

Company No.

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## **SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**

(Incorporated in Malaysia)

### **Interim report for the three months ended 31 December 2009**

Following the Shell Refining Company (Federation Of Malaya) Berhad ("the Company") Board of Directors' Meeting on 24 February 2010, the Company is pleased to announce its financial results for the three months ended 31 December 2009.

This interim report is prepared in accordance with the requirements of Financial Reporting Standard (FRS) 134 "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Securities Berhad ("BMSB") Listing Requirements, and should be read in conjunction with the Company's financial statements for the year ended 31 December 2008.

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**SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**  
(Incorporated in Malaysia)

Interim report for the three months ended 31 December 2009

**Condensed Income Statements**

*Unaudited*

	Note	Individual Quarter 3 months ended		Cumulative Quarters 12 months ended	
		31.12.2009 RM'000	31.12.2008 RM'000	31.12.2009 RM'000	31.12.2008 RM'000
Revenue		2,458,607	2,493,558	8,945,794	13,086,128
Cost of sales		(2,494,141)	(3,179,822)	(8,528,560)	(13,429,577)
Gross (Loss)/Profit		(35,534)	(686,264)	417,234	(343,449)
Other operating income		6,543	6,294	27,332	33,763
Administrative expenses		(11,667)	(16,219)	(40,919)	(42,561)
Other operating expenses		5,908	(5,348)	(10,567)	(54,922)
Finance cost		(2,276)	(1,896)	(4,775)	(33,192)
(Loss)/Profit before taxation		(37,026)	(703,433)	388,305	(440,361)
Taxation	13	28,669	180,321	(98,376)	110,344
(Loss)/Profit for the period		(8,357)	(523,112)	289,929	(330,017)
Estimated average effective tax rate		77.43%	25.63%	25.33%	25.06%
Earning per share:		sen	sen	sen	sen
- basic	18	(2.79)	(174.37)	96.64	(110.01)
- diluted	18	N/A	N/A	N/A	N/A

The notes set out on pages 6 to 10 form an integral part of, and should be read in conjunction with this interim financial report.

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**SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**  
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Interim report for the three months ended 31 December 2009

**Condensed Balance Sheet**

*Unaudited*

	Note	As at 31.12.2009 RM'000	As at 31.12.2008 RM'000
<b>Non-current assets</b>			
Property, plant and equipment		1,107,345	1,172,327
Prepaid lease payments		1,969	1,989
Long term receivables		3,384	4,519
		<u>1,112,698</u>	<u>1,178,835</u>
<b>Current assets</b>			
Inventories		941,046	569,045
Trade receivables		16,947	16,762
Other receivables and prepayments		4,266	5,827
Tax recoverable		65,000	188,632
Amounts receivable from related companies		917,702	855,616
Deposit with licensed banks		179,841	233,855
Bank balances		92,133	41,131
<b>Total current assets</b>		<u>2,216,935</u>	<u>1,910,868</u>
<b>Total assets</b>		<u>3,329,633</u>	<u>3,089,703</u>
<b>Capital and reserves attributable to equity holders of the company</b>			
Share capital		300,000	300,000
Revaluation reserve		15,738	15,738
Retained earnings		1,782,279	1,604,850
<b>Shareholders' equity</b>		<u>2,098,017</u>	<u>1,920,588</u>
<b>Current liabilities</b>			
Trade and other payables		70,862	57,944
Amounts payable to related companies		485,612	507,649
Short term borrowings	17	479,668	-
Derivative financial liability	17	12,985	6,141
<b>Total current liabilities</b>		<u>1,049,127</u>	<u>571,734</u>
<b>Non current liabilities</b>			
Long term borrowings	17	-	484,890
Derivative financial liability	17	-	11,284
Deferred tax liabilities		182,489	101,207
<b>Total non current liabilities</b>		<u>182,489</u>	<u>597,381</u>
<b>Total Equity &amp; Liabilities</b>		<u>3,329,633</u>	<u>3,089,703</u>

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**SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**  
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**Condensed Statement of Changes in Equity**

