basis over the shorter of the useful life of the asset and the lease term. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance costs in the income statement and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

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 2018 (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.

Shell Aircraft Limited

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

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

	2018 \$ 000	2017 \$ 000
Interest from Group undertakings:		
Fellow subsidiary undertakings	22	69
Profit on currency translation - financial items	297	-
	<u>319</u>	<u>69</u>

5 Interest payable and similar charges

	2018 \$ 000	2017 \$ 000
Interest on loans from Group undertakings:		
Fellow subsidiary undertakings	685	14
Interest on obligations under finance leases and hire purchase contracts	851	1,061
Loss on currency translation - financial items	-	892
	<u>1,536</u>	<u>1,967</u>

Shell Aircraft Limited

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

6 Operating profit

Arrived at after charging:

	2018	2017
	\$ 000	\$ 000
Operating lease rental charged:		
Land and buildings	343	307
Aircraft	1,522	1,013
Depreciation:		
On owned assets	-	41
On assets under finance leases	13,618	14,644

None of the Directors received any emoluments (2017: none) in respect of their services to the Company.

7 Staff costs

The aggregate payroll costs were as follows:

	2018	2017
	\$ 000	\$ 000
Wages and salaries	11,422	11,235
Social security costs	722	655
Pension costs	1,335	1,364
	<u>13,479</u>	<u>13,254</u>

The average number of persons working on behalf of the Company in 2018 was 57 (2017: 61). 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 \$4,900 (2017: \$4,600) 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 2018 (continued)

9 Tax on profit

Tax 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 credit for the year of \$1,044,000 (2017: \$677,000) is made up as follows:

	2018 \$ 000	2017 \$ 000
Current taxation		
NL Corporation tax	(1,044)	827
Foreign tax	-	(1,504)
	<u>(1,044)</u>	<u>(677)</u>
Tax credit in the profit and loss account	<u><u>(1,044)</u></u>	<u><u>(677)</u></u>

Reconciliation of total tax credit

The tax assessed for the year differs from the standard effective rate of corporation tax in the NL of 25% (2017: 25%).

The differences are reconciled below:

	2018 \$ 000	2017 \$ 000
Profit/loss before tax	-	-
Effects of:		
UK - Foreign current tax	-	(1,504)
Difference in exchange	(1,044)	827
Total tax credit	<u><u>(1,044)</u></u>	<u><u>(677)</u></u>

The average main rate of NL Corporation tax for the year 31 December 2018 was 25% (2017 : 25%)

Shell Aircraft Limited

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

10 Tangible assets

	Plant and machinery leased \$ 000	Assets under construction \$ 000	Total \$ 000
Cost or valuation			
Balance at 01 January 2018	174,654	34,740	209,394
Additions	<u>-</u>	<u>53,543</u>	<u>53,543</u>
Balance at 31 December 2018	<u>174,654</u>	<u>88,283</u>	<u>262,937</u>
Accumulated Depreciation			
Balance at 01 January 2018	103,735	-	103,735
Charge for the year	<u>13,618</u>	<u>-</u>	<u>13,618</u>
Balance at 31 December 2018	<u>117,353</u>	<u>-</u>	<u>117,353</u>
Net book amount			
Balance at 31 December 2018	<u><u>57,301</u></u>	<u><u>88,283</u></u>	<u><u>145,584</u></u>
Balance at 31 December 2017	<u><u>70,919</u></u>	<u><u>34,740</u></u>	<u><u>105,659</u></u>

The leased plant and machinery above represents aircraft held under finance lease with a Group company.

Shell Aircraft Limited

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

11 Debtors

Debtors: amounts due within one year

	2018 \$ 000	2017 \$ 000
Trade debtors	1	-
Amounts owed by Group undertakings:		
Fellow subsidiary undertakings	415	4,375
Amounts owed by participating undertakings	61	103
Prepayments and accrued income	10,249	17,445
Other debtors	136	250
	<u>10,862</u>	<u>22,173</u>

Amounts owed by Group undertakings are non-interest bearing and payable within the normal 30 day credit period.

12 Creditors: amounts falling due within one year

	2018 \$ 000	2017 \$ 000
Trade creditors	732	735
Amounts owed to Group undertakings:		
Fellow subsidiary undertakings	10,210	8,838
HP and finance lease liabilities (note 14)	34,495	14,896
Accrued expenses	718	3,046
	<u>46,155</u>	<u>27,515</u>

Amounts owed to Group undertakings includes an interest bearing current account balance of \$919,536 (2017: \$3,741,695 receivable) with Shell Treasury Centre Limited at an effective average interest rate between 0% and 1.36% per annum. The remaining amounts owed to Group undertakings are non-interest bearing and payable within 30 day credit period. The comparative numbers have been reclassified to be consistent with current year disclosure.

Shell Aircraft Limited

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

13 Creditors: amounts falling due after more than one year

	2018 \$ 000	2017 \$ 000
Amounts owed to Group undertakings:		
Obligations under finance leases (see Note 14)	28,869	63,364
Fellow subsidiary undertakings	52,110	8,685
	<u>80,979</u>	<u>72,049</u>

Amount owed to Group undertakings includes a loan from Shell Petroleum N.V. carrying an interest rate of 2.6418% and with the final instalment due in 2020.

14 Obligations under leases and hire purchase contracts

Finance leases

The present value of future minimum lease payments is as follows:

	Minimum lease payments \$ 000
2018	
Within one year	34,495
In two to five years	28,869
	<u>63,364</u>
	Minimum lease payments \$ 000
2017	
Within one year	14,896
In two to five years	63,364
	<u>78,260</u>

Shell Aircraft Limited

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

14 Obligations under leases and hire purchase contracts (continued)

Operating leases

The total future value of minimum lease payments is as follows:

	2018 \$ 000	2017 \$ 000
Within one year	342	360
In two to five years	-	360
	<u>342</u>	<u>720</u>

15 Called up share capital

Allotted, called up and fully paid shares

	No.	2018 \$ 000	No.	2017 \$ 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 2018 (2017: \$Nil).

17 Commitments

Capital commitments

Capital expenditure contracted for but not provided for the year ended 31 December 2018 is \$149,118,000 (2017: \$196,860,000) towards purchase of new aircraft.

18 Events after the end of the reporting period

The Company has sold one of its aircraft, Falcon 7X VQ-BSF in April 2019 for USD 22,500,000 which had a net book value of USD 18,934,000 at the Balance sheet date.

Shell Aircraft Limited

Notes to the financial statements for the year ended 31 December 2018 (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	
	2018 \$ 000	2017 \$ 000	2018 \$ 000	2017 \$ 000
Shell Gabon SA	-	-	-	490
Brunei Shell Petroleum Company Sendirian Berhad	-	29	143	100
Shell Todd Oil Services Limited	-	-	-	70
Nederlandse Aardolie Maatschappij B.V.	61	14	153	243
Shell & BP South African Petroleum Refineries (Pty) Limited	-	60	29	60