

**THE SHELL PETROLEUM COMPANY LIMITED**

**DIRECTORS' REPORT**

**AND ACCOUNTS**

**2006**

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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 2006

### **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 130 countries and territories around the world and is engaged in the upstream businesses of Exploration and Production and Gas & Power, the downstream businesses of Oil Products and Chemicals, and has interests in alternative energy sources including Renewables and Hydrogen

The Company's profit for the financial year decreased from \$13,104.5 million in 2005 to \$8,645.5 million in 2006. The decrease in administrative expenses is mainly due to the transfer of shareholder costs for 2006 onwards from the Company to its immediate parent company following the group restructuring at the end of 2005. Dividends received from shares in subsidiary undertakings fell to \$8,461.0 million in 2006 from \$12,529.7 million in 2005.

The Company paid interim dividends totaling \$27,972.0 million during the year (2005: \$11,526.2 million).

### **Future Outlook**

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

### **Principal Risks and Uncertainties**

Royal Dutch Shell plc 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 plc 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 Group. Accordingly, the principal risks and uncertainties of the Royal Dutch Shell Group which are discussed on page 13 to 14 of Royal Dutch Shell plc's Annual Report and Form 20-F for the year ended 31 December 2006 (the "Group Report") include those of the Company. (The Group Report does not form part of this report).

### **Key performance indicators**

The Group consists of the upstream businesses of Exploration and Production and Gas & Power and the downstream businesses of Oil Products and Chemicals. The Group also has interests in alternative energy sources including Renewables and Hydrogen. For this reason, the Company's Directors believe that analysis using key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The development, performance and position of the various businesses is discussed at pages 16 to 53 of the Group Report and the Key performance indicators through which the Group's performance is measured are as set out on pages 54 to 55 of the Group Report. (The Group Report does not form part of this report).

### **Research & 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.

## **THE SHELL PETROLEUM COMPANY LIMITED**

### **DIRECTORS' REPORT (Continued)**

#### **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		Resigned 31 October 2006
L Z Cook		Resigned 31 October 2006
G P J A Janssens	Appointed 31 October 2006	
D T Lawrence		Resigned 31 October 2006
A W Longden		
A D McLean	Appointed 31 October 2006	
T D R Morrison		
R J Routs		Resigned 31 October 2006
J M Smith	Appointed 31 October 2006	
J van der Veer		Resigned 31 October 2006
P R Voser		Resigned 31 October 2006
R M Wiseman	Appointed 31 October 2006	

#### **DIRECTORS' INTERESTS**

Following changes to UK company law by the Companies Act 2006, which changes came in to effect on 6 April 2007, the requirements to maintain a register of Directors' interests and to disclose these interests in the Company's statutory report and accounts have been repealed. Consequently the Company no longer maintains a register of Directors' interests nor makes a disclosure in this regard.

#### **POST BALANCE SHEET EVENTS**

Refer to Note 21 "Post Balance Sheet Events"

#### **FINANCIAL RISK MANAGEMENT**

The Company's Directors have adopted a Treasury Policy, which is consistent with the requirements of the Shell Group risk management policies, which include specific guidelines on the management of foreign exchange and interest rate risks 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 plc (see Note 1b of these financial statements). The exposure of the Company to foreign exchange and interest rate risk is set out in Note 20 of the financial statements.

#### **QUALIFYING THIRD PARTY INDEMNITIES**

Royal Dutch Shell plc has entered into a deed of indemnity with each of Mr Brinded, Ms Cook, Mr Routs, Mr van der Veer and Mr Voser. The terms of these deeds are identical and reflect the statutory provisions on indemnities introduced by the Companies (Audit, Investigations and Community Enterprise) Act 2004. Under the terms of each of these deeds, Royal Dutch Shell plc has indemnified each of these Directors, to the widest extent permitted by the applicable laws of England and Wales, against any and all liability, howsoever caused (including by that Director's own negligence), suffered or incurred by that Director in the course of that Director acting as a Director or employee of Royal Dutch Shell plc, any Group member, including the Company, and/or certain other entities.

## **THE SHELL PETROLEUM COMPANY LIMITED**

### **DIRECTORS' REPORT (Continued)**

#### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations

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 confirm that they have complied with the above requirements in preparing the financial statements

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

#### **DISCLOSURE OF INFORMATION TO AUDITORS**

So far as each of the Directors is aware, there is no relevant audit information (meaning information needed by the Company's auditors in connection with preparing their report) that has not been disclosed to the Company's auditors. Each of the Directors believes that he or she has taken all steps that ought to have been taken to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

#### **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  
Authorised Signatory for  
Shell Corporate Secretary Limited  
Company Secretary  
25 June 2007

# **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 2006, which comprise the profit and loss account, 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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

## **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 2006 and of its profit for the year then ended,
- the accounts have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' report is consistent with the accounts.

