All-employee Share Schemes
Group Managing Directors are not eligible to participate in the Global Employee Share Purchase Plan.

Pensions
For the Dutch Managing Directors of Royal Dutch the principal source of their pensions is the Stichting Shell Pensioenfonds. This is a defined benefit fund to which Managing Directors contribute the same percentage of relevant earnings as other employees. For employees in the Netherlands this percentage was zero during the year. The employing companies contribute to the pension fund on the advice of actuaries, and the employing company contribution rate in 2002 was 0%. The principal source of pension for the non-Dutch Managing Director of Royal Dutch is the Shell Overseas Contributory Pension Fund ("SOCPF"). This is also a defined benefit fund to which the Managing Director contributes 4% of relevant earnings. The employing company also contributes to the Fund and, upon actuarial advice, the employing company's contribution rate in 2002 was 10% of relevant earnings. Managing Directors retire on June 30, following their 60th birthday. There are provisions in both pension funds for a surviving dependant benefit of 70% or, in the case of SOCPF, 60% of actual or prospective pension. In the case of death-in-service, a lump sum of two times annual salary is paid, or, in the case of SOCPF, three times annual salary.

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.

Managing Directors' Contracts of Service
No Managing Director has or, during the financial year, had a contract of service with Royal Dutch. The Managing Directors of Royal Dutch have employment contracts with one of the Group holding companies that provide entitlement to the statutory notice period applicable to employees in the Netherlands – no more than three months. Similarly, such contracts expire on the expected date of retirement which, in the case of the Managing Directors, is June 30 following their 60th birthday. There are no predetermined termination compensation arrangements in place for Managing Directors of Royal Dutch.

Harry Roels resigned from his positions as Managing Director of Royal Dutch and a Group Managing Director for personal reasons on June 30, 2002 at his own request. He was paid €2.2 million upon termination of his contract of service. In recommending this departure arrangement, REMCO took into account his more than 30 years valuable service to the Group and considered it appropriate to base the calculation of this amount on a formula applicable to all senior staff in the Netherlands with whom severance arrangements are made.

Emoluments of Managing Directors

€	2002	2001	2000
Jeroen van der Veer			
Salaries	**1,013,729**	923,929	824,201
Performance-related element[a]	**1,230,500**[b]	619,450[b]	398,601
Total cash	**2,244,229**	1,543,379	1,222,802
Other compensation[c]	**4,768**	4,620	4,486
Realised share option gains upon exercise	–	293,440	339,600
	2,248,997	1,841,439	1,566,888
Malcolm Brinded			
Salaries	**372,500**	–	–
Performance-related element[a]	**428,375**[b]	–	–
Total cash	**800,875**	–	–
Other compensation[c]	**2,210**[d]	–	–
Realised share option gains upon exercise	–	–	–
	803,085	–	–
Harry Roels			
Salaries	**2,587,973**[e]	743,779	697,598
Performance-related element[a]	–	501,430	318,145
Total cash	**2,587,973**	1,245,209	1,015,743
Other compensation[c]	**2,282**	4,553	4,421
Realised share option gains upon exercise	–	–	–
	2,590,255	1,249,762	1,020,164
Walter van de Vijver			
Salaries	**735,095**	342,536	–
Performance-related element[a]	**902,750**	221,330	–
Total cash	**1,637,845**	563,866	–
Other compensation[c]	**18,091**[f]	2,162	–
Realised share option gains upon exercise	–	–	–
	1,655,936	566,028	–

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

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

c Includes social security premiums paid by the employer and employer's contribution to the health insurance plan and, where applicable, other benefits stated at a value employed by the Fiscal Authorities in the Netherlands.

d Exclusive of deferred payment in shares amounting to £386,000 granted in 1999.

e Includes lump sum on departure.

f Exclusive of deferred payment in shares amounting to €688,839 granted in 1999.

Pensions

€ thousand

	Age as at 31.12.02	Years of Group service as at 31.12.02	Increase in accrued pension during 2002	Accumulated annual pension as at 31.12.02	Pension premium 2002 paid by employer
Jeroen van der Veer	55	31	67	599	0
Malcolm Brinded	49	28	7[a]	418	37[a]
Harry Roels[b]	54	30	(18)	435	0
Walter van de Vijver	47	23	27	314	0

a As from July 1, 2002.

b Mr Roels left Group service on June 30, 2002, with a deferred pension payable as from his normal retirement date.

Share options

The interests of the Managing Directors and former Managing Directors under the Group Share Plans in Royal Dutch and Shell Transport are shown below:

Options Royal Dutch

At 01.01.02	Granted during the year	Exercised (cancelled) during the year	At 31.12.02	Exercise price €	Market price at date of exercise €	Expiry date
Jeroen van der Veer						
16,500	–	(16,500)	–	48.92	–	10.12.02
40,850	–	–	40,850	41.16	–	21.12.08
45,000	–	–	45,000	59.54	–	22.03.10
80,000	–	–	80,000	62.60	–	25.03.11
–	105,000	–	105,000	62.10	–	20.03.12
Malcolm Brinded						
–	50,000	–	50,000	62.10	–	20.03.12
Harry Roels						
14,000	–	(14,000)	–	48.92	–	10.12.02
28,000	–	–	28,000	41.16	–	29.06.07
45,000	–	–	45,000	59.54	–	29.06.07
62,000	–	–	62,000	62.60	–	29.06.07
Walter van de Vijver						
10,000	–	–	10,000	48.92	–	10.12.07
20,000	–	–	20,000	41.16	–	21.12.08
32,000	–	–	32,000	59.54	–	22.03.10
10,000	–	–	10,000	68.73	–	22.08.10
40,000	–	–	40,000	62.60	–	25.03.11
–	75,000	–	75,000	62.10	–	20.03.12
Maarten van den Bergh						
57,950	–	20,000	37,950	41.16	59.35	29.06.05