*Unaudited*

	Issued and fully paid ordinary shares of RM 1 each		Non - distributable	Distributable	<u>Total</u> RM'000
	<u>Numbers of Shares</u> RM'000	<u>Nominal Value</u> RM'000	<u>Revaluation reserves</u> RM'000	<u>Retained earnings</u> RM'000	
<b>At 1 January 2009</b>	300,000	300,000	15,738	1,604,850	1,920,588
Profit for the year ended 31 December 2009			-	289,929	289,929
Dividend for the year ended:					
- 31 December 2008			-	(67,500)	(67,500)
- 31 December 2009			-	(45,000)	(45,000)
<b>At 31 December 2009</b>	<u>300,000</u>	<u>300,000</u>	<u>15,738</u>	<u>1,782,279</u>	<u>2,098,017</u>
<b>At 1 January 2008</b>	300,000	300,000	15,738	2,090,267	2,406,005
Loss for the year ended 31 December 2008			-	(330,017)	(330,017)
Dividend for the year ended:					
- 31 December 2007			-	(111,000)	(111,000)
- 31 December 2008			-	(44,400)	(44,400)
<b>At 31 December 2008</b>	<u>300,000</u>	<u>300,000</u>	<u>15,738</u>	<u>1,604,850</u>	<u>1,920,588</u>

The notes set out on pages 6 to 10 form an integral part of, and should be read in conjunction with this interim financial report.

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**SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**  
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Interim report for the three months ended 31 December 2009

**Condensed Cash Flow Statement**

*Unaudited*

	12 months ended	
	31.12.2009	31.12.2008
	RM'000	RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit/(Loss) before taxation	388,305	(440,361)
Adjustments for:		
Property, plant and equipment		
- depreciation	117,439	105,153
- gain on disposals	-	(102)
- write off	374	256
Interest expense	11,388	18,511
Interest income	(9,401)	(16,204)
Net exchange loss - unrealised	5,107	15,785
Gain on derivative financial instrument - unrealised	(9,801)	(10,016)
Allowance for inventories write-down	14,329	83,666
Amortisation of prepaid lease payments	20	22
Allowance for doubtful debt	(187)	-
Bad debt write off	76	-
	<u>517,649</u>	<u>(243,290)</u>
Changes in working capital		
Inventories	(386,330)	710,262
Trade and other receivables	2,621	19,169
Trade and other payables	13,098	(22,015)
Related companies	(162,567)	199,562
Net cash (used in)/generated from operations	<u>(15,529)</u>	<u>663,688</u>
Interest received	9,401	16,204
Taxation refund/(paid)	<u>106,538</u>	<u>(241,305)</u>
Net cash flow generated from operating activities	<u>100,410</u>	<u>438,587</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(59,652)	(109,764)
Proceeds from disposal of property, plant and equipment	-	125
Government grant received	7,038	-
Deposit placed with related company	<u>68,115</u>	<u>(50,515)</u>
Net cash flow generated from/(used in) investing activities	<u>15,501</u>	<u>(160,154)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Interest paid	(6,423)	(18,248)
Dividends paid	<u>(112,500)</u>	<u>(155,400)</u>
Net cash flow used in financing activities	<u>(118,923)</u>	<u>(173,648)</u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(3,012)</b>	<b>104,785</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD</b>	<b>274,986</b>	<b>170,201</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD</b>	<b><u>271,974</u></b>	<b><u>274,986</u></b>

The notes set out on pages 6 to 10 form an integral part of, and should be read in conjunction with this interim financial report.

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**SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**  
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Interim report for the three months ended 31 December 2009

**Notes to the Financial Statements**

**1 Basis of preparation**

This interim report is prepared in accordance with the requirements of Financial Reporting Standard (FRS) 134 "Interim Financial Reporting" and paragraph 9.22 of the Bursa Malaysia Securities Berhad ("BMSB") Listing Requirements, and should be read in conjunction with the Company's financial statements for the year ended 31 December 2008.

The explanatory notes to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company since the financial year ended 31 December 2008.

The same accounting policies and methods of computation are followed in the interim financial statements as for the financial statements for the year ended 31 December 2008.

