

THE SHELL PETROLEUM COMPANY LIMITED

DIRECTORS' REPORT

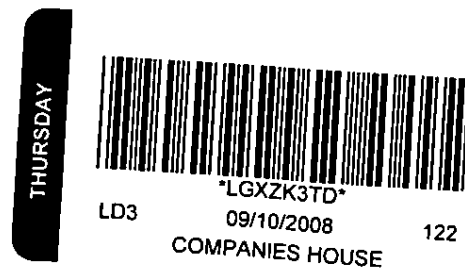
AND ACCOUNTS

2007

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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 2007

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 110 countries and territories around the world and is engaged in the upstream businesses of Exploration & 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 increased from \$8,645.5 million in 2006 to \$9,045.3 million in 2007. Dividends received from shares in subsidiary undertakings increased to \$9,568.1 million in 2007 from \$8,461.0 million in 2006.

The Company paid interim dividends totaling \$8,178.0 million during the year (2006: \$27,972.0 million). The Directors recommend that no further dividend be paid for the year ended 31 December 2007 (2006: \$nil).

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

The Shell Group has a single risk based control framework – The Shell Control Framework – to identify and manage risks. The Shell Control Framework applies to all wholly owned Shell companies and to those ventures and other companies in which Royal Dutch Shell plc ("Royal Dutch Shell") has directly or indirectly a controlling interest. From the perspective of the Company, the principal risks and uncertainties affecting the Company are considered to be those that affect the Shell Group. Accordingly, the principal risks and uncertainties of the Shell Group, which are discussed on pages 13 to 15 of Royal Dutch Shell's Annual Report and Form 20-F for the year ended 31 December 2007 (the "Group Report") include those of the Company. (The Group Report does not form part of this report).

Key performance indicators

The Shell Group of companies consists of the upstream businesses of Exploration & Production and Gas & Power and the downstream businesses of Oil & Chemicals. The Shell Group also has interests in alternative energy sources including Renewables & 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 and position of the business of the Company. The development, performance and position of the various businesses is discussed at pages 19 to 59 of the Group Report and the key performance indicators through which the Group's performance is measured are as set out on pages 60 to 61 of the Group Report. (The Group Report does not form part of this report).

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. The Directors regard the investment in research and development as integral to the continuing success of the business.

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 were

G P J A Janssens

A W Longden

A D McLean

T D R Morrison

J M Smith

R D Waight

R M Wiseman

Resigned 31 July 2008

Appointed 15 September 2008

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.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and the accounts 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 accounts.

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)

DISCLOSURE OF INFORMATION TO AUDITORS

All Directors in office at the date of approval of the accounts confirm that 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.

INDEPENDENT AUDITORS

The Company has passed an Elective Resolution in accordance with the Companies Act 1985 to dispense with the annual re-appointment of auditors. PricewaterhouseCoopers LLP will, accordingly, continue in office as auditors of the Company pursuant to Section 386 of the Companies Act 1985.

By order of the Board



K Hawkins
Authorised Signatory for
Shell Corporate Secretary Limited
Company Secretary
8 October 2008

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

We have audited the financial statements of The Shell Petroleum Company Limited for the year ended 31 December 2007, which comprise the profit and loss account, the balance sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of Directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements 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 financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, 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 other 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 financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, 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 financial statements 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 financial statements.

Opinion

In our opinion:

- the financial statements 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 2007 and of its profit for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
8 October 2008

1, Embankment Place,
LONDON, WC2N 6RH

THE SHELL PETROLEUM COMPANY LIMITED**PROFIT AND LOSS ACCOUNT****For the year ended 31 December 2007****Continuing operations**

