

Financial Review

Income Statements Review

Turnover for 2004 was a record \$5.0 billion, a 56 per cent increase over the 2003 turnover of \$3.2 billion. This was the highest turnover achieved by the Group to date since its listing in 1990. This turnover was due to higher oil prices as well as an increase in the volume of products and crudes handled. Products and crudes volume handled by the Group totaled 73.9 million barrels. This was an increase of 23.7 per cent from the volume of 59.7 million barrels handled in the previous year. The higher volume handled was partly due to the strong demand for products and the timely acquisition of the BP refining, retail and LPG assets.

Strong global demand growth for refined petroleum products had resulted in both products and crude prices hitting record levels in 2004.

The higher level of crude and refined products prices enabled the Group to achieve average sales realisation for 2004 that was 29.7 per cent higher than the average achieved for 2003.

The Group had segmented its sales revenue activities into Downstream and Upstream. In 2004, of the \$5.0 billion in revenue, more than 99 per cent was contributed by Downstream activities. Downstream activities contributed \$4.9 billion and \$268.7 million in revenue and profit from operations respectively.

The Group achieved a profit from operations of \$290.5 million for 2004, a 297 per cent increase over the corresponding operating profit of \$73.1 million for 2003. The record operating profit was the result of the robust refining margins that prevailed in 2004. The Group achieved an average refining margin of more than US\$5.00 per barrel in 2004. The high refining margin was the result of the shortage of refinery capacity globally and the strong demand for transportation fuels and light refined products.

Interest costs of \$16.2 million for 2004 was higher than the prior year interest costs of \$7.8 million. The higher interest costs were due mainly to higher borrowings undertaken to finance the assets acquired in the course of 2004. Interest rates were in general slightly higher in 2004 as fiscal policies worldwide were adjusted to keep pace with higher economic growth rates.

Finance costs for 2004 were however lower than the corresponding costs for 2003 as the finance costs category included a foreign exchange gain of \$11.8 million. The exchange gain was due to a weakening of the US\$ against the S\$. The Group had issued a US\$184.4 million convertible bond and had gained from the weakening of the US\$.

Short term borrowings of the Group are on floating interest rate basis. Where appropriate the Group uses interest rate derivatives such as interest rate caps and swaps to hedge against possible adverse rate movements. It borrows in S\$ and US\$ depending on its funding requirements and will hedge the foreign exchange exposure arising from such borrowings, depending on the outlook for these currencies. Spot and forward currency contracts would normally be utilised for such hedging.

Share of results of associates and joint ventures for 2004 was much improved compared to 2003. This was due to the much lower losses recorded by the Group's Korea and China joint ventures compared to 2003.

With the better performance from associates and joint ventures, the Group's profit before tax was \$294.8 million, a 317 per cent improvement over 2003. On the back of the higher pretax profits, the Group had provided \$41.9 million for tax liability in 2004. This tax expense was lower than the amount that would arise from using the standard rate of income tax due to the Group enjoying concessionary tax rate on certain of its income. Profits from activities under the Global Trader's Programme are taxable at a concessionary 5 per cent tax rate while other activities are taxed at the standard 20 per cent. The Company has also investment allowances that it is able to use to offset its tax liabilities. More details of the Group's tax matters are provided in Note 8 of the accounts.

For 2004 the Group recorded a PATMI of \$252.9 million, an improvement of 328 per cent over the 2003 PATMI of \$59.0 million.

On this PATMI the undiluted and diluted earnings per ordinary share (EPS) for 2004 was 59.22 and 53.42 cents respectively. This was a 325 per cent and 286 per cent improvement respectively over the undiluted and diluted EPS for 2003. The diluted EPS computation took into account the dilution arising from the convertible bond and share options under the SPC Share Option Scheme 2000. Details are provided in Note 9 of the accounts.

Balance Sheet Review

Total assets for the Group as at 31 December 2004 was \$2.2 billion compared to \$1.4 billion as at 31 December 2003. The 55.1 per cent increase in the total assets base of the Group was due to increases in both current and non-current assets.

Shareholders funds of the Group as at year end 2004 was \$828.4 million, an increase of 40.6 per cent from the prior year.

Higher oil prices and the higher volume of products handled as a result of the strong demand for products and the additional volume from the acquisition of additional refining capacity, retail and LPG assets resulted in higher year end balances in receivables and inventories as compared to year end 2003. The year end receivables were stated after making a full provision for the amount outstanding (US\$15.3 million) from China Aviation Oil. The Group's acquisition of assets in both Downstream and Upstream in 2004 had bolstered its non-current assets at year end. These acquisitions were reflected in the increase in investments in associates and joint ventures as well as in its property, plant and equipment balance at year end 2004.

The increase in the assets balances of the Group were offset by increases in trade payables and borrowings. Current borrowings were reduced as the Group successfully issued a convertible bond in April 2004 to fund both working capital as well as investments. The outstanding under the bond is reflected as a non-current borrowing.

With the record performance in 2004, the Group's current and leverage ratios showed a marked improvement. The current ratio (current assets over current liabilities) improved from 0.85 to 1.15, while the leverage ratio (net bank borrowings over shareholders' equity) improved from 0.68 to 0.65.

Cash Flow

Changes in the cash flow components reflected the activities undertaken by the Group during the year. In particular, the assets purchase and investments in 2004 resulted in a net cash outflow from investing activities. Proceeds from the bond issue coupled with the improved profitability, however, resulted in an increase in cash and cash equivalents at the end of the period. Other changes result from the Group's enlarged operations.

Directors' Report

For the financial year ended 31 December 2004

The directors present their report to the members together with the audited financial statements of the Group and the income statement, balance sheet and statement of changes in equity of the company for the financial year ended 31 December 2004.

Directors

The directors of the Company at the date of this report are as follows:

Choo Chiau Beng, Chairman of the Board
Koh Ban Heng, Chief Executive Officer and Executive Director
Teo Soon Hoe
Cheng Hong Kok
Bertie Cheng Shao Shiong
Geoffrey John King
Timothy Ong Teck Mong
Chin Wei-Li, Audrey Marie
Goon Kok-Loon

Arrangements to Enable Directors to Acquire Shares and Debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object is to enable the directors of the Company to acquire benefits by means of an acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" as described in this report. In addition, no share awards were issued and vested to directors during the financial year pursuant to the Company's two share plans approved by the shareholders at the Extraordinary General Meeting held on 27 April 2004, namely the Singapore Petroleum Company Restricted Share Plan and the Singapore Petroleum Company Performance Share Plan.

Directors' Interests in Shares or Debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the share capital or debentures of the Company and related corporations, except as follows:

Name of directors	Holdings registered in the name of the director			Holdings in which the director is deemed to have an interest		
	At 1.1.04	At 31.12.04	At 21.1.05	At 1.1.04	At 31.12.04	At 21.1.05
Singapore Petroleum Company Limited (Ordinary shares of 50 cents each)						
Choo Chiau Beng	50,000	150,000	150,000	-	-	-
Koh Ban Heng	200	145,200	145,200	-	-	-
Cheng Hong Kok	30,000	48,000	48,000	-	-	-
Geoffrey John King	-	19,000	19,000	-	-	-
Timothy Ong Teck Mong	-	16,000	16,000	-	-	-

Directors' Interests in Shares or Debentures (cont'd)

Name of directors	Holdings registered in the name of the director			Holdings in which the director is deemed to have an interest		
	At	At	At	At	At	At
	1.1.04	31.12.04	21.1.05	1.1.04	31.12.04	21.1.05
(Share Options)						
Koh Ban Heng	425,000	520,000	520,000			
Cheng Hong Kok	49,000	60,000	60,000	-	-	-
Bertie Cheng Shao Shiong	79,000	97,000	97,000	-	-	-
Geoffrey John King	53,000	68,000	68,000	-	-	-
Timothy Ong Teck Mong	42,000	49,000	49,000	-	-	-
Chin Wei-Li, Audrey Marie	74,000	91,000	91,000	-	-	-
Goon Kok-Loon	-	15,000	15,000	-	-	-

Directors' Contractual Benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the consolidated financial statements and in this report that Mr Koh Ban Heng has an employment relationship with the Company and has received remuneration in that capacity.

Share Options

(a) SPC Share Option Scheme 2000 (the "Scheme")

With effect from 21 April 2004, the Scheme is administered by the Nominating and Remuneration Committee (the Board of Directors approved the merger of the Nomination Committee and the Remuneration & Share Option Committee at its meeting held on 21 April 2004) whose members are :

Bertie Cheng Shao Shiong
Choo Chiau Beng
Chin Wei-Li, Audrey Marie
Geoffrey John King

On 4 February 2004, options to subscribe for a total of 3,266,000 shares were granted and were accepted pursuant to the Scheme (hereinafter called the "1/2004 Options") by 158 employees and 6 non-executive directors of the Group, out of which options for a total of 46,000 shares had been cancelled.

Share Options (cont'd)

Of the options granted and accepted, the following options were accepted by the directors of the Company:

Name of director	Options granted during the financial year	Aggregate options granted since commencement of the Scheme to the end of the financial year	Aggregate options exercised since commencement of the Scheme to the end of the financial year	Aggregate options lapsed since commencement of the Scheme to the end of the financial year	Aggregate options outstanding as at the end of the financial year
Koh Ban Heng	320,000	800,000	(280,000)	-	520,000
Cheng Hong Kok	29,000	78,000	(18,000)	-	60,000
Bertie Cheng Shao Shiong	47,000	126,000	(29,000)	-	97,000
Geoffrey John King	34,000	87,000	(19,000)	-	68,000
Timothy Ong Teck Mong	23,000	65,000	(16,000)	-	49,000
Chin Wei-Li, Audrey Marie	44,000	118,000	(27,000)	-	91,000
Goon Kok-Loon	15,000	15,000	-	-	15,000

Based on the Black Scholes methodology with the following parameters: risk free rate of 2.14%; volatility of 27.5%; strike price of \$1.57 and time to option expiration of 5 years, the valuation for the 1/2004 options is S\$0.276 per option.

Statutory information regarding the 1/2004 Options is as follows:

1/2004 Options:

- (i) The exercise price of the options is \$1.57 each.
- (ii) The options are exercisable after 5 February 2006 for a period of eight financial years.
- (iii) The options may be exercised in full or in respect of 100 shares or a multiple thereof, on the payment of the exercise price.
- (iv) The persons to whom the options have been issued have no right to participate by virtue of the options in any issue of any other company.

Particulars of options granted in 2000, 2001, 2002 and 2003 were set out in the Directors' Reports for the respective financial years.

Except for the above, no other options were granted by the Company or any subsidiary during the financial year and there were no unissued shares under option that were exercisable at the end of the financial year.

