

THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

DIRECTORS' REPORT

AND ACCOUNTS

2007

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Registered in England & Wales 54485



THE SHELL TRANSPORT AND TRADING 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 principal activity of the Company is its investment in The Shell Petroleum Company Limited ("SPCO"), a wholly owned subsidiary undertaking. SPCO holds, directly and indirectly, a number of investments in companies of The Shell Group which are present in more than 110 countries and territories around the world. These companies are engaged in the businesses of Exploration & Production, Gas & Power, Oil Products, Chemicals and other industry segments. The Company also holds a beneficial interest in one oil and gas field in the North Sea and as a result its activities directly include exploration and production of crude oil and natural gas.

The Company's profit for the financial year was generated principally by dividends received from the Company's subsidiary undertaking and decreased from \$27,687.5 million to \$8,167.6 million due to reduced dividend income. Profit before tax from the exploration and production segment was \$560.1 million in 2007 (2006 \$102.6 million).

Interim dividends of \$8,018.1 million were paid during the year (2006 \$24,607.1 million). The Directors recommend that no further dividends be paid for the year ended 31 December 2007.

Future outlook

The Company intends to maintain its oil and gas field interest and the related exploration and production activities for the foreseeable future. No other 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 page 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 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 their businesses. The Directors regard the investment in research and development as integral to the continuing success of the business.

THE SHELL TRANSPORT AND TRADING 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

Resigned 31 July 2008

J M Smith

P R Voser

R D Waight

Appointed 08 September 2008

R M Wiseman

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 21 of the financial statements.

POST BALANCE SHEET EVENTS

Refer to Note 20 "Post balance sheet events "

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 stick to them,
- explain its payment procedures to suppliers,
- pay bills in accordance with any contract agreed with the supplier or as required by law, and
- tell 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 one day of purchases outstanding at 31 December 2007 (2006 six days) based on the average daily amount invoiced by suppliers during the year

QUALIFYING THIRD PARTY INDEMNITIES

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

FIXED ASSETS

Details of movements in fixed assets during the year are given in Notes 7 and 8 to the accounts

THE SHELL TRANSPORT AND TRADING COMPANY 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

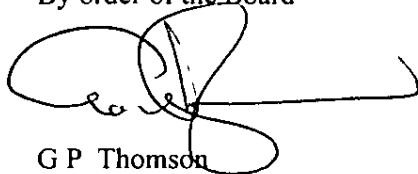
DISCLOSURE OF INFORMATION TO AUDITORS

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 has taken all steps that ought to have been taken to make himself 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



G P Thomson
Authorised Signatory for
Shell Corporate Secretary Limited
Company Secretary
27 October 2008

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

We have audited the financial statements of The Shell Transport and Trading Company Limited for the year ended 31 December 2007, which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses and the related notes. These accounts 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 other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report and the unaudited Supplementary Information on oil and gas reserve quantities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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
Chartered Accountants and Registered Auditors

31 October 2008

1, Embankment Place,
LONDON, WC2N 6RH

THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2007

	Note	2007 \$ million	2006 \$ million
Continuing operations			
TURNOVER	2	662 6	149 3
Cost of sales		(102 5)	(46 7)
GROSS PROFIT		560 1	102 6
Administrative expenses		(472 7)	(568 8)
OPERATING PROFIT/(LOSS)		87 4	(466 2)
Income from shares in subsidiary undertakings		8,178 0	27,972 0
PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST		8,265 4	27,505 8
Other interest receivable and similar income	3	215 1	196 9
Interest payable and similar charges	4	(4 6)	(13 8)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAX	5	8,475 9	27,688 9
Tax on profit on ordinary activities	6	(308 3)	(1 4)
PROFIT FOR THE YEAR		8,167 6	27,687 5

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

THE SHELL TRANSPORT AND TRADING COMPANY LIMITED
STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 31 December 2007

