

THE SHELL PETROLEUM COMPANY LIMITED

DIRECTORS' REPORT

AND ACCOUNTS

2005

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Registered in England and Wales: 77861



THE SHELL PETROLEUM COMPANY LIMITED

DIRECTORS' REPORT

The Directors submit their annual report and audited accounts for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company holds, directly or indirectly, investments in companies of the Shell Group, which is present in more than 140 countries and territories around the world and is engaged in the businesses of Exploration and Production, Gas and Power, Oil Products, Chemicals and other industry segments.

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

On 20 July 2005, the ultimate parent company changed from N.V. Koninklijke Nederlandsche Petroleum Maatschappij ("Royal Dutch Petroleum Company") to Royal Dutch Shell plc ("Royal Dutch Shell") after all necessary conditions were fulfilled to approve the unification of Royal Dutch Petroleum Company (RD) and The "Shell" Transport and Trading Company, p.l.c. under a single parent company.

The Shell Group was further restructured in December 2005 resulting in the Company becoming a wholly owned subsidiary of The Shell Transport and Trading Company Limited ("STT"), formerly The "Shell" Transport and Trading Company, p.l.c.. In order to enable this restructuring, the Company issued 1,262,361,568 bonus "B" shares of £1 to STT out of its share premium account and other reserves on 16 December 2005.

The Company's profit for the financial year increased from \$4,113.5 million in 2004 (as restated) to \$13,104.5 million in 2005. The increase in administrative expenses is mainly due to the write-back of a loan provision of \$13.4 million in the current year compared to a write-back in 2004 of \$731.2 million. Dividends from shares in subsidiary undertakings were \$12,529.7 million (2004: \$3,074.4 million).

During the year, the Company has adopted FRS 21 "Events after the balance sheet date". The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. The effect of the change in accounting policy to adopt FRS 21 was to recognise in the current year a dividend of \$8.5 million received from subsidiaries in 2005 but in respect of 2003, which was recognised as a receivable in the prior year accounts.

During the year, the Company has adopted the presentation requirements of FRS 25 "Financial Instruments: Disclosure and Presentation". The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. The effect of the change in accounting policy to adopt FRS 25 was to revalue investments in redeemable shares and recognise currency translation differences on these investments in the profit and loss account. In the year ended 31 December 2004, a currency loss of \$76.9 million was recognised and the value of investments in subsidiary undertakings at 31 December 2004 was reduced by \$49.1 million. In the year ended 31 December 2005 a further currency loss of \$0.3 million was recognised as a result of the adoption of this accounting policy.

First Interim dividends in respect of the "B" Shares of \$190.8 million and \$803.4 million were declared on 3 March 2005 and paid on 7 March 2005 and 15 June 2005 respectively. Second interim dividends in respect of the "B" shares of \$1,093.8 million, \$1,093.8 million and \$1,944.4 million were declared on 16 June 2005 and were paid on 1 August 2005, 12 September 2005 and 13 September 2005 respectively. Third interim dividends in respect of the "B" shares of \$700 million, \$700 million and \$2,000 million were declared on 19 September 2005 and paid on 14 November 2005, 2 December 2005 and 13 December 2005 respectively. Fourth interim dividends in respect of the "B" shares of \$1,000 million and \$2,000 million were declared at an EGM on 9 December 2005 and paid on 1 March 2006 and 13 March 2006 respectively. All the above dividends are in respect of the year 2005. A further dividend of \$17,000 million in respect of the year 2005 was declared at an EGM on 26 January 2006 and paid on 31 January 2006. No further dividends in respect of 2005 are recommended.

THE SHELL PETROLEUM COMPANY LIMITED

DIRECTORS' REPORT (Continued)

Following the unification of the Group under Royal Dutch Shell plc, the Directors have concluded that the most appropriate functional currency of the Company is US Dollars. The previous functional currency of the Company was Pounds Sterling. The date of the functional currency change was 30 June 2005 when the Pounds Sterling to US Dollar exchange rate was 1:1.8040772. On this date all assets, liabilities, issued share capital, reserves and profit & loss account items were translated into US Dollars. On the same date, the presentational currency of the Company also changed to US Dollars. Accordingly, the opening balance sheet and prior year comparatives have been presented in US Dollars.

DIRECTORS

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

M.A. Brinded		
L.Z. Cook		
D.T. Lawrence	Appointed 9 September 2005	
A.W. Longden	Appointed 9 September 2005	
Sir Mark Moody-Stuart		Resigned 28 June 2005
T.D.R. Morrison	Appointed 9 September 2005	
R.J. Routs		
M.A. van den Bergh		Resigned 28 June 2005
J. van der Veer (Chairman)		
P.R. Voser		

DIRECTORS' INTERESTS

Any shareholdings in Royal Dutch Petroleum Company and The "Shell" Transport and Trading Company, p.l.c. at 20 July 2005 were exchangeable for Royal Dutch Shell Class A and Class B ordinary shares respectively at the conversion rates applicable under the terms of the unification:

- For each Royal Dutch Petroleum Company ordinary share held: 2 Royal Dutch Shell Class A ordinary shares
- For each The "Shell" Transport and Trading Company, p.l.c. ordinary share held: 0.287333066 Royal Dutch Shell Class B ordinary shares
- For each Royal Dutch New York share held: 1 Royal Dutch Shell Class A ADR.

a) Directors' interests in shares

The Directors' shareholding and debenture-holding interests (other than share options) in Royal Dutch Petroleum Company and Royal Dutch Shell and its subsidiary undertakings recorded in the Register of such interests were as follows:

	Royal Dutch Petroleum Company ordinary shares of €0.56 each		Royal Dutch Shell ordinary shares of €0.07 each			
	1 January 2005		20 July 2005		31 December 2005	
			Class A	Class B	Class A	Class B
M.A. Brinded	-		-	22,397	-	22,397
L.Z. Cook	3,702		7,404	-	27,484	-
A.W. Longden	-		-	101*	-	190
T.D.R. Morrison	-		-	15,790*	-	16,102
R.J. Routs	-		-	-	1,000	-
J. van der Veer	10,512		21,200	-	26,836	-
P.R. Voser	-		2,000	-	2,000	-

* Shares held at date of appointment

THE SHELL PETROLEUM COMPANY LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS (Continued)

b) Directors' interests in shares under share option schemes

The interests of the Directors of the Company in shares of Royal Dutch Petroleum Company, The "Shell" Transport and Trading Company, p.l.c. and Royal Dutch Shell under share option schemes as recorded in the Register of such interests were as follows:

Royal Dutch Petroleum Company ordinary shares

	€0.56 each Options Outstanding 1 January 2005	Options Granted	Options Exercised	Options Lapsed/ Cancelled	€0.56 each Options Outstanding 20 July 2005
M.A. Brinded	165,000	-	-	(25,000)	140,000
L.Z. Cook	106,300	-	-	-	106,300
R.J. Routs	302,466	-	-	(25,000)	277,466
J. van der Veer	519,600	-	-	(52,500)	467,100
Royal Dutch New York shares					
L.Z. Cook	267,512	-	-	(35,000)	232,512

The "Shell" Transport and Trading Company, p.l.c. ordinary shares

	£0.25 each Options Outstanding 1 January 2005	Options Granted	Options Exercised	Options Lapsed/ Cancelled	£0.25 each Options Outstanding 20 July 2005
M.A. Brinded	1,313,550	-	-	-	1,313,550
P.R. Voser	800,000	-	-	-	800,000

Royal Dutch Shell ordinary shares

	€0.07 each Options Outstanding 20 July 2005	Options Granted	Options Exercised	Options Lapsed/ Cancelled	€0.07 each Options Outstanding 31 December 2005
Class A					
M.A. Brinded	280,000	-	-	-	280,000
L.Z. Cook	212,600	-	-	-	212,600
R.J. Routs	554,932	-	-	-	554,932
J. van der Veer	934,200	-	-	-	934,200
Class B					
M.A. Brinded	377,423	-	-	-	377,423
A.W. Longden	113,668*	-	-	-	113,668
T.D.R. Morrison	142,566*	-	-	-	142,566
P.R. Voser	229,866	-	-	-	229,866
Class A ADRs					
L.Z. Cook	232,512	-	-	-	232,512
D.T. Lawrence	124,595*	-	-	-	124,595

*Options held at date of appointment

THE SHELL PETROLEUM COMPANY LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS (Continued)

c) Directors' interests in shares under the Long-Term Incentive Plan

The interests of the Directors of the Company in shares of Royal Dutch Petroleum Company, The "Shell" Transport and Trading Company, p.l.c. and Royal Dutch Shell under the Long-Term Incentive Plan, as recorded in the Register of such interests were as follows:

Royal Dutch Petroleum Company ordinary shares

	€0.56 each Performance Shares held	Performance Shares Conditionally awarded	Performance Shares Lapsed / Cancelled	€0.56 each Performance Shares held
	1 January 2005			20 July 2005
M.A. Brinded	41,758	-	-	41,758
R.J. Routs	83,154	-	-	83,154
J. van der Veer	120,353	-	-	120,353

The "Shell" Transport and Trading Company, p.l.c. ordinary shares

	£0.25 each Performance Shares held	Performance Shares Conditionally awarded	Performance Shares Lapsed / Cancelled	£0.25 each Performance Shares held
	1 January 2005			20 July 2005
M.A. Brinded	353,383	-	-	353,383
P.R. Voser	252,314	-	-	252,314

Royal Dutch Shell ordinary shares

	€0.07 each Performance Shares held	Performance Shares Conditionally awarded	Performance Shares Lapsed / Cancelled	€0.07 each Performance Shares held
	20 July 2005			31 December 2005
Class A				
M.A. Brinded	83,516	-	-	83,516
R.J. Routs	166,308	79,430	-	245,738
J. van der Veer	240,706	145,199	-	385,905
P.R. Voser	-	72,989	-	72,989
Class B				
M.A. Brinded	101,538	87,381	-	188,919
P.R. Voser	72,498	-	-	72,498
Class A ADRs				
L.Z. Cook	-	36,507	-	36,507

THE SHELL PETROLEUM COMPANY LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS (Continued)

c) Directors' interests in shares under the Long-Term Incentive Plan (Continued)

Under the Long-Term Incentive Plan, performance shares are awarded conditionally once a year. The receipt of shares will be conditional on the satisfaction of performance criteria over the performance period and on the participant remaining in employment (subject to certain exemptions, including retirement). The number of shares received by Directors at the end of the performance period will depend on the Total Shareholder Return performance of the Group relative to its industry peers.

d) Directors' interests in shares under the Deferred Bonus Plan

The interests of the Directors of the Company in shares of Royal Dutch Petroleum Company and Royal Dutch Shell under the Deferred Bonus Plan as recorded in the Register of such interests were as follows:

Royal Dutch Petroleum Company ordinary shares

	€0.56 each					€0.56 each
	Shares held under award 1 January 2005	Deferred Bonus shares awarded	Matching Shares conditionally awarded	Dividend Shares accrued	Released during the year	Shares held under award 20 July 2005
M.A. Brinded	10,510	-	-	-	-	10,510
J. van der Veer	16,067	-	-	-	-	16,067

Royal Dutch Shell ordinary shares

	€0.07 each					€0.07 each
	Shares held under award 20 July 2005	Deferred Bonus shares awarded	Matching Shares conditionally awarded	Dividend Shares accrued	Released during the year	Shares held under award 31 December 2005
Class A						
M.A. Brinded	21,020	-	-	1,042	-	22,062
J. van der Veer	32,134	26,346	22,654	2,100	(11,607)	71,627
Class B						
M.A. Brinded	-	17,241	4,310	182	-	21,733

The Deferred Bonus Plan encourages share ownership by allowing Executive Directors to invest part of their annual bonus in Royal Dutch Shell shares. Any dividends payable on these deferred bonus shares are accrued as dividend shares. Provided the Executive Director remains employed by the Group for three years following the year in which the bonus was earned, he or she will receive one matching share for every four deferred bonus and dividend shares. Additional performance related matching shares can be earned depending on the Total Shareholder Return performance of the Group relative to its industry peers.