	Note	2007 \$ million	2006 \$ million
Administrative expenses		(2 1)	1 7
Other operating income		-	15 9
OPERATING PROFIT/(LOSS)		(2 1)	17 6
Income from shares in subsidiary undertakings		9,568 1	8,461 0
Income from shares in participating undertakings		58 9	72 1
Amounts written off investments	4	(12 5)	-
Write back of impairments against investments	4	69 0	-
Profit on sale of investments	4	105 9	120 7
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		9,787 3	8,671 4
Other interest receivable and similar income	2	2,151 2	2,252 4
Interest payable and similar charges	3	(3,082 0)	(2,381 9)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	4	8,856 5	8,541 9
Tax on profit on ordinary activities	5	188 8	103 6
PROFIT FOR THE YEAR		9,045 3	8,645 5

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 2007

	Note	2007 \$ million	2006 \$ million
FIXED ASSETS			
Investments	6	35,076 1	20,372 5
CURRENT ASSETS			
Debtors amounts due within one year	7	4,672 7	13,457 0
Debtors amounts due after more than one year	7	18,090 4	31,273 0
		<u>22,763 1</u>	<u>44,730 0</u>
Investments	9	378 8	2,060 3
Cash at bank and in hand		2 6	50 8
		<u>23,144 5</u>	<u>46,841 1</u>
CREDITORS: amounts falling due within one year	10	(13,454 2)	(27,634 1)
NET CURRENT ASSETS		<u>9,690 3</u>	<u>19,207 0</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>44,766 4</u>	<u>39,579 5</u>
CREDITORS: amounts falling due after more than one year	11	(31,528 4)	(27,208 9)
PROVISIONS FOR LIABILITIES			
Pensions and similar obligations	12	(27 3)	(27 2)
NET ASSETS		<u>13,210 7</u>	<u>12,343 4</u>
CAPITAL AND RESERVES			
Called up share capital	13	2,697 1	2,697 1
Other reserves	15	-	5,284 9
Profit and loss account	15	10,513 6	4,361 4
EQUITY SHAREHOLDER'S FUNDS	15	<u>13,210 7</u>	<u>12,343 4</u>

The accounts on pages 5 to 22 were approved by the Board of Directors on 8 October 2008 and were signed on its behalf by



A W Longden
Director

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2007

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 accounting policies have been consistently applied. There have been no changes in accounting policies in 2007.

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, 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

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 by the Company 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 2007

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 2007

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.

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 Fund's underlying assets and liabilities on a consistent and reasonable basis and therefore has taken advantage of the exemptions allowed by paragraph 9(b) of Financial Reporting Standard 17. There are no contractual or stated policies on which to base an allocation of the Fund's underlying assets and liabilities to member companies. The Company accounts for its contributions to the Fund 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 Fund and any implications for the Company in Note 12. The Fund's assets are held in a separately administered fund from Shell Group assets.

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 2007

1 Accounting policies (Continued)

m) Netting-off policy

Balances with other companies of the Shell Group, are stated gross, unless all of the following conditions are met

- 1 The Company currently has a legally enforceable right to set off the recognised amounts, and
- 11 The Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

n) Financial instruments

The Company, in the normal course of the business, uses financial instruments of various kinds for the purposes of managing exposure to currency, commodity price and interest rate movements

The Company has a treasury policy consistent with the Group Treasury Guidelines. These policies cover financial structure, foreign exchange and interest rate risk management as well as the treasury control framework. The use of financial instruments for managing exposures has been successful during the period and the Company will use financial instruments, where required, to manage exposures in future periods.

o) Interest rate and cross currency interest rate swaps

Interest rate and cross currency interest rate swaps are acquired and held for hedging purposes. Income and expense arising from such transactions are accrued in the profit and loss account, consistent with the basis applied to the underlying transactions. Interest rate swaps are not revalued to fair value or shown in the balance sheet at the year-end. The foreign currency principal amounts of cross currency interest rate swaps are revalued at the prevailing FX rate on the balance sheet date with gains and losses being taken to the profit and loss account.

