

**Rayong Purifier Public Company Limited and its subsidiaries**

**Notes to interim consolidated financial statements**

**For the three-month period ended 31 March 2013**

**1. General information**

**1.1 Corporate information**

Rayong Purifier Public Company Limited (“the Company”) is a public company incorporated and domiciled in Thailand. The Company is principally engaged in the manufacture and trading of fuel oil and petrochemical products. The registered office of the Company, which is the head office, is located at 14th Floor, Shinawatra Tower 3, 1010 Viphavadi Rangsit Road, Khwang Chatuchak, Khet Chatuchak, Bangkok. The Company’s branch, which is the plant, is located at 7/3 Pakorn Songkrohrad Road, Map-ta-phut, Muang Rayong, Rayong.

The Company’s major shareholder is Petro-Instruments Company Limited, a limited company under Thai laws, which as at 31 March 2013 and 31 December 2012 held 29.87% of the issued and paid-up capital of the Company.

**1.2 Fundamental accounting assumptions**

As discussed in Note 15.5 a) to the financial statements, the Company is involved in a significant commercial dispute and outstanding litigation with its major raw material supplier. At present, these are under formal arbitration proceedings and litigation, meaning their outcomes cannot be determined and depend on the future judicial process. As a consequence of the dispute, the major raw material supplier has stopped delivering raw materials to the Company since February 2012, which has forced the Company to cease production since it has been unable to find new suppliers of these raw materials. However, the Company is in the process of seeking out new business opportunities. This matter raises substantial doubt about the Company’s ability to continue as a going concern and to realise assets and settle liabilities in the ordinary course of business, with uncertainty regarding the results of the commercial dispute and outstanding litigation, the ability to find a new source of raw materials, the possibility of relocating the plant to be close to this new source, the sale of assets and the search for new business opportunities. Therefore, the Company’s financial statements have been prepared on the going concern basis, without making the adjustments to assets to their net realisable values and adjustments to liabilities to the amounts to be paid that would need to be made in the accounts if the Company were not be able to continue as a going concern.

### **1.3 Basis for the preparation of interim financial statements**

These interim financial statements are prepared in accordance with Thai Accounting Standard No. 34 (revised 2009) Interim Financial Reporting, with the Company choosing to present condensed interim financial statements. However, the Company has presented the statements of financial position, income statement, comprehensive income, changes in shareholders' equity and cash flows in the same format as that used for the annual financial statements.

The interim financial statements are intended to provide information additional to that included in the latest annual financial statements. Accordingly, they focus on new activities, events and circumstances so as not to duplicate information previously reported. These interim financial statements should therefore be read in conjunction with the latest annual financial statements.

The interim financial statements in Thai language are the official statutory financial statements of the Company. The interim financial statements in English language have been translated from the Thai language financial statements.

### **1.4 Basis of consolidation**

The consolidated financial statements include the financial statements of Rayong Purifier Public Company Limited and its subsidiaries, and have been prepared on the same basis as applied for the consolidated financial statements for the year ended 31 December 2012. There have been no changes in the composition of the subsidiaries in the current period.

### **1.5 Application of new accounting standards during the period**

The Federation of Accounting Professions issued the following accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance that are effective for fiscal years beginning on or after 1 January 2013.

Accounting Standards:

TAS 12	Income Taxes
TAS 20 (revised 2009)	Accounting for Government Grants and Disclosure of Government Assistance
TAS 21 (revised 2009)	The Effects of Changes in Foreign Exchange Rates

Financial Reporting Standard:

TFRS 8	Operating Segments
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(Unaudited but reviewed)

Accounting Standard Interpretations:

TSIC 10 Government Assistance - No Specific Relation to Operating Activities

TSIC 21 Income Taxes - Recovery of Revalued Non-Depreciable Assets

TSIC 25 Income Taxes - Changes in the Tax Status of an Entity or its Shareholders

Accounting Treatment Guidance for Transfers of Financial Assets

These accounting standards, financial reporting standard, accounting standard interpretations and accounting treatment guidance do not have any significant impact on the financial statements, except for the following accounting standard.

### **TAS 12 *Income Taxes***

This accounting standard requires an entity to identify temporary differences arising from differences between the carrying amount of an asset or liability in the accounting records and its tax base in order to recognise the tax effects as deferred tax assets or liabilities subjecting to certain recognition criteria. The Company and its subsidiaries have changed this accounting policy in this current quarter and restated the prior year's financial statements, presented as comparative information, as though the Company and its subsidiaries had initially recognised the tax effects as deferred tax assets or liabilities. The cumulative effect of this change in accounting policy has been presented in Note 3 to the financial statements.

