

SHELL INTERNET SERVICES LIMITED

DIRECTORS' REPORT

AND ACCOUNTS

31 DECEMBER 2003

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SHELL INTERNET SERVICES LIMITED

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES AND REVIEW OF THE BUSINESS

The Company was incorporated on the 24 August 2000 to provide various services to businesses and subsidiaries in the Royal Dutch/Shell Group of Companies in relation to the use and application of the internet, e-commerce and e-business sectors.

During 2002 the activities of the Company were merged with those of another group entity. The activities of the company were wound down during 2003. As the Directors do not intend to acquire a replacement trade, they have not prepared the accounts on a going concern basis.

The Company's loss for the year was £6,146 (2002: £72,837 loss).

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

DIRECTORS

The Directors of the Company who served throughout the year and to the date of this report were as follows:

D M Alexander

C P Harrison

DIRECTORS' INTERESTS

According to the Register of Directors' interests, no Director who was in office on 31 December 2003 had any such interests in the Royal Dutch Petroleum Company or in any other undertaking requiring disclosure under the Companies Act 1985.

No share options were exercised by the directors during the year.

RESEARCH AND DEVELOPMENT

The Company has available the services of Shell Research Limited and other research companies and facilities of the Royal Dutch/Shell Group of Companies to carry out research and development where it is applicable in its business.

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.*

SHELL INTERNET SERVICES LIMITED

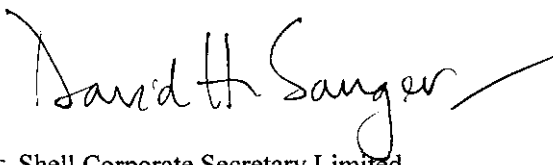
DIRECTORS' REPORT

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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

AUDITORS

The Company passed Elective Resolutions on 27 October 2000 in accordance with the Companies Act 1985 to dispense with the holding of Annual General Meetings and the laying of accounts and reports before general meetings. However, pursuant to Section 253(2) of the Companies Act 1985, any 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


for Shell Corporate Secretary Limited
Company Secretary
16 September 2004

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SHELL INTERNET SERVICES LIMITED

We have audited the accounts on pages 4 to 13 which, as described in note 1 (j), have not been prepared on a going concern basis.

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 2, 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 judgements 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 loss 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

20 September 2004

P O Box 695,
8 Salisbury Square
London EC4Y 8BB.

SHELL INTERNET SERVICES LIMITED**PROFIT AND LOSS ACCOUNT****For the year ended 31 December 2003**

		2003	2002
		£	£
Discontinued Operations	Note		
Turnover	2	-	18,498,641
Cost of sales		3,549	(18,464,775)
GROSS PROFIT		3,549	33,866
Other operating expense:		(10,007)	-
Loss on currency translation			
OPERATING (LOSS)/PROFIT BEFORE INTEREST		(6,458)	33,866
Interest payable and similar charges	3	-	(24,845)
(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(6,458)	9,021
Tax on (loss)/profit on ordinary activities	5	312	(81,858)
RETAINED (LOSS) FOR THE YEAR		(6,146)	(72,837)

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

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**For the year ended 31 December 2003**

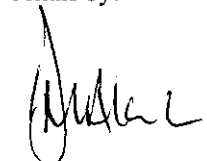
	2003	2002
	£	£
Total recognised losses relating to the year	(6,146)	(72,837)
Deferred tax – prior year adjustment upon implementation of FRS 19	-	1,203
Total recognised losses since last annual report	(6,146)	(71,634)

SHELL INTERNET SERVICES LIMITED**BALANCE SHEET****At 31 December 2003**

	Note	2003 £	2002 £
FIXED ASSETS			
Tangible assets	7	-	44,789
CURRENT ASSETS			
Debtors - amounts falling due within one year	8	271,349	2,639,940
CREDITORS - amounts falling due within one year	9	(352,811)	(2,760,045)
NET CURRENT LIABILITIES		(81,462)	(120,105)
NET LIABILITIES		(81,462)	(75,316)
CAPITAL AND RESERVES			
Called up share capital	12	1	1
Profit and loss account	14	(81,463)	(75,317)
EQUITY SHAREHOLDERS' FUNDS	14	(81,462)	(75,316)

The Notes on pages 6 to 13 form part of these accounts.

The accounts were approved by the Board of Directors on 16 September 2004 and were signed on its behalf by:

 16/9/04

D. M. Alexander
Director

SHELL INTERNET SERVICES LIMITED

NOTES TO THE ACCOUNTS

For the year ended 31 December 2003

1. Accounting policies

a) Accounting convention and compliance with Accounting Standards

The accounts have been prepared under the historical cost convention and in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom and the accounting policies as described below.

b) Group accounts

The immediate parent company is 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 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) Deferred taxation

Provision is made for deferred tax liabilities and assets, using full provision accounting, otherwise known as the incremental liability method, when an event has taken place by the balance sheet date which gives rise to an increased or reduced tax liability in the future in accordance with FRS 19. 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 substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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.

