

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

### **Notes to consolidated financial statements**

**For the years ended 31 December 2010 and 2009**

#### **1. General 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, 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. In addition, the Company has 4 branches, which are oil depots, in Nakhonsawan, Nakhonratchasima, Chonburi and Rayong province.

The Company’s major shareholder is Petro-Instrument Company Limited, a limited company under Thai laws, which as at 31 December 2010 held 29.87% of the issued and paid-up capital of the Company (2009: holding calculated before deducting treasury stock was 29.87%).

#### **2. Basis of preparation**

- 2.1 The financial statements have been prepared in accordance with accounting standards enunciated under the Accounting Professions Act B.E. 2547 and their presentation has been made in compliance with the stipulations of the Notification of the Department of Business Development dated 30 January 2009, issued under the Accounting Act B.E. 2543.

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

The financial statements have been prepared on a historical cost basis except where otherwise disclosed in the accounting policies.

#### **2.2 Basis of consolidation**

- a) The consolidated financial statements include the financial statements of Rayong Purifier Public Company Limited (“the Company”) and the following subsidiary companies (“the subsidiaries”).

Company's name	Nature of business	Place of incorporation	Percentage of shareholding		Assets as a percentage to the consolidated total assets		Revenues as a percentage to the consolidated total revenues for the year	
					as at 31 December		ended 31 December	
			2010	2009	2010	2009	2010	2009
			%	%	%	%	%	%
Pure Biodiesel Co., Ltd.	Manufacture and distribution of biodiesel (B100) and crude glycerin	Thailand	100	100	16.8	16.8	3.3	4.1
Pure Sammakorn Development Co., Ltd.	Real estate rental and service	Thailand	51	51	9.7	3.9	0.2	0.1
Pure Thai Energy Co., Ltd.	Trading of fuel oil	Thailand	100	100	7.4	11.7	20.2	22.5
SCT Petroleum Co., Ltd. and its subsidiaries	Trading of fuel oil	Thailand	100	100	6.4	6.8	40.1	38.9
SCT Sahaphan Co. Ltd.	Distribution and maintenance of gas station equipment	Thailand	78	-	1.0	-	0.4	-

- b) Subsidiaries are fully consolidated as from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date when such control ceases.
- c) The financial statements of the subsidiaries are prepared using the same significant accounting policies as the Company.
- d) Material balances and transactions between the Company and its subsidiary companies have been eliminated from the consolidated financial statements.
- e) Minority interests represent the portion of net income or loss and net assets of the subsidiaries that are not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet.
- f) On 1 March 2010, the Company purchased 25,500 shares (par value of Baht 100 per share) of SCT Sahaphan Co., Ltd. (SAP), equivalent to a 51% of total shares, from Pure Thai Energy Co., Ltd., a 100% held subsidiary of the Company, at a price of Baht 110 per share, or for a total of Baht 2.81 million. The purchase of the Company's investment was approved by the meeting of the Company's Board of Directors held on 18 February 2010. In April 2010, the Company purchased 130,500 additional issued shares of SAP at a price of Baht 100 per share, or for a total of Baht 13.05 million. As a result the Company's holding in that subsidiary increased to 78%.

- 2.3 The separate financial statements, which present investments in subsidiaries and an associate presented under the cost method, have been prepared solely for the benefit of the public.

### **3. Adoption of new accounting standards**

During the current year, the Federation of Accounting Professions issued a number of revised and new accounting standards as listed below.

- a) Accounting standards that are effective for fiscal years beginning on or after 1 January 2011 (except Framework for the Preparation and Presentation of Financial Statements, which is immediately effective):

Framework for the Preparation and Presentation of Financial Statements  
(revised 2009)

TAS 1 (revised 2009)	Presentation of Financial Statements
TAS 2 (revised 2009)	Inventories
TAS 7 (revised 2009)	Statement of Cash Flows
TAS 8 (revised 2009)	Accounting Policies, Changes in Accounting Estimates and Errors
TAS 10 (revised 2009)	Events after the Reporting Period
TAS 11 (revised 2009)	Construction Contracts
TAS 16 (revised 2009)	Property, Plant and Equipment
TAS 17 (revised 2009)	Leases
TAS 18 (revised 2009)	Revenue
TAS 19	Employee Benefits
TAS 23 (revised 2009)	Borrowing Costs
TAS 24 (revised 2009)	Related Party Disclosures
TAS 26	Accounting and Reporting by Retirement Benefit Plans
TAS 27 (revised 2009)	Consolidated and Separate Financial Statements
TAS 28 (revised 2009)	Investments in Associates
TAS 29	Financial Reporting in Hyperinflationary Economies
TAS 31 (revised 2009)	Interests in Joint Ventures
TAS 33 (revised 2009)	Earnings per Share
TAS 34 (revised 2009)	Interim Financial Reporting
TAS 36 (revised 2009)	Impairment of Assets
TAS 37 (revised 2009)	Provisions, Contingent Liabilities and Contingent Assets
TAS 38 (revised 2009)	Intangible Assets
TAS 40 (revised 2009)	Investment Property

TFRS 2	Share-Based Payment
TFRS 3 (revised 2009)	Business Combinations
TFRS 5 (revised 2009)	Non-current Assets Held for Sale and Discontinued Operations
TFRS 6	Exploration for and Evaluation of Mineral Resources
TFRIC 15	Agreements for the Construction of Real Estate

- b) Accounting standards that are effective for fiscal years beginning on or after 1 January 2013:

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

The Company's management believes that these accounting standards will not have any significant impact on the financial statements for the year when they are initially applied, except for the following accounting standards which management expects the impact on the financial statements in the year when they are adopted. At present, the management is evaluating the impact on the financial statements in the year when these standards are adopted.

#### **TAS 19 Employee Benefits**

This accounting standard requires employee benefits to be recognised as expense in the period in which the service is performed by the employee. In particular, an entity has to evaluate and make a provision for post-employment benefits using actuarial techniques. Currently, the Company accounts for such employee benefits when they are incurred.

#### **TAS 40 (revised 2009) Investment Property**

This accounting standard requires property held to earn rental or for capital appreciation to be classified as investment property and allows it to be presented using either a cost model (fair value is to be disclosed in the notes to financial statements) or a fair value model (changes in value are recognised in profit or loss).

## **TAS 12 Income Taxes**

This accounting standard requires an entity to identify temporary differences, which are differences between the carrying amount of an asset or liability in the accounting records and its tax base, and to recognise deferred tax assets and liabilities under the stipulated guidelines.

## **TAS 20 (revised 2009) Accounting for Government Grants and Disclosure of Government Assistance**

This accounting standard requires an entity to recognise government grants, whether grants related to income or grants related to assets. It includes guidelines on presentation and disclosure.

### **4. Significant accounting policies**

#### **4.1 Revenue recognition**

##### *Sales of goods*

Sales of goods are recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. Sales are the invoiced value, excluding value added tax, of goods supplied after deducting discounts and allowances.

##### *Revenue from transportation service*

Revenue from transportation service is recognised on an accrual basis when service has been rendered.

##### *Revenues from construction services*

Revenues from construction services are recognised when services have been rendered taking into account the stage of completion. The stage of completion measured by the proportion of actual construction cost incurred up to the end of the year and the total anticipated construction cost to be incurred to completion. Provision for the total anticipated loss on construction projects will be made in the accounts as soon as the possibility of loss is ascertained.

##### *Revenues from rental and service*

Revenues from rental and service are recognised on an accrual basis in accordance with the rental period and the rates specified in the contracts.

### *Management fee income*

Management fee income is recognised on an accrual basis in accordance with the terms and conditions specified in the contracts.

### *Interest income*

Interest income is recognised on an accrual basis based on the effective interest rate.

### *Dividends*

Dividends are recognised when the right to receive the dividends is established.

## **4.2 Cash and cash equivalents**

Cash and cash equivalents consist of cash in hand and at banks, and all highly liquid investments with an original maturity of three months or less and not subject to withdrawal restrictions.

## **4.3 Trade accounts receivable**

Trade accounts receivable are stated at the net realisable value. Allowance for doubtful accounts is provided for the estimated losses that may be incurred in collection of receivables. The allowance is generally based on collection experiences and analysis of debt aging.

## **4.4 Inventories**

Inventories are valued at the lower of average cost and net realisable value. Cost of work in process and finished goods produced includes raw materials, direct labour and production overheads.

## **4.5 Investments**

- a) Investments in securities held for trading are stated at fair value. Changes in the fair value of these securities are recorded as gains or losses in the income statement.
- b) Investments in associates are accounted for in the consolidated financial statements using the equity method.
- c) Investments in subsidiaries and associates are accounted for in the separate financial statements using the cost method.

The fair value of unit trusts is determined from their net asset value.

The weighted average method is used for computation of the cost of investments.

On disposal of an investment, the difference between net disposal proceeds and the carrying amount of the investment is recognised as income or expenses in the income statement.

#### **4.6 Property, plant and equipment and depreciation**

Land is stated at revalued amount. Plant and equipment are stated at cost or revalued amount less accumulated depreciation and allowance for loss on impairment of assets (if any).

Land, factory buildings, machinery and factory equipment are initially recorded at cost on the acquisition date, and subsequently revalued by an independent professional appraiser to their fair values. Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from fair value at the balance sheet date.

Differences arising from the revaluation are dealt with in the financial statements as follows:

- When an asset's carrying amount is increased as a result of a revaluation of the Company's assets, the increase is credited directly to equity under the heading of "Revaluation surplus on assets". However, a revaluation increase will be recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense.
- When an asset's carrying amount is decreased as a result of a revaluation of the Company's assets, the decrease is recognised as an expense in the income statement. However, a revaluation decrease is to be charged directly against the related "Revaluation surplus on assets" to the extent that the decrease does not exceed the amount held in the "Revaluation surplus on assets" in respect of those same assets. Any excess amount is to be recognised as an expense in the income statement.

Depreciation of plant and equipment is calculated by reference to their costs or the revalued amount, on the straight-line basis over the following estimated useful lives:

Building improvements	- 5 - 30 years
Buildings	- 20 - 40 years
Machinery and equipment	- 5 - 20 years
Office furniture, fixture and equipment	- 3 - 5 years
Motor vehicles	- 5 years

Depreciation is included in determining income.

No depreciation is provided on land and construction in progress.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on disposal of an asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement when the asset is derecognised.

#### **4.7 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of the respective assets. All other borrowing costs are expensed in the period they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

#### **4.8 Intangible assets and amortisation**

Intangible assets acquired are recognised at cost on the date of acquisition. Following the initial recognition, the intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised on a systematic basis over the economic useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method of such intangible assets are reviewed at least at each financial year end. The amortisation expense is charged to the income statement.

The useful life of software is 5 and 10 years.

No amortisation is provided on software under installation.

#### **4.9 Related party transactions**

Related parties comprise enterprises and individuals that control, or are controlled by, the Company, whether directly or indirectly, or which are under common control with the Company.