## **1.6 Significant accounting policies**

The interim financial statements are prepared using the same accounting policies and methods of computation as were used for the financial statements for the year ended 31 December 2012, except for the change in the accounting policies due to the adoption of TAS 12 *Income Taxes* as follows.

### **Income tax**

Income tax expense represents the sum of corporate income tax currently payable and deferred tax.

### **Current tax**

Current income tax is provided in the accounts at the amount expected to be paid to the taxation authorities, based on taxable profits determined in accordance with tax legislation.

(Unaudited but reviewed)

### **Deferred tax**

Deferred income tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts at the end of each reporting period, using the tax rates enacted at the end of the reporting period.

The Company and its subsidiaries recognise deferred tax liabilities for all taxable temporary differences while they recognise deferred tax assets for all deductible temporary differences and tax losses carried forward to the extent that it is probable that future taxable profit will be available against which such deductible temporary differences and tax losses carried forward can be utilised.

At each reporting date, the Company and its subsidiaries review and reduce the carrying amount of deferred tax assets to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

The Company and its subsidiaries record deferred tax directly to shareholders' equity if the tax relates to items that are recorded directly to shareholders' equity.

## **2. New accounting standard issued during the period not yet effective**

The Federation of Accounting Professions has issued notification which are published in the Royal Gazette during the current period, mandating the use of financial reporting standard, accounting standard interpretation and financial reporting standard interpretations as follows.

	<u>Effective date</u>
Financial Reporting Standard:	
TFRS 4 Insurance Contracts	1 January 2016
Accounting Standard Interpretation:	
TSIC 29 Service Concession Arrangements: Disclosures	1 January 2014

(Unaudited but reviewed)

		<u>Effective date</u>
Financial Reporting Standard Interpretations:		
TFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 January 2014
TFRIC 4	Determining whether an Arrangement contains a Lease	1 January 2014
TFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 January 2014
TFRIC 7	Applying the Restatement Approach under TAS 29 <i>Financial Reporting in Hyperinflationary Economies</i>	1 January 2014
TFRIC 10	Interim Financial Reporting and Impairment	1 January 2014
TFRIC 12	Service Concession Arrangements	1 January 2014
TFRIC 13	Customer Loyalty Programmes	1 January 2014

The management of the Company has assessed the effect of the above financial reporting standard, accounting standard interpretation and financial reporting standard interpretations and believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied.

### **3. Cumulative effect of the change in accounting policies due to the adoption of new accounting standard**

During the current period, the Company and its subsidiaries made the change described in Note 1.5 to the financial statements to its significant accounting policies, as a result of the adoption of TAS 12 *Income Taxes*. The cumulative effect of the change in the accounting policies has been separately presented in the statements of changes in shareholders' equity.

(Unaudited but reviewed)

The amounts of adjustments affecting the statements of financial position and the income statements are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements			Separate financial statements		
	31 March 2013	31 December 2012	1 January 2012	31 March 2013	31 December 2012	1 January 2012
<b>Statements of financial position</b>						
Increase in deferred tax assets	9,320	9,661	9,100	-	-	-
Increase in deferred tax liabilities	33,896	34,927	39,068	33,896	34,927	39,068
Decrease in deficit	9,320	9,661	9,100	-	-	-
Decrease in other components of shareholders' equity	(33,896)	(34,927)	(39,068)	(33,896)	(34,927)	(39,068)

(Unit: Thousand Baht)

	Consolidated financial statements	
	For the three- month period ended 31 March 2013	For the three- month period ended 31 March 2012
<b>Income statements</b>		
Increase in income tax expenses	341	481
Increase in loss attributable to equity holders of the Company	(341)	(481)
Increase in basic loss per share (Baht)	(0.001)	(0.001)

#### 4. Trade and other receivables

(Unit: Thousand Baht)

	Consolidated financial statements		Separate financial statements	
	31 March 2013	31 December 2012	31 March 2013	31 December 2012
<b>Trade receivables - related parties</b>				
Aged on the basis of due dates				
Past due				
Not over 3 months	69	67	-	-
Total trade receivables - related parties	69	67	-	-

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2013	31 December 2012	31 March 2013	31 December 2012
<b>Trade receivables - unrelated parties</b>				
Aged on the basis of due dates				
Past due				
Not over 3 months	56,537	63,839	-	-
3 - 6 months	345	1,017	-	-
6 - 12 months	90	2,058	-	-
Over 12 months	4,848	4,426	617	617
Total	61,820	71,340	617	617
Less: Allowance for doubtful debts	(4,591)	(4,679)	(617)	(617)
Total trade receivables - unrelated parties, net	57,229	66,661	-	-
<b>Other receivables</b>				
Advances - related parties	197	5,467	2,238	11,001
Accrued income	9,176	30,571	2,764	3,394
Others	7,857	7,868	740	388
Total	17,230	43,906	5,742	14,783
Less: Allowance for doubtful debts	(2,974)	(2,909)	(196)	(196)
Total other receivables - net	14,256	40,997	5,546	14,587
Total trade and other receivables, net	71,554	107,725	5,546	14,587

## 5. Related party transactions

The relationship between the Company and related parties are summarised below.