THE SHELL PETROLEUM COMPANY LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS (Continued)

e) Directors' interests in shares under the Performance Share Plan

The interests of the Directors of the Company in shares of Royal Dutch Shell under the Performance Share Plan, as recorded in the Register of such interests were as follows:

Royal Dutch Shell ordinary shares

	€0.07 each Performance Shares held	Performance Shares Conditionally awarded	Dividend Shares accrued	€0.07 each Performance Shares held
	20 July 2005			31 December 2005
Class B				
A.W. Longden	-	14,250	120	14,370
T.D.R. Morrison	-	20,000	168	20,168
Class A ADRs				
D.T. Lawrence	-	11,500	100	11,600

Under the Performance Share Plan, performance shares are awarded conditionally once a year. The receipt of shares will be conditional on the satisfaction of performance criteria over the performance period and on the participant remaining in employment (subject to certain exemptions, including retirement). The number of shares received by Directors at the end of the performance period will depend on the Total Shareholder Return performance of the Group relative to its industry peers.

f) Directors' interests in shares under the Restricted Stock Plan

The interests of the Directors of the Company in shares of Royal Dutch Shell under the Restricted Stock Plan as recorded in the Register of such interests were as follows:

Royal Dutch Shell ordinary shares

	€0.07 each Shares held under award	Restricted Shares awarded	Dividend Shares accrued	€0.07 each Shares held under award
	20 July 2005			31 December 2005
Class B				
A.W. Longden	15,401*	-	263	15,664
T.D.R. Morrison	21,857*	-	373	22,230
Class A ADRs				
D.T. Lawrence	15,830*	-	278	16,108

*Held at date of appointment

Shares have been awarded to Directors under the Restricted Stock Plan. The shares have a vesting period of three years. The receipt of shares will be conditional on the participant remaining in employment over the vesting period (subject to certain exemptions, including retirement). Any dividends payable on these shares are accrued as dividend shares.

THE SHELL PETROLEUM COMPANY LIMITED

DIRECTORS' REPORT (Continued)

DIRECTORS' INTERESTS (Continued)

g) Other interests

According to the Register of Directors' interests, no other Directors had any such interests in Royal Dutch Shell or in any other undertaking requiring disclosure under the Companies Act 1985.

RESEARCH AND DEVELOPMENT

The Company's subsidiary undertakings have available the services of Shell Research Limited, a subsidiary undertaking of the Company, and other research companies of the Shell Group to carry out research and development where it is applicable in their businesses.

POST BALANCE SHEET EVENTS

Refer to Note 20 "Post Balance Sheet Events".

DERIVATIVES AND FINANCIAL INSTRUMENTS

The Company's Directors are required to follow the requirements of Shell Group risk management policies, which include specific guidelines on the management of foreign exchange and interest rate and advises on the use of financial instruments to manage them. Shell Group risk management policies can be found in the financial statements of Royal Dutch Shell (see Note 1b). The exposure of the Company to foreign exchange and interest rate risk is set out in Note 21 of the financial statements.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act 1985 requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, the Directors are required to:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985. 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.

THE SHELL PETROLEUM COMPANY LIMITED

DIRECTORS' REPORT (Continued)

AUDITORS

The Company has passed an Elective Resolution in accordance with the Companies Act 1985 to dispense with the holding of annual general meetings, the laying of accounts and reports before general meetings and the annual reappointment of auditors. PricewaterhouseCoopers LLP will, accordingly, continue in office as auditors of the Company pursuant to Section 386 of the Companies Act 1985. However, pursuant to Section 253(2) of the Companies Act 1985, any member or the auditors of the Company may require the accounts and reports to be laid before a general meeting by depositing a notice to that effect at the registered office of the Company not later than 28 days after the despatch of the accounts and reports to members.

By order of the Board



K. Hawkins
Company Secretary
27 July 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE SHELL PETROLEUM COMPANY LIMITED

We have audited the accounts of The Shell Petroleum Company Limited for the year ended 31 December 2005, which comprise the profit and loss account, the statement of total recognised gains and losses, the balance sheet and the related notes. These accounts have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

As described in the Statement of Directors' Responsibilities the Company's Directors are responsible for the preparation of the accounts in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements and *International Standards on Auditing* (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the accounts, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with *International Standards on Auditing* (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and
Registered Auditors
27 July 2006

1 Embankment Place,
LONDON, WC2N 6RH.

THE SHELL PETROLEUM COMPANY LIMITED**PROFIT AND LOSS ACCOUNT****For the year ended 31 December 2005****Continuing operations**

	Note	2005 \$ million	Restated 2004 \$ million
Administrative expenses		(480.1)	111.3
Other operating income		30.3	-
OPERATING (LOSS)/ PROFIT		(449.8)	111.3
Income from shares in subsidiary undertakings		12,529.7	3,074.4
Income from shares in participating undertakings		57.6	71.8
Income from other fixed asset investments		49.1	48.7
Write back of impairments against investments		170.2	27.8
Profit on sale of fixed asset investments		425.1	567.0
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		12,781.9	3,901.0
Other interest receivable and similar income	2	1,969.2	2,112.0
Interest payable and similar charges	3	(1,611.5)	(1,837.8)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	4	13,139.6	4,175.2
Tax on profit on ordinary activities	5	(35.1)	(61.7)
PROFIT FOR THE YEAR		13,104.5	4,113.5
Dividends		(11,526.2)	(5,455.2)
RETAINED PROFIT/(LOSS) FOR THE YEAR		1,578.3	(1,341.7)

The reported profit on ordinary activities and the amount retained for the year are presented on a historical cost basis.

THE SHELL PETROLEUM COMPANY LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2005

	Note	2005 \$ million	Restated 2004 \$ million
PROFIT FOR THE YEAR		13,104.5	4,113.5
TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR		<hr/> 13,104.5	<hr/> 4,113.5
Prior year adjustment in respect of FRS 21	1 a)	(8.5)	
Prior year adjustment in respect of FRS 25	1 a)	(49.1)	
TOTAL RECOGNISED GAINS AND LOSSES SINCE LAST ANNUAL REPORT		<hr/> 13,046.9	

THE SHELL PETROLEUM COMPANY LIMITED

BALANCE SHEET

At 31 December 2005

	Note	2005 \$ million	Restated 2004 \$ million
FIXED ASSETS			
Investments	6	17,398.0	20,069.2
CURRENT ASSETS			
Debtors: amounts due within one year	7	10,043.7	7,776.3
Debtors: amounts due after more than one year	7	30,211.2	28,904.0
		<hr/> 40,254.9	<hr/> 36,680.3
Investments	9	1,598.6	2,001.1
Cash at bank and in hand		11.3	7.6
		<hr/> 41,864.8	<hr/> 38,689.0
CREDITORS: amounts falling due within one year	10	(26,314.8)	(27,206.5)
NET CURRENT ASSETS		<hr/> 15,550.0	<hr/> 11,482.5
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 32,948.0	<hr/> 31,551.7
CREDITORS: amounts falling due after more than one year	11	(1,254.5)	(1,435.7)
PROVISIONS FOR LIABILITIES			
Pensions and similar obligations	12	(23.6)	(24.4)
NET ASSETS		<hr/> 31,669.9	<hr/> 30,091.6
CAPITAL AND RESERVES			
Called up share capital	13	2,697.1	461.5
Share premium account	14	-	1,627.5
Other reserves	14	5,284.9	5,893.0
Profit and loss account	14	23,687.9	22,109.6
EQUITY SHAREHOLDERS' FUNDS	15	<hr/> 31,669.9	<hr/> 30,091.6

The Notes on pages 13 to 31 form part of these accounts.