They also include associated companies and individuals which directly or indirectly own a voting interest in the Company that gives them significant influence over the Company, key management personnel, directors and officers with authority in the planning and direction of the Company's operations.

#### **4.10 Long-term leases**

Leases of property, plant or equipment which transfer substantially all the risks and rewards of ownership to the lessee are classified as finance leases. Finance leases are capitalised at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The outstanding rental obligations, net of finance charges, are included in other long-term payables, while the interest element is charged to the income statements over the lease period. The property, plant or equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease period.

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

#### **4.11 Treasury stock**

Treasury stock is stated at cost and presented as a deduction from shareholders' equity. Gains on disposal of treasury stock are determined by reference to the carrying amount and are presented as premium on treasury stock. Losses on disposal of treasury stock are determined by reference to the carrying amount and are presented as a deduction from premium on treasury stock, with any remaining amount charged to retained earnings.

#### **4.12 Foreign currencies**

Transactions in foreign currencies are translated into Baht at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated into Baht at the exchange rate ruling at the balance sheet date.

Gains and losses on exchange are included in determining income.

#### **4.13 Impairment of assets**

At each reporting date, the Company performs impairment reviews in respect of the property, plant and equipment and intangible assets whenever events or changes in circumstances indicate that an asset may be impaired. An impairment loss is recognised when the recoverable amount of an asset, which is the higher of the asset's fair value less costs to sell and its value in use, is less than the carrying amount. In determining value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by a valuation model that, based on information available, reflects the amount that the Company could obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the costs of disposal.

An impairment loss is recognised in the income statement. However in cases where property, plant and equipment was previously revalued and the revaluation was taken to equity, a part of such impairment is recognised in equity up to the amount of the previous revaluation.

#### **4.14 Employee benefits**

Salaries, wages, bonuses and contributions to the social security fund and provident fund are recognised as expenses when incurred.

#### **4.15 Provisions**

Provisions are recognised when the Company and subsidiaries have a present obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

#### **4.16 Income tax**

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.

#### **4.17 Derivatives**

##### **Forward exchange contracts**

Receivables and payables arising from forward exchange contracts are translated into Baht at the rates of exchange ruling at the balance sheet date. Gains and losses from the translation are included in determining income. Premiums or discounts on forward exchange contracts are amortised on a straight-line basis over the contract periods.

##### **Forward contracts to purchase and sell crude oil and oil products**

In order to hedge the risk arising as a result of the significant fluctuations in the market prices of crude oil and oil products, the Company has entered into forward contracts to purchase and sell crude oil and oil products. Gains or losses arising from changes in the fair value of these forward contracts are recognised in the income statement.

#### **5. Significant accounting judgments and estimates**

The preparation of financial statements in conformity with generally accepted accounting principles at times requires management to make subjective judgments and estimates regarding matters that are inherently uncertain. These judgments and estimates affect reported amounts and disclosures; and actual results could differ from these estimates. Significant judgments and estimates are as follows:

##### **Leases**

In determining whether a lease is to be classified as an operating lease or finance lease, the management is required to use judgment regarding whether significant risk and rewards of ownership of the leased asset has been transferred, taking into consideration terms and conditions of the arrangement.

##### **Allowance for doubtful accounts**

In determining an allowance for doubtful accounts, the management needs to make judgment and estimates based upon, among other things, past collection history, aging profile of outstanding debts and the prevailing economic condition.

**Fair value of financial instruments**

In determining the fair value of financial instruments that are not actively traded and for which quoted market prices are not readily available, the management exercise judgment, using a variety of valuation techniques and models. The input to these models is taken from observable markets, and includes consideration of liquidity, correlation and longer-term volatility of financial instruments.

**Property, plant and equipment and depreciation**

In determining depreciation of plant and equipment, the management is required to make estimates of the useful lives and salvage values of the Company and the subsidiaries' plant and equipment and to review estimate useful lives and salvage values when there are any changes.

The Company measures land, factory buildings, machinery and factory equipment at revalued amounts. Such amounts are determined by the independent valuer using the market approach for land and the depreciated replacement cost approach for factory buildings, machinery and factory equipment. The valuation involves certain assumptions and estimates.

In addition, the management is required to review property, plant and equipment for impairment on a periodical basis and record impairment losses in the period when it is determined that their recoverable amount is lower than the carrying amount. This requires judgments regarding forecast of future revenues and expenses relating to the assets subject to the review.

**Intangible assets**

The initial recognition and measurement of intangible assets, and subsequent impairment testing, require management to make estimates of cash flows to be generated by the asset or the cash generating units and to choose a suitable discount rate in order to calculate the present value of those cash flows.

## 6. Cash and cash equivalents

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Cash	22,759,845	21,485,813	314,476	558,923
Bank deposits	160,622,019	453,087,520	44,252,872	322,776,950
Bills of exchange	20,001,534	-	20,001,534	-
Total	<u>203,383,398</u>	<u>474,573,333</u>	<u>64,568,882</u>	<u>323,335,873</u>

As at 31 December 2010, bank deposits in savings accounts and bills of exchange carried interests between 0.10% and 1.90% per annum (2009: between 0.10% and 0.85% per annum).

## 7. Current investments

(Unit: Baht)

	Consolidated financial statements			
	2010		2009	
	Cost	Fair value	Cost	Fair value
Investment units in mutual funds	44,000,000	43,999,815	76,000,000	76,000,000
Less: Unrealised loss	(185)	-	-	-
Current investments - net	<u>43,999,815</u>	<u>43,999,815</u>	<u>76,000,000</u>	<u>76,000,000</u>

(Unit: Baht)

	Separate financial statements			
	2010		2009	
	Cost	Fair value	Cost	Fair value
Investment units in mutual funds	11,000,000	10,999,815	-	-
Less: Unrealised loss	(185)	-	-	-
Current investments - net	<u>10,999,815</u>	<u>10,999,815</u>	<u>-</u>	<u>-</u>

## 8. Trade accounts receivable

The balances of trade accounts receivable as at 31 December 2010 and 2009, aged on the basis of due dates, are summarised below.

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
<u>Trade accounts receivable - unrelated parties</u>				
Not over 3 months	609,997,377	135,532,868	415,370,095	15,884,710
3 - 6 months	433,999	374,564	-	-
6 - 12 months	615,871	201,108	-	-
Over 12 months	13,811,289	15,561,883	617,250	1,349,301
Total	624,858,536	151,670,423	415,987,345	17,234,011
Less: Allowance for doubtful accounts	(11,217,632)	(11,332,958)	(617,250)	(617,250)
Trade accounts receivable - unrelated parties, net	613,640,904	140,337,465	415,370,095	16,616,761
<u>Trade accounts receivable - related parties</u>				
Not over 3 months	1,015,068	510,399	329,702,365	440,153,728
3 - 6 months	-	330,608	-	-
Total trade accounts receivable - related parties	1,015,068	841,007	329,702,365	440,153,728

The balances of trade accounts receivable of the Company as at 31 December 2010 included factoring accounts receivable at a commercial bank of Baht 63.01 million. The bank has a right of recourse to the Company.

## 9. Pledged deposits at banks

These represented fixed deposits pledged with the banks to secure credit facilities.

## 10. Related party transactions

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

Name	Relationship
Pure Thai Energy Co., Ltd.	Subsidiary
SCT Sahaphan Co., Ltd.	Subsidiary
Pure Biodiesel Co., Ltd.	Subsidiary
SCT Petroleum Co., Ltd. (SCT)	Subsidiary

Name	Relationship
Pure Intertrade Co., Ltd. (formerly known as "Isan Rungreang Petroleum Co., Ltd.")	Subsidiary of SCT
Mitsumphan Petroleum Co., Ltd.	Subsidiary of SCT
Metro Petroleum Co., Ltd.	Subsidiary of SCT
Jatuchak Oil Co., Ltd.	Subsidiary of SCT
Benja Petroleum Co., Ltd.	Subsidiary of SCT
Burapha Rungroch Petroleum Co., Ltd.	Subsidiary of SCT
Jaturatis Transport Co., Ltd.	Subsidiary of SCT
Pure Sammakorn Development Co., Ltd. (PSDC)	Subsidiary
Thai Good Petroleum Co., Ltd.	Associate
Petro-Instruments Co., Ltd.	29.87% of shares held in the Company
Sammakorn Plc.	49% of shares held in PSDC and common directors
Jazzy Creation Co., Ltd.	Common directors
Blue Planet Travel Co., Ltd.	Common directors
Globalization Economic and Promotion Network Co., Ltd.	Common directors
Alt Energy Co., Ltd.	Common directors
Village Farm Marketing Co., Ltd.	Common directors
Village Farm & Friend Co., Ltd.	Common directors
Humankind Co., Ltd.	Common directors
Sriphath Co., Ltd.	Common directors
Mongkhonchai Pattana Co., Ltd.	Common directors
World Entertainment Television Co., Ltd.	Common directors

During the years, 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: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
<b>Transactions with subsidiaries</b>				
(Eliminated from the consolidated financial statements)				
Sales	-	-	8,699,278,854	7,498,545,546
Management fee income	-	-	14,340,494	71,470,723
Dividend income	-	-	46,499,907	-
Interest income	-	-	2,459,733	4,576,426
Other income - other services	-	-	30,604,074	21,228,710
Sales of equipment	-	-	195,816	1,109,919
Purchases of goods	-	-	646,108,590	865,326,378
Service fee expense	-	-	14,416,645	-
Transportation expense	-	-	124,628,954	162,896,379
Other expenses	-	-	2,078,303	6,167,985
Purchases of equipment	-	-	-	1,591,410
<b>Transactions with related parties</b>				
Rental and service income	200,182	659,944	-	-
Service income	16,808,400	-	-	-
Interest income	30,070	-	30,070	-
Purchases of equipment	-	2,500,000	-	500,000
Other expenses	1,299,733	1,434,759	709,801	828,500
Land rental expense	2,221,030	2,230,500	-	-
Advertising and promotion expenses	91,000	228,800	91,000	228,800
Interest expense	8,561,938	1,962,242	7,846,065	-

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> <p>The selling price is set out based on the market price with discount for manufacture and distribution of biodiesel business, provided according to the contract.</p>



Transactions	Transfer pricing policy
Management fee income	Calculation based on quantities of products sold for oil wholesale business. 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.
Dividend income	As declared
Interest income	3.25% - 6.25% per annum (2009: 3.50% - 5.60% per annum)
Other income	Contract price Guarantee fee at a rate of 1% per annum
Sales and purchases of equipment	Closed to actual cost
Purchases of goods	The purchase price is set out based on the market price with discount for oil wholesale business, providing according to the volumes of order. The purchase price is set out based on the market price for manufacture and distribution of biodiesel business and maintenance of gas station equipment business.
Service fee expense	Contract price
Transportation expense	Contract price
Other expenses	Contract price
Interest expense	4.50% - 5.75% per annum (2009: 4.50% - 9.00% per annum)

### **Significant agreements with related parties**

#### **Purchases and sales of petroleum products agreements**

In April 2010, the Company entered into purchases and sales of petroleum products agreements with two subsidiaries for trading of oil products. The selling price is set based on the market price with a discount applied in accordance with the agreements. The agreements will continue in force until either party terminates them with written notice of the intention to terminate provided to the other party not less than 1 month in advance.

