

**SHELL INTERNATIONAL FINANCE B.V.**

**THE HAGUE**

**ANNUAL REPORT**

**2006**



0582725

22-06-2007

**SHELL INTERNATIONAL FINANCE B.V.**

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**SHELL INTERNATIONAL FINANCE B.V.**

**REPORT TO THE SHAREHOLDER OF SHELL INTERNATIONAL FINANCE B.V.**

We herewith submit the Annual Report for the year 2006, consisting of:

- Directors' Report
- Annual Accounts, consisting of:
  - Balance sheet at 31 December 2006;
  - Profit and loss account for the year ended 31 December 2006;
  - Notes to the balance sheet and profit and loss accounts for the year ended 31 December 2006.
- Other information including the auditors' report.

We have the honour to submit the following proposals:

- that the balance sheet at 31 December 2006, the profit and loss account for the year ended 31 December 2006 and the notes to the balance sheet and profit and loss accounts be finalised in accordance with the Annual Accounts enclosed;
- to add the profit amounting to US \$277,000 to the other reserves;
- that the Board of Directors be discharged of responsibility in respect of its management during the year 2006.

On behalf of  
the Board of Directors

22 - 06 - 2007

**SHELL INTERNATIONAL FINANCE B.V.**

**BOARD OF DIRECTORS**

M.C.M. Brandjes

T.P.K. Huijsinga

Th.J. Keijzer

A.W. Longden

K. McCoy

(Resigned 09/06/06)

22 - 06 - 2007

**SHELL INTERNATIONAL FINANCE B.V.**

**DIRECTORS' REPORT**

**Review of activities**

The principal activity of the Company is to provide funding to other members of the Shell Group.

The Company obtained its own funding by issuing debt from two commercial paper programmes (together US \$20 billion), a Euro Medium Term Note Programme (US \$10 billion) and a US Shelf Filing (US \$10 billion). Royal Dutch Shell plc guarantees all debt issuance programmes.

The Company's financing requirements in 2006 were met by the issuance of US \$2.7 billion worth of Eurobonds from the Euro Medium Term Note Programme, a US \$1 billion global bond from the US Shelf Filing and the ongoing issuance of commercial paper.

The Company's financial result for the year was a profit of US \$277,000 (2005: US \$43,000). This was primarily due to differences on foreign exchange.

The Company employs no staff. This is not expected to change in 2007.

No significant change in the business of the Company has taken place during the year or is expected in the immediately foreseeable future.

The rendering of services by the Service Companies of the Shell Group to the Company will be continued as deemed necessary.

The Board of Directors considers that the internal risk management and control system, which is designed to provide reasonable but not absolute assurance of achieving business objectives, is adequate and appropriate.

The Company, in the normal course of the business, uses financial instruments of various kinds for the purposes of managing economic exposure to currency and interest rate movements. The Company has a treasury policy consistent with the Group Treasury Guidelines. These policies cover financing structure; foreign exchange and interest rate risk management as well as the treasury control framework. The use of financial instruments for managing economic exposures has been effective in 2006 and the Company will continue to use financial instruments to manage economic exposures where required in 2007.

On behalf of  
the Board of Directors

**SHELL INTERNATIONAL FINANCE B.V.**  
**BALANCE SHEET AT 31 DECEMBER 2006**  
**(Before proposed appropriation of result)**

	Note	2006 US \$'000	2005 US \$'000
<b>CURRENT ASSETS</b>			
Accounts receivable	4	4,640,473	3,111,392
Cash at bank and in hand		2,575	2,311
Accrued interest income		60,668	6,040
		<u>4,703,716</u>	<u>3,119,743</u>
<b>CURRENT LIABILITIES</b>			
	5	<u>491,424</u>	<u>2,617,285</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			
		<u>4,212,292</u>	<u>502,458</u>
<b>LONG TERM DEBT</b>			
	5	4,209,557	500,000
<b>SHAREHOLDER'S EQUITY</b>			
Issued capital	6	2,633	2,415
Other reserves	6	(175)	-
Unappropriated profit	6	277	43
		<u>2,735</u>	<u>2,458</u>
<b>LONG TERM DEBT AND SHAREHOLDER'S EQUITY</b>			
		<u>4,212,292</u>	<u>502,458</u>