Share Options (cont'd)

(b) Share Options Outstanding

The options on ordinary shares of the Company outstanding at the end of the financial year are as follows:

Options relating to SPC Share Option Scheme 2000	Number of shares under option outstanding at 31.12.2004	Exercise price	Expiry date
2000	239,000	\$0.78	27 August 2010
1/2001	39,000	\$0.68	16 April 2011
2/2001	65,000	\$0.68	18 September 2011
1/2002	551,000	\$0.75	2 April 2012
2/2002	709,000	\$0.87	29 October 2012
1/2003	2,083,000	\$0.92	16 February 2013
1/2004	3,220,000	\$1.57	3 February 2014
	<u>6,906,000</u>		

(c) Other Information Required by the Singapore Exchange Securities Trading Limited ("SGX-ST")

Pursuant to Rule 852 of the Listing Manual of the SGX-ST, in addition to information disclosed elsewhere in the report, it is reported that during the financial year:

- (i) No options have been granted to controlling shareholders or their associates, parent group employees.
- (ii) No key management or employee has received 5% or more of the total options available under the Scheme.
- (iii) No director or employee of the Company and its subsidiaries has received 5% or more of the total number of options available to all directors and employees of the Company and its subsidiaries under the Scheme.
- (iv) No shares were issued at a discount to market price.
- (v) No shares of the Company were allotted and issued by virtue of the exercise of options to take up unissued shares of the Company or any subsidiary.

Details regarding directors' interest may be obtained in accordance with S164(8) and (9) of the Singapore Companies Act.

Audit Committee

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Companies Act, as well as the relevant sections of the Listing Manual, the Code of Corporate Governance and the Best Practices Guide of the SGX-ST.

The Audit Committee nominated PricewaterhouseCoopers for re-appointment as auditors of the Company for the next financial year, to be approved at the forthcoming Annual General Meeting.

Directors' Report (cont'd)

Corporate Governance

The Board has issued a Corporate Governance Report in the 2004 Annual Report of the Company.

Auditors

The auditors, PricewaterhouseCoopers have expressed their willingness to accept re-appointment.

On behalf of the directors



CHOO CHIAU BENG

Chairman of the Board



KOH BAN HENG

Chief Executive Officer and
Executive Director

15 February 2005

Statement by Directors

In the opinion of the directors,

- (a) The income statement, balance sheet and statement of changes in equity of the Company and the consolidated financial statements of the Group as set out on pages 79 to 126 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group at 31 December 2004, the results of the business and changes in equity of the Company and of the Group and cash flows of the Group for the financial year then ended; and
- (b) At the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors



CHOO CHIAU BENG
Chairman of the Board



KOH BAN HENG
Chief Executive Officer and
Executive Director

15 February 2005


Auditors' Report to the Members of Singapore Petroleum Company Limited

We have audited the accompanying financial statements of Singapore Petroleum Company Limited set out on pages 79 to 126 for the financial year ended 31 December 2004, comprising the income statement, balance sheet and statement of changes in equity of the Company and the consolidated financial statements of the Group. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Singapore Standards on Auditing. Those Standards require that we plan and perform our audit to obtain reasonable assurance 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 accompanying income statement, balance sheet and statement of changes in equity of the Company and the consolidated financial statements of the Group are properly drawn up in accordance with the provisions of the Companies Act Chapter 50 (the "Act") and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December, and the results and changes in equity of the Company and of the Group and cash flows of the Group for the financial year ended on that date; and
- (b) The accounting and other records required by the Act to be kept by the Company and by those subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.



PRICEWATERHOUSECOOPERS

Certified Public Accountants

Singapore, 15 February 2005

Income Statements

For the financial year ended 31 December 2004

	Notes	The Group		The Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Revenue	3	4,974,447	3,187,594	4,575,446	2,849,174
Cost of sales		(4,547,141)	(3,034,245)	(4,180,959)	(2,726,362)
Gross profit		427,306	153,349	394,487	122,812
Other operating income		29,642	25,956	23,735	22,837
Operation costs		(51,225)	(31,066)	(44,652)	(26,157)
Selling and marketing costs		(3,730)	(4,215)	(3,479)	(3,914)
General administrative costs		(111,502)	(70,901)	(101,521)	(58,266)
Operating profit	4	290,491	73,123	268,570	57,312
Finance income	5	1,754	7,775	23,740	25,674
Finance costs	6	(4,358)	(7,175)	(4,098)	(6,893)
Share of results of associates		(730)	(5,643)	-	-
Share of results of joint ventures	14(b)	7,647	2,612	-	-
Profit before tax		294,804	70,692	288,212	76,093
Income tax expense	8(a)	(41,940)	(11,657)	(32,087)	(2,815)
Profit from ordinary activities		252,864	59,035	256,125	73,278
Minority interests	30	-	-	-	-
Net profit attributable to the members of the Company		252,864	59,035	256,125	73,278
Earnings per share					
Basic	9	59.22 cents	13.92 cents		
Diluted	9	53.42 cents	13.83 cents		

Balance Sheets

As at 31 December 2004

	Notes	The Group		The Company	
		2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	10	108,272	55,432	61,446	28,399
Trade and other receivables	11	639,171	356,067	626,803	335,646
Inventories	12	406,749	208,128	400,206	204,047
Other assets	13	14,033	16,745	12,554	5,981
Other investments	17(a)	-	4,438	-	4,438
		1,168,225	640,810	1,101,009	578,511
Non-current assets					
Investments in associates and joint ventures	14	145,640	105,458	107,925	58,238
Investments in subsidiaries	15	-	-	167,554	126,548
Other investments	17(b)	10,041	4,617	991	1,025
Property, plant and equipment	18	858,073	640,790	747,632	566,792
Loan to an investee company	23	54,550	50,121	-	-
		1,068,304	800,986	1,024,102	752,603
Total assets		2,236,529	1,441,796	2,125,111	1,331,114
LIABILITIES					
Current liabilities					
Trade and other payables	24	664,053	336,725	651,359	342,680
Current income tax liabilities	8(b)	7,557	359	8,020	-
Borrowings	25	337,200	418,519	307,388	385,035
		1,008,810	755,603	966,767	727,715
Non-current liabilities					
Borrowings	25	313,075	40,000	313,075	40,000
Provision for retirement benefits	26	5,865	5,178	5,865	5,178
Deferred income tax liabilities	8(d)	80,215	51,977	65,667	37,335
Deferred liabilities		171	176	-	-
		399,326	97,331	384,607	82,513
Total liabilities		1,408,136	852,934	1,351,374	810,228
NET ASSETS		828,393	588,862	773,737	520,886
EQUITY					
Share capital	27	214,298	212,337	214,298	212,337
Share premium		73,366	72,402	73,366	72,402
Capital reserve	28	1,182	1,182	-	-
Other reserve	29	17,056	-	17,056	-
Foreign currency translation reserve		(7,018)	674	2,898	531
Retained earnings		529,509	302,267	466,119	235,616
Shareholders' equity		828,393	588,862	773,737	520,886
Minority interests	30	-	-	-	-
		828,393	588,862	773,737	520,886

Consolidated Statement of Changes in Equity

For the financial year ended 31 December 2004

		Share capital \$'000	Share premium \$'000	Capital reserve \$'000	Foreign currency translation reserve \$'000	Other reserve \$'000	Retained earnings \$'000	Total \$'000
	Notes							
Balance at 1 January 2004		212,337	72,402	1,182	674	-	302,267	588,862
Foreign currency translation		-	-	-	(7,692)	-	-	(7,692)
Net loss not recognised in income statement		-	-	-	(7,692)	-	-	(7,692)
Net gain recognised in income statement		-	-	-	-	-	252,864	252,864
Total recognised (loss)/gain for the financial year		-	-	-	(7,692)	-	252,864	245,172
Convertible bonds - equity component	25(d)					17,056	-	17,056
Issue of share capital	27(b)	1,961	964	-	-	-	-	2,925
Dividends	31	-	-	-	-	-	(25,622)	(25,622)
Balance at 31 December 2004		214,298	73,366	1,182	(7,018)	17,056	529,509	828,393
Balance at 1 January 2003		211,756	72,155	1,182	3,675	-	263,002	551,770
Foreign currency translation		-	-	-	(3,001)	-	-	(3,001)
Net loss not recognised in income statement		-	-	-	(3,001)	-	-	(3,001)
Net gain recognised in income statement		-	-	-	-	-	59,035	59,035
Total recognised (loss)/gain for the financial year		-	-	-	(3,001)	-	59,035	56,034
Issue of share capital	27(b)	581	247	-	-	-	-	828
Dividends	31	-	-	-	-	-	(19,770)	(19,770)
Balance at 31 December 2003		212,337	72,402	1,182	674	-	302,267	588,862

Statement of Changes in Equity - Company

For the financial year ended 31 December 2004

	Notes	Share capital \$'000	Share premium \$'000	Foreign currency translation reserve \$'000	Other reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 January 2004		212,337	72,402	531	-	235,616	520,886
Foreign currency translation		-	-	2,367	-	-	2,367
Net gain not recognised in income statement		-	-	2,367	-	-	2,367
Net gain recognised in income statement		-	-	-	-	256,125	256,125
Total recognised gain for the financial year		-	-	2,367	-	256,125	258,492
Convertible bonds - equity component	25(d)				17,056	-	17,056
Issue of share capital	27(b)	1,961	964	-	-	-	2,925
Dividends	31	-	-	-	-	(25,622)	(25,622)
Balance at 31 December 2004		214,298	73,366	2,898	17,056	466,119	773,737
Balance at 1 January 2003		211,756	72,155	(642)	-	182,108	465,377
Foreign currency translation		-	-	1,173	-	-	1,173
Net gain not recognised in income statement		-	-	1,173	-	-	1,173
Net gain recognised in income statement		-	-	-	-	73,278	73,278
Total recognised gain for the financial year		-	-	1,173	-	73,278	74,451
Issue of share capital	27(b)	581	247	-	-	-	828
Dividends	31	-	-	-	-	(19,770)	(19,770)
Balance at 31 December 2003		212,337	72,402	531	-	235,616	520,886