### **Management and administration agreements**

In January 2010, the Company entered into management and administration agreements with various subsidiaries to provide consultation relating to human resources, administration, information technology, law and coordination with the government. The service fees are stipulated in the agreements, which are for a period of 1 year, ended December 2010.

### **Guarantee agreements**

- a) The Company entered into the agreements with various subsidiaries to guarantee bank credit facilities of subsidiaries amounting to Baht 82 million. The guarantees are effective for as long as the underlying obligations have not been discharged by the subsidiaries. The Company charges a guarantee fee at a rate of 1% per annum.
- b) The Company entered into an agreement with a subsidiary to secure payments due to a creditor amounting to Baht 30 million. The Company has deducted amounts from payments that the subsidiary is entitled to receive from the Company for sales of its products and services, as collateral for the guarantee, and as at 31 December 2010, total deductions amounted to Baht 6.24 million.

### **Rental of oil depots agreement**

In August 2009, the Company entered into an agreement with a subsidiary to provide oil depot rental services. Monthly service fees are stipulated in the agreement, which is for a period of 3 years (from 20 August 2009 to 19 August 2012). The agreement will continue in force for period of 3 months each time until terminated by either party gives with written notice of intention to terminate of not less than 1 month.

### **Purchases and sales of biodiesel agreement**

In January 2010, the Company entered into a purchases and sales of biodiesel agreement with a subsidiary for trading of biodiesel. The purchase price is set out based on the market price with a discount in accordance with the agreements, which is for a period of 1 year, ended December 2010.

### **Transportation service agreement**

In June 2005, the Company entered into an agreement with a subsidiary whereby the subsidiary is to provide oil transportation services. Oil transportation service fees are charged in accordance with the rate stipulated in the agreement, which is for a period of 3 years (from 1 June 2005 to 31 May 2008) and will continue in force until terminated by either party with written notice of its intention to terminate of not less than 60 days. In May 2008, the Company renewed an agreement for another 3 years (from 1 June 2008 to 30 May 2011).

### **Sales management agreement**

In April 2010, the Company entered into an agreement with a subsidiary whereby the subsidiary is to provide sales management services and source customers. A service fee is charged in accordance with the rate stipulated in the agreement, which will continue in force until terminated by either party with written notice of its intention to terminate of not less than 1 month.

### **Land providing agreement**

In December 2006, the Company entered into an agreement with Globalization Economic and Promotion Network Co., Ltd. (GEPN), requesting a subsidiary of GEPN to procure land in China for construction of petroleum warehouse. The price was agreed at cost based on contractual basis. This connected transaction was approved by the meeting of the Board of Directors No. 1/2007 held on 22 February 2007. Under the agreement, the Company paid a total of Baht 30 million in advance to GEPN. In 2010, the Company cancelled the agreement and received the refund of the advance from GEPN.

The balances of the accounts as at 31 December 2010 and 2009 between the Company and those related companies are as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
<b>Trade accounts receivable - related parties</b>				
<b><i>Subsidiaries</i></b>				
Pure Thai Energy Co., Ltd.	-	-	186,242,118	336,641,308
Pure Biodiesel Co., Ltd.	-	-	-	3,708,000
SCT Petroleum Co., Ltd.	-	-	19,299,320	5,157,710
Pure Intertrade Co., Ltd.	-	-	229,395	23,687,410
Mitsumphan Petroleum Co., Ltd.	-	-	3,027,462	11,896,070
Metro Petroleum Co., Ltd.	-	-	69,361,950	1,726,200
Jatuchak Oil Co., Ltd.	-	-	24,143,020	40,374,930
Benja Petroleum Co., Ltd.	-	-	-	12,899,870
Burapha Rungroch Petroleum Co., Ltd.	-	-	27,399,100	1,757,000
Jaturatis Transport Co., Ltd.	-	-	-	2,305,230
Total trade accounts receivable - subsidiaries	-	-	329,702,365	440,153,728
<b><i>Related companies</i></b>				
Sammakorn Plc.	1,015,068	61,543	-	-
Petro-Instruments Co., Ltd.	-	232,458	-	-
Village Farm & Friend Co., Ltd.	-	498,041	-	-
Total trade account receivable - related companies	1,015,068	792,042	-	-
<b><i>Related person</i></b>				
The Company's director	-	48,965	-	-
Total trade accounts receivable - related person	-	48,965	-	-
Total trade accounts receivable - related parties	1,015,068	841,007	329,702,365	440,153,728

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
<b>Amounts due from related parties</b>				
<b><i>Subsidiaries</i></b>				
Pure Thai Energy Co., Ltd.	-	-	753,919	4,160,924
Pure Biodiesel Co., Ltd.	-	-	5,693,646	4,288,149
SCT Petroleum Co., Ltd.	-	-	150,885	6,365,536
Pure Intertrade Co., Ltd.	-	-	9,404	1,882,614
Mitsumphan Petroleum Co., Ltd.	-	-	7,003	2,137,362
Jaturatis Transport Co., Ltd.	-	-	50,201	1,850,646
Metro Petroleum Co., Ltd.	-	-	-	624,185
Burapha Rungroch Petroleum Co., Ltd.	-	-	-	535,802
Benja Petroleum Co., Ltd.	-	-	-	237,754
Jutuchak Oil Co., Ltd.	-	-	-	817,480
Pure Sammakorn Development Co., Ltd.	-	-	495,246	441,944
SCT Sahaphan Co., Ltd.	-	-	172,670	1,064,723
Total amounts due from subsidiaries	-	-	7,332,974	24,407,119
<b><i>Associate</i></b>				
Thai Good Petroleum Co., Ltd.	2,312	394,369	2,312	394,369
Total amounts due from associate	2,312	394,369	2,312	394,369
<b><i>Related companies</i></b>				
Petro-Instruments Co., Ltd.	1,616,117	642,958	-	-
Sammakorn Plc.	60,831	-	-	-
Total amounts due from related companies	1,676,948	642,958	-	-
<b><i>Related person</i></b>				
The Company's director	1,000,000	1,000,000	1,000,000	1,000,000
Total amounts due from related person	1,000,000	1,000,000	1,000,000	1,000,000
Total amounts due from related parties	2,679,260	2,037,327	8,335,286	25,801,488
<b>Short-term loans to related parties</b>				
<b><i>Subsidiary</i></b>				
SCT Sahaphan Co., Ltd.	-	-	3,000,000	-
Total short-term loan to subsidiary	-	-	3,000,000	-

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
<b>Associate</b>				
Thai Good Petroleum Co., Ltd.	1,498,520	-	1,498,520	-
Total short-term loan to associate	1,498,520	-	1,498,520	-
Total short-term loans to related parties	1,498,520	-	4,498,520	-
<b>Long-term loan to related party</b>				
<b>Subsidiary's director</b>				
Long-term loan to the subsidiary's director	1,767,759	-	1,767,759	-
Less: Current portion	(408,815)	-	(408,815)	-
Non-current portion	1,358,944	-	1,358,944	-
<b>Advance to related party</b>				
<b>Related company</b>				
Globalization Economic and Promotion Network Co., Ltd.	-	30,000,000	-	30,000,000
Total advance to related party	-	30,000,000	-	30,000,000
<b>Trade accounts payable - related parties</b>				
<b>Subsidiaries</b>				
Pure Biodiesel Co., Ltd.	-	-	46,475,734	44,572,399
SCT Petroleum Co., Ltd.	-	-	-	8,012,300
Mitsumphan Petroleum Co., Ltd.	-	-	-	812,260
Total trade accounts payable				
- subsidiaries	-	-	46,475,734	53,396,959
<b>Related company</b>				
Sammakorn Plc.	544,464	10,274	-	-
Total trade accounts payable				
- related company	544,464	10,274	-	-
Total trade accounts payable				
- related parties	544,464	10,274	46,475,734	53,396,959
<b>Amounts due to related parties</b>				
<b>Subsidiaries</b>				
Pure Thai Energy Co., Ltd.	-	-	31,570	944,795
Pure Biodiesel Co., Ltd.	-	-	148,256	-
Pure Intertrade Co., Ltd.	-	-	1,159,591	-
Jaturatis Transport Co., Ltd.	-	-	7,989,950	12,691,098
SCT Sahaphan Co., Ltd.	-	-	149,800	76,547
Total amounts due to subsidiaries	-	-	9,479,167	13,712,440

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
<b>Related companies</b>				
Sammakorn Plc.	42,626	45,277	-	-
Village Farm & Friend Co., Ltd.	-	5,000	-	-
Petro-Instrument Co., Ltd.	194,161	-	194,161	-
Mongkholchai Pattana Co., Ltd.	61,596	-	61,596	-
World Entertainment Television Co., Ltd.	16,068	-	16,068	-
Total amounts due to related companies	314,451	-	271,825	-
<b>Related persons</b>				
The Company's directors	517,335	-	505,370	-
Total amounts due to related persons	517,335	-	505,370	-
Total amounts due to related parties	831,786	50,277	10,256,362	13,712,440
<b>Short-term loans from related parties</b>				
<b>Related persons</b>				
The Company's management	-	300,000	-	-
Related persons of the Company's directors	-	31,000,000	-	-
Total short-term loans from related parties	-	31,300,000	-	-
<b>Long-term loans from related parties</b>				
<b>Related companies</b>				
Petro-Instruments Co., Ltd.	72,500,000	-	72,500,000	-
Mongkholchai Pattana Co., Ltd.	23,000,000	-	23,000,000	-
World Entertainment Television Co., Ltd.	6,000,000	-	6,000,000	-
Total long-term loans from related companies	101,500,000	-	101,500,000	-
<b>Related persons</b>				
Related persons of the Company's directors	190,500,000	-	190,500,000	-
Total long-term loans from related persons	190,500,000	-	190,500,000	-
Total long-term loans from related parties	292,000,000	-	292,000,000	-
<b>Cash placed against guarantee - related party</b>				
<b>Subsidiary</b>				
Pure Biodiesel Co., Ltd.	-	-	6,240,000	-
Total cash placed against guarantee - related party	-	-	6,240,000	-

During the year 2010, movements of loans to / loans from related parties were as follows:

(Unit: Baht)