SHELL INTERNET SERVICES LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2003

1. Accounting policies (Continued)

d) Foreign currency translation

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

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

e) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost less accumulated depreciation and provision for impairment. A review of the potential impairment of a fixed asset is carried out if events or changes in circumstances indicate that the carrying amount of a fixed asset may not be recoverable. Such impairment reviews are performed in accordance with Financial Reporting Standard 11. Impairments thus arising are recorded in the profit and loss account.

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

Motor vehicles	25% per annum
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f) Turnover

Turnover represents amounts received or receivable (excluding VAT) for the supply of related services made during the year. All activities were discontinued in 2003.

g) Pension costs

The Company is a contributor to the Shell Contributory Pension Fund which covers the majority of its employees and is a funded defined benefits scheme. The pension cost in relation to this scheme is assessed in accordance with the advice of a qualified actuary using the projected unit method.

The Company is unable to identify its share of the Fund's underlying assets and liabilities on a consistent and reasonable basis. Therefore the Company has taken advantage of the exemptions allowed by paragraph 9(b) of Financial Reporting Standard 17. The Company accounts for its contributions to the Fund in the period in respect of which they become payable.

h) Cash flow statements

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.

i) 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.

SHELL INTERNET SERVICES LIMITED**NOTES TO THE ACCOUNTS (Continued)****For the year ended 31 December 2003****1. Accounting policies (Continued)****j) Basis of preparation**

As explained in the Directors report the Company has ceased trading. The accounts have been prepared on a basis other than that of a going concern which includes where appropriate, writing down the company's assets to net realisable value. Provision has also been made for any onerous contractual commitments at the balance sheet date.

2. Turnover

	2003 £	2002 £
Geographical markets		
Europe	-	18,498,641
	-	18,498,641

Class of business

Turnover is principally related, directly or indirectly, to the provision of various services and developmental work in relation to, the use and application of the internet, e-commerce and e-business sectors. All activities were discontinued in 2003.

3. Interest payable and similar charges

	2003 £	2002 £
Fellow subsidiary undertakings	-	24,845

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

The profit/loss on ordinary activities before taxation is stated after charging the following:

	2003 £	2002 £
Depreciation on owned assets	17,145	19,818
Auditors' remuneration for audit services	-	7,000

Audit fees of £7,000 for 2003 are borne by the Company's parent, Shell Petroleum Company Ltd.

SHELL INTERNET SERVICES LIMITED**NOTES TO THE ACCOUNTS (Continued)****For the year ended 31 December 2003****5. Taxation**

The group relief (credit)/charge for the year of £312 (2002: £81,858 charge) is made up as follows:

	2003	2002
	£	£
United Kingdom corporation tax at the rate of 30% (2002:30%)	(4,585)	42,854
Adjustments in respect of prior years	-	42,074
	<u>(4,585)</u>	<u>84,928</u>
Deferred taxation		
Origination and reversal of timing differences		
Total deferred tax (Note 11)	<u>4,273</u>	<u>(3,070)</u>
Total group relief (credit)/charge	<u>(312)</u>	<u>81,858</u>

The group relief assessed for the period is higher than the standard rate of corporation tax in the UK (30%).

The difference is explained below:

	2003	2002
	£	£
(Loss)/Profit on ordinary activities before tax	<u>(6,458)</u>	<u>9,021</u>
Tax on (Loss)/Profit on ordinary activities at standard UK Corporation tax rate of 30% (2002:30%)	(1,938)	2,706
Effects of:		
Expenses not deductible for tax purposes	1,232	-
Transfer pricing adjustment	-	37,078
Accelerated capital allowances and other timing differences	(3,879)	3,070
Adjustment to group relief charge in respect of previous year	-	42,074
Total current group relief (credit)/charge	<u>(4,585)</u>	<u>84,928</u>

6. Number of employees

The average number of persons employed by the Company in 2003 was 2 (2002:35). All persons were employed in the United Kingdom and were principally involved in the provision of web-related services and the development of various electronic commerce and business initiatives.

	2003	2002
	£	£
Staff costs:		
Wages and salaries	79,332	6,727,789
Social security costs	<u>9,805</u>	<u>966,490</u>
	<u>89,137</u>	<u>7,694,279</u>

In addition redundancy (credits) of £(298,141) were recognised in the year ended 31 December 2003 (2002: redundancy costs of £1,158,435 were charged).