Consolidated Cash Flow Statement

For the financial year ended 31 December 2004

	Notes	2004 \$'000	2003 \$'000
Cash flows from operating activities			
Profit before tax and after share of results of associates and joint ventures		294,804	70,692
Adjustments for:			
Depreciation of property, plant and equipment	18	42,047	39,592
Dividend income	5	(494)	(2,328)
Interest income	5	(1,260)	(5,447)
Interest expense	6	4,358	7,175
Loss on disposal and write-off of property, plant and equipment		222	1,771
Share of results of associates		730	5,643
Share of results of joint ventures	14(b)	(7,647)	(2,612)
Gain on disposal of other quoted investments		(2,451)	(5,269)
(Write-back)/write-down on current quoted investments		(331)	331
Operating cash flow before working capital changes		329,978	109,548
Change in operating assets and liabilities			
Trade and other receivables		(274,781)	(33,249)
Inventories		(198,621)	(64,720)
Trade and other payables		326,651	50,507
Foreign currency translation		(6,744)	(511)
Cash generated from operations		176,483	61,575
Income tax paid	8(b)	(10,000)	(14,457)
Cash generated from operating activities		166,483	47,118
Cash flows from investing activities			
Loan to an investee company		(4,429)	(9,480)
Purchases of other investments		(6,049)	(12,935)
Purchases of property, plant and equipment		(262,266)	34,610)
Dividends received		22,848	25,746
Interest received		1,241	5,447
Proceeds from disposal of property, plant and equipment		2,290	-
Proceeds from disposals of other investments		7,220	31,415
Net cash outflow from liquidation of subsidiary		-	(973)
Investments in joint ventures		(55,572)	(1,726)
Net cash from investing activities		(294,717)	2,884
Cash flows from financing activities			
Proceeds from issuance of ordinary share		2,925	828
Repayment of borrowings (short term unsecured bank loans)		(91,319)	(64,544)
Receipt of borrowings (long term unsecured bank loan)		-	50,000
Proceeds from issuance of convertible bonds		307,862	-
Interest paid		(12,772)	(5,985)
Dividends paid		(25,622)	(19,770)
Net cash outflow from financing activities		181,074	(39,471)
Net increase in cash and cash equivalents		52,840	10,531
Cash and cash equivalents at the beginning of the financial year		55,432	44,901
Cash and cash equivalents at the end of the financial year	10	108,272	55,432

Notes to the Financial Statements

For the financial year ended 31 December 2004

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

Singapore Petroleum Company Limited (the "Company") is incorporated and domiciled in Singapore and its shares are publicly traded on the Singapore Exchange. The address of its registered office is as follows: 1 Maritime Square, #10-10 HarbourFront Centre, Singapore 099253.

The principal activities of the Group and of the Company consist of exploring for, developing and producing oil and gas, petroleum refining, marketing, distribution and trading of crude oil and petroleum products and the provision of administrative support services.

2. Significant Accounting Policies

(a) Basis of Preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with FRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current event and actions, actual results may ultimately differ from those estimates.

The income statement for the financial year ended 31 December 2004 was prepared based on the classification of expenses by function whilst the income statement for the previous year was prepared based on the classification of expenses by nature. The classification of expenses by function provides more useful information and better understanding of the company's operations.

(b) Group Accounting

(1) Subsidiaries

Subsidiaries are entities (including special purpose entities) over which the Group has power to govern the financial and operating policies generally in which the Group has a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The purchase method of accounting is used to account for the acquisition of subsidiaries. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values on the date of acquisition, irrespective of the extent of any minority interest. Please refer to note 2(j) for the accounting policy on goodwill on acquisition of subsidiaries.

2. Significant Accounting Policies (cont'd)

Subsidiaries are consolidated from the date on which control is transferred to the Group to the date on which that control ceases. In preparing the consolidated financial statements, intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated; unrealised losses are also eliminated unless cost cannot be recovered. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

Minority interest is that part of the net results of operations and of net assets of a subsidiary attributable to interests which are not owned directly or indirectly by the Company. It is measured at the minorities' share of post-acquisition fair values of the subsidiaries' identifiable assets and liabilities, except when the losses applicable to the minority in a subsidiary exceed the minority interest in the equity of that subsidiary. In such cases, the excess and further losses applicable to the minority are taken to the consolidated income statement, unless the minority has a binding obligation to, and is able to, make good the losses. When that subsidiary subsequently reports profits, the profits applicable to the minority are taken to the consolidated income statement until the minority's share of losses previously taken to the consolidated income statement is fully recovered.

Please refer to note 2(i) for the Company's accounting policy on investments in subsidiaries.

(2) Associates and Joint Ventures

Associates are entities over which the Group has significant influence, but not control, generally accompanying a shareholding of between and including 20% and 50% of the voting rights. Joint ventures are entities over which the Group has contractual arrangements to jointly share the control with one or more parties.

Investments in associates and joint ventures are accounted for in the consolidated financial statements using the equity method of accounting whereby the Group's share of results of associates and joint ventures is included in the consolidated income statement and the Group's share of net assets is included in the consolidated balance sheet.

Investments in associates in the consolidated balance sheet includes goodwill (net of accumulated amortisation) identified on acquisition, where applicable. Please refer to note 2(j) for the Group's accounting policy on goodwill.

Equity accounting involves recording investments in associates and joint ventures initially at cost, and recognising the Group's share of its associates' and joint ventures' post-acquisition results and its share of post-acquisition movements in reserves against the carrying amount of the investments. When the Group's share of losses in an associate or joint venture equals or exceeds its investment in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

In applying the equity method, unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Where the accounting policies of associates and joint ventures do not conform with those of the Group, adjustments are made where the amounts involved are considered significant to the Group.

2. Significant Accounting Policies (cont'd)

Please refer to note 2(i) for the Company's accounting policy on investments in associates and joint ventures.

- (3) Transaction Costs
Costs directly attributable to an acquisition are included as part of the cost of acquisition.

(c) Foreign Currency Translation

- (1) Measurement Currency
Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the measurement currency"). The consolidated financial statements of the Group and the income statement, balance sheet and statement of changes in equity of the Company are presented in Singapore Dollars, which is the measurement currency of the Company.
- (2) Transactions and Balances
Foreign currency transactions are translated into the measurement currency using the exchange rates prevailing at the date of transactions. Foreign currency monetary assets and liabilities are translated into the measurement currency at the rates of exchange prevailing at the balance sheet date or at contracted rates where they are covered by forward exchange contracts. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies, are taken to the income statement.
- (3) Translation of Group Entities' Financial Statements
The results and financial position of group entities (none of which has the currency of a hyperinflationary economy) that are in measurement currencies other than Singapore Dollars are translated into Singapore Dollars as follows:
- (i) Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) Income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) All resulting exchange differences are taken to the foreign currency translation reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is disposed of, such exchange differences are taken to the income statement as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on acquisition of a foreign entity are treated as non-monetary foreign currency assets and liabilities of the acquirer and recorded at the exchange rate at the date of the transaction.

2. Significant Accounting Policies (cont'd)

(d) Revenue Recognition

Revenue comprises the fair value for the sale of refined petroleum products, oil and gas, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group.

(1) Sale of Goods

Refined petroleum products revenue is recognised upon delivery to customers.

Oil and gas revenues are recognised when either produced, lifted or delivered depending on when the title transfers. During the course of normal operations, the Company and other joint interest owners of oil and gas reserves will take more or less than their respective ownership share of the volume produced, lifted or delivered. The volumetric imbalances are monitored over the lives of the wells' production capability. If an imbalance exists at the time the wells' reserves are depleted, cash settlements are made among the joint interest owners under a variety of arrangements.

Revenues from oil and gas production from properties in which the Company has an interest with other producers are recognised on the basis of the Company's net working interest (entitlement method).

(2) Dividend Income

Dividend income is recognised when the right to receive payment is established.

(3) Interest Income

Interest income is recognised on a time proportion basis using the effective interest method.

(e) Deferred Income Taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred income tax arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

(f) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits with financial institutions and bank overdrafts. Bank overdrafts are included in borrowings on the balance sheet.

2. Significant Accounting Policies (cont'd)

(g) Trade Receivables

Trade receivables are stated at cost less allowance for doubtful receivables based on a review of outstanding amounts at the balance sheet date. An allowance for doubtful receivables is made when there is objective evidence that the Group will not be able to collect amounts due according to the original terms of the receivables. Bad debts are written off when identified.

(h) Inventories

Crude oil is stated at the lower of cost, determined on a first-in, first-out basis, and net realisable value and refined petroleum products are stated at the lower of cost, determined on a weighted average basis, and net realisable value. The cost of refined products includes fixed and variable refinery overheads.

Lubes and base oil materials and supplies are stated at the lower of cost, determined on a first-in, first-out basis, and net realisable value.

(i) Investments

Investments in subsidiaries, joint ventures and associates are stated at cost less accumulated impairment losses in the Company's balance sheet. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Other investments comprise long-term equity and non-equity securities. They are stated at cost less allowance for diminution in value based on a review at the balance sheet date. An allowance for diminution is made where, in the opinion of the Directors, there is a decline other than temporary in the value of such investments; such reduction being determined and made for each investment individually. Where there has been a decline other than temporary in the value of an investment, such a decline is recognised as an expense in the period in which the decline is identified.

Marketable securities (within current assets) are stated at the lower of cost and market value, determined on an aggregate portfolio basis by category of investment. Cost is derived at on the weighted average basis. Market value is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date. Increases/decreases in the carrying amount of marketable securities are taken to the income statement.

On disposal of an investment, including subsidiaries, joint ventures and associates, the difference between net disposal proceeds and its carrying amount is taken to the income statement.

(j) Intangible Assets

Goodwill

Goodwill represents the excess of the cost of an acquisition of subsidiaries, joint ventures or associates over the fair value of the Group's share of their identifiable net assets at the date of acquisition.

Goodwill on acquisitions of subsidiaries and joint ventures occurring on or after 1 January 2001 is included as intangible assets. Goodwill on acquisitions of associates occurring on or after 1 January 2001 is included in investments in associates. Goodwill on acquisitions that occurred prior to 1 January 2001 has been taken in full to the retained earnings; such goodwill has not been retrospectively capitalised and amortised.

2. Significant Accounting Policies (cont'd)

Goodwill recognised as intangible assets is stated at cost less accumulated amortisation and accumulated impairment losses (note 2(t)). Goodwill is amortised using the straight-line method over its estimated useful life. Management determines the estimated useful life of goodwill based on its evaluation of the respective companies at the time of the acquisition, considering factors such as existing market share, potential growth and other factors inherent in the acquired companies. Goodwill arising on major strategic acquisitions of the Group to expand its product or geographical market coverage is amortised over a maximum period of 15 years. For other acquisitions, goodwill is generally amortised over 5 years.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold, but exclude those goodwill previously taken to retained earnings (pre-1 January 2001 acquisitions).

(k) Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation.

Oil and gas exploration and development costs are accounted for using the successful efforts method. Under this method, acquisition costs of oil and gas properties and costs of drilling and equipping development wells are capitalised. Cost of drilling exploratory wells are initially capitalised pending determination of commercial reserves. The determination of commercial reserves occurs within one year unless such reserves are in an area requiring major capital expenditure before production could begin. Should the efforts be determined unsuccessful, they are then charged to dry hole expense. All other exploration costs, including geological and geophysical costs and annual lease rentals, are charged to exploration expense when incurred. All development costs, including the cost of liquid injectants used in enhanced oil recovery projects, are capitalised. Maintenance and repairs are charged to earnings, renewals and betterments, which extend the economic life of the assets, are capitalised.