	2007 \$ million	2006 \$ million
PROFIT FOR THE YEAR	8,167 6	27,687 5
Total gains and losses for the year before currency adjustments	8,167 6	27,687.5
Currency translation differences on foreign currency net investments	0 3	8 1
Total recognised gains and losses for the year	8,167 9	27,695 6

THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

BALANCE SHEET

At 31 December 2007

	Note	2007 \$ million	2006 \$ million
FIXED ASSETS			
Tangible assets	7	56 2	139 6
Investments	8	433 5	433 5
		<u>489 7</u>	<u>573 1</u>
CURRENT ASSETS			
Debtors	9	3,852 9	3,730 8
Cash at bank and in hand		339 8	0 6
		<u>4,192 7</u>	<u>3,731 4</u>
CREDITORS: amounts falling due within one year	10	(524 1)	(347 8)
NET CURRENT ASSETS		<u>3,668 6</u>	<u>3,383 6</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>4,158 3</u>	<u>3,956 7</u>
PROVISIONS FOR LIABILITIES			
Other provisions	13	(273 3)	(221 5)
NET ASSETS		<u>3,885 0</u>	<u>3,735 2</u>
CAPITAL AND RESERVES			
Called up share capital	14	4,331 3	4,331 3
Capital redemption reserve	16	153 4	153 4
Other reserve	16	(4,075 1)	(4,075 1)
Currency translation reserve	16	8 4	8 1
Profit and loss account	16	3,467 0	3,317 5
EQUITY SHAREHOLDERS' FUNDS		<u>3,885 0</u>	<u>3,735 2</u>

The accounts on pages 5 to 25 were approved by the Board of Directors on 27 October 2008 and signed on its behalf by



A D McLean
Director

THE SHELL TRANSPORT AND TRADING 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.

The Company's accounts fall within the scope of the UK Oil Industry Accounting Committee's Statement of Recommended Practice ("SORP"), "Accounting for Oil and Gas Exploration, Development, Production and Decommissioning Activities" and have been prepared in accordance with the provisions thereof, except for the accounting policy in respect of depletion of platforms, infield pipelines, successful exploration, appraisal and injection wells.

b) Group accounts

Group accounts of the Company and its subsidiary 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 Shell Petroleum N V.

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

The accounts of the Company and its subsidiary 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
Email bbs@shellbankside.co.uk

c) Fixed asset investments

These comprise investments in shares 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.

THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

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

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

THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

1 Accounting policies (Continued)

g) Foreign currency translation

Assets and liabilities of the oil and gas field, which are denominated in Pounds Sterling, are translated to US Dollars at year-end rates of exchange. Income and expenditure of the oil and gas field, also denominated in Pounds Sterling, are translated at the average rate for the year. Translation differences thus arising are taken direct to a currency translation reserve, representing unrealised currency translation gains and losses. When translation differences are realised they are transferred from the reserve to the profit and loss account.

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 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.

Income and expense items denominated in foreign currencies are translated at the rate ruling on the transaction date. Differences on translation are included in the profit for the year.

h) Depreciation, depletion and amortisation

Depreciation is not charged in respect of freehold land or assets under construction.

Platforms and infield pipelines are depleted from the date field production commences on a unit-of-production basis over the proved developed reserves of the field concerned. Successful exploration, appraisal, production and injection wells are depleted on a unit-of-production basis over the proved developed reserves of the field concerned. This is a departure from the SORP, which recommends that depletion should be over total proved reserves. The Directors consider this to provide the most appropriate basis for the calculation of depletion as the cost is spread across the proved developed reserves to which it relates.

Changes in estimates are accounted for prospectively over the remaining reserves of the field.

Other exploration and production fixed assets are depreciated on a straight-line basis over their estimated useful lives, which generally range from 4 to 20 years.

A review for 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. For this purpose, assets are grouped based on separately identifiable and largely independent cash flows. Such impairment reviews are performed in accordance with Financial Reporting Standard 11 "Impairment of fixed assets and goodwill". Impairments thus arising are recorded in the profit and loss account.

THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

1 Accounting policies (Continued)

i) Decommissioning and restoration

The Company follows the requirements of Financial Reporting Standard 12 "Provisions, Contingent Liabilities and Contingent Assets". The total estimated cost of decommissioning and restoration, discounted to its net present value, is provided for and also recognised as a cost of each field, onshore terminal or main trunkline and capitalised within tangible fixed assets. The capitalised cost is amortised over the life of the field on a unit-of-production basis for offshore facilities and on a straight-line basis for onshore terminals and main trunklines. The unwinding of the discount in the net present value of the total expected cost is treated as an operating expense. Changes in estimates result in an equal and opposite movement in the provision and the associated asset. Changes in estimates of assets are depreciated prospectively over the remaining reserves of the field or the remaining life of the onshore terminal or pipeline as appropriate.

j) Significant estimation techniques

Future development costs are estimated using standard techniques applied throughout the oil and gas industry. The estimation method used and the uncertainty range of the estimate depends upon the maturity and extent of the underlying technical work. At the early stages of project feasibility, cost estimating software and benchmarking studies will usually be the basis of estimates, while at the later stages of project development, supplier quoted costs will be used along with detailed quantities of materials. Statistical methods are also used to establish uncertainty ranges for the estimates. These methods are used for new capital projects as well as decommissioning of existing facilities.

Production forecasts and reserves are estimated using standard techniques of petroleum engineering. These techniques combine geophysical and geological knowledge with detailed information concerning reservoir porosity and permeability distributions and fluid characteristics with estimates of recovery efficiencies from studies or field analogues. There is uncertainty inherent in the measurement and interpretation of the basic data. These uncertainties are accounted for by using a combination of deterministic and statistical methods to calculate the range of recoverable reserves and to estimate future production profiles. Changes in estimates affecting unit-of-production calculations for depletion and decommissioning are accounted for prospectively over the estimated remaining reserves of each field.

k) Turnover

Turnover represents invoiced amounts net of excise duties and VAT for sales of refined products. In oil and gas exploration and production title typically passes (and revenues are recognised) when product is physically transferred into a vessel, pipe or other delivery mechanism.

THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

1 Accounting policies (Continued)

l) Pension costs

The Company is a member of the Shell Contributory Pension Fund which is a funded defined benefit scheme and a sponsor of the Shell Supplementary Pension Plan which is an unfunded defined benefit scheme. The pension cost in relation to these schemes 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 12. The Fund's assets are held in a separately administered fund from Shell Group assets.

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 transactions

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.

o) Netting-off policy

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

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

p) Financial instruments

The Company, in the normal course of the business, uses financial instrument 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.

THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

2 Segment information

Principal activities	Turnover		Profit on ordinary activities before tax		Net assets	
	2007 \$ million	2006 \$ million	2007 \$ million	2006 \$ million	2007 \$ million	2006 \$ million
Oil and gas exploration and production	662.6	149.3	560.1	102.6	241.3	16.2
Corporate and other activities	-	-	7,915.8	27,586.3	3,643.7	3,719.0
	<u>662.6</u>	<u>149.3</u>	<u>8,475.9</u>	<u>27,688.9</u>	<u>3,885.0</u>	<u>3,735.2</u>
Inland trade	<u>662.6</u>	<u>149.3</u>				

All of the Company's turnover, profit on ordinary activities before tax and net assets are derived from its principal activities and originate in the UK

Gas exploration and production activities	2007 \$ million	2006 \$ million
Results of operations		
Turnover	662.6	149.3
Production and other costs	(5.2)	(2.3)
Depreciation and depletion	(91.4)	(41.2)
Net interest income/(expense)	(5.9)	(3.2)
Profit before tax	<u>560.1</u>	<u>102.6</u>
Allocable taxes	(289.6)	(129.8)
Profit/(loss) for the financial year	<u>270.5</u>	<u>(27.2)</u>

