The "Shell" Transport and Trading Company, p.l.c.

Annual Report and Accounts 2002

Contents

Nelson platform in the North Sea, acquired as part of Enterprise Oil. The acquisition of Enterprise Oil was one of the highlights of 2002, providing a strong complement to our Exploration and Production activities in the UK North Sea and supporting our commitment to growth in Norway. Elsewhere it provides the Group with attractive growth opportunities in Italy and in the USA Gulf of Mexico and improves our position in Brazil.

Message from the Chairman

Dear Shareholder,

2002 was a pivotal year for the Group. We delivered robust and competitive profitability in a testing environment – in line with our business principles – while taking decisive steps to pursue our strategic goals. Shell companies have the resilience to manage economic and political uncertainty – maintaining momentum in uncertain times.

In a troubled world we have made plans to safeguard our people and fulfil our responsibilities to customers. We are well placed to take advantage of economic recovery.

I thank all Shell people – as well as those who worked with us – for their skill and commitment which delivered this success and give us confidence for the future.

Delivering robust results

Business conditions in 2002 were significantly worse overall than in 2001. In the first six months the downstream businesses faced some of the most difficult conditions on record.

In this testing environment we delivered robust earnings and cash flow. On an estimated current cost of supplies basis – excluding special items – earnings of $9.2 billion were 23% lower than in 2001. Cash flow from operations of $16.4 billion fell by only 3%.

From the record levels of 2001, Oil Products earnings were reduced by 47% due to very poor refining margins – although, in a difficult environment, they remained significantly ahead of all global competitors. Despite higher production, Exploration and Production earnings were 12% lower. Gas & Power earnings fell by 35%. Chemicals earnings more than doubled as costs were reduced and markets began to improve.

Oil production was ahead of target, even without the additional volumes from the acquisition of Enterprise. New reserves more than offset production. LNG sales were at record levels and have grown by 60% since 1999.

Shell companies continue to show strong competitive performance.

After delivering $5 billion in cost improvements in three years, pursuing a further 3% annual reduction in unit costs was ambitious. We met this target in 2002 and have extended it to 2004.

We maintain competitive leadership in key areas, including Oil Products, deep-water production, LNG and polyolefins.

All this was achieved within a disciplined financial framework – using our financial strength to make four major strategic acquisitions and investing over $14 billion in organic growth. Proceeds from divestments amounted to $1.5 billion, reflecting the continuing focus on upgrading the portfolio.

Enlarging the Group's capital base increases the potential to grow value. The decision to seize acquisition opportunities reduced our returns to a highly competitive 14% in 2002. Raising returns is a priority for the next years.

Reducing cash balances and raising gearing to our desired band have increased balance sheet efficiency.

We aim for – and continue to deliver – consistent long-term real dividend growth. The proposed final dividend for 2002 is 9.30p, making a total dividend for the year of 15.25p per ordinary share.

"2002 was a pivotal year. We delivered robust and competitive profitability in testing conditions and made great progress in pursuing our strategic goals – making four major acquisitions and investing in organic growth. We worked hard to live up to our business principles and commitments on sustainable development. We are well placed to maintain momentum in uncertain times."
Sir Philip Watts

Making strategic progress

We have made great progress in pursuing our strategic direction, growing value for our shareholders through robust profitability and our competitive edge.

The Enterprise acquisition increases production and reserves, and extends opportunities. The major downstream acquisitions in the US and Germany greatly enhance our competitive positions in the largest markets, while the Pennzoil-Quaker State acquisition provides a platform for global lubricants leadership.

Realising the synergies from these acquisitions is a priority and is already ahead of schedule. Additional synergies have been identified.

A major programme to rebrand and upgrade the US retail network is underway.

At the same time we are creating and executing projects to deliver organic growth.

2002 saw continued exploration success, with significant discoveries and appraisal results in the Gulf of Mexico, Brazil, Ireland, Nigeria, Kazakhstan and Malaysia.

Key projects have been brought on stream, including:

- the Muskeg River mine of the Athabasca Oil Sands project in Canada;
- the EA offshore field and the third train of the Bonny LNG plant in Nigeria;
- the Penguins fields in the UK North Sea; and
- petrochemical plants in Singapore and at Moerdijk in the Netherlands.

And we continue building the long-term assets to deliver future value growth.

Unrivalled experience in developing deep-water fields in the Gulf of Mexico is a major competitive asset. We plan to commission the Na Kika floating hub later this year to handle production from six fields, one in a world record water depth of more than 2,300 metres. The Bijupirá-Salema project in Brazil is also nearing completion.

Over the next three years, new LNG trains in Malaysia, Australia and Nigeria, and terminals in the US and India, will support the continued growth of our leading LNG business. The Australian North West Shelf venture has gained the first contract to supply LNG to China. Planning of the massive Sakhalin LNG scheme in Russia is making progress.

Differentiated retail fuels – offering higher performance and environmental standards – are now improving sales and margins in 46 countries.

The decision to approve the major Nanhai petrochemical plant in southern China demonstrates the vital role of petrochemicals within Shell. The project is part of a significant, integrated Shell business being developed in China.

Earning trust

Showing that we live up to our values – honesty, integrity and respect for people – is even more important in such troubled times. We believe this requires:

- engaging with people's concerns;
- articulating clear principles and high standards;
- having strong corporate governance to ensure we live up to them throughout our operations;
- committing to transparency; and
- communicating effectively.

We believe that contributing to sustainable development is both about how we do our business and how our business does in the long-term.

Meeting energy challenges

Energy companies make their primary contribution to society by helping to meet the energy challenges that will shape our world. Shell companies contribute in many ways.

They are supporting energy security for advanced economies by extending indigenous resources in areas like the North Sea and Gulf of Mexico, and by diversifying gas supplies. They are helping to meet the growing energy needs of developing countries, while reducing the environmental impact, for example, by contributing to the development of gas supplies in China. And they are widening access to modern energy, for example, by providing affordable solar power to rural households.

We have supported the need for precautionary action on climate change for six years – believing that much can be done that is both economic and helps to meet other energy challenges, such as enhancing security.

We have met our target of cutting greenhouse gas emissions from Shell operations by more than 10% from 1990 levels by the end of 2002 despite business growth. While continuing to grow strongly we will manage emissions so they are still 5% below 1990 levels by 2010.

We also play a progressive role, contributing to solutions by developing:

- the gas supplies which are the most important medium-term way of reducing carbon emissions;
- commercial wind, solar, bio-fuels and hydrogen businesses;
- ways of locking up carbon dioxide underground or in inert building materials; and
- mechanisms to enable cost-effective emissions reduction, such as trading.

Focus on people

Our continuing success depends on the quality of Shell people and how well we develop and apply their talents, and harness their knowledge and creativity across the world.

The results of our latest worldwide Shell People Survey – completed by 78% of staff – confirm the value of focusing on this. They show continuing significant improvements in trust, exceeding the benchmark standard for high-performance companies in most areas.

Trusted to deliver

In times of uncertainty, what counts is being trusted to deliver. As the long-standing slogan said, we want people to know they "can be sure of Shell".

I believe that our performance last year helps us earn and keep that trust. Trust that we live up to our principles. And trust that we can maintain momentum even in difficult and uncertain times, building on a pivotal year of robust profitability and strategic action.

We aim to deserve continuing trust.

Yours sincerely,

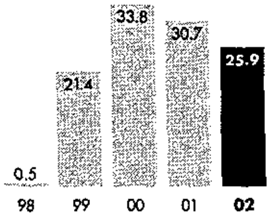
Phil Watts

Sir Philip Watts, Chairman
March 6, 2003

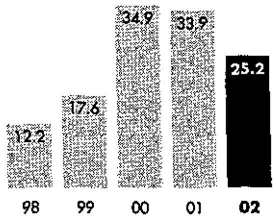
Financial Highlights

The "Shell" Transport and Trading Company, p.l.c.

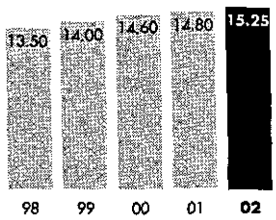
Adjusted earnings[a] (pro forma)
pence per 25p Ordinary share



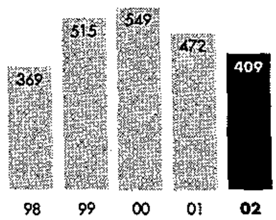
Adjusted CCS earnings[b] (pro forma)
pence per 25p Ordinary share



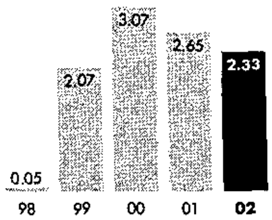
Dividends[c]
pence per 25p Ordinary share



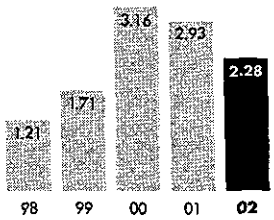
Year-end share price
pence per 25p Ordinary share



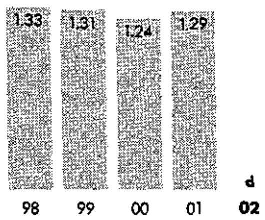
Adjusted earnings[a] (pro forma)
$ per New York Share*



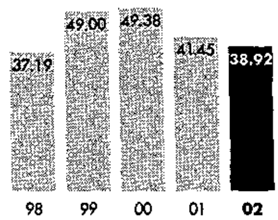
Adjusted CCS earnings[b] (pro forma)
$ per New York Share*



Dividends
$ per New York Share*



Year-end share price
$ per New York Share*

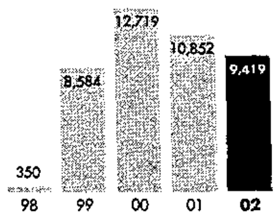


* One New York Share = six 25p Ordinary shares

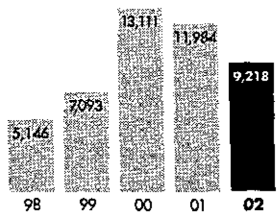
For information about the data contained in the charts relating to Shell Transport, consult the Shareholder Information section on page 80.

Royal Dutch/Shell Group of Companies

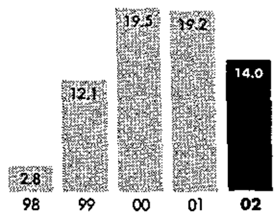
Net income
$ million



Adjusted CCS earnings[b] (pro forma)
$ million



Return on Average Capital Employed[e]
%



The earnings per share calculation includes shares held to back share options (refer to note 22 of the Group Financial Statements on pages 70 to 72).

a Adjusted earnings includes Shell Transport's share of earnings retained by companies of the Royal Dutch/Shell Group. A reconciliation between this Adjusted earnings per share measure and Shell Transport's basic earnings per share, is provided on page 16.
b Earnings on an estimated current cost of supplies (CCS) basis, excluding special credits/(charges). See also page 35.
c The 2002 figure includes the proposed final dividend which is subject to approval at the Annual General Meeting of the Company on April 23, 2003.
d The 2002 final dividend in dollars will be determined by the dollar/sterling exchange rate ruling on May 6, 2003.
e CCS earnings plus the Group share of interest expense after tax, as a percentage of the Group share of average capital employed.

Throughout this Report, a billion = 1,000 million.

Board of Directors

of The "Shell" Transport and Trading Company, p.l.c.

Managing Directors

Sir Philip Watts KCMG*
Chairman

Born June 25, 1945. A Director and a Managing Director of the Company since 1997 and Chairman since July 1, 2001. A Group Managing Director since 1997. Joined the Group as a seismologist in 1969, and held positions in Asia Pacific and Europe leading to Exploration Director, Shell UK 1983–85. Head of various Exploration and Production functions in The Hague 1985–91. Chairman and Managing Director in Nigeria 1991–94, and Regional Co-ordinator, Europe 1994–95. Director Planning, Environment and External Affairs, Shell International 1996–97. Chief Executive Officer, Exploration and Production 1997–2001. Currently Chairman of the Executive Committee of the World Business Council for Sustainable Development. Also Chairman of the International Chamber of Commerce's UK governing body and Trustee of the Saïd Business School Foundation, University of Oxford.

Paul Skinner*

Born December 24, 1944. A Director and a Managing Director of the Company and a Group Managing Director since January 1, 2000. Chief Executive Officer, Oil Products since 1999. Joined the Group as a student in 1963 and then worked in Chemicals from 1966 in sales and marketing assignments in the UK, Greece and Nigeria. Moved to the oil business in 1979, holding a succession of senior roles in the UK, New Zealand and Norway. President, Shell International Trading Company, 1991–95 and additionally responsible for the shipping business 1995–96. Director, Strategy and Business Services, Oil Products 1996–98. President, Shell Europe Oil Products 1998–99. Currently a non-executive Director of Rio Tinto plc and Rio Tinto Limited and a member of the Board of INSEAD, the European/Asian business school.

Non-executive Directors

Teymour Alireza*

Born September 7, 1939. A Director since 1997. A Saudi Arabian citizen. President and Deputy Chairman, The Alireza Group. Chairman National Pipe Company Ltd, Saudi Arabia. Director Arabian Gulf Investments (Far East) Ltd, Hong Kong and of Riyad Bank Saudi Arabia. Member of the International Board of Trustees of the World Wide Fund for Nature.

Sir Peter Burt FRSE*

Born March 6, 1944. Appointed a Director on July 25, 2002. Executive Deputy Chairman of HBOS plc and Governor of the Bank of Scotland 2001–03. Group Chief Executive of Bank of Scotland 1996–2001. Joined the Bank of Scotland in 1975. Chief General Manager of the Bank 1988–96. Worked in the computer industry in the USA and the UK 1968–74. A Director of a number of charitable organisations.

Dr Eileen Buttle CBE

Born October 19, 1937. A Director since 1998. Retired in 1994 from a career of public scientific appointments. Member of a number of Government and EU advisory committees of environmental aspects of national and European research and of Boards of Trustees of environmental non-governmental organisations.

Luis Giusti

Born November 27, 1944. A Venezuelan citizen. A Director since 2000. Joined the Venezuelan Shell oil company in 1966, and the Venezuelan state oil company, Petroleos de Venezuela, SA (PDVSA) in 1976. Chairman and CEO of PDVSA 1994–99. Currently a Senior Adviser at the Center for Strategic and International Studies in Washington DC and also acts as a consultant in oil and energy.

Non-executive Directors continued

Mary (Nina) Henderson	Born July 6, 1950. A Director since 2001. A US citizen. 1972–2001 wide experience in marketing consumer goods with Bestfoods, a major US foods company, rising to President of a major division and Corporate Vice President responsible for worldwide core business development. Currently a non-executive Director of Pactiv Corporation, AXA Financials Inc., Del Monte Foods Company and Visiting Nurse Service of New York.
Sir Peter Job KBE	Born July 13, 1941. A Director since 2001. Chief Executive of Reuters plc, 1991–2001 following wide experience in that company from 1963 in Latin America, Africa, Asia and the Middle East. Currently a non-executive Director of Schroders plc, GlaxoSmithKline plc, TIBCO Software Inc, Instinet Group Inc, Multex.com, Inc and a member of the Supervisory Board of Deutsche Bank AG and of Bertelsmann AG.
Sir John Kerr GCMG*	Born February 22, 1942. Appointed a Director on July 25, 2002. Member of United Kingdom Diplomatic Service 1966–2002 and Head of the Service 1997–2002. Principal Private Secretary to the Chancellor of the Exchequer 1981–84. UK Permanent Representative to the EU 1990–95. British Ambassador to the United States 1995–97. Foreign Office Permanent Under Secretary of State 1997–2002. Secretary-General of the Convention, chaired by President Giscard d'Estaing, on future EU institutional arrangements. Currently a non-executive Director of Scottish American Investment Trust plc; Trustee of National Gallery and of Rhodes Trust.
Sir Mark Moody-Stuart KCMG*	Born September 15, 1940. A Director since 1991. Chairman 1997–2001 and a Group Managing Director 1991–2001. A non-executive Director since July, 2001. Currently Chairman of Anglo American plc and a Director of HSBC Holdings plc and Accenture. Member of the UN Secretary General's Advisory Council for the Global Compact.
Lord Oxburgh KBE FRS	Born November 2, 1934. A Director since 1996. Scientific and University appointments 1960–88. Chief Scientific Adviser, Ministry of Defence 1988–93. Rector, Imperial College of Science, Technology and Medicine, 1993–2001. Currently Chairman SETNET and Chairman House of Lords Select Committee on Science and Technology.

Company Secretary

Jyoti Munsiff	Joined the Group in 1969 as a Legal Adviser. Appointed Company Secretary in 1993.

* **Standing in 2003 for election or re-election as a Director of the Company.**

Report of the Directors

of The "Shell" Transport and Trading Company, p.l.c.

Activities of the Company

The Company is a holding company which, in conjunction with Royal Dutch Petroleum Company, a Netherlands company, owns, directly or indirectly, investments in the numerous companies constituting the Royal Dutch/Shell Group of Companies and collectively referred to as "the Group". Royal Dutch Petroleum Company has a 60% interest in the Group and the Company a 40% interest. The Operating Companies of the Group are engaged worldwide in all the principal aspects of the oil and natural gas industry. They also have interests in chemicals and additional interests in power generation, renewable resources and other businesses throughout the world.

The Structure of the Royal Dutch/Shell Group is shown on pages 22 and 23 and further described in Note 2 to the Financial Statements of the Company. The assets and income of the Company consist principally of its interest in the net assets, and its share in the net income of the Group.

Having regard to the fact that the Company has no subsidiaries, it is appropriate to draw attention to the Message from the Chairman (pages 1 and 2), Business Highlights (pages 24 and 25) Market Overview (page 31), Strategic Direction (pages 32 and 33) and the Operational and Financial Review (pages 34 to 53) concerning Group companies generally which would have had to be included in this Report if such Group companies had been subsidiaries of the Company.

Financial Statements and dividends

The Financial Statements of the Company appear on pages 16 to 20. Earnings for the year amounted to £2,509.3 million, of which £1,404.0 million is available for distribution and £1,105.3 million represents the Company's share of earnings retained by companies of the Royal Dutch/Shell Group.

On September 18, 2002, an interim dividend in respect of 2002 of 5.95p per Ordinary share was paid.

The Directors recommend a final dividend for 2002 of 9.30p per Ordinary share which would make 15.25p per share for the year. Subject to approval at the Annual General Meeting, the final dividend will be paid on May 6, 2003 to Members on the Register on April 4, 2003 and to holders of Bearer Warrants who surrender Coupon No. 211.

Creditor payment policy

Statutory Regulations issued under the Companies Act 1985 require a public company to make a statement of its policy and practice on the payment of trade creditors. As a holding company with no business other than the holding of shares in companies of the Royal Dutch/Shell Group, the Company has no trade creditors. For the information of shareholders, the statement that will appear in the Directors' Report for 2002 of Shell U.K. Limited will confirm that Shell U.K. complies with the CBI's Better Payment Practice Code. Shell U.K. had approximately 40 days' purchases outstanding at December 31, 2002 based on the average daily amount invoiced by suppliers during the year.

Directors' responsibilities in respect of the preparation of the Financial Statements

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 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 are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to 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.

Directors

The other Directors were pleased to be able to congratulate two members of the Board on the following awards announced in the New Year Honours List 2003: Philip Watts was awarded Knight Commander Order of St. Michael and St. George in recognition of his services to British business and chairing the World Business Council for Sustainable Development: and Peter Burt was awarded a Knight Bachelor for his services to banking.

The current Directors of the Company are shown on pages 4 and 5; all served as Directors throughout 2002 except for Sir Peter Burt and Sir John Kerr, who both joined the Board on July 25, 2002. Having been appointed by the Board, they will vacate office at the Annual General Meeting on April 23, 2003 and will offer themselves for election by the shareholders.

Professor Robert O'Neill and Sir William Purves both retired from the Board at the Annual General Meeting on May 16, 2002.

The Directors retiring by rotation at the forthcoming Annual General Meeting are Teymour Alireza, Sir Mark Moody-Stuart, Paul Skinner and Sir Philip Watts. They are all eligible and will offer themselves for re-election.

No Director has, or during the financial year had, a contract of service with the Company. No Director is, or was, materially interested in any contract subsisting during or at the end of the year that was significant in relation to the Company's business.

The Board's Statement on Corporate Governance is set out on pages 8 to 10, and the Report on Directors' Remuneration is set out on pages 11 to 14.

Directors' share interests in the Company

The interests of the Directors in Ordinary shares of Shell Transport, including any interests of a spouse or infant child, are set out below:

		25p Ordinary shares
	Jan 1, 2002	**Dec 31, 2002**
Sir Philip Watts	59,381	**76,657**[a]
Paul Skinner	53,287	**60,436**[a]
Teymour Alireza	29,093	**29,093**
Sir Peter Burt	–*	**10,000**
Dr Eileen Buttle	3,400	**3,400**
Luis Giusti	–	–
Nina Henderson	9,000	**9,000**
Sir Peter Job	–	–
Sir John Kerr	–*	–
Sir Mark Moody-Stuart	600,000	**600,000**
Lord Oxburgh	5,628	**5,829**

* at date of appointment.

a The above table excludes interests in shares awarded under the Deferred Bonus Plan described on page 11. Interests under this Plan are set out below.

The above interests are all beneficial except that Sir Philip Watts had the following non-beneficial interests as trustee of a family settlement: January 1, 2002: nil, December 31, 2002: 10,000 Ordinary shares.

No Director had an interest in either of the two classes of Preference shares during the year.

Directors' share interests in the Company under the Deferred Bonus Plan

At December 31, 2002 the interests of Directors in the shares of the Company pursuant to the Deferred Bonus Plan (as described on page 11) were as follows:

			25p Ordinary shares	
	2001 Bonus deferred	Matching/ dividend awards	**Total Dec 31, 2002**	Release date
Sir Philip Watts	28,455	15,374	**43,829**	11.03.05
Paul Skinner	21,138	11,421	**32,559**	11.03.05

The first awards were made in respect of the 2001 performance bonus and accordingly there were no interests under the Plan on January 1, 2002.

There were no changes in Directors' share interests during the period from December 31, 2002 to March 4, 2003 except Sir Philip Watts and Paul Skinner had each acquired an additional 66 Ordinary shares under the Shell All-employee Share Ownership Plan; and Sir John Kerr had acquired 10,000 Ordinary shares.

Share capital

At the Annual General Meeting in 2002 the shareholders renewed the authority, expiring after a year, for the Company to purchase its own shares up to a maximum of 5% of the issued share capital.

During 2002, 81,125,000 Ordinary shares with a nominal value of £20.28 million (representing 0.84% of the Company's issued Ordinary share capital as at December 31, 2002) were purchased for cancellation for a total cost of £369.6 million, including expenses, at an average price of 453.33 pence per share. At March 4, 2003 no further Ordinary shares had been purchased for cancellation.

The Board continues to regard the ability to repurchase issued shares in appropriate circumstances as an important component in the financial management of the Company and a resolution will be proposed to the forthcoming Annual General Meeting to renew the authority for the Company to purchase its own shares for another year. This proposal is further explained in the letter from the Chairman which accompanies the Notice of the Annual General Meeting.

At March 4, 2003, the only interests which had been notified to the Company in 3% or more of the Company's issued Ordinary share capital was that of Barclays PLC which held 290,927,889 shares (3.01%) and Legal & General Group Plc which held 323,116,465 shares (3.34%).

Share schemes

Certain Group companies have stock option plans and employee share purchase plans, the operation of which during 2002 is summarised on page 15 and in Note 22 to the Group Financial Statements on pages 70 to 72.

No issue of new shares is involved under any of these plans and no dilution of shareholders' equity is involved.

The Shell Petroleum Company Limited is one of the companies with a stock option plan for executives, the shares involved being those of the Company and Royal Dutch Petroleum Company. Details of Managing Directors' interests in options relating to Shell Transport shares under this plan are set out on page 14.

Political and charitable contributions

The Group's Statement of General Business Principles excludes political payments and activities and no political donations were made by the Company to political parties or organisations during the year. The Company itself makes no charitable contributions, but the Group has endowed a registered charity, The Shell Foundation, which acts under the guidance of independent trustees. In addition, individual Shell companies run their own social investment programmes, making voluntary contributions of $96 million in 2002. The Shell Report 2002 – Meeting the energy challenge (distributed with this Annual Report) provides information on these programmes and examples of The Shell Foundation projects.

Auditors

Following the conversion of the auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from January 1, 2003, PricewaterhouseCoopers resigned on February 5, 2003 and the Directors appointed its successor PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the Annual General Meeting to be held on April 23, 2003.

Annual General Meeting

The Annual General Meeting will take place on April 23, 2003 at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1. Details of the business to be put to shareholders at the Meeting can be found in the letter from the Chairman which accompanies the Notice of Meeting.

Jyoti Munsiff

By Order of the Board
Jyoti Munsiff, Secretary
March 6, 2003

Corporate Governance

Application and compliance

The Board of The "Shell" Transport and Trading Company, p.l.c. (Shell Transport) is committed to the highest standards of integrity and transparency in its governance of the Company and the majority of the principles of good governance set out in the Combined Code have featured in the Company's approach to corporate governance for many years. This statement describes the application of the principles of the Combined Code during the year 2002.

The sole activity of Shell Transport is the ownership of a 40% interest in the Royal Dutch/Shell Group of Companies of which it is not a part and in whose activities it does not engage. The other 60% is owned in like manner by Royal Dutch Petroleum Company (Royal Dutch). This arrangement has stood unaltered since 1907, subject only to changes of detail, and during this long period the Group has grown to be one of the largest global commercial enterprises. The Board considers that these enduring arrangements between Shell Transport and Royal Dutch have served shareholders well. It must be recognised however, that the framework within which the Board operates is conditioned to some extent by Shell Transport's unique relationship with Royal Dutch, and this results in some special arrangements which may not be appropriate in other companies. However, these governance arrangements are always designed with a view to upholding the best standards of corporate governance.

Shell Transport aims to be at the forefront of internationally recognised best governance practice which, as a dynamic interplay of forces, is a subject of continuous renewal and improvement. In the United Kingdom the proposals of the Higgs Review on the effectiveness of non-executive Directors and of the Smith Review on audit committees and, in the United States, the Sarbanes-Oxley Act and associated rule making by the Securities Exchange Commission have recently provided a new impetus to such renewal and improvement. Shell Transport is following these developments and, though complying in many respects already, intends to adapt its governance arrangements as may be appropriate. Specifically for the guidance of principal executives and senior financial officers a Code of Ethics has been drawn up in conjunction with the Group's Statement of General Business Principles. This Code of Ethics can be found on the Shell website (see www.shell.com/codeofethics).

The joint arrangements for supervising the governance of the operations of the Royal Dutch/Shell Group of Companies throughout the world are summarised in this statement under the heading "Arrangements with Royal Dutch Petroleum Company". The remainder of this statement refers to the governance of Shell Transport itself.

Compliance with the Code of Best Practice

In addition to the principles of good governance, the Combined Code incorporates a Code of Best Practice, and the Listing Rules of the Financial Services Authority require listed companies to indicate whether or not they have complied with the provisions of the Code of Best Practice throughout the year and to explain any non-compliance.

The Board of Shell Transport confirms its compliance with the Code throughout 2002 subject to the following variations which continue to reflect Shell Transport's alliance with the Netherlands-based Royal Dutch.

- Joint Committees with Royal Dutch:
  The Board Committees dealing with audit and remuneration matters are joint committees of the Supervisory Board of Royal Dutch and the Board of Shell Transport. This means that the Chairman of these Committees will sometimes be a nominee of Royal Dutch and as such will not be able to attend the Annual General Meeting. In these circumstances a Shell Transport member of the Committee will deal with any appropriate questions at the Annual General Meeting.

  For many years the Remuneration and Succession Review Committee has comprised six non-executive Directors including two former Group Managing Directors – one UK and one Dutch. The Boards have considered it helpful, given the complexity of the Managing Directors' salary structure in relation to other Group executives, for the Committee to include former Managing Directors although theoretically the former Managing Directors are not "independent".

  The Remuneration and Succession Review Committee, as a joint committee of two independent Boards, is not able to formally "determine" the remuneration package of individual directors (who are not employees of the Parent Companies): it makes recommendations to the Boards of the Parent Companies which, if thought fit, pass the proposals on to the employing companies concerned for implementation.

- Chairman and Chief Executive:
  The Chairman of Shell Transport is currently also the most senior executive Director of the Group, but this arrangement is not in conflict with the principle that one person should not have unfettered powers of decision (please see details of the Committee of Managing Directors on page 30).

Board structure and procedures

The current membership of the Board is shown on pages 4 and 5. All Directors are equally accountable at law to the shareholders for the proper conduct of the business. The Directors aim for Board membership which provides a spread of knowledge and experience appropriate to the business. The actual composition of the Board varies from time to time, but for many years the Board has comprised:

- at least two Managing Directors of the Company, who were also Group Managing Directors (see page 9);
- a Chairman, who was also one of the Managing Directors; and
- a number of non-executive Directors, who constituted the majority of the Board.

Throughout 2002 there were two Managing Directors and the balance were non-executive Directors. Of the current non-executive Directors, one – Sir Mark Moody-Stuart – is a former Managing Director. Of the nine non-executive Directors at the end of the year, Sir Peter Burt (appointed July 25, 2002), Dr Eileen Buttle, Luis Giusti, Nina Henderson, Sir Peter Job, Sir John Kerr (appointed July 25, 2002) and Lord Oxburgh are wholly independent of any personal business connection with the Company or companies of the Royal Dutch/Shell Group. Accordingly, the structure of the Board during the year observed the Combined Code provisions that non-executive Directors should comprise not less than one-third of the Board and a majority of the non-executives should be "independent". The Board has nominated Lord Oxburgh as the senior non-executive Shell Transport Director. In accordance with the Combined Code the Articles of Association require that all Directors should be subject to re-election at intervals of not more than three years. All Directors vacate office at age 70 at the latest.

Possible new non-executive Directors are reviewed by the Nomination Committee before any approach is made to the candidate. Any new appointment is made by the Board only after a recommendation from the Nomination Committee. The Chairman of the Board acts as Chairman of the Nomination Committee. In view of the essential requirement for potential Directors to understand the nature of the responsibilities of the Board and the extensive operations of the Group, the Nomination Committee is structured as a committee of the whole Board so that all Directors can participate in the nomination process.

The structure of the committee, known as the "Committee of Managing Directors", which considers and develops objectives and long-term plans of the Royal Dutch/Shell Group is set out on page 30. The members of this Committee are also known as "Group Managing Directors" and the Remuneration and Succession Review Committee (see page 10) reviews and endorses candidates for appointment to these positions.

The Board of Shell Transport considers the appointment of new Directors of the Company in connection with proposals for appointment to the position of Group Managing Director and, where appropriate, either co-opts the person concerned as a Director or, if timing allows, recommends the person to the shareholders for election at the forthcoming Annual General Meeting. It is normally the case that the Board also appoints the new Director as a Managing Director of the Company.

The Directors meet regularly as a Board to deal with business requiring Board approval and also hold meetings known as "The Conference" (see page 10) with members of the Supervisory and Management Boards of Royal Dutch.

Going concern and internal controls

The Directors consider that, taking into account the assets and income of the Royal Dutch/Shell Group of Companies and the long and successful relationship between Shell Transport and Royal Dutch, Shell Transport has adequate resources to continue in operational existence for the foreseeable future. For this reason the Directors continue to adopt the going-concern basis for the Financial Statements of the Company.

Shell Transport safeguards its 40% interest in the Group, from which it derives virtually the whole of its income, by appointing a number of Directors to the Boards of the Group Holding Companies; and by the appointment of 50% of the membership of the Group Audit Committee.