Producing properties and significant properties are assessed annually, or as economic events dictate, for potential impairment. For this purpose, assets are grouped based on separately identifiable and largely independent cash flows. As changes in circumstances warrant, the net carrying values of proved properties, plant and equipment, and significant unproved properties are assessed to ensure that they do not exceed future cash flows from use or disposal. Where impairment indicates, the carrying values of proved properties, plant and equipment are written down to their fair values, usually determined as the amount of estimated discounted future cash flows.

In the evaluation for impairment of oil and gas properties, future cash flows are estimated using risk assessments on field and reservoir performance and include outlooks on proved and unproved reserves, which are then discounted or risk-weighted utilising the results from projections of geological, production, recovery and economic factors.

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense during the financial year in which it is incurred.

2. Significant Accounting Policies (cont'd)

Disposal

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the income statement; any amount in revaluation reserve relating to that asset is transferred to retained earnings.

(l) Depreciation

No depreciation is provided on leasehold land with more than 50 years to expiry of the lease. Short-term leasehold land is amortised evenly over the term of the lease.

For proved oil and gas properties, the capitalised costs are depleted using the units of production method. For purposes of these calculations, production and reserves of natural gas are converted to barrels on an energy equivalent basis.

Successful exploratory wells and development costs are depleted over proved developed reserves while acquired resource properties with proved reserves, including offshore platform costs, are depleted over proved reserves. Acquisition costs of probable reserves are not depleted or amortised while under active evaluation for commercial reserves. Costs are transferred to depletable costs as proved reserves are recognised. At the date of acquisition, an evaluation period is determined after which any remaining probable reserve costs associated with producing fields are transferred to depletable costs; costs not associated with producing fields are amortised over a period not exceeding the remaining lease term.

Costs associated with significant development projects are not depleted until commercial production commences. Unproved land acquisition costs that are individually immaterial are amortised on a straight-line basis over the average lease term until the properties are determined to be productive or impaired.

Depreciation is calculated on a straight-line basis to write off the cost of other property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

Leasehold Land	Lease period
Plant and equipment	3 $\frac{1}{3}$ % - 33 $\frac{1}{3}$ %

No depreciation is charged on freehold land and construction-in-progress.

(m) Leases

Finance Leases

Leases of assets in which the Group assumes substantially the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance cost is taken to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2. Significant Accounting Policies (cont'd)

Operating Leases

Leases of assets in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are taken 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.

(n) Interest Expense

Interest expense arising from loans obtained to finance the construction of property, plant and equipment is capitalised to construction-in-progress during the period of construction. Interest expense incurred after the completion of the property, plant and equipment is taken up in the income statement.

(o) Financial and Oil Derivative Transactions

Profits and losses arising from trading transactions are recognised immediately in the income statement while those arising from hedging transactions are recognised in the income statement in the same period as the profits and losses of the underlying transaction being hedged.

(p) Borrowings

(1) Borrowings

Borrowings are recognised initially at fair value net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

(2) Convertible Bonds

When convertible bonds are issued, the fair value of the liability portion is determined using a market interest rate for an equivalent non-convertible bond; this amount is recorded as a non-current liability on the amortised cost basis until conversion or maturity of the bonds. The remainder of the proceeds is allocated to the conversion option, which is recognised and included in shareholders' equity. The carrying amount of the conversion option is not changed in subsequent periods.

When a conversion option is exercised, the carrying amount of the conversion option will be taken to the share capital and the share premium accounts.

2. Significant Accounting Policies (cont'd)

(q) Retirement Benefits

The Company operates a retirement benefit scheme for employees who commenced employment with the Company on or before 31 August 1998 based on 75% of annualised final monthly salary for each completed year of service by the employee. Contributions to the scheme, determined by the accrued benefit valuation method, are charged to the income statement so as to spread the cost of retirement benefits over the employees' working lives with the Company.

(r) Employee Benefits

(1) Defined Contribution Plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as Central Provident Fund, and will have no legal or constructive obligation to pay further contributions if any of the funds does not hold sufficient assets to pay all employee benefits relating to employee service in the current and preceding financial years. The Group's contribution to defined contribution plans are recognised in the financial year to which they relate.

(2) Employee Leave Entitlement

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long-service leave as a result of services rendered by employees up to the balance sheet date.

(3) Equity Compensation Benefits

Share options are granted to employees of the Company in accordance with the policies and decisions of the Nominating and Remuneration Committee. No compensation expense is recognised when share options are issued under the SPC Share Option Scheme 2000. When the options are exercised, the proceeds received net of any transaction costs are taken to share capital (nominal value) and share premium.

(s) Provisions

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

2. Significant Accounting Policies (cont'd)

(t) Impairment of Assets

Assets including property, plant and equipment, goodwill and other intangible assets, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's net selling price and its value in use. For the purposes of assessing impairment of goodwill, assets are grouped at the lowest level for which there are separately identifiable cash flows.

(u) Segment Reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

(v) Share Capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issuance of new equity instruments, other than for the acquisition of businesses, are taken to equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issuance of new equity instruments for the acquisition of businesses are included in the cost of acquisition as part of the purchase consideration.

(w) Dividends

Interim dividends are recorded during the financial year in which they are declared payable. Final dividends are recorded during the financial year in which the dividends are approved by the shareholders.

3. Revenue

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Revenue from sale of refined petroleum products, oil and gas	<u>4,974,447</u>	3,187,594	<u>4,575,446</u>	2,849,174

4. Operating Profit

The following items have been included in arriving at operating profit:

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Charging/(Crediting):				
Amortisation of goodwill	120	80	-	-
Auditors' remuneration				
- auditors of the Company	190	170	151	134
- other auditors	75	26	-	-
Fees for non-audit services provided by auditors of the Company	286	20	173	20
Depreciation of property, plant and equipment				
- leasehold land	3,619	2,327	3,619	2,327
- plant and equipment	31,643	29,192	31,636	29,192
- proved oil and gas properties	6,785	8,073	-	-
Write-down/(write-back) of inventories to net realisable value	10,559	(672)	10,559	(672)
Provision for doubtful trade debts	23,561	172	23,561	-
Provision for retirement benefits	687	818	687	818
Rental expense - operating leases	4,162	3,705	4,162	3,705
(Write-back)/write-down on current quoted investments	(331)	331	(331)	331
Gain on disposal of long-term quoted investments	-	(4,167)	-	(4,167)
Gain on disposal of short-term quoted investments	(2,451)	(1,102)	(2,451)	(1,102)
Loss on disposal and write-off of property, plant and equipment	222	1,771	222	58
Write-back of provision for doubtful trade debts	(864)	(1,032)	(864)	(1,032)

5. Finance Income

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Interest income				
- subsidiaries	-	-	328	194
- a related corporation	118	6	-	-
- other	1,142	5,441	741	240
Dividend income				
- joint ventures	-	-	22,354	22,912
- other (unquoted)	94	1,857	94	1,857
- other (quoted)	400	471	223	471
	1,754	7,775	23,740	25,674

6. Finance Costs

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Interest expense				
- subsidiaries	-	-	75	70
- bank loans	16,191	7,825	15,527	7,167
Net foreign exchange gain	(11,833)	(650)	(11,504)	(344)
	4,358	7,175	4,098	6,893

7. Staff Costs

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Wages and other benefits	29,318	16,258	28,756	15,793
Employer's contribution to defined contribution plans, including Central Provident Fund and retirement fund	2,619	2,492	2,619	2,492
	31,937	18,750	31,375	18,285

Key management remuneration is disclosed in note 36(c).

The number of persons employed at the end of the financial year:

	The Group		The Company	
	2004	2003	2004	2003
Full time	181	165	177	161

8. Income Tax**(a) Income Tax Expense**

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Tax expense attributable to profit is made up of:				
Current income tax				
- Singapore	8,027	145	8,020	-
- Foreign	9,130	9,962	-	-
Deferred income tax	24,670	(1,430)	24,067	2,400
Share of tax of associates and joint ventures	693	1,374	-	-
	42,520	10,051	32,087	2,400
(Over) / under provision in preceding financial years				
- current income tax	(580)	1,606	-	415
	41,940	11,657	32,087	2,815

The tax expense on profit differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Profit before tax	294,804	70,692	288,212	76,093
Tax calculated at a tax rate of 20% (2003: 22%)	58,961	15,552	57,643	16,740
Effect of change in tax rate	(1,488)	-	(1,488)	-
Income taxed at concessionary rate	(14,707)	(4,868)	(14,307)	(4,868)
Income not subject to tax	(252)	(990)	(4,651)	(6,064)
Expenses not deductible for tax purposes	1,282	600	1,282	578
Effect of different tax rates in other countries	5,116	3,875	-	-
Utilisation of previously unrecognised				
- capital allowances	(2,739)	(4,286)	(2,739)	(4,286)
- investment allowances	(3,149)	-	(3,149)	-
Others	(504)	168	(504)	300
	42,520	10,051	32,087	2,400

8. Income Tax (cont'd)

Profits arising from activities that qualify under the Global Trade Programme are taxed at a concessionary rate of 5% (2003: 10%) and profits from activities that do not qualify under the Global Trader Programme are taxed at 20% (2003: 22%).

The Company has also been granted investment allowances up to a maximum of \$94 million for qualifying capital expenditure of \$295 million incurred by the Company over the four years from 1 February 1993.

In accordance with FRS 12, these deferred tax benefits arising from the above investment allowances have not been recognised in the financial statements of the Company and the Group.

(b) Movements in Provision for Current Income Tax Liabilities

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
At beginning of the financial year	359	3,543	-	-
Foreign currency translation adjustment	621	(70)	-	-
Income tax paid	(10,000)	(14,457)	-	(415)
Tax expense on profit for the current financial year	17,157	10,107	8,020	-
Liquidation of a subsidiary	-	(370)	-	-
(Over) / under provision in preceding financial years	(580)	1,606	-	415
At end of the financial year	7,557	359	8,020	-

(c) Movements in Provision for Deferred Income Tax

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Balance at the beginning of the financial year	51,977	55,671	37,335	34,935
Foreign currency translation adjustment	(697)	(2,264)	-	-
Deferred tax for convertible bonds charged to equity	4,265	-	4,265	-
Tax charge / (credit) to income statement	24,670	(1,430)	24,067	2,400
Balance at the end of the financial year	80,215	51,977	65,667	37,335

8. Income Tax (cont'd)**(d) Deferred Taxes**

The movement in the Group's deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the period is as follows:

The Group*Deferred tax liabilities*

	Accelerated tax depreciation	Others	Total
	\$	\$	
At 1 January 2004	53,038	1,292	54,330
Charged to income statement	23,044	-	23,044
Charged to equity	-	4,265	4,265
At 31 December 2004	76,082	5,557	81,639

Deferred tax assets

	Provisions	Others	Total
	\$	\$	
At 1 January 2004	(1,874)	(479)	(2,353)
Charged to income statement	450	479	929
At 31 December 2004	(1,424)	-	(1,424)

The Company*Deferred tax liabilities*

	Accelerated tax depreciation	Others	Total
	\$	\$	
At 1 January 2004	38,343	1,292	39,635
Charged to income statement	16,667	6,524	23,191
Charged to equity	-	4,265	4,265
At 31 December 2004	55,010	12,081	67,091

Deferred tax assets

	Provisions	Others	Total
	\$	\$	
At 1 January 2004	(1,874)	(426)	(2,300)
Charged to income statement	450	426	876
At 31 December 2004	(1,424)	-	(1,424)

8. Income Tax (cont'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheets:

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Deferred tax assets	(1,424)	(2,353)	(1,424)	(2,300)
Deferred tax liabilities	81,639	54,330	67,091	39,635
	<u>80,215</u>	<u>51,977</u>	<u>65,667</u>	<u>37,335</u>

9. Earnings Per Share

Basic earnings per share is calculated by dividing the net profit attributable to members of Singapore Petroleum Company Limited by the weighted average number of ordinary shares in issue during the financial year.