Name	Relationship
Pure Biodiesel Co., Ltd.	Subsidiary
Pure Thai Energy Co., Ltd. ("PTEC")	Subsidiary
SCT Petroleum Co., Ltd.	Subsidiary
SCT Sahaphan Co., Ltd.	Subsidiary
Jaturatis Transport Co., Ltd.	Subsidiary
Pure Intertrade Co., Ltd.	Subsidiary
RPC Management Co., Ltd.	Subsidiary

(Unaudited but reviewed)

Name	Relationship
Tossatis Logistics Co., Ltd.	Subsidiary
Jatuchak Oil Co., Ltd.	Subsidiary
Pure Silica Mining Co., Ltd.	Subsidiary
Thai Quartz Mining Co., Ltd.	Subsidiary
RPC Global Co., Ltd.	Subsidiary
Super Pure Gas Co., Ltd.	Subsidiary of PTEC
Pure Sammakorn Development Co., Ltd.	Associate
Thai Good Petroleum Co., Ltd.	Associate
Sammakorn Plc.	Associate
KP Energy Group Co., Ltd.	Associate
Petro-Instruments Co., Ltd.	29.87% of shares held in the Company
Blue Planet Travel Co., Ltd.	Common directors
Mongkholchai Pattana Co., Ltd.	Common directors
World Entertainment Television Co., Ltd.	Common directors

During the periods, the Company and its subsidiaries had significant business transactions with related parties. Such transactions, which are summarised below, arose in the ordinary course of business and were concluded on commercial terms and bases agreed upon between the Company and those related parties.

(Unit: Million Baht)

Consolidated		Separate	
financial statements		financial statements	
For the three-month periods		For the three-month periods	
ended 31 March		ended 31 March	
2013	2012	2013	2012

**Transactions with subsidiaries**

(Eliminated from the consolidated financial statements)

Sales	-	-	-	222
Management fee income	-	-	1	2
Interest income	-	-	5	2
Other income - other services	-	-	1	1
Purchases of goods	-	-	-	2
Service fee expense	-	-	-	2
Transportation expense	-	-	-	17

**Transactions with related parties**

Interest expense	-	1	-	1
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(Unaudited but reviewed)

Transfer pricing policy for significant business transactions with related parties are summarised below.

Transactions	Transfer pricing policy
Sales	<p>The selling price is set out based on the market price with discount for oil wholesale business, provided according to the volumes of order.</p> <p>The selling price is set out based on the market price with the fixed rate marketing margin discount for oil retail business.</p> <p>The selling price is set out based on the market price for oil transportation business.</p>
Management fee income	<p>Calculation based on quantities of products sold for oil wholesale business.</p> <p>Contract price and at actual costs for oil retail business, oil transportation business, manufacture and distribution of biodiesel business, property rental and service business and distribution and maintenance of gas station equipment business.</p>
Interest income	3.40% - 5.00% per annum (2012: 2.35% - 7.00% per annum)
Other income	<p>Contract price</p> <p>Guarantee fee at a rate of 1% per annum</p>
Purchases of goods	<p>The purchase price is set out based on the market price with discount for oil wholesale business, providing according to the volumes of order.</p> <p>The purchase price is set out based on the market price for maintenance of gas station equipment business.</p>
Service fee expense	Contract price
Transportation expense	Contract price
Interest expense	5.75% per annum

(Unaudited but reviewed)

As at 31 March 2013 and 31 December 2012, the balances of the accounts between the Company and those related parties are as follows.

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2013	31 December 2012	31 March 2013	31 December 2012
<b>Trade and other receivables - related parties (Note 4)</b>				
<b><i>Trade receivables - related parties</i></b>				
Associates	10	12	-	-
Related companies (common directors)	59	55	-	-
Total trade receivables - related parties	<u>69</u>	<u>67</u>	<u>-</u>	<u>-</u>
<b><i>Other receivables - related parties</i></b>				
Subsidiaries	-	-	2,042	5,788
Associates	197	460	196	213
Related companies (common directors)	-	7	-	-
Related person (The Company's director)	-	5,000	-	5,000
Total other receivables - related parties	<u>197</u>	<u>5,467</u>	<u>2,238</u>	<u>11,001</u>
Less: Allowance for doubtful debts	<u>(196)</u>	<u>(196)</u>	<u>(196)</u>	<u>(196)</u>
Total other receivables - related parties, net	<u>1</u>	<u>5,271</u>	<u>2,042</u>	<u>10,805</u>
<b>Short-term loans to related parties</b>				
Subsidiaries	-	-	356,288	368,988
Associate	1,524	1,524	1,524	1,524
Total short-term loans to related parties	<u>1,524</u>	<u>1,524</u>	<u>357,812</u>	<u>370,512</u>
Less: Allowance for doubtful debts	<u>(1,524)</u>	<u>(1,524)</u>	<u>(16,524)</u>	<u>(16,524)</u>
Total short-term loans to related parties, net	<u>-</u>	<u>-</u>	<u>341,288</u>	<u>353,988</u>