The approach in the Group to risk management and internal control is set out on page 51. This demonstrates that risk and control reporting involves management in regular reviews of the risks that are significant to the fulfilment of the objectives of the businesses. The Directors consider that these internal control arrangements are compatible with the guidance for directors published in September 1999 (known as the Turnbull Report) in relation to the internal control provisions of the Combined Code.

The Directors are responsible for Shell Transport's own system of internal control and for reviewing its effectiveness. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against misstatement or loss. Shell Transport's own internal financial controls are the subject of periodic review by the Board in respect of process and effectiveness and this regular review includes consideration of any other business risks including compliance risks.

The Directors accordingly confirm that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Company, that it has been in place for the year 2002 and up to the date of approval of the Annual Report and Accounts, and that the process is regularly reviewed by the Board and accords with the guidance for Directors referred to above.

Communications

The Board of Shell Transport recognises the importance of two-way communication with its shareholders and, in addition to giving a balanced report of results and progress at each Annual General Meeting, the Company responds to questions and issues raised by either institutions or private shareholders. Extensive information about Shell companies is available through many sites on the worldwide web and in particular through www.shell.com, which includes a facility for questions to be raised through e-mail. A dialogue with institutional shareholders is maintained through the investor relations programme, and all major presentations are made available on www.shell.com. The share registrar, Lloyds TSB Registrars, operates an online internet access facility for shareholders providing details of their shareholdings. Facilities are also provided for shareholders to lodge proxy appointments electronically. In 2002, a Shell Nominee Service was launched to provide a facility for investors who prefer to hold their shares in Shell Transport in paperless form.

Arrangements with Royal Dutch Petroleum Company

Shell Transport and Royal Dutch are independent companies, each obliged to observe the law and corporate practices of their country of incorporation – the United Kingdom and the Netherlands, respectively. Shell Transport and Royal Dutch have, over their long association, developed a number of special consultative arrangements as set out below to assist with the proper discharge of their responsibilities to their own respective shareholders for stewardship of the Parent Companies' interests in the Royal Dutch/Shell Group.

The Structure of the Royal Dutch/Shell Group is shown on pages 22 and 23 of this Annual Report, and the membership of the Boards of the Parent Companies is set out on pages 28 and 29.

The Conference

Meetings of the Conference between the Directors of Shell Transport and members of the Supervisory and Management Boards of Royal Dutch are held regularly during the year. The purpose of the Conference is to receive information from Group Managing Directors about major developments within the Royal Dutch/Shell Group of Companies and to discuss reviews and reports on the business and plans of the Group. Senior executives of Group companies also attend meetings of the Conference to present strategic plans and proposals for major projects, giving Directors frequent opportunities to hear from and question those with first-hand experience of the business, in addition to receiving fully documented reports and proposals.

In particular, the Conference reviews and discusses:

- the strategic direction of the businesses of the Royal Dutch/Shell Group of Companies;
- the business plans of both the individual businesses and of the Royal Dutch/Shell Group of Companies as a whole;
- major or strategic projects and significant capital items;
- the quarterly and annual financial results of the Royal Dutch/Shell Group of Companies;
- reports of the Group Audit Committee;
- appraisals both of the individual businesses and of the Royal Dutch/Shell Group of Companies as a whole;
- annual or periodic reviews of Group companies' activities within significant countries or regions;
- governance, business risks and internal control of the Royal Dutch/Shell Group of Companies;
- a regular programme of insights and briefings on specific aspects of the Royal Dutch/Shell Group of Companies; and
- any other significant or unusual items on which the Group Managing Directors wish to seek advice.

Joint Committees

The joint Committees established by the Parent Companies to assist with their respective governance responsibilities are described below. All three of these Committees are composed of six members, in each case three of whom are appointed by the Board of Shell Transport from among its members and three by the Supervisory Board of Royal Dutch from among its members.

Group Audit Committee

In 1976 the Board of Shell Transport, jointly with the Supervisory Board of Royal Dutch, established a Group Audit Committee. Under its terms of reference the Committee acts in an advisory capacity to the Boards, providing them with quarterly and annual updates regarding its activities and related recommendations. The Committee regularly considers the effectiveness of risk management processes and internal control within the Group and reviews the financial accounts and reports of the Royal Dutch/Shell Group of Companies. The Committee also considers both internal and external audit reports (including the results of the examination of the Group Financial Statements) and assesses the performance of internal and external audit.

The Directors of Shell Transport appointed to the Committee are currently Sir Peter Burt, Luis Giusti and Nina Henderson; the members appointed by the Supervisory Board of Royal Dutch are currently Aad Jacobs (Chairman of the Committee), Henny de Ruiter and Jan Timmer.

Remuneration and Succession Review Committee

In 1967 the Board of Shell Transport, jointly with the Supervisory Board of Royal Dutch, established a Remuneration Committee. Following restatement of its terms of reference in 1980, this Committee was renamed as Remuneration and Succession Review Committee. The functions of the Committee are to make recommendations on all forms of remuneration with respect to Group Managing Directors and to review matters relating to the succession to the positions of Group Managing Directors.

The members appointed by the Board of Shell Transport are currently Nina Henderson, Sir Peter Job and Sir Mark Moody-Stuart; the members appointed by the Supervisory Board of Royal Dutch are currently Jonkheer Aarnout Loudon (Chairman of the Committee), Professor Joachim Milberg and Henny de Ruiter. The Chairman of the Committee is currently an appointee of Royal Dutch and Sir Peter Job has been nominated by the Board of Shell Transport to respond at the Annual General Meeting to any questions relating to remuneration issues.

Social Responsibility Committee

In 1997 the Board of Shell Transport, jointly with the Supervisory Board of Royal Dutch, established a Social Responsibility Committee. The Committee reviews the policies and conduct of the Royal Dutch/Shell Group of Companies with respect to the Group's Statement of General Business Principles as well as the Group's Health, Safety and Environment Commitment and Policy.

The members appointed by the Board of Shell Transport are currently Teymour Alireza, Dr Eileen Buttle and Lord Oxburgh (Chairman of the Committee). The members appointed by the Supervisory Board of Royal Dutch are currently Maarten van den Bergh, Jonkheer Aarnout Loudon and Jan Timmer.

Shell companies have long been open about the values and principles which guide them, and the Group's Statement of General Business Principles has been publicly available since 1976. The latest revision followed extensive internal and external consultation. The Statement of General Business Principles includes commitments to support fundamental human rights and to contribute to sustainable development.

The Annual Report and Accounts 2002 is distributed with a copy of The Shell Report 2002 – Meeting the energy challenge, which reviews how Group companies are living up to the Group's Business Principles and contributing to sustainable development.

Remuneration Report

The Board presents its report on Directors' remuneration for the year ended December 31, 2002.

This report deals with the remuneration policy as it applies and will apply to Group Managing Directors, including those who are also Managing Directors of Shell Transport, and to the non-executive Directors of Shell Transport. The remuneration policy is subject to regular review. This report also contains the disclosure of the individual remuneration of the Directors of Shell Transport.

Remuneration and Succession Review Committee

The Remuneration and Succession Review Committee (REMCO) is a joint committee of the Board of Shell Transport and the Supervisory Board of Royal Dutch (see page 10) and has responsibility for making recommendations on all forms of remuneration with respect to Group Managing Directors.

During the year under review, the REMCO members appointed by the Board of Shell Transport were Nina Henderson, Sir Peter Job and Sir Mark Moody-Stuart, and the members appointed by the Supervisory Board of Royal Dutch were Jonkheer Aarnout Loudon, Professor Joachim Milberg, Henny de Ruiter (appointed July 1, 2002) and Lodewijk van Wachem (retired June 30, 2002). The Chairman of the Committee is currently Jonkheer Aarnout Loudon.

The remuneration of the non-executive Directors of Shell Transport is, in accordance with the Articles of Association, the responsibility of the Board of Shell Transport as a whole and is determined within the limits set by shareholders.

Remuneration policy

Group Managing Directors' Remuneration

Philosophy

The objective of the remuneration philosophy is to attract and retain high calibre individuals and motivate them towards the achievement of exceptional performance that enhances the value of the Group. The remuneration structures for Group Managing Directors are therefore designed to support alignment of Group Managing Directors' interests with the goals of the Group and its various businesses and with shareholders' interests.

Competitive framework

Remuneration levels are set by reference to the practice of global companies of comparable size, complexity and international scope to that of the Group. Among such companies there is an increasing emphasis on performance-linked variable short and long-term pay. Consistent with this and the philosophy outlined above, for on-target performance more than half of a Group Managing Director's total remuneration will be performance-linked. This proportion is expected to increase in line with market practice.

REMCO is provided with market data on the basis of which it annually reviews remuneration levels and the proportions between fixed and variable pay.

Base salary and fees

The purpose of base salary (which is inclusive of Directors' fees) is to provide an element of fixed remuneration set at a competitive level that is appropriate to the scope and complexity of the role of a Group Managing Director.

Salary levels are set by reference to market-based salary scales that reflect the collegiate nature of the Committee of Managing Directors. The scales were increased by 6% with effect from July 1, 2002. The salary scales are reviewed annually by REMCO and will be adjusted in line with market practice with effect from July 1, 2003. Progression of an individual Group Managing Director's salary to the target position is usually over a three-year period from appointment.

Annual and deferred bonus

The purpose of the annual bonus plan is to motivate Group Managing Directors to achieve annual results that further the Group's long-term objectives.

The target level of bonus for the year 2002 was 100% of base salary (2001 was 65% of base salary). The target for 2003 will be 100% of base salary.

Bonus awards are recommended by REMCO based on the extent of achievement of challenging Group targets that are set as part of the annual Group business plan. These targets encompass financial, customer, people, sustainable development and other operational objectives. For 2002, financial targets related to Total Shareholder Return (TSR) measured annually by the average weighted share price performance plus dividends of Shell Transport and Royal Dutch relative to other major integrated oil companies and Return on Average Capital Employed (ROACE). Having regard to the Group's performance against all targets, REMCO has recommended that the bonus payable to Group Managing Directors in respect of the year 2002 is 115% of base salary. The same approach will be adopted in 2003.

Since 2001, Group Managing Directors have been able to elect to defer up to one-third of their annual bonus into shares, in the case of Managing Directors of the Company, Shell Transport shares. The deferred bonus shares, together with shares equivalent to the value of dividends payable on the deferred bonus shares, are released three years after deferral. Provided the participants remain in Group employment for three years following the deferral, or reach normal retirement within the three-year period, they will also receive one additional share for every two shares accumulated.

The purposes of the deferred bonus plan are to reward performance over a single financial year, to align Group Managing Directors' interests with shareholders' interests during the deferment period and to encourage share ownership in the Company. There is accordingly no further performance test beyond that governing performance in the relevant bonus year.

Neither annual nor deferred bonuses are pensionable.

Long-term incentives

The objective of long-term incentive arrangements is to ensure that Group Managing Directors share the interests of shareholders by being rewarded for share price growth, the creation of shareholder value and the achievement of superior relative shareholder returns. The policy in relation to long-term incentives applies to each of the Group Managing Directors.

Long-term incentives are currently awarded in the form of stock options. Options are granted once a year under the Group Stock Option plan which applies to Group Managing Directors and senior staff.

Options granted before 2003 to Group Managing Directors may vest three years after grant and remain exercisable until ten years after grant. Of the options granted, 50% are subject to performance conditions and the proportion of such 50% which will either vest and become unconditional or lapse, will be determined for Group Managing Directors at the discretion of REMCO using the criteria below.

REMCO will only exercise its discretion in favour of vesting to the extent that it is satisfied that the performance of the Group over the three-year vesting period reflects the objective for long-term incentives. Accordingly, when making its decision, REMCO takes into account a combination of TSR over the three-year vesting period (measured by the average weighted share price performance plus dividends of Shell Transport and Royal Dutch over the ten-day period at the beginning and end of the vesting period) relative to a peer group of other major integrated oil companies and other long-term indicators of Group performance.

The latest tranche of stock options to vest was granted in March 2000 and the stock options vested in March 2003. The measurement period for the options was January 1, 2000 to December 31, 2002. The peer companies were BP, ChevronTexaco, ExxonMobil and Total. The Royal Dutch/Shell Group of Companies ranked fourth. REMCO considered other performance indicators including profits over the three years and ROACE relative to the peer group.

Having considered all of these factors REMCO determined that 50% of the options granted in March 2000 that were subject to its discretion should vest.

Options granted in 2003, and in subsequent years, will be 100% performance linked. Performance will be measured over the three financial years prior to grant. The policy, which will continue in future years, is that the levels of grant will vary according to the ratings given by REMCO to the Group's achievements against financial targets and will reflect competitive market practice. The current financial targets are TSR relative to the other major integrated oil companies and ROACE. These financial targets have been chosen as they are consistent with the objective for long-term incentives and represent a balanced test of the Group's internal operating efficiency and external performance.

In addition, it is proposed to introduce a new Long-term Incentive Plan (the Plan). This proposal will be put to shareholders at the 2003 Annual General Meetings of Shell Transport and Royal Dutch.

Group Managing Directors and other selected senior executives will be eligible to participate in the Plan. Group Managing Directors will be selected for participation on the recommendation of REMCO. Participants will be made a conditional award of shares in either Shell Transport or Royal Dutch. The receipt of shares comprised in the award will be conditional on the participant remaining in employment (subject to certain exceptions, including normal retirement) and on the satisfaction of performance targets over the performance period. The performance period will not be less than three consecutive financial years. In the case of Group Managing Directors, REMCO will make recommendations on the number of shares which may be conditionally awarded in any year. Awards in any one year can range from zero to two times base salary, but the maximum number of shares will only be received for exceptional performance as described below.

If the adoption of the Plan is approved, the performance targets will be linked to TSR (the average weighted share price performance plus dividends of Shell Transport and Royal Dutch) relative to two separate groups of comparator companies, over a performance period of three financial years. Two separate comparator groups have been chosen because REMCO considers that it is appropriate to test performance both against major home markets and industry competitors. Relative TSR has been chosen as the performance test that most closely aligns the interests of Group Managing Directors and senior executives with those of shareholders.

The first comparator group will consist of the largest twenty companies (by way of market capitalisation) in the FTSE 100 share index together with the ten largest companies (also by way of market capitalisation) in the AEX index, in each case, at the beginning of the relevant performance period. As at January 1, 2003, the first comparator group, in addition to Shell Transport and Royal Dutch, was FTSE: Anglo American, AstraZeneca, Aviva, Barclays, BG Group, BP, British American Tobacco, BT Group, Diageo, GlaxoSmithKline, HBOS, HSBC Holdings, Lloyds TSB Group, National Grid Transco, Rio Tinto, The Royal Bank of Scotland, Tesco, Unilever PLC and Vodafone Group and AEX: ABN AMRO, AEGON, Ahold, Akzo Nobel, Heineken, ING Group, KPN, Philips and Unilever N.V. In the case of Shell Transport and Royal Dutch, and Unilever PLC and Unilever N.V., the weighted average TSR of the two companies will be used.

The second comparator group will be the five major integrated oil companies, which, as at January 1, 2003, were BP, ChevronTexaco, ExxonMobil, the Royal Dutch/Shell Group of Companies and Total.

Half of each conditional award will be tested against the first comparator group and half against the second comparator group. If shareholders approve the adoption of the Plan, the comparator groups described above will be used for the first performance period which will be from January 1, 2003 to December 31, 2005.

For the first comparator group, 100% of the shares tested against that group will be received for 75th percentile and above performance and 25% will be received for median performance with a straight-line calculation between these two points. No shares will be received for performance below the median. This method of calculation has been chosen because it is consistent both with shareholders' expectations and market practice.

For the second comparator group, 100% of the shares tested against that group will be received if the Royal Dutch/Shell Group of Companies is in first place, 75% for second place and 50% for third place. No shares will be received for fourth or fifth place.

All-employee Share Schemes
Group Managing Directors who are Directors of the Company are, in common with other UK employees, eligible to participate in the Shell Sharesave Scheme and the Shell All-employee Share Ownership Plan. However, they are not eligible to participate in the Global Employee Share Purchase Plan.

Pensions
For Shell Transport Managing Directors' pensions the principal sources are the Shell Contributory Pension Fund (for service in the UK) and the Shell Overseas Contributory Pension Fund (for previous service overseas). Both Funds are defined benefit plans to which Managing Directors contribute 4% of relevant earnings. The latest date on which Managing Directors retire is June 30, following their 60th birthday, and the maximum pension is two-thirds of their final remuneration, excluding bonuses. There are also provisions, as for all members of the above Funds, for a dependant benefit of 60% of actual or prospective pension, and a lump sum death-in-service payment of three times annual salary. During 2002 two Managing Directors accrued retirement benefits under defined benefit plans (2001: three; 2000: three). No Managing Director has accrued benefits under a money purchase benefit scheme. Salaries/fees payable to Managing Directors, totalling £1,214,000 in 2002, £1,328,500 in 2001, £1,514,500 in 2000 count for pension purposes in the Shell Contributory Pension Fund.

The payment of employers' contributions to the Shell Contributory Pension Fund, which is open to United Kingdom employees of the member companies, has upon actuarial advice been suspended since January 1, 1990. Managing Directors accrued pension benefits during the year are as detailed in the table on page 14. The transfer values are calculated using the cash equivalent transfer value method in accordance with Actuarial Guidance Note GN11.

Advisors
In reaching its decisions on Group Managing Directors' remuneration, REMCO was materially assisted by advice from John Hofmeister (Group Human Resources Director) and Michael Reiff (Group Head of Remuneration and Benefits).

External data are collated by internal sources and used in the preparation of internal briefing papers that REMCO considers, in common with other factors, when making its decisions. Accordingly, there is no single external source that provides material advice or services, nor is there a formal external advisor appointed by REMCO. At its discretion, REMCO may seek external advice on its own account and, in the year under review, it received such advice from Towers Perrin, which also provided companies within the Group with advice on pensions, compensation, communication and HR management.

Directors' Contracts of Service
No Director has or, during the financial year had, a contract of service with Shell Transport. The Managing Directors of Shell Transport have employment contracts with one of the Group holding or service companies that provide entitlement to notice in line with the standard policy applicable to other senior staff in the United Kingdom – three months. Similarly, such contracts expire on the latest expected date of retirement which, in the case of the Managing Directors, is June 30 following their 60th birthday (as at December 2002, Sir Philip Watts was aged 57 and Paul Skinner 58). There are no predetermined termination compensation arrangements in place for Directors of Shell Transport and no payments on termination were made to retiring or past Directors during the year under review.

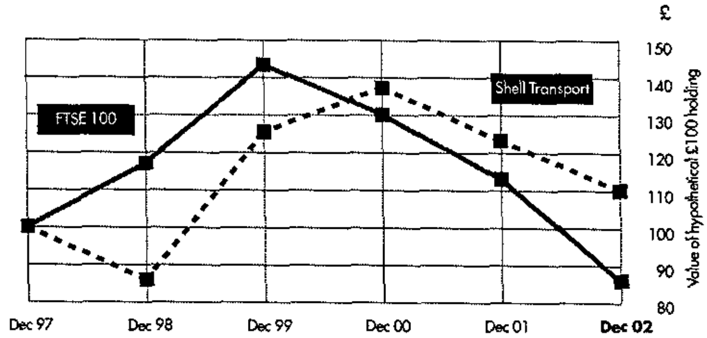
Sir Philip Watts' and Paul Skinner's current employment contracts are effective from July 1, 2002 and January 1, 2000 respectively.

Non-executive Directors' Fees
In accordance with the Articles of Association, the remuneration of Directors of the Company is determined by the Board within a limit set by shareholders. All Directors are entitled to an annual fee (currently £50,000) with additional fees for acting as Chairman of the Board or of a Joint Committee (see page 10). An additional fee is payable to any Director who undertakes intercontinental travel to attend a meeting.

The fees for non-executive Directors are reviewed from time to time and were last adjusted from July 1, 2002 after approval at the 2002 Annual General Meeting of an increase in the maximum sum available. There are no current proposals to increase fees in 2003.

Performance graph
The following graph compares, on the basis required by the Directors' Remuneration Report Regulations 2002, the TSR of Shell Transport and that of the companies comprising the FTSE 100 share index over the five-year period from 1998 to 2002. The Board regards the FTSE 100 share index as an appropriate broad market equity index for comparison as it is the leading market index in Shell Transport's home market.

Five-year historical TSR Performance
Growth in the value of a hypothetical £100 holding over five years
FTSE 100 comparison based on 30 Trading Day Average values



Remuneration of the Directors

Emoluments of Directors in office during 2002

£	2002	2001	2000
Sir Philip Watts:			
Salaries and fees	**745,969**	607,398	496,302
Car benefit[a]	**21,922**	20,089	17,323
Other benefits	–	–	–
Performance-related element[b]	**874,000[c]**	455,000[c]	225,000
Deferred bonus plan adjustment[d]	**152,069**	75,834	–
	1,793,960	1,158,321	738,625
Realised share option gains	**8,238**	508,167	134,400
	1,802,198	1,666,488	873,025
Paul Skinner:			
Salaries and fees	**553,830**	504,703	458,802
Car benefit[a]	**13,181**	14,924	14,965
Other benefits	–	–	655
Performance-related element[b]	**632,500**	338,000[c]	213,750
Deferred bonus plan adjustment[d]	**4,756**	56,334	–
	1,204,267	913,961	688,172
Realised share option gains	**8,238**	505,902	349,704
	1,212,505	1,419,863	1,037,876
Sir Mark Moody-Stuart[e]:			
Salaries and fees	–	583,401	710,427
Directors' fees	**39,375**	–	–
Holding Company fees	**18,314**	–	–
Performance-related element[b]	–	232,050	321,300
	57,689	815,451	1,031,727
Realised share option gains	–	639,360	892,440
	57,689	1,454,811	1,924,167
Teymour Alireza: Directors' fees	**45,375**	28,750	28,750
Sir Peter Burt: Directors' fees	**21,795**	–	–
Dr Eileen Buttle: Directors' fees	**39,375**	31,875	30,625
Luis Giusti: Directors' fees	**45,375**	26,875	7,500
Nina Henderson: Directors' fees	**45,375**	17,516	–
Sir Peter Job: Directors' fees	**39,375**	11,042	–
Sir John Kerr: Directors' fees	**21,795**	–	–
Professor Robert O'Neill: Directors' fees	**10,910**	30,000	30,000
Lord Oxburgh: Directors' fees	**42,800**	32,475	36,850
Sir William Purves: Directors' fees	**11,612**	34,333	34,333

a Car benefit is the Inland Revenue defined cash equivalent of the cost of company provided vehicles.

b The performance-related element is included in the year to which it relates.

c Of which one-third was deferred under the Deferred Bonus Plan.

d These amounts are the increases accruing during the year in respect of entitlements under the Deferred Bonus Plan in respect of additional shares that will be granted (provided the participant remains in Group employment for three years following initial deferral or reaches normal retirement age within the three-year period).

e Sir Mark Moody-Stuart retired as Chairman and Managing Director on June 30, 2001. His remuneration in 2001 included a "full service bonus" of £198,000. A bonus under this arrangement is paid on retirement to all UK employees with qualifying service.

Pensions

	Sir Philip Watts	Paul Skinner
Accrued pension	£ thousand per annum	
Pension accrued at 31.12.02	479.69	404.86
Increase in accrued pension over year	83.92	66.16
Increase in accrued pension over year (excluding inflation)	72.30	56.20
Transfer values of accrued benefits		£ thousand
At 31.12.01	6,411.60	5,410.40
At 31.12.02	7,913.00	6,586.50
Increase over year less Director's contributions	1,476.80	1,176.10
Increase over year (excluding inflation) less Director's contributions	1,167.60	914.20

The transfer values have been calculated in accordance with Actuarial Guidance Note GN11.

Share options

Number of 25p Ordinary shares under option

At 1.1.02	Granted during the year	Exercised (cancelled/lapsed) during the year	At 31.12.02	Exercise price	Exercisable from date	Exercisable to date
Sir Philip Watts						
272,000	–	(272,000)	–	439p	11.12.97	10.12.02
308,750	–	–	308,750	363p	22.12.01	21.12.08
341,000	–	–	341,000	505p	23.03.03	22.03.10
465,000	–	–	465,000	552p	26.03.04	25.03.11
5,214[a]	–	5,214[b]	–	330p	01.02.02	31.07.02
–	3,251[a]	–	3,251	509p	01.02.07	31.07.07
–	885,000	–	885,000	523p	21.03.05	20.03.12
Paul Skinner						
139,200	–	–	139,200	439p	11.12.00	10.12.07
194,700	–	–	194,700	363p	22.12.01	21.12.08
341,000	–	–	341,000	505p	23.03.03	22.03.10
465,000	–	–	465,000	552p	26.03.04	25.03.11
5,214[a]	–	5,214[b]	–	330p	01.02.02	31.07.02
–	3,251[a]	–	3,251	509p	01.02.07	31.07.07
–	660,000	–	660,000	523p	21.03.05	20.03.12
Sir Mark Moody-Stuart						
387,000	–	(387,000)	–	439p	11.12.97	10.12.02
440,800	–	–	440,800	363p	22.12.01	30.06.06
487,000	–	–	487,000	505p	23.03.03	30.06.06

All the options listed above relate to Shell Transport Ordinary shares. All options are exercisable at market price (no discount) at grant. The options with an expiry up to and including 2002 were exercisable from grant except for the Shell Sharesave Scheme (see footnote a). The remaining options were granted for 10 years and are not exercisable within three years of grant; 50% of those options are subject to a performance condition with the exception of those granted prior to appointment as a Director of the Company. Upon vesting in 2003, of the performance-related options granted in 2000, 50% became unconditional.

The price range of the Ordinary shares during the year was 361p to 543p.

There were no other changes in the above interests in options during the period from December 31, 2002 to March 4, 2003.

a These options are held under the Shell Sharesave Scheme of The Shell Petroleum Company Limited.

b The only options exercised in 2002: the market price at exercise was 488p.

Jyoti Munsiff

Signed on behalf of the Board
Jyoti Munsiff, Secretary
March 6, 2003

Group Share Plans

Set out below is a summary of the principal employee share schemes operated by Group companies*. The shares subject to the plans are existing issued shares of Royal Dutch or Shell Transport and no dilution of shareholders' equity is involved. Shares to be delivered by a Group company under these plans are generally bought in the market at the time the commitment thereto is being made.

Group Stock Option Plans
Under these plans, eligible employees are granted options over shares of Royal Dutch or Shell Transport. The price at which the shares can be bought (the exercise price) will not be less than the fair market value of the shares at the date the options were granted. This is calculated as the average of the stock exchange opening and closing prices over the five business days ending on the date of grant, except for the USA where the grant price is the average of the stock exchange opening and closing prices on the date of grant.

Options are exercisable three years from grant. Options lapse ten years after grant or, if earlier, on resignation from Group employment (subject to certain exceptions). For Group Managing Directors and the most senior executives, a proportion of the options granted is subject to performance conditions.

For Group Managing Directors and the most senior executives 100% of options granted in 2003 and in subsequent years will be subject to performance conditions.

Restricted Stock Plan
Grants are made under this plan on a highly selective basis for recruitment and retention of senior staff. A maximum of 250,000 Royal Dutch shares (or equivalent value in Shell Transport shares) can be granted under the plan in any year. Shares are granted subject to a three-year restriction period. The shares, together with additional shares equivalent to the value of the dividends payable over the restriction period, are released to the individual at the end of the three-year period, provided that the individual has remained in employment. Group Managing Directors are not eligible to participate in the Restricted Stock Plan.

Global Employee Share Purchase Plan
This broad-based plan enables employees to make contributions, which are applied quarterly to purchase Royal Dutch or Shell Transport shares at current market value. If the acquired shares are retained in the Plan until the end of the twelve-month cycle the employee receives an additional 15% share match. In the USA a variant of this plan is operated where contributions are applied to buy Royal Dutch shares at the end of the twelve-month cycle. The purchase price is the lower of the market price on the first or last trading day of the cycle reduced by 15%. Group Managing Directors are not eligible to participate in the Global Employee Share Purchase Plan.

Shell Sharesave Scheme
In lieu of the Global Employee Share Purchase Plan employees in the UK continue to participate in the Shell Sharesave Scheme. Options are granted over shares of Shell Transport at prices not less than market value on a date not more than 30 days before grant and are normally exercisable after a three-year or five-year contractual savings period.

Shell All-employee Share Purchase Plan
Employees in the UK may now participate in the Shell All-employee Share Purchase Plan which is designed to encourage employee participation in their company. Employees invest amounts up to a maximum £125 per month in Shell Transport shares at the current market value using funds deducted from their monthly salary. The contributions are not liable to income tax, but to maintain the tax benefit, the shares must be held in the Plan for a defined period (normally five years).

* Details of the number of shares held by Group companies in connection with the above plans are shown in Note 22 of the Group Financial Statements on pages 70 to 72.

Financial Statements

of The "Shell" Transport and Trading Company, p.l.c.

Profit and Loss Account

£ million

	Note	2002	2001	2000
Income from shares in companies of the Royal Dutch/Shell Group	3	**1,403.2**	2,545.6	2,307.4
Interest and other income		**5.4**	5.8	4.5
		1,408.6	2,551.4	2,311.9
Administrative expenses		**4.2**	3.4	3.3
Profit on ordinary activities before taxation		**1,404.4**	2,548.0	2,308.6
Tax on profit on ordinary activities	4	**0.4**	0.7	0.3
Distributable profit for the year		**1,404.0**	2,547.3	2,308.3

	2002	2001	2000
Distributable profit for the year	**1,404.0**	2,547.3	2,308.3
Share of earnings retained by companies of the Royal Dutch/Shell Group	**1,105.3**	469.0	1,052.6
Earnings for the year attributable to shareholders	**2,509.3**	3,016.3	3,360.9
Aggregate dividends paid and proposed	**1,475.0**	1,440.6	1,452.6

All results relate to continuing operations.

Statement of Retained Profit

£ million

	Note	2002	2001	2000
Distributable profit for the year		**1,404.0**	2,547.3	2,308.3
Distributable retained profit at beginning of year		**884.0**	876.3	20.6
		2,288.0	3,423.6	2,328.9
Dividends on non-equity shares	6			
First Preference shares		**0.1**	0.1	0.1
Second Preference shares		**0.7**	0.7	0.7
		0.8	0.8	0.8
		2,287.2	3,422.8	2,328.1
Dividends on equity shares: 25p Ordinary shares	6			
Interim of 5.95p in 2002, 5.85p in 2001 and 5.7p in 2000		**578.0**	574.4	566.8
Proposed final of 9.30p in 2002, final of 8.95p in 2001 and 8.9p in 2000		**899.1**	872.5	885.0
Reduction due to share buyback and unclaimed dividends		**2.9**	7.1	–
		1,474.2	1,439.8	1,451.8
Share repurchase including expenses		**369.6**	1,099.0	–
Distributable retained profit at end of year		**443.4**	884.0	876.3

Earnings per 25p Ordinary share[a]

pence

	2002	2001	2000
Distributable profit for the year	**14.5**	25.9	23.2
Distributable profit for the year	**14.5**	25.9	23.2
Share of earnings retained by companies of the Royal Dutch/Shell Group	**11.4**	4.8	10.6
Earnings for the year attributable to shareholders	**25.9**	30.7	33.8

Of the earnings per share amounts shown above, which are disclosed in accordance with Financial Reporting Standard No.14, those relating to earnings for the year attributable to shareholders are, in the opinion of the Directors, the most meaningful since they reflect the full entitlement of the Company in the income of Group companies. The earnings per share calculation includes shares held to back share options (refer to Note 22 of the Group Financial Statements). There is no difference between basic and diluted earnings per share.

a On weighted average 9,708,889,499 shares in issue during the year 2002. (2001: on 9,832,071,191 and 2000: on 9,943,509,726 shares in issue.)