22-06-2007

**SHELL INTERNATIONAL FINANCE B.V.**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 2006**

	Note	2006 US \$'000	2005 * US \$'000
Interest income and similar income	7	280,154	48,680
Interest expense and similar expenses	8	278,925	48,115
General and administrative expenses		950	503
<b>RESULT BEFORE TAXATION</b>		<u>279</u>	<u>62</u>
Taxation on result	9	2	19
<b>NET RESULT AFTER TAXATION</b>		<u>277</u>	<u>43</u>

\* Certain prior year comparatives have been reclassified to provide consistency with the current year.  
There has been no change to retained profit for the year.

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**SHELL INTERNATIONAL FINANCE B.V.**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2006**

**1) Group affiliation and principal activities**

Shell International Finance BV ("The Company"), statutory seated in 2005, is one of the companies of the Shell Group. In this context the term "companies of the Shell Group" ("Group companies") means companies in which Royal Dutch Shell plc, either directly or indirectly, has control either through a majority of the voting rights or the right to exercise a controlling influence or to obtain the majority of the benefits and be exposed to the majority of the risks. Companies in which Group companies have significant influence but not control are classified as "Associated companies". Royal Dutch Shell plc, a company incorporated in the United Kingdom, is known as the "Parent Company" of the Shell Group.

The shares of the Company are held by Royal Dutch Shell plc, established in The Hague. The Company's principal activity is to acquire funds by contracting public or private loans or otherwise and to make such funds available in whatever form, to companies and enterprises in which companies of the Royal Dutch Shell Group, have a direct or indirect participation.

**2) Basis of presentation**

These accounts have been prepared in accordance with accounting principles generally accepted in the Netherlands and are in compliance with the provisions of the Netherlands Civil Code, Book 2, Title 9.

In conformity with the exemption provisions of the Guidelines for Annual Reporting in the Netherlands, a cash flow statement is not presented. The consolidated accounts of Royal Dutch Shell plc for the year ended 31 December 2006, which include a cash flow statement, have been filed at the Commercial Registry in The Hague, The Netherlands.

The financial information of the Company is incorporated in the consolidated financial statements of Royal Dutch Shell plc. These form the Annual Report and form 20F for the year ended 31 December 2006 and have been deposited at the office of the Commercial Registry in The Hague.

**3) Accounting policies**

The principles of valuation and determination of result remained unchanged compared to the prior year.

**a) Historical cost**

The annual accounts have been prepared under the historical cost convention.

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**SHELL INTERNATIONAL FINANCE B.V.**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2006 (Continued)**

**3) Accounting policies (Continued)**

**b) Foreign currencies**

Monetary assets and liabilities of the Company in foreign currencies are translated into the functional currency (USD) at the year-end rate of exchange.

Gains and losses in exchange arising as a result of transactions in currencies other than the functional currency (USD) are included in the profit and loss account for the year in which they are incurred.

**c) Assets and liabilities**

Assets and liabilities (including financial instruments) are shown at their historical cost values, less provisions where applicable, except where a different basis of valuation has been indicated in the annual accounts.

**d) Financial instruments**

The Company's financial instruments, other than derivatives, comprise borrowings, cash and liquid resources and various other items that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The Company also enters into derivative transactions (principally interest rate swaps, cross currency interest rate swaps and forward foreign exchange contracts). The purpose of such transactions is to manage the interest rate and currency risks arising from the Company's operations and its sources of finance.

