

**SHELL TREASURY EURO COMPANY LIMITED**

**DIRECTORS' REPORT**

**AND ACCOUNTS**

**2003**

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Registered in England & Wales: 3469395

**DIRECTORS' REPORT**

The Directors submit their Annual Report and audited accounts for the year ended 31 December 2003.

**DIRECTORS**

The Directors of the Company for the year ended 31 December 2003 were as follows:

R.N. Gaskell (resigned 3 November 2003)  
A.W. Longden (appointed 3 November 2003)  
R. J. Milnes (appointed 21 October 2003)  
K.A. Dean  
F. P. Marret  
J.E. Munsiff

Directors' interests in shares, pursuant to the Companies Act 1985, are set out in note 6 to the accounts.

**PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS**

The principal activity of the Company is the receiving of funds from, and the provision of loan facilities to, subsidiaries of the Royal Dutch/Shell Group of Companies mainly in the form of making loans or of purchasing their securities.

In addition the Company plays an important strategic role in the management of the Royal Dutch/Shell Group's overall foreign currency position. In so doing, the Company has foreign currency exposures in US Dollars and Sterling. During the year the US Dollar and Sterling exposures in the Company gave rise to significant foreign exchange revaluation losses.

No significant change in the Company's business took place during the year. However the company's role in the Royal Dutch/Shell Group's foreign exchange risk management will reduce in the forthcoming year.

The Company's profit for the financial year was EUR 112,564,000 (2002 loss: EUR 607,660,844). Within the context of its role in the Royal Dutch/Shell Group's foreign currency management the directors consider the year-end position of the company to be satisfactory.

The Directors recommend that no dividend be declared for the year ended 31 December 2003 (2002: nil).

The reporting/functional currency of Shell Treasury Euro Company Limited is Euros. Although the Company is a UK registered company, its main purpose is to manage the structural currency position of the Shell Group and to act as a Euro lending vehicle.

**PRACTICE AND POLICY ON PAYMENT OF CREDITORS**

The Company is a treasury management business and as such has no trade creditors. Accordingly there are no creditor payment statistics to be disclosed.

**Shell Treasury Euro Company Limited**  
**DIRECTORS' REPORT (Continued)**

**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:

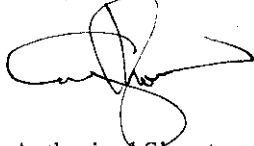
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts 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 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.

**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. PricewaterhouseCoopers LLP will, accordingly, be 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**



Authorised Signatory (G.P. Thomson)  
Shell Corporate Secretary Limited  
Secretary  
30 April 2004

## **Shell Treasury Euro Company Limited**

### **INDEPENDENT AUDITORS' REPORT**

#### **Independent auditors' report to the members of Shell Euro Company Limited**

We have audited the Financial Statements which comprise the profit and loss account, the balance sheet, and the related notes.

#### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual 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 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 into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the Financial Statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report 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 directors' report

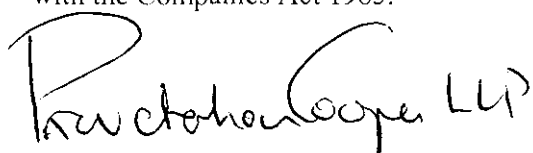
#### **Basis of audit opinion**

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. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

#### **Opinion**

In our opinion the Financial Statements give a true and fair view of the state of the company's affairs 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.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London  
11 May 2004

Shell Treasury Euro Company Limited

**PROFIT AND LOSS ACCOUNT**

For the year ended 31 December 2003

		Year ended 31 December 2003 EUR '000	Year ended 31 December 2002 EUR '000
	Note		
Net gains / (losses) on foreign exchange		260,173	(566,908)
Interest receivable and similar income	2	655,098	655,603
Interest payable and similar charges	3	(765,784)	(946,008)
Costs		<u>(1,619)</u>	<u>-</u>
<b>PROFIT / (LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	4	147,868	(857,313)
Tax on loss / (profit) on ordinary activities	5	<u>(35,304)</u>	<u>249,652</u>
<b>PROFIT / (LOSS) FOR THE FINANCIAL YEAR AND RETAINED PROFIT FOR THE YEAR</b>		<u>112,564</u>	<u>(607,661)</u>

The results of the Company are entirely generated by continuing activities.

