To whom it may concern,

Shell in the UK welcomes the opportunity to comment on the Accounting Standards Board consultation paper "Policy Proposal: The Future of UK GAAP". Please note that the views expressed in this response are specifically in relation to our UK companies and are not necessarily reflective of the Shell Group's position on IFRS for SMEs, which will be formulated as more countries consider its suitability.

Although we broadly support the aims of IFRS for SMEs, we will be continuing to lobby the IASB to introduce an IFRS for subsidiaries of listed companies, which we believe should be based on full IFRS but with significantly reduced disclosures. Our comments below reflect the position that the IASB is unlikely to progress this in the foreseeable future and we therefore want to contribute to any debate on the direction that UK GAAP may take.

Question 1 - Which definition of Public Accountability do you prefer: the Board's proposal (paragraph 2.3) or the current legal definitions (paragraph 2.5)? Please state the reasons for your preference. If you do not agree with either definition, please explain why not and what your proposed alternative would be.

We prefer the Boards' definition of Public Accountability. If the current legal definitions were maintained, large companies would be arbitrarily forced to use EU adopted IFRS without consideration being given to stakeholder risk. We believe the Board's proposal addresses this concern and introduces a risk-based approach, which is more in keeping with an accounting methodology based on principles rather than rules.

Question 2 - Do you agree that all entities that are publicly accountable should be included in Tier 1? If not, why not?

We agree with this approach for standalone entities that are not part of a group, however see our comments in question 3 below. For standalone entities, investors and other stakeholders need to see detailed information and disclosures, which allow them to make their own risk assessment.

Question 3 - Do you agree with the Board's proposal that wholly owned subsidiaries that are publicly accountable should apply EU adopted IFRS? If not, why not?

We do not agree that all wholly owned subsidiaries that are publicly accountable should apply EU adopted IFRS but only if the following conditions are met:

- *The subsidiary is included in the consolidated accounts of a parent, which are prepared under EU adopted IFRS*
- *The subsidiary has been provided guarantees or similar by the ultimate parent such that any risk for stakeholders has effectively been transferred. An example would be where an entity is used as the financing vehicle for the group with all debt being guaranteed by the parent. Note that the subsidiary would still be covered by the disclosure requirements of the Transparency Directive if relevant.*

Question 4 - Do you still consider that wholly owned subsidiaries that are publicly accountable should be allowed reduced disclosures? If so, it would be helpful if you could highlight such disclosure reductions as well as explaining the rationale for these reductions.

We consider that reduced disclosures should still be available to wholly owned subsidiaries that are publicly accountable. Under current UK GAAP, exemptions are available for (amongst others) cash flow statements and related party disclosures. If these are not considered risk areas under the current reporting structure, it is difficult to see how they can be justified under IFRS. There would also be extra costs involved in producing these disclosures for little benefit to the reader.

Question 5 - Do you agree with the Board's proposal that the IFRS for SMEs should be used by "Tier 2" entities?

We agree with this proposal.

Question 6 - Do you agree with the Board's proposal that the IFRS for SMEs should be adopted wholesale and not amended? If not, why not? It would be helpful if you could provide specific examples of any amendments you think should be made, as well as the reason for recommending these amendments?

We do not agree that the IFRS for SMEs should be adopted wholesale and not amended. As mentioned in question 4, we believe that existing exemptions available under UK GAAP should continue to be available under IFRS for SMEs. Whilst we understand the Board's concern that amendments for UK and Irish application would lead to its own care and maintenance regime for this standard, this would be far less onerous than requiring entities to prepare statements and disclosures, which are currently deemed unnecessary.

Question 7 - Do you agree with the Board's proposal that large Non-Publicly Accountable Entities should be permitted to adopt the IFRS for SMEs? Or do you agree that large entities should be required to use EU adopted IFRS? Please give reasons for your view.

We agree that large Non-Publicly Accountable Entities should be permitted to adopt the IFRS for SMEs. Disclosures and other information provided would be similar to that already provided under UK GAAP and would therefore not disadvantage the reader. We are also sceptical of arbitrary size- based rules and their relevance in identifying companies that require extra disclosures.

Question 8 - Do you agree with the Board that the FRSSE should remain in force for the foreseeable future?

We have no comments on this question.

Question 9 - Do you agree that the FRSSE could be replaced by the IFRS for SMEs after an appropriate transition period, following the issuance of the IFRS for SMEs?

We have no comments on this question.

Question 10 - Do you agree with the Board's current views on the future role of SORPs? If not, why not?

We agree with the Board's current views on the future role of SORPs. The SORP on accounting for oil and gas exploration is of particular relevance to Shell and until such time as the IASB issues an IFRS on extractive industries, it provides valuable guidance on best practice.

Questions 11 - 14 on public benefit entities

We have no comments on these questions.

Question 15 - If you are an entity whose basis of preparing financial statements will change under these proposals, what are the likely effects of applying those new requirements? Please indicate both benefits and costs and other effects as appropriate. If you are a user of financial statements (such as an investor or creditor), what positive and negative effects do you anticipate from the implementation of the proposals set out in this paper?

Benefits
The potential for less GAAP differences between group accounts and statutory accounts that may generate a saving in audit fees.

If adopted globally, IFRS for SMEs could create potential for economies of scale and assist in the off-shoring of production of statutory accounts

Costs and other effects
Unless the exemption for a cash flow statement is maintained, there may be initial IT costs to generate the required information and there will be ongoing costs to produce it each year.

The same comment holds for related party disclosures and is of particular relevance given the amount of transactions that pass between Shell entities.

I look forward to reviewing the outcomes to the consultation paper in due course.

Kind Regards,

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