	Consolidated financial statements			
	Balance as at			Balance as at
	1 January	During the year		31 December
	2010	Increase	Decrease	2010
<b>Short-term loan to related party</b>				
<b><i>Associate</i></b>				
Thai Good Petroleum Co., Ltd.	-	1,498,520	-	1,498,520
Total	-	1,498,520	-	1,498,520
<b>Long-term loan to related party</b>				
The subsidiary's director	-	1,900,000	(132,241)	1,767,759
Total	-	1,900,000	(132,241)	1,767,759

(Unit: Baht)

	Separate financial statements			
	Balance as at			Balance as at
	1 January	During the year		31 December
	2010	Increase	Decrease	2010
<b>Short-term loans to related parties</b>				
<b><i>Subsidiaries</i></b>				
Pure Biodiesel Co., Ltd.	-	338,000,000	(338,000,000)	-
Pure Thai Energy Co., Ltd.	-	862,000,000	(862,000,000)	-
SCT Sahaphan Co., Ltd.	-	18,000,000	(15,000,000)	3,000,000
SCT Petroleum Co., Ltd.	-	185,000,000	(185,000,000)	-
Total short-term loans to subsidiaries	-	1,403,000,000	(1,400,000,000)	3,000,000
<b><i>Associate</i></b>				
Thai Good Petroleum Co., Ltd.	-	1,498,520	-	1,498,520
Total short-term loan to associate	-	1,498,520	-	1,498,520
Total	-	1,404,498,520	(1,400,000,000)	4,498,520
<b>Long-term loan to related party</b>				
The subsidiary's director	-	1,900,000	(132,241)	1,767,759
Total	-	1,900,000	(132,241)	1,767,759



(Unit: Baht)

Consolidated financial statements				
	Balance as at	During the year		Balance as at
	1 January			31 December
	2010	Increase	Decrease	2010
<b>Short-term loans from related parties</b>				
<b><i>Related companies</i></b>				
Petro-Instruments Co., Ltd.	-	20,000,000	(20,000,000)	-
Mongkhonchai Pattana Co., Ltd.	-	10,000,000	(10,000,000)	-
Total short-term loans from related companies	-	30,000,000	(30,000,000)	-
<b><i>Related persons</i></b>				
The Company's directors	-	40,000,000	(40,000,000)	-
The Company's management				
Related persons of the Company's directors	300,000	-	(300,000)	-
	31,000,000	136,000,000	(167,000,000)	-
Total short-term loans from related persons	31,300,000	176,000,000	(207,300,000)	-
Total	31,300,000	206,000,000	(237,300,000)	-

(Unit: Baht)

Separate financial statements				
	Balance as at	During the year		Balance as at
	1 January			31 December
	2010	Increase	Decrease	2010
<b>Short-term loans from related parties</b>				
<b><i>Related companies</i></b>				
Petro-Instruments Co., Ltd.	-	20,000,000	(20,000,000)	-
Mongkhonchai Pattana Co., Ltd.	-	10,000,000	(10,000,000)	-
Total short-term loans from related companies	-	30,000,000	(30,000,000)	-
<b><i>Related persons</i></b>				
The Company's directors	-	40,000,000	(40,000,000)	-
Related persons of the Company's directors	-	136,000,000	(136,000,000)	-
Total short-term loans from related persons	-	176,000,000	(176,000,000)	-
Total	-	206,000,000	(206,000,000)	-

(Unit: Baht)

	Consolidated financial statements / Separate financial statements			
	Balance as at			Balance as at
	1 January	During the year		31 December
	2010	Increase	Decrease	2010
<b>Long-term loans from related parties</b>				
<b><i>Related companies</i></b>				
Petro-Instruments Co., Ltd.	-	72,500,000	-	72,500,000
Mongkholchai Pattana Co., Ltd.	-	23,000,000	-	23,000,000
World Entertainment Television Co., Ltd.	-	6,000,000	-	6,000,000
Total long-term loans from related companies	-	101,500,000	-	101,500,000
<b><i>Related persons</i></b>				
Related persons of the Company's directors	-	190,500,000	-	190,500,000
Total long-term loans from related persons	-	190,500,000	-	190,500,000
Total	-	292,000,000	-	292,000,000

As at 31 December 2010, short-term loan to a subsidiary amounting to Baht 3.00 million is in the form of an unsecured promissory note with a maturity of 1 month, carrying interest at a rate of 4.43% per annum (2009: nil).

As at 31 December 2010, short-term loan to an associate amounting to Baht 1.50 million, or USD 0.05 million (2009: nil) 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 are to be repaid in full within November 2011.

As at 31 December 2010, long-term loan to related party amounting to Baht 1.77 million (2009: nil) is in the form of an unsecured loan and carries interest at a rate of 4.50% per annum. The principal and its interest are scheduled to be repaid in 52 monthly installments of Baht 40,000 each, ending in December 2014.

As at 31 December 2009, short-term loans from related parties totaling Baht 31.30 million were in the form of unsecured promissory notes with a maturity of 12 months, carrying interest at rates of 4.50% - 5.00% per annum (2010: nil).

As at 31 December 2010, long-term loans from related parties totaling Baht 292 million (2009: nil) are in the form of unsecured loans with maturities of 2 years, carrying interest at rate of 5.75% per annum and payable quarterly. The principal is to be repaid in full within September 2012.

## Management benefit expenses

In 2010, the Company and its subsidiaries restructured their management incurring expenses in the form of salaries, bonuses, meeting allowances of their directors and management recognised as expenses totaling Baht 56.97 million (Separate financial statements: Baht 40.21 million) (2009: Consolidated financial statements and separate financial statements of Baht 34.27 million).

## Guarantee obligations with related parties

The Company had outstanding guarantees with its related parties as described in Note 39.6 to the financial statements.

## 11. Inventories

(Unit: Baht)

	Consolidated financial statements					
	Cost		Allowance for diminution in value of inventories		Inventories - net	
	2010	2009	2010	2009	2010	2009
Finished goods	932,236,392	697,357,366	(787,583)	(507,992)	931,448,809	696,849,374
Raw materials	445,858,222	344,396,851	-	-	445,858,222	344,396,851
Supplies	4,162,296	4,376,489	-	-	4,162,296	4,376,489
Total	<u>1,382,256,910</u>	<u>1,046,130,706</u>	<u>(787,583)</u>	<u>(507,992)</u>	<u>1,381,469,327</u>	<u>1,045,622,714</u>

(Unit: Baht)

	Separate financial statements	
	2010	2009
Finished goods	770,642,454	549,873,557
Raw materials	411,915,601	336,806,139
Supplies	4,162,296	4,355,789
Total	<u>1,186,720,351</u>	<u>891,035,485</u>

Inventories as at 31 December 2010 included oil of Baht 725.59 million (2009: Baht 662.84 million) reserved in accordance with the Ministry of Commerce regulations. Baht 117.85 million (2009: Baht 102.99 million) of this amount represents inventories covered by agreements for the sale and purchase of oil to maintain stipulated legal reserves, which the Company is committed to sell back to the sellers upon the expiry of the agreements.

## 12. Short-term loans to and interest receivable from unrelated party

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Short-term loans to and interest receivable from unrelated party	21,317,007	21,317,007	21,317,007	21,317,007
Less: Allowance for doubtful accounts	(21,317,007)	(21,317,007)	(21,317,007)	(21,317,007)
Short-term loans to and interest receivable from unrelated party - net	-	-	-	-

On 14 January 2006, the Company entered into a Petroleum Product Business Joint Venture Agreement with T.C.S. Oil Co., Ltd. (TCS) for the purpose of the joint oil business in Cambodia. The agreement is effective for a period of 15 years, expiring in 2020. The Company is obliged to provide fuel and a Baht 35 million loan to TCS. The loan is subject to fixed interest rate at 5% per annum and payable on a monthly basis. The repayment of loan principal is stipulated in the agreement. The Company will receive share of profit from the operating results of TCS, as specified in the agreement, upon receipt of full loan repayment.

As at 31 December 2010 and 2009, loan to TCS were long-outstanding more than one year, and the Company therefore ceased accrual of interest income and set aside allowance for doubtful accounts for the full amount of the short-term loans and interest receivable.

## 13. Long-term loan to unrelated party

This represents a loan to an unrelated party to repay debt on behalf of a client, who has transferred a title deed of land to the subsidiary as collateral. The subsidiary has entered into a contract to sell the land back to the client when the client has repaid all debt. The loan and its interest are scheduled to be repaid in 86 monthly installments of Baht 50,000 each, ending in December 2016.

## 14. Other current assets

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Prepaid excise tax	50,859,335	46,233,543	50,859,335	46,233,543
Excise tax refundable	-	2,973,461	-	2,973,461
Refund receivable from the Oil Stabilization Fund	14,074,307	85,239,888	14,074,307	85,239,888
Value added tax refundable	20,816,336	3,152,404	16,744,765	-
Prepaid corporate income tax	12,990,331	9,623,178	8,176,638	5,025,963
Advances for purchases of inventories	49,196,512	52,011,307	-	10,000,000
Prepaid expenses	21,904,973	14,961,436	10,108,564	8,434,853
Others	33,477,643	20,955,644	8,401,376	6,245,718
Total other current assets	203,319,437	235,150,861	108,364,985	164,153,426
Less: Allowance for doubtful accounts	(3,412,818)	(3,206,019)	(3,412,818)	(3,206,019)
Other current assets - net	199,906,619	231,944,842	104,952,167	160,947,407

Refund receivable from the Oil Stabilization Fund, amounting to Baht 14.07 million as at 31 December 2010 is compensation receivable from the Customs Department for diesel fuel B5 (2009: Baht 85.24 million).

## 15. Investments in subsidiaries

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

(Unit: Baht)

Company's name	Paid-up capital		Shareholding percentage		Cost		Dividend received during the year	
	2010	2009	2010	2009	2010	2009	2010	2009
			%	%				
Pure Biodiesel Co., Ltd.	Baht 280 million	Baht 200 million	100	100	279,999,200	279,999,200	-	-
Pure Sammakorn Development Co., Ltd.	Baht 225 million	Baht 101 million	51	51	114,749,599	51,382,099	-	-
Pure Thai Energy Co., Ltd.	Baht 100 million	Baht 50 million	100	100	99,994,300	49,999,300	-	-
SCT Petroleum Co., Ltd. and its subsidiaries	Baht 10 million	Baht 10 million	100	100	9,999,965	9,999,965	46,499,907	-
SCT Sahaphan Co., Ltd.	Baht 20 million	-	78	-	15,855,000	-	-	-
Total investments in subsidiaries					520,598,064	391,380,564	46,499,907	-

### **Pure Biodiesel Co., Ltd.**

PBC has received promotional privileges from the Board of Investment for the manufacture of bio-diesel, pursuant to the promotion certificate No. 1840(9)/2550 issued on 30 August 2007. Subject to certain imposed conditions, the privileges include an exemption from corporate income tax on net income from the promoted operations for a period of eight years from the date the promoted activity commenced generating revenues (from 12 January 2009 to 11 January 2017).