A reconciliation of movements in shareholders' funds is set out in note 13.

There were no recognised gains and losses other than those recognised in the profit and loss account above, therefore no statement of total recognised gains and losses was prepared.

There were no differences between reported profits and losses and historical cost profits and losses on ordinary activities before taxation.

The notes on pages 7 to 16 form part of the accounts.

Shell Treasury Euro Company Limited

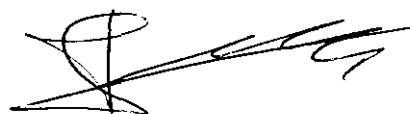
BALANCE SHEET

As at 31 December 2003

	Note	2003 EUR '000	2002 EUR '000
<b>CURRENT ASSETS</b>			
Debtors – amounts falling due within one year	8	19,195,879	9,373,099
Debtors – amounts falling due after more than one year	8	4,008,161	3,301,442
Cash at bank and in hand		<u>25</u>	<u>27</u>
		23,204,065	12,674,568
<b>CREDITORS– amounts falling due within one year</b>	9	<u>(10,824,190)</u>	<u>(1,641,939)</u>
<b>NET ASSETS</b>		12,379,875	11,032,629
<b>CREDITORS– amounts falling due after more than one year</b>			
<b>one year</b>	9	<u>(11,824,342)</u>	<u>(10,589,660)</u>
<b>NET ASSETS</b>		<u>555,533</u>	<u>442,969</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital – equity	11	1	1
– non-equity	11	715,808	715,808
Profit and loss account	12	<u>(160,276)</u>	<u>(272,840)</u>
Total shareholders' funds	13	<u>555,533</u>	<u>442,969</u>

The notes on pages 7 to 16 form part of the Financial Statements.

The accounts were approved by the Board of Directors on 30 April 2004 and were signed on its behalf by:



F. P. Marret  
Director

NOTES TO THE ACCOUNTS

For the year ended 31 December 2003

1. Accounting policies

a) Accounting convention

The Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of foreign exchange contracts on a mark to market basis (see note 1(e)).

b) Compliance with Accounting Standards and the Companies Act 1985

The accounts have been prepared in accordance with applicable accounting standards of the United Kingdom, the pronouncements of Urgent Issues Task Force (UITF) and in accordance with the requirements of the Companies Act 1985.

In the opinion of the directors, disclosure of turnover is most appropriately represented for the Company by profit on ordinary activities, comprising interest receivable and similar income, interest payable and similar charges and net gain/loss on foreign exchange. This represents an adaptation of the profit and loss account format laid down in Schedule 4 to the Companies Act 1985 due to the special nature of the Company's business.

c) Group accounts

The Company is a wholly-owned subsidiary undertaking of The Shell Petroleum Company Limited which, in turn, is a subsidiary undertaking of N.V. Koninklijke Nederlandsche Petroleum Maatschappij ("Royal Dutch Petroleum Company") which owns 60% of its share capital, the remaining 40% being owned by The "Shell" Transport and Trading Company, p.l.c. ("Shell Transport"). The Royal Dutch Petroleum Company has the right to appoint the majority of the Directors of The Shell Petroleum Company Limited.

The Ultimate Parent Company is N.V. Koninklijke Nederlandsche Petroleum Maatschappij ("Royal Dutch Petroleum Company") which is incorporated in the Netherlands.

The Financial Statements 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 The "Shell" Transport and Trading Company, P.L.C.

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

Group Investor Relations  
SI-FI Division  
Shell Centre  
London SE1 7NA  
UK

**Shell Treasury Euro Company Limited**  
**NOTES TO THE ACCOUNTS (Continued)**  
**For the year ended 31 December 2003**

**1. Accounting policies (Continued)**

**d) Foreign currency translation**

The Company maintains its records in Euros.

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

Assets and liabilities recorded in foreign currencies have been expressed in Euros at the rates of exchange ruling on 31 December 2003. Differences on translation are included in the profit and loss account.