Interest rate and cross currency interest rate swaps are acquired and held for hedging purposes. Income and expense arising from such transactions are accrued in the profit and loss account, consistent with the basis applied to the underlying transactions. Interest rates swaps are not revalued to fair value or shown in the balance sheet at the year end but are disclosed in the fair value table in note 11. The foreign currency portion of the cross currency interest rate swaps is marked to market and gains and losses are taken through the profit and loss account.

It is, and has been throughout the year to 31 December 2006, the Company's policy not to undertake proprietary trading in financial instruments.

The main risks arising from the Company's financial instruments are interest rate risk, credit risk and foreign currency risk. These risks are managed as detailed in note 11.

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**SHELL INTERNATIONAL FINANCE B.V.**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2006 (Continued)**

**3) Accounting policies (Continued)**

**e) Income and expense recognition**

General and administrative expenses, interest expense and similar expenses and interest income and similar income are accounted for in the period to which they relate.

**f) Taxation**

For the assessment of Netherlands income tax, the Company, together with Royal Dutch Shell plc, forms part of a fiscal unity.

Royal Dutch Shell plc charges the estimated corporation tax relating to the subsidiaries forming part of the fiscal unity to these subsidiaries. Settlement of Netherlands income tax in the fiscal unity is based on fiscal results.

**g) Impairment of assets**

Assets are reviewed for impairment whenever there is any indication that impairment may exist. If impairment does exist, then the recoverable amount (i.e. the higher of the fair value less cost to sell or value in use) of the asset is estimated to determine the amount of impairment loss.

**h) Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with financial institutions, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

**i) Fair value estimation**

The carrying amount of current receivables and payables are assumed to approximate their fair values.

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3) Accounting policies (Continued)

J) Netting off policy

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

i) The Company and the counterparty owe each other determinable monetary amounts.

denominated either in the same currency, or in different but freely convertible currencies.

ii) The Company has the ability to insist on a net settlement; and

iii) The Company's ability to insist on a net settlement is assured beyond doubt. For this to be the case it is necessary that the debit balance matures no later than credit balance. It is also necessary that the Company's ability to insist on a net settlement would survive the insolvency of the counterparty.

k) Commercial Paper and Medium Term Notes

Commercial Paper and Medium Term Notes are recognised at nominal value, adjusted for the corresponding unamortised discount or premium. The discount or premium is amortised on an equivalent yield basis over the life of the debt and taken to the profit and loss account. Coupon payments are recognised on an accruals basis.

**SHELL INTERNATIONAL FINANCE B.V.**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2006 (Continued)**

**4) ACCOUNTS RECEIVABLE**

	2006		2005	
	Due within 1 Year US \$'000	Due after 1 Year US \$'000	Due within 1 Year US \$'000	Due after 1 Year US \$'000
Due from Group companies	417,266	4,209,557	2,611,392	500,000
Other accounts receivable	13,650	-	-	-
	<u>430,916</u>	<u>4,209,557</u>	<u>2,611,392</u>	<u>500,000</u>
Total		<u>4,640,473</u>		<u>3,111,392</u>

**5) LIABILITIES CURRENT AND LONG TERM**

	2006		2005	
	Due within 1 Year US \$'000	Due after 1 Year US \$'000	Due within Year US \$'000	Due after 1 Year US \$'000
Payable to bank and credit institutions	433,181	4,209,557	2,617,285	500,000
Payable to Group companies	58,151	-	-	-
Taxation and social security charges	21	-	-	-
Accruals and deferred income	71	-	-	-
	<u>491,424</u>	<u>4,209,557</u>	<u>2,617,285</u>	<u>500,000</u>

Amounts due after more than five years, as included in long-term debt:

	2006 US \$'000	2005 US \$'000
Other bonds and private loans:		
• Payable to bank and credit institutions	4,209,557	500,000
	<u>4,209,557</u>	<u>500,000</u>

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**SHELL INTERNATIONAL FINANCE B.V.**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2006 (Continued)**

**5) LIABILITIES CURRENT AND LONG TERM (Continued)**

The following weighted annual rates of interest are applicable to the debt.