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	31 March 2013	31 December 2012	31 March 2013	31 December 2012
<b>Other payables - related parties</b>				
Subsidiaries	-	-	9	11,444
Associates	-	128	-	-
Related companies (common directors)	75	57	-	12
Total other payables - related parties	75	185	9	11,456

**Loans to related parties and loans from related parties**

As at 31 March 2013 and 31 December 2012, the balances of loans between the Company and those related parties and the movements are as follows.

(Unit: Thousand Baht)

		Consolidated financial statements			
Short-term loans to	Relationship	Balance as at 31 December 2012	Increase during the period	Decrease during the period	Balance as at 31 March 2013
Thai Good Petroleum Co., Ltd.	Associate	1,524	-	-	1,524
Less: Allowance for doubtful debts		(1,524)	-	-	(1,524)
Net		-	-	-	-

(Unit: Thousand Baht)

		Separate financial statements			
Short-term loans to	Relationship	Balance as at 31 December 2012	Increase during the period	Decrease during the period	Balance as at 31 March 2013
Pure Biodiesel Co., Ltd.	Subsidiary	322,488	320,788	(322,488)	320,788
SCT Petroleum Co., Ltd.	Subsidiary	19,000	-	(8,000)	11,000
Pure Thai Energy Co., Ltd.	Subsidiary	-	65,000	(65,000)	-
JaturatisTransport Co., Ltd.	Subsidiary	16,500	-	-	16,500
SCT Sahaphan Co., Ltd.	Subsidiary	11,000	-	(11,000)	-
Thai Quartz Mining Co., Ltd.	Subsidiary	-	8,000	-	8,000
Thai Good Petroleum Co., Ltd.	Associate	1,524	-	-	1,524
Total		370,512	393,788	(406,488)	357,812
Less: Allowance for doubtful debts		(16,524)	-	-	(16,524)
Net		353,988	393,788	(406,488)	341,288

(Unaudited but reviewed)

As at 31 March 2013, short-term loans to subsidiaries totaling Baht 356 million (31 December 2012: Baht 369 million) are in the form of unsecured promissory notes with maturities of not more than 6 months, carrying interest at rates of 3.40% - 5.00% per annum (31 December 2012: 3.40% - 5.13% per annum).

As at 31 March 2013 and 31 December 2012, short-term loan to an associate amounting to Baht 1.52 million, or USD 0.05 million is in the form of an unsecured loan with a maturity of 1 year and carries interest at the prime rate plus 3% per annum. The principal and its interest were to be repaid in full within November 2011. Subsequently, in January 2012, the Company received a letter requesting an extension of the loan term to December 2012. However, up to the present time the Company had not received repayment of the loan, and therefore set up allowance for doubtful debt for the full amount of the loan and interest receivable.

#### **Directors and management's benefits**

During the three-month periods ended 31 March 2013 and 2012, the Company and its subsidiaries had employee benefit expenses payable to their directors and management as below.

(Unit: Thousand Baht)

	For the three-month periods ended 31 March			
	Consolidated		Separate	
	financial statements		financial statements	
	2013	2012	2013	2012
Short-term employee benefits	2,771	14,815	2,771	11,103
Post-employment benefits	1,033	-	155	-
Total	3,804	14,815	2,926	11,103

#### **6. Inventories**

Inventories as at 31 December 2012 included oil of Baht 1 million reserved in accordance with the Ministry of Commerce regulations (31 March 2013: nil).

Movements in the allowance for reduction of cost of inventories to net realisable value account during the three-month period ended 31 March 2013 are summarised below.

(Unaudited but reviewed)

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Balance as at 1 January 2013	8,569	7,878
Add: Reduction of cost of inventories to net realisable value	146	-
Balance as at 31 March 2013	<u>8,715</u>	<u>7,878</u>

## 7. Pledged deposits at banks

These represented fixed deposits pledged with the banks to secure credit facilities and as bonds in lawsuits with the court.

