

ENTERPRISE OIL ITALY LIMITED

DIRECTORS' REPORT

AND ACCOUNTS

2003

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ENTERPRISE OIL ITALY LIMITED

DIRECTORS' REPORT

The Directors submit their annual report and audited accounts for the year ended 31 December 2003.

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The principal activity of the Company is to act as a holding company. It is intended that the Company will be dormant in future periods.

The profit after taxation for the year amounted to £141.6 million (2002: £3.8 million). An interim dividend of £170 million (2002: £nil) was paid on 30 December 2003, of which £27.0 million was repaid on 27 January 2004. The accounts reflect the net dividend position. The Directors recommend that no further dividend be paid for the year ended 31 December 2003 (2002: £nil).

The Company sold 100% of its 15.7 million shares, representing a 27% holding, in Shell Italia E&P SpA (a 100% owned Group company incorporated in Italy) for £168.7m on 19 December 2003.

On 16 March 2004 the Company was acquired by Shell Overseas Holdings Limited.

DIRECTORS

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

P. G. H. Davies

R. M. Wiseman

A. W. Longden

R. N. Gaskell

Appointed 3 November 2003

Resigned 3 November 2003

DIRECTORS' INTERESTS

According to the register recording such interests, no Director who was in office on 31 December 2003 had any such shareholdings or debenture-holding interest in N. V. Koninklijke Nederlandsche Petroleum Maatschappij (Royal Dutch Petroleum Company) or in any other undertaking requiring disclosure under the Companies Act 1985.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Companies Act 1985 requires the Directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those accounts, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis, unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

ENTERPRISE OIL ITALY LIMITED

DIRECTORS' REPORT (Continued)

AUDITORS

The Company has passed an Elective Resolution in accordance with the Companies Act 1985 to dispense with the holding of annual general meetings, the laying of accounts and reports before general meetings and the annual reappointment of Auditors. KPMG Audit Plc will, accordingly, continue in office as Auditors of the Company pursuant to Section 386 of the Companies Act 1985. However, pursuant to Section 253(2) of the Companies Act 1985, any Member or the Auditors of the Company may require the accounts and reports to be laid before a general meeting by depositing a notice to that effect at the registered office of the Company not later than 28 days after the despatch of the accounts and reports to Members.

By order of the Board

A handwritten signature in black ink, appearing to read 'C. Bushay', with a stylized flourish at the end.

C. Bushay
Authorised signatory
Shell Corporate Secretary Ltd
21 October 2004

REPORT OF THE INDEPENDENT AUDITORS TO THE MEMBERS OF ENTERPRISE OIL ITALY LIMITED

We have audited the accounts on pages 4 to 11.

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The directors are responsible for preparing the directors' report and, as described on page 1 the accounts in accordance with applicable United Kingdom Law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the accounts, 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 with the Company is not disclosed.

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 accounts. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the Company's affairs as at 31 December 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants and
Registered Auditor

29 October 2004

8 Salisbury Square
London
EC4Y 8BB

ENTERPRISE OIL ITALY LIMITED**PROFIT AND LOSS ACCOUNT****For the year ended 31 December 2003**

Continuing operations	Note	2003 £ million	2002 £ million
Interest payable and similar charges	3	(1.3)	(1.0)
Profit on sale of current asset investments	4	-	4.5
Profit on sale of fixed asset investments	5	142.5	-
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	6	141.2	3.5
Tax on profit on ordinary activities	7	0.4	0.3
PROFIT FOR THE YEAR		141.6	3.8
Dividends paid and proposed	2	(143.0)	-
RETAINED PROFIT/(LOSS) FOR THE YEAR	11	(1.4)	3.8

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

There are no other gains and losses other than those disclosed in the profit and loss account for the current and previous years and accordingly a statement of total recognised gains and losses has not been presented.

