

Financial Statements

Directors' Report	66
Statement by Directors	72
Declaration	72
Report of the Auditors	73
Income Statement	74
Balance Sheet	75
Statement of Changes in Equity	76
Cash Flow Statement	77
Summary of Significant Accounting Policies	78
Notes to the Financial Statements	83
Company Properties	96
Analysis of Shareholdings	102



Directors' Report

The Directors hereby submit their report and the audited financial statements of the Company for the year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of refining and manufacturing of petroleum products. There has been no significant change in these activities during the year.

FINANCIAL RESULTS

	RM'000
Profit after taxation	522,132

DIVIDEND

The dividends paid by the Company since 31 December 2004 were as follows:

	RM'000
In respect of the year ended 31 December 2004 as shown in the Directors' report of that year:	
Final gross dividend of 35 sen per RM1 unit of share,	
less tax at 28%, paid on 10 June 2005	75,600
In respect of the year ended 31 December 2005:	
Interim gross dividend of 10 sen per RM1 unit of share,	
less tax at 28%, paid on 22 June 2005 in respect of the first quarter of the financial year ended 31 December 2005	21,600
Interim gross dividend of 12 sen per RM1 unit of share,	
less tax at 28%, paid on 7 October 2005	25,920
Special interim gross dividend of 20 sen per RM1 unit of share,	
less tax at 28%, paid on 29 December 2005 in respect of the third quarter of the financial year ended 31st December 2005	43,200

The Directors now recommend the payment of a final gross dividend of 38 sen per RM1 unit of share less income tax, amounting to RM114,000,000 which, subject to the approval of the shareholders at the forthcoming Annual General Meeting of the Company, will be paid on 9 June 2006 to shareholders registered on the Record of Depositors at the close of business on 26 May 2006.

The Directors have also declared a special dividend of 20 sen per RM1 unit of share less income tax, amounting to RM 60,000,000 which will be paid on 26 April 2006 to shareholders registered on the Record of Depositors at the close of business on 31 March 2006.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the year are shown in the financial statements.

Directors' Report

PARENT COMPANY

The proposal to unify the parent companies N.V. Koninklijke Nederlandsche Petroleum Maatschappij ('Royal Dutch Petroleum Company') and The "Shell" Transport and Trading Company, plc ('Shell Transport') were approved by shareholders at the parent companies' Annual General Meeting on 28 June 2005. Royal Dutch Shell plc (Parent Company) is incorporated in England and Wales, has its headquarters in The Hague and its shares are listed on the London, Amsterdam and New York stocks exchanges since 20 July 2005. Shell Overseas Holdings Limited, the immediate holding company of the Company, is ultimately owned by Royal Dutch Shell plc.

The Directors who have held office during the period since the date of the last report are as follows:

Datuk Jonathan Chadwick, PGDK
Dato' (Dr) Yahya bin Ismail, DPMJ, DPCM, DPMP, KMN, PPT, PJK
Raja Ahmad Murad bin Raja Bahrin
Dato' Jaffar Indot, DSNS, SMS
Tan Sri Saw Huat Lye, PSM, JMN, PMP
Saw Choo Boon (Appointed w.e.f. 23 February 2006)
Tn. Hj. Mohzani bin Abdul Wahab
Mark Owen Stevens
Thomas Michael Taylor
Zainul Rahim bin Mohd Zain (Alternate to Datuk Jonathan Chadwick) (Resigned w.e.f. 30 September 2005)

Saw Choo Boon who was appointed as a Director pursuant to Article 81(2) of the Company's Articles of Association, will retire at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

The Directors retiring by rotation in accordance with Article 81(3) of the Company's Articles of Association are Tn. Hj. Mohzani bin Abdul Wahab, Mark Owen Stevens and Thomas Michael Taylor all of whom, being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

Tan Sri Saw Huat Lye, Dato' Jaffar Indot and Dato' (Dr) Yahya bin Ismail, being over seventy years of age, retires in accordance with Section 129 of the Companies Act, 1965 and offer themselves for re-appointment at the forthcoming Annual General Meeting in accordance with Section 129 (6) of the said Act to hold office until the following Annual General Meeting of the Company.

DIRECTORS' BENEFITS

During and at the end of the year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate except for options over shares granted by the Shell Group to eligible senior executives including certain Directors of the Company.

Long-term incentives

The Shell Group discontinued share option grants in 2005 in favour of conditional share awards under an amended Long Term Incentive Plan (LTIP) and an amended Deferred Bonus Plan, approved by both Shell Transport and Royal Dutch Petroleum Company shareholders at the Annual General Meetings on 28 June 2005. For a selected number of the most senior executives in the Shell Group, restricted non-conditional shares were also awarded. The purpose of the changes was to ensure a closer link between the remuneration of directors and executives and the performance of the Shell Group relative to its peers.

Directors' Report

DIRECTORS' BENEFITS (Cont'd)

Long Term Incentive Plan (LTIP)

Under the LTIP, performance shares are awarded conditionally once a year. Awards will have a face value* between zero and two and a half times base pay. Awards are subject to performance over a period of at least three years. The shares are only released if the performance condition is met and if the participant remains in employment during the performance period (subject to certain exceptions, including retirement). For 2005 and 2006 onwards, the number of shares that the Directors will actually receive will depend on the Total Shareholder Return (TSR) performance of the Parent Company relative to the other major integrated oil companies as follows:

TSR Rank	Performance shares received
1st	2 X award
2nd	1.5 X award
3rd	0.8 X award
4th or 5th	Nil

The actual number of shares the Directors will receive in 2008 will depend on the Parent Company's TSR performance over the period 2005 to 2007. The face value of the conditional performance share award is the number of shares multiplied by the share price at the time of the award.

Deferred Bonus Plan

The Deferred Bonus Plan encourages share ownership by allowing Directors to invest part of their annual bonus in the Parent Company's shares.

Under the Deferred Bonus Plan, Directors can choose to invest up to 50% of their annual bonus in deferred bonus shares. Directors will be required to defer 25% of their bonus relating to the 2006 financial year and beyond into deferred bonus shares.