The PBC's operating revenues for the years 2010 and 2009 are below shown divided according to promoted and non-promoted operations.

(Unit: Baht)

	Promoted operations		Non-promoted operations		Total	
	2010	2009	2010	2009	2010	2009
Sales and services						
Domestic sales and services	962,320,483	954,817,770	49,338,831	16,226,695	1,011,659,314	971,044,465
Export sales	19,598,242	17,387,125	1,372,031	-	20,970,273	17,387,125
Total	981,918,725	972,204,895	50,710,862	16,226,695	1,032,629,587	988,431,590

### **Pure Sammakorn Development Co., Ltd.**

The Company's Board of Directors meeting, held on 24 February 2009, approved an increase in the Company's investment in Pure Sammakorn Development Co., Ltd. ("PSDC") (a subsidiary in which the Company has an equity interest of 51%), whereby that company's registered capital will increase from Baht 50 million to Baht 225 million through the issue of 1.75 million additional ordinary shares (par value of Baht 100 each) for offer in the same proportion to existing shareholders at Baht 100 per share, a total of Baht 175 million. The purpose of the increase in share capital is to provide funds for investment in new projects of the subsidiary. PSDC registered the increase of its capital with the Ministry of Commerce on 26 March 2009.

During 2009 and 2010, PSDC called up Baht 25.88 million and Baht 63.37 million, respectively, of the additional capital and the Company paid in this amount.

**Pure Thai Energy Co., Ltd.**

The Company's Board of Directors meeting, held on 22 December 2009, approved an increase in the Company's investment in Pure Thai Energy Co., Ltd. ("PTEC") (a subsidiary in which the Company has an equity interest of 100%), whereby that company's registered capital will increase from Baht 50 million to Baht 140 million through the issue of 0.9 million additional ordinary shares (par value of Baht 100 each) for offer at Baht 100 per share, a total of Baht 90 million. The purpose of the increase in share capital is to provide funds for use as working capital and to expand the subsidiary's gas station business.

PTEC called up the additional capital of Baht 49.99 million and the Company paid in this amount in January 2010. PTEC registered the increase of its capital with the Ministry of Commerce on 14 January 2010. As at 31 December 2010, the Company has commitments of Baht 40 million in respect of the uncalled portion of the investment.

**SCT Sahaphan Co., Ltd.**

On 1 March 2010, the Company purchased 25,500 shares (par value of Baht 100 per share) of SCT Sahaphan Co., Ltd. ("SAP"), equivalent to a 51% of total shares, from Pure Thai Energy Co., Ltd., a 100% held subsidiary of the Company, at a price of Baht 110 per share, or for a total of Baht 2.81 million. The purchase of the Company's investment was approved by the meeting of the Company's Board of Directors held on 18 February 2010.

The meeting of the Company's Board of Directors held on 18 February 2010 approved an increase in the Company's investment in SAP, whereby that company's registered capital will increase from Baht 5 million (50,000 ordinary shares of Baht 100 each) to Baht 20 million (200,000 ordinary shares of Baht 100 each) through the issue of 150,000 additional ordinary shares (par value of Baht 100 each) for offer to existing shareholders in proportion to their current holdings, at a price of Baht 100 per share. SAP registered the increase of its capital with the Ministry of Commerce on 12 April 2010.

In April 2010, SAP called up additional capital. The Company paid in share capital of Baht 7.65 million and purchased additional shares that the minority interest did not exercise rights to purchase, totaling Baht 5.40 million. As a result the Company's holding amounts to 78% of registered and paid-up share capital.

## RPC Energy Co., Ltd.

The Company's Board of Directors meeting, held on 10 August 2010, approved a resolution to establish RPC Energy Co., Ltd., a joint investment between the Company and Renewable Energy Co., Ltd, principally engaged in alternative energy production. The joint investment company is to have a registered capital of Baht 125 million (1.25 million ordinary shares with par value of Baht 100 each), with the Company holding 70%. As at 31 December 2010, such company is in the process of being established.

### 16. Investment in an associate

#### 16.1 Details of an associate:

(Unit: Baht)

Company's name	Nature of business	Country of incorporation	Shareholding percentage		Cost		Consolidated financial statements		Separate financial statements	
							Carrying amounts based on equity method		Carrying amounts based on cost method	
			2010	2009	2010	2009	2010	2009	2010	2009
			(%)	(%)						
Thai Good Petroleum Co., Ltd.	Distribution of lubricant oil	Hong Kong	31.67	31.67	3,174,900	3,174,900	2,569,030	2,488,476	3,174,900	3,174,900

#### 16.2 Share of loss and dividend received

During the years, the Company has recognised its share of loss from investment in associate in the consolidated financial statements and dividend income in the separate financial statements as follows:

(Unit: Baht)

Company's name	Consolidated financial statements		Separate financial statements	
	Share of loss from investment in an associate during the year		Dividend received during the year	
	2010	2009	2010	2009
Thai Good Petroleum Co., Ltd.	(1,396,824)	(686,424)	-	-

#### 16.3 Summarised financial information of associate

The financial information of the associated company, as prepared by its management, is summarised below.

(Unit: Thousand Baht)

Company's name	Paid-up capital as at 31 December		Total assets as at 31 December		Total liabilities as at 31 December		Total revenues for the years ended 31 December		Net loss for the years ended 31 December	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Thai Good Petroleum Co., Ltd.	10,026	10,026	8,609	8,103	544	260	2,818	104	(4,411)	(2,167)



## 17. Property, plant and equipment

(Unit: Baht)

### Consolidated financial statements

	Revaluation basis		Cost basis							Total
	Land	Factory buildings and factory building improvements	Machinery and factory equipment	Office buildings and office building improvements	Buildings for rent and improvements	Gas station equipment	Office furniture, fixture and equipment	Motor vehicles	Construction in progress	
<b>Cost/revalued amount</b>										
31 December 2009	173,457,199	176,185,095	1,933,829,768	156,200,790	79,958,206	58,757,492	83,676,584	197,848,306	66,778,880	2,926,692,320
Additions	-	-	291,718	-	12,215	4,829,623	3,551,124	7,720,192	350,759,140	367,164,012
Disposals	-	-	(74,460)	(26,476)	-	(67,369)	(3,884,254)	(1,760,225)	-	(5,812,784)
Transfers	-	462,000	66,271,267	6,165,362	275,763,214	7,739,979	12,840,083	37,123,104	(406,365,009)	-
31 December 2010	173,457,199	176,647,095	2,000,318,293	162,339,676	355,733,635	71,259,725	96,183,537	240,931,377	11,173,011	3,288,043,548
<b>Accumulated depreciation</b>										
31 December 2009	-	70,343,293	1,029,708,454	70,541,855	8,549,439	37,315,239	56,072,828	100,883,455	-	1,373,414,563
Depreciation for the year	-	7,117,470	82,682,125	16,628,187	5,955,273	10,685,023	12,856,450	28,167,495	-	164,092,023
Depreciation on disposals	-	-	(74,456)	(243)	-	(64,234)	(3,589,638)	(1,399,232)	-	(5,127,803)
31 December 2010	-	77,460,763	1,112,316,123	87,169,799	14,504,712	47,936,028	65,339,640	127,651,718	-	1,532,378,783
<b>Net book value</b>										
31 December 2009	173,457,199	105,841,802	904,121,314	85,658,935	71,408,767	21,442,253	27,603,756	96,964,851	66,778,880	1,553,277,757
31 December 2010	173,457,199	99,186,332	888,002,170	75,169,877	341,228,923	23,323,697	30,843,897	113,279,659	11,173,011	1,755,664,765
<b>Depreciation for the years</b>										
2009 (Baht 107.62 million included in manufacturing cost and cost of services, and the balance in administrative expenses)										143,614,525
2010 (Baht 123.41 million included in manufacturing cost and cost of services, and the balance in administrative expenses)										164,092,023

(Unit: Baht)

## Separate financial statements

	Revaluation basis			Cost basis				Total
	Land	Factory buildings and factory building improvements	Machinery and factory equipment	Office buildings and office building improvements	Office furniture, fixture and equipment	Motor vehicles	Construction in progress	
<b>Cost/revalued amount</b>								
31 December 2009	138,659,850	108,593,587	1,473,975,432	57,458,482	39,190,525	11,072,394	13,779,048	1,842,729,318
Additions	-	-	14,000	-	122,857	4,370,811	8,496,533	13,004,201
Disposals	-	-	(74,460)	-	(3,566,122)	(421,000)	-	(4,061,582)
Transfers	-	-	14,526,666	230,000	1,348,330	-	(16,104,996)	-
31 December 2010	138,659,850	108,593,587	1,488,441,638	57,688,482	37,095,590	15,022,205	6,170,585	1,851,671,937
<b>Accumulated depreciation</b>								
31 December 2009	-	66,650,573	999,962,060	30,969,449	31,872,850	2,518,256	-	1,131,973,188
Depreciation for the year	-	2,966,940	48,409,466	5,004,910	2,945,380	2,542,092	-	61,868,788
Depreciation on disposals	-	-	(74,456)	-	(3,393,024)	(131,604)	-	(3,599,084)
31 December 2010	-	69,617,513	1,048,297,070	35,974,359	31,425,206	4,928,744	-	1,190,242,892
<b>Net book value</b>								
31 December 2009	138,659,850	41,943,014	474,013,372	26,489,033	7,317,675	8,554,138	13,779,048	710,756,130
31 December 2010	138,659,850	38,976,074	440,144,568	21,714,123	5,670,384	10,093,461	6,170,585	661,429,045
<b>Depreciation for the years</b>								
2009 (Baht 48.3 million included in manufacturing cost, and the balance in administrative expenses)								58,866,064
2010 (Baht 52.0 million included in manufacturing cost, and the balance in administrative expenses)								61,868,788

During 2008, the Company and its subsidiaries arranged for an independent professional valuer to appraise the value of certain assets on an asset-by-asset basis. The revaluation was concluded on 4 December 2008 and the basis of the revaluation was as follows:

- a) Land and factory buildings were revalued using the market approach and the depreciated replacement cost approach, respectively.
- b) Machinery and factory equipment were revalued using the depreciated replacement cost approach.

The reappraised value of the land, factory buildings, machinery and factory equipment is Baht 260.8 million more than their carrying amount. The Company and its subsidiaries recognised the increase of asset value in equity under the heading of "Revaluation surplus on assets".

Had the land, factory buildings, machinery and factory equipment been carried in the financial statements based on historical cost, their net book values as of 31 December 2010 and 2009 would have been as follows:

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
Land	137,705,875	137,705,875	102,908,526	102,908,526
Factory buildings and improvement:	94,555,690	100,617,378	34,345,432	36,718,590
Machinery and factory equipment	711,971,595	707,362,110	264,113,992	277,254,168

As at 31 December 2010, the Company and its subsidiaries had vehicles under finance lease agreements with net book values amounting to Baht 80.64 million (2009: Baht 52.66 million), and in the separate financial statements of Baht 8.35 million (2009: Baht 6.02 million).

