

SHELL RESEARCH LIMITED

**DIRECTORS REPORT
AND ACCOUNTS
2007**

CONTENTS

DIRECTORS' REPORT	1
INDEPENDENT AUDITORS REPORT	4
PROFIT AND LOSS ACCOUNT	5
BALANCE SHEET	6
NOTES TO THE ACCOUNTS	7

Registered in England & Wales 539964

FRIDAY



A38
29/08/2008
COMPANIES HOUSE

216

SHELL RESEARCH 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 principal activities of the Company are to provide research and other related services to other companies of the Shell Group and third parties, and the licensing of technology and patents to third parties

The Company's profit for the financial year increased from £8,130,000 to £8,616,000. This profit in 2007 was principally due to income for pension service fees, income from Cost Sharers, royalties, and research and development tax credits

The Directors recommend that no dividend be paid for the year ended 31 December 2007 (2006 Nil)

Future Outlook

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

Substantial development plans to the Thornton site are being prepared for board approval. The development will involve the demolition and refurbishment of a number of buildings across the site to provide modern accommodation for all staff, a new restaurant facility, a visitor centre for conferences and demonstrations, and additional office accommodation for potential growth of the business located at Thornton. The project is likely to receive formal approval during 2008.

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 page 13 to 15 of Royal Dutch Shell plc's Annual Report and Form 20-F for the year ended December 31, 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)

SHELL RESEARCH LIMITED

DIRECTORS' REPORT (Continued)

Research and Development

Shell Research Limited carries out an annual programme of Research & Development on behalf of the Shell Group. The research relates to the development and formulation of fuels and lubricants to support the technology vision of the Downstream businesses. These costs are not capitalised.

DIRECTORS

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

G A Lewin (Chairman)

D J Koris

A J M Lumens

P J Snaith

Appointed 28th March 2007

FINANCIAL RISK MANAGEMENT

The Company's Directors are required to follow the requirements of Shell Group risk management policies, which included specific guidelines on the management of foreign exchange and interest rates, and advise on the use of financial instruments to manage them. Shell Group risk management policies can be found in the financial statement of Royal Dutch Shell.

CREDITOR PAYMENT POLICY

The Company complies with the Better Payment Practice Code, which states that responsible companies should

- agree payment terms at the outset of a deal and apply them,
- explain its payment procedures to suppliers,
- pay bills in accordance with any contract agreed with the supplier or as required by law, and
- advise suppliers without delay when an invoice is contested and settle disputes quickly

Information and copies of the code can be obtained from www.payontime.co.uk

The Company had 41 days purchases outstanding at 31 December 2007 (2006: 36 days) based on average daily amount invoiced by suppliers during the year.

DONATIONS AND SUBSCRIPTIONS

Charitable Purposes

Contributions made in the United Kingdom by the Company for charitable purposes amounted to £2,712 (2006: £21,876).

SHELL RESEARCH LIMITED

DIRECTORS' REPORT (Continued)

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.

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 holding of annual general meetings, the laying of accounts and reports before general meetings and the annual reappointment of auditors.

However, following changes to UK Company Law under the Companies Act 2006, that came into effect on 1 October 2007, the statutory obligations for private companies to lay accounts and reports before general meetings, to hold an annual general meeting and to re-appoint the auditors annually were repealed. This made the elective regime the default position for all private companies.

Where there is a requirement in the Articles of Association to hold an annual general meeting, the Elective Resolution to dispense with the holding of an annual general meeting, mentioned above, will, in effect, continue to apply. Furthermore, PricewaterhouseCoopers LLP will, accordingly, continue in office as auditors of the Company pursuant to section 487(2) of the Companies Act 2006.

By order of the Board



P J Snaith

Authorised signatory for
Shell Research Limited
Managing Director
13 August 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHELL RESEARCH LIMITED

We have audited the financial statements of Shell Research Limited for the year ended 31 December 2007, 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

The director's responsibility 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 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 in to 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 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

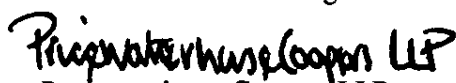
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements 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