	The Group	
	2004 \$'000	2003 \$'000
Net profit attributable to members of Singapore Petroleum Company Limited	252,864	59,035
Interest expense on convertible bonds (net of tax)	5,794	-
Net profit used to determine diluted earnings per share	<u>258,658</u>	<u>59,035</u>
Weighted average number of ordinary shares in issue for basic earnings per share ('000)	426,972	423,984
Adjustment for :		
- assumed conversion of convertible bonds ('000)	53,265	-
- assumed conversion of share options ('000)	3,961	2,863
Weighted average number of ordinary shares of diluted earnings per share ('000)	<u>484,198</u>	<u>426,847</u>

For purposes of calculating diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from two categories of instruments: convertible bonds and share options. The convertible bonds are assumed to have been converted into ordinary shares and the net profit adjusted to eliminate the interest expense less the tax effect. For the share options, it is assumed that all outstanding share options granted to employees are exercised where such shares would be issued at a price lower than the fair value (average share price during the financial year). The difference between the number of shares to be issued at the exercise prices under the options and the number of shares that would have been issued at the fair value based on the assumed proceeds from the issue of these shares are treated as ordinary shares issued for no consideration. The number of such shares issued for no consideration is added to the number of ordinary shares outstanding in the computation of diluted earnings per share.

10. Cash and Cash Equivalents

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Cash at bank and on hand	86,347	32,839	61,446	28,399
Deposits with banks	21,925	22,593	-	-
	108,272	55,432	61,446	28,399

The carrying amount of cash and cash equivalents approximate their fair value.

Cash and cash equivalents are denominated in the following currencies:

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Singapore Dollar	18,242	11,054	15,441	10,270
United States Dollar	87,222	43,079	46,005	18,129
Others	2,808	1,299	-	-
	108,272	55,432	61,446	28,399

Short-term bank deposits have an average maturity of 2 months (2003: 2 months) from the end of the financial year with the following weighted average effective interest rates:

	The Group		The Company	
	2004	2003	2004	2003
	%	%	%	%
United States Dollar	2.34	1.04	-	-
Others	0.34	-	-	-

The exposure of cash and cash equivalent to interest rate risks is disclosed in note 38(ii).

11. Trade and Other Receivables

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Trade debtors	507,503	298,464	465,756	251,499
Less: Provision for doubtful debts	(31,923)	(9,292)	(30,557)	(7,860)
	475,580	289,172	435,199	243,639
Due from subsidiaries (trade)	-	-	137	90
Due from subsidiaries (non-trade) (note 19(a))	-	-	28,376	25,022
Due from associates (trade)	1,050	870	550	870

11. Trade and Other Receivables (cont'd)

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Due from associates (non-trade) (note 20)	-	-	-	-
Due from joint ventures (trade)	161,628	65,864	161,628	65,864
Due from related corporations (trade)	913	-	913	-
Due from related corporations (non-trade) (note 22)	-	161	-	161
	639,171	356,067	626,803	335,646

Movements in provision for doubtful debts are as follows:

Balance at the beginning of the financial year	9,292	10,181	7,860	8,892
Foreign currency translation adjustment	(66)	(29)	-	-
Provision made during the financial year	23,561	172	23,561	-
Provision written back during the financial year	(864)	(1,032)	(864)	(1,032)
Balance at the end of the financial year	31,923	9,292	30,557	7,860

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers who are internationally dispersed, covering a large spectrum of industries and having a variety of end markets in which they sell. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's and Company's trade receivables.

The carrying amounts of current trade and other receivables approximate their fair value.

Trade and other receivables are denominated in the following currencies:

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Singapore Dollar	24,666	17,325	35,905	29,288
United States Dollar	609,215	337,965	590,898	306,358
Others	5,290	777	-	-
	639,171	356,067	626,803	335,646

The exposure to interest rate risks of current trade and other receivables are disclosed in note 38(ii).

12. Inventories

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Crude oil				
- at cost	-	105,743	-	105,743
- at net realisable value	196,371	-	196,371	-
	196,371	105,743	196,371	105,743
Refined petroleum products				
- at cost	2,877	96,321	-	94,082
- at net realisable value	200,904	-	200,904	-
	203,781	96,321	200,904	94,082
Lubes and base oil, at cost	3,935	3,646	1,890	3,646
Materials and supplies, at cost	2,662	2,418	1,041	576
	406,749	208,128	400,206	204,047

13. Other Assets

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Deposits	104	1,551	-	1,550
Prepayments	9,385	1,333	8,729	1,019
Other debtors	1,565	11,118	846	669
Tax recoverable	2,979	2,743	2,979	2,743
	14,033	16,745	12,554	5,981

The carrying amount of current deposits approximates their fair value.

14. Investments in Associates and Joint Ventures**(a) Investment in Associates**

Share of results of associates includes goodwill amortisation charge of \$120,000 (2003: \$80,000) in respect of the acquisition of associates. Investment in associates includes the following goodwill:

	The Group	
	2004	2003
	\$'000	\$'000
Cost	600	600
Accumulated amortisation	(200)	(80)
	400	520

Details of associates are included in note 16.

(b) Investment in Joint Ventures

The Company uses the production facilities of SRC and other production facilities, which are jointly owned by the Company with other parties and for which a processing fee is payable by the Company.

The Group's share of the results, assets employed and liabilities of the joint ventures is as follows:

	2004	2003
	\$'000	\$'000
Turnover	123,982	99,811
Expenses	(116,335)	(97,199)
Profit before tax	7,647	2,612
Current assets	72,293	59,409
Non-current assets	101,093	74,252
Current liabilities	(30,380)	(23,742)
Non-current liabilities	(24,817)	(16,241)

Details of joint ventures are included in note 16.

15. Investments in Subsidiaries

	The Company	
	2004	2003
	\$'000	\$'000
Investments in equity shares, at cost	172,194	127,948
Provision for impairment	(4,640)	(1,400)
	167,554	126,548

Details of subsidiaries are included in note 16.

Acquisition of A Subsidiary

On 23 July 2004, the Company through its wholly owned subsidiary, SPC Production Company Ltd, acquired 100% of the issued share capital of Coastal Indonesia Sampang Ltd. ("Coastal Sampang"), for a cash consideration of \$44,247,000. The 100% owned company was renamed Singapore Petroleum Sampang Ltd ("SP Sampang").

SP Sampang is involved in the exploration, development and production of crude oil and natural gas.

Since the date of acquisition, SP Sampang has not contributed to the operating profit of the Group. The subsidiary's assets and liabilities at 31 December 2004 were \$51,958,702 and \$9,897,520 respectively.

The fair value of the net assets acquired approximated their book value, and no restructuring provisions were established.

16. Listing of Companies in the Group

Details of companies in the Group are as follows:

Name of Companies	Principal Activities	Country of Incorporation	Equity Holding	
			2004 %	2003 %
<i>Subsidiaries held by the Company</i>				
(1) Singapore Petroleum Trading Company Limited (a)	Trading in crude oil and petroleum products	Hong Kong	100	100
(2) Singapore Petroleum Company (Hong Kong) Limited (a)	Trading in petroleum products	Hong Kong	100	100
(3) Singapore Petroleum Venture Private Limited (b)	Investment holding	Singapore	100	100
(4) Singapore Petroleum (China) Private Limited (b)	Investment holding	Singapore	100	100
(5) SPC Shipping Company Limited (a) (Held via Singapore Petroleum Trading Company Limited)	Chartering and re-chartering of vessels for oil transportation	Hong Kong	100	100
(6) Singapore Petroleum Dovechem Private Limited (b) (Held via Singapore Petroleum (China) Private Limited) (e)	Provision of administrative support services to the affiliates of its shareholders	Singapore	-	-
(7) SPC Production Company Ltd (c)	Investment holding	British Virgin Islands	100	100
(8) SPC Kakap Limited (c) (Held via SPC Production Company Ltd)	Exploration, development and production of crude oil and natural gas	British Virgin Islands	100	100
(9) SPC Refining Company Pte. Ltd. (b)	Dormant	Singapore	100	100

16. Listing of Companies in the Group (cont'd)

	Name of Companies	Principal Activities	Country of Incorporation	Equity Holding	
				2004 %	2003 %
(10)	SPC Indo-Pipeline Co. Ltd. (c) (Held via SPC Production Company Ltd)	Investment holding	British Virgin Islands	100	100
(11)	Singapore Petroleum (Thailand) Co., Ltd. (d)	Marketing, supply, distribution and trading of petroleum products	Thailand	100	100
(12)	SPC Vietnam (Blocks 102/106) Co. Ltd (c)	Exploration, development and production of crude oil and natural gas	British Virgin Islands	100	-
(13)	Singapore Petroleum Sampang Ltd (c)	Exploration, development and production of crude oil and natural gas	Cayman Islands	100	-
<i>Joint ventures held by the Company</i>					
(1)	Singapore Carbon Dioxide Company Private Limited (d)	Sale of carbon dioxide products	Singapore	50	50
(2)	Singapore Refining Company Private Limited ("SRC") (d)	Refining crude oil	Singapore	50	33 ¹ / ₃
(3)	ItalSing Petroleum Company Pte Ltd (d)	Manufacturing and blending of lubricants	Singapore	50	50
(4)	Jiangmen City Sinjiang Gas Co. Ltd (d)	Processing, distributing and marketing of liquified petroleum gas and lubricants	China	50	50
(5)	FST Aviation Services Limited (d)	Provision of warehousing, transporting and inspection services of aviation petroleum products for its shareholders	Hong Kong	25	25

16. Listing of Companies in the Group (cont'd)

	Name of Companies	Principal Activities	Country of Incorporation	Equity Holding	
				2004 %	2003 %
(6)	Tanker Mooring Services Company Private Limited (d)	Discharge of crude oil using the single buoy mooring system	Singapore	25	16.7
(7)	SPC Wearnes Pte. Ltd. (d)	Bottling, storage, marketing, distribution and sale of LPG (bottled and bulk)	Singapore	50	-

Associates held by the Company

(1)	Petmal Oil Corporation Sdn. Bhd. (Held via Singapore Petroleum Venture Private Limited) (d)	Marketing and distribution of petroleum products	Malaysia	40	40
(2)	Tiger Oil Corporation (Held via Singapore Petroleum Venture Private Limited) (d)	Retailing of petroleum products through service stations network and wholesaling to industrial, commercial and other retail customers	Korea	40.2	40.2
(3)	SP-CYC Venture Pte. Ltd. (d)	Marketing, distribution and trading of petroleum products and spare parts for motor vehicles, provision of ancillary services and investment holding	Singapore	40	40

(a) Audited by PricewaterhouseCoopers, Hong Kong

(b) Audited by PricewaterhouseCoopers, Singapore

(c) No statutory audit requirement in the country of incorporation but the financial statements were reviewed as part of the audit of the Group

(d) Audited by other firms

(e) Dissolved on 26 January 2005 pursuant to a voluntary liquidation

17. Other Investments

	The Group		The Company	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
(a) Current				
Marketable securities, at cost	-	4,438	-	4,438
(b) Non-current				
Marketable securities, at cost	3,093	3,389	54	54
Non-marketable securities, at cost	6,948	1,228	937	971
	10,041	4,617	991	1,025
<i>Fair values</i>				
Aggregate market value of marketable securities	3,315	8,712	277	4,970

The market value of marketable securities is determined by reference to stock exchange quoted bid prices.