SHELL INTERNET SERVICES LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2003

7. Tangible fixed assets

	Motor Vehicles £
Cost	
Balance at 1 January 2003	79,274
Transfers out to group companies	<u>(79,274)</u>
Balance at 31 December 2003	-
Depreciation	
Balance at 1 January 2003	(34,485)
Charge for the period	(17,145)
Transfers out to group companies	<u>51,630</u>
Balance at 31 December 2003	-
Net book amount	
At 31 December 2003	<u>-</u>
At 1 January 2003	<u>44,789</u>

8. Debtors: amounts falling due within one year

	2003 £	2002 £
Trade debtors	-	2,937
Amounts owed by Group undertakings:		
Parent undertaking	-	2,366,450
Fellow subsidiary undertakings	196,913	266,280
Group relief (Note 10)	74,436	-
Deferred taxation asset (note 11)	<u>-</u>	<u>4,273</u>
	<u>271,349</u>	<u>2,639,940</u>

9. Creditors: amounts falling due within one year

	2003 £	2002 £
Trade creditors	-	268,428
Amounts owed to Group undertakings:		
Fellow subsidiary undertakings	352,811	528,621
Accruals	-	1,920,142
Group relief (Note 10)	<u>-</u>	<u>42,854</u>
	<u>352,811</u>	<u>2,760,045</u>

SHELL INTERNET SERVICES LIMITED**NOTES TO THE ACCOUNTS (Continued)****For the year ended 31 December 2003****10. Group relief receivable**

The amount set aside for Group Relief represents the asset for estimated outstanding assets for taxation based on net income and chargeable gains included in the accounts for the year up to and including 2003.

The asset/(payable) comprises:

	2003 £	2002 £
Current group relief (receivable)/payable	(74,436)	42,854

11. Deferred taxation

The amount set aside for deferred taxation represents the timing differences between the recognition of items of income and expenditure for accounting and tax purposes for the years up to and including 2003.

The asset comprises:

	2003 £	2002 £
Deferred taxation asset:		
Accelerated capital allowances	-	4,273
1 January 2003	4,273	
Deferred tax charge in the profit and loss account	(4,273)	
	-	

12. Called up share capital

	2003 £	2002 £
Authorised		
100,000 (2002: 100,000) ordinary shares of £1 each	100,000	100,000
Allocated, called up and fully paid		
1 (2002: 1) ordinary share of £1 each	1	1

SHELL INTERNET SERVICES LIMITED**NOTES TO THE ACCOUNTS (Continued)****For the year ended 31 December 2003****13. Pension schemes**

The Company is a Member Company of the Shell Contributory Pension Fund ("SCPF"), a defined benefits pension scheme, which provides pensions and other post retirement benefit entitlements for those United Kingdom employees who elect to become Members of the SCPF. Apart from the contributions from employee members, which have a fixed maximum rate, the SCPF is funded entirely by contributions from Member Companies at rates certified from time to time by Hewitt Bacon & Woodrow, the SCPF's actuary.

Hewitt Bacon & Woodrow carried out an actuarial valuation of the SCPF as at 31 December 2002 using the projected unit method. The actuarial value of the SCPF's assets as at that date was £7,056 million. The principal actuarial assumptions adopted in the valuation were a discount rate of 5.5%, a rate of salary increases (in addition to age-related promotional increase) of 4.5%, and a price inflation rate of 2.5%. The actuarial value of the assets fell short of the present value of the scheme liabilities by 1% after allowing for expected future increases in earnings. Member Companies' contributions to the SCPF, which had previously been suspended, recommenced from 1 July 2003.

A calculation of the assets and liabilities of the fund was carried out for accounting purposes as at 31 December 2003 following the principles of US accounting standard FAS 87 using a discount rate of 5.75% and a salary increase rate of 4%, together with other assumptions consistent with the actuarial valuation above. This indicated that on a FAS 87 basis the SCPF had a surplus as at 31 December 2003 of 12.8%. This calculation is not used by the scheme trustees to determine contributions.

The Company is unable to identify its share of the scheme's underlying assets and liabilities on a consistent and reasonable basis. Accordingly, when FRS 17 is adopted in full, the Company will continue to account for the SCPF as a defined contribution scheme.

From the 1 July 2003 all member companies were obliged to contribute to the SCSF scheme on behalf of their employees. There were no staff employed by the Company after 1 July 2003 and therefore no contributions to the SCSF were made during the year.

14. Reconciliation of movements in reserves and shareholders' funds

	Share Capital	Profit and loss account	Shareholders' funds
	£ '000	£ '000	£ '000
At 1 January 2002	1	(2,480)	(2,479)
Retained loss for the year	-	(72,837)	(72,837)
At 1 January 2003	1	(75,317)	(75,316)
Retained loss for the year	-	(6,146)	(6,146)
At 31 December 2003	1	(81,463)	(81,462)

SHELL INTERNET SERVICES LIMITED

NOTES TO THE ACCOUNTS (Continued)

For the year ended 31 December 2003

15. Directors

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

Directors' emoluments:

	2003	2002
	£	£
Aggregate emoluments	-	174,694

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

	2003	2002
	£	£
In respect of defined benefit schemes	-	-

Highest paid Director:

	2003	2002
	£	£
Total amount of emoluments	-	116,113
Defined benefit pension scheme:		
Accrued pension at end of the period	-	-

These emoluments and pensions were borne by the Company and charged in the profit and loss account.