2 Other interest receivable and similar income

	2007 \$ million	2006 \$ million
Group undertakings		
Parent undertakings	-	7.3
Subsidiary undertakings	1,957.4	2,017.6
Unlisted participating undertakings	0.6	0.2
Profit on currency translation	9.9	115.3
Interest from banks and similar income	183.3	112.0
	<hr/>	<hr/>
	2,151.2	2,252.4

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

3 Interest payable and similar charges

	2007 \$ million	2006 \$ million
Loans from Group undertakings		
Parent undertakings	748 1	829 6
Subsidiary undertakings	2,298 8	1,495 1
Fellow subsidiary undertakings	29 1	52 8
Bank interest and charges	1 6	1 0
Other interest payable	4 4	3 4
	<hr/> 3,082 0	<hr/> 2,381 9

4 Profit on ordinary activities before tax

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

	2007 \$ million	2006 \$ million
Currency translation financing	(9 9)	(115 3)
Provision for impairment of investments	12 5	-
Reversal of prior year provision for impairment of investments	(69 0)	-
Profit on disposal of fixed asset investments	(44 3)	(94 9)
Profit on disposal of current asset investments	(61 6)	(25 8)
Auditors' remuneration for audit services	<hr/> 0 4	<hr/> 0 3

Auditors' remuneration for audit services during the year was £210,000 (\$419,000) (2006 £167,000 (\$307,000)) 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, are required to disclose non-audit fees on a consolidated basis

The Company had no employees during 2007 (2006 Nil)

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

5 Tax on profit on ordinary activities

The credit for the year of \$188.8 million (2006: credit of \$103.6 million) is made up as follows

	2007 \$ million	2006 \$ million
UK corporation tax at the standard rate of 30% (2006: 30%)	1,160.0	745.0
Adjustments in respect of prior years	36.9	(102.7)
Taxation imposed outside of the UK	17.0	34.5
Double tax relief	(1,160.0)	(745.0)
Group relief surrendered	(243.2)	(34.4)
Total current tax credit	(189.3)	(102.6)
Deferred tax (Note 8)		
Origination and reversal of timing differences	0.5	(1.0)
Total tax (credit) / charge	(188.8)	(103.6)

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

	2007 \$ million	2006 \$ million
Profit on ordinary activities before tax	(8,856.5)	(8,541.9)
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2006: 30%)	2,657.0	2,562.6
Effects of		
Income not assessable	(2,045.6)	(2,063.5)
Expenses not deductible	21.0	(36.2)
Tax on imputed interest	18.6	36.6
Dividend income covered by underlying tax	(894.2)	(533.9)
Taxation imposed outside the UK	17.0	34.5
Adjustments to tax charge in respect of prior years	36.9	(102.7)
Current tax (credit) / charge for the year	(189.3)	(102.6)

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

6 Fixed assets – Investments

	Shares in group undertakings \$ million	Shares in participating undertakings \$ million	Other investments \$ million	Total \$ million
Cost				
Balance at 1 January 2007	20,172 9	377 5	1,410 0	21,960 4
Additions	14,868 9	46 6	-	14,915 5
Transfers from current assets	56 0	-	-	56 0
Disposals	(11 7)	-	(312 7)	(324 4)
Balance at 31 December 2007	35,086 1	424 1	1,097 3	36,607 5
Amounts provided				
Balance at 1 January 2007	(1,580 4)	(7 5)	-	(1,587 9)
(Additions)/ write backs	56 5	-	-	56 5
Balance at 31 December 2007	(1,523 9)	(7 5)	-	(1,531 4)
Net book amount				
At 31 December 2007	33,562 2	416 6	1,097 3	35,076 1
At 31 December 2006	18,592 5	370 0	1,410 0	20,372 5

Included in participating undertakings is an amount of \$335 4 million (2006 \$335 4 million) in respect of listed investments with a quoted market value at 31 December 2007 of \$1,496 3 million (2006 \$1,629 9 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 2007****6 Fixed assets – Investments (Continued)****List of investments****i) Principal subsidiary undertakings**