## 8. Investments in associates

### 8.1 Details of associates

(Unit: Thousand Baht)										
Company's name	Nature of business	Country of incorporation	Shareholding percentage		Cost		Consolidated financial statements		Separate financial statements	
			31 March 2013	31 December 2012	31 March 2013	31 December 2012	Carrying amounts based on equity method		Carrying amounts based on cost method	
			(%)	(%)			31 March 2013	31 December 2012	31 March 2013	31 December 2012
Thai Good Petroleum Co., Ltd.	Distribution of lubricant oil	Hong Kong	31.67	31.67	3,175	3,175	-	-	3,175	3,175
Pure Sammakorn Development Co., Ltd.	Real estate rental and service	Thailand	44.13	44.13	129,181	129,181	123,355	122,410	129,181	129,181
Sammakorn Plc.	Real estate development	Thailand	25.25	24.81	371,592	289,723	383,435	291,038	371,592	289,723
KP Energy Group Co., Ltd.	Production and distribution of electricity	Thailand	26.00	26.00	8,042	8,042	7,714	7,890	8,042	8,042
Total investments in associates							514,504	421,338	511,990	430,121
Less: Allowance for impairment							-	-	(3,175)	(3,175)
Investments in associates, net							<u>514,504</u>	<u>421,338</u>	<u>508,815</u>	<u>426,946</u>

### Sammakorn Plc.

In January 2013, SAMCO offered a total of 139,410,340 ordinary shares, of which 37,213,200 shares were purchased by the Company at a total cost of Baht 82 million. As a result, the Company's shareholding in SAMCO increased from 24.81% to 25.25%.

(Unaudited but reviewed)

## 8.2 Share of profit (loss) and dividend received

During the three-month periods ended 31 March 2013 and 2012, the Company recognised its share of profit (loss) from investments in associates in the consolidated financial statements and dividend income in the separate financial statements as follows.

(Unit: Thousand Baht)

Company	Consolidated financial statements		Separate financial statements	
	Share of profit (loss) from investments in associates for the three-month periods ended 31 March		Dividend received for the three-month periods ended 31 March	
	2013	2012	2013	2012
Pure Sammakorn Development Co., Ltd.	945	(1,069)	-	-
Sammakorn Plc.	10,528	-	-	-
KP Energy Group Co., Ltd.	(176)	-	-	-
Total	11,297	(1,069)	-	-

## 8.3 Summarised financial information of associates

The financial information of the associates is summarised below.

(Unit: Thousand Baht)

Company	Paid-up capital		Total assets		Total liabilities		Total revenues		Profit (loss)	
	as at		as at		as at		For the three-month periods ended			
	31 March 2013	31 December 2012	31 March 2013	31 December 2012	31 March 2013	31 December 2012	31 March		2013	2012
				(Restated)						
Pure Sammakorn										
Development Co., Ltd.	260,000	260,000	550,692	552,887	359,367	363,703	34,001	20,700	2,141	(2,422)
Sammakorn Plc.	589,410	450,000	3,401,004	3,147,842	1,156,817	1,252,056	246,208	-	41,699	-
KP Energy Group										
Co., Ltd.	25,780	25,780	29,445	22,376	9,727	1,201	-	-	(676)	-

Investment in KP Energy Group Co., Ltd. was determined on the basis of financial information provided by this company's management, which was not reviewed by its auditor. In addition, the Company has not received financial information from Thai Good Petroleum Co., Ltd. However, the values of the investments are immaterial.

(Unaudited but reviewed)

#### 8.4 Investment in an associate with capital deficit

The Company recognised share of loss from investment in Thai Good Petroleum Co., Ltd. until the value of the investment under the equity method was zero. Subsequent loss incurred by this associate has not been recognised in the Company's accounts since the Company has no obligations, whether legal or constructive, to make any payments on behalf of this associate. From the latest financial information that the Company received, as at 30 September 2012, the unrecognised share of loss amounted to Baht 2.8 million.

#### 8.5 Fair value investment in listed associate

As at 31 March 2013, fair value of investment in Sammakorn Plc, an associate that is listed company on the Stock Exchange of Thailand, was Baht 372 million (31 December 2012: Baht 270 million).

### 9. Investments in subsidiaries

Details of investments in subsidiaries as presented in the separate financial statements are as follows.

(Unit: Thousand Baht)