Balance Sheet

£ million

	Note	Dec 31 2002	Dec 31 2001
Fixed assets			
Investments			
Shares (unlisted) in companies of the Royal Dutch/Shell Group	5	**15,632.3**	16,032.2
Current assets			
Debtors			
Dividends receivable from companies of the Royal Dutch/Shell Group		**1,263.7**	1,699.3
Other debtors		**0.1**	0.4
		1,263.8	1,699.7
Cash at bank			
Short-term deposits		**89.9**	67.5
Cash		**0.4**	0.6
		1,354.1	1,767.8
Creditors: amounts due within one year			
Amounts due to companies of the Royal Dutch/Shell Group		**1.1**	1.0
Corporation tax		**0.2**	0.4
Unclaimed dividends		**9.5**	9.1
Other creditors and accruals		**2.3**	2.3
Preference dividends accrued		**0.3**	0.3
Ordinary dividend proposed		**899.1**	872.5
		912.5	885.6
Net current assets		**441.6**	882.2
Total assets less current liabilities		**16,073.9**	16,914.4
Capital and reserves			
Equity interests			
Called-up share capital	6		
Ordinary shares		**2,416.9**	2,437.2
Capital redemption reserve	7	**69.0**	48.7
Revaluation reserve	5	**13,132.6**	13,532.5
Profit and Loss Account		**443.4**	884.0
		16,061.9	16,902.4
Non-equity interests			
Called-up share capital	6		
First Preference shares		**2.0**	2.0
Second Preference shares		**10.0**	10.0
		12.0	12.0
Shareholders' funds	8	**16,073.9**	16,914.4

Sir Philip Watts, Chairman and Managing Director
March 6, 2003

Statement of Total Recognised Gains and Losses

	Note	2002	2001	2000
				£ million
Distributable profit for the year		**1,404.0**	2,547.3	2,308.3
Unrealised surplus/(deficit) on revaluation of investments in companies of the Royal Dutch/Shell Group	5	**(399.9)**	402.7	1,476.2
Total recognised gains and losses relating to the year		**1,004.1**	2,950.0	3,784.5

Statement of Cash Flows

	2002	2001	2000
			£ million
Returns on investments and servicing of finance			
Dividends received from companies of the Royal Dutch/Shell Group	**1,838.8**	2,586.9	1,412.0
Interest received	**5.6**	5.5	4.3
Preference dividends paid	**(0.8)**	(0.8)	(0.8)
Other	**(3.7)**	(2.6)	(2.4)
Net cash inflow from returns on investments and servicing of finance	**1,839.9**	2,589.0	1,413.1
Taxation			
Tax paid	**(0.6)**	(0.5)	(0.3)
Equity dividends paid			
Ordinary shares	**(1,447.6)**	(1,452.3)	(1,412.0)
Management of liquid resources (short-term deposits)			
Net cash (outflow)/inflow from management of liquid resources	**(22.4)**	(38.0)	(0.5)
Financing			
Repurchase of share capital, including expenses	**(369.6)**	(1,099.0)	-
Net increase/(decrease) in amounts due to companies of the Royal Dutch/Shell Group	**0.1**	0.5	0.1
Increase/(decrease) in cash	**(0.2)**	(0.3)	0.4
Cash at January 1	**0.6**	0.9	0.5
Cash at December 31	**0.4**	0.6	0.9

Net debts, being amounts due to the companies of the Royal Dutch/Shell Group less cash, increased during 2002 from £0.4 million to £0.7 million (2001: net debts increased from £0.4 million net funds to £0.4 million net debts).

The Company adopts a policy of minimising cash holdings whilst ensuring that operating costs, the financing of dividend payments and funding of the Company's share buyback programme, are met. The Company's debtors and creditors are short-term and are all denominated in sterling.

At December 31, 2002 the Company had a £89.9 million (2001: £67.5 million) on short-term deposit with third-party banks. The fixed interest rate earned on these sterling deposits at year-end was 4.4% (2001: 4.5%). The carrying amount and fair value of these deposits are the same.

Notes to the Financial Statements

1 Accounting policies and convention

The accounting policies of The "Shell" Transport and Trading Company, p.l.c. (Shell Transport) are explained in the relevant notes.

The Financial Statements on pages 16 to 20 herein have been prepared in accordance with the United Kingdom Companies Act 1985 and with applicable United Kingdom accounting standards. They have been prepared under the historical cost convention modified by the revaluation of the investments in companies of the Royal Dutch/ Shell Group (see Note 5). The disclosures described in Note 3 have been derived from the Royal Dutch/Shell Group Financial Statements.

2 The Company

Shell Transport, one of the Parent Companies of the Royal Dutch/Shell Group of Companies, is a holding company which, in conjunction with Royal Dutch Petroleum Company (Royal Dutch), owns, directly or indirectly, investments in the numerous companies referred to collectively as "the Group". Shell Transport has no investments in associated undertakings other than in companies of the Group.

Arrangements between Royal Dutch and Shell Transport provide, *inter alia*, that notwithstanding variations in shareholdings, Royal Dutch and Shell Transport shall share in the aggregate net assets and in the aggregate dividends and interest received from Group companies in the proportion of 60:40. It is further arranged that the burden of all taxes in the nature of or corresponding to an income tax leviable in respect of such dividends and interest shall fall in the same proportion.

The 60:40 arrangements referred to above have been supplemented by further arrangements, beginning with Group dividends payable to the Parent Companies in respect of 1977, whereby each Parent Company is to bring into account towards its share in the 60:40 division of dividends from Group companies tax credits and other tax benefits which are related to the liability to tax of a Group company and which arise to the Parent Company or which would arise to the holders of its Ordinary shares if there were to be an immediate full onward distribution to them of Group dividends (for which purpose all such shareholders are assumed to be individuals resident and subject to tax in the country of residence of the Parent Company in question).

3 Share in the income and assets of Group companies

Shell Transport records income from shares in Group companies, in the form of dividends, in its profit and loss account. The Company's investments in Group companies are stated at the Directors' valuation at an amount equivalent to Shell Transport's 40% interest in the Group net assets as disclosed in the Group Financial Statements on pages 55 to 76 together with 40% of the carrying amount of Parent Companies' shares held by Group companies. The difference between the cost and the amount at which the investments are stated in the Balance Sheet has been taken to Revaluation reserve.

Shell Transport's share in certain items relating to the two Group Holding Companies and Shell Petroleum Inc., described in Note 5, is set out below. These companies own directly or indirectly the investments, which, with them, comprise the Group. The following supplementary information has therefore been provided in respect of the Group Holding Companies and Shell Petroleum Inc. in the aggregate and is derived from the Group Financial Statements on pages 55 to 76.

			£ million
	2002	2001	2000
Sales proceeds	**62,744.5**	49,248.7	50,589.5
Sales taxes, excise duties and similar levies	**14,958.4**	11,687.1	11,191.1
Net proceeds	**47,786.1**	37,561.6	39,398.4
Operating profit after net currency gains/losses	**4,740.5**	5,548.2	6,441.8
Interest and other income	**201.9**	294.2	257.3
Interest expense	**363.3**	314.7	349.7
Income before taxation	**4,579.1**	5,527.7	6,349.4
Taxation	**2,028.5**	2,415.2	2,977.9
Minority interests	**42.1**	97.8	11.6
Net income for the year	**2,508.5**	3,014.7	3,359.9
Fixed assets including Parent Companies' shares	**26,768.7**	20,774.3	19,013.3
Current assets	**11,898.1**	10,537.0	14,122.8
Current liabilities	**13,706.0**	9,232.9	11,427.7
Long-term liabilities	**3,216.7**	1,751.0	2,160.7
Provisions	**5,226.0**	3,335.9	3,147.4

This supplementary information has been calculated in conformity with the accounting policies on pages 58 to 60 of the Group Financial Statements. These policies differ in certain respects from accounting principles generally accepted in the United Kingdom. It is estimated that if this supplementary information was presented in conformity with accounting principles generally accepted in the United Kingdom, the impact on net assets at December 31, 2002 would not be significant, although long-term liabilities would increase by approximately £0.8 billion (2001: £1.1 billion) and provisions would decrease by approximately £0.8 billion (2001: £0.1 billion). The estimated impact on net income for the year is not significant. Shell Transport's distributions from Group companies were as follows:

			£ million
	2002	2001	2000
Distributions from Group companies	**1,403.2**	2,545.6	2,307.4

4 Tax on profit on ordinary activities

			£ million
	2002	2001	2000
Corporation tax at 30% (2001 and 2000: 30%) in respect of interest income less administrative expenses	**0.4**	0.7	0.3

No taxation liability arises in respect of income from shares in companies of the Group as this income consists of a distribution, which is not subject to taxation, from a UK resident company. Consequently, the effective tax rate is substantially lower than the UK Corporation tax rate of 30%.

Shell Transport's share of taxation borne by Group and associated companies is given in Note 3.

5 Investments in Group companies

Shell Transport has 40% equity shareholdings in The Shell Petroleum Company Limited, which is registered in England and Wales, (consisting of the whole of its 102,342,930 issued "B" shares of £1 each) and in Shell Petroleum N.V., which is incorporated in the

Netherlands (consisting of the whole of its 44 issued "B" shares of N.fl.5,000,000 each). The remaining 60% equity shareholdings in these two companies (consisting of 153,514,395 "A" shares of £1 each of The Shell Petroleum Company Limited and 66 "A" shares of N.fl.5,000,000 each of Shell Petroleum N.V.) are held by Royal Dutch.

Shell Transport also holds 1,600 Class "B" shares of US $1 each in Shell Petroleum Inc., which is incorporated in the State of Delaware, USA. These shares, together with the 2,400 Class "A" shares of US $1 each in that company held by Royal Dutch, carry voting control of Shell Petroleum Inc. but are restricted in regard to dividends to 12% of their par value per annum. Shell Petroleum N.V. holds the remaining 1,000 shares of US $1 each in Shell Petroleum Inc., which are unrestricted in regard to dividends.

The Shell Petroleum Company Limited, Shell Petroleum N.V. and Shell Petroleum Inc. own, directly or indirectly, the investments representing the total Group interest in the other companies which, with them, comprise the Group.

The Directors' valuation of Shell Transport's investments in Group companies comprises the following:

		£ million
	2002	2001
Cost of Shell Transport's investments in Group companies	**178.4**	178.4
Shell Transport's share of:		
Earnings retained by Group companies	**16,707.7**	15,602.3
Parent Companies' shares held by Group companies	**(695.6)**	(538.7)
Other comprehensive income[a]	**(1,580.2)**	(1,770.4)
Currency translation differences	**326.4**	2,021.9
	14,936.7	15,493.5
40% of carrying amount of Parent Companies' shares held by Group companies	**695.6**	538.7
	15,632.3	16,032.2

a Other comprehensive income comprises principally cumulative currency translation differences arising within the Group Financial Statements.

The movements in the Revaluation reserve are represented by:

		£ million
	2002	2001
As at January 1	**13,532.5**	13,129.8
Share of earnings retained by Group companies out of net income	**1,105.3**	469.0
Share of other comprehensive income for the year	**190.2**	(544.3)
Currency translation differences	**(1,695.4)**	478.0
	(399.9)	402.7
As at December 31	**13,132.6**	13,532.5

The earnings retained by Group companies have been, or will be, substantially reinvested by the companies concerned, and any taxation unprovided on possible future distributions out of any uninvested retained earnings will not be material.

The Company will continue to hold its investments in Group companies. However, as the investments are stated in the Balance Sheet on a valuation basis, it is necessary to report that, if the investments were to be disposed of for the amount stated, a taxation liability of approximately £1.1 billion would arise (2001: £1.4 billion).

6 Share capital and dividends

At December 31, 2001 and December 31, 2002 the authorised share capital of the Company was £2,500,000,000 divided into 9,948,000,000 Ordinary shares of 25 pence each, 3,000,000 First Preference shares of £1 each and 10,000,000 Second Preference shares of £1 each.

The allotted, called up and fully paid share capital at December 31, 2002 was as follows:

	Number of shares	£
Equity shares		
Ordinary shares of 25p each		
As at January 1	9,748,625,000	2,437,156,250
Shares repurchased for cancellation	81,125,000	20,281,250
As at December 31	9,667,500,000	2,416,875,000
Non-equity shares		
First Preference shares of £1 each	2,000,000	2,000,000
Second Preference shares of £1 each	10,000,000	10,000,000
	12,000,000	12,000,000

The First and Second Preference shares (the Preference shares) confer on the holders the right to a fixed cumulative dividend (5.5% and 7% on First and Second Preference shares respectively) and rank in priority to Ordinary shares. On a winding up or repayment the Preference shares also rank in priority to the Ordinary shares for the nominal value of £1 per share (plus a premium, if any, equal to the excess over £1 of the daily average price for the respective shares quoted in the London Stock Exchange Daily Official List for a six months period preceding the repayment or winding up) but do not have any further rights of participation in the profits or assets of the Company. The Preference shares do not have voting rights unless their dividend is in arrears or the proposal concerns a reduction of capital, winding up, sanctioning the sale of undertaking, an alteration of the Articles of Association or otherwise directly affects their class rights.

The Preference shares are irredeemable and form part of the permanent capital of the Company. The number in issue has remained unchanged since 1922. The fair value of the Preference shares based on market valuations at December 31, 2002 was 97.6 pence per share (2001: 92.17 pence per share) for the First Preference shares and 135.0 pence per share (2001: 128.0 pence per share) for the Second Preference shares.

Ordinary dividends paid and proposed are as follows:

			£ million
	2002	2001	2000
Interim of 5.95p in 2002, 5.85p in 2001 and 5.7p in 2000	**578.0**	574.4	566.8
Proposed final of 9.30p in 2002, final of 8.95p in 2001 and final of 8.9p in 2000	**899.1**	872.5	885.0
Reduction due to share buyback and unclaimed dividends	**(2.9)**	(7.1)	–
	1,474.2	1,439.8	1,451.8

The charges for 2002 ordinary dividends of £1,477.1 million were reduced by the release of £2.5 million from the provisions for the final dividend at December 31, 2001 and interim dividend at June 30, 2002. This was due to the subsequent cancellation of shares resulting from the Company's share buyback programme during the period.

7 Capital redemption reserve

		£ million
	2002	2001
As at January 1	**48.7**	–
Movement relating to shares bought by Shell Transport and cancelled	**20.3**	48.7
As at December 31	**69.0**	48.7

Share capital was cancelled on all shares repurchased under the Company's share buyback programme. As required by the Companies Act 1985, the equivalent of the nominal value of the shares cancelled is transferred to a capital redemption reserve.

8 Reconciliation of movements in Shareholders' funds

		£ million
	2002	2001
Distributable profit for the year	**1,404.0**	2,547.3
Dividends	**(1,475.0)**	(1,440.6)
Repurchase of share capital, including expenses	**(369.6)**	(1,099.0)
Unrealised surplus on revaluation of investments in companies of the Royal Dutch/Shell Group (Note 5)	**(399.9)**	402.7
Net addition to Shareholders' funds	**(840.5)**	410.4
Shareholders' funds as at January 1	**16,914.4**	16,504.0
Shareholders' funds as at December 31	**16,073.9**	16,914.4

9 Auditors' remuneration

Audit fees of Shell Transport amounted to £31,000 in 2002, £25,500 in 2001 and £16,015 in 2000. Fees payable to PricewaterhouseCoopers for non-audit services in the UK amounted to £23,000 in 2002, £30,000 in 2001 and £nil in 2000. The non-audit fees relate to advice in respect of a review of the financial reporting impact of developments in accounting policies and business activities of the Royal Dutch/Shell Group on the financial statements of Shell Transport, including proposed developments in International Financial Reporting Standards. A portion of the non-audit fees relates to the prior year and is disclosed accordingly.

10 Aggregate Directors' emoluments

			£
	2002	2001	2000
Salaries, fees and benefits	**1,716,378**	1,979,253	1,974,161
Performance-related element	**1,663,325**	1,157,218[a]	760,050
	3,379,703	3,136,471	2,734,211
"Excess" retirement benefits[b]	**23,495**	41,800	34,056
Realised share option gains	**16,476**	1,653,429	1,376,544

Of the emoluments disclosed, £458,162 in 2002, £326,783 in 2001 and £329,666 in 2000, were borne by Shell Transport and charged in the Profit and Loss Account.

a Prior year numbers have been restated to include the Deferred Bonus Plan entitlement awarded during 2002 in respect of 2001.

b Excess retirement benefits are the amount of unfunded retirement benefits paid to or receivable by past Directors which exceed those to which they were entitled on the date on which the benefits first became payable or March 31, 1997, whichever is the later.

Report of the Independent Auditors

to the Members of The "Shell" Transport and Trading Company, p.l.c.

We have audited the Financial Statements which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Cash Flows, the Statement of Total Recognised Gains and Losses and the related notes. We have also audited the disclosures required by Part 3 of Schedule 7A to the Companies Act 1985 contained in the Remuneration Report ("the auditable part").

Respective responsibilities of Directors and Auditors

The Directors' responsibilities for preparing the Annual Report, the Remuneration Report and the Financial Statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the Financial Statements and the auditable part of the Remuneration Report in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. 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 whether the Financial Statements and the auditable part of the Remuneration Report have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Report of the Directors is not consistent with the Financial Statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. The other information comprises only the Message from the Chairman, the Report of the Directors, the Corporate Governance statement and the unaudited part of the Remuneration Report.

We review whether the Corporate Governance statement reflects the Company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or to form an opinion on the effectiveness of the Company's Corporate Governance procedures or its risk and control procedures.

Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 and the auditable part of the Remuneration Report. 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 and the auditable part of the Remuneration Report 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

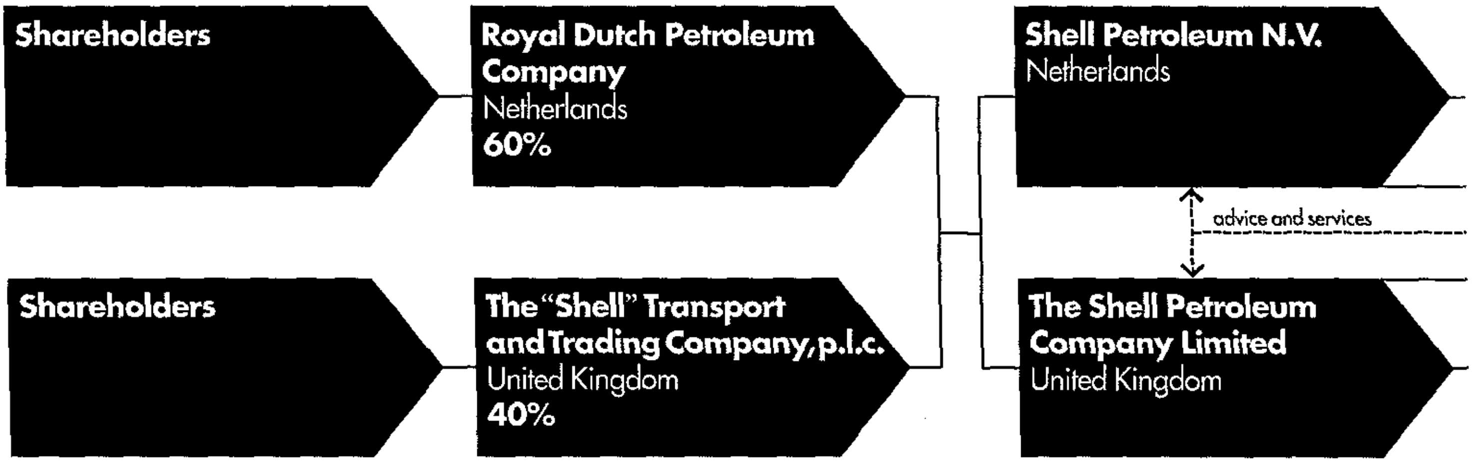
In our opinion:

- the Financial Statements give a true and fair view of the state of the Company's affairs at December 31, 2002 and of its profit and cash flows for the year then ended;
- the Financial Statements have been properly prepared in accordance with the Companies Act 1985; and
- those parts of the Remuneration Report required by Part 3 of Schedule 7A to the Companies Act 1985 have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
London, March 6, 2003

Structure of the Royal Dutch/Shell Group



Shareholders
There are some 740,000 shareholders of Royal Dutch Petroleum Company and some 250,000 shareholders of The "Shell" Transport and Trading Company, p.l.c. Shares of one or both companies are listed and traded on stock exchanges in eight European countries (Austria, Belgium, France, Germany, Luxembourg, the Netherlands, Switzerland and the UK) and in the USA.

Parent Companies
As Parent Companies, Royal Dutch Petroleum Company (Royal Dutch) and The "Shell" Transport and Trading Company, p.l.c. (Shell Transport) do not themselves directly engage in operational activities. They are public companies; Royal Dutch is domiciled in the Netherlands, Shell Transport in the UK.

The Parent Companies own the shares in the Group Holding Companies but are not themselves part of the Royal Dutch/Shell Group of Companies. They appoint Directors to the Boards of the Group Holding Companies, from which they receive income in the form of dividends. The Parent Companies derive most of their income in this way. Royal Dutch has a 60% interest in the Group and Shell Transport has a 40% interest.

Royal Dutch/Shell Group of Companies
The numerous companies in which Royal Dutch and Shell Transport own investments are collectively referred to as the Royal Dutch/Shell Group of Companies.

The Group has grown out of an arrangement made in 1907 between Royal Dutch and Shell Transport, by which the two companies agreed to merge their interests on a 60:40 basis while keeping their separate identities.

Group Holding Companies
Shell Petroleum N.V. and The Shell Petroleum Company Limited between them hold, directly or indirectly, all Group interests in the Service Companies and the Operating Companies.

The companies in which Royal Dutch Petroleum Company and The "Shell" Transport and Trading Company, p.l.c. directly or indirectly own investments are separate and distinct entities. But in this Report the collective expressions "Shell", "Group" and "Royal Dutch/Shell Group of Companies" are sometimes used for convenience in contexts where reference is made to the companies of the Royal Dutch/Shell Group in general. Likewise the words "we", "us" and "our" are used in some places to refer to companies of the Royal Dutch/Shell Group in general, and in others to those who work in those companies. Those expressions are also used where no useful purpose is served by identifying a particular company or companies.

Service Companies

Operating Companies

In more than 145 countries and territories around the world, the companies of the Royal Dutch/Shell Group are engaged in the business of Exploration and Production, Gas & Power, Oil Products, Chemicals and Renewables as well as Other Activities.

The management of each Operating Company is responsible for the performance and long-term viability of its own operations, but it can draw on the experience of the Service Companies and, through them, of other Operating Companies.

Service Companies
The main business of the Service Companies is to provide advice and services to other Shell companies.

Exploration and Production

Shell companies have been exploring for and producing hydrocarbons for over a century. Today Exploration and Production (EP) companies have interests and ventures in over 40 countries. Sometimes known as the "upstream" business, the activities in EP extend from exploring, drilling and assessing new sources for hydrocarbon reserves; executing projects for development of those reserves; planning and running production operations to ultimately decommissioning when the operation has run its course. Technology, entrepreneurial skills and operational excellence are key enablers to these activities.

Gas & Power

Gas is the cleanest conventional fuel. Shell processes and transports natural gas, develops power plants and markets natural gas and electricity to a wide range of customers. Shell has pioneered the development of the liquefied natural gas (LNG) industry and has a leading market position with interests in five LNG projects and a number of expansions and new plants under development. Gas & Power also has interests in natural gas pipelines, power generation (mostly through our InterGen joint venture), marketing and trading activities and is a leader in Gas to Liquids technology.

Oil Products

Oil Products encompasses all the activities which transform crude oil from the wellhead into Shell products for customers. It has an interest in more than 50 refineries worldwide and markets fuels for the automotive, aviation and marine sectors, along with heating oils, industrial and consumer lubricants, speciality products such as bitumen and liquefied petroleum gas (LPG) and technical services. Oil Products serves some 25 million retail customers a day through 55,000 service stations and has the world's largest single branded retail network. Shell Global Solutions brings our technology and experience to market by providing industry customers with innovative solutions to improve their performance.

Chemicals

Chemicals produces and sells petrochemical building blocks and polyolefins to industrial customers globally. Chemicals' products make an important contribution to many aspects of modern life. They are widely used in plastics, coatings and detergents which in turn are used in products such as fibres and textiles, thermal and electrical insulation, medical equipment and sterile supplies, computers, lighter and more efficient vehicles, paints and biodegradable detergents.

Renewables and Other Activities

Renewables is developing the Group's renewable energy portfolio, focusing on two principal areas – solar and wind energy. The business manufactures solar energy systems in Europe and the USA and markets these globally. In wind energy the business develops and operates wind parks, focusing on Europe and the USA, and sells "green" electricity.

Shell Consumer focuses on identifying and developing new scalable consumer and financial product offerings.

Shell Hydrogen invests in hydrogen and fuel cell technologies to build a leading position for the Group in the hydrogen economy.

Shell Trading is a global trading organisation which utilises the Group's trading skills across the Oil Products and Gas & Power businesses and in chemical feedstocks trading.

Business Highlights

Exploration and Production

Walter van de Vijver
Chief Executive

- Acquisition of Enterprise Oil adding production of 240,000 barrels of oil equivalent per day.
- Combined oil and gas production for the year of four million barrels of oil equivalent per day, the highest in recent years.
- Exploration successes including significant finds in the USA, Kazakhstan, Nigeria, Brazil, Malaysia and Ireland.
- The Athabasca Oil Sands Project in Canada (bitumen production at Muskeg River Mine) and EA in Nigeria (the first significant shallow offshore production in Nigeria) both began production in late 2002. Five new fields in the North Sea also came on stream in 2002.
- Declaration of the Kashagan field in Kazakhstan as commercial.

Searches for, finds and produces crude oil and natural gas. Builds and operates the infrastructure needed to deliver hydrocarbons to market.

Gas & Power

Linda Cook
Chief Executive

- Record LNG sales of 9.1 million tonnes, an increase of 2.6% over 2001.
- Early completion of Train 3 at Nigeria LNG and approval for a further two-train expansion project.
- Selection of the North West Shelf joint venture in Australia (Group interest 22%) to supply the first LNG sales to China through the Guangdong terminal.
- Selection of Shell as 30% partner in Venezuela's proposed Mariscal Sucre LNG project.
- The first two of four planned LNG carriers were commissioned.
- Start of operation of power plants in Turkey, Egypt and Mexico.
- Studies for Gas to Liquids projects in the Middle East progressed.
- Portfolio divestments in Europe, Asia and North America.

Liquefies and transports natural gas, develops gas markets and infrastructure, develops gas-fired power plants and engages in the marketing and trading of natural gas and electricity. Converts natural gas to liquids to provide clean fuels.

Oil Products

Paul Skinner
Chief Executive

- Extended the Group's lead in global unit earnings over key competitors in an extremely challenging business environment.
- Further expanded the introduction of differentiated retail fuels and maintained world-leading share of brand preference among motorists.
- Completed the acquisition of Pennzoil-Quaker State Company; and Texaco interests in the Equilon and Motiva joint ventures in the USA.
- Moved to 100% ownership of the 50:50 joint venture with RWE-DEA in Germany.
- Progressed the capture of synergies and benefits from recent acquisitions and made further reductions in operating costs.
- Awarded Armbrust "World's Best Jet Fuel Marketer" for the third time in five years.

Markets transportation fuels, lubricants and speciality products. Refines, supplies, trades and ships crude oil and petroleum products. Provides technical consultancy services.

Chemicals

Jeroen van der Veer
Chief Executive

- Established a single marketing and supply company for Europe designed to improve speed and efficiency for customers and suppliers.
- Focused on growth and costs, exceeding 3% reduction in underlying unit costs.
- Decision to proceed with construction of the $4.3 billion Nanhai petrochemicals complex in southern China.
- Completed a new olefins and alcohols unit at the Geismar plant in Louisiana, consolidating an industry leadership position in these products.
- Strengthened the portfolio through the completion of a styrene monomer/ propylene oxide business unit in Singapore, and a benzene plant at Moerdijk, the Netherlands.

Renewables

Karen de Segundo
Chief Executive

- Acquired the Siemens Solar business making the Group's Renewables business one of the largest global solar enterprises.
- Integration of the product portfolios and sales networks is now complete giving Shell a solar presence in over 90 countries.
- In rural solar electrification new business was secured in China; and in Sri Lanka over 15,000 customers are now connected.
- In wind energy two new wind parks were commissioned in California bringing the overall portfolio to 240MW.
- Business development activity is bringing forward wind projects in Europe where Renewables plans to be a major player, especially in the offshore market.

Other Activities:

Shell Consumer

- Expansion of the car servicing business including the purchase of Max Auto Express, the leading fast-fit network in Thailand.

Shell Hydrogen

- Strengthened the hydrogen technology portfolio through the acquisition of an equity stake in QuestAir Technologies Inc, Canada, which develops hydrogen purification systems.
- Partnership project in Japan to build Tokyo's first hydrogen refueling station.

Shell Trading

- Established a significant presence in the US oil market after the Group's acquisition of Texaco interests in the Equilon and Motiva joint ventures.

Produces and sells petrochemical building blocks and polyolefins globally.

Generates "green" electricity and provides renewable energy solutions. Develops and operates wind parks; manufactures and markets solar systems.

Other Activities include: Shell Consumer, Shell Hydrogen and Shell Trading.

Shell Around the World

With over 115,000 employees in more than 145 countries and territories around the world, the companies that comprise the Royal Dutch/Shell Group are engaged in the business of Exploration and Production, Gas & Power, Oil Products, Chemicals, Renewables and Other Activities.

