

THE SHELL PETROLEUM COMPANY LIMITED

DIRECTORS' REPORT

AND ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2010

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THE SHELL PETROLEUM COMPANY LIMITED

DIRECTORS' REPORT

The Directors present their report and audited accounts for the year ended 31 December 2010

The Directors' report and audited accounts of the Company have been prepared in accordance with the Companies Act 2006

The Shell Petroleum Company Limited (also referred to as the "Company") is one of the entities within the "Shell Group". In this context the term "Shell Group" and "Companies of the Shell Group" or ("Group companies") means companies in which Royal Dutch Shell plc, either directly or indirectly, has control either through a majority of the voting rights or the right to exercise a controlling influence or to obtain the majority of the benefits and be exposed to the majority of the risks. Companies in which Group companies have significant influence but not control are classified as "Associated companies". Royal Dutch Shell plc, a company incorporated in England & Wales, is known as the "Parent Company" of the Shell Group. In this Report "Shell", "Shell Group" and "Royal Dutch Shell" are sometimes used for convenience where references are made to Royal Dutch Shell and its subsidiaries in general. These expressions are also used where no useful purpose is served by identifying the particular company or companies.

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 90 countries around the world and is engaged in the Upstream businesses of Exploration and Production, Gas and Power and Oil Sands and the Downstream businesses of Oil Products and Chemicals. The Company will continue with these activities for the foreseeable future.

The Company's profit for the financial year increased from \$13,976.3 million to \$14,274.2 million. This was principally due to the increase in income from shares in subsidiary undertakings from \$13,070.3 million to \$14,698.6 million, offset by an increase of amounts written off investments from \$8.6 million to \$414.4 million and a decrease in the write back of impairment against investments from \$921.8 million to \$44.1 million.

The Directors consider that the year end financial position of the Company was satisfactory.

Dividends

Interim dividends of \$15,548.2 million were paid in the year (2009: \$9,024.0 million). The Directors recommend that no further dividend be paid for the year ended 31 December 2010 (2009: \$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 2010 (the "Group Report") include those of the Company. (The Group Report does not form part of this report).

THE SHELL PETROLEUM COMPANY LIMITED

DIRECTORS' REPORT (continued)

Key performance indicators

Companies of the Shell Group comprise the Upstream businesses of Exploration and Production, Gas and Power and Oil Sands and the Downstream businesses of Oil Products and Chemicals. The Company's key performance indicators, that give an understanding of the development, performance and position of the business, are aligned with those of the Shell Group. The development, performance, and position of the various businesses is discussed on pages 19 to 43 of the Group Report and the key performance indicators through which the Shell Group's performance is measured are set out on pages 8 to 9 of the Group Report.

Research and development

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

DIRECTORS

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

A W Longden		
A D McLean		
G S Talbot		Resigned 1 February 2010
G van't Hoff	Appointed 12 May 2011	
J M Smith		Resigned 30 April 2011
K J Hawkins	Appointed 12 May 2011	
M J ten Brink	Appointed 1 July 2010	
R D Waight		Resigned 31 July 2010
R M Wiseman		Resigned 18 February 2011
S Constant-Glema	Appointed 7 April 2010	

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 market, credit and liquidity risk and advice on the use of financial instruments to manage them. Shell Group risk management policies can be found in the Group Report (see pages 82 to 83 and note 23). The exposure of the Company to foreign exchange risk is set out in Note 19 of the accounts.

POST BALANCE SHEET EVENTS

Refer to Note 20 "Post balance sheet events"

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Directors' Report and the Company's accounts in accordance with applicable law and regulations.

Company law requires the Directors to prepare accounts for each financial year. Under that law the Directors have elected to prepare the Company's accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law, the Directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

THE SHELL PETROLEUM COMPANY LIMITED
DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES (continued)

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 UK 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 adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO AUDITORS

All Directors in office at the date of approval of the Directors' report 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.

By order of the Board



Karin Hawkins
Authorised Signatory for
Shell Corporate Secretary Limited
Company Secretary

4 July 2011

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

We have audited the accounts of The Shell Petroleum Company Limited for the year ended 31 December 2010 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2 and 3, the directors are responsible for the preparation of the accounts and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the accounts in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's member as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

Scope of the audit of the accounts

An audit involves obtaining evidence about the amounts and disclosures in the accounts sufficient to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the accounts.