The Euro to Sterling exchange rate on 31 December 2003 was 1.4134 (2002: 1.5370). The average Euro to Sterling rate for 2003 was 1.4459 (2002: 1.5906)

**e) Spot foreign exchange contracts, forward foreign exchange and foreign exchange swap contracts**

All forward foreign exchange contracts and foreign exchange swap contracts are marked to market and gains and losses are offset in the profit and loss account against those arising on the assets or liabilities (see note 1(d)). This represents a departure from the Companies Act 1985, as far as gains are concerned. The directors consider that this treatment and the departure from the Act are necessary in order to present a true and fair view of the financial position of the company. The effect of the departure has not been disclosed as the directors consider that such information would be misleading.

**f) Interest rate and cross currency interest rate swaps**

Interest rate and cross currency interest rate swaps are acquired and held for hedging purposes. Income and expense arising from such transactions are accrued in the profit and loss account, consistent with the basis applied to the underlying transactions. Interest rate swaps are not revalued to fair value or shown in the balance sheet at the year end. The foreign currency portion of cross currency interest rate swaps is marked to market and gains and losses are taken through the profit and loss account.

**g) Segmental analysis**

The Company's business is the receiving of funds from and the provision of long-term loan facilities to subsidiaries of the Royal Dutch/Shell Group of Companies principally in the form of the making of loans or the purchase of their securities. The profits generated by these activities arise in the United Kingdom. Accordingly the Directors are of the opinion that the Company operates in only one class of business and one geographical segment.

**h) Group indebtedness**

Intra-group loans and borrowings have been presented on the balance sheet by reference to the earliest contractual date on which the lender can require repayment.



**Shell Treasury Euro Company Limited**  
**NOTES TO THE ACCOUNTS (Continued)**  
**For the year ended 31 December 2003**

**1. Accounting policies (Continued)**

**i) Netting-off policy**

Balances with other group companies in the Royal Dutch/Shell Group of Companies are stated gross, unless all of the following conditions are met:

- (i) The company and the counterparty owe each other determinable monetary amounts, denominated either in the same currency, or in different but freely convertible currencies,
- (ii) The company has the ability to insist on a net settlement, and
- (iii) The company's ability to insist on a net settlement is assured beyond doubt. For this to be the case it is necessary that the debit balance matures no later than the credit balance. It is also necessary that the company's ability to insist on a net settlement would survive the insolvency of the counterparty.

**j) Cash flow statements**

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

**k) 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.

**l) Revenue recognition**

Interest receivable and payable is recognised on an accrual basis, that is as it is earned or incurred and dealt with in the profit and loss account of the period to which it relates.

Shell Treasury Euro Company Limited  
NOTES TO THE ACCOUNTS (Continued)  
For the year ended 31 December 2003

2. Interest receivable and similar income

	Year ended 31 December 2003 EUR '000	Year ended 31 December 2002 EUR '000
Receivable from Group companies	651,564	647,089
On bank deposits	-	6,795
Swap income – Group Companies	<u>3,534</u>	<u>1,719</u>
	<u>655,098</u>	<u>655,603</u>

3. Interest payable and similar charges

	Year ended 31 December 2003 EUR '000	Year ended 31 December 2002 EUR '000
Payable to Group companies	612,991	779,813
Swap expense – Group Companies	152,754	163,804
On bank loans and overdrafts	39	2,386
Other interest payable	<u>-</u>	<u>5</u>
	<u>765,784</u>	<u>946,008</u>

4. Profit/ (loss) on ordinary activities before taxation

The 2003 auditors' remuneration for audit services of EUR 66,076 (2002: EUR 58,600) was borne by another Group undertaking.

**Shell Treasury Euro Company Limited**  
**NOTES TO THE ACCOUNTS (Continued)**  
**For the year ended 31 December 2003**

**5. Tax on profit on ordinary activities**

The (charge)/ credit for the year is made up as follows:

	2003 EUR '000	2002 EUR '000
United Kingdom Corporation Tax at the rate of 30% (2002: 30%)		
- current year	(50,636)	248,062
- prior period adjustment	<u>15,332</u>	<u>1,590</u>
	<u>(35,304)</u>	<u>249,652</u>

The tax credit for the year 2003 was lower than the standard rate of corporation tax in the UK (30%).