The following key indicates the nature of the operations carried out during the year in each listed country or territory:

E Exploration
P Production
D Downstream natural gas/power generation
Rf Refining
M Marketing – Oil Products
Ch Chemicals – manufacturing/marketing
Rn Renewables
Cn Consumer
H Hydrogen
T Trading

Europe

Austria	E P M
Belgium	D M Ch
Bulgaria	M
Croatia	M
Czech Republic	Rf M
Denmark	E P D Rf M
Estonia	M
Finland	M
France	Rf M Ch
Germany	E P D Rf M Ch Rn
Gibraltar	M
Greece	D M Ch Rn
Hungary	M
Iceland	M T
Ireland, Republic of	E M Ch
Italy	E P D Rf M Ch
Latvia	M
Lithuania	M
Luxembourg	M H
Netherlands	E P D Rf M Ch Rn Cn H T
Norway	E P D Rf M Rn Cn H
Poland	M Ch
Portugal	M Rn
Romania	M
Slovak Republic	M
Slovenia	M
Spain	D M Ch
Sweden	Rf M Rn
Switzerland	M
Turkey	D Rf M Ch Cn
United Kingdom	E P D Rf M Ch Rn Cn H T
Yugoslavia	M

Commonwealth of Independent States

Azerbaijan	E M
Kazakhstan	E M
Russia	E P D M Ch
Turkmenistan	M
Ukraine	M

Africa

Angola	E
Benin	M
Botswana	M
Burkina Faso	M
Cameroon	E P Rf
Cape Verde Islands	M
Congo	M
Côte d'Ivoire	Rf M Ch
Democratic Republic of Congo	M
Djibouti	M
Egypt	E P D M
Eritrea	M
Ethiopia	M
Gabon	E P Rf M
The Gambia	M
Ghana	M
Guinea	M
Guinea-Bissau	M
Kenya	Rf M Ch
Lesotho	M
Madagascar	M
Mali	M
Mauritius	M
Morocco	E M Ch Rn
Mozambique	M
Namibia	M
Nigeria	E P D M
Réunion	M
Rwanda	M
Senegal	Rf M
South Africa	Rf M Ch Rn Cn
Sudan	M
Swaziland	M
Tanzania	M
Togo	M
Tunisia	M
Uganda	M
Zimbabwe	M Ch

Middle East and South Asia

Bangladesh	E P M
India	D M Ch Rn
Iran	P M
Jordan	M Ch
Oman	E P D M
Pakistan	E P Rf M
Saudi Arabia	Rf M Ch
Sri Lanka	M Rn
Syria	P M
United Arab Emirates	E P D M Ch T
Yemen	M

Asia Pacific

Australia	E P D Rf M Ch Cn
Brunei	E P D Rf M
Cambodia	M
China	E P D M Ch Rn
Cook Islands	M
Fiji	M
Guam	M
Indonesia	M Ch
Japan	D Rf M Ch Rn H T
Laos	M
Malaysia	E P D Rf M Ch
New Caledonia	M
New Zealand	E P Rf M Ch
Noumea	M
Palau	M
Papua New Guinea	M
Philippines	E P D Rf M Ch Rn T
Saipan	M
Singapore	D Rf M Ch Rn T
South Korea	M Ch
Taiwan	Rf M Ch
Thailand	E P Rf M Ch Cn
Tonga	M
Vanuatu	M
Vietnam	M Ch

Americas

Argentina	E P Rf M Ch Rn Cn
Bahamas	M
Barbado	M T
Belizev	M
Bermuda	M
Bolivia	D M
Brazil	E P D M Ch
British Antilles	M
Canada	E P D Rf M Ch H T
Chile	M Ch Rn
Colombia	D M Ch
Costa Rica	M
Dominican Republic	Rf M
Ecuador	M
El Salvador	Rf M
French Antilles & Guiana	Rf M
Grenada	M
Guatemala	M
Guyana	M
Haiti	M
Honduras	M
Jamaica	M Ch
Mexico	D M Ch
Netherlands Antilles	M
Nicaragua	M
Panama	M
Paraguay	M Rn
Peru	M
Puerto Rico	M Ch
St. Kitts and Nevis	M
St. Lucia	M
St. Vincent	M
Surinam	M
Trinidad and Tobago	E M
Uruguay	M Rn
USA	E P D Rf M Ch Rn Cn H T
Venezuela	P D M Ch

The Boards of the Parent Companies

The members of the Supervisory Board and the Board of Management of Royal Dutch Petroleum Company and the Directors and Managing Directors of The "Shell" Transport and Trading Company, p.l.c. meet regularly during the year to discuss reviews and reports on the business and plans of the Royal Dutch/Shell Group.

Sir Philip Watts

Shell Transport Board of Directors
Sir Philip Watts
Chairman and Managing Director

Paul Skinner
Managing Director

Teymour Alireza
Sir Peter Burt
Dr Eileen Buttle
Luis Giusti
Nina Henderson
Sir Peter Job
Sir John Kerr
Sir Mark Moody-Stuart
Lord Oxburgh

Jeroen van der Veer

Royal Dutch Supervisory Board
Aad Jacobs
Chairman

Maarten van den Bergh
Jonkheer Aarnout Loudon
Professor Hubert Markl
Professor Joachim Milberg
Lawrence Ricciardi
Henny de Ruiter
Jan Timmer

Royal Dutch Board of Management
Jeroen van der Veer
President and Managing Director

Malcolm Brinded
Managing Director

Walter van de Vijver
Managing Director

Teymour Alireza

Luis Giusti

Jonkheer Aarnout Loudon

Lawrence Ricciardi

The Boards of the Parent Companies

Maarten van den Bergh

Malcolm Brinded

Sir Peter Burt

Dr Eileen Buttle

Nina Henderson

Aad Jacobs

Sir Peter Job

Sir John Kerr

Professor Hubert Markl

Professor Joachim Milberg

Sir Mark Moody-Stuart

Lord Oxburgh

Henny de Ruiter

Paul Skinner

Jan Timmer

Walter van de Vijver

Group Managing Directors and Principal Executives

The members of the Board of Management of Royal Dutch and the Managing Directors of Shell Transport are also members of the Presidium of the Board of Directors of Shell Petroleum N.V. and Managing Directors of The Shell Petroleum Company Limited (the Group Holding Companies).

They are generally known as Group Managing Directors and are also appointed to the Committee of Managing Directors (CMD), which considers and develops objectives and long-term plans.

Group Managing Directors	Business and functional responsibilities	Geographical responsibilities	Principal executives	
Sir Philip Watts Chairman of CMD	Finance Human Resources International Directorate Legal Strategic Planning, Sustainable Development and External Affairs	USA	**Finance** Judy Boynton Director Tim Morrison Controller Neil Gaskell Treasurer Patrick Ellingsworth Taxation **Human Resources** John Hofmeister Director	**International Directorate** John Withrington Director **Legal** Pieter Folmer Director **Strategic Planning, Sustainable Development and External Affairs** Lynn Elsenhans Director
Jeroen van der Veer Vice-Chairman of CMD	Chemicals Renewables Shell Hydrogen Group Research	Balkans and Caspian Middle East North Africa Russia South Asia	**Chemicals** Jeroen van der Veer* Chief Executive Fran Keeth Rosemarie Mecca Scott Roberts James Smith Neil Sullivan Mike Wilkinson Rein Willems	**Renewables** Karen de Segundo Chief Executive **Shell Hydrogen** Don Huberts Chief Executive **Group Research** Peter Kwant Group Research Advisor
Malcolm Brinded	Gas & Power Shell Trading Information Technology	Australasia East Asia	**Gas & Power** Linda Cook Chief Executive Renger Bierema Michael O'Callaghan Marvin Odum Guy Outen Ann Pickard Liz Rayner Charles Watson Peter de Wit	**Shell Trading** Mike Warwick President **Information Technology** Mike Rose Group Chief Information Officer
Paul Skinner	Oil Products Shell Consumer	Canada Europe	**Oil Products** Paul Skinner Chief Executive David Beer Ron Blakely Greg Lewin How-Kuang Lim Adrian Loader	Hugh Mitchell Rob Routs Leslie Van de Walle Mark Williams John Wills **Shell Consumer** Charles Harrison Chief Executive
Walter van de Vijver	Exploration and Production Contracting and Procurement	Central America South America Sub-Saharan Africa	**Exploration and Production** Walter van de Vijver Chief Executive Matthias Bichsel Lorin Brass Frank Coopman John Darley Carol Dubnicki	Dominique Gardy Zaharuddin Megat Bob Sprague Brian Ward **Contracting and Procurement** Kees Linse Head of Contracting and Procurement

* Jeroen van der Veer succeeded Evert Henkes as Chief Executive in January 2003.

Market Overview

The business environment is characterised by perhaps even greater uncertainty than in 2002, with continued geopolitical volatility and overall economic fragility, combined with the situation in the Middle East and ongoing concerns regarding terrorist activity. Maintaining momentum in these uncertain times is a challenge the Group is well prepared to meet.

The world economy in 2003

Overall, the world economy is slowly recovering from a downturn that was unusually sudden and widespread, but quite shallow. The US economy remains the dominant driver of global growth and a relatively sluggish recovery, only improving towards the end of 2003, is a real possibility. The current weakness in the US economy may continue throughout the year, with increasing unemployment, low investment levels in the manufacturing sector, lacklustre earnings and projected increases in the federal budget deficit. This, coupled with a range of possible scenarios in the Middle East and economic difficulties in Japan and Germany, along with high oil prices and fragile consumer and investor confidence, has resulted in spreading economic uncertainty. As a result forecasted GDP growth in the industrialised world has been reduced.

Emerging market economies, especially in China, India, Russia and South Korea have steadily expanded. So have the economies of several countries in Central and Eastern Europe and in South-East Asia, but they may remain vulnerable to trade cycles. Continuing domestic problems in Latin America mean recovery is unlikely in the near term.

Oil and gas prices

Although oil prices remain high despite non-compliance with OPEC quotas, continued low oil demand growth, supply growth and the possible return of Iraqi oil to the market may signal the end of the current high price cycle. Continued instability in the Middle East however, exacerbated possibly by short-term supply disruptions elsewhere, means the likelihood of price volatility remains high.

A slow global economic recovery in 2003 would lead to growth in oil demand of no more than 1 million barrels per day (less than 1.5%). Non-OPEC production will continue to increase in 2003, and rising production capacity in Nigeria, Algeria and Libya may lead those producers to seek quota increases, with Russian production output also expected to rise. This makes lower prices probable, but the timing and duration of a reduction remains very uncertain due to the tense situation in the Middle East and the link to economic recovery.

In the USA, even with potential low demand growth, natural gas prices could average above $3 per million British thermal units (MMbtu) for the next two years (2002 average; $3.3/MMbtu). The supply outlook remains challenging with a slight drop in North American production in 2002. If supply growth in 2003 remains low, it will keep the market tight, with potential upward pressure next year coming from the erosion of current storage surplus. Elsewhere, gas prices would, for the most part, follow oil prices.

With trading volumes of about 14 million barrels of crude oil equivalent per day, Shell Trading has the skill base and international scope to capitalise on trading opportunities inherent in Shell's asset and market positions around the world.

Industry structure and competition

The current industry environment shows a clear delineation between a smaller group of global players, like Shell, ExxonMobil and BP, and regional players including national oil companies or former national oil companies like Repsol, Yukos and Petrobras.

The global players have broad portfolios across a range of upstream and downstream businesses and geographical areas and are capable of generating significant efficiencies from high quality assets. These companies all have strong finances, access to low cost capital and are able to manage world-scale projects within a global asset base. The Group has a particularly deep and diverse portfolio with strong positions in important markets. Competitive returns and strong cash generation, resilient enough to withstand a broad range of economic and geopolitical conditions, are key features of this portfolio.

The regional players have significantly more restricted portfolios than the global players. They are, however, increasingly able to use their current market power (control of access to resources, gas markets, distribution and retail networks) to gain access to positions outside their domestic portfolios.

In such a highly competitive environment, the financial markets will reward those companies who can successfully deliver value by managing their cost structures, realising key project milestones, meeting performance targets and successful strategic positioning. Against this backdrop, the Group is well positioned with its diverse global portfolio covering both OECD and emerging markets with large upstream, Gas/LNG and downstream positions. Significant capital investment in 2001 and 2002 including acquisitions, has created additional momentum and potential for further performance improvement.

Strategic Direction

The Group aims to be the world leader in energy and petrochemicals. We intend to deliver superior total shareholder returns in our industry through:

Delivering robust profitability – solid earnings, competitive returns and strong cash generation resilient to a broad range of economic and geopolitical conditions. We achieve this through capital discipline, active portfolio management, personal accountability, operational excellence and cost leadership.

Demonstrating competitive edge – developing and leveraging our ability to attract people of the highest calibre and diversity; constantly innovating to meet changing customer needs; and leveraging the strongest brand in our industry, our technology and our extensive global reach. We operate in full alignment with our Business Principles, including our commitment to sustainable development, and view this as critical to maintaining our competitive edge.

Robust profitability and competitive edge fuel value growth – moving the Group towards its aspired portfolio, which comprises:

- growing the proportion of Exploration and Production and Gas & Power assets in the Group's portfolio;
- a gradual shift towards gas as the fuel of choice;
- profitable growth and cash generation in Oil Products and Chemicals;
- development of a material new income stream; and
- increased exposure in North America, Asia and offshore Africa.

Financial targets underpin this portfolio direction. A key financial objective is to deliver a level of return, at a $16/bbl Brent oil price, that enables the Group to generate enough cash to fund the current dividend and to re-invest in attractive projects at a rate that ensures future dividend growth.

Exploration and Production

Gas & Power

Oil Products

Chemicals

Renewables and Other Activities

Strategy	Outlook
Maintaining growth in long-term value and delivering profitability will continue to be key priorities. These will be delivered through focus on cost leadership, technical and operational excellence, investment discipline, active portfolio management and production growth. There will also be increased emphasis on globalising our processes and reinforcing personal accountability. We will use the quality of our business relationships, technology and people to obtain maximum competitive advantage. This will help to position Shell as the preferred partner for both resource holders and other industry players.	Oil demand has been static for the past two years, and limited global economic recovery in 2003 is expected to lead to only a modest increase in demand. Continuing political and economic uncertainty means crude oil prices are likely to remain volatile. Gas demand, particularly for power generation, is expected to continue to grow, but will reflect weak economic conditions in most major markets. Natural gas prices in the USA are expected to remain above historic pre-2000 levels, whilst prices in other major markets are expected to retain an oil price linkage.
The advantages of natural gas as a clean and efficient fuel will continue to drive growth and offer business opportunities. Gas & Power will increase its business value and maintain its industry-leading positions, especially in LNG, through leveraging upstream positions, market access and cost leadership. The business will continue to develop new technologies and make selective enabling investments in midstream and power generation. Marketing and trading activities will be expanded in liberalising markets to maximise the value of equity gas.	The rate of growth for natural gas demand is expected to continue to outstrip that of oil over the next decade. In the near term however, new demand for natural gas and gas-fired power generation will remain weak in some markets, due to economic conditions and uncertainty. Longer term, natural gas remains the environmentally preferred fuel for power generation and will also be used in conversion to ultra-clean liquid fuels. The outlook for LNG demand is promising, especially given the potential for increased access to the North American market. The downstream gas and power business environment is complex and changing rapidly. Liberalisation and the collapse of many key industry players are creating challenges and opportunities for businesses like Gas & Power.
Continue to focus on ways of meeting the needs of millions of Shell customers around the world. Accelerate the roll-out of innovative customer offerings including differentiated retail fuels. Progress the capture of synergies and benefits from the acquisitions of the Pennzoil-Quaker State Company and Texaco assets in the USA, and DEA in Germany. Pursue cost-reduction programmes while remaining committed to further improvement in environmental performance and continued development of the employee talent base.	A small increase in global oil demand is expected in 2003, although this is dependent on the pace of world economic recovery, and in particular the situation in the USA. Continued economic recovery would be expected to lead to modest improvements in refining margins in the USA and Europe from the low levels of 2002. Refining margin levels in Asia Pacific are likely to continue to be depressed by surplus refinery capacity in the region. Marketing margins will remain subject to competitive pressures in individual markets and to the direction of oil price and exchange rate movements.
Through simplified global processes, Shell chemical companies are seeking to be the best all round long-term performers in petrochemicals. Portfolio actions will be tightly focused on petrochemicals building blocks and polyolefins. Lower total delivered cost will be achieved through a combination of advantaged feed, scale, integration and technology. Customer value propositions will be enhanced through global reach and e-business. The commitment to contribute to sustainable development will be maintained to ensure longer-term value creation.	Industry conditions are expected to improve from some of the toughest in 20 years. Operating rates were at historically low levels in 2001 with some recovery in 2002. The outlook remains volatile and further improvement in 2003 will depend upon global economic growth leading to higher product demand against a background of limited investment in additional industry capacity. The Asia Pacific region remains the main source of greatest anticipated growth. Enhanced customer service, low cost and volume growth remain the central contributors to business resilience in a demanding climate.
Renewables will continue to participate in the development of renewable sources of energy with a focus on solar and wind, positioning the Group for competitive advantage when these technologies become material energy sources. Shell Consumer, reorganised at the beginning of 2002, seeks to leverage the Shell brand more widely in the consumer market, with the objective of creating new income streams and of supporting the Group's established businesses with innovative consumer and financial products. The Hydrogen business works to develop technology that could allow hydrogen and fuel cells to become commercially attractive.	Renewables expects wind energy and solar to continue to grow at over 15% per annum as they have done over the last 10 years, driven by market support programmes which favour indigenous production of emission-free energy sources. Shell Consumer sees opportunities to build on the expanded car servicing and retail energy businesses, and to develop a broader range of offerings around credit cards and other consumer products. Shell Hydrogen is supporting projects to develop hydrogen vehicles and technological improvements in the storage of hydrogen, which could help to make it a more commercially attractive fuel.

Operational and Financial Review

MonoDiameter technology in action: The world's first application of MonoDiameter technology was achieved at a well in South Texas in May, 2002. This new technology uses multiple liners running successively in the well while maintaining the same internal diameter. With the potential to be applied globally to reduce drilling and development costs, it is set to change the landscape of the well design and construction phase within the oil and gas industry. MonoDiameter technology offers the potential to make previously uneconomic reservoirs viable and to rejuvenate some mature fields.

Summary of Group Results

Financial Results			$ million
	2002	2001	2000
Net income	**9,419**	10,852	12,719
Change	**-13%**	*-15%*	*+48%*
Earnings on an estimated current cost of supplies (CCS) basis	**8,922**	11,552	12,364
Change	**-23%**	*-7%*	*+64%*
Special credits/(charges)	**(296)**	(432)	(747)
Adjusted CCS earnings[a]	**9,218**	11,984	13,111
Change	**-23%**	*-9%*	*+85%*

a Earnings on an estimated CCS basis excluding special items.

To facilitate a better understanding of the underlying business performance, the financial results are analysed on an estimated current cost of supplies (CCS) basis adjusting for special items, being those significant credits or charges resulting from transactions or events which, in the view of management, are not representative of normal business activities of the period and which affect comparability of earnings. It should be noted that adjusted CCS earnings is not a measure of financial performance under generally accepted accounting principles in the Netherlands and the USA.

The Group's adjusted CCS earnings for the year were $9,218 million, showing a 23% decline on 2001. Despite a 6% increase in production volumes, earnings in Exploration and Production were weakened by lower gas realisations, higher depreciation and costs, as well as changes to the UK tax regime. Earnings were substantially affected in Gas & Power by lower LNG prices and in Oil Products by historically low refining margins and weaker marketing margins. Chemicals' earnings were sharply up reflecting improved volumes and margins, lower costs and an incremental fiscal benefit of $37 million. The target of reducing underlying unit costs by 3% was exceeded by $100 million, with total actual savings of over $600 million. Reported net income fell by 13% to $9,419 million including net special charges of $296 million.

Four major acquisitions were completed; Enterprise Oil (Enterprise) in the UK, DEA Oil (DEA) in Germany, and in the USA Pennzoil-Quaker State and Texaco's interests in Equilon and Motiva. Total investment in these acquisitions, including acquired debt, was over $16 billion. Excellent progress has been made on realising the benefits of synergies, with approximately $370 million delivered in 2002.

Total capital investment for the year amounted to $24.6 billion including acquisitions. Excluding major acquisitions, capital investment totalled $14.2 billion. The return on average capital employed on a CCS earnings basis was 14.0%. At the end of the year, the debt ratio was 23.6% and cash, cash equivalents and short-term securities amounted to $1.6 billion.

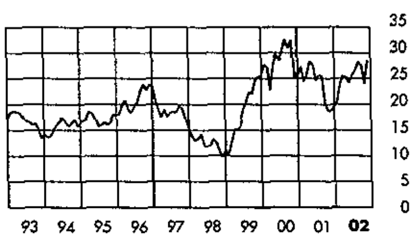
Hydrocarbon production was the highest in recent history at four million barrels of oil equivalent per day. Brent crude prices averaged $25.05 a barrel compared with $24.45 a barrel in 2001. Production constraints in some countries led to a steady price increase in the first three quarters of the year. Prices subsequently weakened only to rebound to $30 a barrel at the end of the year when Venezuelan supply was disrupted. The crude price outlook for 2003 is highly uncertain and prices are expected to be volatile and impacted by developments in the Middle East and Venezuela.

In Gas & Power, the LNG business continued to grow delivering record volumes, although lower prices led to a decline in earnings. Global demand for LNG remained firm and expansion of existing projects and the securing of long-term supply contracts, especially in Asia Pacific, will provide for future growth.

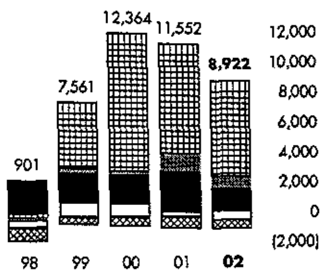
Industry refining margins over the year were poor, at their lowest for a decade, while marketing margins were squeezed by rising crude prices. The outlook for refining margins in 2003 is uncertain and dependent on crude supply and the pace of global economic recovery. Integration of the Texaco interests and Pennzoil-Quaker State is vital to realising the potential of Oil Products in the USA.

Chemicals saw some signs of improvement in the business environment but it was still a very challenging year due to difficult trading conditions, particularly in the USA. Industry utilisation remained flat in Europe but improved in the USA from historically low levels in 2001. Cracker margins in both regions were down from a year ago. The outlook for Chemicals is mixed and will depend on economic recovery and improvement in consumer confidence levels.

Crude oil prices
Brent Blend: average monthly spot prices
$ per barrel

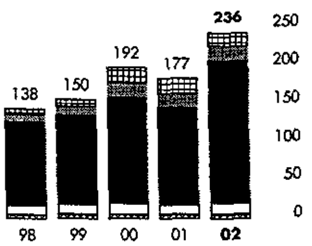


Segment earnings on a CCS basis
$ million



Exploration and Production
Gas & Power
Oil Products
Chemicals
Corporate, Other and Minority interests

Gross sales proceeds
$ billion



Exploration and Production
Gas & Power
Oil Products
Chemicals
Corporate and Other

Exploration and Production

Earnings

			$ million
	2002	2001	2000
Segment earnings	**6,997**	8,023	10,059
Special credits/(charges)	**(55)**	(24)	623
Adjusted segment earnings	**7,052**	8,047	9,436
Change	***-12%***	*-15%*	*+107%*

Adjusted earnings for the year were $7,052 million, 12% lower than in 2001. This reflects the impact of lower gas realisations, changes to UK tax rates, higher depreciation and higher costs. However, these factors were partially offset by a 6% increase in hydrocarbon production to four million barrels of oil equivalent per day, the highest in recent years.

Special charges for the year amounted to $55 million (compared with $24 million in 2001) mainly from previously capitalised oil and gas costs in equity associate Woodside Petroleum (Group interest 34%) that are no longer considered to be recoverable and integration costs relating to the Enterprise acquisition. These charges were partially offset by credits related to the grant of manufacturing and marketing rights to expandable tubular technology.

Crude oil and natural gas prices

In 2002, Brent crude prices averaged $25.05 a barrel compared with $24.45 a barrel the previous year. Crude oil prices recovered steadily in the first three quarters of the year from below $20 to exceed $30 a barrel reflecting production constraints in certain countries. Prices subsequently weakened only to rebound to $30 a barrel at the end of the year when supply from Venezuela was disrupted. The crude price outlook for 2003 is highly uncertain and prices are expected to be volatile and impacted by developments in the Middle East and Venezuela.

Natural gas prices outside the USA remain linked to liquid hydrocarbon prices and reflected the pattern of steady increase over the year. In the USA, prices were lower than in 2001 although strengthened towards the end of the year.

The Bonga arrives in the UK: The Bonga project will be the Group's first deep-water project in Nigeria and one of the largest oil and gas production facilities in the world. Named after a local fish, the field will be produced using a floating production, storage and offloading vessel (FPSO). The hull of the FPSO was built in South Korea and towed to Newcastle in the UK for the topsides and processing facilities to be fitted. The 300,000 tonnes dead weight Bonga will have the capacity to store two million barrels of oil and topsides production facilities of some 22,000 tonnes.

Oil and gas production

Total hydrocarbon production for 2002 rose by 6%, comprising a 7% increase in oil production and a 5% increase in gas production. Oil production benefited from the acquisition of Enterprise, an additional interest in the Draugen field in Norway and new fields in the USA and Denmark. These increases were partly offset by lower OPEC production quotas, normal field declines, and divestments in New Zealand and elsewhere. Gas production also increased as a result of the acquisition of Enterprise and from new fields in the USA. These increases were partly offset by the effects of warmer weather in Europe, normal field declines in the USA and divestments in New Zealand.

Excluding the contribution of Enterprise volumes, total hydrocarbon production was 1% higher than in 2001.

Portfolio actions

The successful acquisition of Enterprise in 2002 for a cash consideration of $5.3 billion was the most significant change to strengthen the Group's upstream portfolio, adding new developments and exploration acreage in several countries and contributing some $100 million to earnings and some $850 million to cash from operating activities. Integration has proceeded rapidly with significant synergies realised and the demonstration that more can be achieved in 2003. The new assets provided an immediate boost to global production and are contributing an additional 240,000 barrels of oil equivalent per day. The portfolio was further enhanced by the acquisition of an increased stake in the Norwegian Draugen field where Group interest was increased by 10% to 26.2%. The North American gas portfolio was improved through the acquisition of new fields in the Pinedale, Wyoming area.

The exploration portfolio was refreshed and achieved an exploration and appraisal global success rate of some 55%, including significant discoveries in the USA Gulf of Mexico, such as Great White, Deimos and Tahiti. In Kazakhstan, the Kashagan field (Group interest 16.7%) was declared commercial and initial estimates suggest that the field could contain 7–9 billion barrels of oil. The more recent discovery of the Kalamkas field further underlines the immense potential of the Kazakhstan region. Major discoveries were also made in Brazil, Ireland and Nigeria. New exploration licences were acquired in geographic areas where the Group has strategic interests such as the USA Gulf of Mexico and Norway.

The result of these portfolio actions, together with the Group's leadership in technology, is the strengthening of a portfolio that is very robust at both high and low oil prices.

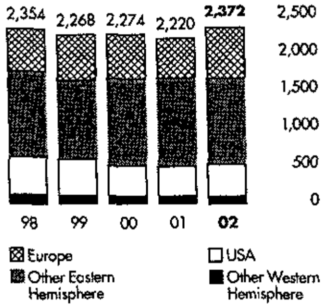
Capital investment

Capital investment of $14.1 billion was $6.1 billion higher than in 2001, mainly as a result of the acquisition of Enterprise and increased investment in growth projects. These include the Athabasca Oil Sands Project in Canada and the EA Project in Nigeria, both of which began production in late 2002, the offshore development Na Kika in the USA and Bonga in Nigeria. Work also began on the Goldeneye gas field in the North Sea which is scheduled to start production in late 2004.

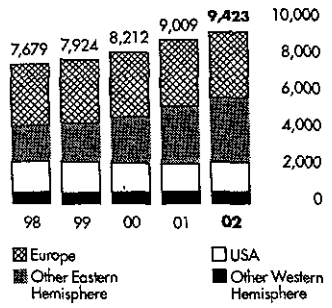
Reserves

The proved hydrocarbon reserves replacement ratio for 2002 was 117% and the five year rolling average (including oil sands) now stands at 109%. Excluding the effects of acquisitions and divestments the hydrocarbon reserves replacement ratio for 2002 was 50%. Proved reserves are equivalent to more than 13 years of current production. The additions to proved reserves arose mainly from the acquisition of Enterprise, which substantially bolstered the Group's overall portfolio in Europe and the Americas. These were augmented by discoveries and extensions in the Caspian and the USA and improved recovery in West Africa, Asia Pacific and the USA.

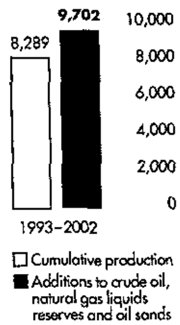
Oil production including natural gas liquids
thousand barrels daily



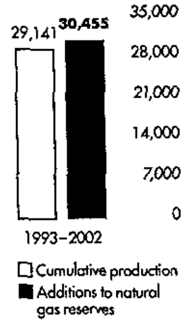
Natural gas production available for sale
million standard cubic feet daily



Hydrocarbon liquids
million barrels



Natural gas
billion standard cubic feet



Gas & Power

Earnings

			$ million
	2002	2001	2000
Segment earnings	**774**	1,226	112
Special credits/(charges)	**(23)**	9	(641)
Adjusted segment earnings	**797**	1,217	753
Change	***-35%***	*+62%*	*+156%*

Adjusted earnings of $797 million in 2002 were 35% lower than the $1,217 million record reported in 2001. Lower earnings were mainly due to lower LNG prices, lower trading income in North America and a performance bonus related to the USA natural gas liquids business recorded in 2001. This was partly offset by record LNG volumes of 9.1 million tonnes and an improved contribution from the power business.

Segment earnings for the year of $774 million included special credits of $163 million mainly from the sale of Shell's direct and indirect interests in midstream assets in Europe and the USA. Offsetting these credits were special charges of $186 million, including $171 million write-downs related to the power business.

Capital investment

Capital investment, excluding new loans to associated companies of $270 million in 2002 ($152 million in 2001), was $682 million in 2002 compared with $810 million in the previous year. Main investments during 2002 related to LNG supply, shipping and re-gasification projects and power developments.

Portfolio actions

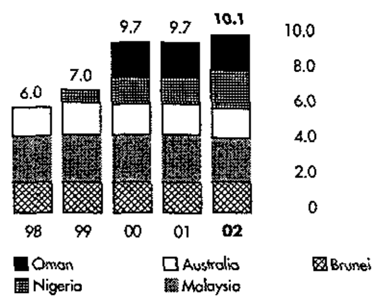
Gas & Power's LNG business continued to grow strongly, with new supplies targeting key markets, reinforcing Shell's leading position in the industry. The North West Shelf joint venture (Group interest 22%) in Australia was selected to supply the first LNG to China through the import terminal in Guangdong Province. Additional sales agreements with Japanese utilities were completed for supplies from Malaysia Tiga (Group interest 15%) and the North West Shelf project. Malaysia Tiga's two-train LNG plant is due to commence operations in 2003. In Australia, a 4.2 million tonnes per annum (mtpa) fourth train is under construction for completion in 2004 and will supply existing and new Japanese customers. Train 3 of Nigeria LNG (Group interest 25.6%) was completed in 2002, three months ahead of schedule and within budget. Additionally, Nigeria LNG secured a loan of over $1 billion, the largest ever project financing in Sub-Saharan Africa, towards the construction of a 4th and 5th train expansion. These two trains are due on stream in 2005 and will supply markets in the Atlantic Basin, bringing the annual capacity of the plant to 17 million tonnes and making it the third largest LNG facility in the world. In Venezuela, Shell was selected as a partner with Mitsubishi and PDVSA for the Mariscal Sucre LNG project (Group interest 30%). This project aims to develop substantial gas reserves in the Norte de Paria fields for both export and domestic markets.

In support of the business's global LNG strategy of linking new markets with the Group's portfolio of LNG supply sources, two of the four new build LNG carriers were commissioned and delivered. Construction began on the Hazira Port and LNG terminal to access the growing Indian market. In addition, the Group is actively progressing access to the North American market through LNG terminal capacity at Cove Point and Elba Island in the USA, and other potential sites. Gas & Power's other businesses also progressed during 2002. In the Middle East significant progress was made towards the development of world-scale Gas to Liquids facilities. While in the midstream, a joint venture framework agreement was signed for the West-East pipeline project in China to bring clean burning natural gas to the rapidly expanding Chinese energy market.

In power, InterGen (Group interest 68%), a joint venture with Bechtel, started operations at projects in Turkey, Egypt and Mexico, increasing InterGen's operational capacity by 70% during the year to 5.2 Gigawatts.

As part of the business's active portfolio management half of the Group's interest in Brunei Shell Tankers was divested, as was the 5% interest in HEIN GAS in Germany and part of the Group's minority interest in other midstream assets in Germany. The sale of the indirect 14.75% interest in Ruhrgas has been agreed subject to final clearance. InterGen completed the sale of its onshore Texas pipelines.

LNG capacity, Group share (year-end)
million tonnes per annum



The Adapazari 780 Megawatt (MW) and Gebze 1,555MW power plants near Istanbul, Turkey were started up by InterGen (Group interest 68%) on schedule in 2002. Together with a third plant at Izmir, these plants will supply some 14% of Turkey's power demand. Clean burning natural gas will fuel these plants providing much needed competitive power.

Delivering LNG to Japan: The Shell managed LNG carrier Northwest Seaeagle docking in Himeji LNG terminal Japan, to off-load a cargo of LNG from the North West Shelf LNG project (NWS) (Group interest 22%). During 2002, the NWS project concluded deals with customers in Japan, China and South Korea. Train 4 at the plant is currently under construction, with its first production scheduled for mid-2004.