The accounts were approved by the Board of Directors on 27 July 2006 and were signed on its behalf by:



T.D.R. Morrison
Director

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2005

1. Accounting policies

a) Accounting convention and compliance with Accounting Standards

The accounts have been prepared on a going concern basis under the historical cost convention and in accordance with the Companies Act 1985 and applicable Accounting Standards in the UK and the accounting policies as described below.

The Company has adopted FRS 17 "Retirement Benefits", FRS 21 "Events after the balance sheet date" and the presentation requirements of FRS 25 "Financial Instruments: Disclosure and Presentation" in these accounts. The adoption of these standards represents a change in accounting policy and the comparative figures have been restated accordingly.

There was no financial impact of the change in accounting policy to adopt FRS 17.

The effect of the change in accounting policy to adopt FRS 21 was to recognise the receipt from subsidiaries of final proposed dividends for the year ended 31 December 2003 of \$96.2 million in the year ended 31 December 2004 and \$8.5 million in the year ended 31 December 2005.

The effect of the change in accounting policy to adopt FRS 25 was to revalue investments in redeemable shares and recognise currency translation differences on these investments in the profit and loss account. In the year ended 31 December 2004, a currency loss of \$76.9 million was recognised and the value of investments in subsidiary undertakings at 31 December 2004 was reduced by \$49.1 million. In the year ended 31 December 2005 a further currency loss of \$0.3 million was recognised as a result of the adoption of this accounting policy.

b) Group accounts

Group accounts of the Company, its subsidiary undertakings and its participating undertakings have not been prepared. The Company is exempt from the requirement to prepare consolidated accounts under the provisions of Section 228 of the Companies Act 1985 (as amended by Section 5 of the Companies Act 1989). The accounts present information about the Company as an individual undertaking and not about its Group.

The immediate parent company is The Shell Transport and Trading Company Limited, which changed its name from The "Shell" Transport and Trading Company, p.l.c. and re-registered as a private company limited by shares during 2005.

The ultimate parent undertaking is Royal Dutch Shell, which is incorporated in the UK.

The accounts of the Company, its subsidiary undertakings and participating undertakings are incorporated in the annual report and accounts of Royal Dutch Shell.

Copies of the annual report and accounts of Royal Dutch Shell are available from:

Royal Dutch Shell plc
c/o Bankside
Tel: +44 (0) 1635 232700
e-mail: bbs@shellbankside.co.uk

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2005

1. Accounting policies (Continued)

c) Fixed asset investments

These comprise investments in shares and loans that the Directors intend to hold on a continuing basis in the Company's business. The investments are stated at cost less provisions for impairment. A review for the potential impairment of an investment is carried out if events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable. Such impairment reviews are performed in accordance with Financial Reporting Standard 11. Impairments thus arising are recorded in the profit and loss account.

d) Income from shares in Group undertakings and participating undertakings

Income from shares in Group undertakings and participating undertakings represents dividends, relating to the current year and prior periods, provided that receipt of the dividend is assured.

e) Tax

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

In the event that payment should be made at a different rate from the tax rate prevailing in the current year, adjustments would be taken up to reflect the differential.

f) Deferred tax

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

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

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on the sale has been recognised in the accounts. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2005

1. Accounting policies (Continued)

f) Deferred tax (Continued)

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

Amounts relating to deferred tax are undiscounted.

g) Foreign currency translation

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.

Following the unification of the Group under Royal Dutch Shell, the Directors have concluded that the most appropriate functional currency of the Company is US Dollars. The previous functional currency of the Company was Pounds Sterling. The date of the functional currency change was 30 June 2005, when the Pounds Sterling to US Dollar exchange rate was 1:1.8040772. On this date all assets, liabilities, issued share capital, reserves and profit & loss account items were translated into US Dollars.

On the same date, the presentational currency of the Company also changed to US Dollars. Accordingly, the opening balance sheet and prior year comparatives have been presented in US Dollars.

h) Current asset investments

Current asset investments are not intended for use on a continuing basis in the Company's activities.

Securities are stated at cost adjusted by the amortisation of premiums or the accrual of discounts, as appropriate, over periods to maturity.

Other investments are stated at the lower of cost and net realisable value.

i) Forward exchange contracts

Forward exchange contracts taken out to cover the currency exposure in US Dollars of the Company in respect of its pool of foreign currency monetary assets or specific foreign currency liabilities, are deemed to be hedges. Exchange gains or losses on such contracts are offset against those arising on the hedged assets or liabilities. Premiums or discounts on the contracts are amortised over the lives of the contracts. All other forward exchange contracts are marked to market and gains or losses taken direct to income.

THE SHELL PETROLEUM COMPANY LIMITED**NOTES TO THE ACCOUNTS (Continued)****For the year ended 31 December 2005****1. Accounting policies (Continued)****j) Pension costs**

The Company is a sponsor of the Shell Contributory Pension Fund and the Shell Overseas Contributory Pension Fund which are funded defined benefits schemes. The pension costs in relation to these schemes are assessed in accordance with the advice of a qualified actuary using the projected unit method.

The Company is unable to identify its share of the Funds' underlying assets and liabilities on a consistent and reasonable basis. Therefore the Company has taken advantage of the exemptions allowed by paragraph 9(b) of Financial Reporting Standard 17. The Company accounts for its contributions to the Funds in the period in respect of which they become payable.