The differences are explained below:

	2003 EUR '000	2002 EUR '000
Profit / (loss) on ordinary activities before tax	<u>147,868</u>	<u>(857,313)</u>
(Loss) / profit on ordinary activities multiplied by standard rate in the United Kingdom 30% (2002: 30%)	(44,360)	257,194
Effects of:		
Adjustments to the tax charge in respect of previous periods	15,332	1,590
Foreign exchange differences	<u>(6,276)</u>	<u>(9,132)</u>
Current tax (charge)/ credit for the period	<u>(35,304)</u>	<u>249,652</u>

Shell Treasury Euro Company Limited  
**NOTES TO THE ACCOUNTS (Continued)**  
For the year ended 31 December 2003

**6. Directors Emoluments and Directors' interests**

**a) Information relating to Directors' emoluments and pensions pursuant to Section 232 and Schedule 6 of the Companies Act 1985**

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

**b) Directors' interests in shares of Royal Dutch Petroleum Company**

At the Annual General Meeting on 16th May, 2002 of Royal Dutch the shareholders approved an amendment to the Articles of Association of Royal Dutch to re-denominate the nominal value of the priority and ordinary shares from guilders into euro. The new nominal value of the priority shares are EUR 448 each and the ordinary shares are EUR 0.56 each.

- i. The Directors' shareholding and debenture-holding interests (other than share options) in Royal Dutch Petroleum Company ("Royal Dutch") and its subsidiary undertakings recorded in the Register of such interest were as follows:

	<b>Royal Dutch Ordinary Shares Euro</b>	
	<b>31 December 2002</b>	<b>31 December 2003</b>
	0.56	0.56
F.P. Marret	<u>113</u>	<u>262</u>

- ii. The interests of the Directors of the Company in shares of Royal Dutch under share option schemes as recorded in the Register of such interests were as follows:

<b>Royal Dutch Ordinary shares EUR 0.56</b>					
	<b>Options Outstanding 1 January 2003</b>	<b>Options Granted</b>	<b>Options lapsed</b>	<b>Options Exercised</b>	<b>Options Outstanding 31 December 2003</b>
K.A. Dean	16,200	-	(1,350)	-	14,850
F. Marret	<u>7,100</u>	<u>3,800</u>	<u>-</u>	<u>-</u>	<u>10,900</u>
	<u>23,300</u>	<u>3,800</u>	<u>1,350</u>	<u>-</u>	<u>25,750</u>

According to the Register of Directors' interests, no other Directors had any such interests neither in the above-named undertaking nor in any other undertaking requiring disclosure under the Companies Act 1985.

**Shell Treasury Euro Company Limited**  
**NOTES TO THE ACCOUNTS (Continued)**  
**For the year ended 31 December 2003**

**7. Number of employees**

The Company had no employees during the period (2002: nil). All personnel are employed by another group undertaking. No charge was made to the Company for the services rendered by the employees.

**8. Debtors**

	2003 EUR '000	2002 EUR '000
Amounts falling due within one year		
Amounts owed by Group undertakings:		
Fellow subsidiary undertakings	19,096,576	8,843,666
Other debtors	3,931	260,392
Tax receivable (see note 10)	83,892	256,393
Prepayments and accrued income	<u>11,480</u>	<u>12,648</u>
	<u>19,195,879</u>	<u>9,373,099</u>
 Amounts falling due after more than one year		
Amounts owed by Group undertakings:		
Fellow subsidiary undertakings	<u>4,008,161</u>	<u>3,301,442</u>

**9. Creditors**

	2003 EUR '000	2002 EUR '000
Amounts falling due within one year:		
Amounts owed to Group undertakings		
Fellow subsidiary undertakings	10,819,780	1,637,876
Accruals	3,043	1,736
Other creditors	1,358	2,327
Bank loans and overdrafts	9	-
Tax payable (see note 10)	<u>-</u>	<u>-</u>
	<u>10,824,190</u>	<u>1,641,939</u>

**Shell Treasury Euro Company Limited**  
**NOTES TO THE ACCOUNTS (Continued)**  
**For the year ended 31 December 2003**

**9. Creditors (Continued)**

Amounts owed to fellow subsidiaries attract interest payable of EURIBOR and LIBOR.  
 Other creditors are interest free.