Any dividends payable on these deferred bonus shares are accrued as dividend shares. Provided the Director remains employed by Shell for three years following the year in which the bonus was earned, he or she will receive one matching share for every four deferred bonus and dividend shares. Additional performance related matching shares can be earned depending on the performance of the TSR of the Parent Company against the other major integrated oil companies as follows:

TSR Rank	Number of performance-related matching shares (per every 4 shares)
1st	3
2nd	2
3rd	1
4th or 5th	Nil

The deferred bonus shares, dividend shares and matching shares are released three years after the end of the year in which the annual bonus was earned.

Since the end of the previous year, no Director has received or become entitled to receive any benefit (other than benefits disclosed as Directors' remuneration in Note 8 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

*The face value of the conditional performance share award is the number of shares multiplied by the share price at the time of the award.

Directors' Report

DIRECTORS' LONG-TERM INCENTIVE INTEREST

The tables below show the LTIP, the Deferred Bonus Plan and the share options interest of the Directors' in office during 2005. Those awards and grants listed in the tables which were made with respect to Royal Dutch Petroleum Company and Shell Transport shares, have been converted into the Parent Company's share entitlements at the appropriate conversion rates. Other than consequential changes, the terms and conditions applicable to these awards and grants have generally not been altered as a result of this conversion.

- (a) Interest in options over shares of the Parent Company. The Directors' interest in options over shares of Royal Dutch Petroleum Company and Shell Transport, have been converted into the Parent Company's shares entitlements at the appropriate conversion rates.

	Options Outstanding at 1.1.2005		Movement during the period		Options Outstanding at 28.6.2005		Converted Options outstanding at 20.7.2005
	Royal Dutch	Shell Transport	Royal Dutch	Shell Transport	Royal Dutch	Shell Transport	Royal Dutch Shell plc
Datuk Jonathan Chadwick, PGDK	0	485,513	0	(52,500)	0	433,013	124,415
Saw Choo Boon	14,400	308	0	0	14,400	308	20,800
Thomas Michael Taylor	0	241,000	0	0	0	241,000	69,244
Mark Owen Stevens	0	151,900	0	0	0	151,900	43,643
Raja Ahmad Murad bin Raja Bahrin	7,075	0	0	0	7,075	0	14,150
Mohzani bin Abdul Wahab	21,525	0	(600)	0	20,925	0	3,400

	Interest in options over shares in Royal Dutch Shell plc				
	Options outstanding at 20.7.2005	Options granted	Options exercised	Options expired	Options outstanding 31.12.2005
Datuk Jonathan Chadwick, PGDK	124,415	0	0	0	124,415
Saw Choo Boon	20,800	0	0	0	20,800
Thomas Michael Taylor	69,244	0	11,981	0	57,263
Mark Owen Stevens	43,643	0	4,827	0	38,816
Raja Ahmad Murad bin Raja Bahrin	14,150	1,700	0	0	15,850
Mohzani bin Abdul Wahab	3,400	0	0	0	3,400

Directors' Report

DIRECTORS' LONG-TERM INCENTIVE INTEREST (Cont'd)

- (b) Direct interest in shares of the Parent Company. The Directors' direct interest in shares of Royal Dutch Petroleum Company and Shell Transport, have been converted into the Parent Company's shares entitlements at the appropriate conversion rates.

	Shares Outstanding at 1.1.2005		Movement during the period		Shares Outstanding at 28.6.2005		Converted Shares outstanding at 20.7.2005
	Royal Dutch	Shell Transport	Royal Dutch	Shell Transport	Royal Dutch	Shell Transport	Royal Dutch Shell plc
Datuk Jonathan Chadwick, PGDK	240	19,262	48	916	288	20,178	6,374
Saw Choo Boon	0	0	0	0	0	0	782
Thomas Michael Taylor	0	4,770	0	0	0	4,770	1,370
Mark Owen Stevens	0	4,793	0	120	0	4,913	1,410

	Direct interest in shares of Royal Dutch Shell plc			
	At 20.7.2005	Bought	Sold	31.12.2005
Datuk Jonathan Chadwick, PGDK	6,374	171	0	6,545
Saw Choo Boon	782	119	0	901
Thomas Michael Taylor	1,370	0	0	1,370
Mark Owen Stevens	1,410	14	0	1,424

Datuk Jonathan Chadwick was awarded 14,347 non-conditional shares in Royal Dutch Shell plc which will vest on 5th August 2008 assuming he remains in the employment of the Shell group until that time.

- (c) According to the register of Directors' shareholdings, no other Directors in office at the end of the financial year held any interest in shares in and debentures of the Company.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statement and balance sheet were made out, the Directors took reasonable steps:

- (a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Company inadequate to any substantial extent; or

Directors' Report

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS (Cont'd)

- (b) which would render the values attributed to current assets in the financial statements of the Company misleading; or
- (c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the year which, in the opinion of the Directors, will or may substantially affect the ability of the Company to meet its obligations when they fall due.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Company which has arisen since the end of the year which secures the liability of any other person; or
- (b) any contingent liability of the Company which has arisen since the end of the year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Company, which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

- (a) the results of the Company's operations during the year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Company for the year in which this report is made.