The principal subsidiary undertakings at 31 December 2007 were as follows

	Country of Incorporation	Principal activity	% of shares held
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 & 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 2007 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 aggregate amount of the capital and reserves of Showa Shell Sekiyu K K at 31 December 2007 as presented in its statutory accounts was \$2,983.2 million (¥334,386 million), and profit for the year was \$386.1 million (¥43,279 million)

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

7 Debtors

	2007		2006	
	Within 1 Year \$ million	Over 1 Year \$ million	Within 1 Year \$ million	Over 1 Year \$ million
Amounts owed by Group undertakings				
Parent undertakings	241 1	-	509 2	-
Subsidiary undertakings	4,012 2	17,782 6	12,309 4	30,962 3
Fellow subsidiary undertakings	-	-	0 3	-
Amounts owed by participating undertakings	-	300 2	3 3	302 6
Other debtors	43 4	-	177 5	-
Tax and social security	376 0	-	457 3	-
Deferred tax (Note 8)	-	7 6	-	8 1
	<u>4,672 7</u>	<u>18,090 4</u>	<u>13,457 0</u>	<u>31,273 0</u>
	<u>22,763 1</u>		<u>44,730 0</u>	

Amounts owed by subsidiary undertakings and by participating undertakings typically accrue interest at the 3 month LIBOR rate, or EURIBOR for EURO loans, plus margins dependent on the duration and rating of the counterparty. These margins typically are in the range 0 – 65 basis points. Three loans for a total of \$1,689 0 million are on an interest free basis. The maturity dates of these balances vary but range up to 1 October 2057.

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 2007.

Deferred tax asset comprises	2007 \$ million	2006 \$ million
Unfunded pension provision	<u>7 6</u>	<u>8 1</u>
1 January 2007	8 1	
Impact of tax rate change	<u>(0 5)</u>	
31 December 2007	<u>7 6</u>	

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

8 Deferred tax (continued)

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

The Chancellor of the Exchequer announced a reduction in the standard rate of UK corporation tax from 30 per cent to 28 per cent with effect from 1 April 2008. This change became substantively enacted upon the third reading and approval of the Finance Bill 2007, which took place in the House of Commons on 26 June 2007. The deferred tax balances carried forward as at 31 December 2007 have therefore been revalued at 28% in accordance with FRS19.

9 Current assets – Investments

	2007	2006
	\$ million	\$ million
Bank deposits	347.2	1,947.2
Other short term deposits	6.2	6.2
Other unquoted investments	25.4	106.9
	<hr/>	<hr/>
	378.8	2,060.3
	<hr/>	<hr/>

During the year current assets of \$56.0 million were transferred to fixed assets

10 Creditors: amounts falling due within one year

	2007	2006
	\$ million	\$ million
Amounts owed to Group undertakings		
Parent undertakings	29.0	404.5
Subsidiary undertakings	12,756.1	18,031.0
Fellow subsidiary undertakings	639.4	9,181.2
Amounts owed to participating undertakings	5.1	4.9
Other creditors	24.6	12.5
	<hr/>	<hr/>
	13,454.2	27,634.1
	<hr/>	<hr/>

11 Creditors: amounts falling due after more than one year

	2007	2006
	\$ million	\$ million
Amounts owed to Group undertakings		
Parent undertakings	-	17,666.1
Subsidiary undertakings	31,528.4	9,141.6
Fellow subsidiary undertakings	-	401.2
	<hr/>	<hr/>
	31,528.4	27,208.9
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THE SHELL PETROLEUM COMPANY LIMITED**NOTES TO THE ACCOUNTS (Continued)****For the year ended 31 December 2007****11 Creditors: amounts falling due after more than one year (Continued)**

Amounts owed to Group undertakings comprises borrowings of \$475.1 million repayable in November 2011, \$1,014.9 million repayable in December 2011, \$210.5 million repayable in August 2014, \$17,000.0 million repayable in January 2016, \$7,501.6 million repayable in July 2016, \$5,250.0 million repayable in September 2016 and \$76.3 million repayable in December 2017, all at a floating rate of 3 month LIBOR

The maturity profile of the carrying amount of the Company's financial liabilities at 31 December 2007 was as follows

	2007 \$ million	2006 \$ million
Within one year, or on demand	13,454.2	27,634.1
Within one to two years	-	401.2
Within two to five years	1,490.0	240.0
After five years	30,038.4	26,567.7
	44,982.6	54,843.0

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 were suspended with effect from 1 July 2007.