ENTERPRISE OIL ITALY LIMITED**BALANCE SHEET**

At 31 December 2003

	Note	2003 £ million	2002 £ million
FIXED ASSETS			
Investments	5	-	26.2
CURRENT ASSETS			
Debtors	8	27.7	0.4
CREDITORS: amounts falling due within one year	9	(21.7)	(19.2)
NET CURRENT ASSETS/(LIABILITIES)		6.0	(18.8)
NET ASSETS		6.0	7.4
CAPITAL AND RESERVES			
Called up share capital	10	0.1	0.1
Share premium account	11	3.6	3.6
Profit and loss account	11	2.3	3.7
EQUITY SHAREHOLDERS' FUNDS	11	6.0	7.4

The notes on pages 6 to 11 form part of these accounts.

The accounts were approved by the Board of Directors on 21 October 2004 and signed on its behalf by:



A. W. Longden
Director

ENTERPRISE OIL ITALY LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2003

1. Accounting policies

a) Accounting convention

The accounts have been prepared under the historical cost convention and in accordance with applicable Accounting Standards, in the United Kingdom and the accounting policies as described below.

b) Group accounts

The immediate parent company was Enterprise Oil Limited until 16 March 2004 when the entire share capital of the Company was acquired by Shell Overseas Holdings Limited.

The ultimate parent company is N.V. Koninklijke Nederlandsche Petroleum Maatschappij (Royal Dutch Petroleum Company), which is incorporated in the Netherlands. The ultimate parent company owns 60% of the share capital of The Shell Petroleum Company Limited, which is the main holding company in the UK, of which this Company is an indirect subsidiary. The remaining 40% is owned by The "Shell" Transport and Trading Company, p.l.c ("ST&T").

The accounts of the Company are incorporated in the accounts of the Royal Dutch/Shell Group of Companies, which are included in the Annual Reports of Royal Dutch Petroleum Company and ST&T.

Copies of the accounts of the Royal Dutch/Shell Group of Companies are available from:

Publications and Communications Administration
Group External Affairs
PXXC Division
Shell Centre
London
SE1 7NA
United Kingdom

c) Current taxation

It is the policy of the Company, and of other group undertakings, to record a tax charge or credit in the profit and loss account calculated at the tax rate prevailing in the year for tax payable to the Inland Revenue, or for group relief to be surrendered to or received from other group undertakings, and for which payment may be requested. In the event that payment should be made at a rate different from the tax rate prevailing in the current year, adjustments would be taken up to reflect the rate differential.

ENTERPRISE OIL ITALY LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2003

1. Accounting policies (Continued)

d) Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated, but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future, have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profit and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the accounts.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on the sale has been recognised in the accounts. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Amounts relating to deferred tax are undiscounted.

e) Foreign currency translation

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

Monetary assets and liabilities recorded in foreign currencies are expressed in Sterling at the rates of exchange ruling on 31 December 2003. Differences on translation are included in the profit and loss account.

f) Investments

Investments in Group undertakings are included as fixed asset investments at cost less any provisions for impairment.

g) Cash flow statement

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

h) Related party disclosures

In accordance with the exemption allowed by paragraph 3(c) of Financial Reporting Standard 8, no disclosure is made of transactions with other member companies of the Royal Dutch/Shell Group or investees of the Group qualifying as related parties.

ENTERPRISE OIL ITALY LIMITED
NOTES TO THE ACCOUNTS (Continued)
For the year ended 31 December 2003

2. Dividends paid and proposed

	2003 £ million	2002 £ million
Non-equity - Preference dividend declared on 19 December 2003 and paid on 30 December 2003	0.2	-
Interim dividend declared on 19 December 2003 and paid on 30 December 2003	169.8	-
Dividend adjustment on 27 January 2004	(27.0)	-
Final interim dividend	<u>143.0</u>	<u>-</u>

On 19 December 2003, the Directors, having had regard to the relevant accounts, declared a dividend of £170 million payable to the sole shareholder on 30 December 2003. On 27 January 2004, an error was discovered in the relevant accounts to 19 December 2003 such that distributable reserves at that date had been overstated by £27 million. Payment of the £170 million dividend would have resulted in accumulated losses therefore the Directors requested full repayment from the sole shareholder of this unintentional overpayment as soon as it became known. This has been agreed with the Parent and a receivable has been recognised in the accounts (see note 8).