ULTIMATE HOLDING COMPANY

Pursuant to Section 169(10) of the Companies Act 1965, the Directors have regarded the Royal Dutch Shell plc, a company incorporated in England and Wales and has its headquarters in The Hague, as the ultimate holding company.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

On behalf of the Board, in accordance with a resolution of the Board of Directors dated 23 February 2006



RAJA AHMAD MURAD BIN RAJA BAHRIN
MANAGING DIRECTOR



THOMAS MICHAEL TAYLOR
DIRECTOR

Statement by Directors

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Raja Ahmad Murad Bin Raja Bahrin and Thomas Michael Taylor, two of the Directors of Shell Refining Company (Federation of Malaya) Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 74 to 95 are drawn up so as to give a true and fair view of the state of affairs of the Company as at 31 December 2005 and of the results of the Company and of its cash flows for the year ended on that date in accordance with MASB approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

On behalf of the Board, in accordance with a resolution of the Board of Directors dated 23 February 2006



RAJA AHMAD MURAD BIN RAJA BAHRIN
MANAGING DIRECTOR



THOMAS MICHAEL TAYLOR
DIRECTOR

Declaration

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Thomas Michael Taylor, the Director primarily responsible for the financial management of Shell Refining Company (Federation of Malaya) Berhad, do solemnly and sincerely declare that the financial statements set out on pages 74 to 95 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



THOMAS MICHAEL TAYLOR
DIRECTOR

Subscribed and solemnly declared by the abovenamed Thomas Michael Taylor at Kuala Lumpur in Malaysia on 23 February 2006, before me



25-3, Jalan Sri Hartamas 7,
Taman Sri Hartamas,
50480 Kuala Lumpur.



COMMISSIONER FOR OATHS

Report of the Auditors

TO THE MEMBERS OF SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD
(Company No. 3926-U)

We have audited the financial statements set out on pages 74 to 95. These financial statements are the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved auditing standards in Malaysia. 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 Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

- (a) the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and MASB approved accounting standards in Malaysia so as to give a true and fair view of:
- (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Company as at 31 December 2005 and of the results and cash flows of the Company for the year ended on that date;

and

- (b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.


PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

Kuala Lumpur
23 February 2006


LEE YOKE KHAI
(No. 1589/08/07 (J))
Partner of the firm

Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 RM'000	2004 RM'000
Revenue		9,695,133	7,510,539
Cost of sales		(8,952,566)	(6,720,445)
Gross profit		742,567	790,094
Other operating income		27,457	14,095
Administrative expenses		(41,441)	(40,309)
Other operating expenses		(22,784)	(6,196)
Profit from operations	3	705,799	757,684
Finance cost	4	(23,877)	(15,776)
Profit before taxation		681,922	741,908
Taxation	5	(159,790)	(71,564)
Profit after taxation		522,132	670,344
Gross dividends per RM1 unit of share (sen)	6	100	65
Earnings per RM1 unit of share (sen) – basic	7	174.04	223.45

The accounting policies on pages 78 to 82 and the notes on pages 83 to 95 form part of these financial statements.

Balance Sheet

AS AT 31 DECEMBER 2005

	Note	2005 RM'000	2004 RM'000
PROPERTY, PLANT AND EQUIPMENT	9	1,317,386	1,342,216
CURRENT ASSETS			
Inventories	10	673,128	627,331
Trade receivables		103,631	167,515
Other receivables and prepayments		5,320	5,534
Amounts receivable from related companies	11	880,175	730,543
Bank balances	12	14,947	0
Deposit with licensed banks	12	647,929	164,869
TOTAL CURRENT ASSETS		2,325,130	1,695,792
CURRENT LIABILITIES			
Trade and other payables	13	190,936	214,908
Amounts payable to related companies	11	732,304	407,885
Bank balances	12	0	1,053
Current portion of term loan (unsecured)	16	0	91,200
TOTAL CURRENT LIABILITIES		923,240	715,046
NET CURRENT ASSETS		1,401,890	980,746
LESS: NON CURRENT LIABILITIES			
Deferred taxation	15	267,456	273,184
Term loan (unsecured)	16	529,130	486,400
Provision for liabilities	14	3,500	0
TOTAL NON CURRENT LIABILITIES		800,086	759,584
		1,919,190	1,563,378
CAPITAL AND RESERVES			
Share capital			
Authorised 300,000,000 units of ordinary shares of RM1 each		300,000	300,000
Issued and fully paid 300,000,000 units of ordinary shares of RM1 each		300,000	300,000
Revaluation reserve	17	15,738	15,738
Retained earnings		1,603,452	1,247,640
TOTAL CAPITAL AND RESERVES		1,919,190	1,563,378

The accounting policies on pages 78 to 82 and the notes on pages 83 to 95 form part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	Issued and fully paid ordinary shares of RM1 each		Non- distributable	Distributable	Total RM'000
		Number of shares '000	Nominal value RM'000	Revaluation reserve RM'000	Retained earnings RM'000	
At 1 January 2004		300,000	300,000	15,738	685,296	1,001,034
Profit after taxation for the year ended 31 December 2004				0	670,344	670,344
Dividends for the year ended:						
– 31 December 2003				0	(43,200)	(43,200)
– 31 December 2004	6			0	(64,800)	(64,800)
At 31 December 2004		300,000	300,000	15,738	1,247,640	1,563,378
At 1 January 2005		300,000	300,000	15,738	1,247,640	1,563,378
Profit after taxation for the year ended 31 December 2005				0	522,132	522,132
Dividends for the year ended:						
– 31 December 2004	6			0	(75,600)	(75,600)
– 31 December 2005	6			0	(90,720)	(90,720)
At 31 December 2005		300,000	300,000	15,738	1,603,452	1,919,190

The accounting policies on pages 78 to 82 and the notes on pages 83 to 95 form part of these financial statements.

Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2005

	Note	2005 RM'000	2004 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit after taxation		522,132	670,344
Adjustments for:			
Taxation		159,790	71,564
Depreciation of property, plant and equipment		123,458	115,016
Turnaround cost capitalised		0	(11,705)
Gain on disposal of property, plant and equipment		(64)	0
Property, plant and equipment written off /(back)		11,581	(1,048)
Provision for decommissioning and site restoration cost		3,500	0
Interest income		(9,841)	(4,151)
Interest expense		20,327	12,344
Exchange (gain)/losses on foreign currency translation		(2,995)	163
		827,888	852,527
Changes in working capital:			
Decrease in inventories		(45,797)	(242,764)
Increase in trade and other debtors		64,098	2,597
Decrease in trade and other creditors		(51,058)	(234,800)
Decrease in amounts receivable from related companies		(149,632)	(248,681)
Increase in amounts payable to related companies		319,831	308,081
Cash generated from operations		965,330	436,960
Interest paid		(20,247)	(12,114)
Interest received		9,841	4,151
Taxation paid		(136,224)	(45,801)
Net cash flow from operating activities		818,700	383,196
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(105,620)	(33,822)
Proceeds from sales of fixed assets		64	0
Net cash flow used in investing activities		(105,556)	(33,822)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of term loan		(45,600)	(91,200)
Dividends paid		(168,484)	(105,587)
Net cash flow used in financing activities		(214,084)	(196,787)
NET INCREASE IN CASH AND CASH EQUIVALENTS		499,060	152,587
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		163,816	11,229
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	12	662,876	163,816

The accounting policies on pages 78 to 82 and the notes on pages 83 to 95 form part of these financial statements.