Company	Paid-up capital		Shareholding percentage		Cost		Dividend received during the three-month periods ended 31 March	
	31 March	31 December	31 March	31 December	31 March	31 December	2013	2012
	2013	2012	2013	2012	2013	2012		
			%	%				
Pure Biodiesel Co., Ltd. *	280,000	280,000	100	100	279,999	279,999	-	-
Pure Thai Energy Co., Ltd. and its subsidiary	140,000	140,000	100	100	140,000	140,000	-	-
SCT Petroleum Co., Ltd. *	36,000	36,000	100	100	36,000	36,000	-	-
SCT Sahaphan Co., Ltd.	20,000	20,000	100	100	21,481	21,481	-	-
Jaturatis Transport Co., Ltd. *	30,000	30,000	100	100	30,402	30,402	-	-
Pure Intertrade Co., Ltd. *	500	500	100	100	654	654	-	-
RPC Management Co., Ltd.	500	500	70	70	406	406	-	-
Tossatis Logistics Co., Ltd. *	500	500	100	100	579	579	-	-
Jatuchak Oil Co., Ltd. *	500	500	100	100	652	652	-	-
Pure Silica Mining Co., Ltd.	500	500	100	100	658	658	-	-
Thai Quartz Mining Co., Ltd.	500	500	100	100	581	581	-	-
RPC Global Co., Ltd.	41	41	100	100	124	124	-	-
Total investments in subsidiaries					511,536	511,536	-	-
Less: Allowance for impairment					(30,402)	(30,402)		
Investments in subsidiaries - net					481,134	481,134		

\* Business suspended as at 31 March 2013

(Unaudited but reviewed)

## 10. Property, plant and equipment

Movements of the property, plant and equipment account during the three-month period ended 31 March 2013 are summarised below.

(Unit: Thousand Baht)

	Consolidated financial statements	Separate financial statements
Net book value as at 1 January 2013	1,077,309	544,525
Acquisitions during period - at cost	14,010	344
Disposals during period - net book value at disposal date	(9,262)	(1,509)
Depreciation for period	(30,831)	(15,397)
Net book value as at 31 March 2013	<u>1,051,226</u>	<u>527,963</u>

As at 31 March 2013, the Company and its subsidiaries had vehicles under finance lease agreements with net book values amounting to Baht 6 million (31 December 2012: Baht 7 million), and in the separate financial statements of Baht 2 million (31 December 2012: Baht 2 million).

As at 31 March 2013, the Company and its subsidiaries have temporarily ceased using their property, plant and equipment amounting to Baht 932 million (31 December 2012: Baht 957 million), and in the separate financial statements of Baht 507 million (31 December 2012: Baht 522 million).

## 11. Dividends

Dividends declared by the Company during the three-month period ended 31 March 2012 consist of the following.

Dividend	Approved by	Total dividends (Thousand Baht)	Dividend per share (Baht)
Final dividends for 2011	Annual General Meeting of the shareholders on 30 March 2012	<u>26,493</u>	<u>0.05</u>



(Unaudited but reviewed)

## 12. Income tax

Interim corporate income tax was calculated on profit before income tax for the period, using the estimated effective tax rate for the year.

Income tax expenses for the three-month periods ended 31 March 2013 and 2012 are made up as follows.

	(Unit: Thousand Baht)	
	2013	2012
<b>Current income tax:</b>		
Interim corporate income tax charge	3	-
<b>Deferred tax:</b>		
Relating to origination and reversal of temporary differences	341	481
<b>Income tax expenses reported in the income statements</b>	<b>344</b>	<b>481</b>

## 13. Basic earnings per share

Basic earnings per share is calculated by dividing profit (loss) for the period attributable to equity holders of the Company (excluding other comprehensive income) by the weighted average number of ordinary shares in issue during the period.

## 14. Segment information

Operating segment information is reported in a manner consistent with the internal reports that are regularly reviewed by the chief operating decision maker in order to make decisions about the allocation of resources to the segment and assess its performance.

For management purposes, the Company and its subsidiaries are organised into business units based on its products and services and have three reportable segments as follows.

- (1) Fuel oil and petrochemical products segment: Manufactures and distributes high speed diesel, fuel oil and other petrochemical products.
- (2) Biodiesel segment: Manufactures and distributes biodiesel (B100) and glycerine.
- (3) Oil transportation segment: Provides transportation services to both large and small oil traders throughout the country.

(Unaudited but reviewed)

No operating segments have been aggregated to form the above reportable operating segments.

The chief operating decision maker monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and assessing performance. Segment performance is measured based on operating profit or loss and on a basis consistent with that used to measure operating profit or loss in the financial statements. However, the Company and its subsidiaries' financing activities (including finance costs and finance income) and income taxes are managed on a Group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

Inter-segment revenues are eliminated on consolidation.

(Unaudited but reviewed)

The following tables present revenues and profit (loss) information regarding the Company and its subsidiaries' operating segments for the three-month periods ended 31 March 2013 and 2012.