Oil Products

Earnings

			$ million
	2002	2001	2000
Segment net income	**2,178**	2,332	2,437
Segment earnings on an estimated current cost of supplies (CCS) basis	**1,618**	3,067	2,068
Special credits/(charges)	**(184)**	(310)	(970)
Adjusted CCS segment earnings	**1,802**	3,377	3,038
Change	**-47%**	*+11%*	*+56%*

Adjusted CCS earnings in 2002 were $1,802 million compared to the record earnings of $3,377 million in 2001. The business environment deteriorated in 2002 with historically low refining margins over the first half of the year and pressure on marketing margins from rising crude oil prices. Unit cost reductions of 3% were achieved in marketing. Unit manufacturing costs were 1% higher due to unplanned maintenance and lower intakes in response to uneconomic margins. The overall cost reduction per barrel of product sales was 2%. Benefits from the acquisitions of Pennzoil-Quaker State and Texaco's interests in Equilon and Motiva (the latter with Saudi Refining Inc.) in the USA and DEA in Germany are ahead of schedule. In aggregate these acquisitions added some $100 million to adjusted CCS earnings and some $200 million to cash from operating activities in 2002.

Outside the USA, adjusted CCS earnings for 2002 of $1,797 million were 40% lower than in 2001. This reflected lower industry refining margins in Rotterdam and Singapore, which declined by $0.95 per barrel and $0.40 per barrel respectively. Overall refinery utilisation was 4% lower, although refinery intake rose by 10% as a result of higher throughput in Germany. Marketing earnings declined as gross fuels margins were squeezed over the greater part of the year when supply costs rose faster than sales prices. Differentiated retail fuels, now launched in 46 countries, and income from convenience retailing partially offset the margin decline. Total inland sales volumes for the year were 8% higher (excluding the increase from DEA they were unchanged). Trading earnings for the year declined, with limited regional arbitrage opportunities; shipping earnings were adversely affected by a decline in freight rates. Earnings from Shell Global Solutions (commercialisation of technology) showed further growth.

Boosting the brand presence: This site, off Interstate 45 in Houston, Texas, features the clean, modern lines of Shell's global retail visual identity. Following the acquisition of Texaco interests in the Equilon and Motiva joint ventures, Shell has launched the largest rebranding programme undertaken by a petroleum company in American history. The Shell emblem is being raised at thousands of strategically located Texaco sites; this will make Shell the leading petrol retailer in the USA. The fuel pump carries advertising for a specially formulated new gasoline designed to protect customers' engines against the build-up of harmful deposits.

In the USA, adjusted earnings fell from $402 million to $5 million in 2002. Industry refining margins fell sharply by $3.85/bbl on the US West Coast and by $2.40/bbl on the US Gulf Coast. Unplanned shutdowns continued to impact earnings despite overall refinery utilisation rising by 1%. Marketing earnings declined, with weaker gasoline margins over the first half of the year. Trading and transportation earnings were lower. Reduced costs resulting from streamlining of business structures provided significant offset, notwithstanding transition costs resulting from integration of the two major acquisitions in the USA.

On a global basis, net special charges for the year totalled $184 million. Most of these resulted from the closure of refinery assets, continued restructuring in the USA and Europe and increases in provisions for litigation and environmental remediation in the USA. These were partially offset by gains on asset sales, principally from pipeline assets in the USA. Special charges in 2001 totalled $310 million, mainly consisting of restructuring and rebranding charges in the USA.

Fluctuations in crude oil and product prices during 2002 led to inventory holding gains amounting to $560 million. Inventory holding gains/losses are included in cost of sales in the Group Statement of Income.

Capital investment

Capital investment in 2002 amounted to $7.9 billion which included $5.1 billion relating to the three major acquisitions and investment of $0.8 billion in the USA since the consolidation of Equilon (Group interest now 100%). Capital investment in 2001 was $1.5 billion.

Portfolio actions

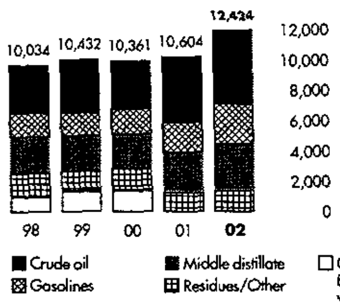
The Oil Products portfolio was significantly strengthened in 2002 through acquisitions which will reinforce the objective of leading the global downstream industry.

In January a 50:50 joint venture in Germany with RWE-DEA commenced operations and in July Shell took ownership of 100% of the venture for a cash consideration of $1.3 billion, to be paid in July 2003. Integration of this business is proceeding well and is on track to achieve $150 million in pre-tax benefits by the end of 2003. The acquisition of Texaco's interests in Equilon and Motiva, the downstream joint ventures in the USA, was completed in February. Good progress has been made in capturing the planned synergies and benefits from the changes of ownership; business structures have been streamlined and some 800 of the 13,000 Texaco stations had been rebranded to Shell at the end of 2002, in a programme which will be completed by June 2004. As part of the upgrading of the quality of the overall retail network in the USA the total number of sites will be reduced by some 30%. The purchase of Pennzoil-Quaker State Company in the USA was completed in October after regulatory clearance. The transaction has a total equity value of $1.8 billion and Shell has also taken on $1.1 billion of debt. This acquisition will make Shell a leader in both the US and global lubricants markets with pre-tax synergy benefits expected to be $140 million by 2004.

The sale of a 25% interest in Shell's marketing businesses in South Africa to Thebe Investment Corporation was completed in a positive response to the South African Government's Black Economic Empowerment initiative.

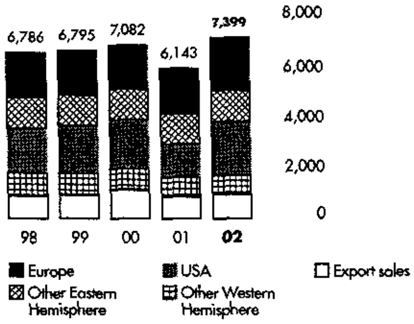
Oil sales

thousand barrels daily



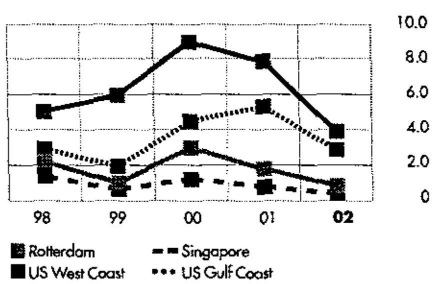
Oil product sales excluding crude oil

thousand barrels daily



Industry refining margins

$ per barrel



For the period 1998–2000 the sales volumes include the Group share of Equilon and Motiva volumes. The basis of reporting in 2002 has been changed to reflect only those activities which relate to the Oil Products business; previously some volumes handled by other businesses were included. The 2001 figures have been restated on a similar basis. The 2002 reported volumes include 100% of Equilon (now Shell Oil Products US) and 50% of Motiva sales to third parties; the 2001 figures have been restated in accordance with the ownership interests prevailing at the time.

Chemicals

Earnings

			$ million
	2002	2001	2000
Segment earnings	**489**	230	992
Special credits/(charges)	**(62)**	(11)	67
Adjusted segment earnings	**551**	241	925
Change	***+129%***	*-74%*	*-6%*

The business environment showed some improvement after the extremely challenging conditions in 2001 although trading conditions, especially in the USA, remained difficult. Adjusted earnings at $551 million showed a significant improvement compared with $241 million the previous year. The increase reflects a 4% rise in volumes, improved margins, lower costs and an incremental fiscal benefit of $37 million. Results from associates also improved, reflecting better cost management and the benefits of restructuring, primarily in Basell, the 50:50 joint venture with BASF. Industry utilisation remained flat in Europe, but improved in the USA from historically low levels in 2001. Low gas feedstock prices relative to crude prices in the USA made the economics of cracking liquid feedstocks less favourable. Continued focus on cost improvement and higher volumes meant that total unit costs, excluding feedstocks, improved by 7%. A non-recurring fiscal benefit of $102 million resulted from European restructuring.

Segment earnings showed special charges of $62 million consisting of provisions related to asset rationalisation and litigation claims.

Capital investment

Capital investment in 2002 totalled $839 million compared with $751 million in 2001. Capital is being directed to projects that enhance the Group's ability to manufacture and sell bulk petrochemical building blocks to large industrial customers and included initial equity investment in southern China for the Nanhai petrochemicals project.

Portfolio actions

After a period when the focus has been on divestment, attention in 2002 turned to strengthening and enhancing the Chemicals portfolio.

The final investment decision on the Nanhai petrochemicals project in Guangdong Province in China was taken. The Group has a 50% share in this $4.3 billion project which constitutes its largest ever single chemicals investment. Construction work is due to start in 2003 with the plant scheduled to be completed in late 2005.

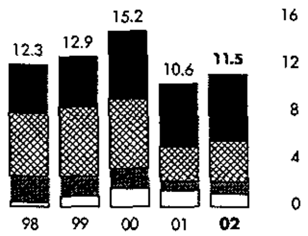
In 2002, Chemicals brought on-line some 2 million tonnes of new production capacity. Successful completion of a fourth olefins and alcohols unit at Geismar in the USA consolidated the Group's position as the world's largest supplier of higher olefins and detergent alcohols. The $500 million Ellba Eastern complex in Singapore started operation. This is a 50:50 joint venture with BASF to produce styrene monomer, propylene oxide and polyols.

A new benzene unit in the Netherlands was completed ahead of schedule. The plant uses new technology to minimise environmental impact and help reduce the movement of benzene-containing streams in Shell's European business. The unit will take benzene-rich streams from the Moerdijk cracker and other Shell European locations and the output will be used for styrene monomer/propylene oxide production on the same site.

Also, construction began of a new polymer polyol plant at Pernis, the Netherlands, which will be the largest in Europe and will consolidate the Group's position as the leader in the global polyols market. Further, a joint venture with SGF Chimie (Group interest 50%) was established to build and operate a polytrimethylene terephthalate plant in Montreal, Canada. These products are used in carpeting and textiles; the plant is expected to start production at the end of 2003.

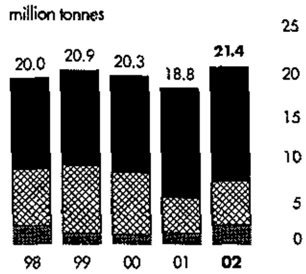
The drive to simplify and streamline business processes and to make it easy to do business with Shell chemical companies continued. A single marketing and supply company for Europe was established in order to improve speed and efficiency for customers and suppliers.

Chemical sales net proceeds[a]
$ billion



a Excluding proceeds from chemical trading activities.

Chemical sales volumes[b]
million tonnes



b Excluding volumes from chemical trading activities.

A $4.3 billion petrochemicals complex will be built on the Chinese coast some 80km north-east of Hong Kong Island. The complex will produce 2.3 million tonnes per year of petrochemical building blocks and polyolefins which will be supplied to the high growth areas of China's coastal economic zones.

Ellba at night: The Ellba Eastern petrochemicals complex in Singapore, including Asia Pacific's largest styrene monomer/propylene oxide (SM/PO) facility, came on stream in July 2002. The $500 million world-scale site, with a capacity of 550,000 tonnes per year of SM and 250,000 tonnes per year of PO, further strengthens the Chemicals portfolio and ensures it is well placed for growth in Asia Pacific.

Earnings

			$ million
	2002	2001	2000
Segment earnings	**(110)**	(287)	(12)
Special credits/(charges)	**17**	(96)	83
Adjusted segment earnings	**(127)**	(191)	(95)

Other industry segments include Renewables, Shell Consumer and Shell Hydrogen. Adjusted earnings for Renewables, Shell Consumer and Shell Hydrogen showed a loss of $127 million in 2002 compared with a loss of $191 million in 2001. This improvement reflected a turnaround of Shell Consumer operations in the USA due to lower costs and higher margins.

Special credits in 2002 reflect the net impact of profits on sales of assets, write-downs of assets prior to disposal and costs as a result of restructuring.

Going solar in Munich: The installation of one of the world's largest roof-mounted photovoltaic plants was completed in November at the Munich Trade Fair Centre. Over 7,000 solar modules from Renewables' solar business were installed on an area of 63,000m², spread over the six southern halls of the centre. The new plant more than doubles the output from the earlier installation on the six northern halls, providing a combined peak output of around 2.1 Megawatts (MW).

Renewables

Wind power continues to develop as a promising business. In particular, the first two commercial scale projects, Rock River and White Deer in the USA have delivered a strong performance in their first full year of operation. The acquisition of Whitewater Hill, a 60MW wind park in the San Gorgonio Pass, California, and of the nearby Cabazon Pass wind park will bring the Group's generating capacity in the USA to 230MW.

In Europe work continues to evaluate and develop offshore projects in the Netherlands and the UK. The Group is part of the NoordzeeWind consortium which has agreed, with the Dutch government, the development of the 100MW Near Shore Wind Park at Egmond aan Zee.

The Group's solar business has been operating in a more difficult environment. It is now one of the major photovoltaic players, after buying out the remainder of its joint venture with Siemens and E.On in April 2002. However, in response to the overcapacity in photovoltaic manufacturing around the world and the downturn in demand that has affected all companies in the sector, the restructuring of this business was announced. The intention is to concentrate manufacturing operations in the USA, Germany and Portugal.

Despite the challenging trading environment there were some notable successes including the contract to supply photovoltaic modules for the roof of the Munich Trade Fair Centre, in Germany, and the first solar home systems being delivered in Xinjiang, China.

Shell Consumer

At the beginning of 2002 Shell Consumer, Shell Capital and Shell Internet Works were reorganised into one new business, Shell Consumer. The rationale is to leverage the Shell brand more widely in the consumer space, particularly where it can lend support to the Group's established businesses. The mandate is to add value through developing innovative consumer and financial products businesses.

During the year there was much progress on the business development and operational fronts. This included Shell autoserv, a car servicing business first piloted in 2001, which was expanded in 2002 and now operates sites in Australia, South Africa and Thailand. Credit card businesses are now operating in Norway and the UK. Shell Consumer divested its share in a retail energy business in Australia but developed new operations in the Netherlands ("green" power) and Norway (electricity) alongside its continuing gas and electricity business in a number of states in the USA where deregulation has offered opportunities to new entrants.

Shell Hydrogen

The Group continues to explore technology that could allow hydrogen and fuel cells to meet the world's future energy needs in a sustainable and emission-free way.

Amongst the developments in 2002 was the announcement of a plan to build the first hydrogen refueling station in Tokyo. Shell is an important partner in this project that is sponsored by the Japanese government and will provide hydrogen to a fleet of prototype vehicles. The Group acquired an equity stake in QuestAir Technologies Inc (Group interest 10.6%) that is developing technology to purify hydrogen. It is vital to develop this technology if hydrogen is to become commercially available on a wide scale. Work also continued with joint venture partners on the development of commercially attractive fuel cells and on developing safe and convenient hydrogen storage systems.

Shell autoserv: car servicing at one of the recently acquired and Shell branded sites in Thailand.

Corporate
Liquidity and Capital Resources

Corporate Earnings

			$ million
	2002	2001	2000
Segment earnings	**(751)**	(320)	(825)
Special credits/(charges)	**–**	–	(188)
Adjusted segment earnings	**(751)**	(320)	(637)

Adjusted earnings for 2002 showed a loss of $751 million compared with a loss of $320 million in the previous year. The increased loss is mainly a result of higher net interest costs.

Liquidity and Capital Resources

Statement of Cash Flows

The net effect of the flow of funds for 2002 was a decrease of $5.1 billion in cash and cash equivalents.

Cash flow generated by operations decreased from $16.9 billion in 2001 to $16.4 billion in 2002. Within cash flow used in investing activities (net $20.7 billion), capital expenditure and new investments in associates increased from $10.7 billion to $22.4 billion, mainly due to acquisitions (see below). There were proceeds from sales of assets and disposals of investments in associates of $1.6 billion; in 2001 such proceeds amounted to $1.8 billion. Dividends of $7.0 billion were paid in 2002 to the Parent Companies, Royal Dutch and Shell Transport, a decrease of $2.4 billion compared with 2001 due to lower share buybacks by the Parent Companies. In addition, there was a net drawdown in debt of $6.7 billion, due mainly to the acquisitions.

Capital investment

Group companies' capital expenditure, exploration expense, new investments in associated companies and other investments increased by $12.8 billion to $24.6 billion in 2002, mainly as a result of the acquisitions of Enterprise Oil, Pennzoil-Quaker State, DEA and additional interests in Equilon and Motiva. Exploration and Production expenditure, at $14.1 billion (2001: $8.0 billion), accounted for more than half of this total. Oil Products investment totalled $7.9 billion (2001: $1.5 billion). Chemicals investment was $0.8 billion (2001: $0.8 billion), while Gas & Power accounted for $0.7 billion (2001: $0.8 billion).

Capital investment in 2003 is estimated to be approximately $12 billion. Spending will continue to be subjected to investment discipline, stringent project selection and the need to balance profitability with growth. Exploration and Production will continue to be the major element. It is expected that the Group companies' investments will be financed from internally generated funds.

Financial condition

Cash, cash equivalents and short-term securities were $1.6 billion at the end of 2002, down $5.1 billion on 2001, whilst the total of short and long-term debt increased by $13.9 billion to $19.7 billion. The debt ratio increased from 8.9% in 2001 to 23.6% in 2002, within the desired gearing range.

Net assets increased by $3.9 billion to $60.1 billion during 2002. Fixed and other long-term assets increased by $31.0 billion to $112.1 billion. Net current liabilities increased by $11.6 billion to $14.6 billion. During 2002, the Group increased its Medium Term Note and Commercial Paper Facilities to a total of $26 billion.

These facilities, together with available funds, offer ample flexibility to meet working capital needs.

The following table summarises the Group's principal contractual obligations and commercial commitments as of December 31, 2002. Please also refer to Notes 15, 16 and 18 to the Financial Statements.

				Payments due by period	$ billion
Contractual Obligations	**Total**	Less than 1 year	2–3 years	4–5 years	After 5 years
Long-term debt	**8.5**	2.2	2.1	3.4	0.8
Leasing arrangements	**9.4**	2.0	2.1	1.3	4.0
Long-term purchase obligations	**9.1**	0.6	1.1	1.0	6.4
Long-term power capacity obligations	**6.9**	0.2	0.6	0.7	5.4
Other long-term liabilities	**6.1**	–	3.7	1.5	0.9
Total	**40.0**	5.0	9.6	7.9	17.5

Environmental and decommissioning costs

Group companies are present in over 145 countries and territories throughout the world and are subject to a number of different environmental laws, regulations and reporting requirements. It is the responsibility of each Group company to implement a health, safety and environmental management system that is suited to its particular circumstances.

The costs of prevention, control, abatement or elimination of releases into the air and water, as well as the disposal and handling of wastes at operating facilities, are considered to be an ordinary part of business. As such, these amounts are included within operating expenses. An estimate of the order of magnitude of amounts incurred in 2002 for Group companies, based on allocations and managerial judgement, is $1.1 billion (2001: $0.6 billion). Expenditures of a capital nature to limit or monitor hazardous substances or releases include both remedial measures on existing plants and integral features of new plants. Whilst some environmental expenditures are discrete and readily identifiable, others must be reasonably estimated or allocated based on technical and financial judgements which develop over time. Consistent with the preceding, estimated environmental capital expenditures made by companies with major capital programmes during 2002 were $0.8 billion (2001: $0.4 billion). Those Group companies are expected to incur environmental capital costs of at least $0.8 billion during both 2003 and 2004. It is not possible to predict with certainty the magnitude of the effect of required investments in existing facilities on Group companies' future earnings, since this will depend amongst other things on the ability to recover the higher costs from customers and through fiscal incentives offered by governments. Nevertheless, it is anticipated that over time there will be no material impact on the total of Group companies' earnings. These risks are comparable to those faced by other companies in similar businesses. At the end of 2002, the total liabilities being carried for environmental clean-up were $797 million (2001: $454 million). In 2002, there were payments of $139 million and increases of provisions of $120 million. Provisions being carried for expenditures on decommissioning and site restoration, including oil and gas platforms, amounted to $3,528 million (2001: $2,615 million).

Other Matters

Risk management and internal control
The Group's approach to internal control is based on the underlying principle of line management's accountability for risk and control management. The Group's risk and internal control policy explicitly states that the Group has a risk-based approach to internal control and that management in the Group is responsible for implementing, operating and monitoring the system of internal control, which is designed to provide reasonable but not absolute assurance of achieving business objectives.

Established review and reporting processes bring risk management into greater focus and enable the Conference (meetings between the members of the Supervisory Board and the Board of Management of Royal Dutch and the Directors of Shell Transport) regularly to review the overall effectiveness of the system of internal control and to perform a full annual review of the system's effectiveness.

At Group level and within each business, risk profiles which highlight the perceived impact and likelihood of significant risks are reviewed each quarter by the Committee of Managing Directors and by the Conference. Each risk profile is supported by a summary of key controls and monitoring mechanisms. A risk-based approach to internal control continues to be embedded within the businesses. In addition, non-Shell operated ventures and affiliates are encouraged to adopt processes consistent with the Group's approach.

The Group's approach to internal control also includes a number of general and specific risk management processes and policies. Within the essential framework provided by the Statement of General Business Principles, the Group's primary control mechanisms are self-appraisal processes in combination with strict accountability for results. These mechanisms are underpinned by controls including Group policies, standards and guidance material that relate to particular types of risk, structured investment decision processes, timely and effective reporting systems and performance appraisal.

Examples of specific risk management processes include the Group Issue Identification and Management System, by which reputation risks are identified and monitored. A common Health, Safety and Environment (HSE) Policy has been adopted by Shell companies. All companies have HSE management systems in place and for major installations the environmental component of such systems has been certified to international standards. The Group Financial Control Handbook establishes standards applicable across the Group on the application of internal financial controls. The management of particular risks related to property, liability and treasury is described separately opposite.

A procedure for reporting business control incidents enables management and the Group Audit Committee to monitor incidents arising as a result of control breakdowns and to ensure appropriate follow-up actions have been taken. Lessons learned are captured and shared as a means of improving the Group's overall control framework.

A formalised self-appraisal and assurance process has been in place for many years. The process was reviewed and updated in 2002. Each year the management of every business unit provides assurance as to the adequacy of financial controls and reporting, treasury management, risk management, HSE management and the Statement of General Business Principles, as well as other important topics. Any business integrity concerns or instances of bribery or illegal payments are to be reported. The results of this process and any qualifications made are reviewed by the Group Audit Committee and support representations made to the external auditors.

In addition, internal audit plays a critical role in the objective assessment of business processes and the provision of assurance. Audits and reviews of Group operations are carried out by Group Internal Audit to provide the Group Audit Committee with independent assessments regarding the effectiveness of risk and control management.

Property and liability risks
The Group's Operating Companies insure against most major property and liability risks with the Group's captive insurance companies. These companies reinsure part of their major catastrophe risks with a variety of international insurers. The effect of these arrangements is that uninsured losses for any one incident are unlikely to exceed $400 million.

Treasury and trading risks
As further discussed in Note 28 on page 76, Group companies, in the normal course of their business, use financial instruments of various kinds for the purposes of managing exposure to currency, commodity price and interest rate movements.

The Group has Treasury Guidelines applicable to all Group companies and each Group company is required to adopt a treasury policy consistent with these guidelines. These policies cover financing structure, foreign exchange and interest rate risk management, insurance, counterparty risk management and derivative instruments, as well as the treasury control framework. Wherever possible, treasury operations are operated through specialist Group regional organisations without removing from each Group company the responsibility to formulate and implement appropriate treasury policies.

Each Group company measures its foreign currency exposures against the underlying currency of its business (its "functional currency"), reports foreign exchange gains and losses against its functional currency and has hedging and treasury policies in place which are designed to minimise foreign exchange exposure so defined. The functional currency for most upstream companies and for other companies with significant international business is the US dollar, but other companies normally have their local currency as their functional currency.

The financing of most Operating Companies is structured on a floating-rate basis and, except in special cases, further interest rate risk management is discouraged.

Apart from forward foreign exchange contracts to meet known commitments, the use of derivative financial instruments by most Group companies is not permitted by their treasury policy.

Some Group companies operate as traders in crude oil, natural gas, oil products and other energy related products, using commodity swaps, options and futures as a means of managing price and timing risks arising from this trading. In effecting these transactions, the companies concerned operate within procedures and policies designed to ensure that risks, including those relating to the default of counterparties, are minimised.

Treasury and trading risks continued

Other than in exceptional cases, the use of derivative instruments is generally confined to specialist oil and gas trading and central treasury organisations which have appropriate skills, experience, supervision and control and reporting systems.

Pension funds

The estimated actuarial valuation of the Group's four main pension funds in aggregate at end 2002 shows a modest surplus of assets over liabilities. This actuarial valuation, rather than the Group accounting policy FAS87 measure (Note 20 to the Financial Statements), is the basis on which the funds' trustees steer the funds and define the required contributions from the member companies.

Employees

Overall, the number of employees in the Group has increased by over 25% during the year primarily as a result of the acquisitions in the Oil Products business (Equilon, Pennzoil-Quaker State and DEA). Further increases resulted from the consolidation of former associate companies, the start-up of new operations and from business expansion. These were only partially offset by the conversion of certain retail operations to an agency basis. Further streamlining across the Group will continue, due to the integration of acquisitions and the ongoing restructuring of companies across the Group.

Research and development costs

The Group's research and development (R&D) programmes are designed to enable the Group to reduce costs and improve operations. Total R&D expenses for 2002 were $472 million, compared with $387 million for 2001.

Cautionary statement

The Operational and Financial Review and other sections of this Report contain forward-looking statements that are subject to risk factors associated with the oil, gas, chemicals, power generation and renewable resources businesses. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a variety of variables which could cause actual results or trends to differ materially, including, but not limited to: price fluctuations, actual demand, currency fluctuations, drilling and production results, reserve estimates, loss of market, industry competition, environmental risks, physical risks, legislative, fiscal and regulatory developments, economic and financial market conditions in various countries and regions, political risks, project delay or advancement, approvals and cost estimates.

Critical Accounting Policies

In order to prepare the Financial Statements in conformity with generally accepted accounting principles in the Netherlands and the USA, management has to make estimates and assumptions. The matters described below are considered to be the most critical in understanding the judgments that are involved in preparing the Financial Statements and the uncertainties that could impact the amounts reported on the results of operations, financial condition and cash flows. Accounting policies are described in Note 2 to the Financial Statements.

Estimation of oil and gas reserves

Oil and gas reserves have been estimated in accordance with industry standards and SEC regulations. Proved oil and gas reserves are the estimated quantities of crude oil, natural gas and natural gas liquids that geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. These estimates do not include probable or possible reserves. Estimates of oil and gas reserves are inherently imprecise and represent only approximate amounts and are subject to future revision, as they are based on available reservoir data, prices and costs as of the date the estimate is made. Accordingly, the financial measures that are based on proved reserves are also subject to change.

Depreciation, depletion and amortisation

Proved reserves are used when calculating the unit-of-production rates used for depreciation, depletion and amortisation for tangible fixed assets related to hydrocarbon production activities. The amount of depreciation is based on the units of production over the proved developed reserves of the relevant field during the time period. Similarly, rights and concessions are depleted on the unit-of-production basis over the total proved reserves of the relevant area. Unproved properties are amortised as required by particular circumstances. Other tangible fixed assets are generally depreciated on a straight-line basis over their estimated useful lives (five to twenty years), while other intangible fixed assets are amortised on a straight-line basis over their estimated useful lives (with a maximum of forty years).

Recoverability of assets
The carrying amounts of fixed assets are reviewed for possible impairment whenever events or changes in circumstances indicate that the carrying amounts for those properties may not be recoverable. If assets are determined to be impaired, the carrying amounts of those assets are written down to fair value. For this purpose, assets are grouped based on separately identifiable and largely independent cash flows. Estimates of future cash flows of assets related to hydrocarbon production activities are based on proved reserves, except in circumstances where it is probable that additional resources will be developed and contribute to cash flows in the future.

Environmental expenditures
Liabilities for environmental remediation resulting from past operations or events are recognised, based on current estimates, in the period in which an obligation to a third party arises, as long as the obligations can be reasonably estimated. Because actual costs can differ from estimates due to changes in laws and regulations and clean-up technology as well as public expectations and discovery and analysis of site conditions, the carrying amount of liabilities is regularly reviewed and adjusted.

Decommissioning and restoration costs
Provisions are held for the future decommissioning and restoration of oil and natural gas production facilities and pipelines at the end of their economic lives. Estimated decommissioning and restoration costs are based on current requirements, technology and price levels. Most of these obligations are many years in the future and the precise requirements that will have to be met are uncertain because technologies and costs as well as political, environmental, and safety expectations are subject to change.

Report of the Independent Auditors

To Royal Dutch Petroleum Company and The "Shell" Transport and Trading Company, p.l.c.

We have audited the Financial Statements appearing on pages 55 to 76 of the Royal Dutch/Shell Group of Companies for the years 2002, 2001 and 2000. The preparation of Financial Statements is the responsibility of management. Our responsibility is to express an opinion on the Financial Statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the Netherlands and the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Financial Statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Financial Statements. An audit also includes assessing the accounting principles used and significant estimates made by management in the preparation of Financial Statements, as well as evaluating the overall Financial Statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the Financial Statements referred to above present fairly, in all material respects, the financial position of the Royal Dutch/Shell Group of Companies at December 31, 2002 and 2001 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2002 in accordance with generally accepted accounting principles in the Netherlands and the United States.