Summary of Significant Accounting Policies

FOR THE YEAR ENDED 31 DECEMBER 2005

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements.

A BASIS OF PREPARATION

The financial statements of the Company have been prepared under the historical cost convention (as modified for the revaluation of land, land improvements and buildings), unless otherwise indicated in this summary of significant accounting policies.

The financial statements comply with the MASB approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with the applicable approved accounting standards and the provisions of the Companies Act, 1965 requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported year. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

B REVENUE RECOGNITION

(i) Revenue

Revenue represents the invoiced value of refined and partially refined oil products and feedstocks, net of Government taxes.

Revenue is recognised upon delivery of products and acceptance by customers.

(ii) Other income

Other income comprises mainly of capital and operating expenditure recoveries from related companies and interest income, which are recognised on an accrual basis.

C PROPERTY, PLANT AND EQUIPMENT

All property, plant and equipment are initially stated at cost.

Land and buildings are subsequently shown at Directors' valuation which is based on a professional valuation in 1990 using the open market value basis for land, and depreciated replacement cost method for land improvements and building, less accumulated depreciation. The land and buildings of the Company have not been revalued since the last valuation exercise as the Directors have not adopted a policy of regular revaluations of such assets.

Accordingly, the valuation of the revalued assets has not been updated and they continue to be stated at their last revalued amounts less depreciation as allowed under the transitional provisions issued by the Malaysian Accounting Standards Board ('MASB').

Surpluses arising on revaluation are credited to revaluation reserve. Any deficit arising from revaluation is charged against the revaluation reserve to the extent of a previous surplus held in the revaluation reserve for the same asset. In all other cases, a decrease in carrying amount is charged to income statement. On disposal of revalued assets, amounts in revaluation reserve relating to those assets are transferred to retained earnings.

All other property, plant and equipment are stated at historical costs less accumulated depreciation.

(i) No depreciation is provided for freehold land and work-in-progress.

Summary of Significant Accounting Policies

FOR THE YEAR ENDED 31 DECEMBER 2005

C PROPERTY, PLANT AND EQUIPMENT (Cont'd)

- (ii) All other property, plant and equipment are depreciated on a straight line basis calculated to write off their costs, or their revalued amounts, over their estimated useful lives at the following annual rates:

Land improvements and buildings	2.5% – 10.0%
Plant and machinery	4.0% – 7.0%
Furniture and equipment	10.0% – 15.0%
Motor vehicles	25.0% – 33.3%

When an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. Please refer to accounting policy (P) on impairment of assets.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in profit from operations.

D MAINTENANCE COSTS

Asset replacement costs incurred by the Company for major scheduled maintenance of the refinery are capitalised as part of the refinery assets and depreciated on a straight line basis over their estimated useful lives, typically the period until the next major scheduled maintenance.

E BORROWINGS

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. In subsequent periods, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Interest, losses and gains relating to a financial instrument, or a components part, classified as a liability is reported within finance cost in the income statement.

Interest incurred on external borrowings related to assets under construction is capitalised until the assets are ready for their intended use.

F INVENTORIES

- (i) Inventories are valued at the lower of cost and net realisable value using the first-in-first-out (FIFO) method.
- (ii) Cost in the case of partially refined oil and finished products includes oil, direct materials, labour and an appropriate proportion of fixed and variable manufacturing overheads.
- (iii) Net realisable value is the estimate of selling price in the ordinary course of business, less the cost of completion and selling expenses.

G RECEIVABLES

Receivables are carried at anticipated realisable value. Bad debts are written off during the year in which they are identified. An estimate is made for doubtful debts based on a review of all outstanding amounts at year end.

Summary of Significant Accounting Policies

FOR THE YEAR ENDED 31 DECEMBER 2005

H PROVISIONS

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

The Company has recognised the estimated liability of decommissioning and site restoration costs in relation to the company's manufacturing units. The estimation of the decommissioning and restoration costs is based on current technology, on the assumption that the underlying costs of the restoration will not change dramatically in the future due to supply and demand or other economic factors.

I TAXATION

- (i) Current taxation is based on chargeable profit for the year and represents income tax at current rates and real property gains taxes payable on disposal of properties.
- (ii) Deferred taxation is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.
- (iii) Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.
- (iv) Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

J FOREIGN CURRENCIES

The basis of accounting for foreign currency transactions is as follows:

- (i) Monetary assets and liabilities denominated in foreign currencies at the balance sheet date have been translated at the rates of exchange ruling at that date, unless hedged by foreign exchange forward contracts, in which case the rates specified in such forward contracts are used.
- (ii) Transactions in foreign currencies have been converted at rates approximating those ruling at transaction dates, unless hedged by foreign exchange forward contracts, in which case the rates specified in such forward contracts are used.
- (iii) Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

The principal closing rates used in translation of foreign currency amounts are as follows:

Foreign currency	2005	2004
1 USD	RM 3.7795	RM 3.8000
1 EURO	RM 4.4869	RM 5.1812

Summary of Significant Accounting Policies

FOR THE YEAR ENDED 31 DECEMBER 2005

K EMPLOYEE BENEFITS

(i) Short term employee benefits

Wages, salaries, paid annual leave, sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.

(ii) Post-employment benefits

The Company's post-employment benefit scheme comprises only of the defined contribution plan.