3 Other interest receivable and similar income

	2007 \$ million	2006 \$ million
Subsidiary undertakings	197.2	195.1
Fellow subsidiary undertakings	4.1	1.7
Interest from banks and similar income	0.1	0.1
Profit on currency translation	13.7	-
	<u>215.1</u>	<u>196.9</u>

THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

4 Interest payable and similar charges

	2007 \$ million	2006 \$ million
Subsidiary undertakings	0.2	-
Fellow subsidiary undertakings	4.4	1.7
Loss on currency translation	-	12.1
	<u>4.6</u>	<u>13.8</u>

5 Profit on ordinary activities before tax

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

	2007 \$ million	2006 \$ million
Depreciation and depletion		
On owned assets	91.4	41.2
Currency translation		
Financing	(13.7)	12.1

Auditors' remuneration for audit services during the year was £82,000 (\$164,000) (2006 £61,000 (\$100,000)). 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 plc, are required to disclose non-audit fees on a consolidated basis.

The Company had no employees during 2007 (2006 Nil)

THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

6 Tax on profit on ordinary activities

(a) The charge for the year of \$308.3 million (2006: \$1.4 million) is made up as follows

	2007 \$ million	2006 \$ million
UK corporation tax at the standard rate of 30% (2006: 30%)	189.6	28.8
Adjustments in respect of prior years	91.2	(57.2)
Total current tax charge/(credit)	280.8	(28.4)
Deferred tax		
Origination and reversal of timing differences	(7.6)	38.9
Adjustments in respect of prior years	35.1	(9.1)
Total deferred tax credit (Note 11)	27.5	29.8
Total tax charge/(credit)	308.3	1.4

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

	2007 \$ million	2006 \$ million
Profit on ordinary activities before tax	(8,475.9)	(27,688.9)
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2006: 30%)	2,542.8	8,306.7
Effects of		
Income not assessable	(2,487.9)	(8,391.6)
Expenses not deductible	37.5	53.5
Losses not utilised	-	19.1
Utilisation of brought forward losses	(38.2)	-
Tax on imputed interest	0.6	-
Accelerated capital allowances	25.6	12.4
Supplementary corporation tax*	107.4	28.8
Other timing differences	1.8	(0.1)
Adjustments to tax charge/(credit) in respect of prior years	91.2	(57.2)
Current tax charge/(credit) for the year	280.8	(28.4)

*With effect from 17 April 2002, UK North Sea oil related income and expenditure arising from that date are subject to a supplementary corporation tax of 20% calculated on the same base as normal corporation tax except that there is no deduction for finance costs. UK North Sea oil related capital expenditure incurred from 17 April 2002 will qualify for 100% allowances.

THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

6 Tax on profit on ordinary activities (Continued)

(b) Corporation tax

\$335.4 million (2006 \$71.8 million) of the current corporation tax charge relates to exploration and production activities, which for tax purposes must be treated separately from other activities

7 Tangible fixed assets

Tangible fixed assets are classified, consistent with oil and gas industry practice, according to operating activities. Such a classification rather than one according to type of asset is given in order to permit a better comparison with other companies having similar activities

	Oil and gas exploration and production \$ million
Cost	
Balance at 1 January 2007	180.8
Additions	0.3
Changes in FRS12 estimates	5.0
Disposals	(0.4)
Translation difference	3.3
Balance at 31 December 2007	<u>189.0</u>
Depreciation	
Balance at 1 January 2007	(41.2)
Charge for the year	(91.4)
Disposals	0.4
Translation difference	(0.6)
Balance at 31 December 2007	<u>(132.8)</u>
Net book amount	
At 31 December 2007	<u>56.2</u>
At 31 December 2006	<u>139.6</u>

All of the tangible fixed assets relate to the Company's oil and gas field interest. Income and expenditure relating to this field have been included in the profit and loss account for the year. Refer to Note 2.

The field is located on the UK Continental Shelf.

THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

7 Tangible fixed assets (Continued)

Included in the oil and gas exploration and production balance are decommissioning costs capitalised, with a net book value at 31 December 2007 of \$9.1 million (2006 \$16.9 million)

At 31 December 2007 tangible fixed assets included \$0.7 million (2006 \$1.5 million) of assets under construction

8 Fixed asset investments

	Shares in group undertakings
	\$ million
Cost	
Balance 1 January 2007 and 31 December 2007	582.7
Amounts provided	
Balance 1 January 2007 and 31 December 2007	(149.2)
Net book amount	
Balance 1 January 2007 and 31 December 2007	433.5

Principal subsidiary undertakings

The principal investment at 31 December 2007 relates to a holding of ordinary shares in The Shell Petroleum Company Limited, a UK incorporated holding company. Information pursuant to Schedule 5 of the Companies Act 1985 is as follows:

	Country of incorporation	Class of share	Principal activity	% of shares held directly
The Shell Petroleum Company Limited	England & Wales	Ordinary	Holding Company	100%

THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

9 Debtors

	2007 Within 1 Year \$ million	2007 Over 1 Year \$ million	2006 Within 1 Year \$ million	2006 Over 1 Year \$ million
Amounts owed by Group undertakings				
Parent undertakings	-	-	8 0	-
Subsidiary undertakings	3,839 2	-	3,679 5	-
Fellow subsidiary undertakings	11 1	-	-	-
Other debtors	2 6	-	2 7	-
Tax receivable	-	-	25 4	-
Deferred tax (Note 11)	-	-	-	15 2
	<u>3,852 9</u>	<u>-</u>	<u>3,715 6</u>	<u>15 2</u>
	<u>3,852 9</u>		<u>3,730 8</u>	

Amounts owed by subsidiary undertakings are repayable on demand and typically accrue interest at LIBOR for US Dollar or Pounds Sterling balances or EURIBOR for Euro balances

10 Creditors: amounts falling due within one year

	2007 \$ million	2006 \$ million
Trade creditors	0 2	0 8
Amounts owed by Group undertakings		
Subsidiary undertakings	182 0	196 4
Fellow subsidiary undertakings	64 4	124 1
Tax and social security	251 1	-
Other creditors	5 1	3 5
Unclaimed dividends	<u>21 3</u>	<u>23 0</u>
	<u>524 1</u>	<u>347 8</u>

THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

11 Deferred tax

The amount set aside for deferred tax 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

	2007 \$ million	2006 \$ million
Deferred tax asset/(provision) comprises:		
Accelerated capital allowances	(27 3)	(68 9)
Provision for decommissioning and restoration	14 0	10 8
Other timing differences	-	73 3
Total deferred tax asset/(provision)	(13 3)	15 2
At 1 January 2007	15 2	
Origination and reversal of timing differences	7 6	
Difference in exchange	(1 0)	
Adjustments in respect of prior years in the profit and loss account	(35 1)	
At 31 December 2007	(13 3)	

The corporation tax rate was reduced from 30% to 28% with effect from 1 April 2008

12 Pension schemes

The Company is a Member Company of the Shell Contributory Pension Fund ("SCPF"), a defined benefit 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 TRANSPORT AND TRADING 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 year for contributions to the SCPF (2006 \$Nil)

13 Other provisions

	Decommissioning and restoration \$ million	Litigation \$ million	Deferred tax \$ million	Total \$ million
Balance at 1 January 2007	21.5	200.0	-	221.5
Additions	-	32.0	13.3	45.3
Changes in FRS 12 estimates	5.0	-	-	5.0
Translation difference	0.4	-	-	0.4
Unwinding of discount	1.1	-	-	1.1
Balance at 31 December 2007	28.0	232.0	13.3	273.3

At 31 December 2007, the Company has provided \$28.0 million (2006 \$21.5 million) in respect of the decommissioning of its oil and gas field and related infrastructure and the restoration of the sites. It is anticipated that decommissioning and restoration costs will be incurred over the next 5 years. The exact timing of these costs is dependent upon a number of factors such as reservoir performance, new near field developments and the oil price. The provision has been estimated using existing technology, at current prices and discounted using a real discount rate of 5% (2006 5%).