*PricewaterhouseCoopers LLP*

PricewaterhouseCoopers LLP  
Chartered Accountants and  
Registered Auditors  
25 June 2007

1 Embankment Place,  
LONDON, WC2N 6RH

**THE SHELL PETROLEUM COMPANY LIMITED****PROFIT AND LOSS ACCOUNT****For the year ended 31 December 2006****Continuing operations**

	<b>Note</b>	<b>2006 \$ million</b>	<b>2005 \$ million</b>
Administrative expenses		1 7	(480 1)
Other operating income		15 9	30 3
<b>OPERATING PROFIT/(LOSS)</b>		<b>17 6</b>	<b>(449 8)</b>
Income from shares in subsidiary undertakings		8,461 0	12,529 7
Income from shares in participating undertakings		72 1	57 6
Income from other fixed asset investments		-	49 1
Write back of impairments against investments	4	-	170 2
Profit on sale of investments	4	120 7	425 1
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST</b>		<b>8,671 4</b>	<b>12,781 9</b>
Other interest receivable and similar income	2	2,252 4	1,969 2
Interest payable and similar charges	3	(2,381 9)	(1,611 5)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAX</b>	4	<b>8,541 9</b>	<b>13,139 6</b>
Tax on profit on ordinary activities	5	103 6	(35 1)
<b>PROFIT FOR THE YEAR</b>		<b>8,645 5</b>	<b>13,104 5</b>

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

There were no recognised gains and losses other than the profit for the current year and the prior year and accordingly a statement of total recognised gains and losses has not been presented

**THE SHELL PETROLEUM COMPANY LIMITED**


**BALANCE SHEET**

**At 31 December 2006**

	<b>Note</b>	<b>2006 \$ million</b>	<b>2005 \$ million</b>
<b>FIXED ASSETS</b>			
Investments	6	20,372 5	17,398 0
<b>CURRENT ASSETS</b>			
Debtors amounts due within one year	7	13,457 0	10,043 7
Debtors amounts due after more than one year	7	31,273 0	30,211 2
		<hr/> 44,730 0	<hr/> 40,254 9
Investments	9	2,060 3	1,598 6
Cash at bank and in hand		50 8	11 3
		<hr/> 46,841 1	<hr/> 41,864 8
<b>CREDITORS: amounts falling due within one year</b>	10	(27,634 1)	(26,314 8)
<b>NET CURRENT ASSETS</b>		<hr/> 19,207 0	<hr/> 15,550 0
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<hr/> 39,579 5	<hr/> 32,948 0
<b>CREDITORS: amounts falling due after more than one year</b>	11	(27,208 9)	(1,254 5)
<b>PROVISIONS FOR LIABILITIES</b>			
Pensions and similar obligations	12	(27 2)	(23 6)
<b>NET ASSETS</b>		<hr/> 12,343 4	<hr/> 31,669 9
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	2,697 1	2,697 1
Other reserves	15	5,284 9	5,284 9
Profit and loss account	15	4,361 4	23,687 9
<b>EQUITY SHAREHOLDER'S FUNDS</b>	15	<hr/> 12,343 4	<hr/> 31,669 9

The Notes on pages 7 to 21 form part of these accounts

The accounts were approved by the Board of Directors on 25 June 2007 and were signed on its behalf by

  
G. P. J. A. Janssens  
Director

# **THE SHELL PETROLEUM COMPANY LIMITED**

## **NOTES TO THE ACCOUNTS**

**For the year ended 31 December 2006**

### **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

#### **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.

The ultimate parent company is Royal Dutch Shell plc, 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 plc.

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

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

#### **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, including accruals relating to the current year and prior periods, provided that the Company has approved the dividend.



**THE SHELL PETROLEUM COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (Continued)**

**For the year ended 31 December 2006**

**1 Accounting policies (Continued)**

**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

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. Non-monetary assets and liabilities that have been recorded in a foreign currency are translated using exchange rates at the date of the transaction. No subsequent translations are made once this has occurred

**THE SHELL PETROLEUM COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (Continued)**

**For the year ended 31 December 2006**

**1 Accounting policies (Continued)**

**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

**j) Pension costs**

The Company is a Member Company 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.