As at 31 December 2010, certain plant and equipment items of the Company and its subsidiaries have been fully depreciated but are still in use. The gross carrying amount (before deducting accumulated depreciation) of those assets amounted to Baht 195.53 million (2009: Baht 179.00 million) in the consolidated financial statements and Baht 91.35 million (2009: Baht 81.25 million) in the separate financial statements.

Pure Biodiesel Co., Ltd. has mortgaged its land with structures thereon and pledged machinery, with a total net book value as at 31 December 2010 of Baht 420.25 million (2009: Baht 449.72 million), as collateral to secure a bank credit facility.

Pure Sammakorn Development Co., Ltd. has mortgaged its land lease rights and construction with a net book value as at 31 December 2010 of Baht 341.23 million (2009: Baht 71.41 million), as collateral to secure a bank credit facility. Under the rental agreement, the subsidiary is committed to transfer the construction to the lessor upon the expiration of the agreement.

## 18. Intangible assets

(Unit: Baht)

	Consolidated financial statements		
	Software	Software under installation	Total
<b>Cost</b>			
1 January 2009	11,385,889	10,153,550	21,539,439
Additions	3,048,492	1,113,144	4,161,636
Transfers	9,519,891	(9,519,891)	-
31 December 2009	23,954,272	1,746,803	25,701,075
Additions	1,269,903	121,589	1,391,492
Transfers	1,868,392	(1,868,392)	-
31 December 2010	27,092,567	-	27,092,567
<b>Amortisation</b>			
1 January 2009	6,914,957	-	6,914,957
Amortisation	1,444,025	-	1,444,025
31 December 2009	8,358,982	-	8,358,982
Amortisation	2,749,057	-	2,749,057
31 December 2010	11,108,039	-	11,108,039
<b>Net book value</b>			
31 December 2009	15,595,290	1,746,803	17,342,093
31 December 2010	15,984,528	-	15,984,528

(Unit: Baht)

	Separate financial statements		
	Software under		Total
	Software	installation	
<b>Cost</b>			
1 January 2009	11,167,349	10,153,550	21,320,899
Additions	-	1,113,144	1,113,144
Disposals	(788,550)	-	(788,550)
Transfers	9,519,891	(9,519,891)	-
31 December 2009	19,898,690	1,746,803	21,645,493
Additions	-	121,589	121,589
Transfers	1,868,392	(1,868,392)	-
31 December 2010	21,767,082	-	21,767,082
<b>Amortisation</b>			
1 January 2009	6,907,556	-	6,907,556
Amortisation	1,081,431	-	1,081,431
31 December 2009	7,988,987	-	7,988,987
Amortisation	2,254,594	-	2,254,594
31 December 2010	10,243,581	-	10,243,581
<b>Net book value</b>			
31 December 2009	11,909,703	1,746,803	13,656,506
31 December 2010	11,523,501	-	11,523,501

**19. Other non-current assets**

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
The compensation for loss	26,711,581	26,711,581	26,711,581	26,711,581
Land and gas station leasehold rights	7,377,891	5,698,343	1,109,646	1,339,641
Prepaid expenses	5,562,857	4,309,283	-	-
Deposits	4,436,893	3,560,627	2,155,682	2,155,682
Long-term loan and interest receivable	1,352,588	1,352,588	1,352,588	1,352,588
Others	3,113,754	4,982,198	3,061,651	2,323,092
Total other non-current assets	48,555,564	46,614,620	34,391,148	33,882,584
Less: Allowance for doubtful accounts	(1,352,588)	(1,352,588)	(1,352,588)	(1,352,588)
Other non-current assets - net	47,202,976	45,262,032	33,038,560	32,529,996

The compensation for loss is the compensation receivable because, in the third quarter of 2006, a raw material supplier delivered raw materials of a quality different to that specified in the relevant purchase agreement, with characteristics that differed from those of deliveries made to the Company under the agreement in the past. Therefore, the Company had additional cost for product improvement and compensation amounting to Baht 136.45 million. Based on the negotiation with the supplier, the Company will receive compensation of Baht 52.7 million. The difference represents inventory loss as a result of continuous and substantial falls in the prices of inventories and raw materials (inventory loss). Since this loss was a result of global market conditions with neither the Company nor the supplier could avoid, the supplier requested that each part bear responsibility for its own share of the inventory loss. The Company therefore recorded the compensation for loss in full as a deduction against cost of sales in 2006. The partial balance of Baht 26 million was paid by a credit note in November 2006 and the supplier will inform the Company of the method in payment for the remaining Baht 26.71 million later.

## 20. Bank overdrafts and short-term loans from banks

(Unit: Baht)					
	Interest rate (% per annum)	Consolidated financial statements		Separate financial statements	
		2010	2009	2010	2009
Bank overdrafts	1.75	-	104,215	-	104,215
Short-term loans from banks	1.75 - 5.12	475,625,312	911,890,000	213,625,312	850,000,000
Total		475,625,312	911,994,215	213,625,312	850,104,215

The Company and its subsidiaries have overdraft and short-term loan facilities from various banks. Details of the facilities are as follows.

(Unit: Million Baht)			
	Secured by	Credit facilities which are not drawn down	
		2010	2009
The Company	Pledge of fixed deposits and factoring trade accounts receivable of the Company	2,130	1,568
Pure Biodiesel Co. Ltd. ("PBC")	Mortgage of PBC's land with existing and future structures thereon, pledge of the PBC's machinery and guaranteed by the Company	147	348
Pure Sammakorn Development Co., Ltd. ("PSDC")	Pledge of PSDC's land leasehold rights and the mortgage of the structures under PSDC's projects	31	31
SCT Petroleum Co., Ltd.	Guaranteed by the Company	10	-

## 21. Short-term loans from unrelated parties

These represent promissory notes which the Company and subsidiaries issued to another individual. The loans carry interest at the rates of 2.75% - 3.00% per annum (2009: 3.00% - 5.00% per annum) and are repayable within one year.

## 22. Long-term loans from banks

(Unit: Baht)

	Consolidated financial statements	
	2010	2009
Long-term loans from banks	357,633,914	283,307,978
Less: Current portion	(79,055,014)	(54,504,000)
Non-current portion	<u>278,578,900</u>	<u>228,803,978</u>

Movements in the long-term loans account during the year ended 31 December 2010 are summarised below.

(Unit: Baht)

	Consolidated financial statements
Balance as at 1 January 2010	283,307,978
Add: Received	128,829,936
Less: Repayment	<u>(54,504,000)</u>
Balance as at 31 December 2010	<u>357,633,914</u>

### Pure Sammakorn Development Co., Ltd.

- a) On 22 January 2007, Pure Sammakorn Development Co., Ltd. ("PSDC") entered into a credit facility agreement with a bank totaling Baht 55 million. The credit facilities consist of long-term loan amounted to Baht 45 million and a credit facility for overdraft and letter of guarantee amounted to Baht 10 million. This long-term loan carries interest at a rate no higher than Minimum Loan Rate (MLR) and repayable monthly. The principal is repayable in monthly installments of Baht 542,000, starting in February 2008 within 8 years (including grace period for principal repayment of 1 year).

- b) On 23 September 2009, PSDC entered into a Baht 255 million credit facility agreement with another bank. The credit facilities consist of a long-term loan amounting to Baht 250 million and an overdraft of Baht 5 million. The long-term loan carries interest at a rate no higher than MLR. Interest is to be paid monthly for the 18 months after the first drawn down (grace period for principal repayment), with principal and interest to be paid in monthly installments of not less than Baht 2.7 million for the first three years after the grace period, and not less than Baht 2.85 million in the fourth to the tenth years after the grace period. The loan and all interest are to be fully repaid within 11 years and 6 months after the first drawn down. PSDC made its first drawn down on the loan in December 2009.

The loan agreements contain normal covenants as specified in agreements pertaining to matters such as creating lien over assets and maintaining certain financial ratios according to the agreements.

The above credit facilities are secured by the pledge of the subsidiary's land lease right and the mortgage of the structures under the subsidiary's projects.

As at 31 December 2010, the outstanding balance of the loans amounted to Baht 169.63 million (2009: Baht 47.31 million).

As at 31 December 2010, the outstanding balance of credit facilities which are not drawn down is Baht 105.27 million (2009: Baht 234.10 million).

#### **Pure Biodiesel Co., Ltd.**

On 22 August 2007, Pure Biodiesel Co., Ltd. ("PBC") entered into a loan agreement with a local commercial bank granting a loan amounting to Baht 200 million for use in construction and the import of machinery for manufacturing of the bio-diesel project, on which interest is charged at a rate no higher than the Minimum Loan Rate and repayable monthly. The principal is repayable in quarterly installments of Baht 8 million from December 2008 until December 2013 and Baht 16 million from March 2014 onwards, and is to be repaid in full within June 2014.

On 30 September 2009, PBC entered into an additional loan agreement with the bank granting a loan amounting to Baht 80 million for use in improving the plant for its bio-diesel project and investment in machinery. Interest is charged on the loan at a rate no higher than the Minimum Loan Rate and repayable monthly, while principal is repayable in quarterly installments of Baht 4 million from December 2009 until September 2014.



The above loan agreements stipulate certain conditions as specified in agreements, such as that the Company's equity interest in the subsidiary must be not less than 51%, restrictions on the payment of dividends, creating lien over assets and covenants to maintain certain financial ratios according to the agreements.

The credit facilities are secured by the mortgage of the subsidiary's land with existing and future structures thereon and the pledge of the subsidiary's machinery.

As at 31 December 2010, the outstanding balance of the loans amounted to Baht 188.00 million (2009: Baht 236.00 million).

As at 31 December 2010 and 2009, PBC has no long-term credit facilities that it has yet to draw down.

### 23. Liabilities under finance leases

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Liabilities under finance leases	81,669,983	55,787,535	8,815,829	6,909,966
Less: Deferred interest expenses	(4,740,217)	(4,293,485)	(982,856)	(872,776)
Total	76,929,766	51,494,050	7,832,973	6,037,190
Less: Portion due within one year	(25,581,099)	(12,412,533)	(2,118,114)	(1,525,707)
Non-current portion	51,348,667	39,081,517	5,714,859	4,511,483

The Company and its subsidiaries entered into the finance lease agreements with leasing companies for rental of motor vehicles for use in their operations, whereby they are committed to pay rental on a monthly basis. The terms of the agreements are generally between 4 and 5 years.