KPMG Accountants N.V., The Hague

PricewaterhouseCoopers LLP, London
March 5, 2003

Financial Statements of the Royal Dutch/Shell Group of Companies

Contents

Financial Statements

Statement of Income $ million

	Note	2002	2001	2000
Sales proceeds		**235,598**	177,281	191,511
Sales taxes, excise duties and similar levies		**56,167**	42,070	42,365
Net proceeds		**179,431**	135,211	149,146
Cost of sales		**151,214**	107,839	118,328
Gross profit		**28,217**	27,372	30,818
Selling and distribution expenses		**9,954**	7,898	7,896
Administrative expenses		**1,601**	1,244	1,137
Exploration		**991**	882	755
Research and development		**472**	387	389
Operating profit of Group companies		**15,199**	16,961	20,641
Share of operating profit of associated companies	6	**2,624**	3,041	3,859
Operating profit		**17,823**	20,002	24,500
Interest and other income	7	**758**	1,059	974
Interest expense	8	**1,364**	1,133	1,324
Currency exchange gains/(losses)		**(23)**	(30)	(114)
Income before taxation		**17,194**	19,898	24,036
Taxation	9	**7,617**	8,694	11,273
Income after taxation		**9,577**	11,204	12,763
Income applicable to minority interests		**158**	352	44
Net income		**9,419**	10,852	12,719

Statement of Comprehensive Income and Parent Companies' Interest in Group Net Assets $ million

	Note	2002	2001	2000
Net income	3	**9,419**	10,852	12,719
Other comprehensive income, net of tax:	5			
currency translation differences	19	**2,439**	(1,689)	(2,717)
unrealised gains/(losses) on securities		**25**	(143)	(238)
unrealised gains/(losses) on cash flow hedges		**(225)**	(14)	
minimum pension liability adjustments		**(1,475)**	(127)	(70)
Comprehensive income		**10,183**	8,879	9,694
Net distributions to Parent Companies	3	**(5,435)**	(9,163)	(8,579)
Increase in Parent Companies' shares held, net of dividends received	22	**(844)**	(642)	(200)
Parent Companies' interest in Group net assets at January 1		**56,160**	57,086	56,171
Parent Companies' interest in Group net assets at December 31	4	**60,064**	56,160	57,086
Applicable to:				
Royal Dutch (60%)		**36,038**	33,696	34,252
Shell Transport (40%)		**24,026**	22,464	22,834
		60,064	56,160	57,086

Statement of Assets and Liabilities

$ million

	Note	Dec 31 2002	Dec 31 2001
Fixed assets			
Tangible assets	10	**79,390**	51,370
Intangible assets	10	**4,696**	939
Investments			
associated companies	6	**17,621**	18,018
securities	14	**1,719**	1,914
other		**1,420**	1,108
Total fixed assets		**104,846**	73,349
Other long-term assets	11	**7,299**	7,716
Current assets			
Inventories	12	**10,298**	6,341
Accounts receivable	13	**28,687**	17,467
Short-term securities	14	**5**	–
Cash and cash equivalents	14	**1,556**	6,670
Total current assets		**40,546**	30,478
Current liabilities: amounts due within one year			
Short-term debt	15	**12,874**	3,988
Accounts payable and accrued liabilities	17	**32,078**	18,884
Taxes payable	9	**5,010**	4,494
Dividends payable to Parent Companies		**5,153**	6,101
Total current liabilities		**55,115**	33,467
Net current assets/(liabilities)		**(14,569)**	(2,989)
Total assets less current liabilities		**97,576**	78,076
Long-term liabilities: amounts due after more than one year			
Long-term debt	15	**6,817**	1,832
Other	18	**6,118**	4,515
		12,935	6,347
Provisions			
Deferred taxation	9	**12,471**	7,146
Pensions and similar obligations	20	**5,016**	2,331
Decommissioning and restoration costs	23	**3,528**	2,615
		21,015	12,092
Group net assets before minority interests		**63,626**	59,637
Minority interests		**3,562**	3,477
Net assets		**60,064**	56,160

Statement of Cash Flows (see Note 19)

	Note	2002	2001	2000
				$ million
Cash flow provided by operating activities				
Net income		**9,419**	10,852	12,719
Adjustments to reconcile net income to cash flow provided by operating activities				
Depreciation, depletion and amortisation	10	**8,454**	6,117	7,885
Profit on sale of assets		**(367)**	(133)	(1,026)
Movements in:				
inventories		**(1,461)**	1,067	(1,268)
accounts receivable		**(5,761)**	8,519	(10,007)
accounts payable and accrued liabilities		**6,885**	(7,787)	9,741
taxes payable		**(710)**	(1,443)	967
short-term securities		**–**	–	(2)
Associated companies: dividends more/(less) than net income	6	**313**	265	(132)
Deferred taxation and other provisions		**273**	129	491
Long-term liabilities and other		**(838)**	(1,005)	(1,053)
Income applicable to minority interests		**158**	352	44
Cash flow provided by operating activities		**16,365**	16,933	18,359
Cash flow used in investing activities				
Capital expenditure (including capitalised leases)	10	**(12,184)**	(9,626)	(6,209)
Acquisitions (Enterprise Oil, Pennzoil-Quaker State and additional shares in Equilon)	19	**(8,925)**		
Proceeds from sale of assets		**1,099**	1,265	3,852
New investments in associated companies	6	**(1,289)**	(1,074)	(1,161)
Disposals of investments in associated companies		**501**	507	2,283
Movement in other investments		**83**	(180)	(336)
Cash flow used in investing activities		**(20,715)**	(9,108)	(1,571)
Cash flow used in financing activities				
Long-term debt (including short-term part)				
new borrowings		**5,267**	180	945
repayments		**(5,610)**	(1,115)	(1,276)
		(343)	(935)	(331)
Net increase/(decrease) in short-term debt		**7,058**	(794)	(3,271)
Change in minority interests		**421**	(206)	(22)
Dividends paid to:				
Parent Companies		**(6,961)**	(9,406)	(5,239)
minority interests		**(228)**	(221)	(262)
Cash flow used in financing activities		**(53)**	(11,562)	(9,125)
Parent Companies' shares: net sales/(purchases) and dividends received		**(864)**	(773)	(200)
Currency translation differences relating to cash and cash equivalents		**153**	(251)	(75)
Increase/(decrease) in cash and cash equivalents		**(5,114)**	(4,761)	7,388
Cash and cash equivalents at January 1		**6,670**	11,431	4,043
Cash and cash equivalents at December 31		**1,556**	6,670	11,431

Notes to the Financial Statements

1 The Royal Dutch/Shell Group of Companies

The Parent Companies, Royal Dutch Petroleum Company (Royal Dutch) and The "Shell" Transport and Trading Company, p.l.c. (Shell Transport) are holding companies which together own, directly or indirectly, investments in numerous companies known collectively as the Royal Dutch/Shell Group. Group companies are engaged in all principal aspects of the oil and natural gas business throughout the world. They also have substantial chemical interests. These activities are conducted in more than 145 countries and territories and are subject to changing economic, regulatory and political conditions.

Arrangements between Royal Dutch and Shell Transport provide, *inter alia*, that notwithstanding variations in shareholdings, Royal Dutch and Shell Transport shall share in the aggregate net assets and in the aggregate dividends and interest received from Group companies in the proportion of 60:40. It is further arranged that the burden of all taxes in the nature of or corresponding to an income tax leviable in respect of such dividends and interest shall fall in the same proportion.

The 60:40 arrangements referred to above have been supplemented by further arrangements, beginning with Group dividends payable to the Parent Companies in respect of 1977, whereby each Parent Company is to bring into account towards its share in the 60:40 division of dividends from Group companies tax credits and other tax benefits which are related to the liability to tax of a Group company and which arise to the Parent Company or which would arise to the holders of its ordinary shares if there were to be an immediate full onward distribution to them of Group dividends (for which purpose all shareholders are assumed to be individuals resident and subject to tax in the country of residence of the Parent Company in question).

2 Accounting policies

Nature of the Financial Statements

The accounts of the Parent Companies are not included in the Financial Statements, the objective of which is to demonstrate the financial position, results of operations and cash flows of a group of undertakings in which each Parent Company has an interest in common whilst maintaining its separate identity. The Financial Statements reflect an aggregation in US dollars of the accounts of companies in which Royal Dutch and Shell Transport together, either directly or indirectly, have control either through a majority of the voting rights or the right to exercise a controlling influence. Investments in companies over which Group companies have significant influence but not control are classified as associated companies and are accounted for on the equity basis. Certain joint ventures are taken up in the Financial Statements in proportion to the relevant Group interest.

The Financial Statements have been prepared under the historical cost convention. They have been prepared in all material respects in accordance with generally accepted accounting principles in the Netherlands and the United States.

The preparation of Financial Statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the Financial Statements and notes thereto. Actual results could differ from those estimates.

Currency translation

Assets and liabilities of non-dollar Group companies are translated to dollars at year-end rates of exchange, whilst their statements of income and cash flows are translated at quarterly average rates. Translation differences arising on aggregation are taken directly to a currency translation differences account, which forms part of Parent Companies' interest in Group net assets. Upon disinvestment or liquidation of a non-dollar Group company, cumulative currency translation differences related to that company are taken to income.

The dollar equivalents of exchange gains and losses arising as a result of foreign currency transactions (including those in respect of inter-company balances unless related to transactions of a long-term investment nature) are included in Group net income.

Acquisitions

Acquisitions are accounted for using the purchase method. Assets acquired and liabilities assumed are recognised at their fair value at the date of acquisition; the amount of the purchase consideration above this value is reflected as goodwill.

Securities

Securities of a trading nature are carried at fair value with unrealised holding gains and losses being included in net income. Securities intended to be held to maturity are carried at cost, unless permanently impaired in which case they are carried at fair value. All other securities are classified as available for sale and are carried at fair value, with unrealised holding gains and losses being taken directly to Parent Companies' interest in Group net assets. Upon sale or maturity, the net gains and losses are included in net income.

Short-term securities with a maturity from acquisition of three months or less and that are readily convertible into known amounts of cash are classified as cash equivalents. Securities forming part of a portfolio which is required to be held long-term are classified under fixed assets – investments.

Parent Companies' shares held by Group companies are not included in the Group's net assets but reflected as a deduction from Parent Companies' interest in Group net assets.

Cash flows resulting from movements in securities of a trading nature are reported under cash flow provided by operating activities while cash flows resulting from movements in other securities are reported under cash flow used in investing activities.

Derivative instruments
US accounting standard, FAS 133, as amended, which requires all derivative financial instruments ("derivatives"), with certain exceptions, to be recorded in the Statement of Assets and Liabilities (as assets or liabilities in respect of risk management activities) at their fair value, has been adopted from the beginning of 2001. Adoption of the standard did not have a significant effect on the Group's Financial Statements and the transition adjustment as at January 1, 2001 was negligible.

Group companies use derivatives in the management of interest rate risk, foreign currency risk and commodity price risk. The carrying amount of all derivatives, other than those meeting the normal purchases and sales exception, is measured using market prices. Those derivatives qualifying and designated as hedges are either: (1) a hedge of the fair value of a recognised asset or liability or of an unrecognised firm commitment ("fair value" hedge), or (2) a hedge of the variability of cash flows to be received or paid related to a recognised asset or liability or a forecasted transaction ("cash flow" hedge), or (3) a hedge of the foreign currency exposure ("foreign currency" hedge) of a recognised asset or liability or of an unrecognised firm commitment (fair value hedge) or of the variability of foreign currency cash flows associated with a forecasted transaction, a recognised asset or liability or an unrecognised firm commitment (cash flow hedge).

The effective portion of a change in the carrying amount of a cash flow hedge is recorded in other comprehensive income, until income reflects the variability of underlying cash flows; any ineffective portion is taken to income. A change in the carrying amount of a fair value hedge is taken to income, together with the consequential adjustment to the carrying amount of the hedged item. A change in the carrying amount of a foreign currency hedge is recorded on the basis of whether the hedge is a fair value hedge or a cash flow hedge. A change in the carrying amount of other derivatives is taken to income.

Group companies formally document all relationships between hedging instruments and hedged items, as well as risk management objectives and strategies for undertaking various hedge transactions. The effectiveness of a hedge is also continually assessed. When effectiveness ceases, hedge accounting is discontinued.

Inventories
Inventories are stated at cost to the Group or net realisable value, whichever is lower. Such cost is determined for the most part by the first-in first-out method (FIFO), but the cost of certain North American inventories is determined on the basis of the last-in first-out method (LIFO). Cost comprises direct purchase costs, cost of production, transportation and manufacturing expenses and taxes.

Exploration costs
Group companies follow the successful efforts method of accounting for oil and gas exploration costs. Exploration costs are charged to income when incurred, with the exception that exploratory drilling costs are initially included in tangible fixed assets pending determination of commercial reserves. The determination of commercial reserves occurs within one year unless such reserves are in an area requiring major capital expenditure before production could begin. Should the efforts be determined unsuccessful, they are then charged to income.

Interest capitalisation
Interest is capitalised, as an increase in tangible fixed assets, on significant capital projects during construction. Interest is also capitalised, as an increase in investments in associated companies, on funds invested by Group companies which are used by associated companies for significant capital projects during construction.

Depreciation, depletion and amortisation
Tangible fixed assets related to production activities are depreciated on a unit-of-production basis over the proved developed reserves of the field concerned, except in the case of assets whose useful life is shorter than the lifetime of the field, in which case the straight-line method is applied. Rights and concessions are depleted on the unit-of-production basis over the total proved reserves of the relevant area. Unproved properties are amortised as required by particular circumstances. Other tangible fixed assets are generally depreciated on a straight-line basis over their estimated useful lives (five to twenty years). New US accounting standard FAS 142 requires that goodwill, and other intangible fixed assets with an indefinite life, are no longer amortised but instead tested for impairment annually. This standard was effective for the Group from the beginning of 2002 and adoption did not have a significant effect on the Group's Financial Statements. Other intangible fixed assets continue to be amortised on a straight-line basis over their estimated useful lives (with a maximum of forty years).

The carrying amounts of fixed assets are reviewed for possible impairment whenever events or changes in circumstances indicate. For this purpose, assets are grouped based on separately identifiable and largely independent cash flows. Where impairment is indicated, the carrying amounts of assets are written down to fair value, usually determined as the amount of estimated discounted future cash flows. Assets held for sale are written down to the amount of estimated net realisable value.

In the evaluation for impairment of oil and gas properties, future cash flows are estimated using risk assessments on field and reservoir performance and include outlooks on proved and unproved reserves, which are then discounted or risk-weighted utilising the results from projections of geological, production, recovery and economic factors.

2 Accounting policies continued

Environmental expenditures

Liabilities for environmental remediation resulting from past operations or events are recognised in the period in which an obligation to a third party arises and the amount can be reasonably estimated. Measurement of liabilities is based on current legal requirements and existing technology. Recognition of any joint and several liability is based upon Group companies' best estimate of their final pro-rata share of the liability. Liabilities are determined independently of expected insurance recoveries. Recoveries are recognised and reported as separate events and brought into account when reasonably certain of realisation. The carrying amount of liabilities is regularly reviewed and adjusted for new facts or changes in law or technology.

Decommissioning and restoration costs

Estimated decommissioning and restoration costs are based on current requirements, technology and price levels. In respect of oil and gas production activities, the estimated cost is provided over the life of the proved developed reserves on a unit-of-production basis. The recorded liabilities are reflected as a provision in the Statement of Assets and Liabilities. For other activities, the estimated cost is provided over the remaining life of a facility on a straight-line basis once an obligation crystallises and the amount can be reasonably estimated. Changes in estimates of costs are accrued on a prospective basis.

Deferred taxation

Deferred taxation is provided using the comprehensive liability method of accounting for income taxes based on provisions of enacted laws. Recognition is given to deferred tax assets and liabilities for the expected future tax consequences of events that have been recognised in the Financial Statements or in the tax returns. In estimating these tax consequences, consideration is given to expected future events. The measurement of deferred tax assets is reduced, if necessary, by a valuation allowance representing the amount of any tax benefits for which there is uncertainty of realisation.

Employee retirement plans

Retirement plans to which employees contribute and many non-contributory plans are generally funded by payments to independent trusts. Where, due to local conditions, a plan is not funded, a provision which is not less than the present value of accumulated pension benefits, based on present salary levels, is included in the Financial Statements. Valuations of both funded and unfunded plans are carried out by independent actuaries.

Pension cost primarily represents the increase in actuarial present value of the obligation for pension benefits based on employee service during the year and the interest on this obligation in respect of employee service in previous years, net of the expected return on plan assets.

Postretirement benefits other than pensions

Some Group companies provide certain postretirement health care and life insurance benefits to retirees, the entitlement to which is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the periods employees render service to the Group. These plans are not funded. A provision is included in the Financial Statements which is sufficient to cover the present value of the accumulated postretirement benefit obligation based on current assumptions. Valuations of these obligations are carried out by independent actuaries.

Stock-based compensation plans

Group companies account for stock-based compensation plans in accordance with the intrinsic value method. This method requires no recognition of compensation expense for plans where the exercise price is not at a discount to the market value at the date of the grant, and the number of options is fixed on the date of grant. However, recognition of compensation expense is required for variable award (performance-related) plans over the vesting periods of such plans, based on the then current market values of the underlying stock.

Sales proceeds

Sales proceeds are determined by reference to the sales price of goods delivered and services rendered during the period. Sales between Group companies are based on prices generally equivalent to commercially available prices.

Administrative expenses

Administrative expenses are those which do not relate directly to the activities of a single business segment and include expenses incurred in the management and co-ordination of multi-segment enterprises.

Research and development

Research and development expenditure is charged to income as incurred, with the exception of that on buildings and major items of equipment which have alternative use.

Reclassifications

Certain prior-year amounts have been reclassified to conform with current-year presentation.

3 Division of Group net income between the Parent Companies

The division of Group net income, in accordance with Note 1, is as follows:

2002			$ million
	Total	Royal Dutch (60%)	Shell Transport (40%)
Group net income	**9,419**	**5,651**	**3,768**
less net distributions to Parent Companies	**5,435**	**3,261**	**2,174**
Undistributed net income	**3,984**	**2,390**	**1,594**

2001			$ million
	Total	Royal Dutch (60%)	Shell Transport (40%)
Group net income	10,852	6,511	4,341
less net distributions to Parent Companies	9,163	5,498	3,665
Undistributed net income	1,689	1,013	676

2000			$ million
	Total	Royal Dutch (60%)	Shell Transport (40%)
Group net income	12,719	7,631	5,088
less net distributions to Parent Companies	8,579	5,147	3,432
Undistributed net income	4,140	2,484	1,656

4 Parent Companies' interest in Group net assets

			$ million
	2002	2001	2000
Invested by Parent Companies	**741**	741	741
Retained earnings of Group companies	**68,045**	64,061	62,372
Parent Companies' shares held, net of dividends received (Note 22)	**(2,797)**	(1,953)	(1,311)
Cumulative currency translation differences	**(3,897)**	(6,336)	(4,647)
Unrealised gains/(losses) on:			
securities	**11**	(14)	129
cash flow hedges	**(239)**	(14)	
Minimum pension liability adjustments	**(1,800)**	(325)	(198)
Balance at December 31	**60,064**	56,160	57,086

Earnings retained by the subsidiary and associated companies of the Group Holding Companies (namely Shell Petroleum N.V. and The Shell Petroleum Company Limited) and Shell Petroleum Inc. amounted to $17,850 million at December 31, 2002 (2001: $21,625 million; 2000: $22,615 million). Provision has not been made for taxes on possible future distribution of these undistributed earnings as these earnings have been, or will be, substantially reinvested by the companies concerned. It is not, therefore, meaningful to provide for these taxes nor is it practicable to estimate their full amount or the withholding tax element.

5 Other comprehensive income

2002			$ million
		Net credit/(charge)	
	Pre-tax	Tax	After tax
Currency translation differences	**2,474**	**3**	**2,477**
Reclassifications	**(38)**	**–**	**(38)**
Currency translation differences net of reclassifications	**2,436**	**3**	**2,439**
Unrealised gains/(losses) on securities	**26**	**10**	**36**
Reclassifications	**(12)**	**1**	**(11)**
Unrealised gains/(losses) on securities net of reclassifications	**14**	**11**	**25**
Unrealised gains/(losses) on cash flow hedges	**(209)**	**(7)**	**(216)**
Reclassifications	**(9)**	**–**	**(9)**
Unrealised gains/(losses) on cash flow hedges net of reclassifications	**(218)**	**(7)**	**(225)**
Minimum pension liability adjustments	**(2,446)**	**971**	**(1,475)**
Other comprehensive income	**(214)**	**978**	**764**

2001			$ million
		Net credit/(charge)	
	Pre-tax	Tax	After tax
Currency translation differences	(1,540)	(22)	(1,562)
Reclassifications	(127)	–	(127)
Currency translation differences net of reclassifications	(1,667)	(22)	(1,689)
Unrealised gains/(losses) on securities	(114)	(9)	(123)
Reclassifications	(32)	12	(20)
Unrealised gains/(losses) on securities net of reclassifications	(146)	3	(143)
Unrealised gains/(losses) on cash flow hedges	(1)	(13)	(14)
Reclassifications	–	–	–
Unrealised gains/(losses) on cash flow hedges net of reclassifications	(1)	(13)	(14)
Minimum pension liability adjustments	(209)	82	(127)
Other comprehensive income	(2,023)	50	(1,973)

2000			$ million
		Net credit/(charge)	
	Pre-tax	Tax	After tax
Currency translation differences	(2,677)	(51)	(2,728)
Reclassifications	11	–	11
Currency translation differences net of reclassifications	(2,666)	(51)	(2,717)
Unrealised gains/(losses) on securities	(205)	8	(197)
Reclassifications	(50)	9	(41)
Unrealised gains/(losses) on securities net of reclassifications	(255)	17	(238)
Minimum pension liability adjustments	(115)	45	(70)
Other comprehensive income	(3,036)	11	(3,025)

6 Associated companies

(a) Income

Associated companies engage in similar businesses to Group companies and play an important part in the overall operating activities of the Group. Consequently, the Group share of operating profits arising from associated companies is seen as a contribution to the total Group operating profit and is shown as such in the Statement of Income. The Group share of interest income, interest expense, currency exchange gains/losses and taxation of associated companies has been included within those items in the Statement of Income.

A summarised Statement of Income with respect to the Group share of net income from associated companies, together with a segment analysis, is set out below:

			$ million
	2002	2001	2000
Net proceeds	**33,522**	55,767	60,896
Cost of sales	**26,936**	47,143	51,692
Gross profit	**6,586**	8,624	9,204
Other operating expenses	**3,962**	5,583	5,345
Operating profit	**2,624**	3,041	3,859
Interest and other income	**102**	98	111
Interest expense	**451**	503	498
Currency exchange gains/(losses)	**(15)**	(20)	7
Income before taxation	**2,260**	2,616	3,479
Taxation	**1,002**	1,081	1,515
Net income	**1,258**	1,535	1,964

Income by segment			$ million
	2002	2001	2000
Exploration and Production	**543**	745	990
Gas & Power	**589**	746	505
Oil Products	**250**	456	650
Chemicals	**153**	(26)	174
Corporate and Other	**(277)**	(386)	(355)
	1,258	1,535	1,964

(b) Investments

				$ million
			2002	2001
	Shares	**Loans**	**Total**	Total
At January 1	**15,721**	**2,297**	**18,018**	18,648
New investments	**684**	**605**	**1,289**	1,074
Net asset transfers to/(from) associates, disposals and other movements	**(1,842)**	**(382)**	**(2,224)**	(1,031)
Net income	**1,258**	**–**	**1,258**	1,535
Dividends	**(1,571)**	**–**	**(1,571)**	(1,800)
Currency translation differences	**743**	**108**	**851**	(408)
At December 31	**14,993**	**2,628**	**17,621**	18,018

In 2002, the net asset transfers to/from associates, disposals and other movements mainly comprise the effects of the reclassification of Equilon from an associate to a Group company consequent on the acquisition of the outstanding 44% interest. The amount in 2001 mainly relates to the effects of the reclassification of Sakhalin Energy from an associate to a Group company and repayments of loans.

Net income for 2002 includes $150 million write-down in the carrying amount of InterGen (Gas & Power).

A summarised Statement of Assets and Liabilities with respect to the Group share of investments in associated companies is set out below:

		$ million
	2002	2001
Fixed assets	**27,611**	26,171
Current assets	**6,704**	7,529
Total assets	**34,315**	33,700
Current liabilities	**7,107**	8,588
Long-term liabilities	**9,587**	7,094
Net assets	**17,621**	18,018

An analysis by segment is shown in Note 24.

The Group's major investments in associated companies at December 31, 2002 comprised:

Segment Name	Group interest	Country of incorporation
Exploration and Production		
Aera	52%	USA
Brunei Shell	50%	Brunei
Woodside	34%	Australia
Gas & Power		
InterGen	68%	The Netherlands
Nigeria LNG	26%	Nigeria
Oil Products		
Motiva	50%	USA
Showa Shell	50%	Japan
Chemicals		
Basell	50%	The Netherlands
Saudi Petrochemical	50%	Saudi Arabia

(c) Transactions between Group companies and associated companies

Transactions between Group and associated companies mainly comprise sales and purchases of goods and services in the ordinary course of business and in total amounted to:

			$ million
	2002	2001	2000
Charges to associated companies	**10,573**	13,415	15,590
Charges from associated companies	**5,623**	5,053	5,792

Balances outstanding at December 31, 2002 and 2001 in respect of the above transactions are shown in Notes 13 and 17.

7 Interest and other income

	2002	2001	2000 ($ million)
Group companies			
Interest income	**491**	784	627
Other income	**165**	177	236
	656	961	863
Associated companies	**102**	98	111
	758	1,059	974

8 Interest expense

	2002	2001	2000 ($ million)
Group companies			
Interest incurred	**956**	662	877
less interest capitalised	**43**	32	51
	913	630	826
Associated companies	**451**	503	498
	1,364	1,133	1,324

9 Taxation

(a) Taxation charge for the year

	2002	2001	2000 ($ million)
Group companies			
Current tax charge	**6,752**	7,722	9,251
Deferred tax charge/(credit)	**(137)**	(109)	507
	6,615	7,613	9,758
Associated companies	**1,002**	1,081	1,515
	7,617	8,694	11,273

Reconciliations of the expected tax charge of Group companies to the actual tax charge are as follows:

	2002	2001	2000 ($ million)
Expected tax charge at statutory rates	**6,467**	7,734	9,763
Adjustments of valuation allowance	**(30)**	(70)	(261)
Adjustments in respect of prior years	**(251)**	(258)	(89)
Other items	**429**	207	345
Taxation charge of Group companies	**6,615**	7,613	9,758

The taxation charge of Group companies includes not only income taxes of general application but also income taxes at special rates levied on income from exploration and production activities and various additional income and other taxes to which these activities are subject.

(b) Taxes payable

	2002	2001 ($ million)
Taxes on activities of Group companies	**2,013**	2,220
Sales taxes, excise duties and similar levies and social law taxes	**2,997**	2,274
	5,010	4,494

(c) Provision for deferred taxation

The provision for deferred taxation comprises the following tax effects of temporary differences:

	2002	2001 ($ million)
Tangible and intangible fixed assets	**16,612**	9,080
Other items	**3,504**	3,169
Total deferred tax liabilities	**20,116**	12,249
Tax losses carried forward	**(2,171)**	(1,642)
Provisions		
Pensions and similar obligations	**(1,293)**	(671)
Decommissioning and restoration costs	**(1,700)**	(1,162)
Environmental and other provisions	**(445)**	(322)
Other items	**(4,510)**	(2,936)
Total deferred tax assets	**(10,119)**	(6,733)
Asset valuation allowance	**2,474**	1,630
Net deferred tax assets	**(7,645)**	(5,103)
Net deferred tax liability	**12,471**	7,146

The increase in temporary differences for tangible and intangible fixed assets includes the deferred tax assumed on acquisition of Enterprise Oil (see Note 19).

The Group has tax losses carried forward amounting to $6,687 million at December 31, 2002. Of these, $5,108 million can be carried forward indefinitely. The remaining $1,579 million expires in the following years:

	$ million
2003	97
2004	160
2005	342
2006	142
2007–2011	65
2012–2017	773

10 Tangible and intangible fixed assets

				$ million
			2002	2001
	Tangible	Intangible	**Total Group**	Total Group
Cost				
At January 1	**117,769**	**2,414**	**120,183**	114,093
Capital expenditure	**11,837**	**347**	**12,184**	9,626
Assets assumed on acquisitions (Enterprise Oil, Pennzoil-Quaker State and DEA and additional shares in Equilon), see Note 19	**20,178**	**3,107**	**23,285**	
Sales, retirements and other movements	**(1,735)**	**440**	**(1,295)**	(592)
Currency translation differences	**9,770**	**150**	**9,920**	(2,944)
At December 31	**157,819**	**6,458**	**164,277**	120,183
Depreciation				
At January 1	**66,399**	**1,475**	**67,874**	65,774
Depreciation, depletion and amortisation charge	**8,249**	**205**	**8,454**	6,117
Sales, retirements and other movements	**(1,539)**	**15**	**(1,524)**	(2,295)
Currency translation differences	**5,320**	**67**	**5,387**	(1,722)
At December 31	**78,429**	**1,762**	**80,191**	67,874
Net 2002	**79,390**	**4,696[a]**	**84,086**	
2001	51,370	939[a]		52,309

a Includes goodwill of $2.3 billion at December 31, 2002 (2001: $0.4 billion) of which $1.8 billion resulted from the Oil Products acquisitions.

Capital expenditure, together with acquisitions and new investments in associated companies, and the depreciation, depletion and amortisation charge are shown in Note 24, 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.

The net balances at December 31 include:

		$ million
	2002	2001
Capitalised costs in respect of assets not yet used in operations		
Unproved properties	**4,239**	2,319
Proved properties under development and other assets in the course of construction	**7,421**	6,066
	11,660	8,385

Depreciation, depletion and amortisation charges for the year in the table above are included within the following expense headings in the Statement of Income:

			$ million
	2002	2001	2000
Cost of sales	**7,184**	4,987	6,689
Selling and distribution expenses	**1,095**	1,007	1,087
Administrative expenses	**62**	53	57
Exploration	**80**	42	10
Research and development	**33**	28	42
	8,454	6,117	7,885

Depreciation, depletion and amortisation charges for 2002 include $191 million (2001: $88 million; 2000: $1,345 million) relating to the impairment of tangible fixed assets, and $6 million (2001: nil; 2000: $440 million) relating to the impairment of intangible fixed assets. Such charges are recorded within cost of sales. The application of accounting principles generally accepted in the Netherlands would require amortisation of goodwill. If this accounting treatment were to be applied, the Group's net income in 2002 would be reduced by $120 million. The impairment charges relate to assets held for use (2002: $105 million; 2001: nil; 2000: $1,433 million) and to assets held for sale (2002: $92 million; 2001: $88 million; 2000: $352 million). For 2000 the impairments mainly related to Oil Products resulting from a downward revision in the long-term expectation for certain refinery margins, and to Gas & Power resulting from restructuring of the business in the USA.

Intangible fixed assets include $1.1 billion in respect of Pennzoil and Quaker State trademarks acquired. These are being amortised over an estimated useful life of forty years. Continued brand maintenance in addition to the established long-term leadership of these brands in automotive lubricants and vehicle care markets support this estimate.

Net fixed assets at December 31, 2002 include assets held for sale totalling $0.2 billion (2001: $0.8 billion), consisting primarily of assets in Chemicals and Other industry segments. It is expected that the sales of these assets will occur in 2003. Operating losses included in the Statement of Income relating to these assets totalled $37 million in 2002 (2001: $49 million; 2000: $33 million).

11 Other long-term assets

Reflecting their non-current nature, deferred charges and prepayments due after one year and other non-current assets are presented separately as "Other long-term assets". At December 31, 2002 these include $6,732 million (2001: $6,487 million) of deferred charges and prepayments (including amounts in respect of risk management activities), of which $4,506 million (2001: $4,714 million) relates to prepaid pension costs.

12 Inventories

		$ million
	2002	2001
Inventories of oil and chemicals	**9,383**	5,704
Inventories of materials	**915**	637
	10,298	6,341

Of the total inventories, $1,529 million at December 31, 2002 (2001: $730 million) wholly in North America are valued by the LIFO method. The excess of FIFO cost over the carrying amount of such LIFO inventories was $955 million (2001: $193 million). The movement in 2002 is partly attributable to acquisitions during the year.

13 Accounts receivable

		$ million
	2002	2001
Trade receivables	**15,475**	9,824
Amounts owed by associated companies	**4,834**	1,875
Other receivables	**3,453**	2,692
Deferred charges and prepayments	**4,925**	3,076
	28,687	17,467

Provisions for doubtful items deducted from accounts receivable amounted to $415 million at December 31, 2002 (2001: $312 million). Deferred charges and prepayments include amounts in respect of risk management activities.

14 Investments – securities and short-term securities

(a) Investments – securities

Investments – securities mainly comprises a portfolio of equity and debt securities required to be held long-term by the Group insurance companies as security for their insurance activities. These securities are classified as available for sale. Of these, $689 million at December 31, 2002 (2001: $590 million) are debt securities. The maturities of $362 million of these are between two and five years, and those of $312 million exceed five years.

(b) Short-term securities (including those classified as cash equivalents)

The total carrying amount of short-term securities, including those classified as cash equivalents, is $49 million at December 31, 2002 (2001: $2,233 million). Of these, none is of a trading nature (2001: $2,177 million). The remainder are debt securities which are classified as available for sale.

Short-term securities at December 31, 2002 amounting to $4 million (2001: $189 million) are listed on recognised stock exchanges.