**THE SHELL PETROLEUM COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (Continued)**

**For the year ended 31 December 2006**

**2 Other interest receivable and similar income**

	<b>2006</b> <b>\$ million</b>	<b>2005</b> <b>\$ million</b>
Group undertakings		
Parent undertakings	7 3	13 1
Subsidiary undertakings	2,017 6	1,872 2
Unlisted participating undertakings	0 2	-
Profit on currency translation	115 3	-
Interest from banks and similar income	112 0	83 9
	<u>2,252 4</u>	<u>1,969 2</u>

**3 Interest payable and similar charges**

	<b>2006</b> <b>\$ million</b>	<b>2005</b> <b>\$ million</b>
Loans from Group undertakings		
Parent undertakings	829 6	-
Subsidiary undertakings	1,495 1	1,518 8
Fellow subsidiary undertakings	52 8	52 0
Bank interest and charges	1 0	0 8
Loss on currency translation	-	19 5
Other interest payable	3 4	20 4
	<u>2,381 9</u>	<u>1,611 5</u>

**4 Profit on ordinary activities before tax**

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

	<b>2006</b> <b>\$ million</b>	<b>2005</b> <b>\$ million</b>
Currency translation financing	(115 3)	19 5
Write back of previous impairment of fixed asset investments	-	(3 9)
Write back of previous impairment of RD and STT shares relating to options granted for Directors and employees	-	(143 6)
Write back of other unquoted investment	-	(22 7)
Profit on disposal of fixed asset investments	(94 9)	(425 1)
Profit on disposal of current asset investments	<u>(25 8)</u>	<u>-</u>

Auditors' remuneration for audit services during the year was £167,000 (\$307,324) (2005 £116,500 (\$211,668)) Fees paid to PricewaterhouseCoopers LLP and its associates for fees other than the statutory audit of the Company are not disclosed in the Company's accounts since the consolidated accounts of the Company's ultimate parent, Royal Dutch Shell plc, are required to disclose non-audit fees on a consolidated basis

**THE SHELL PETROLEUM COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (Continued)**

**For the year ended 31 December 2006**

**4 Profit on ordinary activities before tax (continued)**

The Company had no employees during 2006 (2005 Nil)

**5 Tax on profit on ordinary activities**

The credit for the year of \$103.6 million (2005 charge of \$35.1 million) is made up as follows

	<b>2006 \$ million</b>	<b>2005 \$ million</b>
UK corporation tax at the standard rate of 30% (2005 30%)	710.5	1,353.8
Adjustments in respect of prior years	(102.7)	(24.6)
Taxation imposed outside of the UK	34.5	27.7
Double tax relief	(744.9)	(1,322.5)
Total current tax charge	<u>(102.6)</u>	<u>34.4</u>
Deferred tax (Note 8)		
Origination and reversal of timing differences	(1.0)	0.7
Total tax (credit) / charge	<u>(103.6)</u>	<u>35.1</u>

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

	<b>2006 \$ million</b>	<b>2005 \$ million</b>
Profit on ordinary activities before tax	(8,541.9)	(13,139.6)
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2005 30%)	2,562.6	3,941.9
Effects of		
Income not assessable	(2,099.7)	(3,182.5)
Tax on imputed interest	36.6	1.5
Dividend income covered by underlying tax	(533.9)	(795.3)
Expenses not deductible	-	65.7
Taxation imposed outside the UK	34.5	27.7
Adjustments to tax charge in respect of prior years	(102.7)	(24.6)
Current tax (credit) / charge for the year	<u>(102.6)</u>	<u>34.4</u>

**THE SHELL PETROLEUM COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (Continued)**

**For the year ended 31 December 2006**

**6 Fixed assets – Investments**

	Shares in group undertakings \$ million	Shares in participating undertakings \$ million	Other investments \$ million	Total \$ million
<b>Cost</b>				
Balance at 1 January 2006	17,047 0	377 5	1,580 0	19,004 5
Additions	3,059 3	-	-	3,059 3
Currency translation	96 9	-	-	96 9
Disposals	(30 3)	-	(170 0)	(200 3)
Balance at 31 December 2006	20,172 9	377 5	1,410 0	21,960 4
<b>Amounts provided</b>				
Balance at 1 January 2006	(1,599 0)	(7 5)	-	(1,606 5)
(Additions)/ write backs	-	-	-	-
Disposals	18 6	-	-	18 6
Balance at 31 December 2006	(1,580 4)	(7 5)	-	(1,587 9)
<b>Net book amount</b>				
At 31 December 2006	18,592 5	370 0	1,410 0	20,372 5
At 31 December 2005	15,448 0	370 0	1,580 0	17,398 0