Chartered Accountants and Registered Auditors

Manchester

14 August 2008

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

	Note	2007 £ '000	2006 £ '000
Turnover	2	150,687	137,186
 Operating costs – research and development		 <u>(144,629)</u>	 <u>(132,037)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		 <u>6,058</u>	 <u>5,149</u>
Other interest receivable and similar income	3	74	24
Interest payable and similar charges	4	<u>(4)</u>	<u>-</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	5	6,128	5,173
Tax on profit on ordinary activities	6	<u>2,488</u>	<u>2,957</u>
 PROFIT FOR THE YEAR	 16	 <u><u>8,616</u></u>	 <u><u>8,130</u></u>

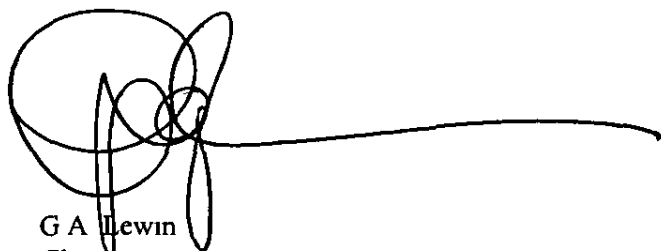
The reported profit on ordinary activities and the amount retained for the year are presented on a historical cost basis

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

SHELL RESEARCH LIMITED**BALANCE SHEET****At 31 December 2007**

	Note	2007 £ '000	2006 £ '000
FIXED ASSETS			
Tangible assets	7	<u>45,766</u>	<u>40,996</u>
CURRENT ASSETS			
Stocks	8	1,670	1,617
Debtors	9	23,782	14,770
Cash at bank and in hand		<u>180</u>	<u>3,202</u>
		25,632	19,589
CREDITORS: amounts falling due within one year	10	<u>(17,066)</u>	<u>(15,155)</u>
NET CURRENT ASSETS		<u>8,566</u>	<u>4,434</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		54,332	45,430
CREDITORS: amounts falling due after more than one year	10	(901)	(805)
PROVISIONS FOR LIABILITIES			
Deferred taxation	12	(8,892)	(9,103)
Other provisions	14	(401)	-
NET ASSETS		<u>44,138</u>	<u>35,522</u>
CAPITAL AND RESERVES			
Called up share capital	15	50	50
Profit and loss account	16	<u>44,088</u>	<u>35,472</u>
EQUITY SHAREHOLDERS' FUNDS	16	<u>44,138</u>	<u>35,522</u>

The accounts on pages 5 to 20 were approved by the Board of Directors on 13 August 2008 and were signed on its behalf by



G A Lewin
Chairman
13 August 2008

SHELL RESEARCH 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, applicable Accounting Standards in the UK, and the accounting policies as described below

The Company has taken advantage of the exemptions allowed by paragraph 9(b) of Financial Reporting Standard 17, as the Company is unable to identify its share of the Fund's underlying assets and liabilities on a consistent and reasonable basis

There have been no changes in accounting policy in 2007

b) Group accounts

The immediate parent Company is the The Shell Petroleum Company Limited

The ultimate parent company is Royal Dutch Shell plc, which is incorporated in the UK

The accounts of the Company are incorporated in the annual report and accounts of Royal Dutch Shell plc

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

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

c) 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 the 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 rate different from the tax rate prevailing in the current year, adjustments would be taken up to reflect the rate differential

SHELL RESEARCH LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

d) Deferred taxation

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 taxation are undiscounted.

e) Foreign currency translation

Income and expense items denominated in foreign currencies are translated into Pounds Sterling at the rate ruling on their transaction date.

Monetary assets and liabilities recorded in foreign currencies have been expressed in Pounds Sterling 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 measured at fair value in a foreign currency are translated using exchange rates at the date when the fair value was determined. No subsequent translations are made once this has occurred.

SHELL RESEARCH LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

f) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost or valuation less accumulated depreciation and provision for impairment. A review for the potential impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of a fixed asset 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.

If after an impairment loss has been recognised, the recoverable amount of a fixed asset 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 period to the extent that it increases the carrying amount of the fixed asset up to the amount it would have been had the original impairment not occurred.

Depreciation and impairment are not normally charged on assets under construction, and freehold land.