Opinion on accounts

In our opinion the accounts

- give a true and fair view of the state of the Company's affairs as at 31 December 2010 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial year for which the accounts are prepared is consistent with the accounts.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the accounts are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.



Charles van den Arend (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
1 Embankment Place
London
WC2N 6RH

4 July 2011

THE SHELL PETROLEUM COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2010

Continuing operations

	Note	2010 \$ million	2009 \$ million
Administrative expenses		(9 4)	(1 2)
OPERATING LOSS		(9 4)	(1 2)
Income from shares in subsidiary undertakings		14,698 6	13,070 3
Income from shares in participating undertakings		55 2	54 0
Amounts written off investments	4	(414 4)	(8 6)
Write back of impairments against investments	4	44 1	921 8
Profit on sale of investments	4	31 6	16 2
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST AND TAXATION		14,405 7	14,052 5
Interest receivable and similar income	2	36 6	257 3
Interest payable and similar charges	3	(175 6)	(398 5)
Other finance (expense)/income	11	(0 4)	10 6
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	14,266 3	13,921 9
Tax on profit on ordinary activities	5	7 9	54 4
PROFIT FOR THE FINANCIAL YEAR		14,274 2	13,976 3

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
REGISTERED IN ENGLAND AND WALES: 77861
BALANCE SHEET
As at 31 December 2010

	Note	2010 \$ million	2009 \$ million
FIXED ASSETS			
Investments	6	45,434 0	43,259 2
CURRENT ASSETS			
Debtors amounts due within one year	7	8,863 1	1,225 5
Debtors amounts due after more than one year	7	1,485 0	9,535 2
		<hr/> 10,348 1	<hr/> 10,760 7
Cash at bank and in hand		<hr/> 0 8	<hr/> 2 8
		10,348 9	10,763 5
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	8	(4,391 5)	(5,430 5)
NET CURRENT ASSETS		<hr/> 5,957 4	<hr/> 5,333 0
TOTAL ASSETS LESS CURRENT LIABILITIES		<hr/> 51,391 4	<hr/> 48,592 2
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	9	(37,892 9)	(33,819 3)
PROVISIONS FOR LIABILITIES	10	<hr/> (16 3)	<hr/> (16 7)
NET ASSETS EXCLUDING PENSION (DEFICIT)		13,482 2	14,756 2
Pensions deficit	11	<hr/> (11 4)	<hr/> (11 4)
NET ASSETS INCLUDING PENSION (DEFICIT)		<hr/> 13,470 8	<hr/> 14,744 8
CAPITAL AND RESERVES			
Called up share capital	12	2,697 1	2,697 1
Other reserves	14	229 8	229 8
Profit and loss account	14	10,543 9	11,817 9
TOTAL SHAREHOLDER'S FUNDS	14	<hr/> 13,470 8	<hr/> 14,744 8

The accounts on pages 5 to 21 were approved by the Board of Directors on 4 July 2011 and were signed on its behalf by

S. Constant-Glema

S Constant-Glema
Director

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2010

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, in accordance with the Companies Act 2006, applicable Accounting Standards in the UK (UK GAAP) and the accounting policies as described below

The accounting policies have been consistently applied. There have been no changes in accounting policies in 2010.

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 group accounts under the provisions of Section 400 of the Companies Act 2006. 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 "parent undertaking").

The ultimate and controlling party is Royal Dutch Shell plc, which is incorporated in England & Wales.

Royal Dutch Shell plc is the parent undertaking of the largest group of undertakings to consolidate these accounts at 31 December 2010. The consolidated accounts of Royal Dutch Shell plc are available from

Royal Dutch Shell plc
Tel +31 888 800 844
e-mail order@shell.com

c) Fixed asset investments

These comprise investments in shares and loans that the Company intends to hold on a continuing basis. The investments are stated at cost less provisions for impairment. The Company carries out a review for the potential impairment of an investment 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 ("FRS") 11. Any impairments are recorded in the profit and loss account.

If, after an impairment loss has been recognised, the recoverable amount of an investment increases because of a change in economic conditions or in the expected use of the asset, the resulting reversal of the impairment loss is recognised in the current year to the extent that it increases the carrying amount of the investment up to the amount it would have been had the original impairment not occurred.