3. Interest payable and similar charges

	2003 £ million	2002 £ million
Loss on currency translation	<u>1.3</u>	<u>1.0</u>

4. Current asset investments

The Company sold its 11,916,722 shares in Tullow Oil Plc in February 2002 for a profit of £4,480,084.

5. Fixed asset investments

	At 1 January 2003 £ million	Disposals £ million	At 31 December 2003 £ million
Shares in group undertakings at cost	<u>26.2</u>	<u>(26.2)</u>	<u>-</u>

The company sold 100% of its 15.7 million shares, representing a 27% holding, in Shell Italia E&P SpA (a 100% owned group company incorporated in Italy) for £168.7m on 19 December 2003.

ENTERPRISE OIL ITALY LIMITED
NOTES TO THE ACCOUNTS (Continued)
For the year ended 31 December 2003

6. Profit on ordinary activities before taxation

None of the Directors received any emoluments in respect of their services to the Company during the year (2002: £nil).

The auditors' remuneration in respect of the statutory audit was borne by a parent company undertaking for both 2003 and 2002. No fees were paid to the auditor in respect of any other work (2002: £nil).

The company had no employees during 2003 (2002: Nil).

7. Tax on profit on ordinary activities

The credit for the year of £0.4 million (2002: £0.3 million) is made up as follows:

	2003 £ million	2002 £ million
United Kingdom corporation tax at the standard rate of 30% (2002: 30%)	(0.4)	(0.3)

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

	2003 £ million	2002 £ million
(Profit) on ordinary activities before tax	(141.2)	(3.5)
Tax on profit on ordinary activities at standard UK corporation tax rate of 30% (2002: 30%)	42.3	1.1
Effects of:		
Income not taxable	(42.7)	-
Utilisation of capital losses	-	(1.4)
Current tax credit for the year	(0.4)	(0.3)

8. Debtors

	2003 £ million	2002 £ million
Amounts owed by Group undertakings:		
Dividend repayable from parent undertaking	27.0	-
Fellow subsidiary undertakings	-	0.1
Taxation receivable	0.7	0.3
	27.7	0.4

ENTERPRISE OIL ITALY LIMITED
NOTES TO THE ACCOUNTS (Continued)
For the year ended 31 December 2003

9. Creditors: amounts falling due within one year

	2003 £ million	2002 £ million
Amounts owed to Group undertakings:		
Parent undertaking	21.7	5.8
Fellow subsidiary undertakings	-	13.4
	<hr/> 21.7 <hr/>	<hr/> 19.2 <hr/>

10. Called up share capital

	2003 £	2002 £
Authorised		
100,000 (2002: 100,000) ordinary shares of £1 each	100,000	100,000
36,002 (2002: 36,002) preference shares of £1 each	36,002	36,002
	<hr/> 136,002 <hr/>	<hr/> 136,002 <hr/>
Allotted, called up and fully paid		
100,000 (2002: 100,000) ordinary shares of £1 each	100,000	100,000
36,002 (2002: 36,002) preference shares of £1 each	36,002	36,002
	<hr/> 136,002 <hr/>	<hr/> 136,002 <hr/>

The preference shares are non-redeemable and receive dividends on a non-cumulative basis at £5 per share in priority to the ordinary shareholders. On winding up, preference shares have a priority to a return of capital of £5 per share. The preference shares only have voting rights if there is a resolution to change the Memorandum or Articles of Association; to issue debentures; to appoint a liquidator or set his powers; to merger; and at an extraordinary general meeting in the case of insolvency proceedings.

ENTERPRISE OIL ITALY LIMITED**NOTES TO THE ACCOUNTS (Continued)****For the year ended 31 December 2003****11. Reconciliation of movements in reserves and shareholders' funds**

	Profit and loss account £ million	Share premium account £ million	Share capital £ million	Shareholders' funds £ million
At 1 January 2002	(0.1)	3.6	0.1	3.6
Retained profit for the year	3.8	-	-	3.8
At 1 January 2003	3.7	3.6	0.1	7.4
Retained loss for the year	(1.4)	-	-	(1.4)
At 31 December 2003	2.3	3.6	0.1	6.0

Of the total amount of shareholders funds of £6.0m at 31 December 2003, £36,002 is attributable to non-equity shares (2002: £36,002).