In connection with the putative shareholder class actions filed in the United States District Court for the District of New Jersey relating to the 2004 re-categorisation of certain hydrocarbon reserves, a provision of \$200 million had been made in 2005. This has been increased to \$232 million during 2007. The Company has determined that it would be prepared to resolve that litigation as far as the Company is directly involved for, amongst other terms, a payment of \$232 million. This would form part of the total payment (of \$580 million) the Shell Group would be prepared to make to resolve that litigation. Accordingly, management of the Company has established a \$232 million provision in respect of this litigation. The class actions and individual cases are still at an early stage and subject to substantial uncertainties concerning the outcome of material factual and legal issues relating to the litigation. Management of the Company still considers the \$232 million to be sufficient.

THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

13 Other provisions (Continued)

A consolidated shareholder class action pending in the US District Court for New Jersey alleges losses related to the 2004 recategorisations of certain hydrocarbon reserves. Lead plaintiffs are the Pennsylvania State Employees' Retirement System and the Pennsylvania Public School

Employees' Retirement System. In addition, certain Dutch pension funds, and German and Luxembourg institutional shareholders filed two related actions that were consolidated with the existing class action for pre-trial purposes.

Following dismissal of a number of original defendants, the remaining defendants are Shell Petroleum N V (as successor under general title of Royal Dutch Petroleum Company due to the legal merger under Dutch law on 21 December 2005), The Shell Transport and Trading Company Limited (referred to collectively as Shell), PricewaterhouseCoopers LLP, and KPMG Accountants N V. Although the class action complaint was pled on behalf of a worldwide class of purchasers who purchased Shell shares during the period of 8 April 1999 through 18 March 2004 (the "Relevant Period"), the US District Court determined that it did not have jurisdiction over the claims of non-US purchasers and that decision became final on 7 January 2008.

On 11 April 2007, Shell reached a settlement of asserted and unasserted claims arising out of the recategorization with representatives of its shareholders who both resided and purchased Shell shares outside of the United States (Non-US Settlement). The parties to the Non-US Settlement include a shareholders' foundation, certain of Shell's institutional investors, and other shareholders' rights organisations. The terms of the Non-US Settlement agreement principally include settlement relief of \$352.6 million to be distributed to the non-US purchasers pursuant to a plan of distribution proposed in the Non-US Settlement, along with certain other relief. The Non-US Settlement agreement (and an amendment to it executed on 27 February 2008) was filed with the Amsterdam Court of Appeals, which has exclusive jurisdiction under Dutch law to determine whether the agreement should be declared binding to the non-US purchasers included within its terms.

The Non-US Settlement is subject to (i) a determination by the Amsterdam Court of Appeals whether to declare the settlement binding for all shareholders that it covers and (ii) agreed opt-out provisions. The Dutch Court has set the hearing date for its hearing on the Non-US Settlement (to assess whether to issue a binding declaration regarding the Non-US Settlement) on 20 November 2008. Shell cannot predict how the Dutch court will rule on the request that it declare the settlement agreement to be binding on all stock purchasers covered by its terms. Nor can Shell predict how many covered purchasers will file defences to the Non-US Settlement or exercise their opt-out right and ask to be excluded from the agreement should the Dutch court declare the agreement binding.