Contributions to the Employees' Provident Fund, which is a defined contribution plan, are charged to the income statement when incurred.

L OPERATING LEASE

Leases of assets under which the significant risks and benefits of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

M CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash, bank balances, deposits with licensed banks, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. Bank overdrafts are included within short term borrowings in current liabilities on the balance sheet.

N DIVIDENDS

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date. Upon the dividend becoming payable, it will be accounted for as a liability.

O FINANCIAL INSTRUMENTS

(i) Financial instruments recognised on the balance sheet

Financial instruments recognised on the balance sheet

The particular recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual policy statements associated with each item.

(ii) Financial instruments not recognised on the balance sheet

The Company may enter into foreign exchange forward contracts to hedge foreign currency exposures as a result of confirmed receipts or payments in foreign currency. Any gain or loss arising from contracts entered into as hedges of anticipated future transactions is deferred until the date of such transactions, at which time it is included in the measurement of such transactions. All other exchange gains and losses relating to hedge instruments are recognised in the income statement in the same period as the exchange differences on the underlying hedged items.

The Company does not use interest rate swap instruments.

Summary of Significant Accounting Policies

FOR THE YEAR ENDED 31 DECEMBER 2005

O FINANCIAL INSTRUMENTS (Cont'd)

(iii) Fair value estimation for disclosure purpose

The fair values of the financial assets (less any estimated credit adjustments) and liabilities maturing within 12 months approximate the carrying value as at the balance sheet date. For long term financial liabilities, fair value is estimated by discounting future contractual cash flows at appropriate interest rates. The fair value of foreign exchange forward contracts is determined using forward exchange markets rates at the balance sheet date.

P IMPAIRMENT OF ASSETS

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Any subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset in which case it is taken to revaluation surplus.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

1 GENERAL INFORMATION

The principal activities of the Company consist of refining and manufacturing of petroleum products.

The average number of employees during the year amounted to 275 (2004: 276) employees in the Company.

The ultimate holding company of the Company is Royal Dutch Shell plc, a company incorporated in England and Wales.

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Board of the Malaysia Securities Exchange Berhad.

The address of the registered office of the Company is:

Bangunan Shell Malaysia
Changkat Semantan
Damansara Heights
50490 Kuala Lumpur

The address of the principal place of business of the Company is:

Batu 1, Jalan Pantai
71000 Port Dickson
Negeri Sembilan

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company is exposed to a variety of financial risks, including foreign currency exchange risk, interest rate risk, credit risk, liquidity and cash flow risk. The Company's overall financial risk management objective is to ensure the Company creates value for its shareholders. The Company focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Company. Financial risk management is carried out through risk reviews, assurance plans, internal control systems, insurance programmes and adherence to the Company's Treasury Policy and Procedures.

The Company may enter into foreign exchange forward contracts to manage the exposure to foreign currency risks in receivables and payables. In addition, financial instruments such as trade receivables, trade payables, short term and long term borrowings arise directly from the Company's operations. The Company does not trade in financial instruments.

(i) Foreign currency risk

The Company is exposed to currency risk as a result of the foreign currency transactions entered into in currencies other than its functional currency. The Company may enter into foreign exchange forward contracts to limit its exposure on foreign currency receivables and payables and on cash flows generated from anticipated transactions denominated in foreign currencies.

(ii) Interest rate risk

The Company finances its operations through a mixture of retained earnings and bank borrowings. The Company aims to achieve an optimum balance between fixed and floating interest rates.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(iii) Credit risk

Credit risk arises when sales are made on deferred credit terms. The Company seeks to control credit risk by setting counterparty limits and ensuring that sales of products are made only to approved customers with an appropriate credit history. It is the Company's policy to monitor the financial standing of the customers on an ongoing basis to ensure that the Company is exposed to minimal credit risk.

(iv) Liquidity and cash flow risk

The Company ensures that cash is available to meet working capital expenditure and other financing requirements, and that cash flows are managed efficiently. This is done through reliable cash forecasts to achieve optimal cash management planning. The Company sets a minimum level of cash to be held on a daily basis and on a planned level for the next 12 months, in order to meet both firm commitments and forecast obligations. In addition, the Company maintains an adequate amount of short-term credit facilities.

3 PROFIT FROM OPERATIONS

	2005 RM'000	2004 RM'000
The profit from operations is arrived at after charging/(crediting):		
Auditors' remuneration		
– current year	180	189
– under accrual in prior year	(8)	0
– Others – current year	52	25
– Others – under accrual in prior year	30	0
Depreciation of property, plant and equipment	123,458	115,016
Property, plant and equipment written off/(back)	11,581	(1,048)
Gain on disposal of property, plant and equipment	(64)	0
Rental of land and buildings	9	5
Exchange gains on foreign currency transactions	(1,238)	(969)
Exchange (gain)/losses on foreign currency translation	(2,995)	163
Interest income	(9,841)	(4,151)
Staff cost		
– Wages, salaries & bonus	31,126	29,955
– Defined contribution retirement plan – current year	6,386	9,933
– Defined contribution retirement plan – over accrual in prior year	(3,238)	0
– Defined benefits retirement plan	0	229
– Other employee benefits/staff welfare	2,835	2,793
(Write back)/Allowance for doubtful debts	(297)	222

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

4 FINANCE COST

	2005 RM'000	2004 RM'000
Interest expense		
– short term borrowings	30	450
– term loans	20,297	11,894
Commitment fees	3,550	3,432
	23,877	15,776

5 TAXATION

	2005 RM'000	2004 RM'000
Income tax in respect of current year	165,791	58,015
Over accrual of prior years income tax	(273)	(79)
Transfer from deferred taxation (Note 15)	(5,728)	13,628
	159,790	71,564
Current tax		
– Current year	165,791	58,015
– Over accrual in prior years	(273)	(79)
Deferred tax		
– Origination and reversal of temporary differences	(5,728)	13,628
	159,790	71,564

The numerical reconciliation between the effective tax rate and the applicable tax rate is as follows:

	2005 %	2004 %
Applicable tax rate	28	28
Tax effect in respect of:		
Expenses not deductible for tax purpose	1	1
Utilisation of reinvestment allowances	(6)	(19)
Effective tax rate	23	10

Subject to the agreement by the tax authorities, the Company has an Exempt Income Account as at 31 December 2005 amounting to approximately RM918,371,000 (2004: RM789,094,000) and also has sufficient tax credit balance under Section 108(6) of the Malaysian Income Tax Act, 1967 to frank all of its retained earnings as at 31 December 2005 if paid as dividends (2004: RM127,905,000).