(Unit: Million Baht)

	For the three-month period ended 31 March 2013						Consolidated financial statements
	Fuel oil and petrochemical products segment	Biodiesel segment*	Oil transportation segment*	Other segments	Total segments	Adjustments and eliminations	
<b>Revenues</b>							
Sales and services from external customers							
Domestic	865	-	-	13	878	-	878
Total sales and services from external customers	865	-	-	13	878	-	878
Inter-segment sales and services	-	-	-	1	1	(1)	-
<b>Total revenues</b>	<b>865</b>	<b>-</b>	<b>-</b>	<b>14</b>	<b>879</b>	<b>(1)</b>	<b>878</b>
<b>Results</b>							
<b>Segment profit (loss)</b>	(37)	(11)	-	(2)	(50)	4	(46)
Finance income							3
Profit from investment							12
Other income							11
<b>Loss for the period</b>							<b>(20)</b>

\* Business suspended as at 31 March 2013.

(Unaudited but reviewed)

(Unit: Million Baht)

For the three-month period ended 31 March 2012

	Fuel oil and petrochemical products segment	Biodiesel segment*	Oil transportation segment*	Other segments	Total segments	Adjustments and eliminations	Consolidated financial statements
<b>Revenues</b>							
Sales and services from external customers							
Domestic	1,722	32	11	20	1,785	-	1,785
Overseas	1,935	-	-	-	1,935	-	1,935
Total sales and services from external customers	3,657	32	11	20	3,720	-	3,720
Inter-segment sales and services	286	(1)	31	3	319	(319)	-
<b>Total revenues</b>	<b>3,943</b>	<b>31</b>	<b>42</b>	<b>23</b>	<b>4,039</b>	<b>(319)</b>	<b>3,720</b>
<b>Results</b>							
<b>Segment profit (loss)</b>	-	(17)	(7)	(2)	(26)	9	(17)
Finance expense							(3)
Other income							9
<b>Loss before income tax expenses</b>							(11)
Income tax expenses							(1)
<b>Loss for the period</b>							(12)

\* Business suspended as at 31 March 2013.

(Unaudited but reviewed)

## 15. Commitments and contingent liabilities

### 15.1 Capital commitments

As at 31 March 2013, capital commitments of a subsidiary totaling Baht 1 million were in respect of the construction of gas stations (31 December 2012: Baht 3 million).

### 15.2 Operating lease and service agreement commitments

The Company and its subsidiaries entered into several operating lease and service agreements in respect of the leases of land, building, oil depots, gas stations, vehicles and equipment. The terms of the agreements are generally between 1 and 20 years.

Future minimum payments required under these agreements were as follows.

(Unit: Million Baht)

Payable within	Consolidated		Separate	
	financial statements		financial statements	
	31 March	31 December	31 March	31 December
	2013	2012	2013	2012
In up to 1 year	20	18	7	8
In over 1 and up to 5 years	64	60	9	11
In over 5 years	58	71	-	-

### 15.3 Long-term purchase and sale commitments

In November 2007, a subsidiary (Pure Biodiesel Co., Ltd.) entered into an agreement with PTT Utility Co., Ltd. ("PTTUT") to purchase steam in a quantity and at a price stipulated in the agreement, which is for a period of 15 years commencing from the facility commercial operation date or 1 October 2008. The agreement can be extended for another 5 years.

On 26 December 2011, the subsidiary entered into a memorandum with PTTUT, whereby PTTUT will construct a pipe rack and bridge to install a steam pipeline, with a construction price of Baht 58 million, and will compensate the subsidiary an amount of Baht 23 million, for the impact of its inability to supply steam as agreed. This is treated as part of the delay penalty and deducted from construction cost. The construction cost and all interest are to be paid to PTTUT on a monthly basis, beginning on the first of the 37th month and to be completed within 72 months after the date PTTUT commences supplying steam. The construction cost carries interest at a rate equal to MLR of a bank.

#### **15.4 Guarantees**

- a) As at 31 March 2013, there were outstanding bank guarantees of Baht 205 million (31 December 2012: Baht 257 million) issued by banks on behalf of the Company and its subsidiaries in respect of certain performance bonds as required in the normal course of their business. These included letters of guarantee amounting to Baht 200 million (31 December 2012: 250 million) to guarantee payments due to creditors and Baht 5 million (31 December 2012: 7 million) to guarantee electricity use, among others.
- b) The Company has guaranteed bank credit facilities of subsidiaries amounting to Baht 330 million (31 December 2012: Baht 70 million).

#### **15.5 Litigation and commercial dispute**

- a) On 8 August 1995, the Company entered into a purchase agreement with PTT Public Company Limited (“PTT”) to purchase condensate residue raw materials that are produced by PTT Global Chemical Public Company Limited (“PTTGC”) in a quantity and at a price stipulated in the agreement. The agreement is on an evergreen basis, meaning that there is no specified termination date, and after the primary period of 15 years ends in 2012 it automatically renews for a second period. The agreement stipulated that the Company had to provide a bank guarantee of a certain amount as security against payment for goods purchased. The security will be returned to the Company upon either parties agree to expire the agreement or PTT defaults the agreement.