On 4 March 2008, Shell reached an agreement in principle to settle the class action brought by the US purchasers (US Settlement), which complements the Non-US Settlement. The US Settlement is subject to specified conditions including the approval of the US District Court in New Jersey. Among other things, the US Settlement provides to all persons and entities who purchased Shell shares on US markets and all US persons and entities who purchased Shell shares on non-US markets during the Relevant Period, the following relief: (i) settlement relief of \$82.8 million to be distributed to US purchasers pursuant to the plan of distribution that plaintiffs in the US Settlement will prepare, (ii) interest on settlement amounts from 1 April 2008 (and providing the same relief to participants in the Non-US Settlement), and (iii) the US purchasers and participants in the Non-US Settlement collectively would receive an additional payment of \$35 million, divided in accordance with proportions determined in the two proposed settlements. Shell would also pay (i) US class counsel's fees and expenses (subject to certain caps) upon application to and approval by the US District Court in New Jersey and (ii) the costs of administering the US Settlement. As with the Non-US Settlement, stock purchasers covered by the US Settlement will be allowed to opt-out of it.

THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

13 Other provisions (Continued)

Shell cannot predict how (or when) the US District Court will rule on whether the settlement agreement should be approved or how many covered purchasers will object to the settlement or exercise their opt-out rights and ask to be excluded from the settlement

None of the current proceedings address the merits of the claims that have been made. With respect to the merits, the various cases are at an early stage and subject to substantial uncertainties concerning the outcome of material factual and legal issues relating to the litigation. In addition, potential damages, if any, in a fully litigated securities class action would depend on the losses caused by the alleged wrongful conduct that would be demonstrated by individual class members in their purchases and sales of Shell shares during the relevant class period.

14 Called up share capital

	2007 \$ million	2006 \$ million
Authorised		
9,947,999,999 (2006 9,947,999,999) ordinary shares of £0.25 each	4,476.6	4,476.6
1 (2006 1) dividend access share of £0.25	-	-
Allotted, called up and fully paid		
9,603,349,999 (2006 9,603,349,999) ordinary shares of £0.25 each	4,331.3	4,331.3
1 (2006 1) dividend access share of £0.25	-	-

The Company issued the dividend access share to Lloyds TSB Offshore Trust Limited ("Lloyds TSB") as dividend access share trustee to facilitate the preservation of the tax treatment of dividends paid to the previous public shareholders of the Company. Pursuant to a declaration of trust, Lloyds TSB will hold any dividends paid in respect of the dividend access share on trust for the holders of Class B shares of Royal Dutch Shell from time to time and will arrange for prompt disbursement of such dividends to holders of Class B shares of Royal Dutch Shell. Interest and other income earned on unclaimed dividends will be for the account of the Company and any dividends which are unclaimed after 12 years will revert to the Company. Holders of Class B shares of Royal Dutch Shell will not have any interest in the dividend access share and will not have any rights against the Company as issuer of the dividend access share. The only assets held on trust for the benefit of the holders of Class B shares of Royal Dutch Shell will be dividends paid to the dividend access trustee in respect of the dividend access share.

The declaration and payment of dividends on the dividend access share will require board action by the Company and will be subject to any applicable legal or articles limitations in effect from time to time. In no event will the aggregate amount of the dividend paid by the Company under the dividend access mechanism for a particular period exceed the aggregate amount of the dividend declared by the Royal Dutch Shell Board on the Class B shares of Royal Dutch Shell in respect of the same period.

Following the declaration of a dividend by Royal Dutch Shell on the Class B shares of Royal Dutch Shell, the Company may declare a dividend on the dividend access share. The

THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

14 Called up share capital (Continued)

Company will not declare a dividend on the dividend access share before Royal Dutch Shell declares a dividend on the Class B shares of Royal Dutch Shell, as the Company will need to know what dividend Royal Dutch Shell has declared on the Class B shares of Royal Dutch Shell. This is to ensure that the dividend declared on the dividend access share does not exceed an amount equal to the total dividend declared by Royal Dutch Shell on the Class B shares of Royal Dutch Shell.

The dividend access mechanism may be suspended or terminated at any time by Royal Dutch Shell's directors or the directors of the Company, for any reason and without financial recompense. This might, for instance, occur in response to changes in relevant tax legislation.