Options Shell Transport

At 01.01.02	Granted during the year	Exercised (cancelled) during the year	At 31.12.02	Exercise price pence	Market price at date of exercise pence	Expiry date
Malcolm Brinded						
37,500	–	–	37,500	439	–	10.12.07
139,200	–	–	139,200	363	–	21.12.08
245,000	–	–	245,000	505	–	22.03.10
14,000	–	–	14,000	563	–	12.11.10
278,200	–	–	278,200	552	–	25.03.11

Remuneration of Members of the Supervisory Board

The Articles of Association provide for an amount to be fixed by the General Meeting that shall serve as the basis for the remuneration of members of the Supervisory Board. At the General Meeting held on May 16, 2002, that amount was set at €75,000 multiplied by the number of members of the Supervisory Board holding office during any year or proportionately during part of a year. The amount so fixed constitutes the maximum aggregate remuneration in respect of any year for all members of the Supervisory Board. Out of the funds so earmarked, the Supervisory Board fixes the amount of the remuneration for each of its members, taking into account any special duties performed by a member.

Within the limits set by shareholders, the levels of remuneration are reviewed by the Supervisory Board from time to time and are adjusted when appropriate. At its last review the Supervisory Board resolved to increase the Board fees to €55,000 per annum and the additional fee for the Chairman to €15,000 per annum, with effect from January 1, 2003. Also an attendance fee amounting to €2,375 per meeting will be payable to Board members required to make intercontinental trips to attend Board meetings. Fees for membership of the Committees of the Board were not changed.

Emoluments of the Members of the Supervisory Board €

	2002	2001	2000
Aad Jacobs			
Supervisory Board fees	**51,750**	45,378	45,378
Committee fees	**7,000**	6,807	10,210
	58,750	52,185	55,588
Maarten van den Bergh			
Supervisory Board fees	**46,000**	45,378	22,689
Committee fees	**7,000**	6,807	3,403
Holding Company fees	**29,021**	29,148	14,808
	82,021	81,333	40,900
Jonkheer Aarnout Loudon			
Supervisory Board fees	**46,000**	45,378	45,378
Committee fees	**14,000**	13,613	13,613
	60,000	58,991	58,991
Professor Hubert Markl			
Supervisory Board fees	**23,000**	–	–
Committee fees	**-**	–	–
	23,000	–	–
Professor Joachim Milberg			
Supervisory Board fees	**46,000**	45,378	22,689
Committee fees	**7,000**	6,807	3,403
	53,000	52,185	26,092
Lawrence Ricciardi			
Supervisory Board fees	**46,000**	22,689	–
Committee fees	**-**	–	–
	46,000	22,689	–
Henny de Ruiter			
Supervisory Board fees	**46,000**	45,378	45,378
Committee fees	**10,500**	6,807	6,807
Holding Company fees	**29,021**	29,148	29,520
	85,521	81,333	81,705
Jan Timmer			
Supervisory Board fees	**46,000**	45,378	45,378
Committee fees	**14,000**	13,613	13,613
	60,000	58,991	58,991
Lodewijk van Wachem			
Supervisory Board fees	**28,750**	56,723	56,723
Committee fees	**3,500**	6,807	6,807
Holding Company fees	**14,570**	29,148	29,520
	46,820	92,678	93,050

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 the Company 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 of £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 G25 to G27.

The "Shell" Transport and Trading Company, Public Limited Company

Report of Independent Accountants

To: The "Shell" Transport and Trading Company, Public Limited Company

We have audited the Financial Statements of The "Shell" Transport and Trading Company, Public Limited Company for the years 2002, 2001 and 2000 appearing on pages S2 to S8. The preparation of the Financial Statements is the responsibility of the Company's Directors. Our responsibility is to express an opinion on those Financial Statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in 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 the Company's Directors in the preparation of the 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 "Shell" Transport and Trading Company, Public Limited Company 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 conformity with the accounting principles described in Note 1 on page S4.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP, London

March 6, 2003

Financial Statements

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
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 £ million

	Note	2002	2001	2000
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 £ million

	2002	2001	2000
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 S2 to S8 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 G2 to G33 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 G2 to G33.

			£ 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 G5 to G8 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.

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 pages 76 and 77) 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 S14. 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. 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.

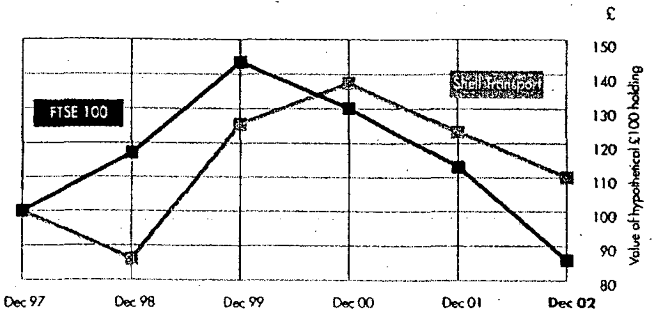
Performance graph

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.

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 G25 to G27.

(This page is intentionally blank)

Royal Dutch/Shell Group of Companies

Report of Independent Accountants

We have audited the Financial Statements appearing on pages G2 to G33 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.

KPMG Accountants N.V., The Hague

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP, London

March 5, 2003

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

	Note	Dec 31 2002	Dec 31 2001
			$ million
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	$ million 2000
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.

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

	Pre-tax	Tax	After tax
		Net credit/(charge)	
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

	Pre-tax	Tax	After tax
		Net credit/(charge)	
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

	Pre-tax	Tax	After tax
		Net credit/(charge)	
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 G33.

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.

Part 4

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).