Non-marketable securities represent a 12.5% (2003: 12.5%) equity interest in Changi Airport Fuel Hydrant Installation Private Limited incorporated in Singapore, a 6% (2003: 6%) equity interest in PT Transportasi Gas Indonesia, incorporated in Indonesia and a 10% (2003 : NIL) farm-in interest in Blocks 102 & 106 Production Sharing Contract located in offshore Vietnam. The above companies are engaged in activities ancillary to the operations of the Company. There is no active market for the equity interests of these securities. As such, it is not practicable to determine with sufficient reliability the fair value of these non-marketable securities. However, the directors do not anticipate that the carrying amount of the unquoted investment will be significantly in excess of its fair value.

18. Property, Plant and Equipment

	Freehold land \$'000	Leasehold land \$'000	Plant and equipment \$'000	Proved oil and gas properties \$'000	Construction- in-progress \$'000	Total \$'000
The Group						
<i>Cost</i>						
At 1 January 2004	8,608	58,412	928,326	95,421	19,646	1,110,413
Foreign currency translation adjustment	-	-	(6)	(4,398)	(115)	(4,519)
Additions	-	-	25	-	264,978	265,003
Transfer from construction- in-progress	54,234	51,872	115,584	-	(221,690)	-
Disposals	-	-	(4,771)	(2)	(240)	(5,013)
At 31 December 2004	62,842	110,284	1,039,158	91,021	62,579	1,365,884
<i>Accumulated depreciation</i>						
At 1 January 2004	-	16,156	429,529	23,938	-	469,623
Foreign currency translation adjustment	-	-	(10)	(1,348)	-	(1,358)
Depreciation charge	-	3,619	31,643	6,785	-	42,047
Disposals	-	-	(2,501)	-	-	(2,501)
At 31 December 2004	-	19,775	458,661	29,375	-	507,811
Net book value						
At 31 December 2004	62,842	90,509	580,497	61,646	62,579	858,073
<i>Net book value</i>						
At 31 December 2003	8,608	42,256	498,797	71,483	19,646	640,790
The Company						
<i>Cost</i>						
At 1 January 2004	8,608	58,412	928,217	-	17,150	1,012,387
Additions	-	-	-	-	218,401	218,401
Transfer from construction- in-progress	54,234	51,872	115,584	-	(221,690)	-
Disposals	-	-	(4,771)	-	(36)	(4,807)
At 31 December 2004	62,842	110,284	1,039,030	-	13,825	1,225,981
<i>Accumulated depreciation</i>						
At 1 January 2004	-	16,156	429,439	-	-	445,595
Depreciation charge	-	3,619	31,636	-	-	35,255
Disposals	-	-	(2,501)	-	-	(2,501)
At 31 December 2004	-	19,775	458,574	-	-	478,349
Net book value						
At 31 December 2004	62,842	90,509	580,456	-	13,825	747,632
<i>Net book value</i>						
At 31 December 2003	8,608	42,256	498,778	-	17,150	566,792

19. Due from/(to) Subsidiaries (non-trade)

(a) Due from Subsidiaries

The amounts due from subsidiaries consist of the following (note 11):

	The Company	
	2004	2003
	\$'000	\$'000
Interest bearing loan, unsecured, repayable within 6 months	28,376	18,950
Other (interest-free, unsecured and repayable upon demand)	-	6,072
	28,376	<u>25,022</u>

The weighted average interest rate at the balance sheet date on balances due from the subsidiaries is 2.7% (2003: 1.8%) per annum.

(b) Due to subsidiaries

The amounts due to subsidiaries consist of the following (note 24):

	The Company	
	2004	2003
	\$'000	\$'000
Interest bearing loan, unsecured, repayable within 3 months	4,014	2,303
Other (interest-free, unsecured and repayable upon demand)	20,975	17,766
	24,989	<u>20,069</u>

The weighted average interest rate at the balance sheet date on balances due to subsidiaries is 3.3% (2003: 2.2%) per annum.

20. Due from Associates (non-trade)

The amounts due from associates are unsecured, interest-free and repayable upon demand.

21. Due to Joint Ventures (non-trade)

The amounts due to joint ventures are unsecured, interest-free and repayable upon demand.

22. Due from/(to) Related Corporations (non-trade)

The amounts due from/(to) related corporations are unsecured, interest-free and repayable upon demand.

23. Loan to an Investee Company

The loan to an investee company is unsecured, bears interest at 10% per annum (2003: 10% per annum) and have no fixed terms of repayment. This loan is provided by the investee company to PT Transportasi Gas Indonesia, incorporated in Indonesia and of which the Group has a 6% equity interest, for its pipeline infrastructure construction projects. This loan is in proportion to the Group's equity interest. Repayment is not expected within the next twelve months. Accordingly, it is not practicable to determine the fair value of this balance.

24. Trade and Other Payables

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Trade creditors	551,312	270,322	524,263	257,297
Due to subsidiaries (non-trade) (note 19(b))	-	-	24,989	20,069
Due to joint ventures (trade)	72,748	56,419	72,718	56,352
Due to joint ventures (non-trade) (note 21)	5,965	310	3,465	-
Due to related corporations (non-trade) (note 22)	119	62	119	62
Other creditors	18,999	5,036	18,429	5,031
Accruals for operating expenses	14,910	4,576	7,376	3,869
	664,053	336,725	651,359	342,680

The carrying amounts of current trade and other payables approximate their fair value.

Trade and other payables are denominated in the following currencies:

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Singapore Dollar	92,592	44,003	89,859	49,770
United States Dollar	566,949	291,118	561,500	292,910
Others	4,512	1,604	-	-
	664,053	336,725	651,359	342,680

25. Borrowings**Borrowings (unsecured)**

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
<i>Current</i>				
Short term bank loans	327,200	408,519	297,388	375,035
Short term portion of long term bank loan	10,000	10,000	10,000	10,000
	337,200	418,519	307,388	385,035

25. Borrowings (cont'd)

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
<i>Non-current</i>				
Long term bank loan	30,000	40,000	30,000	40,000
Liability component of convertible bonds	283,075	-	283,075	-
	313,075	40,000	313,075	40,000

(a) Maturity of Borrowings

The current borrowings have an average maturity of 4 months (2003: 5 months) from the end of the financial year. The non-current borrowings have the following maturity:

	The Group and Company	
	2004	2003
	\$'000	\$'000
Between 1 and 2 years	30,000	10,000
Between 2 and 5 years	283,075	30,000
	313,075	40,000

(b) Currency Risk

The carrying amounts of total borrowings are denominated in the following currencies:

	The Group		The Company	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Singapore Dollar	179,350	286,200	179,350	286,200
United States Dollar	470,925	172,319	441,113	138,835
	650,275	458,519	620,463	425,035

(c) Interest Rates Risks

The weighted average effective interest rates of total borrowings at the balance sheet date are as follows:

	2004		2003	
	SGD	USD	SGD	USD
The Group				
- Short term bank loans	1.69	2.69	1.36	1.83
- Long term bank loan	2.65	-	2.65	-
- Convertible bonds	-	3.26	-	-
The Company				
- Short term bank loans	1.69	2.59	1.36	1.73
- Long term bank loan	2.65	-	2.65	-
- Convertible bonds	-	3.26	-	-

25. Borrowings (cont'd)**(d) Convertible Bonds**

On 28 April 2004, the Company issued US\$184,400,000 1.75%, 5 year convertible bonds. Interest is payable semi-annually. The bonds maturing on 28 April 2009 are convertible at the option of bondholders to ordinary shares of the Company at the exchange rate of US:\$ of 1:1.6898 and at a conversion price of \$3.90 per share. Any bondholder may request that the Company redeems all or some of its bonds on 28 April 2008 or in the event that the Company's shares ceased to be listed or admitted to trading on the Singapore Stock Exchange.

The convertible bonds are recognised on the balance sheet as follows:

	The Group and Company	
	2004	2003
	\$'000	\$'000
Face value of convertible bonds issued on 22 April 2004	310,589	-
Equity conversion component, net of deferred income tax liability	(17,056)	-
Deferred income tax liability (note 8 (c))	(4,265)	-
Liability component on initial recognition at 22 April 2004	289,268	-
Interest expense	5,449	-
Interest paid	(2,706)	-
Exchange differences	(8,936)	-
Liability component at 31 December 2004	283,075	-

Interest expense on the convertible bonds is calculated based on the effective interest method by applying the interest rate of 3.26% per annum for an equivalent non-convertible bond to the liability component of the convertible bonds.

(e) Carrying Amounts and Fair Values

The carrying amounts of current borrowings approximate their fair value. The carrying amounts and fair values of non-current borrowings are as follows:

The Group and the Company

	Carrying Amounts		Fair Values	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Bank borrowings	30,000	40,000	28,005	37,714
Convertible bonds	283,075	-	283,075	-

26. Provision for Retirement Benefits

	The Group and Company	
	2004	2003
	\$'000	\$'000
Balance at the beginning of the financial year	5,178	4,360
Provision for the financial year	687	818
Balance at the end of the financial year	5,865	5,178
Present value of obligation	5,865	5,178
Unrecognised part of liability	-	-

The principal actuarial assumptions used for accounting purposes at 31 December are as follows:

	The Group and Company	
	2004	2003
	\$'000	\$'000
	%	%
Discount rate applied to retirement obligations	6.0	6.0
Future salary increases	4.0	4.0

The amounts recognised in the consolidated income statement are as follows:

	The Group and Company	
	2004	2003
	\$'000	\$'000
Current service cost	280	259
Interest cost	407	187
Amortisation of transitional provision*	-	372
Expenses recognised in the income statement	687	818

* Relates to the amortisation of the unrecognised amount of retirement benefits under the transitional provisions of SAS 17 (2003) with effect from 1 January 2001, which allowed a charge to the income statement over three years on a straight-line basis.