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2010

1. Accounting policies (continued)

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 the dividends have been approved

e) Tax

(i) Corporation 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

(ii) 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 tangible 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

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

f) 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 denominated in a foreign currency are translated using exchange rates at the date of the transaction. No subsequent translations are made once this has occurred

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2010

1. Accounting policies (continued)

g) 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.

h) Provisions

A provision is recognised when the Company has a legal or constructive obligation as a result of a past event, it is probable that a transfer of economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

i) 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 and therefore has taken advantage of the exemptions allowed by paragraph 9(b) of FRS 17. There are no contractual or stated policies on which to base an allocation of the Funds' underlying assets and liabilities to member companies. 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 11. The Funds' assets are held in separately administered funds from Shell Group assets.

j) Netting-off policy

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

- a. Currently there is a legally enforceable right to set off the recognised amounts, and
- b. There is intent either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

k) Cash flow statement

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

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2010

1 Accounting policies (continued)

l) Related party disclosures

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

m) Derivative 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 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 year and the Company will use financial instruments, where required, to manage exposures in future periods.

2 Interest receivable and similar income

	2010 \$ million	2009 \$ million
Interest from Group undertakings		
Subsidiary undertakings	28.8	174.1
Fellow subsidiary undertakings	7.7	7.2
Interest from participating undertakings		
Unlisted	0.1	0.1
Interest from banks and similar income	-	1.7
Profit on currency translation	-	74.2
	<u>36.6</u>	<u>257.3</u>

3 Interest payable and similar charges

	2010 \$ million	2009 \$ million
Loans from Group undertakings		
Subsidiary undertakings	136.6	396.0
Fellow subsidiary undertakings	2.8	2.5
Loss on currency translation	36.2	-
	<u>175.6</u>	<u>398.5</u>

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2010

4 Profit on ordinary activities before taxation

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

	2010	2009
	\$ million	\$ million
Currency translation financing	36.2	(74.2)
Provision for impairment of investments	414.4	8.6
Reversal of prior year provision for impairment of investments	(44.1)	(921.8)
Profit on sale of investments	(31.6)	(16.2)
Auditors' remuneration for audit services	<u>0.3</u>	<u>0.3</u>

The Company had no employees during 2010 (2009 Nil)

	2010	2009
	\$'000	\$'000
Fees for the audit of the Company	349.2	326.4

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 parent, Royal Dutch Shell plc, are required to disclose non-audit fees on a consolidated basis

5 Tax on profit on ordinary activities

The credit for the year of \$7.9 million (2009 \$54.4 million) is made up as follows

	2010	2009
	\$ million	\$ million
UK corporation tax at the standard rate of 28.0% (2009 28.0%)	(32.7)	(52.1)
Adjustments in respect of prior years	16.8	(11.3)
Taxation imposed outside of the UK	<u>7.9</u>	<u>6.7</u>
Total current tax credit	(8.0)	(56.7)
Deferred tax		
Effect of change in corporation tax rates	0.1	-
Origination and reversal of timing differences	<u>-</u>	<u>2.3</u>
Total tax credit	<u>(7.9)</u>	<u>(54.4)</u>

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2010

5 Tax on profit on ordinary activities (continued)

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 28% (2009 28 0%) The differences are explained below

	2010 \$ million	2009 \$ million
Profit on ordinary activities before taxation	(14,266 3)	(13,921 9)
Tax on profit on ordinary activities at standard UK corporation tax rate of 28 0% (2009 28 0%)	3,994 6	3,898 1
Effects of		
Income not assessable	(4,143 3)	(3,711 3)
Expenses not deductible	9 7	16 6
Tax on imputed interest	0 2	(4 7)
Tax imposed outside the UK	7 9	6 7
Other timing differences	2 4	7 3
Adjustments in respect of prior years	16 8	(11 3)
Increase/(decrease) in amounts provided on investments	103 7	(258 1)
Current tax credit for the year	(8 0)	(56 7)

Factors affecting current and future tax charges

During the year, as a result of the change in the UK main corporation tax rate from 28% to 27% that was substantively enacted on 20 July 2010 and that will be effective from 1 April 2011, the relevant deferred tax balances have been re-measured