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

6 DIVIDENDS

	2005 RM'000	2004 RM'000
2004: Special interim gross dividend of 10 sen per RM1 unit of share less tax at 28% paid on 4 June 2004	0	21,600
Interim gross dividend of 10 sen per RM1 unit of share less tax at 28% paid on 22 June 2005 (2004: nil)	21,600	0
Interim gross dividend of 12 sen per RM1 unit of share less tax at 28% paid on 7 October 2005 (2004: 10 sen per RM1 unit of share less tax at 28%)	25,920	21,600
Special interim gross dividend of 20 sen per RM1 unit of share less tax at 28%, paid on 29 December 2005 (2004: 10 sen per RM1 unit of share less tax at 28%)	43,200	21,600
Proposed special interim gross dividend of 20 sen per RM1 unit of share less tax at 28% (2004: nil)	43,200	0
Proposed final gross dividend of 38 sen per RM1 unit of share less tax at 28% (2004: 35 sen per RM1 unit of share less tax at 28%)	82,080	75,600
	216,000	140,400
Gross dividend per RM1 unit of share	100 sen	65 sen

These financial statements do not reflect the proposed final dividend which will be accounted for in the shareholders equity as an appropriation of retained earnings in the year in which the dividends are approved by the shareholders.

7 EARNINGS PER UNIT OF SHARE

Basic earnings per share of the Company is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the year.

	2005	2004
Net profit for the year (RM'000)	522,132	670,344
Weighted average number of ordinary shares in issue ('000)	300,000	300,000
Basic earnings per share (sen)	174.04	223.45

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

8 DIRECTORS' REMUNERATION

	2005 RM'000	2004 RM'000
Fees	120	103
Wages, salaries & bonus	563	837
Defined contribution retirement plan	81	126
	764	1,066

The estimated monetary value of benefits provided to Directors during the year by way of usage of the Company's assets and the provision of accommodation and other benefits amounted to RM 39,628 (2004: RM57,395).

9 PROPERTY, PLANT AND EQUIPMENT

2005	Freehold Land RM'000	Leasehold Land RM'000	Land improvements RM'000	Buildings RM'000	Plant, machinery, equipment and vehicles RM'000	Work-in- progress RM'000	Total RM'000
Cost or valuation:							
At 1 January							
– Cost	14,811	2,111	10,328	97,410	2,309,319	34,268	2,468,247
– Valuation	35,443	0	14,461	15,351	0	0	65,255
	50,254	2,111	24,789	112,761	2,309,319	34,268	2,533,502
Additions	0	0	0	0	0	110,209	110,209
Capitalisation	0	3,500	0	7,078	72,758	(83,336)	0
Disposal	0	0	0	0	(174)	0	(174)
Written off	0	0	(14,672)	(3,475)	(120,788)	0	(138,935)
At 31 December	50,254	5,611	10,117	116,364	2,261,115	61,141	2,504,602
Accumulated depreciation:							
At 1 January							
	0	16	17,735	39,229	1,134,306	0	1,191,286
Charge for the year	0	3,521	499	5,570	113,868	0	123,458
Disposal	0	0	0	0	(174)	0	(174)
Written off	0	0	(11,394)	(1,998)	(113,962)	0	(127,354)
At 31 December	0	3,537	6,840	42,801	1,134,038	0	1,187,216
Net book value							
at 31 December	50,254	2,074	3,277	73,563	1,127,077	61,141	1,317,386

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

9 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

	Freehold Land RM'000	Leasehold Land RM'000	Land improvements RM'000	Buildings RM'000	Plant, machinery, equipment and vehicles RM'000	Work-in- progress RM'000	Total RM'000
2005							
Cost or valuation							
at 31 December:							
Cost	14,811	2,074	3,277	68,650	1,127,077	61,141	1,277,030
Valuation	35,443	0	0	4,913	0	0	40,356
	50,254	2,074	3,277	73,563	1,127,077	61,141	1,317,386
Net book value							
at 31 December							
had revalued assets							
been carried at cost							
less depreciation	14,391	0	2,445	4,141	0	0	20,977
2004							
At 1 January							
– Cost	14,949	0	10,328	95,629	2,265,028	19,513	2,405,447
– Valuation	36,194	0	14,461	15,366	0	0	66,021
	51,143	0	24,789	110,995	2,265,028	19,513	2,471,468
Additions	0	0	0	0	35,643	26,651	62,294
Capitalisation	979	0	0	1,766	9,151	(11,896)	0
Written off	243	0	0	0	(503)	0	(260)
Reclassification	(2,111)	2,111	0	0	0	0	0
At 31 December	50,254	2,111	24,789	112,761	2,309,319	34,268	2,533,502
Accumulated depreciation:							
At 1 January	0	0	17,230	34,106	1,009,475	0	1,060,811
Charge for the year	0	16	505	5,123	126,140	0	131,784
Written off	0	0	0	0	(1,309)	0	(1,309)
At 31 December	0	16	17,735	39,229	1,134,306	0	1,191,286

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

9 PROPERTY, PLANT AND EQUIPMENT (Cont'd)

2004	Freehold Land RM'000	Leasehold Land RM'000	Land improvements RM'000	Buildings RM'000	Plant, machinery, equipment and vehicles RM'000	Work-in- progress RM'000	Total RM'000
Net book value							
at 31 December	50,254	2,095	7,054	73,532	1,175,013	34,268	1,342,216
Cost or valuation							
at 31 December:							
Cost	14,811	2,095	3,797	66,832	1,175,013	34,268	1,296,816
Valuation	35,443	0	3,257	6,700	0	0	45,400
	50,254	2,095	7,054	73,532	1,175,013	34,268	1,342,216
Net book value							
at 31 December							
had revalued assets							
been carried at cost							
less depreciation	14,391	0	2,510	4,705	0	0	21,606

The valuation of the land and buildings was carried out in 1990 by a firm of professional valuers. The bases of valuation were as follows:

- (i) Freehold land – open market value
- (ii) Land improvements and buildings – depreciated replacement cost

Surplus arising from the valuation has been credited to revaluation reserve (Note 17).