	2003 EUR '000	2002 EUR '000
Amounts falling due after more than one year		
Amounts owed to Group undertakings:		
Parent company	655,751	358,289
Fellow subsidiary undertakings	<u>11,168,591</u>	<u>10,231,371</u>
	<u>11,824,342</u>	<u>10,589,660</u>
Creditors fall due as follows:		
Between one and two years	1,768,737	1,375,542
Between two and five years	784,949	3,870,180
Greater than five years	<u>9,270,656</u>	<u>5,343,938</u>
	<u>11,824,342</u>	<u>10,589,660</u>

Amounts due to Group undertakings are unsecured. Creditors greater than one year attract an interest rate charge of LIBID from the parent company and LIBOR from fellow treasury subsidiary companies.

**10. Taxation receivable**

The amount receivable for tax represents the credit due from losses recorded in 2003.

The corporation tax liability represents the current year's tax charge calculated based on the current tax rate which will either be settled by payment to Inland Revenue or by payment to Group companies for group relief and the corporation tax repayment due following the carry back of trade losses incurred in 2002 to prior years.

The balance comprises:

	2003 EUR '000	2002 EUR '000
Corporation tax receivable	<u>83,892</u>	<u>256,393</u>

There was no unprovided deferred taxation at 31 December 2003 (2002: nil).

Shell Treasury Euro Company Limited  
**NOTES TO THE ACCOUNTS (Continued)**  
For the year ended 31 December 2003

**11. Called-up share capital**

	Authorised	Allotted, called up and fully paid	Authorised	Allotted, called up and fully paid
	2003 EUR '000	2003 EUR '000	2002 EUR '000	2002 EUR '000
Ordinary shares	1	1	1	1
Redeemable shares	<u>715,808</u>	<u>715,808</u>	<u>715,808</u>	<u>715,808</u>
	<u>715,809</u>	<u>715,809</u>	<u>715,809</u>	<u>715,809</u>

The redeemable shares may be redeemed by the Company or the shareholders for cash at par, the earliest date being 6 months from date of allotment, provided that 30 days notice is given. The shares rank pari passu with the equity share capital of the Company.

The Ordinary and Redeemable shares of the Company have a nominal value of EUR 0.511291881 per share.

**12. Profit and loss account**

Movements in the profit and loss account are reconciled as follows:

	2003 EUR '000	2002 EUR '000
At 1 January	(272,840)	334,821
Retained profit / (loss) for the year	<u>112,564</u>	<u>(607,661)</u>
At 31 December	<u>(160,276)</u>	<u>(272,840)</u>

**13. Shareholders' funds**

The movements in shareholders' funds is set out below:

	2003 EUR '000	2002 EUR '000
Opening shareholders' funds	442,969	1,050,630
Profit/ (Loss) for the period	<u>112,564</u>	<u>(607,661)</u>
Closing shareholders' funds	<u>555,533</u>	<u>442,969</u>

Shell Treasury Euro Company Limited  
**NOTES TO THE ACCOUNTS (Continued)**  
For the year ended 31 December 2003

14. **Analysis of shareholders' funds**

	2003 EUR '000	2002 EUR '000
Equity	1	1
Non-equity	<u>555,532</u>	<u>442,968</u>
Closing shareholders' funds	<u>555,533</u>	<u>442,969</u>

15. **Commitments and contingent liabilities**

The Company uses various derivative financial instruments to manage market risks and conduct trading activities. The credit, market and liquidity risks associated with these derivative financial instruments are managed in conjunction with the balance sheet activities. The Company is exempt from the disclosures required by FRS13 as it does not meet the FRS13 definition of bank or similar institution, nor does it have capital instruments that are publicly listed or traded.

There were no other outstanding commitments and contingent liabilities at 31 December 2003 (2002: nil).