Further reductions to the UK corporation tax rate were announced in the March 2011 Budget, including a further reduction to the UK main corporation tax rate of 26% which became effective on 1 April 2011 Further changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 23% by 1 April 2014 These changes had not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2010

6 Fixed assets – Investments

	Shares in Group undertakings \$ million	Shares in participating undertakings \$ million	Other investments \$ million	Total \$ million
Cost				
Balance at 1 January 2010	45,463 3	360 9	957 5	46,781 7
Additions	2,988 2	-	-	2,988 2
Disposals	(393 8)	(3 0)	(120 9)	(517 7)
Balance at 31 December 2010	48,057 7	357 9	836 6	49,252 2
Amounts provided				
Balance at 1 January 2010	(3,512 4)	(10 1)	-	(3,522 5)
Additions	(414 4)	-	-	(414 4)
Write back of amounts provided	41 5	2 6	-	44 1
Amounts provided eliminated on disposal	74 6	-	-	74 6
Balance at 31 December 2010	(3,810 7)	(7 5)	-	(3,818 2)
Net book amount				
At 31 December 2010	44,247 0	350 4	836 6	45,434 0
At 31 December 2009	41,950 9	350 8	957 5	43,259 2

Included in shares in Group undertakings and participating undertakings is an amount of \$425 7 million (2009 \$426 6 million) in respect of listed investments with a quoted market value at 31 December 2010 of \$1,348 3 million (2009 \$1,234 3 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.

Impairment reviews have been performed and investments have been written down where appropriate to their recoverable amounts. This has been based on estimated future cash flows, valuations and subsidiary accounts, where applicable, using a discount rate of 6%.

An impairment of \$331 8 million has been recognised against the investment in Shell Treasury UK Limited ("STUK"), a group undertaking. \$844 7 million was written back against this investment in 2009. The investment in STUK, a GBP denominated company, was made when the GBP/USD rate was \$2 0286 compared to the rate at 31 December 2010 of \$1 5475.

THE SHELL PETROLEUM COMPANY LIMITED**NOTES TO THE ACCOUNTS (continued)****For the year ended 31 December 2010****6 Fixed assets – Investments (continued)****List of investments****i) Principal subsidiary undertakings**

The principal subsidiary undertakings at 31 December 2010 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
Shell Ventures New Zealand Limited	England and Wales	Holding Company	100
Shell Holdings (U K) Limited	England and Wales	Holding Company	100
Qatar Shell GTL Limited	Bermuda	Gas and 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 Treasury Centre Limited	England and Wales	Treasury	100
Shell Trading International Limited	England and Wales	Trading and Shipping	100

All shares held are ordinary shares

ii) Principal participating undertaking

The principal participating undertaking at 31 December 2010 was as follows

	Country of Incorporation	Principal activity	% of shares held
Showa Shell Sekiyu K K	Japan	Oil Products	35.04

All shares held are ordinary shares

The aggregate amount of the consolidated capital and reserves of Showa Shell Sekiyu K K at 31 December 2010 as presented in its local statutory accounts was \$2,939.2 million (¥239,087 million), and profit for the 2010 year was \$181.9 million (¥15,956 million)

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2010

7 Debtors

	2010 Within 1 Year \$ million	2010 After 1 Year \$ million	2009 Within 1 Year \$ million	2009 After 1 Year \$ million
Amounts owed by Group undertakings				
Parent undertakings	-	-	2 2	-
Subsidiary undertakings	8,414 8	1,063 0	780 7	9,179 3
Fellow subsidiary undertakings	1 8	-	1 8	-
Amounts owed by participating undertakings	4 7	347 6	-	352 7
Other debtors	131 4	71 3	-	-
Tax and social security	310 4	-	440 8	-
Deferred tax	-	3 1	-	3 2
	<u>8,863 1</u>	<u>1,485 0</u>	<u>1,225 5</u>	<u>9,535 2</u>
	<u>10,348 1</u>		<u>10,760 7</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 are in the range 0 – 188 basis points. Four loans for a total of \$622.5 million are on an interest free basis. The maturity dates of these loans vary with a final maturity date of 31 December 2049.