Included in participating undertakings is an amount of \$335 4 million (2005 \$335 4 million) in respect of listed investments with a quoted market value at 31 December 2006 of \$1,629 9 million (2005 \$1,995 4 million)

Other investments relates to the Company's investment in a Netherlands Trust ('Stichting'), which holds Royal Dutch Shell plc 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 Royal Dutch Petroleum Company and The Shell Transport and Trading Company Limited which were transferred to the Stichting at their carrying value and converted into Royal Dutch Shell plc shares. From the date of transfer onwards all dividends received on the transferred shares remain the income of the Stichting.

**THE SHELL PETROLEUM COMPANY LIMITED****NOTES TO THE ACCOUNTS (Continued)****For the year ended 31 December 2006****6 Fixed assets – Investments (Continued)****List of investments****i) Principal subsidiary undertakings**

The principal subsidiary undertakings at 31 December 2006 were as follows

	<b>Country of Incorporation</b>	<b>Principal activity</b>	<b>% of shares held</b>
Shell Holdings (Bermuda) Limited	Bermuda	Holding Company	100
Shell Overseas Holdings Limited	England and Wales	Holding Company	100
Qatar Shell GTL Limited	Bermuda	Gas & Power	100
The Shell Petroleum Development Company of Nigeria Limited	Nigeria	Exploration and Production	100
Shell Treasury UK Limited	England and Wales	Treasury	100
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

All shares held are ordinary shares

**ii) Principal participating undertaking**

The principal participating undertaking at 31 December 2006 was as follows

	<b>Country of Incorporation</b>	<b>Principal activity</b>	<b>% of shares held</b>
Showa Shell Sekiyu K K	Japan	Oil Products	35

All shares held are ordinary shares

The aggregate amount of the capital and reserves of Showa Shell Sekiyu K K at 31 December 2006 as presented in its statutory accounts was \$2,556.9 million (¥303,995 million), and profit for the year was \$397.8 million (¥46,249 million)

**THE SHELL PETROLEUM COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (Continued)**

**For the year ended 31 December 2006**

**7 Debtors**

	<b>2006</b>		<b>2005</b>	
	<b>Within 1 Year \$ million</b>	<b>Over 1 Year \$ million</b>	<b>Within 1 Year \$ million</b>	<b>Over 1 Year \$ million</b>
Amounts owed by Group undertakings				
Parent undertakings	509.2	-	215.0	-
Subsidiary undertakings	12,309.4	30,962.3	9,805.5	29,923.2
Fellow subsidiary undertakings	0.3	-	7.8	-
Amounts owed by participating undertakings	3.3	302.6	-	280.9
Other debtors	177.5	-	15.4	-
Tax and social security	457.3	-	-	-
Deferred tax (Note 8)	-	8.1	-	7.1
	<u>13,457.0</u>	<u>31,273.0</u>	<u>10,043.7</u>	<u>30,211.2</u>
	<u>44,730.0</u>		<u>40,254.9</u>	

Amounts owed by subsidiary undertakings and by participating undertakings typically accrue interest at the 3 month rate LIBOR rate plus margins dependent on the duration and rating of the counterparty. These margins typically are in the range 0 – 60 basis points. The maturity dates of these balances vary but range up to 1 March 2056.

The balance of tax and social security receivable above arises because the Company makes payments to HM Revenue and Customs on behalf of other group companies.

**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 2006.

Deferred tax asset comprises	<b>2006 \$ million</b>	<b>2005 \$ million</b>
Unfunded pension provision	<u>8.1</u>	<u>7.1</u>
Total deferred tax asset	<u>8.1</u>	<u>7.1</u>
1 January 2006	7.1	
Deferred tax credit in the profit and loss account	<u>1.0</u>	
31 December 2006	<u>8.1</u>	

**THE SHELL PETROLEUM COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (Continued)**

**For the year ended 31 December 2006**

**8 Deferred tax (continued)**

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

Subsequent to the year end, the UK Chancellor of the Exchequer has announced that the corporation tax rate will be reduced from 30% to 28% with effect from 1 April 2008. In accordance with UK GAAP, the rate of 30% has still been used as a basis for the calculation of the recognised deferred taxation balance stated above as the change was not substantively enacted at the balance sheet date.