Disclosure is provided of available information about the existence of any surplus or deficit of the Funds and any implications for the Company in Note 12.

k) Cash flow statement

In accordance with the exemption allowed by paragraph 5(a) of Financial Reporting Standard 1, a cash flow statement for the Company has not been provided.

l) Related party disclosures

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

2. Other interest receivable and similar income

	2005 \$ million	2004 \$ million
Group undertakings:		
Subsidiary undertakings	1,872.2	1,986.6
Fellow subsidiary undertakings	13.1	112.2
Unlisted participating undertakings	-	0.2
Interest from banks and similar income	83.9	13.0
	<hr/> 1,969.2	<hr/> 2,112.0

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2005

3. Interest payable and similar charges

	2005	Restated
	\$ million	2004
		\$ million
Loans from Group undertakings:		
Subsidiary undertakings	1,518.8	1,658.2
Fellow subsidiary undertakings	52.0	86.8
Bank interest and charges	0.8	0.2
Loss on currency translation	19.5	77.4
Other interest payable	20.4	15.2
	<hr/> 1,611.5	<hr/> 1,837.8

4. Profit on ordinary activities before tax

Profit on ordinary activities before tax is stated after charging/(crediting) the following:

	2005	2004
	\$ million	\$ million
Write back of previous impairment of fixed asset investments	(3.9)	(11.7)
Write back of previous impairment of RD and STT shares relating to options granted for Directors and employees	(143.6)	(38.8)
Write down / (write back) of other unquoted investment	(22.7)	22.7
Profit on disposal of fixed asset investments	(425.1)	(567.0)

Auditors' remuneration for audit services during the year was £116,500 (\$211,668) (2004: £91,500 (\$165,073)). In addition, £2,099,033 (\$3,767,382) (2004: £3,100,093 (\$5,592,807)) was payable by the Company to the Company's Auditors in 2005 for non-audit services provided to the Company and its subsidiary undertakings in the UK.

The Company had no employees during 2005 (2004: Nil).

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2005

5. Tax on profit on ordinary activities

The charge for the year of \$35.1 million (2004: \$61.7 million) is made up as follows:

	2005 \$ million	2004 \$ million
UK corporation tax at the standard rate of 30% (2004: 30%)	1,353.8	691.5
Adjustments in respect of prior years	(24.6)	(37.0)
Taxation imposed outside of the UK	27.7	28.9
Double tax relief	(1,322.5)	(621.7)
Total current tax charge	34.4	61.7
<i>Deferred tax (Note 8)</i>		
Origination and reversal of timing differences	0.7	-
Total tax charge	35.1	61.7

The tax assessed for the year differs from the standard rate of UK corporation tax (30%). The differences are explained below:

	2005 \$ million	Restated 2004 \$ million
Profit on ordinary activities before tax	(13,139.6)	(4,175.2)
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2004: 30%)	3,941.9	1,252.6
Effects of:		
Income not assessable	(3,182.5)	(1,026.7)
Tax on imputed interest	1.5	-
Dividend income covered by underlying tax	(795.3)	(233.8)
Expenses not deductible	65.7	77.7
Taxation imposed outside the UK	27.7	28.9
Adjustments in respect of prior years	(24.6)	(37.0)
Current tax charge for the year	34.4	61.7

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2005

6. Fixed assets – Investments

	Shares in Group undertakings \$ million	Loans to Group undertakings \$ million	Shares in participating undertakings \$ million	Other investments \$ million	Total \$ million
Cost					
Balance at 1 January 2005 (as published)	21,278.2	62.6	398.2	-	21,739.0
Prior Year Adjustment for FRS 25	(49.1)	-	-	-	(49.1)
Balance at 1 January 2005 (restated)	21,229.1	62.6	398.2	-	21,689.9
Additions	891.8	-	-	1,654.7	2,546.5
Transfers	-	(62.6)	-	-	(62.6)
Currency translation	(0.3)	-	-	-	(0.3)
Disposals	(5,073.6)	-	(20.7)	(74.7)	(5,169.0)
Balance at 31 December 2005	17,047.0	-	377.5	1,580.0	19,004.5
Amounts provided					
Balance at 1 January 2005	(1,613.2)	-	(7.5)	-	(1,620.7)
(Additions)/ write backs	3.9	-	-	-	3.9
Disposals	10.3	-	-	-	10.3
Transfers	-	-	-	-	-
Balance at 31 December 2005	(1,599.0)	-	(7.5)	-	(1,606.5)
Net book amount					
At 31 December 2005	15,448.0	-	370.0	1,580.0	17,398.0
At 31 December 2004 (restated)	19,615.9	62.6	390.7	-	20,069.2

The Company liquidated Group companies during 2005, receiving a total return of \$2,982.4 million. In addition, the Company disposed of shares in subsidiary undertakings to third parties for a total consideration of \$184.7 million and received capital repayments totalling \$2,173.6 million from subsidiary undertakings. The Company disposed of investments in participating undertakings to third parties for a total consideration of \$157.0 million.

THE SHELL PETROLEUM COMPANY LIMITED**NOTES TO THE ACCOUNTS (Continued)****For the year ended 31 December 2005****6. Fixed assets – Investments (Continued)**

Included in participating undertakings is an amount of \$335.4 million (2004: \$355.2 million) in respect of listed investments with a quoted market value at 31 December 2005 of \$1,995.4 million (2004: \$1,353.1 million).

Other investments relates to the Company's investment in a Netherlands Trust ('Stichting'), which holds Royal Dutch Shell shares in order to fulfil options granted to Directors of the Company and Directors and employees of other Group companies. Prior to the unification of the Group, the Company held shares in RD and STT which were transferred to the Stichting at their carrying value and converted into Royal Dutch Shell shares. From the date of transfer onwards all dividends received on the transferred shares remain the income of the Stichting.

List of investments**i) Principal subsidiary undertakings**

The principal subsidiary undertakings at 31 December 2005 were as follows:

	Country of Incorporation	Principal activity	% of shares held
Shell Treasury Dollar Company Limited	England and Wales	Treasury	100
Shell Treasury Euro Company Limited	England and Wales	Treasury	100
Shell Ventures New Zealand Limited	England and Wales	Holding Company	100
Shell Holdings (U.K.) Limited	England and Wales	Holding Company	100
Shell Overseas Holdings Limited	England and Wales	Holding Company	100
The Shell Petroleum Development Company of Nigeria Limited	Nigeria	Exploration and Production	100
Shell Holdings (Bermuda) Limited	Bermuda	Holding Company	100

All shares held are ordinary shares.

ii) Principal participating undertaking

The principal participating undertaking at 31 December 2005 was as follows:

	Country of Incorporation	Principal activity	% of shares held
Showa Shell Sekiyu K.K.	Japan	Oil Products	35

All shares held are ordinary shares.