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

8 Creditors' amounts falling due within one year

	2010 \$ million	2009 \$ million
Amounts owed to Group undertakings		
Subsidiary undertakings	2,683 5	3,617 6
Fellow subsidiary undertakings	1,694 3	1,805 2
Amounts owed to participating undertakings	7 4	-
Other creditors	<u>6 3</u>	<u>7 7</u>
	<u>4,391 5</u>	<u>5,430 5</u>

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2010

9 Creditors: amounts falling due after more than one year

	2010 \$ million	2009 \$ million
Loan from subsidiary undertakings	<u>37,892.9</u>	<u>33,819.3</u>

Amounts owed to subsidiary undertakings comprises borrowings of \$9,393.7 million repayable in January 2016, \$15,550.0 million repayable in September 2016 and \$12,949.2 million repayable in May 2020, 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 2010 was as follows

	2010 \$ million	2009 \$ million
Within one year, or on demand	4,391.5	5,430.5
Within two to five years	-	1,747.9
After five years	<u>37,892.9</u>	<u>32,071.4</u>
	<u>42,284.4</u>	<u>39,249.8</u>

10 Provisions for liabilities

	Divestment costs \$ million	Total \$ million
Balance at 1 January 2010	16.7	16.7
Additions	8.7	8.7
Utilisation of the provision	(6.1)	(6.1)
Released to profit and loss account	<u>(3.0)</u>	<u>(3.0)</u>
Balance at 31 December 2010	<u>16.3</u>	<u>16.3</u>

Provision for 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 2010

	2010 \$ million	2009 \$ million
Deferred tax asset comprises		
Unfunded pension provision	<u>3.1</u>	<u>3.2</u>
1 January 2010	3.2	
Impact of tax rate change	(0.1)	
Deferred tax charge recognised in the profit and loss account	<u>-</u>	
31 December 2010	<u>3.1</u>	

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2010

11 Pension schemes

The Company is a Member Company of the following pension schemes

- a) The Company is a Member Company of 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 Associates Limited, the SCPF's actuary

Hewitt Associates Limited carried out an actuarial valuation of the SCPF as at 31 December 2008 using the projected unit method. The actuarial value of the SCPF's assets as at that date was £10,540 million and the value of the liabilities was £10,358 million. The principal actuarial assumptions adopted in the valuation were a discount rate of 4.9%, a rate of general salary increases of 4.8%, and a price inflation rate of 2.8%. The actuarial value of the assets was surplus to the present value of the scheme liabilities by 1.72% after allowing for expected future increases in earnings. Member Companies' contributions to the SCPF were suspended with effect from 1 July 2007, but have resumed regular contributions from 1 July 2009. An update to the actuarial valuation of the fund was undertaken as at 31 December 2010 using assumptions consistent with the actuarial valuation and updated financial values. The fund surplus at the end of 2010 had increased to £2 billion from £1.7 billion at the end of 2009.

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 FRS 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 since the Company has not made contributions (2009: \$Nil). Contributions are expected to remain at 31% of members' pensionable salaries for the relevant sponsoring companies until 2012 (unless certain surplus limits are reached prior to that time).

- b) The Company is also a Member Company of the 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 Associates Limited, the SOCPF's actuary.

Hewitt Associates Limited carried out an actuarial valuation of the SOCPF as at 31 December 2008 using the projected unit method. The actuarial value of the SOCPF's assets as at that date was £1,678 million and the value of the liabilities was £2,561 million. The principal actuarial assumptions adopted in the valuation were a discount rate of 5.15%, a rate of general pay increases of 4.75%, and a price inflation rate of 2.75%. An update to the actuarial valuation of the fund was undertaken as at 31 December 2010 using assumptions consistent with the actuarial valuation and updated financial values. The fund deficit (shortfall of assets compared to the value of pension liabilities) at the end of 2010 had fallen to 8.9% of liabilities from 21.2% of liabilities at the end of 2009.

THE SHELL PETROLEUM COMPANY LIMITED**NOTES TO THE ACCOUNTS (continued)****For the year ended 31 December 2010****11 Pension schemes (continued)**

The sponsoring companies have now indicated that the intention is to shrink the deficit over a period of 5 years. Accordingly in December 2010, a lump sum contribution of £114 million was paid into the fund. The sponsoring companies will continue to inject additional lump sums into the fund in addition to maintaining monthly contributions at the level of 55% of employees' pensionable salaries. The amount of future additional lump sum payments will be dependent on future deficit levels.