**2 Audit report**

The audit report of the Company's preceding annual financial statement was not subjected to any qualification.

**3 Comments about Seasonal or Cyclical Factors**

The Company's operation is not affected by any seasonal or cyclical factors.

**4 Individually significant items**

The Company has nothing to disclose as regards to significant items in the quarterly financial statements under review.

**5 Changes in Estimates**

There were no changes in estimates that have had a material effect in the current quarter.

**6 Debt and equity securities**

The Company has nothing to disclose with respect to issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial period to date.

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**SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**  
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Interim report for the three months ended 31 December 2009

**Notes to the Financial Statements**

**7 Dividend**

	12 months ended 31 December 2009		12 months ended 31 December 2008	
	Gross dividend per share Sen	Amount of dividend net of 25% tax RM '000	Gross dividend per share Sen	Amount of dividend net of 26% tax RM '000
Special interim dividend approved in respect of the financial year ended 31 December 2007, paid on 4 April 2008	-	-	20	44,400
Final dividend approved by shareholders in respect of the year ended 31 December 2008, paid on 18 June 2009 (2007: paid on 20 June 2008)	30	67,500	30	66,600
Interim dividend approved in respect of the quarter ended 30 September 2009, paid on 15 October 2009 (2008: paid on 22 September 2009)	20	45,000	20	44,400

**8 Segmental Reporting**

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

**9 Carrying amount of revalue assets**

The Company has nothing to disclose as regards to valuations of property, plant and equipment in the quarterly financial statements under review.

**10 Significant post balance sheet event**

There were no material events subsequent to the end of the current quarter.

**11 Changes in Composition of the Company**

There were no changes in the composition of the Company during the current quarter.

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**SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**  
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Interim report for the three months ended 31 December 2009

## Notes to the Financial Statements

### 12 Changes in Contingent Liabilities

There were no significant changes in contingent liabilities or assets since the last annual financial statements as at 31 December 2008.

### 13 Taxation

Taxation for the quarter ending 31 December 2009 amounting to RM28,669 comprises:

	3 months ended		12 months ended	
	31.12.2009	31.12.2008	31.12.2009	31.12.2008
	RM'000	RM'000	RM'000	RM'000
<b>Current Period</b>				
Income tax	19,800	72,280	(16,758)	-
Movement in deferred tax	9,205	108,041	(81,282)	110,378
	<u>29,005</u>	<u>180,321</u>	<u>(98,040)</u>	<u>110,378</u>
<b>Prior Period</b>				
Income tax	(336)	-	(336)	(34)
	<u>28,669</u>	<u>180,321</u>	<u>(98,376)</u>	<u>110,344</u>

The difference between the statutory tax rate and the effective tax rate in Q4 2009 is mainly arising from recognition of deferred tax asset on allowance for inventories write-down. The adjustment is a reduction in the tax charge.

The difference between the statutory tax rate and the effective tax rate in 2008 is mainly arising from unrealized gain on difference in exchange (DIE) and 1% difference in tax rate applied in the recognition of deferred tax asset on unabsorbed losses and capital allowance

### 14 Unquoted investments and/or properties

The Company has nothing to disclose with respect to sale of investments and/or properties (other than fixed assets in the normal course of business) in the quarterly financial statements under review.

### 15 Quoted Securities

There were no purchases or disposal of quoted securities during the current quarter.

### 16 Corporate proposal

The Company does not have anything to report as regards the status of corporate proposals.