10 INVENTORIES

	2005 RM'000	2004 RM'000
Inventories comprise:		
At cost		
Crude oil	402,478	316,467
Partially refined oil	170,104	170,748
Finished products	76,455	116,587
	649,037	603,802
Materials	24,091	23,529
	673,128	627,331

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

11 AMOUNT RECEIVABLE FROM / PAYABLE TO RELATED COMPANIES

Amounts receivable from / payable to related companies are unsecured and interest free with no fixed terms of repayment.

12 CASH AND CASH EQUIVALENTS

	2005 RM'000	2004 RM'000
Bank balances	14,947	(1,053)
Deposit with licensed banks	647,929	164,869
	662,876	163,816

The bank balances do not bear interest.

The maturity period of the deposit with licensed banks is 3 days (2004: 1 day). Bank balances are deposits held at call with banks.

The interest rate per annum of deposits with licensed banks that was effective as at balance sheet date was 2.62% (2004: 2.55%).

13 TRADE AND OTHER PAYABLES

	2005 RM'000	2004 RM'000
Trade payables and accruals	88,415	146,266
Accruals for materials and contract payments	30,274	22,291
Accruals for interest expense	777	697
Non-trade payables and accruals	27,971	29,285
Dividends payable	688	2,852
Tax payable	42,811	13,517
	190,936	214,908

14 PROVISION FOR LIABILITIES

	Decommissioning and site restoration cost RM'000
As at 1 January 2005	0
Provided during the year	3,500
As at 31 December 2005	3,500

Decommissioning and site restoration costs are provided in relation to the Company's manufacturing units.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

15 DEFERRED TAXATION

	2005 RM'000	2004 RM'000
Deferred tax assets	2,058	3,263
Deferred tax liabilities	(269,514)	(276,447)
As at 31 December	(267,456)	(273,184)
As at 1 January	(273,184)	(259,556)
Credited/(charged) to income statement:		
– property, plant and equipment	7,771	(16,736)
– allowance for doubtful debts	(95)	59
– unrealised (gains)/losses	(839)	45
– other provision	(1,109)	3,004
	5,728	(13,628)
As at 31 December	(267,456)	(273,184)
Deferred tax liabilities (before offsetting)		
– property, plant and equipment	(268,676)	(276,446)
– unrealised gains	(838)	(1)
Offsetting	2,058	3,263
As at 31 December (after offsetting)	(267,456)	(273,184)
Deferred tax assets (before offsetting)		
– allowance for doubtful debts	164	259
– other provision	1,894	3,004
Offsetting	(2,058)	(3,263)
As at 31 December (after offsetting)	0	0

As at 31 December 2005, there are no other deductible temporary differences, unused tax credit or unused tax losses of which deferred tax asset is recognised.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

16 TERM LOAN (UNSECURED)

The Company has a USD330,000,000 loan to finance a capital expenditure project. The original term loan carried interest at rates which varies according to prevailing SIBOR+0.315%. The repayment of the loan commenced on 15 September 2000 in sixteen quarterly instalments of USD20,000,000 and a final repayment of USD10,000,000 on 15 September 2004. Starting from 15 December 2001, the repayment of the loan was revised to nineteen quarterly instalments of USD 6,000,000 and a final repayment of USD116,000,000 on 15 September 2006. The interest rate for the revised period is SIBOR+0.4%. Starting from 15 June 2005, the repayment of the loan was again revised to twenty quarterly interest repayment and one final repayment of USD140,000,000 after five years. The interest rate for the revised period is SIBOR+0.16%. The interest rate applicable to the loan ranged from 2.3% to 3% per annum (2004:1.49% to 2.90% per annum) during the year. The interest rate which was effective for the year was 2.76% per annum (2004: 2.90% per annum).

The term loans are repayable over the following period:

	2005 RM'000	2004 RM'000
Within one year	0	91,200
Between one to five years	529,130	486,400
	529,130	577,600

17 REVALUATION RESERVE

The revaluation reserve represents the surplus on revaluation of land, land improvements and buildings carried out in 1990 (Note 9) and is not available for distribution to the shareholders by way of dividends.

18 SIGNIFICANT RELATED PARTIES TRANSACTIONS

In the normal course of business, the Company undertakes, on an arm's length basis, a variety of transactions with certain companies each of whom shares a common ultimate holding company (Royal Dutch Shell plc). The material related party transactions between the Company and these entities are described below:

	2005 RM'000	2004 RM'000
Income:		
Sale of refined products to:		
– Shell Malaysia Trading Sendirian Berhad	6,268,741	4,706,088
– Shell International Eastern Trading Co.	1,211,643	838,885
– Shell Timur Sendirian Berhad	1,298,828	1,013,960
– Shell Eastern Chemicals Singapore	321,560	314,545
– Shell Gas Trading (Asia Pacific) Inc.	0	8,674
– The Shell Company of Thailand Ltd	69,282	143,050
Tariff revenue on the use of properties/facilities:		
– Shell Malaysia Trading Sendirian Berhad	14,198	14,009