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2005

6. Fixed assets – Investments (Continued)

The aggregate amount of the capital and reserves of Showa Shell Sekiyu K.K. at 31 December 2005 as presented in its statutory accounts was \$2,347 million (¥275,232 million), and profit for the year was \$912 million (¥100,497 million).

7. Debtors

	2005		2004	
	Within 1 Year \$ million	Over 1 Year \$ million	Restated Within 1 Year \$ million	Over 1 Year \$ million
Amounts owed by Group undertakings:				
Parent undertakings	215.0	-	-	-
Subsidiary undertakings	9,805.5	29,923.2	5,342.3	28,676.6
Fellow subsidiary undertakings	7.8	-	2,294.2	-
Amounts owed by participating undertakings	-	280.9	-	219.6
Other debtors	15.4	-	137.8	-
Deferred tax (Note 8)	-	7.1	-	7.8
Prepayments and accrued income	-	-	2.0	-
	<u>10,043.7</u>	<u>30,211.2</u>	<u>7,776.3</u>	<u>28,904.0</u>
	<u>40,254.9</u>		<u>36,680.3</u>	

8. Deferred tax

The amount set aside for deferred tax represents timing differences between the recognition of items of income and expenditure for accounting and tax purposes for the years up to and including 2005.

Deferred tax asset comprises:

	2005 \$ million	2004 \$ million
Unfunded pension provision	7.1	7.8
Total deferred tax asset	<u>7.1</u>	<u>7.8</u>
1 January 2005	7.8	
Deferred tax charge in the profit and loss account	(0.7)	
31 December 2005	<u>7.1</u>	

The deferred tax balance is included within Debtors (Note 7).

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2005

9. Current assets – Investments

	2005	2004
	\$ million	\$ million
Bank deposits	1,243.6	360.8
Other short term deposits	278.7	24.4
Other unquoted investments	76.3	53.8
Ordinary shares of RD and STT, for which share options have been granted.	-	1,562.1
	<u>1,598.6</u>	<u>2,001.1</u>

Shares in RD and STT previously held by the Company related to options granted to Directors of the Company and Directors and employees of other Group companies. In June 2005 the shares were transferred to a Netherlands Trust ('Stichting') at carrying value prior to the unification of the Royal Dutch Shell Group.

10. Creditors: amounts falling due within one year

	2005	2004
	\$ million	\$ million
Amounts owed to Group undertakings:		
Parent undertakings	18.2	-
Subsidiary undertakings	19,384.9	23,509.3
Fellow subsidiary undertakings	3,753.7	137.6
Amounts owed to participating undertakings	4.4	4.9
Tax payable	125.7	98.5
Other creditors	27.9	20.2
Dividends payable	3,000.0	3,436.0
	<u>26,314.8</u>	<u>27,206.5</u>

11. Creditors: amounts falling due after more than one year

	2005	2004
	\$ million	\$ million
Amounts owed to Group undertakings:		
Subsidiary undertakings	12.1	44.9
Fellow subsidiary undertakings	1,242.4	1,390.8
	<u>1,254.5</u>	<u>1,435.7</u>

Amounts owed to Group undertakings include EUR 750 million borrowing at a fixed rate of 3.51% repayable in January 2007, GBP 205 million at a floating rate of LIBOR less 0.1625% repayable in December 2008 and EUR 10.2 million at a floating rate of EURIBOR less 0.12% repayable in June 2010.

THE SHELL PETROLEUM COMPANY LIMITED**NOTES TO THE ACCOUNTS (Continued)****For the year ended 31 December 2005****11. Creditors: amounts falling due after more than one year (Continued)**

The maturity profile of the carrying amount of the Company's financial liabilities at 31 December 2005 was as follows:

	2005 \$ million	2004 \$ million
Within one year, or on demand	26,314.8	27,206.5
Within one to two years	889.0	-
Within two to five years	365.5	1,390.8
After five years	-	44.9
	<u>27,569.3</u>	<u>28,642.2</u>

12. Pension schemes

The Company is a Member of the following pension schemes:

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

Hewitt Bacon & Woodrow carried out an actuarial valuation of the SCPF as at 31 December 2002 using the projected unit method. The actuarial value of the SCPF's assets as at that date was £7,056 million. The principal actuarial assumptions adopted in the valuation were a discount rate of 5.5%, a rate of salary increases (in addition to age-related promotional increase) of 4.5%, and a price inflation rate of 2.5%. The actuarial value of the assets fell short of the present value of the scheme liabilities by 1% after allowing for expected future increases in earnings. Member Companies' contributions to the SCPF, which had previously been suspended, recommenced from 1 July 2003.

A calculation of the assets and liabilities of the fund was carried out for accounting purposes as at 31 December 2005 following the principles of International Accounting Standard 19 "Employee Benefits" ("IAS 19") using a discount rate of 4.75% and a salary increase rate of 4.50%, together with other assumptions consistent with the actuarial valuation above. This indicated that on an IAS 19 basis the SCPF had a surplus as at 31 December 2005 of 19.3%. This calculation is not used by the scheme trustees to determine contributions.

The Company is unable to identify its share of the scheme's underlying assets and liabilities on a consistent and reasonable basis. In accordance with the exemption allowed by paragraph 9(b) of Financial Reporting Standard 17, the Company will continue to account for the SCPF as a defined contribution scheme.

In the accounts of the Company there is no charge for the period for contributions to the SCPF (2004: \$Nil).

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2005

12. Pension schemes (Continued)

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

Hewitt Bacon & Woodrow carried out an actuarial valuation of the SOCPF as at 31 December 2002 using the projected unit method. The actuarial value of the SOCPF's assets as at that date was £1,228 million. The principal actuarial assumptions adopted in the valuation were a discount rate of 5.5%, a rate of salary increases (in addition to age-related promotional increase) of 4.5%, and a price inflation rate of 2.5%. The actuarial value of the assets fell short of the present value of the scheme liabilities by 16.9% after allowing for expected future increases in earnings.

A calculation of the assets and liabilities of the fund was carried out for accounting purposes as at 31 December 2005 following the principles of International Accounting Standard 19 "Employee Benefits" ("IAS 19") using a discount rate of 4.75% and a salary increase rate of 4.50%, together with other assumptions consistent with the actuarial valuation above. This indicated that on an IAS 19 basis the SOCPF had a surplus as at 31 December 2005 of 0.1%. This calculation is not used by the scheme trustees to determine contributions.

The Company is unable to identify its share of the scheme's underlying assets and liabilities on a consistent and reasonable basis. In accordance with the exemption allowed by paragraph 9(b) of Financial Reporting Standard 17, the Company will continue to account for the SOCPF as a defined contribution scheme.