On 30 September 2009, PTT sent a letter informing the Company of the cancellation of the condensate residue raw materials purchase agreement, and requesting termination of the agreement upon completion of the 15-year term (Primary period) in 2012 even though the Company did not breach the agreement and the cancellation was contrary to the purpose of the agreement. The Company and the Company’s legal advisor are of the opinion that the agreement cannot be terminated since it is a long-term reciprocal agreement, and it stipulates the requirement that the Company invest in the construction of a plant to refine condensate residue of a specification that would be sourced only from PTT, and not to resell the raw materials in the same condition they are received from PTT. The agreement therefore includes a stipulation that the agreement is made on an evergreen basis, meaning that there is no specified termination date and the agreement will automatically remain in force upon completion of the first

(Unaudited but reviewed)

15-year term (Primary period) and the following periods. In addition, the agreement can only be terminated with the consent of both counterparties or in the event that either party breaches the agreement. The Company has not breached any conditions of the agreement. On this basis, the Company is confident that the agreement cannot be terminated, while PTT has a different opinion. The Company has held discussions with PTT in order to seek a resolution that would be fair to both parties, but no resolution could be found. Consequently, to maintain the rights of the shareholders guaranteed and protected by law, the Company used the judicial process to make a final determination on the matter, and submitted a petition to the Arbitration Office on 3 December 2009. On 27 August 2010, the Company lodged a lawsuit against PTT and PTTGC with the Civil Court, demanding PTT and PTTGC comply with the agreement with no specified termination date. Alternatively, if forcing PTT and PTTGC to comply with the agreement is impossible for any reason, then PTT and PTTGC should pay compensation to the Company totaling Baht 13,805,648,806.91. Consequently, the Company submitted a petition to amend the amount of the claim, to request additional compensation, totaling Baht 29,368,397,797.76. The Arbitration Office allowed the request. At present, the commercial dispute is under formal arbitration proceedings and the outstanding litigation is being considered by the Civil Court. Their outcomes cannot be determined and depend on the future judicial process.

Subsequently, on 30 November 2011, during the formal arbitration proceedings, the Company received a raw material delivery plan from PTT, which is part of the normal business cooperation process between the Company and PTT, and found that such plan specified that raw materials would only be delivered until January 2012. PTT has stopped delivering raw materials to the Company since February 2012 in breach of clause 15.5 of the agreement, which specifies that PTT should comply with the agreement until a final arbitration judgment is made. This has forced the Company to cease production since it had no supply of its main raw materials from PTT.

Subsequently, the Company submitted a request to cancel its demand to force PTT to comply with the agreement. On 5 July 2012, the Arbitration Office allowed the Company to cancel such issue.

(Unaudited but reviewed)

The above dispute between the Company and PTT caused the Company to exercise its right to submit claims for compensation of not less than Baht 29,000 million to the Arbitration Office (Black dispute No.114/2552) and the Civil Court (Black case No. 3162/2553) due to PTT's breach of agreement, and the Company exercising its rights to undertake court action and arbitration in order to pursue these claims. The Company has exercised lien over the last payment for condensate residue, amounting to Baht 1,518 million (net of bank guarantee) as part of the compensation it is claiming from PTT.

In June 2012, the Company was informed by the Dispute Office, Office of the Court of Justice that PTT had submitted the dispute to the Arbitration Office as Dispute Black Case No. 78/2555, requesting the Company to pay principal together with interest totaling Baht 1,555 million to PTT. At present, the Company submitted statements of dispute and the commercial dispute is under formal arbitration proceedings.

- b) In 2011 and 2012, Jaturatis Transport Co., Ltd. (a subsidiary) was a defendant in labor lawsuits before Sector 2 Labor Court, whereby employees had lodged claims for overtime payments amounting to Baht 9 million together with interest calculated from their termination dates. The cases are in the process of being considered by the Court.
- c) In 2012, the Company was a defendant in labor lawsuits before Sector 2 Labor Court, brought by employees making claims for compensation on the grounds of unfair dismissal. The dismissals were consequence of PTT Public Company Limited stopping delivery of raw materials from February 2012, forcing the Company to cease production indefinitely. The claims for unfair dismissal total Baht 87 million and the cases are in the process of being considered by the Court.

#### **16. Events after the reporting period**

The Company's Board of Directors meeting, held on 9 May 2013, approved the buy back of 1,500 shares of RPC Management Co., Ltd. (RPCM) (30% of total shares) from Khong-Charoen Transportation Co., Ltd., at a price of Baht 366.31 per share, or a total of Baht 549,465. The price is the net book value as at 31 December 2012. As a result of the purchase, the Company's shareholding in that subsidiary will increase from 70% to 100%.

#### **17. Approval of interim financial statements**

These interim financial statements were authorised for issue by the Company's Board of Directors on 9 May 2013.