**9 Current assets – Investments**

	<b>2006</b> <b>\$ million</b>	<b>2005</b> <b>\$ million</b>
Bank deposits	1,947.2	1,243.6
Other short term deposits	6.2	278.7
Other unquoted investments	106.9	76.3
	<hr/>	<hr/>
	2,060.3	1,598.6

**10 Creditors: amounts falling due within one year**

	<b>2006</b> <b>\$ million</b>	<b>2005</b> <b>\$ million</b>
Amounts owed to Group undertakings		
Parent undertakings	404.5	18.2
Subsidiary undertakings	18,031.0	19,384.9
Fellow subsidiary undertakings	9,181.2	3,753.7
Amounts owed to participating undertakings	4.9	4.4
Tax and social security	-	125.7
Other creditors	12.5	27.9
Dividends payable	-	3,000.0
	<hr/>	<hr/>
	27,634.1	26,314.8

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

	<b>2006</b> <b>\$ million</b>	<b>2005</b> <b>\$ million</b>
Amounts owed to Group undertakings		
Parent undertakings	17,666.1	-
Subsidiary undertakings	9,141.6	12.1
Fellow subsidiary undertakings	401.2	1,242.4
	<hr/>	<hr/>
	27,208.9	1,254.5



# THE SHELL PETROLEUM COMPANY LIMITED

## NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2006

### 11 Creditors: amounts falling due after more than one year (Continued)

Amounts owed to Group undertakings comprises borrowings of USD 240 0 million repayable in November 2011, USD 17,666 1 million repayable in January 2016, USD 7,501 6 million repayable in July 2016 and USD 1,400 0 million repayable in September 2016, all at a floating rate of 3 month LIBOR, and GBP 205 million repayable in December 2008 at a floating rate of LIBOR less 0 1625%

The maturity profile of the carrying amount of the Company's financial liabilities at 31 December 2006 was as follows

	2006 \$ million	2005 \$ million
Within one year, or on demand	27,634 1	26,314 8
Within one to two years	401 2	889 0
Within two to five years	240 0	365 5
After five years	26,567 7	-
	<hr/> 54,843 0	<hr/> 27,569 3

### 12 Pension schemes

The Company is a Member Company 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 2005 using the projected unit method. The actuarial value of the SCPF's assets as at that date was £10,706 million. The principal actuarial assumptions adopted in the valuation were a discount rate of 5 1%, a rate of salary increases (in addition to age-related promotional increase) of 4 9%, and a price inflation rate of 2 9%. The actuarial value of the assets was surplus to the present value of the scheme liabilities by 19% 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 2006 following the principles of International Accounting Standard 19 "Employee Benefits" ("IAS 19") using a discount rate of 5 00% and a salary increase rate of 4 75%, 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 2006 of 33 9%. This calculation is not used by the scheme trustees to determine contributions.

**THE SHELL PETROLEUM COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (Continued)**

**For the year ended 31 December 2006**

**12 Pension schemes (Continued)**

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 (2005 \$Nil)

- 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 2005 using the projected unit method. The actuarial value of the SOCPF's assets as at that date was £2,019 million. The principal actuarial assumptions adopted in the valuation were a discount rate of 5.1%, a rate of salary increases (in addition to age-related promotional increase) of 4.9%, and a price inflation rate of 2.9%. The actuarial value of the assets fell short of the present value of the scheme liabilities by 4.5% 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 2006 following the principles of International Accounting Standard 19 "Employee Benefits" ("IAS 19") using a discount rate of 5.00% and a salary increase rate of 4.75%, 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 2006 of 3.4%. 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 (2005 \$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 2006, the obligation for accrued benefits in respect of these schemes was \$27.2 million (2005 \$23.6 million).

**THE SHELL PETROLEUM COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (Continued)**

**For the year ended 31 December 2006**

**13 Called up share capital**

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

	<b>2006</b>	<b>2005</b>
	<b>\$ million</b>	<b>\$ million</b>
1,518,218,893 (2005 Nil) ordinary shares of £1	2,697 1	-
Nil (2005 153,514,395) ordinary "A" shares of £1 each	-	276 9
Nil (2005 1,364,704,498) ordinary "B" shares of £1 each	-	2,420 2
	<u>2,697 1</u>	<u>2,697 1</u>

On 26 October 2006, the Company reclassified all of the "A" and "B" shares such that they are all ordinary shares of £1 each in the Company. The "A" and "B" Shares were originally issued to reflect the previous dual-headed parent company structure of the Shell Group. Following the unification transaction in 2005 where Royal Dutch Shell plc became the single parent company of the Shell Group, and the subsequent restructuring at the end of 2005 pursuant to which the Company became a wholly owned subsidiary of The Shell Transport and Trading Company Limited, there was no longer any rationale for having "A" and "B" shares.