In the accounts of the Company there is no charge for the period for contributions to the SOCPF (2004: \$Nil).

The accounts include the accrued liability for pension benefits under certain unfunded schemes. These unfunded schemes are for certain current and former Directors and employees of the Company and its subsidiaries. At 31 December 2005, the obligation for accrued benefits in respect of these schemes was \$23.6 million (2004: \$24.4 million).

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2005

13. Called up share capital

The authorised, called up, allotted, and fully paid share capital of the Company is:

	2005 \$ million	2004 \$ million
153,514,395 (2004: 153,514,395) ordinary "A" shares of £1 each	276.9	276.9
1,364,704,498 (2004: 102,342,930) ordinary "B" shares of £1 each	2,420.2	184.6
	<u>2,697.1</u>	<u>461.5</u>

On 16 December 2005, the authorised share capital of the Company was increased by the creation of 1,262,361,568 additional "B" shares of £1 each. On the same day, the Company issued 1,262,361,568 bonus "B" shares of £1 at par to STT out of its share premium account and other reserves.

14. Reserves

	Share capital \$ million	Share premium account \$ million	Other reserves \$ million	Profit and loss account \$ million	Shareholders' funds \$ million
At 1 January 2005 as published	461.5	1,627.5	5,893.0	22,167.2	30,149.2
Prior year adjustment – FRS 21	-	-	-	(8.5)	(8.5)
Prior year adjustment – FRS 25	-	-	-	(49.1)	(49.1)
At 1 January 2005 as restated	461.5	1,627.5	5,893.0	22,109.6	30,091.6
Shares Issued	2,235.6	(1,627.5)	(608.1)	-	-
Profit for the year	-	-	-	13,104.5	13,104.5
Dividends paid	-	-	-	(11,526.2)	(11,526.2)
At 31 December 2005	<u>2,697.1</u>	<u>-</u>	<u>5,284.9</u>	<u>23,687.9</u>	<u>31,669.9</u>

Other reserves include \$5,275.7 million in relation to an unrealised gain on the sale of a subsidiary to another Group company.

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2005

15. Reconciliation of movements in shareholders' funds

	2005	As Restated
	\$ million	2004
		\$ million
Profit for the year	13,104.5	4,113.5
Dividends	(11,526.2)	(5,455.2)
Net addition to shareholders' funds	1,578.3	(1,341.7)
Opening shareholders' funds as previously reported	30,149.2	31,510.2
Prior year adjustment – FRS 21	(8.5)	(104.7)
Prior year adjustment – FRS 25	(49.1)	27.8
Opening shareholders' funds as restated	30,091.6	31,433.3
Closing shareholders' funds	31,669.9	30,091.6

16. Directors

Directors' emoluments

	2005	2004
	\$	\$
Aggregate emoluments	1,022,508	2,864,399
Aggregate amounts of contributions paid to money purchase pension schemes	-	51,687

The number of Directors to whom retirement benefits are accruing is as follows:

	2005	2004
	Number	Number
In respect of money purchase schemes	1	-
In respect of defined benefit schemes	8	5

Share options were exercised by no Directors (2004: One) during the year.

Shares were receivable by five (2004: Four) Directors during the year under Long Term Incentive Schemes.

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2005

16. Directors (Continued)

Highest paid Director:

	2005 \$	2004 \$
Total amount of emoluments and amounts (excluding shares) receivable under long term incentive schemes	702,963	1,398,972
Defined benefit pension scheme:		
Accrued pension at end of year	758,810	187,540

These emoluments and pensions were borne by the Company and charged in the profit and loss account.

17. Loans to Directors

Name of Director	Lender	Type of Loan	Liability as at 31 December 2005 £	Liability as at 1 January 2005 £
A.W. Longden	SELAP Ltd	3% Executive Loan	70,000	70,000
Total			<u>70,000</u>	<u>70,000</u>

SELAP Limited, is a subsidiary of the Company, whose principal activities are to make loans and to provide other financial services for members of staff of the Shell Group. As at 31 December 2005 Mr Longden had outstanding a £70,000 Executive Loan. The general purpose loan was given in January 2004 and is not repayable until the Director ceases to be employed by the Shell Group.

18. Contingent Liabilities

- a) The Company has given guarantees:
 - i) in respect of loans and overdraft facilities granted by banks and other finance institutions to other companies totalling \$7.9 million (2004: \$8.3 million); and
 - ii) in respect of other obligations of subsidiary undertakings amounting to \$1,250.9 million (2004: \$477.4 million).
- b) The Company previously gave guarantees which were assigned to Royal Dutch Shell during the year:
 - i) in respect of a subsidiary's and a fellow subsidiary's liabilities under a Medium Term Note Debt Security issue (2004: \$4,588.5 million); and
 - ii) in respect of a subsidiary's and a fellow subsidiary's liabilities under a Global Commercial Paper issue (2004: \$3,456.8 million).

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2005

18. Contingent Liabilities (Continued)

- c) The Company's subsidiary undertakings and fellow subsidiary undertakings are subject to a number of other loss contingencies arising out of litigation and claims brought by governmental and private parties, which are handled in the ordinary course of business. The operations and earnings of the Company's subsidiary undertakings continue, from time to time, to be affected to varying degrees by political, legislative, fiscal and regulatory developments, including those relating to the protection of the environment and indigenous people, in the countries in which they operate. The industries in which the Company's subsidiary undertakings are engaged are also subject to physical risks of various types. The nature and frequency of these developments and events, not all of which are covered by insurance, as well as their effect on future operations and earnings, are unpredictable.
- d) In the ordinary course of business, the Company has provided other guarantees to third parties on behalf of subsidiaries. These guarantees cannot be quantified and in the judgement of the Directors no material liability is expected to arise.
- e) In connection with the recategorisation of certain hydrocarbon reserves that occurred in 2004, a number of putative shareholder class actions were filed against RD, STT, Managing Directors of RD during the class period, Managing Directors of STT during the class period and the external auditors for RD, STT and the Shell Group of Companies.

These actions were consolidated in the United States District Court in New Jersey and a consolidated complaint was filed in September 2004. The Company is not currently named as defendant in the consolidated complaint although they technically remain defendants in one or more of the consolidated actions. The complaint asserted claims under the US securities laws on behalf of all purchasers of RD and STT securities between 8 April 1999 and 18 March 2004.