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## SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD

(Incorporated in Malaysia)

Interim report for the three months ended 31 December 2009

### Notes to the Financial Statements

#### 17 Borrowings

Details of the Company's borrowings as at end of the period are as follows:

	31.12.2009 RM'000	31.12.2008 RM'000
Term loan (unsecured)		
- Long term	-	484,890
- Short term	479,668	-
	<u>479,668</u>	<u>484,890</u>
Restated in loan's original currency:	USD'000	USD'000
Bank borrowings denominated in foreign currency	140,000	140,000

#### Derivative Financial Instrument

As at 31 December 2009, the Company has a position in the following derivative financial liability :

	<u>Less than 1 year</u> RM'000	<u>Between 2 - 3 years</u> RM'000
<b>As at 31 December 2009</b>		
- Cross Currency Interest Rate Swap	<u>12,985</u>	<u>-</u>
<b>As at 31 December 2008</b>		
- Cross Currency Interest Rate Swap	<u>6,141</u>	<u>11,284</u>

Swaps are contractual agreements between two parties to exchange exposures in foreign currency or interest rates. The Company uses cross currency interest rate swaps to hedge its long-term borrowings in order to minimise its exposure to movements on foreign currency positions and interest rate volatility.

#### 18 Earnings per share

		3 months ended		12 months ended	
		31.12.2009	31.12.2008	31.12.2009	31.12.2008
<b>(a) Basic earnings per share</b>					
Net (loss)/profit for the period	(RM'000)	(8,357)	(523,112)	289,929	(330,017)
Weighted average number of ordinary shares in issue	('000)	300,000	300,000	300,000	300,000
Basic (loss)/earnings per share	(sen)	(2.79)	(174.37)	96.64	(110.01)
<b>(b) Diluted earnings per share</b>	(sen)	N/A	N/A	N/A	N/A

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**Notes to the Financial Statements**

**19 Capital commitments**

Capital commitments not provided for in the financial statements as at 31 December 2009 are as follows:

	<b>RM'000</b>
<b>Property, plant and equipment</b>	
Authorised by the Directors and contracted	65,490
Authorised by the Directors and not contracted	55,563
	<u>121,053</u>

**20 Loss Before Taxation**

The company recorded a loss before tax of RM37 million for the three months ended 31 December 2009 compared to a loss before tax of RM703 million in the same period of 2008 (also see accompanying Management Commentary).

**21 Company Performance**

A review of the Company's performance in the reporting period is provided for in the accompanying Management Commentary.

**22 Current Year Prospect**

A commentary on the Company's current year prospects is provided for in the accompanying Management Commentary.

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## **SHELL REFINING COMPANY (FEDERATION OF MALAYA) BERHAD**

(Incorporated in Malaysia)

Interim report for the three months ended 31 December 2009

### **Management Commentary**

#### **COMPANY PERFORMANCE**

- **Year to date earnings of RM290 million**
- **Achieved 11 million man-hours without “Lost-Time-Injury” (LTI) in Nov 2009**

Year to date after tax earnings improved to RM290 million compared to 2008 loss of RM330 million. The Company posted a lower after-tax loss of RM8 million for the fourth quarter of 2009, compared to losses of RM523 million in the corresponding period in 2008.

The Company posted an after tax loss this quarter mainly due to the steep drop in refining margins, attributed by weak product prices and low demand globally.

The Board of Directors recommended a final dividend of 30 sen per share giving a total dividend level for 2009 of 50 sen per share. This 2009 final dividend, subject to approval at the Company's forthcoming Annual General Meeting, was declared during the Company's Board Meeting held on 24<sup>th</sup> February 2010.

In the fourth quarter of 2009, the refinery processed 8.1 million barrels of crude oil and sold 9.0 million barrels of product.

The Company's continued strong focus on safety has allowed it to achieved 11 million man-hours without Lost Time Injury (LTI) on 15<sup>th</sup> November 2009.

The Company received 2008/2009 Prime Minister's Hibiscus Award (PMHA) on Dec 2009 under “Notable Achievement” Award for its environmental management performance

The Company is also one of the eleven recipients of Certificate of Merit from NACRA (National Annual Corporate Report Awards) in December 2009. NACRA is the collaborative effort of Bursa Malaysia Berhad, Malaysian Institute of Accountants, Malaysian Institute of Management and The Malaysian Institute of Certified Public Accountants (MICPA).

#### **CURRENT YEAR PROSPECTS**

Refining margins will continue to be under pressure in Q1 2010 due to low global demand coupled with increased refining capacity from the emergence of large refineries in the region. Any changes in oil prices will have an impact on the Company's financial results.