**14 Dividends**

Interim dividends proposed and paid during the year amounted to \$17,000 million on 31 January 2006, \$722 million on 10 May 2006, \$8,000 million on 1 August 2006 and \$2,250 million on 1 November 2006. No final dividend for the year ended 31 December 2006 has been proposed.

**15 Reconciliation of movements in reserves and shareholder's funds**

	<b>Share capital</b>	<b>Share premium</b>	<b>Other reserves</b>	<b>Profit and loss account</b>	<b>Shareholder's funds</b>
	<b>\$ million</b>	<b>\$ million</b>	<b>\$ million</b>	<b>\$ million</b>	<b>\$ million</b>
At 1 January 2005	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 1 January 2006	2,697 1	-	5,284 9	23,687 9	31,669 9
Profit for the year	-	-	-	8,645 5	8,645 5
Dividends paid	-	-	-	(27,972 0)	(27,972 0)
At 31 December 2006	<u>2,697 1</u>	<u>-</u>	<u>5,284 9</u>	<u>4,361 4</u>	<u>12,343 4</u>

Other reserves include \$5,275 7 million in relation to an unrealised gain on the sale of a subsidiary to another subsidiary of the Company.

**THE SHELL PETROLEUM COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (Continued)**

**For the year ended 31 December 2006**

**16 Directors**

Directors' emoluments

	2006 \$	2005 \$
Aggregate emoluments	54,974	1,022,508

The Directors of the Company are employed by various companies in the Shell group and no recharges of emoluments are made to the Company

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

	2006 Number	2005 Number
In respect of money purchase schemes	-	1
In respect of defined benefit schemes	6	8

**17 Loans to Directors**

Name of Director	Lender	Type of Loan	Liability as at 31 December 2006 £	Liability as at 1 January 2006 £
A W Longden	SELAP Ltd	3% Executive Loan	-	70,000
A D McLean	SELAP Ltd	3% Executive Loan	30,250	30,250
J M Smith	SELAP Ltd	3% Executive Loan	21,200	21,200
R.M Wiseman	SELAP Ltd	3% Executive Loan	23,100	23,100
Total			<u>74,550</u>	<u>144,550</u>

SELAP Limited is a subsidiary of the Company, whose principal activity is to make loans to members of staff of the Shell Group. As at 31 December 2006, three directors of the Company had loans outstanding as shown above which had existed throughout 2006. The loan to Mr Longden was repaid in full during 2006. These general purpose loans are not repayable until the Directors cease to be employed by the Shell Group. Interest on the loans at a rate of 3% per annum falls due and is settled monthly.

**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 totaling \$9.0 million (2005 \$7.9 million), and
  - ii) in respect of other obligations of subsidiary undertakings amounting to \$1,240.5 million (2004 \$1,250.9 million)

# THE SHELL PETROLEUM COMPANY LIMITED

## NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2006

### 18 Contingent Liabilities (continued)

- b) 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.
- c) 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.

### 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 \$5,480.6 million (2005 \$5,066.2 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 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 2006 and 2005 are included below

	2006		2005	
	Contractual or Notional Amounts \$ million	Fair Value of Derivative \$ million	Contractual or Notional Amounts \$ million	Fair Value of Derivative \$ million
Cross Currency Interest Rate Swaps	2,171.7	11.0	1,198.7	20.3
Forward Foreign Exchange Contracts	-	-	1,559.9	(50.6)
	<u>2,171.7</u>	<u>11.0</u>	<u>2,758.6</u>	<u>(30.3)</u>

The derivative instruments disclosed above are not held at fair value in the balance sheet

**THE SHELL PETROLEUM COMPANY LIMITED**

**NOTES TO THE ACCOUNTS (Continued)**

**For the year ended 31 December 2006**

**21 Post Balance Sheet Events**

Subsequent to the year end, the UK Chancellor of the Exchequer has announced that the corporation tax rate will be reduced from 30% to 28% with effect from 1 April 2008. In accordance with UK GAAP, the rate of 30% has still been used as a basis for the calculation of the deferred taxation balances stated in note 8 as the change was not substantively enacted at the balance sheet date.

In addition, subsequent to the year end the Company has paid interim dividends of \$2,698,000,000.