27. Share Capital of Singapore Petroleum Company Limited**(a) Authorised Ordinary Share Capital**

The total authorised number of ordinary shares is 1,000 million shares (2003: 1,000 million shares) with a par value of \$0.50 per share (2003: \$0.50 per share).

(b) Issued Ordinary Share Capital

	2004	2003	2004	2003
	Number	Number	\$'000	\$'000
	of Shares	of Shares	\$'000	\$'000
	'000	'000	\$'000	\$'000
At beginning of the financial year	424,673	423,512	212,337	211,756
Exercise of options	3,923	1,161	1,961	581
At end of the financial year	428,596	424,673	214,298	212,337

All issued shares are fully paid.

The newly issued shares rank pari passu in all respects with the previously issued shares.

The movements in the share premium account are set out in the Statements of Changes in Equity.

(c) Share Options

Share options were granted to employees and non-executive directors under the SPC Share Option Scheme 2000 ("2000, 1/2001, 2/2001, 1/2003, 2/2003 and 1/2004 Options") which commenced on 28 August 2000. Movements in the total number of shares under options outstanding are as follows:

	2004	2003
	Number	Number
	of shares	of shares
	under	under
	options	options
Balance at the beginning of the financial year	7,720,000	6,814,000
Issued	3,266,000	2,170,000
Exercised	(3,923,000)	(1,161,000)
Lapsed	(157,000)	(103,000)
Balance at the end of the financial year	6,906,000	7,720,000

Details of share options granted during the financial year:

Option granted	Scheme	Date granted	Expiry date	Exercise price
3,266,000	1/2004 Options	4 February 2004	3 February 2014	\$1.57

On 4 February 2004, options in respect of 3,266,000 shares with exercise price of S\$1.57 per ordinary share were granted pursuant to the Scheme ("1/2004 Options"). The 2004 options are exercisable from 5 February 2006 and expire on 3 February 2014.

27. Share Capital of Singapore Petroleum Company Limited (cont'd)

Movements in the number of shares under options outstanding at the end of the financial year and their exercise prices are as follows:

The Group and the Company

Financial year ended 31 December 2004

	At the beginning of financial year	Granted during the financial year	Exercised during the financial year	Forfeited during the financial year	At end of the financial year	Exercise price	Expiry date
2000 Options	610,000	-	(371,000)	-	239,000	\$0.78	29.8.2002 - 27.8.2010
1/2001 Options	612,000	-	(573,000)	-	39,000	\$0.68	18.4.2003 - 16.4.2011
2/2001 Options	1,227,000	-	(1,162,000)	-	65,000	\$0.68	20.9.2003 - 18.9.2011
1/2002 Options	1,602,000	-	(1,032,000)	(19,000)	551,000	\$0.75	4.4.2004 - 2.4.2012
2/2002 Options	1,537,000	-	(785,000)	(43,000)	709,000	\$0.87	31.10.2004 - 29.10.2012
1/2003 Options	2,132,000	-	-	(49,000)	2,083,000	\$0.92	18.2.2005 - 16.2.2013
1/2004 Options	-	3,266,000	-	(46,000)	3,220,000	\$1.57	5.2.2006 - 3.2.2014
	<u>7,720,000</u>	<u>3,266,000</u>	<u>(3,923,000)</u>	<u>(157,000)</u>	<u>6,906,000</u>		

Financial year ended 31 December 2003

	At the beginning of financial year	Granted during the financial year	Exercised during the financial year	Forfeited during the financial year	At end of the financial year	Exercise price	Expiry date
2000 Options	925,000	-	(310,000)	(5,000)	610,000	\$0.78	29.8.2002 - 27.8.2010
1/2001 Options	1,159,000	-	(541,000)	(6,000)	612,000	\$0.68	18.4.2003 - 16.4.2011
2/2001 Options	1,508,000	-	(266,000)	(15,000)	1,227,000	\$0.68	20.9.2003 - 18.9.2011
1/2002 Options	1,639,000	-	(16,000)	(21,000)	1,602,000	\$0.75	4.4.2004 - 2.4.2012
2/2002 Options	1,583,000	-	(18,000)	(28,000)	1,537,000	\$0.87	31.10.2004 - 29.10.2012
1/2003 Options	-	2,170,000	(10,000)	(28,000)	2,132,000	\$0.92	18.2.2005 - 16.2.2013
	<u>6,814,000</u>	<u>2,170,000</u>	<u>(1,161,000)</u>	<u>(103,000)</u>	<u>7,720,000</u>		

28. Capital Reserve

The balance relates to an amount of retained profits of a subsidiary capitalised by way of a bonus issue of shares.

The capital reserve is non-distributable.

29. Other Reserve

The balance relates to the equity component of the convertible bonds issued by the Company.

The other reserve is non-distributable.

30. Minority Interests

	The Group	
	2004	2003
	\$'000	\$'000
At beginning of the financial year	-	593
Share of loss after tax of a subsidiary	-	(90)
Proceeds from liquidation of a subsidiary	-	(480)
Loss on liquidation of a subsidiary	-	(23)
At end of the financial year	<u>-</u>	<u>-</u>

31. Dividends

	The Company	
	2004	2003
	\$'000	\$'000
Final one tier tax exempt dividend of 6 cents (2003: 4 cents) per share, in respect of the financial year ended 31 December 2003 (2003: 31 December 2002)	25,622	16,952
Final dividend of nil cents (2003: 0.8525 cents) less tax at nil% (2003: 22%) per share, in respect of the financial year ended 31 December 2003 (2003: 31 December 2002)	-	2,818
	<u>25,622</u>	<u>19,770</u>

The directors have proposed a total one tier tax exempt dividend for 2004 of 20 cents per share amounting to S\$85,720,000 consisting of a first and final ordinary dividend of 10 cents (2003: 6 cents) per share and a special dividend of 10 cents (2003: nil) per share. These financial statements do not reflect this dividend payable, which will be accounted for in the shareholders' equity as an appropriation in the financial year ending 31 December 2005 when it is approved and declared in the next Annual General Meeting.

32. Contingent Liabilities (unsecured)

Details and estimates of maximum amounts of contingent liabilities (excluding those relating to investments in associates and joint ventures (note 14)) are as follows:

The Group		The Company	
2004	2003	2004	2003
\$'000	\$'000	\$'000	\$'000

Unsecured guarantees by the Company in respect of:

- obligations under performance bonds for contracts undertaken

16,128	9,127	16,128	9,127
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33. Commitments for Expenditure

(a) Capital Commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements (excluding those relating to investments in associates and joint ventures (note 14)) are as follows:

The Group and Company	
2004	2003
\$'000	\$'000

Approved by the directors but not contracted for	22,960	27,004
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(b) Operating Lease Commitments

The Group leases land and building, various plant and machinery under non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights. The lease expenditure charged to the income statement during the financial year is disclosed in note 4.

The future minimum lease payments receivable under non-cancellable operating leases contracted for at the reporting date but not recognised as liabilities, are as follows:

The Group and Company	
2004	2003
\$'000	\$'000

Not later than one year	5,464	5,931
Later than one year but not later than five years	11,157	10,020
Later than five years	21,858	32,121
	38,479	48,072

34. Derivative Financial Instruments

In order to manage the risks arising from fluctuations in oil prices, currency exchange rates and interest rates, the Group and Company make use of the following derivative financial instruments:

	The Group and Company		
	Contract or notional contract amount	Carrying value	Estimated Fair Value Asset/(Liability)
	\$'000	\$'000	\$'000
Oil swaps	122,640	-	627
Currency swaps with banks	50,000	-	68
Oil options	4,180	-	(535)

- (i) The oil swap and currency swap contracts are entered into for hedging purposes.
- (ii) As at 31 December 2004, there are no outstanding forward foreign exchange contracts.

35. Interested Person Transactions

In compliance with Rule 920(1) of the Listing Manual of the Singapore Exchange Securities Trading Limited, a shareholders' mandate was obtained for the following types of interested person transactions (as defined in Chapter 9 of the Listing Manual). The aggregate value of these transactions conducted pursuant to the shareholders' mandate during the financial year is as follows:

Name of interested person	The Group and Company			
	Aggregate value of all interested person transactions during the financial year (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 during the financial year (excluding transactions less than \$100,000)	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Sales of goods and services				
Keppel Corporation Group	-	-	1,465	1,608
PSA Corporation Group	-	-	1,306	1,087
SembCorp Marine Group	-	-	15,375	8,925
Singapore Airlines Group	-	-	292,774	207,000
Singapore Power Group	-	-	2,270	5,900
SembCorp Industries Group	-	-	24,875	60,652
Temasek Holdings Group (Other than the above)	-	-	32,485	92

35. Interested Person Transactions (cont'd)

Name of interested person	The Group and Company			
	Aggregate value of all interested person transactions during the financial year (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 during the financial year (excluding transactions less than \$100,000)	
	2004	2003	2004	2003
	\$'000	\$'000	\$'000	\$'000
Purchases of goods and services				
PSA Corporation Group	-	-	8,551	8,730
Treasury transactions				
Keppel Corporation Group	-	-	118	6
Management and support services				
Keppel Corporation Group	-	-	500	500

36. Related Party Transactions

The following related party transactions took place between the Group and related parties during the financial year on terms agreed by the parties concerned:

(a) Sales and Purchases of Goods and Services

	The Group	
	2004	2003
	\$'000	\$'000
Sales to associates and joint ventures	22,879	9,864
Sales to related corporations	2,488	1,745
Purchases from a joint venture	12,065	13,840
Purchases from related corporations	1,158	450

Sales to associates, joint ventures and related corporations and purchases of materials from the joint venture and related corporations were carried out on commercial terms and conditions and at market prices.

Outstanding balances at 31 December 2004, arising from sale/purchase of goods and services, are set out in notes 11 and 24 respectively.

36. Related Party Transactions (cont'd)**(b) Share Options Granted to Key Management**

The aggregate number of share options granted to key management of the Group during the financial year was 998,000 (2003: 499,000). The share options were given on the same terms and conditions as those offered to other employees of the Company (note 27(c)). The outstanding number of share options granted to key management of the Group at the end of financial year was 2,107,000 (2003: 1,979,000).