As at 31 December 2010, future minimum lease payments required under the finance lease agreements were as follows:

(Unit: Baht)

	Consolidated financial statements		
	Less than 1 year	1 - 5 years	Total
Future minimum lease payments	28,019,255	53,650,728	81,669,983
Deferred interest expenses	(2,438,156)	(2,302,061)	(4,740,217)
Present value of future minimum lease payments	25,581,099	51,348,667	76,929,766

(Unit: Baht)

	Separate financial statements		
	Less than		
	1 year	1 - 5 years	Total
Future minimum lease payments	2,561,982	6,253,847	8,815,829
Deferred interest expenses	(443,868)	(538,988)	(982,856)
Present value of future minimum lease payments	2,118,114	5,714,859	7,832,973

**24. Other current liabilities**

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Advances received from customers	19,411,881	7,021,183	4,605,048	1,018,421
Accrued excise tax	79,317,119	102,267,280	79,317,119	102,267,280
Value added tax payable	7,365,213	16,191,254	-	16,191,254
Corporate income tax payable	3,543,839	1,964,289	-	-
Accrued expenses	14,595,899	24,798,610	2,716,025	14,476,903
Retention payable	18,197,462	5,765,055	-	-
Guarantee on goods purchases	16,866,172	-	16,866,172	-
Others	9,507,451	11,956,626	5,828,049	2,884,066
Total	168,805,036	169,964,297	109,332,413	136,837,924

**25. Long-term loans from unrelated parties**

This represents promissory notes which the Company issued to unrelated parties. The loans carry interest at a rate of 5.75% per annum and payable quarterly. The principals are to be repaid in full within September 2012.

**26. Share capital**

The Extraordinary General Meeting of the Company's shareholders No. 1/2010, held on 5 March 2010, approved the following resolutions.

- 1) Resell 46,706,900 of the Company's treasury shares, with the Board of Directors authorised to consider and specify the details of such sale, in compliance with the regulations of the Office of the Securities and Exchange Commission and related ministerial regulations. The offer price is to be not lower than 90% of the average market price of the 15 days prior to the date the Board of Directors pass a resolution approving the offer.

- 2) Increase the Company's registered capital from Baht 529.87 million (529.87 million ordinary shares of Baht 1 each) to Baht 802.87 million (802.87 million ordinary shares of Baht 1 each), through the issue of 273 million additional ordinary shares, with a par value of Baht 1 each. The offering will be through the issue of Taiwan Depositary Receipts (TDR) in Taiwan. This capital increase will commence after the completion of the resale of treasury shares and the offer price is to be not lower than 90% of the average market price of the 15 days prior to the date the Board of Directors pass a resolution specifying the details of this share allotment. The purpose of the increase in share capital is to provide funds to expand the Company's business and for use as working capital. The Company registered the increase of its capital with the Ministry of Commerce on 19 March 2010.

Reconciliation of number of ordinary shares

	(Unit: Shares)	
	2010	2009
<u>Registered share capital</u>		
Number of ordinary shares at the beginning of year	529,870,229	529,870,229
Registered capital increase	273,000,000	-
Number of ordinary shares at the end of year	802,870,229	529,870,229
<u>Issued and paid-up share capital</u>		
Number of ordinary shares at the beginning of year	529,870,229	529,870,229
Number of ordinary shares at the end of year	529,870,229	529,870,229

**27. Revaluation surplus**

This represents surplus arising from revaluation of land, factory buildings, machinery and factory equipment. The surplus is amortised to retained earnings on a straight-line basis over the remaining life of the related assets.

	(Unit: Baht)	
	Consolidated financial statements / Separate financial statements	
	2010	2009
Balance - beginning of year	237,734,952	259,057,363
Less: Amortised during the year	(21,322,411)	(21,322,411)
Balance - end of year	216,412,541	237,734,952

The revaluation surplus can neither be offset against deficit nor used for dividend payment.

## **28. Statutory reserve**

Pursuant to Section 116 of the Public Limited Companies Act B.E. 2535, the Company is required to set aside a statutory reserve at least 5% of its net income after deducting accumulated deficit brought forward (if any), until the reserve reaches 10% of the registered capital. The statutory reserve is not available for dividend distribution.

Under Section 1202 of the Thai Civil and Commercial Code, the subsidiaries are required to set aside a statutory reserve equal to at least 5% of its net income each time the subsidiaries pay out a dividend, until such reserve reaches 10% of their registered share capital. The statutory reserve can neither be offset against deficit nor used for dividend payment.

## **29. Treasury stock reserve**

Under the notification of the Office of the Securities and Exchange Commission No. Gor. Lor. Tor. Chor. Sor. (Wor.) 2/2548 and the notification of the Federation of Accounting Professions No. Sor. Sor. Wor. Bor. Chor. 016/2548 public companies buying back their own shares (treasury shares) must have retained earnings in an amount not less than the outstanding balance of the treasury shares, and if retained earnings are appropriated for dividend payment, the balance of retained earnings remaining after such payment must likewise be no less than the balance of the treasury shares. The Company proceeded in accordance with these guidelines and appropriated an amount of retained earnings to the treasury stock reserve equal to the amount paid to acquire the shares.

## **30. Treasury stock**

On 16 January 2008, a meeting of the Company's Board of Directors approved a resolution to repurchase the Company's shares, in order to manage excess liquidity. The details were as follows:

- a) The maximum budget for the share repurchase plan was Baht 220 million.
- b) The number of shares to be repurchased was not to exceed 52,987,022 shares at par value of Baht 1 per share, equal to 10% of the total issued shares.
- c) The period for the share repurchase was 1 February 2008 to 31 July 2008.

- d) The procedure and period for the resale of the shares would be determined by the Company's Board of Directors at least 6 months but not more than 3 years after the date of completion of the share repurchase (from 21 December 2008 to 21 June 2011). In the event, the Company did not or was unable to dispose of the repurchased shares within such period, the Company would reduce its capital by cancelling the remaining unsold shares.

The Company's Board of Directors meeting, held on 10 August 2010, approved a resolution to resell 46,706,900 treasury shares through a public offering at a resale price of Baht 2.55 per share. The price was in accordance with the basis to be used to determine the resale price approved by the Extraordinary General Meeting of the Company's shareholders No. 1/2010, held on 5 March 2010, as described in Note 26 to the financial statements.

In September 2010, the Company disposed all of 46.71 million treasury shares, with a cost of Baht 220.55 million, at a resale price of Baht 2.55 per share, or a total price of Baht 119.10 million. The Company realised a Baht 101.45 million loss on the sale of the shares and related selling expenses of Baht 5.51 million as a deduction against unappropriated retained earnings, and reversed treasury stock reserve to unappropriated retained earnings. The resale of the treasury shares was made through the Stock Exchange of Thailand.

Details of treasury stock were as follows:

	Consolidated financial statements/ Separate financial statements	
	2010	2009
Value of treasury stock (Baht)	-	220,549,808
Number of treasury shares (Shares)	-	46,706,900
Average cost per share (Baht)	-	4.72
The percentage of number of treasury shares to the share capital issued by the Company	-	8.81

### 31. Sales

Sales for the years ended 31 December 2010 and 2009 are as follows:

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Sales	20,043,072,120	15,558,102,365	16,286,139,884	13,019,949,947
Less: Oil sales back transactions	(498,579,190)	(201,263,800)	(498,579,190)	(201,263,800)
Sales - net	19,544,492,930	15,356,838,565	15,787,560,694	12,818,686,147

The Company entered into agreements to purchase oil from a number of other oil companies, in order to maintain stipulated legal reserves, with conditions that the Company must sell the oil back to those companies upon the expiry of the agreements and that the Company will be responsible for related expenses, such as insurance premium and oil storage tank rental fees. The Company recorded the oil sales back transactions as deductions from sales revenues in the income statement.

### 32. Other income

(Unit: Baht)

	Consolidated financial statements		Separate financial statements	
	2010	2009	2010	2009
Management fee income	-	-	14,340,494	71,470,723
Dividend income	-	-	46,499,907	-
Gain on reversal of impairment on investment in subsidiary	-	-	-	40,484,114
Gain on forward contracts to purchase and sell crude oil and oil products	-	5,734,106	-	5,734,106
Gain on exchange rate	11,861,451	1,099,255	11,513,622	1,099,255
Interest income	1,862,541	2,408,536	3,532,984	6,390,608
Other income	19,165,874	10,892,494	40,548,380	29,784,183
Total	32,889,866	20,134,391	116,435,387	154,962,989

### 33. Expenses by nature

Significant expenses by nature are as follows:

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	2010	2009	2010	2009
Salary, wages and other employee benefits	275,199,781	257,257,560	110,046,779	169,885,014
Depreciation	164,092,023	143,614,525	61,868,788	58,866,064
Raw materials and consumables used	11,827,940,730	9,436,051,551	10,963,887,646	8,483,194,429
Changes in finished goods	(248,066,716)	(196,594,576)	(233,956,588)	(115,009,875)
Cost of merchandise inventories	7,011,169,195	4,983,678,053	4,528,450,276	3,629,533,360

### 34. Corporate income tax

No corporate income tax was payable for the years 2010 and 2009 since the Company had tax loss brought forward from previous years over its net income for the years.

### 35. Basic earnings per share

Basic earnings per share is calculated by dividing the net income for the year by the weighted average number of ordinary shares held by outside shareholders in issue during the year, net off the treasury stock held by the Company.

### 36. Segment information

The Company and its subsidiaries' business operations involve two principal segments: (1) manufacturing and trading of fuel oil and petrochemical products and (2) manufacturing and trading of biodiesel products. These operations are mainly carried on in Thailand. Below is the consolidated financial information of the Company and its subsidiaries for the years ended 31 December 2010 and 2009 by segment.

(Unit: Million Baht)

	Manufacture and trading of fuel oil and petrochemical products		Manufacture and trading of biodiesel products		Other segments		Elimination of inter- segment revenues		Consolidation	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
Sales and services from external customers										
Domestic	15,805	13,202	635	615	140	94	-	-	16,580	13,911
Overseas	3,100	1,532	21	17	-	-	-	-	3,121	1,549
Total sales and services from external customers	18,905	14,734	656	632	140	94	-	-	19,701	15,460
Inter-segment sales and services	9,019	8,010	377	356	223	204	(9,619)	(8,570)	-	-
Total sales and services	27,924	22,744	1,033	988	363	298	(9,619)	(8,570)	19,701	15,460
Segment income (loss)	121	302	40	(10)	4	1	55	90	220	383
Unallocated income and expenses:										
Interest income									2	2
Other income									39	10
Share of loss from investment in an associate									(1)	(1)
Finance cost									(54)	(60)
Corporate income tax									(9)	(5)
Minority interest									3	4
Net income									200	333
Inventories	1,258	975	128	71	1	1	(6)	(1)	1,381	1,046
Property, plant and equipment	766	811	513	523	494	233	(17)	(14)	1,756	1,553
Other assets									1,227	1,114
Total assets									4,364	3,713



Transfer prices between business segments are as set out in Note 10 to the financial statements.