15 Debt

(a) Short-term debt

		$ million
	2002	2001
Debentures and other loans	**9,963**	1,636
Amounts due to banks and other credit institutions (including long-term debt due within one year)	**2,846**	2,344
	12,809	3,980
Capitalised lease obligations	**65**	8
Short-term debt	**12,874**	3,988
less long-term debt due within one year	**2,253**	1,682
Short-term debt excluding long-term debt due within one year	**10,621**	2,306

In 2001, $1.3 billion of non-recourse debt owed by a company (Group interest 64%) was reclassified as short-term debt when a debt covenant (the interest cover ratio) was breached. This covenant breach is continuing and the company has defaulted on $115 million of scheduled principal payments in 2002.

The following relates only to short-term debt excluding long-term debt due within one year:

		$ million
	2002	2001
Maximum amount outstanding at the end of any quarter	**13,098**	2,306
Average amount outstanding	**8,153**	1,859
Amounts due to banks and other credit institutions	**2,378**	2,039
Unused lines of short-term credit	**3,625**	3,679
Approximate average interest rate on:		
average amount outstanding	**3%**	11%
amount outstanding at December 31	**3%**	9%

The amount outstanding at December 31, 2002 includes $6,908 million of fixed rate and $1,364 million of variable rate dollar debt at an average interest rate of 2% and 3% respectively.

(b) Long-term debt

		$ million
	2002	2001
Debentures and other loans	**5,523**	937
Amounts due to banks and other credit institutions	**794**	667
	6,317	1,604
Capitalised lease obligations	**500**	228
Long-term debt	**6,817**	1,832
add long-term debt due within one year	**2,253**	1,682
Long-term debt including long-term debt due within one year	**9,070**	3,514

The following relates to long-term debt including the short-term part but excluding capitalised lease obligations.

Long-term debt denominated in dollars amounted to $5,165 million at December 31, 2002 (2001: $2,904 million). The majority of the amount at December 31, 2002 is fixed rate debt with an average interest rate of 4%; non-dollar denominated debt comprised mainly fixed rate debt at an average interest rate of 4%. The approximate weighted average interest rate in 2002 was 2% for dollar debt and 3% for total debt.

The aggregate maturities of long-term debts are:

	$ million
2003	2,188
2004	1,190
2005	926
2006	1,268
2007	2,153
2008 and after	780

During 2002, the Medium Term Note and Commercial Paper Facilities have been increased to a total level of $26.0 billion. As at December 31, 2002, debt outstanding under central borrowing programmes, which includes these facilities, totalled $13.9 billion with the remaining indebtedness raised by Group companies with no recourse beyond the immediate borrower and/or the local assets.

In accordance with the risk management policy, Group companies have entered into interest rate swap agreements against most of the fixed rate debt. The use of interest rate swaps is further discussed in Note 28 on page 76.

15 Debt

(b) Long-term debt continued

An asset-backed commercial paper programme has been in place since 2001. As at December 31, 2002, $1.0 billion (2001: $0.9 billion) of commercial paper was outstanding, secured mainly on Group originated assets. Neither the originated assets nor the commercial paper obligation are included in the Group's Statement of Assets and Liabilities.

16 Commitments

(a) Leasing arrangements

The future minimum lease payments under operating leases and capital leases, and the present value of net minimum capital lease payments at December 31, 2002 are as follows:

		$ million
	Operating leases	Capital leases
2003	1,906	91
2004	1,192	52
2005	806	51
2006	647	49
2007	512	56
2008 and after	3,553	495
Total minimum payments	8,616	794
less executory costs and interest		229
Present value of net minimum capital lease payments		565

The figures above for operating lease payments represent minimum commitments existing at December 31, 2002 and are not a forecast of future total rental expense.

Total rental expense for all operating leases was as follows:

			$ million
	2002	2001	2000
Minimum rentals	**1,557**	1,377	1,197
Contingent rentals	**104**	105	121
Sub-lease rentals	**(300)**	(174)	(107)
	1,361	1,308	1,211

(b) Long-term purchase obligations

Group companies have unconditional long-term purchase obligations associated with financing arrangements. The aggregate amount of payments required under such obligations at December 31, 2002 is as follows:

	$ million
2003	681
2004	590
2005	500
2006	479
2007	471
2008 and after	6,417
	9,138

The agreements under which these unconditional purchase obligations arise relate mainly to the purchase of chemicals feedstock, utilities and to the use of pipelines.

Payments under these agreements, which include additional sums depending upon actual quantities of supplies, amounted to $441 million in 2002 (2001: $432 million).

(c) Long-term power capacity obligations

Group companies have obligations under certain power generation contracts ("tolling agreements") at December 31, 2002 amounting to $6.9 billion (2001: $7.4 billion), of which $0.7 billion (2001: $0.7 billion) is conditional upon the exercise of a renewal option by the owner of one of the plants. ($2.2 billion of the amount at December 31, 2001 was conditional upon the ability of power plant owners to secure financing.) The timing of the payments under such obligations at December 31, 2002 is as follows:

	$ million
2003	169
2004	308
2005	338
2006	330
2007	333
2008 and after	5,392
	6,870

The fair value of tolling agreements at December 31, 2002 and December 31, 2001, which are included in assets and liabilities in respect of risk management activities (see Notes 13 and 17), and the resultant effect on net income for 2002, 2001 and 2000, was not significant. Recognition in the Financial Statements at fair value is in accordance with generally accepted accounting principles in the US ("US GAAP").

The application of accounting principles generally accepted in the Netherlands would require certain tolling agreements to be treated as capital leases. If this accounting treatment were to be applied, additional tangible fixed assets and related long-term liabilities of approximately $3.3 billion at December 31, 2002 (2001: $2.2 billion) would be reflected in the Statement of Assets and Liabilities and the resultant effect on the Group's net income for 2002, 2001 and 2000 would not have been significant. With respect to the conditional amounts referred to above, up to an additional $0.3 billion (2001: $1.5 billion) would be included on satisfaction of such conditions.

There have been recent developments in US GAAP of relevance to the accounting for tolling agreements, the direction of which is aligning US and Netherlands GAAP. These developments include the applicability of fair value accounting treatment and FIN 46 "Consolidation of Variable Interest Entities" where the impact is being assessed. It is reasonably possible that the majority of the tolling entities will be considered as variable interest entities of which a Group company is the primary beneficiary; such entities would be required to be consolidated no later than the third quarter, 2003. Group accounting policy in 2003 for these agreements is likely to be affected by these developments.

17 Accounts payable and accrued liabilities

		$ million
	2002	2001
Trade payables	**13,049**	8,476
Amounts due to associated companies	**2,075**	1,070
Pensions and similar obligations	**250**	193
Other payables	**10,588**	4,677
Accruals and deferred income	**6,116**	4,468
	32,078	18,884

Other payables include amounts in respect of risk management activities and, at December 31, 2002, $1.3 billion for the acquisition of DEA, payable in July 2003.

18 Long-term liabilities – Other

This includes amounts in respect of risk management activities, advance payments under long-term supply contracts, deposits, liabilities under staff benefit programmes, deferred income and environmental liabilities. The amount includes $926 million at December 31, 2002 (2001: $754 million) which does not fall due until more than five years after the respective balance sheet dates.

19 Statement of Cash Flows

This statement reflects the cash flows arising from the activities of Group companies as measured in their own currencies, translated to dollars at quarterly average rates of exchange.

Accordingly, the cash flows recorded in the Statement of Cash Flows exclude both the currency translation differences which arise as a result of translating the assets and liabilities of non-dollar Group companies to dollars at year-end rates of exchange (except for those arising on cash and cash equivalents) and non-cash investing and financing activities. These currency translation differences and non-cash investing and financing activities must therefore be added to the cash flow movements at average rates in order to arrive at the movements derived from the Statement of Assets and Liabilities.

2002				$ million
	Movements from Statement of Cash Flows	Movements arising from currency translation	Non-cash movements	Movements derived from Statement of Assets and Liabilities
Tangible and intangible fixed assets	**12,193**	**4,533**	**15,051**	**31,777**
Investments – associates	**460**	**851**	**(1,708)**	**(397)**
Other long-term assets	**773**	**547**	**(1,737)**	**(417)**
Inventories	**1,461**	**704**	**1,792**	**3,957**
Accounts receivable	**5,761**	**1,551**	**3,908**	**11,220**
Cash and cash equivalents	**(5,267)**	**153**	**–**	**(5,114)**
Short-term debt	**(7,058)**	**(855)**	**(402)**	**(8,315)**
Short-term part of long-term debt	**(554)**	**(17)**	**–**	**(571)**
Accounts payable and accrued liabilities	**(6,885)**	**(2,369)**	**(3,940)**	**(13,194)**
Taxes payable	**710**	**(728)**	**(498)**	**(516)**
Long-term debt	**688**	**(502)**	**(5,171)**	**(4,985)**
Other long-term liabilities	**(236)**	**(346)**	**(1,021)**	**(1,603)**
Deferred taxation	**161**	**(1,214)**	**(4,272)**	**(5,325)**
Other provisions	**(434)**	**(619)**	**(2,545)**	**(3,598)**
Other items	**(179)**	**(347)**	**563**	**37**
Net distributions to Parent Companies	**1,526**	**(578)**	**–**	**948**
Adjustment for Parent Companies' shares and Other comprehensive income excluding currency translation differences	**864**	**1,675**	**(20)**	
	3,984	**2,439**	**–**	**3,904**

Income taxes paid by Group companies totalled $6.7 billion in 2002 (2001: $9.3 billion; 2000: $8.8 billion). Interest paid by Group companies was $1.0 billion in 2002 (2001: $0.7 billion; 2000: $0.9 billion).

The main non-cash movements reflect the following fair values of assets acquired and liabilities assumed resulting from: in Exploration and Production, the acquisition of Enterprise Oil (second quarter); and, in Oil Products, of Pennzoil-Quaker State (fourth quarter) and DEA (first quarter) and from the reclassification of Equilon from an associate to a Group company due to the acquisition of the outstanding shares (first quarter):

			$ million
	Exploration and Production	Oil Products	Total
Tangible and intangible fixed assets	11,286	11,999	23,285
Other assets	736	5,772	6,508
Total assets acquired	12,022	17,771	29,793
Current liabilities (excluding debt)	252	3,609	3,861
Debt	2,359	3,608	5,967
Deferred taxation	3,771	638	4,409
Other long-term liabilities and provisions	346	2,220	2,566
Total liabilities assumed	6,728	10,075	16,803
Less: Investment in associate reclassified	–	2,730	2,730
Purchase consideration[a]	5,294	4,966	10,260

a Includes $1.3 billion relating to DEA, payable in July 2003.

20 Employee retirement plans and other postretirement benefits

Retirement plans are provided for permanent employees of all major Group companies. The nature of such plans varies according to the legal and fiscal requirements and economic conditions of the country in which the employees are engaged. Generally, the plans provide defined benefits based on employees' years of service and average final remuneration.

Some Group companies have established unfunded defined benefit plans to provide certain postretirement health care and life insurance benefits to their retirees, the entitlement to which is usually based on the employee remaining in service up to retirement age and the completion of a minimum service period.

Plan assets principally comprise marketable securities and property holdings.

								$ million
	Pension benefits							Other benefits
	2002	2001			**2002**			2001
			USA	Other	**Total**	USA	Other	**Total**
Change in benefit obligation								
Obligations for benefits based on employee service to date at January 1	**32,239**	31,420	**906**	**344**	**1,250**	838	262	1,100
Increase in present value of the obligation for benefits based on employee service during the year	**899**	681	**32**	**7**	**39**	10	3	13
Interest on the obligation for benefits in respect of employee service in previous years	**2,001**	1,784	**111**	**21**	**132**	61	15	76
Benefit payments made	**(1,780)**	(1,559)	**(72)**	**(21)**	**(93)**	(52)	(18)	(70)
Currency translation effects	**3,938**	(1,071)	**–**	**45**	**45**	–	(14)	(14)
Other components[a]	**1,812**	984	**1,091**	**(19)**	**1,072**	49	96	145
Obligations for benefits based on employee service to date at December 31[b]	**39,109**	32,239	**2,068**	**377**	**2,445**	906	344	1,250
Change in plan assets								
Plan assets held in trust at fair value at January 1	**36,420**	42,333						
Actual return on plan assets	**(5,943)**	(3,420)						
Employer contributions	**227**	173						
Plan participants' contributions	**17**	11						
Benefit payments made	**(1,780)**	(1,559)						
Currency translation effects	**3,709**	(1,407)						
Other components[a]	**385**	289						
Plan assets held in trust at fair value at December 31[b]	**33,035**	36,420						
Plan assets in excess of/(less than) the present value of obligations for benefits at December 31	**(6,074)**	4,181	**(2,068)**	**(377)**	**(2,445)**	(906)	(344)	(1,250)
Unrecognised net (gains)/losses remaining from the adoption of current method of determining pension costs	**9**	(62)						
Unrecognised net (gains)/losses since adoption	**9,125**	(1,334)	**692**	**93**	**785**	61	105	166
Unrecognised prior service cost/(credit)	**1,254**	1,016	**(26)**	**–**	**(26)**	(4)	(1)	(5)
Net amount recognised	**4,314**	3,801	**(1,402)**	**(284)**	**(1,686)**	(849)	(240)	(1,089)
Amounts recognised in the Statement of Assets and Liabilities:								
Intangible assets	**420**	–						
Prepaid benefit costs	**4,506**	4,714						
Accrued benefit liabilities	**(3,580)**	(1,435)	**(1,402)**	**(284)**	**(1,686)**	(849)	(240)	(1,089)
Amount recognised in Parent Companies' Interest in Group Net Assets:								
Accumulated other comprehensive income	**2,968**	522						
Net amount recognised	**4,314**	3,801	**(1,402)**	**(284)**	**(1,686)**	(849)	(240)	(1,089)

a Other components comprise mainly the effect of acquisitions and changes in actuarial assumptions.

b For employee retirement plans with benefit obligation in excess of plan assets, the respective amounts at December 31, 2002 were benefit obligations of $26,343 million (2001: $2,590 million) and plan assets of $21,072 million (2001: $1,698 million). The obligation for pension benefits at December 31, 2002 in respect of unfunded plans was $1,302 million (2001: $621 million).

20 Employee retirement plans and other postretirement benefits continued

Benefit costs for the year comprise:

	Pension benefits			Other benefits									$ million
	2002	2001	2000	2002			2001			2000			
				USA	Other	Total	USA	Other	Total	USA	Other	Total	
Service cost	**899**	681	681	**32**	**7**	**39**	10	3	13	10	4	14	
Interest cost	**2,001**	1,784	1,700	**111**	**21**	**132**	61	15	76	61	16	77	
Expected return on plan assets	**(3,339)**	(3,005)	(2,839)										
Other components	**(100)**	(216)	(284)	**76**	**7**	**83**	(2)	2	–	(3)	2	(1)	
Cost of defined benefit plans	**(539)**	(756)	(742)	**219**	**35**	**254**	69	20	89	68	22	90	
Payments to defined contribution plans	**84**	87	75										
	(455)	(669)	(667)	**219**	**35**	**254**	69	20	89	68	22	90	

Discount rates, projected rates of remuneration growth and expected rates of return on plan assets vary for the different plans as they are determined in the light of local conditions. The weighted averages applicable for the principal plans in the Group are:

	Pension benefits		Other benefits			
	2002	2001	2002		2001	
			USA	Other	USA	Other
Discount rate	**5.9%**	6.0%	**6.5%**	**5.6%**	7.0%	6.0%
Projected rate of remuneration growth	**4.0%**	4.0%				
Expected rate of return on plan assets	**8.0%**	7.8%				
Health care cost trend rate in year after reporting year			**7.8%**	**4.6%**	6.5%	4.7%
Ultimate health care cost trend rate			**5.0%**	**2.9%**	5.0%	2.9%
Year ultimate health care cost trend rate is applicable			**2010**	**2004**	2005	2003

The effect of a one percentage point increase/(decrease) in the annual rate of increase in the assumed health care cost trend rates would be to increase/(decrease) annual postretirement benefit cost by approximately $27 million/($24 million) and the accumulated postretirement benefit obligation by approximately $341 million/($287 million).

21 Employee emoluments and numbers

(a) Emoluments

	2002	2001	2000 $ million
Remuneration	**6,096**	4,651	4,560
Social law taxes	**518**	395	390
Pensions and similar obligations (Note 20)	**(201)**	(580)	(577)
	6,413	4,466	4,373

(b) Average numbers

	2002	2001	2000 thousands
Exploration and Production	**17**	14	13
Gas & Power	**2**	2	2
Oil Products	**75**	58	58
Chemicals	**9**	9	14
Corporate and Other	**8**	7	8
	111	90	95

(c) Year-end numbers

	2002	2001	2000 thousands
Exploration and Production	**17**	15	13
Gas & Power	**2**	2	2
Oil Products	**80**	58	58
Chemicals	**9**	9	10
Corporate and Other	**8**	7	7
	116	91	90

In addition to remuneration above, there were charges for redundancy of $215 million in 2002 (2001: $110 million; 2000: $120 million).

The liabilities for redundancies at December 31, 2002 totalled $395 million (2001: $222 million; 2000: $300 million), including $98 million remaining from liabilities assumed on acquisitions in 2002.

22 Stock-based compensation plans and Parent Companies' shares held by Group companies

Stock-based compensation plans

Certain Group companies have in place various stock-based plans for senior staff and other employees of those and other Group companies. Details of the principal plans are given below.

The Group Stock Option Plans offer eligible employees options over Royal Dutch ordinary shares (Royal Dutch shares) or Shell Transport Ordinary shares (Shell Transport shares) at a price not less than the fair market value of the shares at the date the options were granted. The options are mainly exercisable three years from grant. The options lapse ten years after grant or, if earlier, on resignation from Group employment (subject to certain exceptions). For Group Managing Directors and the most senior executives, a proportion of the options granted is subject to performance conditions primarily based on Total Shareholder Return.

Under the Restricted Stock Plan, grants are made on a highly selective basis to senior staff. A maximum of 250,000 Royal Dutch shares (or equivalent value in Shell Transport shares) can be granted under the plan in any year. Shares are granted subject to a three-year restriction period and the number of shares awarded is based on the share price at the start of the restricted period. The shares, together with additional shares equivalent to the value of the dividends payable over the restriction period, are released to the individual at the end of the three-year period.

The following table shows for 2001 and 2002, in respect of option plans, the number of shares under option at the beginning of the year, the number of options granted, exercised and expired during the year and the number of shares under option at the end of the year, together with their weighted average exercise price translated at the respective year-end exchange rates:

	Royal Dutch shares		Shell Transport shares		Shell Canada common shares[a]	
	Number (thousands)	Weighted average exercise price ($)	Number (thousands)	Weighted average exercise price ($)	Number (thousands)	Weighted average exercise price ($)
Under option at 1 January, 2001	10,214	47.86	41,937	6.34	2,560	15.81
Granted	11,302	59.24	30,601	8.33	1,311	22.95
Exercised	(886)	34.23	(6,882)	5.21	(240)	13.59
Expired	(229)	41.65	(644)	5.97	(15)	20.13
Under option at December 31, 2001	20,401	54.10	65,012	7.30	3,616	17.89
Granted	13,792	59.71	39,210	8.45	1,567	28.36
Exercised	(180)	47.12	(796)	6.21	(394)	14.45
Expired	(632)	54.50	(1,979)	7.53	(12)	25.21
Under option at December 31, 2002	33,381	59.86	101,447	8.26	4,777	21.71

a Unissued.

The following tables provide further information about the options outstanding at December 31, 2002:

	Royal Dutch shares				
	Options outstanding			Options exercisable	
Range of exercise prices	Number (thousands)	Weighted average remaining contractual life (years)	Weighted average exercise price ($)	Number (thousands)	Weighted average exercise price ($)
$40 to $45	2,062	5.3	42.98	1,873	43.07
$45 to $50	11	8.8	47.98	4	47.98
$50 to $55	10,231	7.9	53.46	2,784	51.75
$55 to $60	814	7.7	56.92	425	56.44
$60 to $65	14,263	8.5	62.74	1,195	60.77
$65 to $70	2,637	7.8	65.51	–	–
$70 to $75	3,363	8.3	73.79	–	–
$40 to $75	33,381	8.0	59.86	6,281	51.19

22 Stock-based compensation plans and Parent Companies' shares held by Group companies continued

	Shell Transport shares				
	Options outstanding			Options exercisable	
Range of exercise prices	Number (thousands)	Weighted average remaining contractual life (years)	Weighted average exercise price ($)	Number (thousands)	Weighted average exercise price ($)
$5 to $6	11,511	4.9	5.84	11,511	5.84
$6 to $7	512	9.8	6.47	–	–
$7 to $8	7,384	3.9	7.06	7,384	7.06
$8 to $9	69,252	8.3	8.51	–	–
$9 to $10	12,788	5.9	9.84	–	–
$5 to $10	101,447	7.3	8.26	18,895	6.32

In the UK, The Shell Petroleum Company Limited and Shell Petroleum N.V. each operate a savings-related stock option scheme, under which options are granted over shares of Shell Transport at prices not less than the market value on a date not more than 30 days before the date of the grant of option and are normally exercisable after completion of a three-year or five-year contractual savings period. The following table shows for 2001 and 2002, in respect of these plans, the number of Shell Transport shares under option at the beginning of the year, the number of options granted, exercised and expired during the year and the number of shares under option at the end of the year:

		thousands
	2002	2001
Under option at 1 January	**17,549**	19,538
Granted	**6,898**	4,291
Exercised	**(4,911)**	(4,818)
Expired	**(856)**	(1,462)
Under option at December 31	**18,680**	17,549

In 2001, the Global Employee Share Purchase Plan was implemented giving eligible employees the opportunity to buy Royal Dutch or Shell Transport shares, with 15% added after a specified holding period. At December 31, 2002, 3,310 (2001: 25,990) Royal Dutch shares and 14,578 (2001: 77,627) Shell Transport shares were held by Group companies in connection with the Global Employee Share Purchase Plan.

Effects on Group net income and Earnings per share under the fair value method

A comparison of the Group's net income and Earnings per share for both Royal Dutch and Shell Transport as reported under the intrinsic value method and on a pro forma basis calculated as if the fair value of options and share purchase rights granted would have been considered as compensation expense is as follows:

	2002		2001		2000	
	As reported	Pro forma	As reported	Pro forma	As reported	Pro forma
Group net income ($ million)	**9,419**	**9,216**	10,852	10,742	12,719	12,688
Earnings per share attributable to Royal Dutch ($)	**2.70**	**2.64**	3.07	3.04	3.56	3.55
Earnings per ADR attributable to Shell Transport ($)	**2.33**	**2.28**	2.65	2.62	3.07	3.06

The fair value of the Group's 2002 option grants was estimated using a Black-Scholes option pricing model and the following assumptions for US dollar, euro and sterling denominated options respectively: risk-free interest rates of 4.6, 4.9 and 5.3 percent; dividend yield of 2.8, 2.7 and 2.8 percent; volatility of 31.2, 30.1 and 32.6 percent and expected lives of five years.

Parent Companies' shares held by Group companies

Group companies purchase shares of the Parent Companies in the open market with the purpose of hedging their future obligations arising from the stock options granted to their employees and employees of other Group companies. The number of shares held by Group companies at December 31 in connection with stock option plans were as follows:

	2002	2001
Royal Dutch shares	**29,892,326**	17,428,720
Shell Transport shares	**111,121,746**	80,448,200

22 Stock-based compensation plans and Parent Companies' shares held by Group companies continued
In connection with other incentive compensation plans linked to the appreciation in value of Royal Dutch and of Shell Transport shares, 9,185,957 Royal Dutch shares and 385,800 Shell Transport shares were held by Group companies at December 31, 2002 and 2001. In addition, 33,600 shares of Royal Dutch were held by Group companies at December 31, 2002 and 2001.

The carrying amount of these and all Parent Company shares held in connection with the stock-based compensation plans at December 31, 2002 is $2,797 million (2001: $1,953 million).

23 Decommissioning and restoration costs
For the purposes of calculating provisions for decommissioning and restoration costs, estimated total ultimate liabilities of $5.2 billion at December 31, 2002 (2001: $4.3 billion) were used. Such estimates are subject to various regulatory and technological developments.

New US accounting standard FAS 143 (Asset Retirement Obligations) requires that an entity shall recognise the discounted ultimate liability for an asset retirement obligation in the period in which it is incurred together with an offsetting asset. This standard will be effective for the Group from 2003 and the expected amount of the transition adjustment after tax is a credit to income of approximately $0.3 billion.

24 Information by geographical area and by industry segment
(a) Geographical area

$ million

	2002		2001		2000	
	Net proceeds	Fixed assets	Net proceeds	Fixed assets	Net proceeds	Fixed assets
Europe	**65,137**	**36,770**	62,259	19,286	68,060	22,102
Other Eastern Hemisphere	**33,322**	**28,957**	31,866	26,513	34,144	22,767
USA	**62,632**	**27,082**	21,095	17,651	26,089	15,884
Other Western Hemisphere	**18,340**	**12,037**	19,991	9,899	20,853	8,977
Total Group	**179,431**	**104,846**	135,211	73,349	149,146	69,730

(b) Industry segment

2002 $ million

	Total Group	Exploration and Production	Gas & Power	Oil Products	Chemicals	Corporate and Other
Sales						
third parties	**179,431**	**12,017**	**16,992**	**135,544**	**14,125**	**753**
inter-segment		**14,319**	**620**	**3,080**	**1,082**	**17**
Net proceeds		**26,336**	**17,612**	**138,624**	**15,207**	**770**
Operating profit/(loss)						
Group companies	**15,199**	**12,527**	**107**	**2,688**	**321**	**(444)**
Group share of associated companies	**2,624**	**1,322**	**751**	**358**	**213**	**(20)**
	17,823	**13,849**	**858**	**3,046**	**534**	**(464)**
Interest and other income	**758**	**98**	**118**	**14**	**3**	**525**
Interest expense	**1,364**					**1,364**
Currency exchange gains/(losses)	**(23)**	**(26)**	**6**	**(64)**	**(16)**	**77**
Taxation	**7,617**	**6,924**	**208**	**818**	**32**	**(365)**
Income applicable to minority interests	**158**					
Net income	**9,419**	**6,997**	**774**	**2,178**	**489**	**(861)**
Total assets at December 31	**152,691**	**57,914**	**16,057**	**59,389**	**13,966**	**5,365**
Investments in associated companies at December 31	**17,621**	**3,594**	**4,679**	**5,017**	**4,154**	**177**
Capital expenditure, acquisitions and new investments in associated companies	**23,733**	**13,237**	**952**	**7,968**	**998**	**578**
Depreciation, depletion and amortisation charge	**8,454**	**5,406**	**128**	**2,406**	**401**	**113**
of which: Impairment	**197**	**33**	**5**	**110**	**29**	**20**

24 Information by geographical area and by industry segment
(b) Industry segment continued

2001 — $ million

	Total Group	Exploration and Production	Gas & Power	Oil Products	Chemicals	Corporate and Other
Sales						
third parties	135,211	12,137	15,721	93,517	13,260	576
inter-segment		13,951	705	2,108	990	2
Net proceeds		26,088	16,426	95,625	14,250	578
Operating profit/(loss)						
Group companies	16,961	14,256	538	2,631	124	(588)
Group share of associated companies	3,041	1,532	941	654	(27)	(59)
	20,002	15,788	1,479	3,285	97	(647)
Interest and other income	1,059	52	128	(12)	2	889
Interest expense	1,133					1,133
Currency exchange gains/(losses)	(30)	(4)	4	(50)	(6)	26
Taxation	8,694	7,813	385	891	(137)	(258)
Income applicable to minority interests	352					
Net income	10,852	8,023	1,226	2,332	230	(607)
Total assets at December 31	111,543	39,918	11,815	37,545	12,056	10,209
Investments in associated companies at December 31	18,018	3,462	4,614	6,072	3,739	131
Capital expenditure and new investments in associated companies	10,700	7,164	908	1,527	760	341
Depreciation, depletion and amortisation charge	6,117	3,834	106	1,617	404	156
of which: Impairment	88	8	(8)	(4)	40	52

2000 — $ million

	Total Group	Exploration and Production	Gas & Power	Oil Products	Chemicals	Corporate and Other
Sales						
third parties	149,146	13,468	15,991	104,002	15,205	480
inter-segment		14,326	496	2,280	1,102	–
Net proceeds		27,794	16,487	106,282	16,307	480
Operating profit/(loss)						
Group companies	20,641	17,681	(360)	2,789	876	(345)
Group share of associated companies	3,859	2,007	646	990	240	(24)
	24,500	19,688	286	3,779	1,116	(369)
Interest and other income	974	15	83	92	6	778
Interest expense	1,324					1,324
Currency exchange gains/(losses)	(114)	8	6	(35)	9	(102)
Taxation	11,273	9,652	263	1,399	139	(180)
Income applicable to minority interests	44					
Net income	12,719	10,059	112	2,437	992	(837)
Total assets at December 31	122,498	36,155	17,767	41,860	12,989	13,727
Investments in associated companies at December 31	18,648	4,225	3,929	6,527	3,899	68
Capital expenditure and new investments in associated companies	7,370	3,994	769	1,456	977	174
Depreciation, depletion and amortisation charge	7,885	3,569	841	2,590	724	161
of which: Impairment	1,785	105	697	824	104	55

25 Oil and gas exploration and production activities

(a) Capitalised costs

The aggregate amount of tangible and intangible fixed assets of Group companies relating to oil and gas exploration and production activities and the aggregate amount of the related depreciation, depletion and amortisation at December 31 are shown in the table below:

	2002	2001	2000
			$ million
Cost			
Proved properties	**85,057**	63,185	57,136
Unproved properties	**4,564**	2,531	2,308
Support equipment and facilities	**4,031**	3,082	1,586
	93,652	68,798	61,030
Depreciation			
Proved properties	**44,452**	37,246	34,672
Unproved properties	**325**	212	141
Support equipment and facilities	**1,592**	1,145	1,033
	46,369	38,603	35,846
Net capitalised costs	**47,283**	30,195	25,184

The Group share of associated companies' net capitalised costs was $3,221 million at December 31, 2002 (2001: $2,966 million; 2000: $3,831 million).

(b) Costs incurred

Costs incurred by Group companies during the year in oil and gas property acquisition, exploration and development activities, whether capitalised or charged to income currently, are shown in the table below. Development costs exclude costs of acquiring support equipment and facilities, but include depreciation thereon.

2002	Eastern Hemisphere		Western Hemisphere		$ million
	Europe	Other	USA	Other	Total
Acquisition of properties					
Proved	**4,119**	**106**	**565**	**801**	**5,591**
Unproved	**1,350**	**56**	**368**	**412**	**2,186**
Exploration	**191**	**468**	**328**	**182**	**1,169**
Development	**1,876**	**2,310**	**1,520**	**1,349**	**7,055**

2001	Eastern Hemisphere		Western Hemisphere		$ million
	Europe	Other	USA	Other	Total
Acquisition of properties					
Proved	5	1,069	290	9	1,373
Unproved	23	70	157	(19)	231
Exploration	114	581	303	203	1,201
Development	1,047	1,535	1,214	1,077	4,873

2000	Eastern Hemisphere		Western Hemisphere		$ million
	Europe	Other	USA	Other	Total
Acquisition of properties					
Proved	1	–	69	–	70
Unproved	4	118	34	57	213
Exploration	79	421	305	115	920
Development	912	1,063	809	575	3,359

The Group share of associated companies' costs incurred was $551 million in 2002 (2001: $415 million; 2000: $227 million).

(c) Earnings

Earnings of Group companies from exploration and production activities are given in the table below. Certain purchases of traded product are netted into sales.