(c) Key Management's Remuneration

The key management's remuneration includes fees, salary, bonus, commission and other emoluments (including benefits-in-kind) computed based on the cost incurred by the Group and the Company, and where the Group or Company did not incur any costs, the value of the benefit. The key management's remuneration is as follows:

	The Group	
	2004	2003
	\$'000	\$'000
Key management of the Group:		
- directors of the Company	1,768	1,920
- directors of subsidiaries	5,551	3,910
- others	1,645	1,046

37. Segment Information**Primary Reporting Format - Business Segments**

	Downstream	Upstream	Others	Group
	\$'000	\$'000	\$'000	\$'000
Year ended 31 December 2004				
Revenue	4,938,324	36,123	-	4,974,447
Segment result	268,740	18,523	777	288,040
Net unallocated income				2,451
Operating profit				290,491
Finance income				1,754
Finance costs				(4,358)
Share of results of associates				(730)
Share of results of joint ventures				7,647
Profit before tax				294,804
Tax				(41,940)
Net profit attributable to the members of the Company				252,864

37. Segment Information (cont'd)

Primary Reporting Format - Business Segments

	Downstream \$'000	Upstream \$'000	Others \$'000	Group \$'000
Segment assets	1,900,451	180,294	103	2,080,848
Unallocated assets				155,681
Consolidated total assets				<u>2,236,529</u>
Segment liabilities	650,234	16,859	2,533	669,626
Unallocated liabilities				738,510
Consolidated total liabilities				<u>1,408,136</u>
Capital expenditure	218,425	46,578	-	265,003
Depreciation	35,263	6,784	-	42,047

Year ended 31 December 2003

Revenue	3,151,545	36,049	-	3,187,594
Segment result	58,215	15,423	(666)	72,972
Net unallocated income				151
Operating profit				<u>73,123</u>
Finance income				7,775
Finance costs				(7,175)
Share of results of associates				(5,643)
Share of results of joint ventures				2,612
Profit before tax				<u>70,692</u>
Tax				(11,657)
Group profit from ordinary activities				<u>59,035</u>
Minority interests				-
Net profit attributable to the members of the Company				<u>59,035</u>
Segment assets	1,178,365	137,515	970	1,316,850
Unallocated assets				124,946
Consolidated total assets				<u>1,441,796</u>
Segment liabilities	331,548	10,213	318	342,079
Unallocated liabilities				510,855
Consolidated total liabilities				<u>852,934</u>
Capital expenditure	32,463	2,147	-	34,610
Depreciation	31,519	8,073	-	39,592

37. Segment Information (cont'd)

The Group has segmented its activities into downstream, upstream and others. The downstream activities include petroleum refining, marketing of products to airlines, commercial accounts, utilities, shipping accounts, trading activities and the storage and terminalling of finished oil products. The upstream activities involve the exploration, development, production and sale of oil and gas.

Secondary Reporting Format - Geographical Segments

The Group's two business segments operate in three main geographical areas:

Singapore	The Company is headquartered and has operations in Singapore. The operations in this area are principally petroleum refining, marketing, trading and distribution of crude oil and petroleum products and the storage and terminalling of finished oil products.
Hong Kong	The operations in this area are principally bunkering and aviation sales activities.
Indonesia	The operations in this area are principally exploration, development, production and sale of oil and gas.
Other countries	The operations in this area are principally aviation sales activities.

With the exception of Singapore and the People's Republic of China, no other individual country contributed more than 10% of consolidated sales and assets. Sales are based on the country in which the customer is located. Total assets and capital expenditure are shown by the geographical area where the assets are located.

	Sales		Total assets		Capital expenditure	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Singapore	4,575,446	2,789,931	1,952,198	1,227,594	218,400	32,463
Hong Kong	331,986	360,205	72,163	71,080	18	-
Indonesia	36,123	36,049	207,486	137,772	46,578	2,147
Other countries	30,892	1,409	4,682	5,350	7	-
	4,974,447	3,187,594	2,236,529	1,441,796	265,003	34,610

38. Financial Risk Management**Financial Risk Factors**

The Group's activities expose it to a variety of financial risks; price risk (including currency risk, fair value interest rate risk and market risk and the effects of changes in oil prices). The Group's overall risk management programme focuses on the unpredictability of oil and financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts, interest rate caps, oil options, oil forward contracts and oil paper swaps as well as physical oil contracts to hedge certain exposures.

38. Financial Risk Management (cont'd)

The Trading and Risk Management Department of the Group carries out risk management for oil price risks whilst the Finance and Accounting Department of the Group manages the financial risks, with authority as delegated by the Board of Directors.

(i) *Price Risk*

Foreign Exchange Risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the United States Dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations.

Foreign exchange risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency that is not the entity's measurement currency. To manage their foreign exchange risk arising from future commercial transactions, recognised assets and liabilities, entities in the Group use mainly foreign currency contracts and currency borrowing to hedge the net position exposed to currency movements. Group Treasury is responsible for hedging the net position in each foreign currency by using external currency borrowings and forward currency contracts.

The Group risk management policy with regard to its foreign currency denominated monetary assets, liabilities, commitments and cash flows is to match as far as possible the values of such assets and cash flows against similarly denominated liabilities and cash flows. Decisions on either holding net short or long positions in foreign currency denominated monetary assets or liabilities are taken on a case-by-case basis taking into consideration the amount and duration of the exposure, market volatility, economic trends and the requirements of the business. The Group risk management policy in foreign currency is hence to minimise the impact of foreign exchange fluctuations on its profit or loss as well as its net investment in foreign subsidiaries.

Market Risk

In the preceding financial years, the Company implemented a Value-At-Risk ("VAR") framework to measure and manage the inventory price risks of its business. VAR measures the maximum expected loss, within a two-tail 95% confidence level, of open positions resulting from an adverse price movement that could occur in normal markets over a specified time horizon. The Company has put in place an option structure to hedge the VAR against sudden adverse price movements.

(ii) *Interest Rate Risks*

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

38. Financial Risk Management (cont'd)

The Group borrows at variable interest rates and where appropriate uses interest rate derivatives such as interest rate caps and interest rate swaps to hedge against possible adverse interest rate movements in the future. An interest rate cap effectively places a maximum interest rate on the notional principal amount hedged while at the same time allows the Company to continue benefiting from lower variable interest rates. An interest rate swap exchanges a variable interest rate obligation into a fixed rate obligation for the duration of the swap.

The tables below set out the Group and the Company's exposure to interest rate risks. Included in the tables are the assets and liabilities at carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Variable rates			Fixed rates			Non-interest bearing	Total
	Less than 6 months	6 to 12 months	Less than 6 months	6 to 12 months	1 to 5 years	Over 5 years		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
The Group								
At 31 December 2004								
Assets								
Cash and cash equivalents	74,580	-	21,925	-	-	-	11,767	108,272
Trade and other receivable	-	-	-	-	-	-	639,171	639,171
Investments	-	-	-	-	-	-	10,041	10,041
Other assets	-	-	-	-	-	-	1,479,045	1,479,045
Total assets	74,580	-	21,925	-	-	-	2,140,024	2,236,529
Liabilities								
Borrowings	-	-	337,200	-	313,075	-	-	650,275
Other liabilities	-	-	-	-	-	-	757,861	757,861
Total liabilities	-	-	337,200	-	313,075	-	757,861	1,408,136
At 31 December 2003								
Assets								
Cash and cash equivalents	22,944	-	22,593	-	-	-	9,895	55,432
Trade and other receivables	-	-	-	-	-	-	356,067	356,067
Investments	-	-	-	-	-	-	9,055	9,055
Other assets	-	-	-	-	-	-	1,021,242	1,021,242
Total assets	22,944	-	22,593	-	-	-	1,396,259	1,441,796
Liabilities								
Borrowings	-	-	418,519	-	40,000	-	-	458,519
Other liabilities	-	-	-	-	-	-	394,415	394,415
Total liabilities	-	-	418,519	-	40,000	-	394,415	852,934

38. Financial Risk Management (cont'd)

	Variable rates		Fixed rates			Non-interest bearing	Total
	Less than 6 months	6 to 12 months	Less than 6 months	6 to 12 months	1 to 5 years		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
The Company							
At 31 December 2004							
Assets							
Cash and cash equivalents	49,679	-	-	-	-	11,767	61,446
Trade and other receivables	-	-	-	-	-	626,803	626,803
Investments	-	-	-	-	-	991	991
Other assets	-	-	-	-	-	1,435,871	1,435,871
Total assets	49,679	-	-	-	-	2,075,432	2,125,111
Liabilities							
Borrowings	-	-	307,388	-	313,075	-	620,463
Other liabilities	-	-	-	-	-	730,911	730,911
Total liabilities	-	-	307,388	-	313,075	730,911	1,351,374
At 31 December 2003							
Assets							
Cash and cash Equivalents	18,504	-	-	-	-	9,895	28,399
Trade and other receivables	-	-	-	-	-	335,646	335,646
Investments	-	-	-	-	-	5,463	5,463
Other assets	-	-	-	-	-	961,606	961,606
Total assets	18,504	-	-	-	-	1,312,610	1,331,114
Liabilities							
Borrowings	-	-	385,035	-	40,000	-	425,035
Other liabilities	-	-	-	-	-	385,193	385,193
Total liabilities	-	-	385,035	-	40,000	385,193	810,228

Generally, the Group manages its cash flow interest rate risk from borrowings using interest rate caps and floating-to-fixed interest rate swaps. Such interest rate caps and interest rate swaps have the economic effect of converting borrowings from floating rates to fixed rates. Occasionally, the Group enters into fixed-to-floating interest rate swaps to hedge the change in fair value of interest-bearing liabilities where it has borrowed at fixed rates in excess of the target.

38. Financial Risk Management (cont'd)

The exposure of current and non-current borrowings to interest rate risks is as follows:

	Variable rates		Fixed rates				Total \$'000
	Less than 6 months \$'000	6 to 12 months \$'000	Less than 6 months \$'000	6 to 12 months \$'000	1 to 5 years \$'000	Over 5 years \$'000	
	The Group						
At 31 December 2004	-	-	327,200	10,000	313,075	-	650,275
At 31 December 2003	-	-	408,519	10,000	40,000	-	458,519
The Company							
At 31 December 2004	-	-	297,388	10,000	313,075	-	620,463
At 31 December 2003	-	-	375,035	10,000	40,000	-	425,035

(iii) Credit risk

The Group has no significant concentrations of credit risk. The Group has policies in place to ensure that transactions with trade customers are conducted within the Group's Credit and Receivables Policy. Where appropriate, customers may be required to provide collateral as the basis for the transactions. Open credit accounts are required to be reviewed periodically and credit limits revised where appropriate. Derivatives counterparties and cash transactions are limited to high credit quality financial institutions. The Group has policies that limit the amount of credit exposure to any financial institution.

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, internal cash flow and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the business, the Group maintains flexibility in funding by ensuring that ample working capital lines are available at any one time.

39. Events Occurring after Balance Sheet Date

Subsequent to balance sheet date, the Company received notices of conversion to convert US\$11,200,000 of convertible bonds into 4,852,758 ordinary shares with a par value of \$0.50 each in the share capital of the Company.

40. Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current financial year.

41. Authorisation of Financial Statements

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Singapore Petroleum Company Limited on 15 February 2005.