Depreciation is calculated on a straight-line basis over the estimated remaining useful life. The annual percentage rates applicable to the major classes of assets are as follows:

Freehold buildings	2.5% - 5% per annum
Plant and machinery	5% - 6% per annum
Fixtures fittings, tools and equipment	6% - 33% per annum
Land is not depreciated	

g) Stocks

Stocks are valued at the lower of cost and net realisable value. Cost is determined by the "first-in-first-out" method. Stock includes Fuels and Lubricants, and testing vehicles, which are valued on an annual basis in line with independent industry standards.

h) Turnover

The company provides unique expertise to mainly other Shell Group Companies to improve customers' business performance. The company develops and delivers applied technology solutions, by providing operational services, advice, support, project management, development and research. Turnover represents amounts receivable (excluding VAT) for expenditure incurred in relation to Research and Development activities of the Company, which is charged to income as incurred.

Royalty income is recognised as earned, this turnover relates to licence agreements issued on behalf of Shell Group Companies, of which the company retains 5%.

i) Grants

Grants are recognised when there is reasonable assurance that the Company will comply with any conditions attached to the grant and that the grant will be received. The grant is recognised as income over the periods necessary to match them with the expenditure towards which they are intended to contribute.

SHELL RESEARCH LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

j) Leased Assets

Assets leased under finance leases have been accounted for on the basis prescribed by SSAP 21

Finance leases are recorded in the balance sheet as assets and as obligations to make future payments. The sum recorded both as an asset and as liability is the present value of the minimum lease payments calculated using the discount rate implicit in the lease. The resultant fixed assets are depreciated, depleted or amortised in accordance with the above accounting policy. Payments made are accounted for in the appropriate proportions as repayments of principal and charges for interest.

k) Pension costs

The Company is a contributor to the Shell Contributory Pension Fund which covers the majority of the staff and is a funded defined benefits scheme. The pension cost in relation to this scheme is 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 13. The Fund's assets are held in a separately administered fund from Shell Group assets.

l) Netting-off policy

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

- (i) Currently has a legally enforceable right to set off the recognised amounts, and
- (ii) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

m) 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.

n) 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 Group qualifying as related parties.

SHELL RESEARCH LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

o) Long-term contracts

Turnover should be ascertained in a manner appropriate to the stage of completion of the contract, the business and the industry in which it operates. The treatment of turnover and attributable profit follows that prescribed by SSAP9. The company recognises turnover as expenditure is incurred, expenditure that is not yet invoiced is recognised on the Balance Sheet as accrued income under debtors and amounts invoiced in excess of the amount of revenue recognised are recorded on the Balance Sheet as payments on account. Profit is recognised when the outcome of a particular contract can be ascertained with reasonable certainty.

SHELL RESEARCH LIMITED**NOTES TO THE ACCOUNTS (Continued)****For the year ended 31 December 2007****2 Turnover**

	2007		2006	
	Gross Royalties	Operating Income	Gross Royalties	Operating Income
	£ '000	£ '000	£ '000	£ '000
Geographical markets				
Europe	18,510	117,293	19,518	88,341
Other eastern hemisphere	13,681	380	27,293	238
Western hemisphere	<u>792</u>	<u>31</u>	<u>1,740</u>	<u>56</u>
	<u>32,983</u>	<u>117,704</u>	<u>48,551</u>	<u>88,635</u>

3 Other Interest receivable and similar income

	2007	2006
	£ '000	£ '000
Interest from banks and similar income	74	24

4 Interest payable and similar charges

	2007	2006
	£ '000	£ '000
Finance lease charges	4	-

5 Profit on ordinary activities before taxation

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

	2007	2006
	£ '000	£ '000
Staff costs		
Wages and salaries	27,758	24,942
Social security costs	2,851	2,463
Other pension costs	<u>1,832</u>	<u>3,728</u>
	<u>32,441</u>	<u>31,133</u>

The company does not directly employ staff, all employment contracts are held with Shell International Petroleum Company Limited. Staff costs are 100% recharged from Shell International Petroleum Company Limited and are then recharged to other group companies.