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

18 SIGNIFICANT RELATED PARTIES TRANSACTIONS (Cont'd)

	2005 RM'000	2004 RM'000
Recoveries and rebates:		
- Shell Global Solutions International B.V.	2,602	2,298
- Shell Response Limited	349	0
Expenses:		
Purchase of crude and products from:		
- Shell Eastern Trading (Pte) Ltd	(7,986)	(25,438)
- Sarawak Shell Berhad	(1,235,406)	(1,657,758)
- Shell International Eastern Trading Co.	(6,371,050)	(3,268,668)
- Sabah Shell Petroleum Company Ltd	(916,067)	(996,511)
- Shell Malaysia Trading Sendirian Berhad	(535)	(1,309)
- Shell Company of Thailand	(6,090)	(63)
- Shell Companies of Australia	0	(198)
- Shell Eastern Petroleum Limited	(8)	(637)
- Shell Middle Distillate Synthesis Sdn Bhd	(6,285)	(198)
- Showa Shell Sekiyu	(337)	(561)
- Shell European	0	(1,041)
- S A Shell European Export Centre NV	(2,787)	(326)
- Shell Lubricants Supply Company	(16,328)	0
Central management and administrative expenses:		
- Shell Malaysia Trading Sendirian Berhad	(18,198)	(11,166)
- Shell Malaysia Limited	(29)	(28)
- Shell Global Solutions International B.V.	(25,876)	(26,382)
- Shell Eastern Petroleum Limited	(357)	(165)
- Shell International Oil Product	0	(4,801)
- Shell Response Limited	0	(687)
- Shell Shared Service Centre - KL Sdn Bhd	(735)	(534)
- Shell International Petroleum Company Limited	(11,694)	(4,744)
Amounts paid to related companies for Directors' services:		
- Shell Malaysia Limited	(147)	(183)
- Sarawak Shell Berhad	(330)	(105)
IT support and administrative expenses:		
- Shell Information Technology International Sendirian Berhad	(2,602)	(2,134)
- Shell Information Technology International B.V.	0	(14)

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

19 CONTINGENT LIABILITIES

(a) In December 1996, employees were given the option of either remaining in the Shell Malaysia Retirement Benefit Fund ('SMRBF') or transferring to a defined contribution scheme ('DCS'). In conjunction with this, certain assets of the SMRBF were transferred to the Shell Malaysia Provident Fund ('SMPF'). The transfers were effective 1 May 1997. Arising from the transfer of assets from the SMRBF to the SMPF, the Company has provided guarantees to members in relation to:

- (i) the capital sum transferred;
- (ii) a minimum return of 2.5% per annum on that capital sum; and
- (iii) death in service benefits.

The Company, as a Member Company of the SMPF, has supported the resolution of the Founding Company that the SMPF shall come to an end on 31 December 2003 ("Closure Date") and that members' balances in SMPF as at Closure Date be transferred to the Employees' Provident Fund. With such transfer of members' balances, the Company no longer provides guarantees to members in relation to (i) and (ii) above. Death in service benefit for the ex-SMRBF members will continue to be guaranteed the Company.

Based on the information currently available, it is not possible to estimate the likely outcome of the liabilities with regards to death in service benefits as the liabilities are dependent on individual circumstances.

(b) The Company is a member of two oil spill funds, namely the Contract Regarding a Supplement to Tanker Liability for Oil Pollution (CRISTAL) Fund and the International Oil Pollution Compensation (IOPC) 1971 Fund. The purpose of the Funds is to help compensate parties that have suffered financial losses as a result of oil spill from tankers. The members make contributions to the Funds depending on specific oil spill incidents globally which give rise to payments of compensation by the Funds. As of the date of this report, there are no material claims outstanding.

20 CAPITAL COMMITMENTS

Approved capital expenditure for property, plant and equipment not provided for in the financial statements are as follows:

	2005 RM'000	2004 RM'000
Approved and contracted for	3,068	3,596
Approved but not contracted for	12,460	3,563
	15,528	7,159

21 SEGMENTAL INFORMATION

The Company is principally engaged in the oil and gas industry namely refining and manufacturing of petroleum products in Malaysia. Accordingly, no segmental information is considered necessary for analysis by industry or geographical segments.

22 FINANCIAL INSTRUMENTS

(i) Credit risk

As at 31 December 2005, approximately RM591,022,593 (2004: RM429,795,000) and RM153,548,931 (2004: RM113,078,000) of the Company's total receivables were from Shell Malaysia Trading Sendirian Berhad and Shell Timur Sendirian Berhad respectively.

These receivables represent approximately 75% (2004: 51%) of the Company's total receivables. These receivables are denominated in Ringgit Malaysia and are current balances as at the date of this report. There is no significant concentration of credit risk from amounts receivable outside the Shell group of companies.

Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

22 FINANCIAL INSTRUMENTS (Cont'd)

(i) Credit risk (Cont'd)

The credit terms of trade receivables ranged from payment in advance to 30 days.

The Company's trade payables were unsecured and in accordance with supply agreements, bear interest of 0% to 1.5% per month for late payments. The credit terms for trade payables ranged from no credit to 45 days.

(ii) Fair values

The carrying amounts of financial assets and liabilities of the Company at the balance sheet date approximated their fair values.

(iii) Balances denominated in foreign currencies

The Company's financial assets and liabilities denominated in foreign currencies are set out below:

	Balances as at 31.12.2005		
	USD	EURO	Others
(RM'000 equivalent)			
Amounts receivable from related companies	134,719	0	0
Bank balances	85	0	0
Deposit with licensed banks	81,738	0	0
Amounts payable to related companies	(452,819)	(11,624)	(7,168)
Trade and other payables	(77,149)	(1,143)	(2,532)
Term loan (unsecured)	(529,130)	0	0
	(842,556)	12,767	(9,700)

	Balances as at 31.12.2004		
	USD	EURO	Others
(RM'000 equivalent)			
Amounts receivable from related companies	191,460	31	67
Deposit with licensed banks	164,869	0	0
Amounts payable to related companies	(172,988)	(7,868)	(60)
Trade and other payables	(64,272)	(955)	(1,375)
Current portion of term loan	(91,200)	0	0
Term loan (unsecured)	(486,400)	0	0
	(458,531)	(8,792)	(1,368)

23 COMPARATIVE FIGURES

Certain comparative figures were reclassified to conform with current year's presentation.

24 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 23 February 2006.