On 9 August 2005, the United States District Court in New Jersey:

- Dismissed with prejudice the private plaintiffs' attempts to challenge Shell's shareholder notifications under section 14(a) of the Securities Exchange Act of 1934. The court ruled that, as a non-US private issuer of securities, Shell is exempt from the provisions of section 14(a).
- Dismissed all claims against seven of Shell's current and former Managing and Supervisory Directors.
- Dismissed claims brought by shareholders who purchased Shell shares after the 9 January 2004 announcement of the reserves recategorisation.
- Dismissed claims brought by shareholders who purchased shares during the class period and still hold those shares.

On 19 September 2005, plaintiffs filed their Second Consolidated Amended Class Action Complaint (the Second Amended Complaint). The substantive allegations remain unchanged from those in the earlier complaint, except that the plaintiffs:

- Dropped their section 14(a) claims.
- Dropped their claims against all current Directors.
- Repleaded their claims on behalf of those who purchased shares after the January 9, 2004 announcement of the reserves recategorisation.

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2005

18. Contingent Liabilities (Continued)

Plaintiffs also filed a motion for reconsideration of the dismissal of claims brought by shareholders who purchased their shares during the class period and still held their shares. The Judge granted that motion on 12 December 2005 and ultimately ruled that those claims would remain in the action.

On 3 January 2006, the Judge issued a Scheduling Order. Under that Order, trial of the action is not likely to occur until late 2008 or 2009.

On 6 January 2006, certain Dutch pension funds, and German and Luxembourgish institutional shareholders filed two new related actions against Royal Dutch Shell, RD and STT in the court in which the class action is pending. The Judge has consolidated those actions with the existing class actions for pretrial purposes.

The class actions and individual cases are at an early stage and subject to substantial uncertainties concerning the outcome of material factual and legal issues relating to the litigation. In addition, potential damages, if any, in a fully litigated securities class action would depend on the losses caused by the alleged wrongful conduct that would be demonstrated by individual class members in their purchases and sales of RD and STT shares during the relevant class period. Based on the current status of the litigation, however, management of the Shell Group has established a \$500 million provision in respect of this litigation. This has been provided for within other Group companies. This amount reflects what Shell is prepared to pay to the plaintiffs to resolve this litigation. No settlement has been reached in this matter. Management of the Shell Group will review this determination as the litigation progresses.

Also in connection with the hydrocarbon reserves recategorisation, a number of putative class actions were filed on behalf of participants in certain employee benefit plans sponsored by Shell Oil Company or one of its United States based affiliates alleging that RD, STT and various current and former officers and Directors breached various fiduciary duties to employee participants imposed by the Employee Retirement Income Security Act of 1974 (ERISA). The parties executed a settlement agreement in July 2005 and, on 31 August 2005, the United States District Court approved the settlement. The settlement agreement requires defendants to pay \$90 million to the settlement class (plus the court-appointed class counsel's out-of-pocket expenses – which totalled \$742,949.13 – and the costs incurred in providing notice of the settlement to class members). Of these amounts \$35.4 million is reflected in the Company's profit and loss account, the remaining \$55.4 million is included in the profit and loss account of a fellow subsidiary undertaking. The corporate defendants must also require Shell Oil Company to adopt specific procedures regarding the monitoring and training of individuals appointed to be ERISA fiduciaries.

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2005

18. Contingent Liabilities (Continued)

The reserves recategorisation also led to the filing of shareholder derivative actions in 2004. The parties executed a settlement agreement on 22 July 2005 and on 27 October 2005, the United States District Court for the District of New Jersey approved the settlement. The court's order has now become final. Terms of the settlement include payment by the Shell Group of \$9.2 million in attorneys' fees and expenses to counsel for the derivative plaintiffs and the adoption and implementation by the Shell Group of certain corporate governance principles. \$3.6 million of the settlement is reflected in the Company's profit and loss account, the remaining \$5.6 million is included in the profit and loss account of a fellow subsidiary undertaking.

On 29 June 2005, the United States Department of Justice announced that it had made a determination not to prosecute Shell. The Dutch Authority for the Financial Markets (AFM) informed RD that their investigation into insider trading in connection with the reserves recategorisation did not give rise to any action on their part. The compliance department of Euronext Amsterdam completed their investigation into the timeliness of the announcement of the reserves recategorisation and have submitted their conclusion to an advisory committee. This advisory committee can advise the board of Euronext whether or not a reprimand or serious reprimand of RD would be appropriate.

The Shell Group also has agreed, without admitting or denying a violation of any federal or state law, to the entry of a desist and refrain order that would prohibit the Shell Group from violating the California Corporate Securities Law and has agreed to pay \$4 million to the State of California. The papers memorialising this agreement have not been finalised. A \$4 million provision has been established respecting this matter in another Group company.

Management of the Shell Group cannot currently predict the manner and timing of the resolution of any of the other pending matters and is currently unable to estimate the range of reasonably possible losses from such matters. Therefore, no financial provisions related to the other investigations have been established.

19. Financial commitments

- a) The Company has undertaken to provide finance, the majority of which is denominated in U.S. Dollars, Euros and Sterling, mainly by the making of advances to or subscription for shares in subsidiary undertakings totalling \$5,066.2 million (2004: \$2,137.3 million); and
- b) The Company has also agreed to provide short-term financial support to certain subsidiary undertakings to enable them to meet liabilities incurred in the ordinary course of business.

20. Post Balance Sheet Events

In January 2006, the Company declared and paid a dividend of \$17 billion to its parent company, STT, for the year 2005.

THE SHELL PETROLEUM COMPANY LIMITED**NOTES TO THE ACCOUNTS (Continued)****For the year ended 31 December 2005****21. Financial Instruments**

The Company enters into derivative financial instruments to hedge its exposure to foreign currency exchange movements and interest rate movements. Such transactions are carried out on commercial terms and conditions and at market rates.

Derivative instruments outstanding at 31 December 2005 and 2004 are included below:

	2005		2004	
	Contractual or Notional Amounts	Fair Value of Derivative	Contractual or Notional Amounts	Fair Value of Derivative
	\$ million	\$ million	\$ million	\$ million
Cross Currency Interest Rate Swaps	1,198.7	20.3	865.3	29.9
Forward Foreign Exchange Contracts	1,559.9	(50.6)	1,685.9	23.5
	<u>2,758.6</u>	<u>(30.3)</u>	<u>2,551.2</u>	<u>53.4</u>