SHELL RESEARCH LIMITED**NOTES TO THE ACCOUNTS (Continued)****For the year ended 31 December 2007****5 Profit on ordinary activities before taxation (continued)**

	2007	2006
	£ '000	£ '000
Depreciation		
On owned assets	5,010	4,249
On Leased assets	21	-
(Profit) / Loss on sale of fixed assets	(20)	9
Release of grants	(53)	(53)
Fees payable to the Company's auditor for the audit of the Company's annual accounts	13	11

Operating profit includes £4,072,000 (2006 £2,078,000) in respect of pension service costs uplift charged to Group Cost Sharers

6 Tax on profit on ordinary activities

The credit for the year of £2,488,000 (2006 £2,957,000) is made up as follows

	2007	2006
	£ '000	£ '000
United Kingdom corporation tax at the standard rate of 30% (2006 30%)	(2,732)	(2,418)
Adjustments in respect of prior years	455	(1,776)
Taxation imposed outside of the United Kingdom	-	<u>1,115</u>
Total current tax credit	(2,277)	(3,079)
Deferred taxation		
Effect of change in corporation tax rates	-	-
Origination and reversal of timing differences	(658)	122
Adjustments in respect of prior years	<u>447</u>	-
Total deferred tax credit (Note 12)	(211)	122
Total taxation credit	<u>(2,488)</u>	<u>(2,957)</u>

SHELL RESEARCH LIMITED**NOTES TO THE ACCOUNTS (Continued)****For the year ended 31 December 2007****6 Tax on profit on ordinary activities (continued)**

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

	2007 £ '000	2006 £ '000
Profit on ordinary activities before tax	<u>6,128</u>	<u>5,173</u>
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2006 30%)	1,838	1,552
Effects of		
Income not assessable	(98)	(684)
Accelerated capital allowances	25	(125)
Deduction for withholding tax	(562)	(335)
Other timing differences	(1)	3
Research and development tax credit	(4,501)	(2,891)
Tax on imputed interest	5	62
Adjustments to tax charge in respect of prior years	455	(1,776)
Taxation imposed outside of the UK	<u>562</u>	<u>1,115</u>
Current tax credit for the year	<u>(2,277)</u>	<u>(3,079)</u>

SHELL RESEARCH LIMITED
NOTES TO THE ACCOUNTS (Continued)
For the year ended 31 December 2007

7 Tangible fixed assets

	Freehold land and buildings	Plant and machinery	Fixtures fittings tools and equipment	Assets under Construction	Total
	£ '000	£ '000	£ '000	£ '000	£ '000
Cost or valuation					
Balance at 1 January 2007	61,853	3,926	58,037	8,198	132,014
Additions	-	-	-	9,939	9,939
Disposals and retirements	(72)	(156)	(5,062)	-	(5,290)
Transfer from assets under construction	<u>3,299</u>	<u>-</u>	<u>7,184</u>	<u>(10,483)</u>	<u>-</u>
Balance at 31 December 2007	<u>65,080</u>	<u>3,770</u>	<u>60,159</u>	<u>7,654</u>	<u>136,663</u>
Accumulative Depreciation					
Balance at 1 January 2007	(36,622)	(2,849)	(51,547)	-	(91,018)
Charge for the year	(2,874)	(118)	(2,039)	-	(5,031)
Disposals and retirements	<u>69</u>	<u>151</u>	<u>4,932</u>	<u>-</u>	<u>5,152</u>
Balance at 31 December 2007	<u>(39,427)</u>	<u>(2,816)</u>	<u>(48,654)</u>	<u>-</u>	<u>(90,897)</u>
Net book amount					
At 31 December 2007	<u>25,653</u>	<u>954</u>	<u>11,505</u>	<u>7,654</u>	<u>45,766</u>
At 31 December 2006	<u>25,231</u>	<u>1,077</u>	<u>6,490</u>	<u>8,198</u>	<u>40,996</u>

Assets held under finance leases have a cost of £210,000 (2006 nil) and accumulated depreciation of £21,000 (2006 nil)

8 Stocks

	2007 £ '000	2006 £ '000
Raw materials and consumables:		
Lubricants and Fuels	965	517
Testing Vehicles	<u>705</u>	<u>1,100</u>
	<u>1,670</u>	<u>1,617</u>

SHELL RESEARCH LIMITED**NOTES TO THE ACCOUNTS (Continued)****For the year ended 31 December 2007****9 Debtors**

	2007		2006	
	Within 1 Year £ '000	Over 1 Year £ '000	Within 1 Year £ '000	Over 1 Year £ '000
Trade debtors	719	-	928	-
Amounts owed by fellow subsidiary undertakings	13,121	-	6,422	975
Tax receivable	5,548	-	4,631	-
Prepayments and accrued income	<u>4,394</u>	<u>-</u>	<u>1,814</u>	<u>-</u>
	<u>23,782</u>	<u>-</u>	<u>13,795</u>	<u>975</u>