15 Dividends

Interim dividends of \$8,018.1 million were paid during the year (2006: \$24,607.1 million).

16 Reconciliation of movements in reserves and shareholders' funds

	Share capital \$ million	Capital redemption reserve \$ million	Other reserve \$ million	Currency translation reserve \$ million	Profit and loss account \$ million	Shareholders' funds \$ million
At 1 January 2006	4,331.3	153.4	(4,075.1)	-	237.1	646.7
Profit for the year	-	-	-	-	27,687.5	27,687.5
Currency translation	-	-	-	8.1	-	8.1
Dividends paid	-	-	-	-	(24,607.1)	(24,607.1)
At 1 January 2007	4,331.3	153.4	(4,075.1)	8.1	3,317.5	3,735.2
Profit for the year	-	-	-	-	8,167.6	8,167.6
Currency translation	-	-	-	0.3	-	0.3
Dividends paid	-	-	-	-	(8,018.1)	(8,018.1)
At 31 December 2007	4,331.3	153.4	(4,075.1)	8.4	3,467.0	3,885.0

THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

17 Directors

Directors' emoluments

	2007 \$	2006 \$
Aggregate emoluments	1,811,874	56,391

The Directors of the Company are employed by various companies in the Shell Group and no emoluments are paid directly by the Company

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

	2007 Number	2006 Number
In respect of defined benefit schemes	6	6

18 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 is settled monthly.

19 Contingent liabilities

The European Commission in 2006 fined Shell Nederland Verkoopmaatschappij B V, Shell Petroleum N V and The Shell Transport and Trading Company Limited in respect of involvement in a cartel in the Dutch bitumen market for an amount of EUR 108 million. The fine has been paid by Shell Nederland B V and an appeal has been taken.

The Company and its subsidiaries 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 and subsidiaries of the Company 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 groups, in the countries in which they operate. The industries in which the subsidiaries of the Company 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 the future operations and earnings, are unpredictable.

THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2007

20 Post balance sheet events

Since the year-end the Company has paid interim dividends of \$7,647.1 million

21 Financial instruments

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

There were no derivative instruments outstanding at 31 December 2007 (2006: none)

THE SHELL TRANSPORT AND TRADING COMPANY LIMITED

SUPPLEMENTARY INFORMATION (UNAUDITED)

	2007	2007	2006	2006
	Crude oil and natural gas liquids Million barrels	Natural gas Billion cubic metres	Crude oil and natural gas liquids Million barrels	Natural gas Billion cubic metres
Net commercial reserves at the beginning of the year:				
Proved developed reserves	7 27	2 08	-	-
Proved undeveloped reserves	-	-	-	-
	<u>7 27</u>	<u>2 08</u>	<u>-</u>	<u>-</u>
Changes during the year				
Transfer of reserves from Group subsidiary	-	-	9 35	2 56
Revisions of previous estimates	3 18	0 56	0 84	0 13
Purchases of reserves-in-place	-	-	-	-
Sales of reserves-in-place	-	-	-	-
Extensions, discoveries and other additions	-	-	-	-
Production	(6 15)	(1 46)	(2 92)	(0 61)
	<u>4 30</u>	<u>1 18</u>	<u>7 27</u>	<u>2 08</u>
Net commercial reserves at the end of the year:				
Proved developed reserves	4 30	1 18	7 27	2 08
Proved undeveloped reserves	-	-	-	-
	<u>4 30</u>	<u>1 18</u>	<u>7 27</u>	<u>2 08</u>

All proved oil and gas reserves of the Company are located on the UK Continental Shelf

The proved oil and gas reserve quantity estimates are generated by field reservoir engineers according to the Securities and Exchange Commission (SEC) and Shell reserves requirements utilising best available engineering estimates from reservoir simulation results and up to date production and pressure data trends at the 100% field basis. These estimates are reviewed by senior technical staff and authorised by the Technical Director. The net working interest amount of proved oil and gas reserves are calculated based on the Shell share of the 100% volumes.