A calculation of the assets and liabilities of the fund was carried out for accounting purposes as at 31 December 2007 following the principles of International Accounting Standard 19 "Employee Benefits" ("IAS 19") using a discount rate of 5.90% and a salary increase rate of 5.25%, 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 2007 of 47.5%. 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 2007

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. There are no contractual or stated policies on which to base an allocation of the Fund's underlying assets and liabilities to member companies. 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 (2006 \$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 2007 following the principles of International Accounting Standard 19 "Employee Benefits" ("IAS 19") using a discount rate of 5.90% and a salary increase rate of 5.25%, 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 2007 of 5.0%. 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 (2006 \$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 2007, the obligation for accrued benefits in respect of these schemes was \$27.3 million (2006 \$27.2 million).

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

13 Called up share capital

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

	2007 \$ million	2006 \$ million
1,518,218,893 (2006 1,518,218,893) ordinary shares of £1	<u>2,697 1</u>	<u>2,697 1</u>

14 Dividends

Interim dividends proposed and paid during the year amounted to \$2,400 million on 12 February 2007, \$298 million on 30 April 2007, \$3,201 million on 30 July 2007 and \$2,279 million on 30 October 2007. No final dividend for the year ended 31 December 2007 has been proposed.

15 Reconciliation of movements in reserves and shareholder's funds

	Share capital \$ million	Other reserves \$ million	Profit and loss account \$ million	Shareholder's funds \$ million
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 1 January 2007	<u>2,697 1</u>	<u>5,284 9</u>	<u>4,361 4</u>	<u>12,343 4</u>
Profit for the year	-	-	9,045 3	9,045 3
Transfers between reserves		(5,284 9)	5,284 9	-
Dividends paid	-	-	(8,178 0)	(8,178 0)
At 31 December 2007	<u>2,697 1</u>	<u>-</u>	<u>10,513 6</u>	<u>13,210 7</u>

During 2007 \$5,284 9 million of other reserves was transferred to the profit and loss account reserve upon realisation of a gain on the sale of a subsidiary undertaking.

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

16 Directors

Directors' emoluments

2007	2006
\$	\$

Aggregate emoluments	-	54,974
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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

2007	2006
Number	Number

In respect of defined benefit schemes	6	6
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17 Loans to Directors

Name of Director	Lender	Type of Loan	Liability as at 31 December 2007	Liability as at 1 January 2007
			£	£
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>74,550</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 2007, three directors of the Company had loans outstanding as shown above which had existed throughout 2007. 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.

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

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 \$9.1 million (2006 \$9.0 million), and
 - ii) in respect of other obligations of subsidiary undertakings amounting to \$119.7 million (2006 \$1,240.5 million)
- b) The Company is subject to loss contingencies arising out of claims made by HM Revenue and Customs in respect of loans made between various Group holding companies. The Directors believe that it is not probable that any payment will be required to settle these claims. In addition, 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 \$5,648.5 million (2006 \$5,480.6 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.

THE SHELL PETROLEUM COMPANY LIMITED**NOTES TO THE ACCOUNTS (Continued)****For the year ended 31 December 2007****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 2007 and 2006 are included below

	2007		2006	
	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	408.5	0.3	2,171.7	11.0

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

21 Post balance sheet events

In addition, subsequent to the year end the Company has paid interim dividends of \$7,073,000,000