### 37. Provident fund

The Company, its subsidiaries and their employees have jointly established a provident fund in accordance with the Provident Fund Act B.E. 2530. Both the Company or its subsidiaries and employees contributed to the fund monthly at the rates of 5% - 10% of basic salary. The fund, which is managed by BBL Asset Management Company Limited, will be paid to employees upon termination in accordance with the fund rules. During the year 2010, the Company and its subsidiaries contributed Baht 10.72 million (2009: Baht 10.15 million) to the fund.

### 38. Dividend paid

Dividend of the Company which was declared in 2010 consist of the following.

		(Unit: Baht)	
Dividend	Approved by	Total dividends	Dividend per share
Interim dividend in respect of the income for the period as from 1 January 2010 to 30 September 2010	Board of Directors' meeting on 11 November 2010	42,378,138	0.08
Total dividend for 2010		42,378,138	0.08

### 39. Commitments and contingent liabilities

#### 39.1 Capital commitments

As at 31 December 2010, capital commitments of the Company and its subsidiaries totaling Baht 5.55 million (2009: Baht 4.74 million) were in respect of construction of community mall and the purchases of machinery and equipment.

#### 39.2 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 30 years.

As at 31 December 2010, future minimum payments required under these agreements were as follows.

	(Unit: Million Baht)	
Payable within	Consolidated financial statements	Separate financial statements
Less than 1 year	45.47	16.20
2 to 5 years	85.76	8.18
More than 5 years	186.73	9.12

### 39.3 Subcontracted work commitments

As at 31 December 2010, a subsidiary has outstanding commitments of Baht 0.36 million in respect of subcontracted work (2009: Baht 13.39 million).

### 39.4 Long-term purchase and sale commitments / 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 Aromatics and Refining Public Company Limited in a quantity and at a price stipulated in the agreement. The agreement has a primary period of 15 years ending 2012 and may be extended. 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 expiry of 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. 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 because the parties interpret the agreement differently. 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 to construct 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

renew automatically at the completion of the first 15-year term (Primary period). 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 condition of the agreement. On this basis, the Company is confident that the agreement cannot be terminated, while PTT has a different opinion. 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 with the Civil Court, demanding PTT comply with the agreement with no specified termination date.

At present, the commercial dispute and outstanding litigation are under formal arbitration proceedings and litigation. Their outcomes cannot be determined and depend on the future judicial process. Since PTT is the Company's major supplier, the outcomes may affect cost structure in the future. However, during the course of the arbitration proceedings and litigation, the Company and its subsidiaries continue their business as usual, with there being no impact on their operations.

- b) In November 2007, a subsidiary 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 in any case within 1 October 2008. The agreement can be extended for another 5 years.

As at 31 December 2010, PTTUT had yet to install the equipment and pipeline to supply steam to the subsidiary.

### **39.5 Financial advisory agreements commitment**

During 2010, the Company entered into financial advisory agreements to appoint two unrelated companies as its financial advisors for the purpose of allocating additional shares through an offering of Taiwan Depositary Receipts (TDR) in Taiwan. As at 31 December 2010, the Company had payment commitments under the service agreements of TWD 15 million, Baht 3 million and 2% of the value of the shares allocated.

### **39.6 Guarantees**

- a) As at 31 December 2010, there were outstanding bank guarantees of Baht 260.98 million (2009: Baht 274.82 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 255.00 million to guarantee payments due to creditors and Baht 5.98 million to guarantee electricity use, among others.
- b) The Company has guaranteed bank credit facilities of subsidiaries amounting to Baht 82 million (2009: Baht 60 million).
- c) The Company has issued a Baht 30 million (2009: nil) guarantee letter on behalf of Pure Biodiesel Co., Ltd. (the subsidiary) to secure payments due to a creditor of the subsidiary.

### **39.7 Litigation**

As at 31 December 2010, a subsidiary was defendant in a Baht 300,000 civil lawsuit involving breach of an oil purchase and sale contract. The court is still considering the case. The subsidiary's management believes that the subsidiary will not suffer losses as a result of this lawsuit, and accordingly no loss has been recorded in the financial statements.

## **40. Financial instruments**

### **40.1 Financial risk management**

The Company's and subsidiaries' financial instruments, as defined under Thai Accounting Standard No. 107 "Financial Instruments: Disclosure and Presentations", principally comprise cash and cash equivalents, trade accounts receivable and payable, short-term and long-term loans receivable, investments, and short-term and long-term loans payable. The financial risks associated with these financial instruments and how they are managed is described below.

### ***Credit risk***

The Company and subsidiaries are exposed to credit risk primarily with respect to trade accounts receivable, loans receivable, other receivables and notes receivable. The Company and subsidiaries manage the risk by adopting appropriate credit control policies and procedures and therefore do not expect to incur material financial losses. In addition, the Company and subsidiaries do not have high concentration of credit risk since they have a large customer base. The maximum exposure to credit risk is limited to the carrying amounts of trade accounts receivable, loans receivable, other receivables and notes receivable as stated in the balance sheets.

### ***Interest rate risk***

The Company's and subsidiaries' exposures to interest rate risk relate primarily to their deposits at banks, loans receivable, bank overdrafts, and loans payable with interest. However, since most of the Company and subsidiaries' financial assets and liabilities bear floating interest rates or fixed interest rates which are close to the market rate, the interest rate risk is expected to be minimal.

Significant financial assets and liabilities as at 31 December 2010 classified by type of interest rates are summarised in the table below, with those financial assets and liabilities that carry fixed interest rates further classified based on the maturity date, or the repricing date if this occurs before the maturity date.

	Fixed interest rates					Total	Average interest rate (% p.a.)
	Within		Over	Floating	Non-interest		
	1 year	1-5 years	5 years	interest rate	bearing		
	(Million Baht)						
Financial assets							
Cash and cash equivalents	20.00	-	-	114.89	68.49	203.38	0.10 - 1.90
Current investments	-	-	-	-	44.00	44.00	-
Trade accounts receivable	-	-	-	-	614.66	614.66	-
Amounts due from related parties	-	-	-	-	2.68	2.68	-
Short-term loans to related parties	-	-	-	1.50	-	1.50	6.25
Pledged deposits at banks	90.00	-	-	-	-	90.00	1.00 - 1.50
Long-term loan to unrelated party	0.43	2.59	-	-	-	3.02	5.89
Long-term loan to related party	0.41	1.36	-	-	-	1.77	4.50
	110.84	3.95	-	116.39	729.83	961.01	

	Fixed interest rates						
	Within		Over	Floating	Non-interest		Average
	1 year	1-5 years	5 years	interest rate	bearing	Total	interest rate
	(Million Baht)						(% p.a.)
<b>Financial liabilities</b>							
Bank overdrafts and short-term							
loans from banks	475.63	-	-	-	-	475.63	1.75 - 5.12
Trade accounts payable	-	-	-	-	1,407.75	1,407.75	-
Accounts payable - unrelated							
parties	-	-	-	-	48.96	48.96	-
Amounts due to related parties	-	-	-	-	0.83	0.83	-
Short-term loans from unrelated							
parties	2.59	-	-	-	-	2.59	2.75 - 3.00
Long-term loans from banks	-	-	-	357.63	-	357.63	Not exceed MLR
Liabilities under finance leases	25.58	51.35	-	-	-	76.93	2.88 - 7.60
Long-term loans from unrelated							
parties	-	24.00	-	-	-	24.00	5.75
Long-term loans from related							
parties	-	292.00	-	-	-	292.00	5.75
	503.80	367.35	-	357.63	1,457.54	2,686.32	

### **Foreign currency risk**

The Company's and subsidiaries' exposures to foreign currency risk arise mainly from trading transactions that are denominated in foreign currencies. The Company and subsidiaries reduce this risk by entering into forward exchange contracts when they consider appropriate. Generally, the forward contracts mature within one year.

The balances of financial assets and liabilities denominated in foreign currencies as at 31 December 2010 are summarised below.

Foreign currency	Financial assets	Financial liabilities	Average exchange rate as at 31 December 2010
	(Thousand)	(Thousand)	(Baht per 1 foreign currency unit)
US dollar	13,353	2,100	30.01 - 30.30

As at 31 December 2010, the Company had outstanding forward foreign currency contracts, maturing within three-month, to sell totaling USD 11.12 million (2009: nil). Applicable forward rates are Baht 30.00 - 30.19 per USD 1.

### ***Market risk***

The Company and its subsidiaries have risk exposure with respect to the market price of oil, which tends to fluctuate significantly. The Company manages the risk by controlling the production period in order to minimise the period between receiving raw materials and selling finished goods. In order to hedge the risk, the Company may enter into forward contracts to purchase and sell crude oil and oil products.

As at 31 December 2010, the Company does not have outstanding forward contracts to purchase and sell crude oil and oil products.

## **40.2 Fair values of financial instruments**

Since the majority of the Company and subsidiaries' financial instruments are short-term in nature, loans receivable and payable bear interest rates which are close to the market rate, their fair values are not expected to be materially different from the amounts presented in the balance sheets.

A fair value is the amount for which an asset can be exchanged or a liability settled between knowledgeable, willing parties in an arm's length transaction. The fair value is determined by reference to the market price of the financial instrument or by using an appropriate valuation technique, depending on the nature of the instrument.

## **41. Capital management**

The primary objective of the Company's capital management is to ensure that it has an appropriate financial structure and preserves the ability to continue its business as a going concern.

The Company manages its capital position with reference to its debt-to-equity ratio. According to the balance sheet as at 31 December 2010, the Group's debt-to-equity ratio was 1.97:1 (2009: 2.26:1) and the Company's was 1.46:1 (2009: 1.78:1).

No changes were made in the objectives, policies or processes during the years end 31 December 2010 and 2009.

#### 42. Subsequent events

On 25 February 2011, a meeting of the Company's Board of Directors passed a resolution to propose the payment of dividends from the 2010 results of its operations for approval by the 2011 Annual General Meeting of the shareholders. The proposed dividend was Baht 0.12 per share. Interim dividend of Baht 0.08 per share, or a total of Baht 42.38 million, was paid during 2010. The remaining dividend was Baht 0.04 per share, or a total of Baht 21.19 million.

#### 43. Reclassification

Certain amounts in the financial statements for the year ended 31 December 2009 have been reclassified to conform to the current year's classification but with no effect to previously reported net income or shareholders' equity. The reclassifications are as follows:

(Unit: Baht)

	Consolidated		Separate	
	financial statements		financial statements	
	As reclassified	As previously reported	As reclassified	As previously reported
Current portion of long-term loan to unrelated party	500,000	-	-	-
Long-term loan to unrelated party	2,900,000	-	-	-
Property, plant and equipment	1,553,277,757	1,556,988,896	-	-
Intangible assets	17,342,093	17,130,954	-	-
Other current liabilities	169,964,297	170,064,297	-	-
Service income	107,112,014	104,032,522	-	-
Other income	20,134,391	23,213,883	-	-

#### 44. Approval of financial statements

These financial statements were authorised for issue by the Company's Board of Directors on 25 February 2011.