	2006		2005	
	US \$'000	Interest Rate	US \$'000	Interest Rate
CHF	245,790	2.01%	-	-
EUR	987,167	3.46%	-	-
GBP	1,176,600	5.22%	-	-
USD	1,800,000	5.30%	500,000	4.75%
	<u>4,209,557</u>		<u>500,000</u>	

There are no repayments due in the following year.

**6) SHAREHOLDER'S EQUITY**

The Company's authorised share capital comprises 10,000 ordinary shares of EUR 1,000 each, amounting to a nominal value of EUR 10,000,000. This EUR share capital has been revalued based on the year-end rate, resulting in a Cumulative Currency Translation Difference (CCTD).

The movements in shareholder's equity are summarised below:

	Issued capital US \$'000	Other reserves US \$'000	Unappropriated profit US \$'000	Total US \$'000
As at 1 January 2005	61	-	-	61
Issued on 6 June 2005	2,354	-	-	2,354
Result for the year	-	-	43	43
As at 31 December 2005	<u>2,415</u>	<u>-</u>	<u>43</u>	<u>2,458</u>
As at 1 January 2006	2,415	-	43	2,458
Appropriation of result	-	43	(43)	-
Result for the year	-	-	277	277
CCTD	218	(218)	-	-
As at 31 December 2006	<u>2,633</u>	<u>(175)</u>	<u>277</u>	<u>2,735</u>

**SHELL INTERNATIONAL FINANCE B.V.**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2006 (Continued)**

**7) INTEREST INCOME AND SIMILAR INCOME**

	2006 US \$'000	2005 US \$'000
Interest income:		
▪ Group companies	223,235	48,680
Interest from banks and similar income	56,678	-
Currency exchange gains	241	-
	<u>280,154</u>	<u>48,680</u>

**8) INTEREST EXPENSE**

	2006 US \$'000	2005 US \$'000
Interest expense:		
▪ Group companies	56,700	-
Interest from banks and similar expenses	222,225	48,618
	<u>278,925</u>	<u>48,618</u>

**9) TAXATION**

The effective tax rate in 2006 is 1.0% in comparison to the nominal corporation tax rate in the Netherlands of 29.6% (2005: 31.5%). The main reconciling items are:

- In 2006, the enacted tax rate per 1 January 2007 of 29.1% was applied to calculate the tax amount in the income statement as it is expected that the tax balance will be settled based on this tax rate.
- In 2006 the tax charge has been calculated based on the EUR taxable result, which includes EUR foreign exchange losses, not included in the USD ledger.

**10) EMPLOYEES AND SALARY COSTS**

The Company employed no personnel during 2006 or 2005 and therefore incurred no salary or related costs of employment.

## SHELL INTERNATIONAL FINANCE B.V.

### NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2006 (Continued)

#### 11) FINANCIAL INSTRUMENTS

The Company, in the normal course of business, uses various types of financial instruments, which expose the Company to market or credit risk. These include those recognised in the balance sheet ("on-balance sheet") and derivative financial instruments recognised outside of the balance sheet ("off balance sheet"). Details of the role that financial instruments have in creating or changing risks faced by the Company including its objectives and policies in using financial instruments to manage risks are detailed in note 3 (d).

The Company has procedures and policies in place to limit the amount of credit exposure to any counterparty or market. These procedures limit the Company's exposure to concentrations of credit or market risk. The Company also has procedures and policies in place to limit the amount of exposure on USD denominated balances. These procedures limit the Company's fiscal exposure.

##### a) On-balance sheet financial instruments

Financial instruments in the Balance Sheet include accounts receivables and liabilities. The estimated fair values of these instruments approximate their carrying amounts.

The remainder of this note relates to derivative instruments.

##### b) Interest rate risk

The Company uses derivatives, such as interest rate swaps to manage and match interest rates on its debt and lending activity. Substantially all interest rate exposure is matched with derivatives and assets on the same basis. Receipts and payments on the interest rate instruments are recognised on an accrual basis over the life of the instrument.