10 Creditors

	2007		2006	
	Within 1 Year £ '000	Over 1 Year £ '000	Within 1 Year £ '000	Over 1 Year £ '000
Trade creditors	2,399	-	3,887	-
Amounts owed to fellow subsidiary undertakings	779	-	369	-
Obligations under Finance Leases (see note 11)	49	149	-	-
Accruals and deferred income	12,733	752	10,048	805
Payments received on account	<u>1,106</u>	<u>-</u>	<u>851</u>	<u>-</u>
	<u>17,066</u>	<u>901</u>	<u>15,155</u>	<u>805</u>

SHELL RESEARCH LIMITED**NOTES TO THE ACCOUNTS (Continued)****For the year ended 31 December 2007****11 Obligations under finance lease**

	2007	2006
Within one year	49	-
Within two to five years	<u>149</u>	<u>-</u>
	<u>198</u>	<u>-</u>

12 Deferred taxation

The amount set aside for deferred taxation represents the timing differences between the recognition of items of income and expenditure for accounting and tax purposes for the years up to and including 2007

The provision comprises

	2007	2006
	£ '000	£ '000
Provision for deferred taxation		
Accelerated capital allowances	8,899	9,112
Other timing differences	<u>(7)</u>	<u>(9)</u>
Total provision for deferred tax	<u>8,892</u>	<u>9,103</u>
1 January 2007	9,103	
Deferred tax credit in the profit and loss account	(23)	
Impact of tax rate change credited to the profit and loss account	(635)	
Adjustment in respect of prior years in the profit and loss account	<u>447</u>	
31 December 2007	<u>8,892</u>	

There are no unrecognised deferred tax assets or liabilities

The Chancellor of the Exchequer announced a reduction in the standard rate of UK corporation tax from 30% to 28% 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.

SHELL RESEARCH LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

13 Pension schemes

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 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 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%. The above information has been calculated under IAS 19, however the pension assets or liabilities would not be materially different had they been calculated in accordance with FRS 17. 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. 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 SCPF as a defined contribution scheme.

In the accounts of the Company there is a charge of £1,831,000 for the year for contributions to the SCPF (2006 £3,728,000). A further £4,072,000 is included in operating profit in respect of pension service costs uplift charged to Group Cost Sharers (2006 £2,078,000).

SHELL RESEARCH LIMITED
NOTES TO THE ACCOUNTS (Continued)
For the year ended 31 December 2007

14 Other Provisions

	Restructuring
	£ '000
Balance at 1 January 2007	-
Addition	401
Payments	-
Released to profit and loss account	-
Balance at 31 December 2007	<u>401</u>

In August 2007, a decision was made to migrate Accounts Payable, Accounts Receivable, Financial Accounts and master data work to a Shell Shared Service Centre. This has an impact on staff being required to find possible alternative employment. A provision of £401,000 has been made in the accounts as at 31 December 2007 to cover redundancy payments within the affected areas. It is anticipated that this provision will be used over the next two years.

15 Called up share capital

	2007	2006
	£ '000	£ '000
Authorised, allotted and fully paid ordinary shares £1 each		
50,000	<u>50</u>	<u>50</u>

16 Reconciliation of movements in reserves and shareholders' funds

	Share capital	Profit and loss account	Shareholders' funds
	£ '000	£'000	£'000
At 1 January 2006	50	27,342	27,392
Profit for the year	-	<u>8,130</u>	<u>8,130</u>
At 1 January 2007	50	35,472	35,522
Profit for the year	-	<u>8,616</u>	<u>8,616</u>
At 31 December 2007	<u>50</u>	<u>44,088</u>	<u>44,138</u>

SHELL RESEARCH LIMITED
NOTES TO THE ACCOUNTS (Continued)
For the year ended 31 December 2007

17 Directors

Directors emoluments

	2007	2006
	£ '000	£ '000
Aggregate emoluments	592	345

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

	2007	2006
	Number	Number
In respect of defined benefit schemes	1	1

Highest paid Director

	2007	2006
	£ '000	£ '000
Total amount of emoluments and amounts (excluding shares) receivable under long term incentive schemes	592	345
Defined benefit pension scheme		
Accrued pension at end of year	74	66

These emoluments and pensions are recharged to the Company from Shell International Petroleum Company Ltd and are then charged to other group companies