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 FRS 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 since the Company has not made contributions (2009 \$Nil). Contributions are expected to remain at 55% of members' pensionable salaries until 2012 (unless certain surplus limits are reached prior to that time).

The accounts include the accrued liability for pension benefits under certain unfunded schemes. These unfunded schemes are for certain former Directors and employees of the Company and its subsidiaries. At 31 December 2010, the obligation for accrued benefits in respect of these schemes was \$11.4 million (2009 \$11.4 million) with \$0.4 million movement for the year (in the underlying sterling denominated balance) recognised as other finance expense in the profit and loss account, offset by \$0.4 million recognised as a gain on currency translation.

12 Called up share capital

	2010 \$ million	2009 \$ million
Authorised		
1,518,218,893 (2009 1,518,218,893) ordinary shares of £1	<u>2,697.1</u>	<u>2,697.1</u>
Allotted and fully paid		
1,518,218,893 (2009 1,518,218,893) ordinary shares of £1	<u>2,697.1</u>	<u>2,697.1</u>

13 Dividends

Interim dividends paid during the year amounted to \$15,548.2 million. This consists of payments of \$7,803.0 million on 17 February 2010, \$1,094.0 million on 11 August 2010 and \$6,651.2 million on 10 November 2010. No final dividend for the year ended 31 December 2010 has been proposed.

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2010

14 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 2009	2,697 1	229 8	6,865 6	9,792 5
Profit for the year	-	-	13,976 3	13,976 3
Dividends paid	-	-	(9,024 0)	(9,024 0)
At 1 January 2010	2,697 1	229 8	11,817 9	14,744 8
Profit for the year	-	-	14,274 2	14,274 2
Dividends paid	-	-	(15,548 2)	(15,548 2)
At 31 December 2010	2,697 1	229 8	10,543 9	13,470 8

In September 2008, the Company sold its interest in Shell South Africa Energy (SSAE) for non-cash proceeds in the form of an additional investment in Shell South Africa Holdings. The profit on the disposal of SSAE of \$229 8 million is considered undistributable and has been classified under other reserves.

15 Directors

None of the Directors received any emoluments (2009: none) in respect of their services to the Company.

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

	2010 Number	2009 Number
In respect of defined benefit schemes	6	5

There were no share options exercised by Directors (2009: NIL) during the year.

Shares were receivable by 6 Directors (2009: 6) during the year under long-term incentive schemes.

THE SHELL PETROLEUM COMPANY LIMITED

NOTES TO THE ACCOUNTS (continued)

For the year ended 31 December 2010

16 Loans to Directors

Name of Director	Lender	Type of Loan	Liability as at	Liability as at
			31 December 2010 AUD \$	31 December 2009 AUD \$
G S Talbot	Shell Australia Ltd	4.76% Executive Loan	300,000	300,000
Total			<u>300,000</u>	<u>300,000</u>

As at 31 December 2010, one director of the Company had a loan outstanding as shown above. The loan is used for investment purposes and interest is charged at a rate of 4.76% per annum and is settled monthly. The loan was repaid on 16 March 2011.

17 Contingent liabilities

- a) The Company has given guarantees
 - i) in respect of the obligations of subsidiary undertakings amounting to \$93.6 million (2009: \$157.0 million)
 - ii) in respect of the obligations of divested or liquidated subsidiary undertakings amounting to \$135.1 million (2009: \$7.4 million)
- 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.

THE SHELL PETROLEUM COMPANY LIMITED**NOTES TO THE ACCOUNTS (continued)****For the year ended 31 December 2010****18 Financial commitments**

- a) The Company has undertaken to provide finance, the majority of which is denominated in U S Dollars and Sterling, mainly by the making of advances to subsidiary undertakings totalling \$665.6 million (2009 \$11,419.9 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

19 Financial instruments

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

Derivative instruments outstanding at 31 December 2010 and 2009 are included below

	2010		2009	
	Contractual or notional amounts	Fair value of derivative	Contractual or notional amounts	Fair value of derivative
	\$ million	\$ million	\$ million	\$ million
Forward Foreign Exchange Contracts	933.1	33.0	440.5	3.9

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

20 Post balance sheet events

Subsequent to the year end the Company has paid interim dividends of \$8,608.0 million