The total contract/notional amounts and estimated fair values of the Company's interest rate swaps at 31 December are given in the table below:

	2006		2005	
	Contract/ notional amount US \$'000	Estimated fair value US \$'000	Contract/ notional amount US \$'000	Estimated fair value US \$'000
Interest rate swaps	3.600.000	2.907	1.000	-

At 31 December 2005 the swaps were of a back-to-back nature with the fair values being equal and opposite and hence the net fair value is reported as nil.

**SHELL INTERNATIONAL FINANCE B.V.**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 2006 (Continued)**

**11) FINANCIAL INSTRUMENTS (Continued)**

**c) Foreign exchange risk**

The Company uses foreign exchange derivatives, including cross currency swaps. Substantially all foreign exchange exposure is matched with derivatives and assets on the same basis.

Cross currency interest rate swaps are acquired and held for hedging purposes. They are valued at historical cost, consistent with the basis applied to the underlying transactions. Amounts receivable and payable are recognised on an accrual basis over the life of the instrument. The Company does not trade in these derivatives for speculative purposes.

The total contract/notional amounts and estimated fair values of the Company's currency swaps at 31 December are given in the table below:

	2006		2005	
	Contract/ notional amount US \$'000	Estimated fair value US \$'000	Contract/ notional amount US \$'000	Estimated fair value US \$'000
Currency swaps	4,659,838	2,589	-	-

**12) CONTINGENT LIABILITIES**

For the assessment of Netherlands income tax, the Company, together with Royal Dutch Shell plc and most of its subsidiaries established in the Netherlands, forms part of a fiscal unity. Pursuant to the applicable legal stipulations, each company is jointly and severally liable for the income tax to be paid by the companies involved in the fiscal unity.

22-06-2007



SHELL INTERNATIONAL FINANCE B.V.

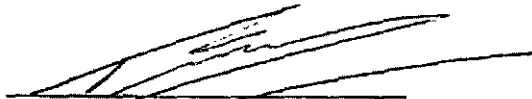
For signature of the Annual Accounts as presented on pages 2 up to and including 15:

The Directors



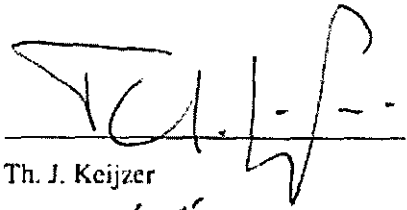
M.C.M. Brandjes

Date 6/6/07



T.P.K. Huljsinga

Date 1 June 2007



Th. J. Keijzer

Date 6/6/07



A.W. Longden

Date 5/6/07

22-06-2007

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**SHELL INTERNATIONAL FINANCE B.V.**

**OTHER INFORMATION**

**Statutory rules as to appropriation of profit**

Pursuant to Article 10, paragraph 3 of the Company's Articles of Association, profits are at the disposition of the General Meeting of Shareholders.

**Proposed appropriation of result**

To add the profit amounting to US \$277,000 to other reserves.

22-06-2007

To the Board of Directors of Shell International Finance B.V.

Reference: FK/e0007308

## Auditor's report

### Report on the financial statements

We have audited the accompanying financial statements 2006 of Shell International Finance B.V. ("the Company"), The Hague, as set out on pages 5 to 17 which comprise the balance sheet as at 31 December 2006, the profit and loss account for the period then ended and the notes.

#### *The management's responsibility*

The management of the Company is responsible for the preparation and fair presentation of the financial statements and for the preparation of the management report, both in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of Shell International Finance B.V. as at 31 December 2006, and of its result for the period then ended in accordance with Part 9 of Book 2, of the Netherlands Civil Code.

**Report on other legal and regulatory requirements**

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

The Hague, 6 June 2007

PricewaterhouseCoopers Accountants N.V.



F.J. Konings RA

22-06-2007