2002	Eastern Hemisphere		Western Hemisphere		$ million
	Europe	Other	USA	Other	Total
Sales					
third parties	**5,536**	**2,806**	**1,997**	**946**	**11,285**
intra-group	**4,113**	**6,811**	**2,863**	**532**	**14,319**
Net proceeds	**9,649**	**9,617**	**4,860**	**1,478**	**25,604**
Production costs[a]	**1,826**	**2,746**	**589**	**451**	**5,612**
Exploration expense	**171**	**355**	**222**	**167**	**915**
Depreciation, depletion and amortisation	**2,209**	**1,620**	**1,351**	**320**	**5,500**
Other income/(costs)	**(145)**	**(371)**	**(330)**	**(132)**	**(978)**
Earnings before taxation	**5,298**	**4,525**	**2,368**	**408**	**12,599**
Taxation	**2,407**	**2,822**	**801**	**115**	**6,145**
Earnings from operations	**2,891**	**1,703**	**1,567**	**293**	**6,454**

2001	Eastern Hemisphere		Western Hemisphere		$ million
	Europe	Other	USA	Other	Total
Sales					
third parties	4,971	2,433	2,771	916	11,091
intra-group	3,723	7,131	2,306	791	13,951
Net proceeds	8,694	9,564	5,077	1,707	25,042
Production costs[a]	1,276	2,588	496	509	4,869
Exploration expense	93	353	268	143	857
Depreciation, depletion and amortisation	1,271	1,247	1,072	244	3,834
Other income/(costs)	(395)	(231)	(305)	(247)	(1,178)
Earnings before taxation	5,659	5,145	2,936	564	14,304
Taxation	2,483	3,307	1,035	201	7,026
Earnings from operations	3,176	1,838	1,901	363	7,278

25 Oil and gas exploration and production activities

(c) Earnings continued

2000					$ million
	Eastern Hemisphere		Western Hemisphere		**Total**
	Europe	Other	USA	Other	
Sales					
third parties	5,378	2,296	3,199	1,197	12,070
intra-group	3,714	7,763	2,165	666	14,308
Net proceeds	9,092	10,059	5,364	1,863	26,378
Production costs[a]	1,493	2,695	427	538	5,153
Exploration expense	89	399	190	75	753
Depreciation, depletion and amortisation	1,429	872	953	315	3,569
Other income/(costs)	207	530	378	(314)	801
Earnings before taxation	6,288	6,623	4,172	621	17,704
Taxation	2,792	4,266	1,404	173	8,635
Earnings from operations	3,496	2,357	2,768	448	9,069

a Includes certain royalties paid in cash amounting to $1,600 million in 2002 (2001: $1,605 million; 2000: $1,923 million).

The Group share of associated companies' earnings was $543 million in 2002 (2001: $745 million; 2000: $990 million) after deducting taxation of $779 million in 2002 (2001: $787 million; 2000: $1,017 million).

26 Auditors' remuneration

			$ million
Remuneration of KPMG and PricewaterhouseCoopers	**2002**	2001	2000
Audit fees	**25**	18	17
Fees for non-audit services	**35**	32	47

27 Contingencies and litigation

Contingent liabilities of Group companies arising from guarantees related to obligations of non-Group companies amounted to $4.1 billion at December 31, 2002 (2001: $3.2 billion). An analysis of the guarantees outstanding at December 31, 2002 is given in the following table:

	$ billion
In respect of debt	2.1
In respect of customs duties	1.0
Other	1.0
	4.1

Guarantees in respect of debt include $1.1 billion that expire by 2005 relating to project finance from a syndicate of banks to an associated company and $0.7 billion, joint and several, relating to project finance from a bank to a joint venture expiring upon completion of the loan repayments in 2014. Guarantees in respect of customs duties mainly relate to a cross guarantee, renewable annually, for amounts payable by industry participants in a western European country.

Group companies are subject to a number of other loss contingencies arising out of litigation and claims brought by governmental and private parties. In the judgement of the Directors of the Group Holding Companies no losses, in excess of provisions made, which are material in relation to the Group financial position are likely to arise in respect of the foregoing matters, although their occurrence may have a significant effect on periodic results.

The operations and earnings of Group companies continue, from time to time, to be affected to varying degrees by political, legislative, fiscal and regulatory developments, including those relating to environmental protection, in the countries in which they operate. The industries in which Group companies are engaged are also subject to physical risks of various types. The nature and frequency of these developments and events, not all of which are covered by insurance, as well as their effect on future operations and earnings, are unpredictable.

28 Financial instruments

Group companies, in the normal course of business, use various types of financial instruments which expose the Group to market or credit risk. Group companies have procedures and policies in place to limit the amount of credit exposure to any counterparty or market. These procedures and the broad geographical spread of Group companies' activities limit the Group's exposure to concentrations of credit or market risk.

Some Group companies enter into derivatives such as interest rate swaps/forward rate agreements to manage interest rate exposure. The financing of most Operating Companies is structured on a floating-rate basis and, except in special cases, further interest rate risk management is discouraged. Foreign exchange derivatives, such as forward exchange contracts and currency swaps/options, are used by some Group companies to manage foreign exchange risk. Commodity swaps, options and futures are used to manage price and timing risks mainly involving crude oil, natural gas and oil products.

The estimated fair value and carrying amount of derivatives held by Group companies at December 31 is as follows:

		$ million
	2002	2001
Interest rate swaps/forward rate agreements	**169**	18
Forward exchange contracts and currency swaps/options	**(88)**	21
Commodity swaps, options and futures	**119**	17
	200	56

Additional data related to derivatives and risk disclosures, required by the United States Securities and Exchange Commission, are given in the 2002 Annual Report on Form 20-F of Royal Dutch and Shell Transport. (See inside back cover for details of where to obtain a copy.)

Pricing and delivery conditions contained within certain contracts for the sale and delivery of own natural gas production from the UK North Sea are not solely based on hydrocarbon-related market prices. Such pricing, which is different from all other similar contracts for western European production volumes, could be interpreted to require fair value treatment under FAS 133; however, fair value treatment has not been applied in order to report all contracts in Europe on a consistent basis. Applying FAS 133 accounting to these contracts would have had an insignificant effect on the Group's 2002 net income.

Other financial instruments in the Statement of Assets and Liabilities include fixed assets: investments – securities, trade receivables, short-term securities, cash and cash equivalents, short and long-term debt, and assets and liabilities in respect of risk management activities. The estimated fair values of these instruments approximate their carrying amounts.

New US accounting guidance EITF Issue No. 02–03 ("Issues Involved in Accounting for Derivative Contracts Held for Trading Purposes and Contracts Involved in Energy Trading and Risk Management Activities") requires that certain energy trading contracts are no longer reported at fair value unless they qualify as derivatives under FAS 133. This has applied from October 26, 2002 for new contracts and from January 1, 2003 for other contracts; the change on January 1, 2003 will not have a significant effect on the Group's Financial Statements. EITF 02–03 further requires that gains and losses on all derivative instruments within the scope of FAS 133 be shown net in the Statement of Income if the derivative instruments are held for trading purposes. This will be applied by the Group from 2003 and the impact is under review.

Supplementary Information – Oil and Gas

Reserves

Net quantities of proved oil and gas reserves are shown in the tables on this page and pages 78 to 79. Proved reserves are the estimated quantities of oil and gas which geological and engineering data demonstrate with reasonable certainty to be recoverable in future years from known reservoirs under existing economic and operating conditions. Proved developed reserves are those reserves which can be expected to be recovered through existing wells with existing equipment and operating methods. The reserves reported exclude volumes attributable to oil and gas discoveries which are not at present considered proved. Such reserves will be included when technical, fiscal and other conditions allow them to be economically developed and produced.

Proved reserves are shown net of any quantities of crude oil or natural gas that are expected to be taken by others as royalties in kind but do not exclude certain quantities related to royalties expected to be paid in cash or those related to fixed margin contracts. Proved reserves include certain quantities of crude oil or natural gas which will be produced under arrangements which involve Group companies in upstream risks and rewards but do not transfer title of the product to those companies.

Oil and gas reserves cannot be measured exactly since estimation of reserves involves subjective judgement and arbitrary determinations. Estimates remain subject to revision.

Crude oil and natural gas liquids

Group companies' estimated net proved reserves of crude oil and natural gas liquids at the end of the year, their share of the net proved reserves of associated companies at the end of the year, and the changes in such reserves during the year are set out below.

Proved developed and undeveloped reserves															million barrels
					2002					2001					2000
	Eastern Hemisphere		Western Hemisphere		Total	Eastern Hemisphere		Western Hemisphere		Total	Eastern Hemisphere		Western Hemisphere		Total
	Europe	Other	USA	Other		Europe	Other	USA	Other		Europe	Other	USA	Other	
Group companies															
At January 1	1,105	6,188	675	576	8,544	1,173	6,276	611	610	8,670	1,330	6,143	578	458	8,509
Revisions and reclassifications	103	(170)	77	16	26	47	130	31	17	225	81	210	15	99	405
Improved recovery	15	69	51	–	135	67	51	–	–	118	45	143	–	91	279
Extensions and discoveries	–	389	33	1	423	17	17	139	1	174	12	188	126	1	327
Purchases of minerals in place	667	–	7	102	776	–	80	3	–	83	–	–	–	–	–
Sales of minerals in place	(1)	(101)	(3)	–	(105)	–	–	(1)	(14)	(15)	(71)	(44)	(6)	–	(121)
Production	(254)	(361)	(120)	(38)	(773)	(199)	(366)	(108)	(38)	(711)	(224)	(364)	(102)	(39)	(729)
At December 31	1,635	6,014	720	657	9,026	1,105	6,188	675	576	8,544	1,173	6,276	611	610	8,670
Group share of associated companies															
At January 1	1	568	356	–	925	1	639	441	–	1,081	1	448	817	–	1,266
Revisions and reclassifications	1	43	65	–	109	–	(43)	(35)	–	(78)	–	121	(26)	–	95
Improved recovery	–	6	–	–	6	–	12	1	–	13	–	17	2	–	19
Extensions and discoveries	–	7	33	–	40	–	17	–	–	17	–	55	1	–	56
Purchases of minerals in place	–	121	–	–	121	–	–	–	–	–	–	62	–	–	62
Sales of minerals in place	–	(1)	–	–	(1)	–	–	(9)	–	(9)	–	(12)	(302)	–	(314)
Production	–	(52)	(41)	–	(93)	–	(57)	(42)	–	(99)	–	(52)	(51)	–	(103)
At December 31	2	692	413	–	1,107	1	568	356	–	925	1	639	441	–	1,081
Total					10,133					9,469					9,751
Minority interests' share of proved reserves of Group companies															
At December 31	–	146	–	69	215	–	132	–	74	206	–	54	–	78	132

Oil sands[a]															million barrels
Group companies (before deduction of minority interests)															
At December 31	–	–	–	600	600	–	–	–	600	600	–	–	–	600	600

a The oil sands reserves are not considered in the standardised measure of discounted future cash flows for conventional oil and gas reserves, which is found on page 79.

Reserves

Crude oil and natural gas liquids continued

Proved developed reserves

million barrels

	2002					2001					2000				
	Eastern Hemisphere		Western Hemisphere		Total	Eastern Hemisphere		Western Hemisphere		Total	Eastern Hemisphere		Western Hemisphere		Total
	Europe	Other	USA	Other		Europe	Other	USA	Other		Europe	Other	USA	Other	
Group companies															
At January 1	**787**	**2,275**	**429**	**243**	**3,734**	872	2,332	351	257	3,812	916	2,505	340	274	4,035
At December 31	**1,129**	**2,233**	**373**	**224**	**3,959**	787	2,275	429	243	3,734	872	2,332	351	257	3,812
Group share of associated companies															
At January 1	**1**	**267**	**330**	**–**	**598**	1	292	364	–	657	1	213	638	–	852
At December 31	**1**	**301**	**365**	**–**	**667**	1	267	330	–	598	1	292	364	–	657

Natural gas

Group companies' estimated net proved reserves of natural gas at the end of the year, their share of the net proved reserves of associated companies at the end of the year, and the changes in such reserves during the year are set out below.

These quantities have not been adjusted to standard heat content.

Proved developed and undeveloped reserves

thousand million standard cubic feet

	2002					2001					2000				
	Eastern Hemisphere		Western Hemisphere		Total	Eastern Hemisphere		Western Hemisphere		Total	Eastern Hemisphere		Western Hemisphere		Total
	Europe	Other	USA	Other		Europe	Other	USA	Other		Europe	Other	USA	Other	
Group companies															
At January 1	**23,722**	**20,080**	**3,694**	**3,117**	**50,613**	23,801	20,132	3,403	3,506	50,842	24,828	21,086	3,400	3,533	52,847
Revisions and reclassifications	**52**	**(1,064)**	**162**	**(103)**	**(953)**	1,006	(777)	141	(289)	81	211	(548)	(39)	206	(170)
Improved recovery	**75**	**150**	**20**	**–**	**245**	38	266	–	–	304	105	215	–	–	320
Extensions and discoveries	**29**	**–**	**411**	**12**	**452**	214	103	385	139	841	55	178	656	29	918
Purchases of minerals in place	**1,074**	**–**	**208**	**59**	**1,341**	–	1,247	355	12	1,614	–	5	50	–	55
Sales of minerals in place	**(5)**	**(236)**	**(10)**	**–**	**(251)**	–	–	(9)	(10)	(19)	(117)	(139)	(78)	(32)	(366)
Production	**(1,331)**	**(1,019)**	**(611)**	**(246)**	**(3,207)**	(1,337)	(891)	(581)	(241)	(3,050)	(1,281)	(665)	(586)	(230)	(2,762)
At December 31	**23,616**	**17,911**	**3,874**	**2,839**	**48,240**	23,722	20,080	3,694	3,117	50,613	23,801	20,132	3,403	3,506	50,842
Group share of associated companies															
At January 1	**48**	**5,153**	**15**	**–**	**5,216**	56	5,299	86	–	5,441	52	5,047	595	–	5,694
Revisions and reclassifications	**1**	**157**	**7**	**–**	**165**	(4)	68	(29)	–	35	6	346	(209)	–	143
Improved recovery	**–**	**8**	**–**	**–**	**8**	–	17	–	–	17	–	–	2	–	2
Extensions and discoveries	**3**	**37**	**1**	**–**	**41**	3	115	–	–	118	4	147	5	–	156
Purchases of minerals in place	**–**	**–**	**–**	**–**	**–**	–	64	–	–	64	–	–	–	–	–
Sales of minerals in place	**–**	**–**	**–**	**–**	**–**	–	(181)	(40)	–	(221)	–	(19)	(292)	–	(311)
Production	**(8)**	**(222)**	**(2)**	**–**	**(232)**	(7)	(229)	(2)	–	(238)	(6)	(222)	(15)	–	(243)
At December 31	**44**	**5,133**	**21**	**–**	**5,198**	48	5,153	15	–	5,216	56	5,299	86	–	5,441
Total					**53,438**					55,829					56,283
Minority interests' share of proved reserves of Group companies															
At December 31	**–**	**207**	**–**	**490**	**697**	–	287	–	555	842	–	292	–	658	950

Reserves

Natural gas continued

Proved developed reserves

thousand million standard cubic feet

	2002					2001					2000				
	Eastern Hemisphere		Western Hemisphere		Total	Eastern Hemisphere		Western Hemisphere		Total	Eastern Hemisphere		Western Hemisphere		Total
	Europe	Other	USA	Other		Europe	Other	USA	Other		Europe	Other	USA	Other	
Group companies															
At January 1	**12,366**	**6,860**	**2,363**	**2,349**	**23,938**	12,986	6,314	2,347	2,542	24,189	13,650	6,261	2,714	2,725	25,350
At December 31	**12,105**	**6,327**	**2,316**	**1,782**	**22,530**	12,366	6,860	2,363	2,349	23,938	12,986	6,314	2,347	2,542	24,189
Group share of associated companies															
At January 1	**41**	**1,754**	**11**	**–**	**1,806**	53	1,735	66	–	1,854	51	1,728	453	–	2,232
At December 31	**38**	**2,017**	**17**	**–**	**2,072**	41	1,754	11	–	1,806	53	1,735	66	–	1,854

Standardised measure of discounted future cash flows

United States accounting principles require the disclosure of a standardised measure of discounted future cash flows, relating to proved oil and gas reserve quantities and based on prices[a] and costs at the end of each year, currently enacted tax rates and a 10% annual discount factor. The information so calculated does not provide a reliable measure of future cash flows from proved reserves, nor does it permit a realistic comparison to be made of one entity with another because the assumptions used cannot reflect the varying circumstances within each entity. In addition a substantial but unknown proportion of future real cash flows from oil and gas production activities is expected to derive from reserves which have already been discovered, but which cannot yet be regarded as proved.

$ million

	2002					2001					2000				
	Eastern Hemisphere		Western Hemisphere		Total	Eastern Hemisphere		Western Hemisphere		Total	Eastern Hemisphere		Western Hemisphere		Total
	Europe	Other	USA	Other		Europe	Other	USA	Other		Europe	Other	USA	Other	
Future cash inflows	**112,023**	**164,277**	**32,702**	**20,032**	**329,034**	80,526	122,336	18,982	12,331	234,175	93,126	142,208	37,434	22,961	295,729
Future production costs	**22,458**	**23,244**	**4,858**	**4,248**	**54,808**	15,389	20,158	4,021	4,086	43,654	16,836	17,547	3,090	4,453	41,926
Future development costs	**6,202**	**16,549**	**3,201**	**1,823**	**27,775**	3,793	15,432	2,352	1,570	23,147	2,594	15,514	2,320	1,589	22,017
Future tax expenses	**35,826**	**74,097**	**9,158**	**4,185**	**123,266**	27,419	47,321	4,543	1,737	81,020	32,091	66,206	12,020	6,608	116,925
Future net cash flows	**47,537**	**50,387**	**15,485**	**9,776**	**123,185**	33,925	39,425	8,066	4,938	86,354	41,605	42,941	20,004	10,311	114,861
Effect of discounting	**21,715**	**25,604**	**5,479**	**4,685**	**57,483**	16,311	19,478	2,648	2,039	40,476	18,656	22,032	6,828	4,304	51,820
Standardised measure of discounted future cash flows	**25,822**	**24,783**	**10,006**	**5,091**	**65,702**	17,614	19,947	5,418	2,899	45,878	22,949	20,909	13,176	6,007	63,041
Group share of associated companies					**7,070**					3,888					6,120
Minority interests	**–**	**879**	**–**	**465**	**1,344**	–	612	–	307	919	–	360	–	895	1,255

Change in standardised measure of discounted future cash flows

$ million

	2002	2001	2000
At January 1	**45,878**	63,041	54,799
Net changes in prices and production costs	**44,133**	(33,147)	17,065
Extensions, discoveries and improved recovery	**5,375**	4,451	8,128
Purchases/(sales) of minerals in place	**10,279**	2,011	(404)
Revisions of previous reserve estimates	**(2,004)**	1,358	(560)
Development cost related to future production	**(7,637)**	(3,837)	(1,967)
Sales and transfers of oil and gas, net of production costs	**(19,992)**	(20,173)	(21,225)
Development cost incurred during the year	**6,124**	4,025	2,952
Accretion of discount	**7,823**	10,754	9,538
Net change in income tax	**(24,277)**	17,395	(5,285)
At December 31	**65,702**	45,878	63,041

a The weighted average year-end oil price in 2002 was $23.87/bbl (2001: $15.92/bbl; 2000: $20.00/bbl) and the weighted average year-end gas price in 2002 was $14.26/bbl of oil equivalent (2001: $11.44/boe; 2000: $14.91/boe).

Shareholder Information

Annual General Meeting

The 105th Annual General Meeting of The "Shell" Transport and Trading Company, p.l.c. will be held at The Queen Elizabeth II Conference Centre, Broad Sanctuary, Westminster, London SW1P 3EE, on Wednesday April 23, 2003 at 11:00 a.m. The Notice convening the Meeting is enclosed.

Shareholder base

The estimated geographical distribution of shareholdings in the Parent Companies at the end of 2002 was:

Shareholder base	Royal Dutch	Shell Transport	Combined %
Continental Europe	69	*	42
United Kingdom	1	97	39
USA	30	3	19
Others	*	*	*
	100	100	100

Data based on registered ownership records.

* Less than 1%.

Share prices

London Stock Exchange (pence per 25p Ordinary share)	**2002**	2001	2000	1999	1998
Highest	**543**	638	627	541	464
Lowest	**361**	430	412	304	316
Year-end	**409**	472	549	515	369

New York Stock Exchange (dollars per New York Share[a])	**2002**	2001	2000	1999	1998
Highest	**47.33**	53.65	54.06	52.56	46.50
Lowest	**34.02**	38.72	40.00	30.50	31.00
Year-end	**38.92**	41.45	49.38	49.00	37.19

a One New York Share = six 25p Ordinary shares.

Capital gains tax

For the purposes of United Kingdom capital gains tax, the market values of the Company's shares were:

	April 6, 1965	March 31, 1982
Ordinary shares of 25p each		
Registered	9.17p	41.67p
Bearer	9.24p	42.11p
First Preference shares of £1 each	78.75p	37.50p
Second Preference shares of £1 each	97.81p	49.50p

All share data on this page have been restated where necessary to reflect all capitalisation issues since the relevant date.

Earnings and dividends

pence per 25p Ordinary share	**2002**	2001	2000	1999	1998
Dividends					
Interim	**5.95**	5.85	5.7	5.5	5.3
Final	**9.30**[a]	8.95	8.9	8.5	8.2
	15.25	14.80	14.6	14.0	13.5
Earnings	**25.9**	30.7	33.8	21.4	0.5
Adjusted CCS earnings (pro forma)[b]	**25.2**	33.9	34.9	17.6	12.2
Net assets[c]	**166.3**	173.5	166.0	142.4	135.0

a Proposed final dividend, subject to approval at the Annual General Meeting of the Company on April 23, 2003. The final dividend will be paid on May 6, 2003 to Members on the Register on April 4, 2003 and to holders of Bearer Warrants who surrender Coupon No. 211.

b Group net income is shared between Royal Dutch and Shell Transport in the proportion of 60:40 (as described in Note 1 on page 58). For the purpose of this pro forma calculation, adjusted current cost of supplies (CCS) earnings are also shared in the proportion 60:40.

c Based on Ordinary shares in issue at December 31.

dollars per New York Share[a]	**2002**	2001	2000	1999	1998
Dividends					
Interim	**0.52**	0.51	0.48	0.54	0.53
Final	b	0.78	0.76	0.77	0.80
	b	1.29	1.24	1.31	1.33
Earnings	**2.33**	2.65	3.07	2.07	0.05
Adjusted CCS earnings (pro forma)[c]	**2.28**	2.93	3.16	1.71	1.21
Net assets[d]	**16.05**	15.09	14.89	13.83	13.44

a One New York Share = six 25p Ordinary shares.

The current Double Taxation Conventions between the United Kingdom and the United States of America and Canada provide for the payment to qualifying United States and Canadian residents of an amount equal to the relevant tax credit, less United Kingdom income tax at the rate of 15% on the sum of the dividend and the tax credit. The final dividend of 2002 will have a tax credit of 10/90ths. In this case, the withholding tax at 15% would be more than the tax credit, and consequently the payment is treated as being reduced to zero. The tax authorities in the United States have ruled that US shareholders may elect to be treated as having received a gross dividend equal to the net dividend plus the tax credit of 10/90ths and claim a foreign tax credit for the 10/90ths which is treated as tax paid in the UK.

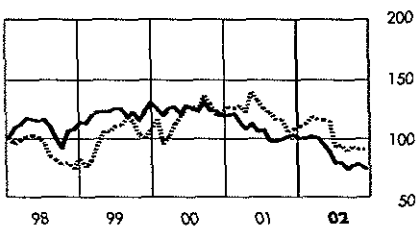
The 1998 interim dividend was paid as a foreign income dividend and consequently did not carry a tax credit. United States and Canadian resident shareholders were therefore not entitled to receive any additional amount under the terms of the respective Double Taxation Conventions in respect of this dividend.

b The 2002 final dividend in dollars will be determined by the dollar/sterling exchange rate ruling on May 6, 2003.

c Group net income is shared between Royal Dutch and Shell Transport in the proportion of 60:40 (as described in Note 1 on page 58). For the purpose of this pro forma calculation, adjusted current cost of supplies (CCS) earnings are also shared in the proportion 60:40.

d Based on Ordinary shares in issue at December 31.

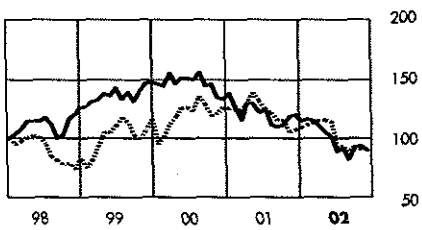
Indexed share price
Shell Transport/FTSE 100 Index



Index: December 31, 1997 = 100

FTSE 100 ——— Shell Transport - - - -

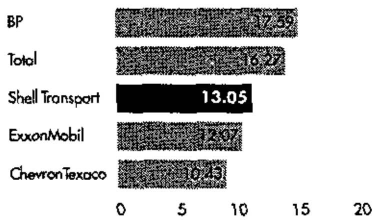
Indexed share price
Shell Transport ADR/Standard & Poor's 500 Index



Index: December 31, 1997 = 100

S&P 500 ——— Shell Transport - - - -

Total shareholder return[a] 1993–2002
%



a Total shareholder return is calculated as the total of stock appreciation and yield from reinvested dividends before taxes. The figures above are based on quarterly reinvestment of gross dividends expressed in dollars. Data for ChevronTexaco, ExxonMobil and Total before the effective date of their respective mergers were replaced by data from the acquiring entities. Source: Bloomberg.

Financial calendar

Financial year ends	December 31, 2002

Announcements

Full-year results for 2002	February 6, 2003
First quarter results for 2003	May 2, 2003*
Second quarter results for 2003	July 24, 2003*
Third quarter results for 2003	October 23, 2003*

Dividends – Ordinary shares (UK Register)

2002 Final	
Proposed dividend announced	February 6, 2003
Ex-dividend date	April 2, 2003
Record date	April 4, 2003
Payment date	May 6, 2003

2003 Interim	
Announced	July 24, 2003*
Ex-dividend date	August 13, 2003*
Record date	August 15, 2003*
Payment date	September 17, 2003*

Dividends – ADRs (New York Register)

2002 Final	
Proposed dividend announced	February 6, 2003
Ex-dividend date	April 2, 2003
Record date	April 4, 2003
Payment date	May 12, 2003

2003 Interim	
Announced	July 24, 2003*
Ex-dividend date	August 13, 2003*
Record date	August 15, 2003*
Payment date	September 23, 2003*

Dividends – Preference shares: Payment dates

5½% First Preference shares	April 1 and October 1
7% Second Preference shares	February 1 and August 1

Annual Report and Accounts 2002 and The Shell Report 2002

Publication	March 21, 2003
Annual General Meeting	April 23, 2003

* The dates shown are provisional and subject to final confirmation.

Dividend Reinvestment Plan

The last day for receipt of applications to join or leave the Dividend Reinvestment Plan in respect of the final dividend payable on May 6, 2003 is April 10, 2003. Share certificates for shares purchased under the Plan on the payment date will be dispatched to shareholders on May 16, 2003.

Registered Office

The "Shell" Transport and Trading Company, p.l.c.
Shell Centre London SE1 7NA
Registered in England No. 54485

Share Registrar

Lloyds TSB Registrars
The Causeway, Worthing
West Sussex BN99 6DA
Freephone: 0800 169 1679 (UK only)
Tel: +44 (0) 121 433 8000
Fax: +44 (0) 1903 833168
Website: **www.shareview.co.uk**
for online information about your holding. (Shareholder reference number will be required – shown on your share certificates and tax vouchers.)

American Depositary Receipts (ADRs)

The Bank of New York
Investor Relations
PO Box 11258
Church Street Station
New York, NY 10286-1258, USA
Tel: 888 269 2377 (USA only)
+1 610 312 5315 (international)
E-mail: shareowner-svcs@bankofny.com
Website: **www.adrbny.com**

Royal Dutch/Shell Group activities and policies

Group Communications
Shell International Limited
Shell Centre
London SE1 7NA
Tel: +44 (0)20 7934 2323

Shell customer services in the UK

Shell Customer Service Centre
Rowlandsway House
Rowlandsway, Wythenshawe
Manchester M22 5SB
Freephone: 0800 731 8888 (UK only)
Fax: 0161 499 8088 (UK only)

Company Secretary

For any other private shareholder enquiries please write to:
Company Secretary
The "Shell" Transport and Trading Company, p.l.c.
Shell Centre
London SE1 7NA
Tel: +44 (0)20 7934 3363
Fax: +44 (0)20 7934 5153
E-mail: shelltransport.shareholders@shell.com

Investor Relations

Enquiries from institutional shareholders may be addressed to:

London
Shell International Limited
Group Investor Relations
Shell Centre
London SE1 7NA
United Kingdom
Tel: +44 (0)20 7934 3856
Fax: +44 (0)20 7934 3702
E-mail: ir-london@shell.com

The Hague
Shell International B.V.
Group Investor Relations
PO Box 162
2501 AN The Hague
The Netherlands
Tel: +31 (0)70 377 4540
Fax: +31 (0)70 377 3115
E-mail: ir-hague@shell.com

New York
Shell Oil Company
1270 Avenue of the Americas
Suite 2320
New York, NY 10020
USA
Tel: +1 212 218 3113
Fax: +1 212 218 3114
E-mail: ir-newyork@shellus.com

For access to investor relations information, visit the website at **www.shell.com/investors**

See addresses on the back cover for requests for publications.

Designed and produced by Williams and Phoa, using Ringmaster®. Printed by Butler and Tanner. Cover photography by John Ross.

The manufacturer of the paper used for the cover and internal pages of the Report is accredited with the ISO 9002 Quality Assurance and ISO 14001 Environmental Management Systems and is registered under EMAS (Eco-Management and Audit Scheme). The paper carries the Nordic Swan environmental label for low emissions during manufacture.

www.shell.com

Tell us what you think – about Shell, our performance, our reports or the issues we face. Join the global debate – we value your views.

"Tell Shell" at www.shell.com/tellshell or e-mail us at tellshell@shell.com

Contact any of the addresses below for copies of publications

Shell International B.V.
FSK Division, PO Box 162, 2501 AN The Hague, The Netherlands
Tel: +31 (0)70 377 4540 Fax: +31 (0)70 377 3115

Shell International Limited
PXXC (Publications), Shell Centre, London SE1 7NA, UK
Tel: +44 (0)20 7934 5293 Fax: +44 (0)20 7934 5555

Shell Oil Company
1270 Avenue of the Americas, Suite 2320, New York, NY 10020, USA
Tel: +1 212 218 3113 Fax: +1 212 218 3114

The Annual Report and Accounts is distributed with The Shell Report to provide a broader view of the world of Shell.

Annual Report and Accounts 2002
The Annual Reports of The "Shell" Transport and Trading Company, p.l.c. and Royal Dutch Petroleum Company.
Also available at
www.shell.com/annualreport

The Shell Report 2002
A review of how Group companies are living up to our Business Principles and contributing to sustainable development.
Also available at
www.shell.com/shellreport

Financial and Operational Information 1998–2002
Five years' financial and operational information about the Group, including maps of exploration and production activities. Also available at
www.shell.com/faoi

Summary Annual Report and Accounts 2002
Abridged versions of the Annual Reports of The "Shell" Transport and Trading Company, p.l.c. and Royal Dutch Petroleum Company.

The Shell Report 2002 Summary
Abridged version of The Shell Report.

Statement of General Business Principles
Fundamental principles that govern how each Shell company conducts its affairs. Also available at
www.shell.com/sgbp